

# दूरस्थ शिक्षा स्व-अध्ययन सामग्री



**Master of Business Administration (MBA) Ist Year**

**M-01**

**PRINCIPLES OF MANAGEMENT & ORGANIZATION BEHAVIOUR**

मध्यप्रदेश भोज (मुक्त) विश्वविद्यालय, भोपाल (म.प्र.)

**PRINCIPLES OF MANAGEMENT  
AND  
ORGANIZATION BEHAVIOUR**

M-01

**Madhya Pradesh Bhoj (Open) University, Bhopal (M.P.)**



**Printed & Published from the DEC Grant.**

© *Madhya Pradesh Bhoj (Open) University*

**All rights reserved. No part of this work may be reproduced in any form, by mimeograph or any other means, without permission in writing from the Madhya Pradesh Bhoj (Open) University.**

The views expressed in this SIM are that of the author(s) and not that of the MPBOU.

**MADHYA PRADESH BHOJ (OPEN) UNIVERSITY**

Raja Bhoj Marg (Kolar Raod) Bhopal - 462016. Tel: (0755) 2492095.

Fax: (0755)-2424640.

**email:** bedspc@rediffmail.com or bed@bhojvirtualuniversity.com

**website :** <http://www.bhojvirtualuniversity.com>

**Printed by : P Square Solutions** H-25, Site-B, Industrial Area, Mathura.

Quantity : 250

# Contents

## PART A

Chapter 1	Management Systems and Process	3
Chapter 2	Evolution of Management Thoughts	25
Chapter 3	Managerial Skills	59
Chapter 4	Social Responsibility of Management	73
Chapter 5	Managerial Planning	89
Chapter 6	Organizing and Organizational Structure, Line and Staff Conflicts	113
Chapter 7	Understanding and Managing Individual Behaviour	173
Chapter 8	Individual Decision Making and Problem Solving	191
Chapter 9	Understanding and Managing Group Processes	203
Chapter 10	Group Decision-Making	227

## PART B

Chapter 11	Values and Attitudes	239
Chapter 12	Learning	255
Chapter 13	Communication	269
Chapter 14	Meaning and Determinants of Organizational Behaviour	289
Chapter 15	Perception – Perceptual Process and Managerial Implications of Perception	309
Chapter 16	Personality	331
Chapter 17	Motivation Concepts and its Theories	347
Chapter 18	Organizational Conflicts and its Dimensions	361
Chapter 19	Inter-personal and Group Behaviour	373
Chapter 20	Leadership-Its Approaches and Styles	381
Chapter 21	Work Stress and Stress Management	395



# PART A

# CHAPTER **1** **MANAGEMENT SYSTEMS AND PROCESS**

## **OBJECTIVES**

- ❑ Define management and its nature
- ❑ Point out distinction between management and administration
- ❑ List various functions of management

## **STRUCTURE**

- ◆ Definition of Management
- ◆ Nature of Management
- ◆ Management – A Science and an Art
- ◆ Management – An Emerging Profession
- ◆ Management vs Administration
- ◆ Functions of Management
- ◆ Significance of Management



Management is applicable everywhere and has become the key to success in the modern world. Every organisation requires making of decisions, coordination of activities, handling of people and control of operation directed towards its objectives. Numerous activities have their specific types of management problems and are discussed under such headings as farm management, management of health delivery systems, school management, public enterprise management, marketing management, production or operations management and others. All have certain elements in common. This book summarises some of the essential concepts and techniques of management that are fundamental to various applications.

Change is an important feature of modern organisations which are managed as open systems. Significant changes take place frequently in the economic, technological, political and social environment of modern organisations. In order to keep pace with these changes, every organisation requires information from the external environment and ensure healthy organisation-environment interface. Certain recent changes such as revolution in information technology, liberalisation of economy, trend towards globalisation of economy, growth of multinational corporations, etc., have altered the relative opportunities for managers. To achieve success in managing, a manager must have a thorough knowledge of management concepts, principles and techniques and possess skills to deal with the environmental forces effectively.

### DEFINITION OF MANAGEMENT

It is very difficult to give a precise meaning of the term 'Management'. In the management literature, we find a large number of definitions of management given by different authors. However, the different viewpoints may be classified into the following categories, namely:

- (i) Management as an art of getting things done.
- (ii) Management as a process.
- (iii) Management as a group of managers.
- (iv) Management as a discipline

### Management as an Art of Getting Things Done

Mary Parker Follet defined management as "the art of getting things done through others". This definition emphasises that the managers achieve organisational objectives by getting work done through the workers. It represents the traditional view of management under which workers are treated as a factor of production only. This definition is incomplete in the present context. Its deficiencies are as follows:

- (1) This definition is vague as it does not identify the functions which a manager has to perform to get results from others.
- (2) It gives the impression of the manipulative character of the practice of management.
- (3) The employees are merely treated as means for getting results. In other words, their position is like a cog in the wheel. This definition ignores the needs of the workers and does not offer them human treatments.



The concept of getting things done through others further depicts that management is a sort of 'one-way' traffic. The workers are supposed to do whatever they are told and they have no say in the organisation. Such a view cannot be accepted, particularly when the employees are educated and have faith in democracy. Therefore, the employees should not be treated as mere commodity or means to achieve certain ends. Their needs and aspirations should be given proper consideration. They must be satisfied to ensure their maximum contribution for the realisation of organisational objectives.

Thus, management is certainly more than just getting things done through others. It may be viewed as a technique of getting things done through others by satisfying their needs and providing them opportunities for growth and advancement. It is appropriate to quote Harold Koontz who defined management as "the art of getting things done through and with people in formally organised groups. It is the art of creating an environment in which people can perform as individuals and yet cooperate towards attainment of group goals". Further, managing involves certain functions such as planning, organisation, staffing, leading and controlling.

### Management as a Process

According to McFarland, "Management is that process by which managers create, direct, maintain and operate purposive organisations through systematic, coordinated and cooperative human effort". This definition gives us an idea about what the managers do, though it does not lay down the exact nomenclatures of the various functions of management.

Henri Fayol viewed management as a process consisting of five functions which every manager performs. "To manage is to forecast and plan, to organise, to command, to coordinate, and to control". However, modern authors do not view coordination as a separate function of management. They consider it as the essence of managing.

The process of management involves the determination of objectives and putting them into action. In the words of George R. Terry, "Management is a distinct process consisting of activities of planning, organising, actuating and controlling, performed to determine and accomplish stated objectives with the use of human beings and other resources". This definition clearly identifies four functions of management. But modern trend is to classify managerial functions into five categories, viz., (i) planning, (ii) organising, (iii) staffing, (iv) directing (actuation or leading) and (v) controlling. As shown in Fig. 1.1, the six Ms, i.e., men and women (human resources), materials, machines, methods, money (capital) and markets are utilised by the management to produce the goods and services desired by the society.

The elements or functions of management are stated as follows:

- (i) **Planning:** It means determining the objectives of the unit or activity. It also involves deciding in advance as to what is to be done, how and when.
- (ii) **Organising:** It refers to identification of activities to be carried out, grouping of similar activities and creation of departments. Organisation also leads to creation of authority and responsibility relationships throughout the enterprise.



- (iii) **Staffing:** It involves manpower planning, employment of personnel and their training, appraisal, remuneration, etc.
- (iv) **Directing:** It is a very broad function concerned with the interpersonal relations. It includes communication with subordinates, providing them leadership and also motivating them.
- (v) **Controlling:** It refers to comparing the actual performance with the plans or standards. Corrective steps are taken when the actual performance is not up to the mark.

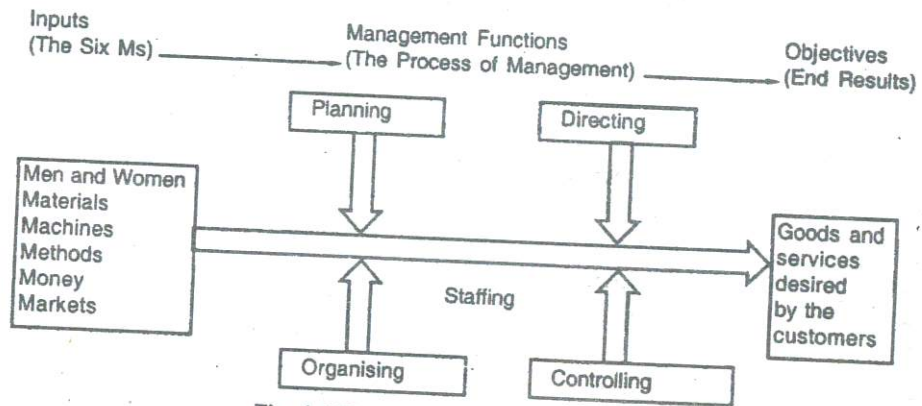


Fig. 1.1 The management process

### Why is Management called a Process

Management is called a process because it comprises a series of functions that lead to the achievement of certain objectives. As shown in Fig. 1.2, it is a continuous process consisting of planning, organising, staffing, directing and controlling. When a manager reaches the last step, viz., control, his job does not end here. He will again start with planning on the basis of his observations and experience and his projection about the future. One can't say that a manager will organise only when the job of planning is over or will direct only when the stage of organising is complete. In practice, a manager has to perform these functions simultaneously to achieve the desired objectives. Thus, management is a never-ending process.

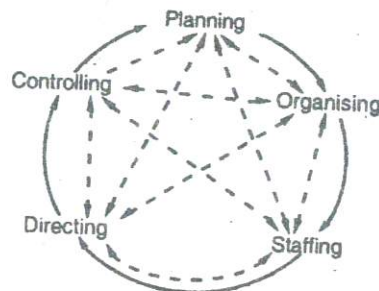


Fig. 1.2 Management as a continuous process

As a process, management has two broad features:

- (i) **Management as a Continuous Process:** It does not stop anywhere. When a manager reaches the last step, viz., control, his job does not end here. Actually, he will again start with planning on the basis of his past observations and experience alongwith his projection about the future.
- (ii) **The Functions of Management are Interdependent and Interrelated:** There is an interaction between the functions as shown by dotted arrows in Fig. 1.2. Moreover, in actual practice, there is no rigid sequence of the functions of management. Every manager has to perform these functions simultaneously to achieve the objectives of his unit.

### Management as a Group of Managers

The term 'management' is frequently used to denote a group of managerial personnel. When one says that 'management of this company is very efficient', it is implied that the persons who are looking after the affairs of the company are very efficient. Thus, management is the body or group of people which performs certain managerial functions for the accomplishment of predetermined goals. These people are individually known as 'managers'.

A manager is a person who performs the managerial functions of planning, organising, staffing, directing, and controlling. Since a manager performs the managerial functions, he is a member of the management. Used in this sense, management may be termed as the group of managerial personnel. But in practice, the term 'management' is used to denote the top management of the organisation. It is the top management which is concerned with goal determination, strategic planning, policy formulation and overall control of the organisation.

### Management as a Discipline

Management has been widely recognised as a discipline or field of study. It is taught as a specialised branch of knowledge in educational institutions. As a field of study, the subject includes management concepts, principles, techniques and skills. Management is a multi-disciplinary discipline. It has drawn heavily from Anthropology, Psychology, Sociology, etc. After obtaining a diploma or degree in management, a person can try for a managerial job.

Management is both an art and a science. The knowledge, skills, techniques and principles which managers use in managing are broadly referred to as the 'fields of management'. It is regarded as an art because the performance of managerial functions requires certain skills which are a personal possession. Management is recognised as a science because it has developed certain principles, generalisations and techniques which have more or less universal application. That is why, it is taught in universities and other institutions as a discipline. As a discipline, it consists of a specific body of knowledge which the students of management study. Thus, if one says that he is a student of management, it is obvious that he is studying a particular field of learning.



## NATURE OF MANAGEMENT

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

1. **Economic Resource:** Management is an important economic resource together with land, labour and capital. As industrialisation grows, the need for managers increases. Efficient management is the most critical input in the success of any organised group activity as it is the force which assembles and integrates other factors of production, namely, labour, capital and materials. Inputs of labour, capital and materials do not by themselves ensure production, they require the catalyst of management to produce goods and services required by the society. Thus, management is an essential ingredient of an organisation.
2. **Goal Oriented:** Management is a purposeful activity. It coordinates the efforts of workers to achieve the goals of the organisation. The success of management is measured by the extent to which the organisational goals are achieved. It is imperative that the organisational goals must be well defined and properly understood by the managers at various levels.
3. **Distinct Process:** Management is a distinct process consisting of such functions as planning, organising, staffing, directing, and controlling. These functions are so interwoven that it is not possible to lay down exactly the sequence of various functions or their relative significance. In essence, the process of management involves decision making and putting of decisions into practice.
4. **Integrative Force:** The essence of management is integration of human and other resources to achieve the desired objectives. All these resources are made available to those who manage. Managers apply knowledge, experience and management principles for getting the results from the workers by the use of non-human resources. Managers also seek to harmonise the individuals goals with the organisational goals for the smooth working of the organisation.
5. **Intangible Force:** Management has been called an unseen force. Its presence is evidenced by the result of its efforts - orderliness, informed employees, buoyant spirit and adequate work output. Thus, feeling of management is result-oriented. One may not see with the naked eyes the functioning of management but its results are apparently known. People often remark of the effectiveness (or ineffectiveness) of management on the basis of the end results, although, they can't observe it during operation.
6. **Results through Others:** The managers cannot do everything themselves. They must have the necessary ability and skills to get work accomplished through the efforts of others. They must motivate the subordinates for the accomplishment of the tasks assigned to them.
7. **A Science and an Art:** Management has an organised body of knowledge consisting of well defined concepts, principles and techniques which have wide applications. So it is treated as a science. The application of these concepts, principles and techniques requires specialised knowledge and skills on the part of the manager. Since the skills acquired by a manager are his personal possession, management is viewed as an art.



8. **System of Authority:** Management as a team of managers represents a system of authority or a hierarchy of command and control. Managers at different levels possess varying degrees of authority which gets gradually reduced as you go down in the hierarchy. Authority enables the managers to perform their functions effectively.
9. **Multidisciplinary Subject:** Management has grown as a field of study (i.e., discipline) taking the help of so many other disciplines such as Engineering, Anthropology, Sociology and Psychology. Much of the management literature is the result of the association of these disciplines. For instance, productivity orientation drew its inspiration from Industrial Engineering and human relations orientation from Psychology. Similarly, Sociology and Operations Research have also contributed to the development of management science.
10. **Universal Application:** Management is universal in character. The principles and techniques of management are equally applicable in the fields of business, education, military, government and hospital. Henri Fayol suggested that principles are working guidelines which are flexible and capable of adaptation by every organisation where the efforts of human beings are to be coordinated.

### MANAGEMENT – A SCIENCE AND AN ART

Management has come to be recognised as a science recently. Prior to this, the knowledge of the practices of management was not systematically organised and experience was the only way to acquire the skills of managing. But now management has been given the shape of an organised body of knowledge by the management practitioners and scholars. This organised body of knowledge has its own distinct boundaries and fields of activity. Its study helps in gaining a rational approach to the development of means for accomplishing certain goals. That is why, management is called a science.

#### As a Science

Science is a systematically organised body of knowledge based on proper findings and exact principles and is capable of verification. It is a reservoir of fundamental truths and its findings apply safely in all the situations. The generalisations are made on the basis of empirical studies and so they may be applicable in future also. Any subject which is scientifically developed and consists a subject should have the following characteristics:

- (i) It should have a systematised body of knowledge including concepts, principles and theories.
- (ii) It should have a method of scientific enquiry.
- (iii) It should establish cause and effect relationships.
- (iv) Its principles should be verifiable.
- (v) It should ensure predictable results.
- (vi) It should have universal application.



It can't be denied that management has a systematised body of knowledge pertaining to its field. But management is not as exact a science as other physical science like Astronomy, Physics, Chemistry, Biology, etc., are. The main reason for the inexactness of science of management is that it deals with the people and it is very difficult to predict their behaviour accurately. Since it is a social process, it falls in the area of "Social Sciences". Management is a universal phenomenon, but its theories and principles may produce different results in different situations. Management is a behavioural science. Its principles and theories are situation bound because of which their applicability does not necessarily lead to the same results every time. That is why, Earnest Dale has called management a 'soft' science.

### As an Art

Art is the bringing about a desired result through the application of skills. It is concerned with the application of knowledge and skills. If a science is learnt, an art is practised. Stated differently, science is to seek knowledge and art is to apply knowledge. Thus, an art has the following features:

- (i) It denotes personal skills in a particular field of human activity.
- (ii) It signifies practical knowledge.
- (iii) It helps in achieving concrete results.
- (iv) It is creative in nature.

Every manager has to apply certain knowledge and skills while dealing with the people to achieve the desired results. Management is one of the most creative arts as it requires a vast knowledge and certain innovating, initiating, implementing and integrating skills in relation to goals, resources, techniques and results. Welding and moulding the behaviour of people at work towards achievement of certain goals in a changing environment is an art of the highest order. As an art, management calls for a corpus of abilities, skills and judgement and a continuous practice of management concepts and principles.

A manager is an artist because he applies the knowledge gained from the study of science of management for managing human and other resources. A person cannot be called a manager if he does not have the skills to apply the knowledge of management. Thus, managing does involve the use of know-how and skills for the achievement of concrete results. Like any art, management is creative in the sense that managers create new concepts and practices for further improvement. The creative managers make things happen.

From the above discussion, we can say that management is both a science and an art. It is considered a science because it has an organised body of knowledge which contains certain universal truths. It is also called an art because managing requires certain skills which are the personal possession of the managers.

Science provides the knowledge about certain things and art teaches to do certain things by the application of knowledge and skills. For instance, a medical doctor acquires the knowledge in chemistry, biology and anatomy, but the knowledge does not make him a good physician. He has to apply his knowledge intelligently. His skill in perceiving how and when to use his knowledge is very important to make



him a good physician. Similarly, a manager to be successful must acquire the knowledge of science of management and also learn to apply this knowledge. A manager should be an applied scientist. He should possess not only specialised knowledge of management, but also the skill to put his knowledge into practice. Just as a doctor uses his knowledge to cure his patients, a manager should use his knowledge to solve the problems in managing men, materials, machines, methods and money.

It has been aptly remarked that management is the oldest of arts and youngest of sciences. Management is as old as the civilisation. But its emergence as a scientific field of enquiry is comparatively new.

### MANAGEMENT - AN EMERGING PROFESSION

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

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

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

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

- (i) **Specialised Knowledge:** There exists a rapid expanding body of knowledge underlying the field of management. Since the beginning of this century, many thinkers on management have contributed to the field of management. Now we have systematic body of knowledge that can be used for the development of managers. Management is widely taught in the universities and other educational institutions as a discipline.
- (ii) **Competent Application-Education and Training:** MBAs are generally preferred for managerial jobs, though MBA degree is not necessary to enter this profession. Persons with degree in psychology, engineering, etc., can also take up managerial jobs. Thus, there are no standard qualifications for managers.



- (iii) **Managerial Skills can't be Learnt by Trial and Error Method:** To be a successful manager, it is essential to acquire management skills through formal education and training. Many institutes of management have been functioning in India and other countries which offer MBA and other courses in management.
- (iv) **Professional Body:** For the regulation of any profession, the existence of a representative body is a must. For example, the Institute of Chartered Accountants of India lays down the standards of education and training for those who want to enter the accounting profession. Some organisations such as the Indian Management Association and the All India Management Association have been set up in India. But none of these have any legal authority to prescribe minimum qualifications for taking up managerial posts or to regulate the conduct of managers as is the case with the Medical Council of India and Bar Council of India.
- (v) **Self-Control or Code of Conduct:** Every profession must have a code of conduct which prescribes norms of professional ethics for its members. But there is no universally accepted code of conduct for the practising managers. The All India Management Association has prescribed a code for managers, but it has no power to take action against any manager who does not follow this code.
- (vi) **Social Responsibility:** Managers of today recognise their social responsibilities towards customers, workers and other groups. Their actions are influenced by social norms and values. That is why, managers enjoy a respectable position in the society as is the case with doctors, chartered accountants, etc.
- (vii) **Society's Approval:** The managers of modern organisations enjoy respect in the society. There is typically a positive correlation between a manager's rank and his status in the organisation where he is working. This status tends to affect the manager's status outside the organisation. Thus, community approves management as a profession.

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

- (i) Though management has a well defined body of knowledge, it is difficult to say whether management meets the criterion of competent application. It is not obligatory to possess specific qualifications for being appointed as a manager. But to practice law one has to be a graduate in the Laws. Similar is the position with the medical profession. Education and training in management are also getting importance day by day in the industrial world.
- (ii) There is no professional body to regulate the educational and training standards of the managers. For instance, there is Bar Council of India to regulate the legal profession. It is encouraging to note that management associations are growing fast throughout the world. It is expected that they will be able to develop norms of behaviour for the practicing managers.
- (iii) Management does not satisfy the test of self-controls as there is no central body to lay down and enforce professional standards and code of conduct for the managers. Thus, it may be concluded that management does not fulfil all the



requirements of a profession. Therefore, it can't be fully recognised as a profession. However, it is moving in that direction because:

- The field of management is supported by a well-defined body of knowledge that can be taught and learnt.
- Management of modern organisations requires competent application of management principles, techniques and skills. Thus, there is a great need of formal education and training in management. That is why, the demand for management degrees is increasing rapidly.
- Managers are aware of their social responsibilities towards various groups of the society. In their actions, they are guided by their social obligations rather than their personal interests.

### Professionalisation of Management in India

There is a strong case for professionalisation of management in India because of the following reasons:

- (i) Professionalisation will define the duties and responsibilities of managers precisely. This will help in laying down standards of education and training for future managers.
- (ii) Professionalisation would improve the quality of management education and training. More talented and dynamic young persons would be attracted to adopt management as a career.
- (iii) Professionalisation would help in regulating the conduct of professional managers. This would strengthen ethical practices by the organisations.
- (iv) Professionalisation of management would improve the status and prestige of managers. It would remove the impression that managers are interested only in maximising wealth of shareholders. They would be seen as catalyst of change in the economy.
- (v) Business environment in future will be more challenging because of technological innovations, abrupt changes in economic policies of the government, rise of multinational corporations and increasing consciousness on the part of consumers and workers. Only the professional managers would be able to meet such challenges.

Besides the above factors, two more factors have contributed to the move towards professionalisation of management in India. First, the growth of private sector has been faster than that of the business families controlling about three-fourth of the private sector. Secondly, the growth of the public sector has given an honourable place to the professional managers in the industrial enterprises run by the Government.

It has come to be realised in India that management is a key factor in the development of the economy. Social and economic transformation is taking place at a very rapid speed. The expectations of the people from the business have changed and they have found the ways to express their expectations. People and their elected representatives have made the business enterprises understand their social obligations. No business enterprise can perform its social obligations unless it is managed



by professional managers. Moreover, management of industrial enterprises has become a very complex job because of a number of factors including tough competition in the market, growth of trade union movement, increase in literacy level of the worker, and increasing participation of Government in business. All these factors have given way to the professionalisation of management in our country.

Formal education and training in management is being imparted to the students at various universities and institutes. The Institute of Chartered Management Association has also been established for the benchmarking of management education and development of future managers. The company form of business organisation has gained popularity. The divorce between management and ownership of companies has increased the need for professional managers. Even the owner-managed companies and other enterprises employ professional managers because of the specialised knowledge required in managing the different areas of business like production, finance, personnel, marketing, etc. In short, it can be said that professional status for management in India is assured because it will satisfy all the elements of a profession in the future. The society has also started recognising management as a profession.

It is a pity that management development programmes run by the so called management institutes have been very costly. Quite often, advertisements are inserted in newspapers and professional journals inviting the practising managers or executives to participate in such programmes. The fee is within the range of Rs 20,000/- to Rs 50,000/- for some programmes of four to five days which are conducted in five star hotels. Naturally, the participants are drawn from big organisations which pay for the expenses incurred by their employees in attending such programmes. It is difficult to say that the participants and their organisations are really benefited from the so called Executive Development Programmes. The 'five star culture' has evolved at the cost of the shareholders, workers and customers of big business houses in the name of professionalisation of management.

### MANAGEMENT vs ADMINISTRATION

There has been some controversy over the use of the terms 'management', 'administration' and 'organisation'. At the outset, it may be pointed out that organisation is a narrower term as compared to the management process. The organisation function of management deals with the division of work among individuals, creation of structure of relationship in terms of authority and responsibility and laying down the channels of communication.

A debate is very often raised as to whether or not there is a difference between 'management' and 'administration'. Conflicting views by various authors have led to some confusion over the use of these terms. American authors like Ordway Tead, Shulze, Oliver Sheldon and William Spriegel considered administration as a broader activity and management as a narrower activity. But British authors like Bench and Kimball and Kimball considered management wider than administration. The latest view is that there is no distinction between the two terms. Thus, the debate over the use of the terms management and administration has given rise to three viewpoints:

1. Administration is a higher level function concerned with the determination of policies whereas management with the implementation of policies.
2. Management is a generic term and includes administration.



3. There is no distinction between management and administration and both the terms are used interchangeably.
1. **Administration is a Higher-Level Function:** The first viewpoint considers administration as a determinative function and management as an executive function. William Newman, William R. Spriegel, Oliver Sheldon and Ordway Tead believe that administration involves the overall setting of major objectives, determination of policies, identifying of general purpose, laying down broad programmes, major projects and so forth. Management, according to them, refers essentially to the executive function, i.e., the active direction of human efforts with a view to getting things done. Thus, it could be said that administration, by and large, is more determinative, whereas management, by and large, is essentially executive.
2. **Management is a Generic Term:** The second viewpoint regards management as a generic term including administration. According to Brech, "Management is a social process entailing responsibility for the effective and economical planning and regulation of the operation of an enterprise in fulfilment of a given purpose. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans". Thus, Brech conceived administration as a part of management. Kimball and Kimball also subscribed to this view. According to these management scientists, 'management' is put at the same pedestal at which Spriegel, Oliver, Sheldon, Shulze and Ordway Tead have put 'Administration'. Thus, the first and the second viewpoints are exactly opposite to one another.
3. **Management and Administration are Synonymous Terms:** The modern viewpoint is that there is no distinction between the terms 'management' and 'administration'. Usage also provides no distinction between these terms. The term 'management' is used for higher executive functions like determination of policies, planning, organising, directing and controlling in the business circles while the term 'administration' is used for the same set of functions in the Government circles. So there is no difference between these two terms and they are often used interchangeably.

The distinction between management and administration may be of academic interest, but in practical life this distinction seems superfluous. Even if we accept the distinction made by Sheldon or Tead, it will be very difficult to demarcate between the so-called administrative and managerial functions because the same set of persons perform these functions.

In order to do away with the controversy, we can classify management into (i) administrative management, and (ii) operative management. Administrative management is primarily concerned with laying down policies and determination of goals whereas operative management is concerned with the implementation of the policies for the achievement of goals. But both these functions, i.e., framing of policies and executing them, are performed by the same set or group of individuals known as managers.

Fig. 1.3 shows that every manager spends a part of his time in performing adminis-

trative management functions and the remaining time on operative management functions. However, the managers who are higher up in the hierarchy devote more time on administrative functions. They are known as 'top management'. Top management devotes a major portion of its time in determination of objectives and laying down of policies. Managers at the lower levels in the hierarchy devote comparatively less time on administrative functions and they are concerned more with directing, coordinating and control functions of management for the achievement of organisational objectives. This approach of viewing the 'management' is more practical because we do not need two groups of people to discharge administrative and operative management functions. In fact, every manager performs all the managerial functions though emphasis is different at various levels.

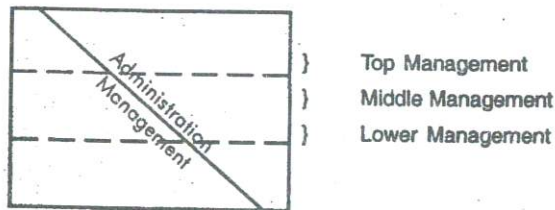


Fig. 1.3 Management and administration

#### BOX 1.1

#### Difference between Management and Administration

Basis	Management	Administration
1. Meaning	Management means getting the work done through and with others.	Administration is concerned with the formulation of objectives, plans and policies of the organisation.
2. Nature of Work	Management refers to execution of decisions. It is a doing function.	Administration relates to decision making. It is a thinking function.
3. Decision making	Management decides who shall implement the administrative decisions.	Administration determines what is to be done and when it is to be done.
4. Status	Management is relevant at lower levels of management.	Administration refers to higher levels of management.
5. Usage of Term	The term 'management' is widely used in business organisations in the private sector.	The term 'administration' is often associated with government offices, public sector and non-business organisations.

### FUNCTIONS OF MANAGEMENT

Management of a modern business enterprise is a complex process. It is very difficult to understand the real nature of this process without studying its various facets. In the process of managing, a manager performs various functions for the achievement of pre-determined objectives. Many authorities and scholars on management have discussed the functions of management. But there is no unanimity among them about the nomenclatures of the functions of management.



It was Henri Fayol who gave for the first time a functional definition of management. According to him, "To manage is to forecast and plan, to organise, to command, to coordinate and to control". Thus, Fayol analysed the following five functions of management: (i) Forecasting and planning, (ii) Organising, (iii) Commanding, (iv) Coordination, and (v) Control.

Ralph Davis classified managerial functions into three categories, viz., planning, organising and control. He was of the view that command and coordination facilitate control and, therefore, should be considered as parts of it. However, some authors argue that coordination is not a separate function as it is the essence of management.

Luther Gulik coined the word 'PODSCORB' to describe the functions of management. This word is made up of the initials of following functions, namely, (i) planning, (ii) organising, (iii) directing, (iv) staffing, (v) coordinating, (vi) reporting, and (vii) budgeting. Thus, we can say that there is no universally accepted classification of managerial functions. But at the same time, it is significant to note that though there is disagreement over the grouping and classification of management functions, there is general agreement that certain functions exist.

Joseph Massie prescribed a list of seven functions of management, namely, decision making, organising, staffing, planning, controlling, communicating and directing. G. R. Terry described managerial functions under four heads, which are: planning, organising, actuating, and controlling. Koontz and O'Donnell have adopted the following classification: planning, organising, staffing, directing and controlling. They have further said, "In practice, it is not always possible to place all managerial activities neatly into these categories since the functions tend to coalesce".

The basic reason for so many classifications of functions of management is that different authors discussed them by studying different organisations. Even if we accept any one of these classifications, it should be kept in mind that these functions are not independent and they frequently overlap each other. However, for the purpose of analysis of management process, we can divide the management functions into: (1) planning, (2) organising, (3) staffing, (4) directing and (5) controlling. These functions are briefly described below:

### (1) Planning

"Planning is a mental process requiring the use of intellectual faculties, foresight and sound judgement. It is the determination of a course of action to achieve the desired result". It is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formation of proposed activities believed necessary to achieve desired results. It involves deciding in advance what to do, when to do it, where to do it, how to do it and who is to do it and how the results are to be evaluated. Thus, planning denotes the systematic thinking about the ways and means for the accomplishment of predetermined objectives. Goals or objectives have to be clarified first before taking any other decision. Goals provide the basis for looking into the future and for evaluating the performance with the predetermined standards.

Planning bridges the gap between where we are to where we want to be. It is a pre-requisite to doing anything. Systematic planning is necessary for any business activity, otherwise it will be done in a haphazard manner. Proper planning is a must to ensure effective utilisation of human and non-human resources to achieve the desired goals. It has to be done at all levels of management. The process of planning involves the following steps:

- (i) determination of goals or objectives of the enterprise
- (ii) forecasting of future environment
- (iii) search of alternative courses of action
- (iv) evaluation of various alternatives and formulation of a plan
- (v) formulation of policies and procedures
- (vi) preparation of schedules, programmes, and budgets.

## (2) Organising

Organising is an important activity by which management brings together the human and material resources for the achievement of pre-determined objectives. Organisation helps in establishing relationships among the members of the enterprise. The relationships are created in terms of authority and responsibility. Each member in the organisation is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty.

In the words of Louis A. Allen, "Organisation involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organisational objectives". Thus, organising involves the determination of activities to be performed, grouping them and assigning them to various individuals and creating a structure of authority and responsibility among the individuals to achieve the organisational goals. Organisation involves the following steps:

- (i) Identification of activities required for the achievement of objectives and implementation of plans.
- (ii) Grouping of activities so as to create well defined jobs.
- (iii) Assignment of jobs to employees.
- (iv) Delegation of authority to subordinates.
- (v) Establishment of authority-responsibility relationships through out the organisation.

## (3) Staffing

The staffing function of management pertains to recruitment, selection, training, development, and appraisal of personnel. There is a controversy whether staffing is a function of every manager in the organisation as there is a specialising personnel department in every organisation. Since every manager is concerned with management of human resources, he must perform the staffing function. In fact, every manager is associated with the employment, training and appraisal of human resources.



The personnel department is set up to provide the necessary help to managers in performing their staffing or personnel function efficiently.

Some authors do not view staffing as a separate function of management. They argue that it is part of organising since it involves manning the positions created by organisation process. It is also viewed by some as a part of direction as staffing activities are closely related to leadership, communication and motivation. However, in this book, staffing has been taken as a distinct function in view of the need to employ right type of people and to train and develop them for the well-being of the organisation.

#### (4) Directing

The term 'directing' or 'direction' is generally used in every walk of life. It has got a wide interpretation these days. It is no more restricted to 'commanding' as viewed by Henri Fayol. In the words of Marshall, "Directing involves determining the course, giving orders and instructions and providing dynamic leadership". It relates to those activities which deal directly with influencing, guiding, supervising and motivating subordinates in their jobs. Thus, this function does not cease with mere issuance of directives. According to G.R. Terry, "Directing means moving to action and supplying stimulative power to group of persons". Thus, directing involves issuing instructions (or communication) to the subordinates, guiding, motivating and supervising them. These sub-functions of directing are discussed below:

- (a) **Communication:** Communication is the process of passing information and understanding from one person to another. This process is necessary for making the subordinates understand what the management expects from them. A manager has always to tell the subordinates what to do, how to do it and when to do it. He has to create an understanding in their minds with regard to these things. Communication is a two-way process. A manager to be successful must develop an effective system of communication so that he may issue instructions, receive the reactions of the subordinates, and guide and motivate them.
- (b) **Leadership:** A manager must perform the function of leadership if he is to guide the people effectively for the achievement of organisational objectives. Leadership may be defined as the process by which a manager guides and influences the behaviour of his subordinates. A manager must possess the leadership qualities if he has to get others to follow him and accept his directions. He should also build up confidence and zeal to work alongwith the subordinates.
- (c) **Motivation:** A manager can get the desired results from the people working in the organisation through proper stimulation or motivation. Motivation means inspiring the subordinates with a zeal to do work for the accomplishment of organisational objectives. Motivation of subordinates is necessary for getting voluntary cooperation of the subordinates. Different people are motivated by different types of rewards. The manager should study the behaviour of individuals working under him to provide them proper inducements. To some financial incentives are important while others are motivated by nonpecuniary incentives like job security, job enlargement, freedom to work and recognition by peers and management.

#### (5) Controlling

The function of controlling deals with the measurement and correction of the performance of subordinates against the pre-determined standards. E.F.L. Brech defined



control as the process of checking actual performance against the agreed standards with a view to ensuring satisfactory performance. Fayol viewed control as verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established. Controlling leads to taking corrective action if the results do not conform to plans.

The process of control involves the following steps:

- (i) **Establishment of Standards:** The management must establish standards with which the actual performance of the subordinates will be compared. The standards of performance should be laid down in unambiguous terms and should be understood by everyone in the establishment.
- (ii) **Measurement of Performance:** The actual performance of each unit and employee has to be measured in terms of quantity, quality, cost and time.
- (iii) **Appraisal of Performance:** The establishment of standards has no meaning unless they are used in actual practice. The management must provide for comparing the actual performance with the pre-established standards. The deviations from the standards should be recorded and brought to the knowledge of the management.
- (iv) **Taking Corrective Action:** When the deviations from the standards are reported to the management, it must take corrective action so that such deviations do not occur again. While taking corrective steps, management should also consider the improvement of plans and standards.

## SIGNIFICANCE OF MANAGEMENT

There is no substitute for management in modern organisations. As remarked by Peter F. Drucker, "Management is the dynamic, life-giving element in every business. Without it the resources of production remain resources and never become production". An organisation may have raw materials, machines, human resources and other factors, but these can't produce what satisfying products unless they are efficiently managed. Managers act as catalyst to make productive use of various resources for the accomplishment of organisational objectives.

Managing is an essential activity in every sphere of organised activity. The efficient management of human and physical resources is essential for the achievement of objectives of any group. Management pervades virtually every aspect of organised life. It is a process of taking certain decisions and putting them into action. Both these activities, i.e. deciding and doing, are very important in every field of life. The significance of management will be more clear by going through the following points:

1. **Determination of Objectives:** The objectives of any organisation are determined by the management. They are put into writing and communicated to all employees in the organisation. No organisation can succeed in its mission unless its objectives are identified and well defined.
2. **Achievement of Objectives:** Management is an important force for the accomplishment of the objectives of any group. The perfect coordination and integration of human and non-human resources is brought about by the management or



the individuals known as 'managers'. Managers reconcile the objectives of the enterprise and those of the individuals comprising it. They direct and coordinate the activities of individuals in the use of physical resources for the achievement of pre-determined goals.

Efficient management provides leadership to the business and helps in achieving its objectives. Managing is no more restricted to the mere exercise of authority; it also involves scientific thinking, deciding and thoughtful organisation, direction and control to ensure better results.

3. **Efficient Use of Resources:** The role of professional managers has increased these days. They can ensure the efficient use of various resources and increase the productivity of the enterprise. Thus, expert managers can lead the business towards growth and prosperity.
4. **Coordinated Human Efforts:** Management provides leadership and guidance to the workers. It also motivates them with the help of various incentive schemes. It reconciles their personal interests with the organisational objectives. This leads to better coordination among the human resources. This will improve the productivity of the organisation.
5. **Meeting Challenges:** Management is the brain of any enterprise. All the policy decision are taken by it. Management keeps itself in touch with the current environment and supplies foresight to the enterprise. It helps in predicting what is going to happen in future which will influence the working of the enterprise. It also takes steps to ensure that the enterprise is able to meet the demands of changing environment.
6. **Economic Development:** According to Peter Drucker, "Management is the crucial factor in economic and social development". The experience of India fully illustrates Drucker's viewpoint. Indian economic history prior to her independence clearly reveals that there was no lack of human and material resources in India, but certainly there was lack of managerial personnel who could exploit the material resources with the help of human resources.

The development of country is virtually dependent upon the quality of management of its resources. It is only efficient management which enables the developing nations to make better use of material and human resources for economic development. In fact, management is "the single most critical social activity in connection with economic progress. Physical, financial and manpower resources are by themselves only passive agents; they must be effectively combined and coordinated through sound and effective management if a country is to experience a substantial level of economic growth and development. A country can have sizeable natural and manpower resources including plentiful skilled labour and substantial capital but still be relatively poor because very few competent managers are available to put these resources efficiently together in the production and distribution of useful goods and services". In short, it can be said that management is the mover and development is a consequence.

## SUMMARY

It is very important to understand the systems framework in which an organisation operates. It is very useful concept for the understanding of business operations by identifying the critical sub-systems, their inter-linkages and inter-dependence for the achievement of common objectives. The basic processes common to every man-



agement situation are those of planning, organising, staffing, directing, and controlling. All these managerial functions are very important for the success of any organisation. They all are inter-dependent and inter-related. Managers must learn the art of using these functions to their advantage to attain the objectives of the organisation.

### REVIEW QUESTIONS

1. "Management is getting things done through other people". Is this definition adequate for the present day concept of management? Discuss fully.
2. "Management is the force which leads, guides and directs an organisation in the accomplishment of pre-determined objectives". Discuss and give suitable definition of management.
3. Explain the features that determine the nature of management.
4. There are many definitions of management which emphasise one or the other important aspect of management. Discuss and give various characteristics of management.
5. "Management is the effective utilisation of human and material resources to achieve the enterprise's objectives". Comment.
6. Is management a profession? Give arguments for your answer.
7. Clearly explain the concept and significance of management. Distinguish between management and administration.
8. Discuss the nature and scope of management. Is management a science or an art or both?
9. "Management is not a profession but is heading towards that direction". Do you agree with this statement? Give reasons in support of your answer.
10. "Management is the art of getting things done through people". Comment.
11. Describe the process of management and explain how it can be used to accomplish results in any organisation?
12. Distinguish between management and administration.
13. Explain the concept of management. Review in brief the main functions of management.
14. What are the functions of a manager? Is mere knowledge of management enough to become a successful manager?
15. 'To manage is to forecast and plan, to organise, to command, to coordinate and to control'. Discuss the statement.
16. Name the various functions which constitute the process of management and discuss each of them briefly.
17. "All organisations need management". Comment.
18. Discuss clearly the significance of management from the point of view of modern business operations.



23. Answer the following:

- (a) Enumerate the elements of management process.
- (b) Why is management called a science?
- (c) Distinguish between management and administration.

### SUGGESTED READINGS

- Brech, E.F.L., *Management - Its Nature and Significance*, Sir Issae Pitman & Sons, Ltd.
- Farmer, R.N. and Richman, B.M., *Comparative Management and Economic Progress*, Richard D. Irwin Inc., Homewood, Illinois.
- Harold Koontz and Cyril O'Donnell, *Management*, Mc-Graw-Hill Kogakusha, Ltd.
- Henri Fayol, *General and Industrial Administration*, Sir Issue Pitam & Sons.
- Marshall E. Dimock, *A Philosophy of Administration*, Harper and Row.
- McFarland, Dalton E., *Management Foundations and Practices*, The Macmillan Co.
- Paul E. Torgersen and Irwin T. Weinstock, *Management - An Integrated Approach*.
- Peter F. Drucker, *Management: Tasks, Responsibilities and Practices*, Heinemann.
- Sheldon Oliver, *The Philosophy of Management*, Sir Issae Pitman and Sons, Ltd.
- Spiegel, William R., *Principles of Business Organisation and Operation*, Prentice-Hall.
- Terry, George R., *Principles of Management*, Richard D. Irwin, Inc., Homewood, Illinois.

# CHAPTER 2 EVOLUTION OF MANAGEMENT THOUGHTS

## OBJECTIVES

- Differentiate between classical theory and neo-classical theory
- Discuss various approaches to management: Quantative, System, Contingency and Operational

## STRUCTURE

- ◆ Approaches to Management
- ◆ Classical Theory
- ◆ Scientific Management Approach
- ◆ Management Process or Administrative Management Approach
- ◆ Bureaucracy
- ◆ Neo-Classical Theory
- ◆ Behavioural Science Approach
- ◆ Quantitative Approach
- ◆ Systems Approach
- ◆ Contingency Approach
- ◆ Operational Approach
- ◆ Leading Management Thinkers



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

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

## APPROACHES TO MANAGEMENT

*(Schools of Management Thought)*

The growth of modern management techniques began with the industrial revolution in England during the 18th and 19th centuries. A series of inventions were made by the scientists like Hargreaves, Arkwright, Crompton, Kay and Cartwright. The important inventions include "Spinning jenny", "Water frame", "Mule", "Power loom" and "Machine lathe", which completely revolutionised the commerce and industry. These led to production on large scale and introduction of division of labour. Soon joint stock companies came into being which separated the ownership and management functions. There was a great need of persons who could manage big industrial enterprises.

The above development led to the emergence to different schools of thought of management. The divergent directions of management though have caused one management writer, Harold Kootz, to call the resulting array "the management theory jungle". However, for an easier understanding of the development of management thought, we can classify the different schools of management thought as follows:

1. Classical theory:
  - (a) Scientific Management Approach.
  - (b) Management Process of Administrative Management Approach.
  - (c) Bureaucratic Organisation Approach.
2. Neo-classical or Human Relations Approach.
3. Behavioural Science Approach.
4. Quantitative or Management Science Approach.



5. Systems Approach.
6. Contingency Approach.
7. Operational Approach.

Classical and neo-classical approaches constitute the 'traditional schools of management thought' and the other approaches are often termed as 'modern approaches'. These approaches are briefly discussed below:

### 1. Classical theory

The classical theory represents the traditionally accepted views about organisations. In a way, it signifies the beginning of the systematic study of organisations. That is why, it is said to be the oldest school of thought about organisation and their management. The classical theorists concentrated on organisation structure for the achievement of organisational goals and also developed certain principles of management. Many of the classical concepts and principles hold good even today. The classical thought can be studied under three streams, namely, (a) *Scientific Management*, (b) *Administrative Management or Management Process*, and (c) *Bureaucracy*.

F.W. Taylor insisted on application of scientific methods to the problem of management. His focus was on division of labour, fixing everybody; work for the day and functional foremanship. That is why, Taylor's scientific management has been referred to as "*machine theory*". It may be noted that scientific management group emphasised efficiency of lower levels of organisation. It was Henri Fayol who showed concern for efficiency at the higher levels for the first time. Fayol gave fourteen principles of management which he thought are universally applicable. Max Weber introduced 'bureaucracy' as a form of rational organisation. It is characterized by division of labour, specialisation, structure, impersonal relations, competence of personnel, etc.

### 2. Neo-Classical Theory or Human Relations Approach

The neo-classical writers tried to remove the deficiencies of the classical school and suggested recognition of the need of good human relations in the organisation. Their propositions are based on 'human relations studies' conducted at the Hawthorne Plant of General Electricals, U.S.A. That is why, they are also known as '*human relationists*'.

The human relations approach revealed the *importance of social and psychological factors in determining workers' productivity and satisfaction*. It was instrumental in creating a new image of man at the work-place. This approach put stress on communication, interpersonal relations and informal groups at the work-place.

### 3. Behavioural Science Approach

This approach emerged as a result of the contributions of psychologists, sociologists and anthropologists to the field of management. The behavioural science perspective believes that it is difficult to understand the sociology of a group separate from the psychology of the individuals comprising it and the anthropology of the culture within which it exists. Thus, the behavioural science are transactional; they are



concerned with all relevant aspect of human behaviour including the interactions among all important factors.

The behavioural science approach utilises methods and techniques of social science such as psychology, sociology, social psychology and anthropology of the study of human behaviour. Data is objectively collected and analysed by the social scientists to study various aspects of human behaviour. The pioneers of this school reasoned that in as much as managing involves getting things done with a through people, the study of management must be centred around people and their interpersonal relations. The behaviourists concentrated on *motivation, individual drives, group relations, leadership, group dynamics and so forth.*

#### 4. Quantitative or Management Science Approach

The quantitative or mathematical approach uses pertinent scientific tools for providing and quantitative basis for managerial decisions. The abiding belief of this approach is that *management problems can be expressed in terms of mathematical symbols and relationships.* The basic approach is the construction of a model because it is through this device that the problem is expressed in its basic relationships and in terms of selected objectives. The users of such models are known as management scientists.

The techniques commonly used for managerial decision-making include *Linear Programming, Critical Path Method (CPM), Programmes Evaluation Review Technique (PERT), Games Theory, Queuing Theory and Break-Even Analysis.* The application of such techniques helps in solving several problems of management such as inventory control, production control, price determination, etc.

#### 5. Systems Approach

The systems approach is based on the generalisation that *an organisation is an open system composed on inter-related and inter-dependent elements.* This approach lays emphasis on the parts of the system, the nature of their inter-dependency, goals set by the system and communication network in the system. Another basic feature of the system approach is that attention is paid towards the overall effectiveness of the systems rather than the effectiveness of individual subsystems. Further, an organisation is an *open system* which has continuous interface with the environment. The systems approach lays a great emphasis on the adaptability of the system to the requirements of external environment.

#### 6. Contingency Approach

This approach is concerned with the analysis of interaction of specific organisations with their external environment and the adoption of structure to meet the requirements of the situation. Underlying idea of this approach is that the internal functioning of organisations must be consistent with the demands of technology and external environment if the organisation is to be effective. This approach suggests that there is no one best way to handle any of the management problems and *there is no best organisational structure to suit all situations.* The application of management principles and practices should be contingent upon the existing circumstances. Functional, behaviour, quantitative and systems approaches should be applied situationally. The



organisation structure should be so designed that it enables the organisation to have healthy interaction with external environment.

### 7. Operational approach

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

### CLASSICAL THEORY

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

The classical writers thought of the organisation in terms of its purpose and formal structure. They placed emphasis on the planning of work, the technical requirements of the organisation, principles of management, and the assumption of rational and logical behaviour. Thus, the classical theorists dealt almost exclusively with the *anatomy of formal organisation*. Organisation is treated like a machine and its efficiency can be increased by making each individual working in the organisation efficient. For instance, F.W. Taylor<sup>4</sup> emphasised on division of labour, fixing everybody's work for the day and functional foremanship. That is why, Taylor's scientific management has been referred to as 'machine theory'

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

- (i) The classical theory laid emphasis on division of labour and specialisation, structure, scalar and functional processes and span of control. Thus, they concentrated on the anatomy of formal organisation.
- (ii) The classical theorists emphasis organisation structure for co-ordination of various activities. They ignored the role of human element.
- (iii) The classical theory ignored the impact of external environment on the working of the organisation. Thus, it treated organisations as closed systems.



- (iv) The efficiency of the organisation can be increased by making each individual efficient.
- (v) The integration of the organisation is achieved through the authority and control of the central mechanism. Thus, it is based on centralisation of authority.
- (vi) There is no conflict between the individuals and the organisation. In case of any conflict, the interests of the organisation should prevail.
- (vii) The people at work could be motivated by the economic rewards as they were supposed to be 'rational economic persons'.

### Appraisal of Classical Theory

The fundamental objections against the classical theory are discussed below:

1. **Narrow View of Organisation:** The value of classical theory is limited by its narrow concentration on the *anatomy of formal organisation*. In order to achieve rationality, the classical writers ignored the human relations aspect. The interplay of individual personality, informal groups and inter organisational conflicts in the formal organisation were neglected. It is said that the focus of classical theory is on '*organisation without people*'.
2. **Assumption of Closed System:** Classical theorists viewed organisation as a closed system, *i.e.*, having no interaction with environment. This assumption is totally unrealistic. A modern organisation is an open system which has continuous interaction with the environment through the exchange of inputs and outputs and various types of information.
3. **Assumptions about Human Behaviour:** The human being were treated like any other factor of production. They were supposed to obey their superiors. The classical writers ignored the social, psychological and motivational aspects of human behaviour.
4. **Economic Rewards as Main Motivators:** The assumption that people at work can be motivated solely through economic rewards is also wrong. Several researches in human behaviour have contradicted this assumption. Non-monetary factors like better status and job enrichment can also motivate the workers.
5. **Lack of Empirical Verification:** The classical principles are mostly based on the personal experiences and limited observations of the practitioners. They are not based on-empirical research. They lack precision and comprehensive framework for analysis. Moreover, it is not clear whether these principles are action recommendations or simply definitions.
6. **Lack of Universality of Principles:** Classical theorists claimed that their principles have universal application. This suggests that the same principles can be applied in : (i) different organisations, (ii) different management levels in the same organisation, and (iii) different functions of the same organisation. The empirical researches, however, suggest that none of the principles has such characteristics. Moreover, there are many of the principles which contradict with other principles. For example, principle of specialisation is quite in conflict with the principle of unity of command.



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

### SCIENTIFIC MANAGEMENT APPROACH

The impetus for the scientific management approach came from the first industrial revolution. Because it brought about such an extraordinary mechanisation of industry, this revolution necessitated the development of new management principles and practices. The main contributors to scientific management were Frederick W. Taylor, Henry L. Gantt, Frank Gilbreth, Lillian Gilbreth and Harrington Emerson.

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

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

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

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

- (i) all out efforts for increase in production;
- (ii) creation of the spirit of mutual trust and confidence; and
- (iii) inculcating and developing the scientific attitude towards problems.



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

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

Thus, Taylor stood for creating a mental revolution on the part of management and workers. It is to be noted that Taylor's thinking was confined to management at the shop level. However, he demonstrated the possibility and significance of the scientific analysis of the various aspects of management. To put the philosophy of scientific management into practice, Taylor and his associates suggested the following techniques:

- (i) Scientific task setting to determine a fair days; work.
- (ii) Work study to simplify work and increase efficiency. This involves methods study, time study and motion study.
- (iii) Standardisation of materials, tools equipment, costing system, etc.
- (iv) Scientific selection and training of workers.
- (v) Differential piece-wage plan to reward the highly efficient workers.
- (vi) Specialisation in planning and operations through 'functional foremanship'. Foremen in the planning department include: route clerk, instruction card clear, time and cost clerk and shop disciplinarian and those in the operations department include: gang boss, speed boss, repair boss and inspector.
- (vii) Elimination of wastes and rationalisation of system of control.

### **Criticism of Scientific Management**

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

1. The use of the word 'Scientific' before 'Management' was objected because what is actually meant by scientific management is nothing but a scientific approach to management.
2. It was argued that the principles of scientific management as advocated by a Taylor were confined mostly to production management. He ignored certain other essential aspects of management like finance, marketing, accounting and personnel.



3. Taylor advocated the concept of functional foremanship to bring about specialisation in the organisation. But this is not feasible in practice as a worker can't carry out instructions from eight foremen.
4. Scientific management is production-centred as it concentrates too much on the technical aspects of work and undermines the human factor in industry. It resulted in monotony of job, loss of initiative, overspeeding workers, wage reductions, job insecurity, etc.
5. Scientific management is based upon the assumption that workers are 'rational economic beings'. They are treated as mere extensions of machines devoid of any feelings and emotions. They can be made to work through monetary incentives and exercise of authority. Scientific management, thus, ignores the social and psychological needs of workers.
6. Trade unionists regarded the principles of scientific management as the means to exploit labour because the wages of the workers were not increased in direct proportion to productivity increases.

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

### MANAGEMENT PROCESS OR ADMINISTRATIVE MANAGEMENT APPROACH

The advocates of this school perceive management as a process involving certain functions such as planning, organising, directing and controlling. That is why, it is also called the 'functional' approach. Henri Fayol is regarded as the father of this schools. Henri Fayol defined management in terms of certain functions and then laid down fourteen principles of management which according to him have universal applicability.

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

Fayol began by classifying all operations in business in business organisations under the following six categories:

- (i) technical (production);
- (ii) commercial (purchases and sales);



- (iii) financial (funding and controlling capital);
- (iv) security (protection);
- (v) accounting (balance sheet, costing records); and
- (vi) administrative or managerial (planning, organising, commanding, coordinating and controlling).

Fayol pointed out that managerial activity deserved more attention. In his view, management is the process composed of five elements or functions: planning, organising, commanding, coordination and control. Fayol observed:

- (i) to plan means to study the future and arrange the plan of operation;
- (ii) to organise means to build up the material and human organisation of the business;
- (iii) to command means to make the staff do their work;
- (iv) to coordinate means to unite all activities; and
- (v) to control means to see that everything is done in accordance with the standards that have been laid down and the instructions given.

Fayol completed his theory by stating that to be effective, management should be based on the following fourteen principles:

1. Division of work,
2. Authority and responsibility,
3. Discipline,
4. Unity of command,
5. Unity of direction,
6. Subordination of individual interest to the general interest,
7. Remuneration,
8. Centralisation,
9. Scalar chain,
10. Order,
11. Equity,
12. Stability,
13. Initiative, and
14. Esprit de corps (union is strength).

It is significant to point that Fayol used the word 'principle' only for convenience. He did not consider them immutable laws. However, he thought that the principles would be useful to all types of group activity. Thus, he was a universalist in this sense. His theory of management completely revolutionised the thinking of managers as throughout his treatise, there exists an understanding of the universality of the principles. Some of these principles were amplified later on by the writers like Sheldon, Urwick, Mooney and Barnard. Oliver Sheldon wrote '*The Philosophy of Management*' in which he advocated social responsibility of management. Mooney and Reiley

published their views on management under the title '*The Principles of Organisation*'. Chester I. Barnard wrote '*The Functions of the Executive*' which discusses the major functions of the manager and also lays down the importance of communication in management.

### Criticism of Process of Functional Approach

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

- (i) There is no single classification of managerial functions acceptable to all the functional theorists. There is also lack of unanimity about the various terms such as management and administration, commanding and directing, etc.
- (ii) The functionalists considered their principles to be universal in nature. But many of the principles have failed to deliver the desired results in certain situations.
- (iii) The functional theorists did not consider the external environment of business.
- (iv) Fayol overemphasized the intellectual side of management. He felt that management should be formally taught, but he did not elaborate the nature and contents of management education.

### BUREAUCRACY

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

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

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

- (i) **Division of Work:** There is a high degree of division of work at both the operative and administrative levels. This leads to specialisation of work.
- (ii) **Hierarchy of Positions:** There is a hierarchy of authority in the organisation. Each lower position is under the control of a higher one. Thus, there is unity of command. The bureaucratic structure is hierarchical in nature. It is like a pyramid in which quantity of authority increases as one moves up the ladder in the organisation.



- (iii) **Rules and Regulations:** The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:
- (a) They standardize operations and decisions.
  - (b) They serve as receptacles of past learning.
  - (c) They protect incumbents and ensure equality of treatment.
- (iv) **Impersonal Conduct:** There is impersonality of relationships among the organisational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure.
- (v) **Staffing:** The personnel are employed by a contractual relationship between the employee and employer. The tenure of service is governed by the rules and regulations of the organisation. The employees get a salary every month which is based on the job they handle and also the length of service.
- (vi) **Technical Competence:** The bureaucrats are neither elected nor inherited, but they are appointed through selection and the basis of selection is their technical competence. Promotions in bureaucracies are also based on technical qualifications and performance.
- (vii) **Official Records:** The administration of a bureaucratic organisation is supported by an efficient system of record-keeping. The decisions and activities of the organisation are formally recorded and preserved safely for future reference. This is made possible by an extensive filing system. The filing system makes the organisation independent of individuals. The official records serve as the memory of the organisation.

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

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

### Criticism of Bureaucracy

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

- (i) The rules may be followed in letter and not in spirit. Thus, instead of providing guidelines, the rules may become source of inefficiency. The rules may be misused



or misinterpreted by the persons concerned with the implementation of rules. Red tapism and technicalism may follow as a result.

- (ii) Bureaucracy does not consider informal organisation and inter-personal difficulties.
- (iii) Bureaucracy discourages innovation because every employee is supposed to act as per rules and regulations or to the secondary goals.
- (iv) Goal displacement may take place in a bureaucratic organisation. The bureaucrats may give priority to rules and regulations or to the secondary goals.
- (v) The bureaucratic structure is tall consisting of several layers of executives. Thus, communication from the top level to the lowest level will take a very long time.

## NEO-CLASSICAL THEORY

*(Human Relations Approach)*

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

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

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

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

- (i) The business organisation is a social system.
- (ii) The behaviour of an individual is dominated by the informal group of which he is a member.
- (iii) An individual employee cannot be motivated by economic incentives alone. His social and psychological needs must be satisfied to improve the level of motivation.
- (iv) In an organisation, it is ultimately cooperative attitude and not the more command which yields result.



- (v) Management must aim at developing social and leadership skills in addition to technical skills. It must take interest in the welfare of workers.
- (vi) Morale and productivity go hand in hand in an organisation.

### Hawthorne Studies

In 1927, a group of researchers led by George Elton Mayo and Fritz J. Roethlisberger at the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western Electric Company, Chicago. The experiment lasted upto 1932. Earlier, from 1924 to 1927, the National Research Council made a study in collaboration with the Western Electric Company to determine the effect of illumination and other conditions upon workers and their productivity.

- (i) **Illumination Experiment:** This experiment was conducted to establish relationship between output and illumination. The output tended to increase every time as the intensity of light was improved. But the output again showed an upward trend when the illumination was brought down gradually from the normal level. Thus, it was found that there is no consistent relationship between output of workers and illumination in the factory. There were some other factors which influenced the productivity of workers when the intensity of light was increased or decreased.
- (ii) **Relay Assembly Room Experiment:** In this experiment, a small homogeneous work-group of girls was constituted. Several new elements were introduced in the work atmosphere of this group. These included shorter working hours, rest pauses, improved physical conditions, friendly and informal supervision, free social interaction among group members, etc. Productivity and morale increased considerably during the period of the experiment. Morale and productivity were maintained even if improvements in working conditions were withdrawn. The researches concluded that *socio-psychological factors* such as feeling of being important, recognition, attention, participation, cohesive work-group, and non-directive supervision held the key for higher productivity.
- (iii) **Bank Wiring Observation Room Experiment:** This experiment was conducted to study a group of workers under conditions which were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. There were no significant changes in the two because of the maintenance of 'normal conditions'. However, existence of informal cliques in the group and informal production norms were observed by the researchers.

The Bank Wiring Experiment led to the following observations:

- (1) Each individual was restricting output.
- (2) The group had its own "unofficial" standards of performance.
- (3) Individual output remained fairly constant over a period of time.
- (4) Departmental records were distorted due to differences between actual and reported output or between standard and reported working time.

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

### Contributions of Human Relations Approach or Hawthorne Studies

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

1. **Social System:** The organisation in general is a social system composed of numerous interacting parts. The social system defines individual roles and establishes norms that may differ from those of the formal organisation. The workers follow a social norm determined by their co-workers, which defines the proper amount of work, rather than try to achieve the targets management thinks they can achieve, even though this would have helped them to earn as much as they physically can.
2. **Social Environment:** The social environment on the job affects the workers and is also affected by them. Management is not the only variable. Social and psychological factors exercise a great influence on the behaviour of workers. Therefore, every manager should adopt a sound human approach to all organisational problems.
3. **Informal Organisation:** The informal organisation does also exist within the frame work of formal organisation and it affects and is affected by the formal organisation.
4. **Group Dynamics:** At the workplace, the workers often do not act or react as individuals but as members of groups. The group determines the norms of behaviour for the group members and thus exercises a powerful influence on the attitudes and performance of individual workers. The management should deal with workers as members of work group rather than as individuals.
5. **Informal Leader:** There is an emergence of informal leadership as against formal leadership and the informal leader sets and enforces group norms. He helps the workers to function as a social group and the formal leader is rendered ineffective unless he conforms to the norms of the group which he is supposed to incharge.
6. **Communication:** Two-way communication is necessary because it carries necessary information downward for the proper functioning of the organisation and transmits upward the feelings and sentiments of people who work in the organisation. It will help in securing workers' cooperation and participation in the decision-making process. Workers tend to be more productive when they are given the opportunity to express their feelings, opinions and grievances. This also given them psychological satisfaction.



7. **Non-economic Rewards:** Money is only one of the motivators, but not the sole motivator of human behaviour. The social and psychological needs of the workers are very strong. So non-economic rewards such as praise, status, interpersonal relations, etc. play an important role in motivating the employees. Such rewards must be integrated with the wages and fringe benefits of the employees.
8. **Conflicts:** There may arise conflicts between the organisational goals and group goals. Conflicts will harm the interest of workers if they are not handled properly. Conflicts can be resolved through improvement of human relations in the organisation.

### Criticism of Human Relations Approach

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

- (i) **Lack of Scientific Validity:** The human relationists drew conclusions from Hawthorne studies. These conclusions are based on clinical insight rather than on scientific evidence. The groups chosen for study were not representative in character. The findings based upon temporary groups do not apply to groups that have continuing relationship with one another. Moreover, the experiments focussed on operative employees only.
- (ii) **Over-emphasis on Group:** The human relations approach over-emphasises the group and group decision-making. But in practice, groups may create problems for the management and collective decision-making may not be possible.
- (iii) **Over-stretching of Human Relations:** It is assumed that all organisational problems are amenable to solutions through human relations. This assumption does not hold good in practice. The satisfied workers may not be more productive workers.
- (iv) **Limited Focus on Work:** The human relations approach lacks adequate focus on work. It puts all the emphasis on interpersonal relations and on the informal group. It tends to overemphasize the psychological aspects at the cost of the structural and technical aspects.
- (v) **Over-stress on Socio-psychological Factors:** The human relations approach undermines the role of economic incentives in motivation and gives excessive stress on social and psychological factors. If the wages are too low, the employees will feel dissatisfied despite good inter-personal relations at the workplace. Thus, it may be said that the human relations approach seeks to exploit the sentiments of employees for the benefit of the organisation.
- (vi) **Conflict between Organisational and Individual Goals:** It view conflict between the goal of the organisation and those of individuals as destructive. The positive aspect of conflicts such as overcoming weaknesses and generation of innovative ideas are ignored.

### BEHAVIOURAL SCIENCE APPROACH

Under behavioural science approach, the knowledge drawn from behavioural science, namely, psychology, sociology and anthropology, is applied to explain and predict



human behaviour. It focusses on human behaviour in organisations and seeks to promote verifiable propositions for scientific understanding of human behaviour in organisations. It lays emphasis on the study of motivation, leadership, communication, group dynamics, participative management, etc.

The essential characteristics of behavioural science approach are as under:

- (i) Data must be objectively collected and analysed.
- (ii) Findings must be presented so that the distinction between cause and effect, as opposed to chance occurrences, is clear.
- (iii) Facts must be systematically related to one another within a systematic framework. Data collection alone does not constitute a science.
- (iv) The findings of a study must always be open to further examination and question.

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

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

Many sociologists, psychologists, and social psychologists have shown considerable interest in studying the problems of management. Sociologists have contributed much to an understanding of the anatomy of organisations through their work on groups, cultural patterns, group cohesiveness, and cooperation. Among the sociologists who might be noted are Blak, Selznick, Homans, Dubin, Dalton, and Katz and Kahn. Psychologists have likewise contributed to management understanding through their illumination of the aspects of rational behaviour and influence, the sources of motivation, and the nature of leadership. Among the many in the area of individual and social psychology who have contributed materially to management are Maslow, McGregor, Argyris, Leavitt, Blake and Mouton, Sayles, Tannenbaum and his associates, Bennis, Fielder, Stogdill and Herzberg.

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



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

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

### Appraisal of Behavioural Science Approach

The study of human behaviour is of great significance in management. Since an individual is a product of social system, his behaviour is not determined by organisational forces alone, but many forces like perception, attitudes, habits, and socio-cultural environment also shape his behaviour. Therefore, in understanding human behaviour in the organisation, all these factors must be taken into account. The behavioural approach suggests how the knowledge of human behaviour can be used in making people more effective in the organisation.

Behaviourists have enriched management theory through their contributions in the areas of group dynamics, motivation communication and leadership. However, they have failed in developing an integrated theory of management. Although study of human behaviour in organisations is extremely important yet management cannot be confined only to this area. There are other variable such as technology and environment which have an important bearing on the effectiveness of an organisation.

### Human Relations Approach vs. Behavioural Sciences Approach

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

The behavioural sciences, refined as they might be, have not achieved the precision of the physical sciences. Often the complexities of the human factor and the organisational setting make exact predictions impossible. It is not uncommon for programmes based on sound behavioural principles to have unexpected results. It



should also be noted that the finding of behavioural science research are tentative and require further investigation. They should not be treated as applicable to all situations. Behavioural guidelines can be helpful and profitable, but are must be taken not to accept them as being complete valid and applicable to all situations.

## QUANTITATIVE APPROACH

This approach is also called 'Mathematical', 'Operations Research' or 'Management Science' approach. The basic feature of the quantitative management thought is the use of mixed teams of scientists from several disciplines. This school used scientific tools for providing a quantitative base for managerial decisions. The techniques commonly used for managerial decision-making include *Linear Programming*, *Critical Path Method (CPM)*, *Programme Evaluation Review Technique (PERT)*, *Games Theory*, *Queuing Theory* and *Break-Even Analysis*.

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

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

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

Operations research (management science) came into existence during the First World War and gained popularity during the Second World War. In England, the same time, Thomal A. Edison was studying in America the process of anti-submarine warfare. However, their work did not have much impact on military operations until the Second World War broke out. Both England and the United States procured operations researchers to deal with their military problems. Operations research activity was considered to be so valuable that it was continued after the end of the War.



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

#### Scientific Management vs. Quantitative Approach

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

#### SYSTEMS APPROACH

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

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

An organisation as a system has the following characteristics:

- (i) A system is goal-oriented.
- (ii) A system consists of several sub-systems which are interdependent and inter-related.



- (iii) A system is engaged in processing or transformation of inputs into outputs.
- (iv) An organisation is an open and dynamic system. It has continuous interface with the external environment as it gets inputs from the environment and also supplies its output to the environment. It is sensitive to its environment such as government policies, competition in the market, technological advancement, tastes of people, etc.
- (v) A system has a boundary which separates it from other systems.

### Open System Concept

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

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

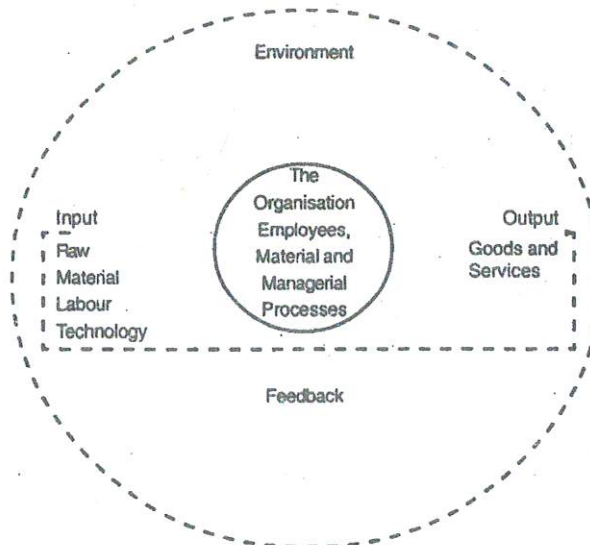


Fig. 2.1: Open System View of Organisation



### Features of Systems Approach

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

- (i) **Open system View of Organisation:** The classical theory treated organisation as a closed system. But modern theory considers organisation as an open system which has continuous interaction with the environment. It gets various resources from the environment and transforms them into output desired by the environment. Due weightage has to be given to the environmental factors affecting the management of an organisation.
- (ii) **Adaptive System:** Organisation is an open system; its survival and growth in a dynamic environment demand an adaptive system which can continuously adjust to changing environment. Management tends to bring changes in the sub-systems of the organisations to cope up with the challenges of environmental forces. Since there is a provision of feedback mechanism, management can evaluate its performance and take corrective actions. The basic role of management is considered in terms of its adaptability to environment.
- (iii) **Interdependent Sub-systems:** An organisation is a system consisting of several sub-systems. For example, in a business enterprise, production, sales and other departments and sub-systems. All these sub-systems are functionally interacting and interdependent. They are used together into an organic whole through goals, authority flows, resources flows and so on.
- (iv) **Whole Organisation:** The system approach provides a unified focus to organisational efforts. It gives managers a way of looking at the organisation as a whole that is greater than the sum of its parts. The stress is laid on integration of various sub-systems of the organisation to ensure overall effectiveness of the system.
- (v) **Synergy:** The output of a system is always more than the combined output of its parts. This is called the law of synergy. The parts of system become more productive when they interact with each other than when they act in isolation.
- (vi) **Multi-disciplinary:** Modern theory of management is enriched by contributions from various disciplines like psychology, sociology, economics, anthropology, mathematics, operations research and so on.

### Appraisal of Systems Approach

The systems approach is based on the General System Theory and is of great significance to the management of modern organisation. It examines interrelationship and interdependency among organisational part and seeks to answer questions arising from these relationships. It concentrates on the working of various sub-systems so as to ensure the survival and growth of the system.

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



systems approach acknowledges environmental influences which were ignored by the classical theory. It emphasizes adaptability (ability to respond to change) as well as efficiency. Hence, rigid rules and regulations cannot deal with uncertain and uncontrollable events.

The systems approach represents a balanced thinking on organisation and management. It stresses that managers should avoid analysing problems in isolation and rather develop the ability for integrated thinking. It provides a unified focus to organisational efforts. It stresses the symanic, multi-dimensional and adaptive nature of organisations. It provides a strong conceptual framework for meaningful analysis and understanding of organisations. It recognises the interaction and interdependence among the different variables of the environment. It provides clues to the to the complex behaviour of an organisation. It warns against narrow fragmented and piecemeal approach to problems by stressing inter-relationships.

The systems approach is criticised as being too abstract and vague. It cannot easily be applied to practical problems. It does not offer specific tools and techniques for the practising manager. Moreover, this approach does not recognise differences in systems. It fails to specify the nature of interactions and interdependencies between an organisation and its external environment.

### CONTINGENCY APPROACH

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

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

According to Kast and Rosenzweig, "*The contingency view seeks to understand the inter-relationships within and among sub-systems as well as between the organisation and its environment and to define patterns of relationships or configurations of variables. Contingency views are ultimately directed toward suggesting organisational designs and managerial actions most appropriate for specific situations*".



The contingency approach to management is based upon the premise that there is no one best way to handle any of the management problems. The application of management principles and practices should be contingent upon the existing circumstances. Functional, behavioural, quantitative and systems tools of management should be applied situationally. There are three major parts of the overall conceptual framework for contingency management: (i) environment; (ii) management concepts, principles and techniques; and (iii) contingent relationship between the first two.

A general framework for contingent management has been shown in Fig. 2.2. However, it is an abstract depiction of the contingency model. The environment (If) is an independent variable whereas management (Then) is a dependent variable. The independent "If's" are along the horizontal axis. The goal of contingency management is to fill in as many cells of the matrix as possible. For example, in the bottom left-hand cell of the matrix, a relevant environmental condition would be identified (one or a combination of the "if's") and then be contingently related to an appropriate management (one or more of the "then's") for the most effective goal attainment possible.

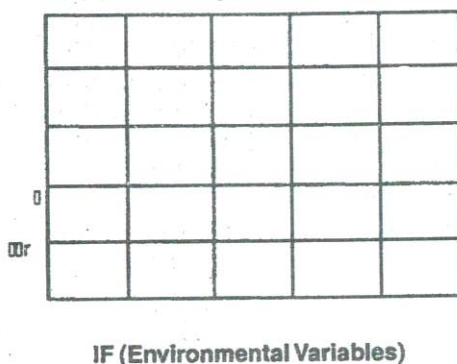


Fig. 2.2: Conceptual Framework of Contingency Model.

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

### Evaluation of Contingency Approach

Contingency approach guides the managers to be adaptive to environmental variables. In other words, the managers should develop situational sensitivity and practical selectivity. Adoption of this approach can be useful in the formulation of strategies, design of effective organisations, planning information systems, establishing communication and control systems, shaping motivational and leadership approaches,

EVOLU  
resolv  
natur  
condi  
appro  
enviro  
differ  
regula  
appro  
collab  
etc.  
Conti  
while  
libera  
and t  
soluti  
mana

1. It  
in
2. It  
ou  
an
3. It  
le
4. It  
ch
5. It  
ir

Conti  
relat  
orga  
deal  
othe  
fram  
it do  
envi

OP  
Koo  
mar  
kno  
This  
whi



resolving conflicts, managing change, etc. This approach highlights the multimariate nature of organisations and explains how organisations operate under varying conditions. With its help, managers can design structures which are highly appropriate to the respective situations. If an organisation is operating in a stable environment, it can have a mechanistic structure characterized by high degree of differentiation, centralisation of authority, rigid hierarchical relationships, rules and regulations, etc. But if the environment is dynamic, organic structure would be more appropriate. Organic structure is characterized by decentralised decision-making, collaborative relationships, open communication, scope for innovative decision-making, etc.

Contingency approach suggests the managers to consider environmental contingencies while choosing their style and techniques. It discounts preconceived notions and liberated the managers from dogmas and rigid behaviour. The management principles and techniques should be tailored to meet the particular situation. Readymade solutions for all the situations are not available. Contingency approach tells the managers to be pragmatic and open-minded.

#### Systems Approach vs. Contingency Approach

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

*Contingency approach is an improvement over systems approach. It not only examines the relationships sub-systems of the organisation, but also the relationship between the organisation and its environment. The contingency approach seems to hold a great deal of promise for the future development of management theory and practice. The other approaches to management can all be incorporated into the contingency framework. However, the contingency approach suffers from two limitations. Firstly, it does not recognise the influence of management concepts and techniques on environment. Secondly, literature in contingency management is yet not adequate.*

#### OPERATIONAL APPROACH

Kootnz, O'Donnell and Wehrich have advocated the operational approach to management. In doing so, they have attempted to draw together the pertinent knowledge management by relating it to the managerial job, i.e., what managers do. This approach recognises that there is a central core of knowledge about managing which exists in management such as line and staff, patterns of departmentation, span



of management, managerial appraisal and various managerial control techniques. Many other pertinent elements of knowledge are derived from other fields such as application of system theory, motivation and leadership, decision-making, group behaviour and cooperative systems, communication, and mathematical analysis and practices.

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

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

- (i) Management is an operational process initially best dissected by analysing the management functions.
- (ii) If the knowledge of management is to be presented effectively, clear concepts are necessary.
- (iii) Experience with managing in a variety of situations can furnish grounds for distillation of basic truths-theory and principles-which have a clarifying and predictive value in understanding and improving practice.
- (iv) Principles of management can become the focal points for useful research both to ascertain their validity and to improve their applicability.
- (v) Managing is an art (like medicine and engineering) the should rely on underlying science-concepts, theory and principles and techniques.
- (vi) While the total culture and the physical and biological universe variously affect the manager's environment, as they do in every other field of science and art, management science and theory need not encompass all knowledge in order to serve as a useful foundation of management practice.

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

## LEADING MANAGEMENT THINKERS

### F.W. Taylor

F.W. Taylor was the first person who insisted on the introduction of scientific methods in management and it was he who, along with his associated, made the first systematic

study of management. He launched a new movement in 1910 which is known as 'Scientific Management'. That is why, Taylor is regarded as the *father of scientific management*.

Taylor was born in 1856 in Philadelphia, U.S.A. He started his career as an apprentice in a small machine making shop in 1870 and rose to the position of chief engineer of Midvale Steel Works in 1884 at the age of 28. Taylor conducted a series of experiments over a period of more than two decades. He experimented with machines tools, speed metals and the like. One of his experiments led to the discovery of high speed steel which made him very popular. Other experiments related to the way men handled materials, machines and tools which led him to the development of a coordinated system of shop management. In short, he experimented in different fields to eliminate wastages of all types, increase the efficiency of workers and provide for functional management.

Taylor was a man of strong will and convictions. He wanted to apply scientific reasoning to management. After leaving Midvale Steel Works, he joined Bethlehem Steel Company where he introduced scientific management. He was highly opposed by the management and the workers and his services were terminated unceremoniously in 1901. Taylor presented his first paper entitled '*A Piece Rate System*' in 1895. His second paper "*Shop Management*" was published in 1903. It focussed attention on his philosophy of management. His famous book "*Principles and Methods of Scientific Management*" was published in 1911 and his other contribution was "*Testimony Before the Special House Committee*" which was given in 1921. It may be pointed out that the last two works were combined in one book entitled 'Scientific Management' in 1947 by Harper & Brothers, New York.

### Henri Fayol

Henri Fayol was born in 1841 in Finance. He joined as junior executive in a French mining company in 1860 and rose to the position of its Chief Executive in 1888. As an engineer he was fully coservant with the principles and techniques of management. His workshop experience contributed a lot to his thoughts on management. He felt that there could be a single administrative science whose principles are universally applicable, irrespective of the type of the organisation and managerial situation. Because of his emphasis on universality of management principles, he is known as '*Universalist*'.

Fayol published a number of papers and books in his mother tongue. His classic book, '*Administration Industrielle et generale*' (1919) was originally translated as '*General and Industrial Administration*' (1929). It was translated as *General and Industrial Management* in 1949, some thirty years after its original publication.

Fayol's long practical experience is amply reflected in his written work. He tried to develop a theory of management. He discussed the principles of general management and argued that managerial ability can be acquired as any other technical ability. He not only recommended formal teaching in management but also practised it by founding the Centre for Administrative Studies in Paris. Thus, he was a pioneer in the field of management education. In brief, Fayol's views on management command



acceptability even today because they are much in tune with the requirements of the management in the present day world. He has been rightly called the father of general management.

#### Comparison of Taylor and Fayol

Taylor (Scientific Management)	Fayol (Administrative Management)
1. He paid more attention to shop and factory management.	1. He gave more emphasis on the functions of managers and the management process as a whole.
2. He worked from bottom to top level. His centre of study was the operator at the shop levels.	2. He worked from top level to downwards laying stress on unity of command, unity of direction, coordination, esprit de corps, etc.
3. His approach was a kind of efficiency movement. Thus, it had a narrow perspective.	3. He had a wider perspective. His scheme was to evolve principles which could be applied to administration in different spheres.
4. He gave stress on increasing productivity rather than on human resources.	4. He showed regard for the human element by advocating principles such as initiative, stability of service and spirit of cooperation.
5. He is known as the father of Scientific Management.	5. He is known as the father of Management Process.

The quote Theo Haiman, "As long as we refer to Taylor as the father of scientific management, we would do justice to Fayol and his work to call him the father of principles of management". We can conclude the contribution of Taylor and Fayol in the words of Urwick, "The work of Taylor and Fayol was, of course essentially complementary. They both realised that the problems of personnel and its management at all levels is the key to industrial success. Both applied scientific methods to this problem. That Taylor worked primarily at the operative level from the bottom of the industrial hierarchy upwards, while Fayol concentrated on the managing director and worked downwards, was merely a reflection of their very different careers. But Fayol's capacity to see and to acknowledge this publicly was an example of intellectual integrity and generosity of spirit".

#### Frank and Lillian Gilbreth

Although their contributions were numerous, the Gilberths added two especially important features to scientific management. Frank Gilbreth (1868-1924) was an engineer, and he concentrated his attention on time and motion study. Working initially with bricklayers, he analyzed the actual motions involved in a job and sought to minimize fatigue through developing the one best way to do a job. Gilbreth developed a number of new techniques to assist in time study. For example; he developed micromotion study, which used a motion picture camera and a large clock marked off in hundredths of seconds to analyse individual motions.

Lillian Gilbreth was the wife of Frank Gilbreth. She was a scholar in her own right and noted psychologist. Her renowned work "The Psychology of Management" in a way laid the foundation of human relations. She helped her husband in his work and in spreading his ideas. She called for the recognition of psychological factors and their importance to the productivity of the workers. She advocated that management should take interest in workers.



### Henry L. Gantt (1861-1919)

Gantt is probably best remembered for his development of task-and-bonus system and his perfection of the Gantt Chart. Taylor's differential piece rate system was an incentive plan whereby the worker was paid on the basis of his daily output. Gantt's task-and-bonus system was so structured that the worker received a day's wage even if he did not complete the task. But if he completed the task in less than the prescribed time, he received a bonus.

The Gantt Chart is still used and is the forerunner of some of the scheduling techniques. Gantt like the Gilbreths was concerned about the human factor in management. In this Yale lecture of 1915 he explicitly noted that financial incentives are only one of numerous motives which influence men. He also recognized management's responsibility to the community and was concerned about the businessman's desire for profits over community services.

### Harrington Emerson (1853-1931)

Harrington Emerson referred to as the 'high priest of efficiency', was an engineer by profession. He proposed twelve principles of efficiency that were, according to his, intensely practical, tested, and extremely successful. He was one of the first practising efficiency engineers, and he also advocated applying the lessons learnt by the military to the problems of business organisations.

### Oliver Sheldon

On the basis of his experience in his military service and association with Coca Works of Rowntree and Company, Sheldon developed the concepts which he published in 1923 in the form of a book *The Philosophy of Management*. In this book, he tried to distinguish between management and administration. Sheldon attempted to mix social ethics with the practicality of scientific management. He concerned himself with the totality of management and its logical position in the community. This was a novel direction for management.

### James D. Mooney

Mooney wrote a book *Principles of Organisation* and Co-authored *Onward Industry* with Allan C. Railey. Mooney conceived of the idea that the principle of organisation employed by all great leaders throughout history must surely be same, he, therefore, set out on a search for all available literature. He developed three principles of organisation:

1. The Principle of Coordination,
2. The Scalar Principle, and
3. The Functional Principle.

### Elton Mayo

Elton Mayo is said to be the father of Human Relations Movement. He conducted experiments in human relations and presented his findings in his book "*Human Problems of an Industrial Civilisation*", Published in 1933. The Studies at the Hawthorne



Plant of Western Electric Company under his guidance are a landmark in development of management thought. These showed that an organisation is not merely a formal lifeless structure, but a dynamic, live and vital social system.

Mayo discussed in detail the factors that cause a change in human behaviour. He concluded that the cause of increase in the productivity of the workers is not a single factor like changing working hours or rest pauses but a combination of these and several other factors. Considerate supervision, giving autonomy to the workers, allowing the formation of small cohesive groups of workers, creating conditions which encourage and support the growth of these groups and the cooperation between workers and management lead to increase in productivity.

Mayo's contribution to management thought lies in the recognition of the fact that workers' performance is related to psychological, sociological and physical factors. Hawthorned Study was an important landmark in studying the behaviour of worker and his relationship to the job, his fellow workers and the organisation. It discarded the engineering approach (as in Scientific Management) to the problems of work. Rather it proved that informal work-groups and the opportunity to be heard and participate in decision-making have an important impact on the productivity of the workers.

### Chester I. Barnard

Like Henri Fayol, Barnad (1886-1961) was also a practitioner. He rose to the position of the president of the New Jersey Bell Telephone Company. In his famous book, *The Functions of the Executive*, Barnad described organisation as a social system that requires human cooperation. He also introduced the concepts informal organisation, status, and communication.

According to Barnard, formal organisation is *a cooperative system in which there are persons able to communicate with each other, and are willing to contribute towards a common purpose*. It is the primary duty of a manager to stimulate people to high levels of effort. Organisational success, thus, depends on the manager's ability to obtain cooperation from the organisational members.

Barnard concentrated mainly on the working and efficiency of social systems. That is why, he is also known as *the father of Social System School* of management thought. He started with the individual, moved to cooperative organised endeavour, and ended with the executive functions. Barnard identified the following functions of an executive: (a) the maintenance of organisational communication, (b) securing essential services from individuals in the organisation, and (c) formulating and defining the purpose. By performing these functions, the executives can achieved good human relations in the organisation.

Barnard developed a new concept of authority known as *acceptance authority*. He suggested that a person will accept the communication as authoritative only when four conditions are satisfied : (a) he can understand the communication, (b) he believes that it is consistent with organisational purpose, (c) he believes it to be compatible with his own personal interests, and (d) he is mentally and physically able to comply with it.



Barnard is also remembered for his views on *social responsibility* of management. The philosophy of social responsibility of management emphasises that management should provide fair wages and security, and also create an atmosphere conducive to the growth and development of the worker as a good employee and citizen. The management should also satisfy the other groups with whom the organisation has interaction such as investors, customers, suppliers and community.

In brief, Chester I. Barnard was a dynamic trailblazer in the field of management. He studied the inter-relationships within the organisation and suggested cooperation between management and workers to achieve the goals of the organisation. His definition of formal organisation is regarded to be a major contribution in the field of management. He studied informal groups and communication with the organisation. He also laid emphasis on the external environment of the organisation.

### **Herbert A. Simon**

Herbert Simon, an American political and social scientist, got the Nobel Prize in Economics in 1978. He has several publications to his credit such as *Administrative Behaviour*, 1947, *Public Administration*, 1950, *Organisation*, 1958, *The New Science of Management Decision*, 1960, *The Shape of Automation for Men and Management*, 1965.

Simon examined the accepted principles of administration and found these contradictory as well as ambiguous. Simon criticized the principles of management propagated by earlier writers like Lyndall Urwick and Gulick. He decried these principles as 'myths', 'slogans' and 'homely proverbs'. He pointed out inherent contradiction in them. This led him to evolve a new approach to administrative organisation. This approach is known as decision theory approach. He felt that organisations are decision-making centres. For the effectiveness of the organisation all the decisions should be rational.

### **Douglas McGregor**

Douglas McGregor is popular for his "Theory X" and "Theory Y", which he presented in his book "The Human Side of Enterprise". He was a behavioural scientist and his central concern was the application of behavioural science research to the practice of management. He argued that the traditional organisation and management practices were based on certain assumptions about human nature such as an average being does not like work inherently, avoids responsibility and has little ambition. The assumptions are contained in Theory X which is based as there is taken notion of cause and effect. McGregor's observation of human behaviour led him to formulate a different set of assumptions about human nature which he called theory Y. He found that people are active and they take initiative and like work and responsibility. He suggested participative management and managing by objectives for the motivation of such employees.

### **Rensis Likert**

Rensis Likert, a former director of the Institute of Social Research at the University of Michigan, conducted extensive research in the field of Leadership with the help of



his associates. He enunciated four basic styles which he presented in his 'New Patterns of Management' published in 1961 and 'The Human Organisation' published in 1967. These styles of leadership are:

1. Exploitative-Authoritative.
2. Benevolent-Authoritative.
3. Consultative-Democratic.
4. Participative-Democratic.

### Peter F. Drucker

Born in Vienna in 1909, Peter Drucker is a contemporary write on management practice. The ideas he put forward in "The Practice of Management" many years ago are still basic tenets of management throughout the globe. Drucker's extensive writings are a landmark in the management field. He is a legendary figure in management thought through his writings and consultancy.

Drucker viewed management as the 'dynamic, life-giving element in an organisation' which converts resources into result. He wrote about management at it is rather than as it should be. He maintained that management can never be an exact science. He laid more emphasis on practical experience than on formal degree in management or administration. He introduced the concept of *management by objectives and self-control* in early fifties. He maintained that economic performance is the ultimate test of effectiveness of management. He argued that a company can make a social contribution only if it is profitable. Drucker has also been concerned with futurity. He stressed that a manager operates in a turbulent environment. In order to be successful, he must predict environment and adapt his organisation to the environmental changes.

Peter Drucker is a contemporary management thinker. His works 'The Practice of Management' (1954), 'Managing for Result' (1964), 'The Effective Executive' (1967), 'The Age of Discontinuity' (1969) and 'Management: Tasks, Responsibilities and Practices' (1974) are most significant. The Practice of Management is a very useful guide to managers. "Managing for Results" enables an executive to see his business in a better perspective. It tells how the executive can find the right things to do. It emphasis that economic performance is the specific function and business exists on account of economic performance. The 'Effective Executive' presents a systematic study of practices essential for the success of executives. This is regarded to be an indispensable book for executives. Drucker has discussed five principles in detail, viz, time management, personal contribution to the organisation, making strength productive, establishment of priorities and effective decision-making.

'The Age of Discontinuity' (1968) focussed on changes in technology and their implications for the economy. It emphasises the effects of shifts from manual work to mental work. Drucker mentioned the sharp discontinuities between the patterns and trends of the part fifty years and those of the future. For solving the problems which can make the society liveable, and understanding of the discontinuities is essential.



Management: Task, Responsibilities and Practices' (1974) is a very comprehensive book. It is a compendium of Peter Drucker on management. This book discusses systematically the tasks of management and the nature of organisation. Drucker is of the view that in the success of managers lies the working of institutions and, in turn, the working of the society. He felt that manager need both a based competence and a will to perform. His observations are based on experience. Drucker treats management 'not so much a science as an organised body of knowledge'.

Thus, Drucker's contributions are substantial to different areas of management. His writings and thoughts bear testimony to his deep insights into the practice of management. He is renowned all over the world for his practicability and sophistication of views. His extensive writings are a landmark in contemporary management.

### SUMMARY

The study of Organization and management is a must to understand the underlying principles of management. Various schools of thoughts have put forward theories to better understand the scope of management in organization. Management theory is yet one of the pivotal approaches employed to analyse the concept of management and organization. Commonly used analysis of approaches to organization and management is the three-fold categorisation pivotal of classical, human relations and systems. The classical writers placed emphasis on purpose and structure, on the technical requirements of the organisation, on principles of management, and on the assumption of rational and logical behaviour. The human relations writers emphasised the importance of the informal organisation and the psychological and social needs of people at work. The systems approach attempts to integrate the work of the classical and human relations writers. Attention is focused on the organisation as a whole and the interactions between technical and social variables. The organisation is seen as an open system in continual interaction with the external environment.

More recent forms of analysis include contingency theory and social action. Contingency theory highlights possible means of differentiating between alternative forms of structure and systems of management.

It might be that the study of organisations is moving towards a more scientific value approach. But whatever the balance between philosophy and science, a knowledge of management theory will help with the complexities of management in modern work organisations.

### REVIEW QUESTIONS

1. Describe various Schools of Management Thought prevalent from time to time.
2. Write a note on the evolution of management thought. What are the recent trends in management thought?
3. Explain the evolution of management thought from the early pioneers to modern times.
4. Write an explanatory note on Henri Fayol's contribution to modern management.



5. Write an explanatory approach to the Scientific Management approach to the study of management.
6. "Fayol is considered as the father of modern management theory". Discuss.
7. Distinguish between Taylor and Fayol as far as the development of management thought is concerned.
8. Write short notes on:
  1. Human Behaviour School
  2. Mathematical School
  3. Operational Approach
9. Discuss the contribution of Behavioural and System scientists to the development of management thought.
10. Distinguish between the following:
  - (a) Contingency approach and systems approach.
  - (b) Scientific management and quantitative approach.
11. Write a short note on Human Relations Approach to Management.
12. Distinguish between Human Relations and Scientific Management approach to Management.
13. Discuss in brief the contributions of Behavioural Science Approach and System Approach to the study of management.
14. Discuss the Systems Approach to the study of Management.
15. (a) What is systems approach to management? Explain the salient features of this approach.  
(b) What are the major contributions of the Hawthorne experiments to the present day organisations?
16. "Elton Mayo is known as the father of Human Relations School". Comment.

### SUGGESTED READINGS

George C.S. *The History of Management Thought*, Second Edition, PHI.

Brech, E. F. L. *Organization: The Framework of Management*, Second Edition, Longman.

# CHAPTER **MANAGERIAL SKILLS**

## **3**

### **OBJECTIVES**

- Describe different levels of management
- State the necessary inputs in management skills
- Discuss various roles played by a manager

### **STRUCTURE**

- ◆ Levels of Management
- ◆ Managerial Skills
- ◆ The Job of a Manager
- ◆ Managerial Roles



The term 'Manager' conveys different meanings to different people as there are no prescribed duties and qualifications of a manager. In a big enterprise, there are two distinct classes of employees, viz., (a) operative employees and (b) personnel employed to supervise other employees. The personnel of second category are termed as managers. In the words of Edwin B. Flippo, "A manager is one who exercises authority and leadership over other personnel; the president (chief executive or general manager) of a company is certainly a manager and so also is the departmental head or a foreman." Thus, chief executive, departmental heads, section officers, foremen and supervisors are all managers as they are responsible for instructing and guiding other personnel.

### LEVELS OF MANAGEMENT

The term 'levels of management' refers to a line of demarcation between various managerial positions in an organisation. The number of levels of management increase when the size of the business and workforce increases. There is a limit to the number of subordinates a person can supervise. Levels of management are increased so as to achieve effective supervision.

The number of levels of management cannot be increased to an unlimited extent because it may create many problems. It may complicate the communication process and make coordination and control difficult. Therefore, it is desirable to restrict the number of levels of management. But the feasible span of control should not be widened to restrict the number of managerial levels. According to Urwick, "In determining the number of levels which are necessary, prime regard should be given to the span of control and not vice versa. Forcing managers to exceed their feasible span of control merely in order to reduce the number of levels will increase administrative and social distance".

In most of the big organisations, there are generally four levels of management, namely, top management, upper middle management, middle management and lower level or first line management. These have been shown in Fig. 3.1.

#### Top Level Management

Top management of a company consists of the Board of Directors and the Chief Executive or the Managing Director. It is the ultimate source of authority and it establishes goals and policies for the enterprise. It is accountable to the owners of the business for the overall management. Top management also approves the decisions of the middle level management. It can issue orders and instructions and lay down guidelines which must be followed by the lower levels.

The responsibilities of the chief executive position include the interpreting of organisational policies and communicating the goals of the organisation. The chief executive thinks and takes decisions for the long run welfare of the enterprise. He puts into effect the policy decisions taken by the Board and maintains effective coordination in the organisation.

The functions performed by the top management are stated below:

- (i) Top management lays down the objectives of the enterprise.

- (ii) It prepares strategic plans and policies for the enterprise.
- (iii) It issues necessary instructions for the preparation of departmental budgets, schedules, procedures, etc.
- (iv) It appoints the executives for the middle-level.

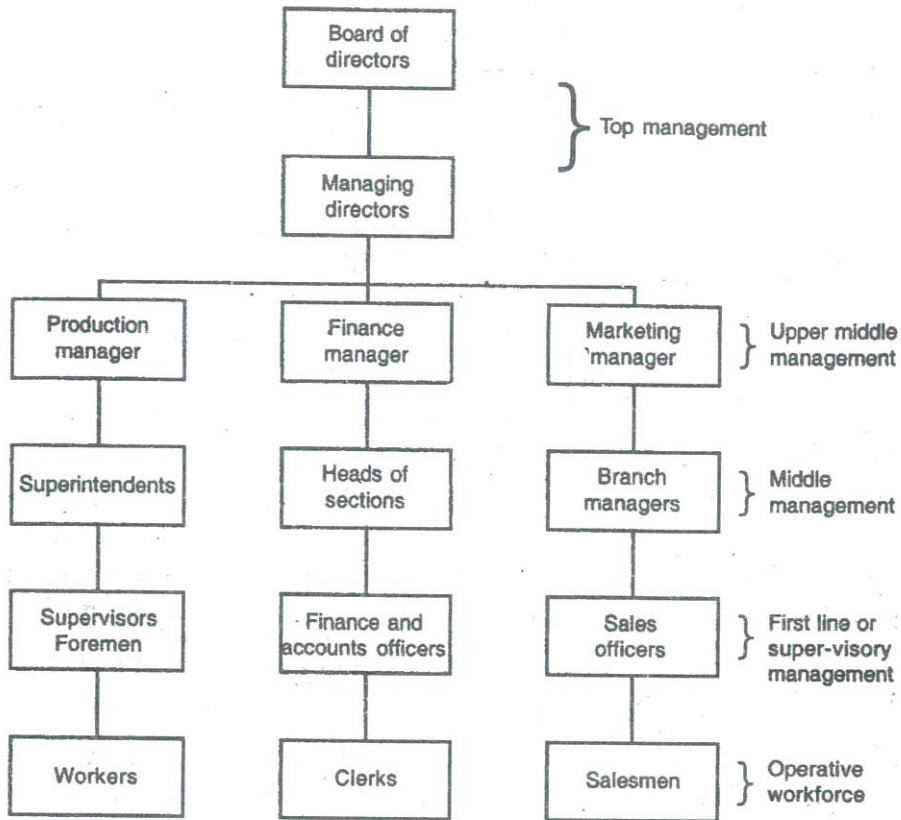


Fig. 3.1: Levels of Management

- (v) It coordinates the activities of different departments.
- (vi) It controls the activities of all department with the help of reports, memoranda, etc.
- (vii) It builds and maintains relations with the outside public.

**Upper Middle or Intermediate Management**

Upper middle management consists of heads of various divisions. As shown in Fig. 3.1, Production Director, Finance Director and Marketing Director comprise the intermediate or upper middle management. The heads of functional divisions are in constant touch with the top management. They are responsible for the effective performance of their functional divisions. They pursue the policies and programmes laid down by the top management. They perform the following functions:



- (i) Upper middle management lays down plans and policies for the middle management.
- (ii) They put the top management's plans into practice.
- (iii) They coordinate the functioning of their divisions.
- (iv) They appraise and control the functioning of middle management.
- (v) They give directions and guidance to the lower levels.
- (vi) They prepare reports about the progress of their divisions for use by the top management.

### **Middle Level Management**

Middle level management generally consists of heads of functional departments. They are responsible to the top management for the efficient functioning of their departments. They devote more time to the organisation and functions of management. The middle level managers include branch managers, superintendents and heads of various sections.

Mary c. Niles, in her book 'Middle Management', has laid down the seven functions of middle management, which are as follows:

- (i) To run the details of the organisation, leaving the top managers as free as possible of their irresponsibilities.
- (ii) To cooperate in making a smoothly functioning organisation.
- (iii) To understand the interlocking of departments in major policies.
- (iv) To achieve the coordination between the different parts of the organisation.
- (v) To build up a contented and efficient staff where reward is given according to capacity and merit and not according to chance or length of service.
- (vi) To develop leaders for the future by broad training and experience.
- (vii) To build a team spirit where all are working to provide a product or service wanted by the society.

As shown in Fig. 3.1, middle management may be upper middle management and lower middle management. In small organisations, there is only one layer of middle management. But where both of these exist, it is the upper middle management that gets authority direct from the top management.

### **Supervisory or Lower Level Management**

Supervisory management refers to those executives whose work is to control and direct operative employees. This level includes supervisors, foremen, finance and accounts officers, sales officers, etc. The essential feature of this level is that managers at this level are in direct contact with the operative employees. They are more concerned with direction and control functions of management as compared to planning and organising. They implement the policies of top management communicated to them by the middle level managers.

Managers at the lowest level are also known as first line supervisors. They represent a link between the management and the workers. The important functions of a supervisor or lower level executive are listed below:

- (i) To plan and organise the activities of the group.
- (ii) To arrange for necessary material, machines, tools, etc., for workers and to provide them the necessary working environment.
- (iii) To provide training to the workers.
- (iv) To supervise and guide the subordinates.
- (v) To solve problems of the workers.
- (vi) To communicate workers' problems to the higher level management.

### Intensity of Management Functions at Different Levels

From the above discussion, it can be concluded that all managers, top, middle and first line perform the same managerial functions. The main difference between their jobs in terms of management functions is emphasis. As shown in Fig. 3.2, the top management spends more time on planning and organising than does the middle and first line management. The middle management spends more time on directing and controlling than the top management. The first line managers devote less time on planning and organising and more time on directing and controlling. Thus, the time and effort spent on different functions will depend on the level on which the manager is placed in the managerial hierarchy.

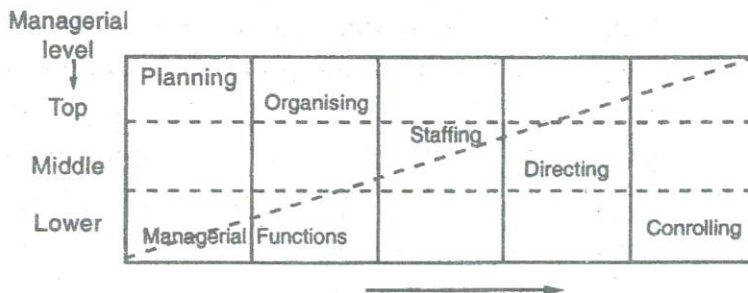


Fig. 3.2: Management functions at different levels

### MANAGERIAL SKILLS

The job of a manager demands a mixture of many types of skills, whether he belongs to a business organisation, an educational institution, a hospital or a club. A manager is successful when he is able to make a smooth functioning team of people working under him. He is to reconcile, coordinate and appraise the various viewpoints and talents of people working under him towards the organisation goals. He has also to plan and organise the operations of the enterprise so that the subordinates are able to use the material resources in the best possible manner. For this, he must use the various skills in appropriate degrees.

We can broadly classify the skills required by managers into the following three categories: (i) Conceptual skills (ii) Human skills, and (iii) Technical skills as shown



in Fig. 3.3. Technical skills deal with jobs, human skills with persons and conceptual skills with ideas. The three types of skills are interrelated and they are required by all managers. But the proportion or relative significance of these skills varies with the level of management.

Top management		Strategic planning and decision making
Middle management		Coordinating and planning for implementation
First-line management	Implementation	

Fig. 3.3: Managerial skills

- (i) **Conceptual Skills:** Conceptual skill is the ability to see the organisation as a whole, to recognise interrelationships among different functions of the business and external forces and to guide effectively the organisational efforts. Conceptualisation requires extensive knowledge, imagination and ability to see the 'big picture' of the organisation. Conceptual skills are used for abstract thinking and for the concept development involved in planning and strategy formulation. Conceptual skills involve the ability to understand how the parts of an organisation depend on each other. A manager needs conceptual skills to recognise the interrelationships of various situational factors and, therefore, make decisions that will be in the best interests of the organisation.
- (ii) **Human Skills:** Human skills are essential to work with others and achieve their cooperation. Human skills are the abilities needed to resolve conflicts, motivate, lead and communicate effectively with others. Because all work is done when people work together, human relations skills are equally important at all levels of management. Every manager should be able to communicate effectively and also understand what thoughts others are trying to convey.
- (iii) **Technical Skills:** Technical skills refer to specialised knowledge and proficiency in handling methods, processes and techniques of specific jobs. These skills are most important at lower levels of management and much less important at upper levels. The production supervisor in a manufacturing plant, for example, must know the processes used and be able to physically perform the tasks he supervises. The data processing supervisor must have specialised knowledge about computer software used in the system. In most cases, technical skills are important at the lower level because supervisory managers must train their subordinates in the proper use of work-related tools, machines and equipment.

Besides the above skills, the managers, particularly at upper organisational levels, must also have design skills. These involve competencies to solve organisational problems in the light of the prevailing external environment of the organisation.

### Importance of Skills at Different Levels

There are various levels of management and the managers at various levels perform all the functions of management though in varying degrees. Thus, the level of skills required at different managerial levels will be different as shown in Fig. 3.3.



Conceptual skills are critical in top executive positions whereas technical skills are very essential for lower level management. Technical skills can be learnt easily, but other skills cannot be learnt unless an individual has the potential and capacity and an inner urge to learn them.

Conceptual skills are highly important for top management which is responsible for formulating long range plans and policies for the whole business. Human skills are important at all levels of management. This should be obvious as management is the process of getting things done through and with people. At every level, managers interact and work with other human beings. But technical skills are most important for the first line management which has to administer the use of equipments, tools, processes and procedures. The relative importance of technical skills decreases as one moves up to higher levels of management.

### Qualities of a Good Manager

In order to succeed in managing, a manager should possess the following qualities:

1. **Education:** A manager must be well-educated. In addition to general education, he must have specific education in business management/administration. Knowledge of business environment is also important to deal with the problems which the organisation may have to face in the future.
2. **Training:** Management skills are not inborn qualities. They are to be acquired through training. Therefore, it is necessary for a good manager to have some sort of training in the branch of management where he is working or going to work.
3. **Intelligence:** A manager should have somewhat higher level of intelligence than the average human beings. He should have the ability to think scientifically and analyse the problems accurately.
4. **Leadership:** Every manager is supposed to provide guidance and leadership to a number of subordinates. He should be able to channelise the energies of the subordinates for the achievement of organisational objectives. The manager can motivate the subordinates effectively if he has got leadership qualities.
5. **Foresight:** A good manager should have an open mind. He should be receptive to new ideas. He should be able to foresee the problems which might be faced by the business. Only through his foresightedness, he can take good decisions.
6. **Maturity:** A good manager should have broad interests. He should be emotionally mature and have balanced temperament. He should have high frustration tolerance also.
7. **Technical Knowledge:** A manager should have sufficient knowledge of the techniques of production being used in the enterprise. Adequate technical knowledge is necessary so that he may not be befooled by the subordinates.
8. **Human Relations Attitude:** An effort should be made to try and develop social understanding. He should treat his subordinates as human beings. A manager should try to maintain good relations with them. He should understand their problems and offer helping hand to them.



9. **Self-Confidence:** A manager should have self-confidence. He should take decisions after scientific analysis and implement them with full dedication. He should not shirk in taking initiative.

### THE JOB OF A MANAGER

Management is planning, organising, staffing, directing and controlling for the accomplishment of organisational goals. Any person who performs these functions is a manager. The first line manager or supervisor or foreman is also a manager because he performs these functions. The difference between the functions of top, middle and lowest level management is that of degree. For instance, top management concentrates more on long-range planning and organisation, middle level management concentrates more on co-ordination and control and lowest level management concentrates more on direction to get the things done from the workers. Every manager is concerned with ideas, things and people. Management is a creative process for integrating the use of resources to accomplish certain goals. In this process, ideas, things and people are vital inputs which are to be transformed into output consistent with the goals.

Management of ideas implies use of conceptual skills. It has three connotations. First, it refers to the need for a practical philosophy of management to regard management as distinct and scientific process. Secondly, management of ideas refers to the planning phase of management process. Lastly, management of ideas refers to creativity and innovation. Creativity refers to generation of new ideas and innovation refers to transforming idea into viable realities and utilities. A manager must be imaginative to plan ahead and to create new ideas.

Management of things (non-human resources) deals with the design of production system and acquisition, allocation and conversion of physical resources to achieve certain goals. Management of people is concerned with procurement, development, maintenance and integration of human resources in the organisation. Every manager has to direct his subordinates to put the organisation plans into practice.

The greater part of every manager's time is spent in communicating and dealing with people. His efforts are directed towards obtaining information and evaluating progress towards goals or targets and then taking corrective action. Thus, a manager's job primarily consists of management of people. Though, it is his duty to handle all the productive resources, but human factor is more important. A manager cannot convert the raw material into finished products himself; he has to take the help of others to do this. The greatest problem before any manager is how to manage the personnel to get the best possible results. The manager in the present age has to deal efficiently with the people who are to contribute for the achievement of organisational goals.

Peter Drucker has advocated that the managerial approach to handle workers and work should be pragmatic and dynamic. Every job should be designed as an integrated set of operations. The workers should be given a sufficient measure of freedom to organise and control their work environment. It is the duty of every manager to educate, train and develop people under him so that they may use their potentialities



and abilities to perform the work allotted to them. He is also to help them in satisfying their needs and aspirations through incentives. For getting best contribution from the people working under him, he must provide them with proper environment. The manager must create a climate which brings in and maintains satisfaction and discipline among the people. This will increase organisational effectiveness.

## MANAGERIAL ROLES

A role consists of the behaviour patterns expected of a manager within an organisation or a functional unit. Henry Mintzberg conducted a comprehensive survey on the subject of managerial roles and integrated his findings with the results of a study of five practising chief executives. He identified ten basic roles performed by managers at all levels from foremen to chief executives and classified them under three heads: (1) interpersonal, (2) informational, and (3) decisional. These roles—organised sets of behaviours belonging to a position—describe what managers actually do, whereas functions of managers had historically described what managers should do.

The work of managers at all level is extremely complex and open-ended, at times more artistic than scientific. Although the specific activities of managers at different levels vary, they have important elements in common. Each plays a similar role (an organised set of behaviours) that is generally accepted as appropriate in a given situation. The crux of Mintzberg's work is the identification of ten managerial roles. Mintzberg acknowledged that a degree of arbitrariness is involved in the selection of these particular classifications, but he justified it pragmatically since manager role analysis and classification serves a useful purpose. Table 1 helps us to see managerial work across different levels and to integrate some of the vast amount of fragmented information on the subject. The ten managerial roles are described below.

### (1) Interpersonal Roles

The following three interpersonal roles help managers keep their organisations running smoothly:

- (i) **Figurehead Role:** It describes the manager as a symbol, required by the status of his office, to carry out a variety of social, legal and ceremonial duties. A manager assumes this role because of the position occupied. It consists of such duties as signing certain documents required by law and officially receiving visitors.
- (ii) **Leader Role:** It describes the manager's relationship with his subordinates, his role to hire, train and motivate them. As a leader, the manager must bring the needs of the subordinates in accord with those of his organisation. The manager is also accountable for the activities of the subordinates.
- (iii) **Liaison Role:** It focuses on the managers; dealings with people outside his own organisation. The manager serves as a liaison between the organisation and outside contacts such as customers, suppliers, community and others.

### 2. Informational Roles

Receiving and transmitting information are integral aspects of a manager's job. Managers need information for taking decisions and they pass on necessary



informations to others to facilitate their tasks. The three informational roles are discussed below:

- i. **Monitor Role:** It refers to the manager's continually seeking and receiving relevant information in order to be well-informed. Much of the information is privileged; he alone receives it because of the contacts he develops in his liaison role and because of his status in the leader's role. He receives information usually through his network of contacts.
- ii. **Disseminator Role:** In this role, the manager passes on important information to subordinates. Some of this is factual information but some is based on the manager's analysis and interpretation of events. In either case, it is the manager's responsibility to ensure that subordinates have the information they need to carry out their duties.
- iii. **Spokesperson Role:** Managers act as spokesperson or representative of the organisation. They transmit information to people outside their units. They represent the organisation in dealing with customers, suppliers, government departments, etc. In this role, the managers also speak for their subordinates to the superiors.

**Table 3.1: Mintzberg Roles of Managers**

Interpersonal Roles			
Figurehead	Leader	Liaison	
Performs symbolic duties: bestows honours, makes speeches, serves on.	Motivates, inspires, sets an example, legitimises the powers of subordinates.	Maintains relationship with other organisations, government, industry groups, etc.	
Information Roles			
Monitor	Disseminator	Spokesperson	
Observes, collects and reviews data on the meeting of standards, notes compliance.	Transmits information and judgements about internal and external environments.	Speaks for the organisation. Lobbies and defends. Engages in public relations.	
Decisional Roles			
Entrepreneur	Disturbance Handler	Resource Allocator	Negotiator
Initiates changes. Authorises action. Sets goals. Formulates plans.	Handles conflicts and complaints. Counters actions of competitors.	Approves budgets, schedules and promotions. Sets priorities.	Works out agreements with customers, suppliers and agencies.

### 3. Decisional Roles

Information is the basic input to decision making for managers. Therefore, decision making roles of managers are as follows:

- i. **Entrepreneur Role:** In this role, the manager takes the initiative for bringing about change in his organisation. He looks for problems and opportunities and initiates steps to deal with them. He is thus an initiator and innovator.
- ii. **Disturbance Handler Role:** In this role, the manager takes charge when his organisation faces a major disturbance or crisis such as loss of a key executive, cancellation of an order, a strike, the destruction of a facility, etc.



- iii. **Resource Allocator Role:** In this role, the manager decides who will get what in the organisation. He schedules his own time according to his priorities; he designs his organisation, decides who will do what and allocates authority to take all important decisions.
- iv. **Negotiator Role:** In this role, the manager takes charge whenever his organisation must enter into crucial negotiations with other parties. His presence is required because he has the information and authority to make the 'real time' decisions that difficult negotiations require.

Mintzberg emphasised on the inseparability of these ten roles and advocated for viewing them as forming a 'Gestals' – an integrated whole. For example, status, as manifested in the interpersonal roles, brings information to the manager and it is this information (together with the status) that enables him to perform the decision making role effectively. Further, he observed that different managers emphasise different roles.

The managers in many organisations work with each other to establish the organisation's long range goals and to plan how to achieve them. They also work together to provide one another with the accurate information needed to perform tasks. Thus, managers act as channels of communication within the organisation.

**Managers are responsible and accountable:** Managers are responsible for seeing that specific tasks are performed successfully. They are usually evaluated on how well they arrange for these tasks to be accomplished. Managers are responsible for the actions of their subordinates. The success or failure of subordinates is a direct reflection of managers' success or failure. All members of an organisation, including those who are not managers, are responsible for their particular tasks. The difference is that managers are held responsible or accountable, not only for their own work, but also for the work of subordinates.

**Managers balance competing goals and set priorities:** At any given time, the manager faces a number of organisational goals, problems and needs, all of which compete for the manager's time and resources (both human and material). Because such resources are always limited, the manager must strike a balance between the various goals and needs. Many managers, for example, arrange each day's tasks in order of priority. In this way, managerial time is used effectively.

A manager must also decide who is to perform a particular task and must assign work to an appropriate person. Although, ideally each person should be given the task he would most like to do, this is not always possible. Sometimes individual ability is the decisive factor and a task is assigned to the person most able to accomplish it. But sometimes a less capable worker is assigned a task as a learning experience. And, at times, limited human or other resources dictate decisions for making work assignments. Managers are often caught between conflicting human and organisational needs and so they must identify priorities.

**Managers think analytically and conceptually:** To be an analytical thinker, a manager must be able to break a problem down into its components, analyse those components and then come up with a feasible solution. But even more important, a manager must be a conceptual thinker, able to view the entire task in the abstract and related it to



other tasks. Thinking about a particular task in relation to its larger implications is no simple matter. But it is essential if the manager is to work towards the goals of the organisation as a whole as well as towards the goals of an individual unit.

**Managers make difficult decisions:** No organisation runs smoothly at all times. There is almost no limit to the number and types of problems that may occur - financial difficulties, problems with employees, or differences of opinion concerning an organisation policy, to name just a few. Managers are expected to come up with solutions to difficult problems and to follow through on their decisions even when doing so may be unpopular.

**Managers are mediators:** Organisations are made up of people and people disagree or quarrel quite often. Dispute with a unit of organisation can lower morale and productivity and they may become so unpleasant or disruptive that competent employees decide to leave the organisation. Such occurrences hinder work towards the goal of the unit or organisation; therefore, managers must at times take on the role of mediator and iron out disputes before they get out of hand. Settling conflicts requires skill and tact. Managers who are careless in their handling conflicts may later on find that they have only made matters worse.

The brief description of the managerial roles and responsibilities shows that managers must "change hats" frequently and must be alert to the particular role needed at a given time. The ability to recognise the appropriate role to be played and to change roles readily is a mark of an effective manager.

## SUMMARY

The skills of a professional changes from level to level in the organisation. Managers at the top level require more of conceptual and design skills whereas at the lower level technical skills are needed more. Managers working at the middle level act as a bridge between the top level and lower level. They are supposed to translate the policies made by the top level into technical form which can be appreciated at the lower level in the organisation. Once they are implemented and the feedback comes middle managers have to again translate the technical details into a form which can be understood at the top level. Hence the need for almost equal level of technical and conceptual skills at the middle level. It is important to understand that human skills required are equally important at all the levels in the organisation and no one can escape from it. Every manager must learn the art of making everybody feel delighted.

## REVIEW QUESTIONS

1. "Management is concerned with ideas, things and people". Comment.
2. "The job of a manager is to manage workers and work". Examine this statement.
3. What do you understand by the term 'Levels of Management'? Briefly describe the different levels of management.
4. Illustrate different levels of management with the help of a suitable chart.
5. What functions and duties are associated with top and middle management in a modern industrial unit? Explain briefly.

6. Write an explanatory note on the skills required by managers.
7. Explain the different types of skills required by managers and comment on their relative importance at different levels in the organisation.
8. What roles are performed by the managers? Explain each role in the context of a business enterprise.
9. Discuss Henry Mintzberg's classification of basic roles performed by managers in modern organisations.
10. Write explanatory notes on the following:
  - (a) The Manager and his job.
  - (b) Interpersonal roles of managers.
  - (c) Conceptual skills.
11. Answer the following:
  - (a) Briefly explain the various levels of management.
  - (b) What are the functions of top management?
  - (c) State the skills required of a manager.
  - (d) Why are human skills important?
  - (e) What are the interpersonal roles of managers?
  - (f) Briefly explain the decisional roles of managers as stated by Mintzberg.

### SUGGESTED READINGS

Mintzberg, Henry, *The Nature of Managerial Work*, New York, Harper & Row.

Mintzberg, Henry, *A New Look at the Chief Executive's Job*, Organisation Dynamics, Winter.



# CHAPTER SOCIAL RESPONSIBILITY OF **4** MANAGEMENT

## **OBJECTIVES**

- ❑ Define the concept of social objectives and obligations
- ❑ List various assumptions of social responsibilities
- ❑ State social responsibilities of management in Indian perspective

## **STRUCTURE**

- ◆ Social Objectives and Obligations
- ◆ Assumption of Social Responsibilities
- ◆ Obligations of Managers towards Different Segments of the Society
- ◆ Social Responsibilities of Management in India

## SOCIAL OBJECTIVES AND OBLIGATIONS

Every individual living in the society has social obligations towards it, i.e., to observe certain norms of behaviour which have social acceptance and sanction. Viewed in this perspective, business managers, who are merely custodians of factors of production belonging to the society, also have an obligation to pursue those policies, to make those decisions and to follow those lines of action which are desirable in terms of the objectives and values of the society. Business managers are also a part of society. So their decisions must be influenced by their obligations towards the society. For instance, manufacture and sale of adulterated goods is against the interest of the general public though it may help the business in maximising its profits. Such a practice is against the concept of social responsibility; so it must be avoided.

### Concept of Social Responsibility

The phrase 'social responsibility' is widely used in the literature of sociology, anthropology, economics, politics and business management. H.R. Bowen has defined the concept of social responsibility as "obligation (of business) to pursue those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." According to George A. Steiner, "The assumption of social responsibilities implies recognition and understanding of the aspirations of the society and determination to contribute to its achievement".

A careful study of the concept of social responsibility reveals that it has two different facets. First, managers recognise that since they are managing an economic unit in the society, they have a broad obligation to the society with regard to matters affecting public welfare such as employment, availability of goods and inflation. Secondly, social responsibility indicates management's obligation to nurture and develop human values such as motivation, morale, cooperation and self-realisation in work. Accordingly, the term 'social responsibility' refers to both socio-economic and socio-human obligations of the business.

### Impact of Social Responsibilities on Profits

Classical writers felt that a business is functioning in a socially responsible way if it were using economic resources at its command efficiently and supplying goods and services required by the society at reasonable prices. If this was done, the business would get maximum profit and serve the best interests of the owners of the business. Thus, if a business was able to utilise efficiently the wealth-producing resources at its command and make availability to the consumers goods and services of right quality at reasonable prices, it was considered to be functioning in a socially responsible way. "There is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it engages in open and free competition, without deception and fraud".

Thus, the classical economists considered the concept of social responsibility contradictory to the operation of the private enterprise system. But this view is strongly condemned by the modern economists because of changed economic and social environment, consumer consciousness, emergence of strong trade unions, increase in literacy rate, etc. It is often argued that expenditure on socially responsible



activities may not lead to profits in the short run, but will increase profitability in the long run. Moreover, business and their managers are a part of the society. They must behave in a socially responsible manner. The managers have to take care of the interests of investors, employees, customers, suppliers and the society in general.

### Are Social Obligations in Conflict with Profit Objective

Though social responsibilities have come to be recognised by most of the businessmen, it does not mean that they are to be taken as the only guidelines for taking decisions. And if the social responsibilities are taken care of at the cost of economic objectives, the survival of the business will be in danger. The management should consider the earning of profit and performing of social obligations simultaneously. A business enterprise which is earning profit can serve the society in a better way than an enterprise which is running into losses. Profit objective cannot be eliminated as the very survival of the business will be put in danger. If a business unit is earning sufficient profits, it will be prima facie evidence of the fact it is being run efficiently. A part of the profit can be retained every year and reinvested in productive channels. This will help in the growth of the enterprise. At the same time, an enterprise is under an obligation not to exploit the customers. It should provide high quality goods and services at the lowest possible price and should decrease the cost of production by minimising wastes and delays and by efficiently using the resources. Similarly, the profits should not be maximised by keeping the wages at the low level. To sum up, earning of profits is necessary for any business enterprise. But it is also the responsibility of management to reconcile the interests of owners, workers, customers and society.

### ASSUMPTION OF SOCIAL RESPONSIBILITIES

Since long there has been a controversy whether business should assume social responsibilities or not. It would be worthwhile to analyse the arguments offered both in favour of and against the assumption of social responsibilities by business.

#### Arguments for Assuming Social Obligations

The important arguments offered in favour of business assuming social responsibilities are as follows:

- (i) **Use of Society's Resources:** Business is a creation of society and so it should respond to the demands of the society. Since business uses the resources which belong to the society, it is necessary that every business enterprise should fulfil its social obligations. Business managers are obliged to use the social resources for the common good of society.
- (ii) **Long-term Business Interest:** The long-term self-interest of the business is best served when business assumes social responsibilities. There is a growing realisation on the part of the enlightened businessmen that it is in their self-interest to fulfil demands and aspirations of the society. The people who have good environment, education and opportunities make better employees, customers and neighbours for business than those who are poor, ignorant or oppressed.



- (iii) **Moral Justification:** It is moral and right thing to do. It is widely agreed that businessmen today have considerable social power. This power is virtually granted to them by the society which must have a general relationship with social responsibility. The social responsibilities of businessmen should be commensurate with their social power. If the businessmen do not assume social responsibility, their social power will be taken away by the society through Government controls and regulations and other measures.
- (iv) **Better Public Image:** Public image of business is improved. The business will retain the needed credibility with the public if it performs its social obligations. It will also avoid conflict with the society in its own interest. Good relations with the workers, consumers and suppliers will lead to success of business.
- (v) **Conscious Customers:** The consumers are well informed. They expect higher quality products at reasonable rates. If they don't get fair treatment from business, they will organise themselves and compel the business to assume its social responsibilities.

### Arguments against Assuming Social Obligations

The classical view has been against the business assuming social responsibilities. It was argued that business is an economic institution and as such its primary responsibility is to produce goods and services efficiently and to earn profits for its owners. Milton Friedman said, "In a free enterprise and private property system, a manager is an employee of owners of the business and is directly responsible to them as his employers. Since stockholders want to make as much profit as possible, the manager's sole objective should be to try to do this. If a manager spends stockholders' money in the public interest, he is spending stockholder's money without their approval and perhaps in ways stockholders would oppose. Similarly, if the cost of social action is passed on to consumers in the form of higher prices, the manager is spending their money also. This is taxation without representation".

The common arguments advanced opposing the idea of business assuming social responsibilities are as follows:

- (i) **Conflicting Considerations:** A business manager will be guided by two considerations, namely, private market mechanism and social responsibilities, which are opposite to each other.
- (ii) **Arbitrary Power:** Business managers will get arbitrary power in the matter of allocation of resources in the welfare of the society. They should have no right to interfere with the external environment of business.
- (iii) **Disregard of Market Mechanism:** The doctrine of social responsibilities implies acceptance of socialist view that political mechanism rather than market mechanism is the appropriate way to allocate scarce resources to alternative uses.
- (iv) **Responsibility of Government:** Business should have no relationship with welfare schemes. It is the sole responsibility of the Government of the land to adopt schemes and measures for the upliftment of the weaker sections of the society.

The above arguments have no weight in practice because modern business concerns cannot be contented merely with enough profit for their growth and stability in the



economic set up. The business houses are a part of the society and so must respond to the social needs and values. 'Social responsibilities' have assumed greater importance with the investment by the Government in the business undertakings in the public sector. The changing needs and values of the society must be reflected in the alternatives considered and priorities assigned by the managers. The managers must take care of the demands, feelings and attitudes of the people, particularly of the persons working in the organisation. A good business enterprise must pay reasonable wages to its employees and must provide funds for their welfare. They must also contribute to the general welfare of the society by making efficient and economical use of resources at their command.

### OBLIGATIONS OF MANAGERS TOWARDS DIFFERENT SEGMENTS OF THE SOCIETY

Social responsibilities of management can be studied under the two heading : (i) Internal social responsibilities and (ii) External social responsibilities. Internal social responsibilities are concerned with assuring due process, justice, equity and morality in employee selection, training and firing. They may also relate to such things as increasing employee productivity and improving employee physical environment. External social responsibilities refer to such actions as stimulating minority entrepreneurship, improving the balance of payments, or training and hiring hard-core unemployed.

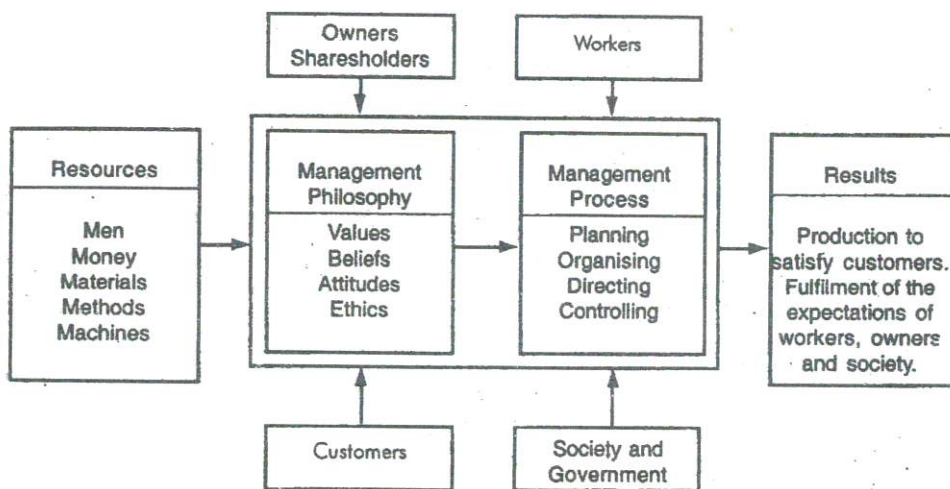


Fig. 4.1 – Management and various stakes

Thus, management owes social obligations to two groups of society: (i) Insiders-shareholders and employees and (ii) Outsiders-customers, suppliers, governments and the society as a whole. The responsibilities of management towards these groups are discussed below.

#### Responsibility towards Shareholders or Owners

Though there is separation of ownership and management in case of joint stock companies, shareholders are entitled to appoint directors and seek regularly accurate

and full financial information about the company. The management or the directors of the company are responsible for safeguarding the interests of the shareholders. But in case of sole tradership and partnership concerns, the owners can look after their interest themselves.

In case of a company, the directors have the following responsibilities towards the shareholders:

- (i) **Reasonable Dividend:** Shareholders are a source of funds for the company. They expect a high rate of dividend on the money invested by them and also the maximisation of the value of their investment in the company.
- (ii) **Stability and Growth:** It is the duty of the management to see that financial position of the company is good and it is improving day by day.
- (iii) **Information:** It is the responsibility of the management to keep the shareholders well informed about the progress and financial position of the company.
- (iv) **Protection of Assets:** The assets of the company are purchased with the funds provided by the shareholders. The management is responsible to safeguard these assets.
- (v) **Trustee of Shareholders:** The management is the trustee of shareholders' funds. Therefore, the assets of the company should be used for the business of the company only. The policies followed by the management should increase the welfare of the shareholders.

### Responsibility towards Customers

Customers' satisfaction is the ultimate aim of all economic activity. This involves more than the offer of products at the lowest possible price. Adulteration of goods, poor quality, failure to give fair measure, lack of service and courtesy to the customers, misleading or dishonest advertising are some of the examples of violation by business of its obligations towards the customers of its products. Therefore, it is the duty of management to take care of the following points:

- (i) **Need Satisfaction:** The company should produce those goods which meet the needs of the consumers of different classes, tastes and with different purchasing power.
- (ii) **Regular Flow of Goods:** The business should make goods of the right quality available to the right people at the right time and place at reasonable prices.
- (iii) **Courteous Service:** The business should provide a prompt, adequate and courteous service to customers and handle their grievances carefully.
- (iv) **Right Information:** The management should ensure that advertisement and statements issued by the business are true and fair.
- (v) **Fair Trade Practices:** The management should not indulge into unfair and unethical practices such as black marketing, hoarding, adulteration, etc. The goods and services should be distributed properly so that the customers do not face any difficulty in purchasing them.



### Responsibility towards Suppliers

Management should deal with the suppliers judiciously. It should try for fair terms and conditions regarding price, quality, delivery of goods and payment. Their dealings with the suppliers should be based on integrity and courtesy in the absence of which the suppliers will not supply them the goods on credit. In short, management must create healthy relations with the suppliers.

### Responsibility towards Workers/ Employees

Workers are a source of labour. They should be treated as human beings and their cooperation must be achieved for the realisation of organisational goals. The management should fulfil the following obligations towards the workers:

- (i) **Fair Wages:** Every business should pay reasonable wages and salaries to its employees so that they may lead a good life and satisfy their needs.
- (ii) **Good Working Conditions:** Since workers spend about eight hours on a working day at their workplace, they must be provided with good working conditions. Good working conditions are necessary to maintain the health of the workers.
- (iii) **Adequate Service Benefits:** Workers should be provided service benefits such as housing and medical facilities, insurance cover and retirement benefits. These will make their future secure.
- (iv) **Cooperation:** It is the responsibility of the management to win the cooperation of the workers by creating conditions in which workers are willing to put forward their best efforts towards the common goals of the business.
- (v) **Recognition of Workers' Rights:** The management should recognise the workers' rights to fair wages, to participate in decisions affecting their working life, to form trade unions, to collective bargaining and to go on strike.
- (vi) **Opportunity for Growth:** The workers should be helped by education and other means to improve their skills. Management should give the workers opportunities to develop their capabilities through training, education and the enjoyment of freedom to the greatest possible extent.

### Responsibility towards Government

Every business enterprise is governed by various laws. It is the duty of the management of every enterprise to manage its affairs according to the laws affecting it. Management's policies should be laid down taking into consideration the provisions of various legislations and guidelines issued by the Government. Management should follow fair trade practices. It should pay taxes and other Government dues honestly, fully and promptly. It should not encourage corruption, black marketing and other social evils.

The specific responsibilities of business towards government may be enumerated as follows:

- (i) To abide by the laws of the nation.
- (ii) To pay government taxes honestly and in time.



- (iii) To avoid corrupting government employees.
- (iv) To discourage the tendency of concentration of economic power and monopoly.
- (v) To encourage fair trade practices.

### Responsibility towards Society/Community

Peter Drucker suggested that the business should be so managed so as to make the public good being treated as the private good of the enterprise. Thus, every business owes an obligation to the society at large. The specific responsibilities of business towards the society are discussed below:

- (i) **Socio-economic Objectives:** Management must be guided by the socio-economic objectives of the society. It should not indulge in any practice which is not fair from social point of view. Society expects that the management will use the factors of production effectively and efficiently for the satisfaction of the needs of the society. If the management fulfils these expectations, its goodwill and reputation will increase.
- (ii) **Improvement of Local Environment:** Good management can contribute to the advancement of local amenities where the enterprise functions. It can develop the surrounding area for the well-being of the workers and other people. Management has the responsibility to keep the environmental conditions healthy where the production is being carried on. It should take preventive measures against water and air pollution and should contribute to the community development activities. If the management fails to discharge its responsibility, the Government will interfere to prevent the enterprise from spoiling the conditions of living.
- (iii) **Create Employment Opportunities:** It is the responsibility of the management to help to increase direct and indirect employment in the area where it is functioning.
- (iv) **Efficient use of Resources:** The resources at the command of business belong to the society. Therefore, the management should make the best possible use of capital, raw materials, machines, technical knowledge and other resources for the well-being of the society.
- (v) **Welfare Activities:** The business should contribute towards the upliftment of the weaker sections of the society. It should cooperate in the welfare activities of the community.
- (vi) **Business Morality:** The business should not indulge into anti-social and unfair trade practices such as adulteration, hoarding and black marketing.

### Reconciliation of Conflicting Interests

The above discussion reveals that the interests of various groups are not identical. They are generally conflicting. Owners want the highest possible return, the workers the highest possible wages, the consumers the goods at the lowest possible price and the Government wants the highest possible revenue. It is the duty of management to bring about a compromise among the interests of various parties. Thus, management



is an arbiter among the various interests. It is called upon to divide the returns from the business activity equally among various groups by providing a fair return to owners, fair pay, fair working conditions and promotional avenues to the workers, good quality products at fair prices to the customers and by making the business an asset to the local community and the society.

### Concept of Trusteeship

The move towards social responsibility brings corporate management quite close to Mahatma Gandhi's philosophy of trusteeship. Since in an average company, the management controls what it does not wholly or at times even partly own, it necessarily becomes a trustee of the capital. However, according to Gandhian's concept, even the suppliers of capital should not treat their wealth as exclusively their own but as something which they are holding in trust for the society. It follows that in the ultimate analysis corporate management becomes the trustee not only of shareholders but also of certain other broader interests like labour, consumers, government and even society at large.

The word 'trustee' has been in use in corporate management for a very long time. The directors of companies are traditionally viewed as trustees of the shareholders with the object of maximising profits. This is consistent with the normal sense in which the word 'trustee' is used in legal nomenclature. But when Mahatma Gandhi spoke of a trustee, he meant not just a trustee in the normal legal sense, but a good deal more on moral grounds not covered by law. The Gandhian theory of trusteeship "makes no distinction between private and non-private property. All property is held in trust, no matter who possesses it and what its nature or quality is. Indeed, the theory of trusteeship applies not only to tangible and transferable property, but also to places of power and position and to intangible and non-transferable property".

### SOCIAL RESPONSIBILITIES OF MANAGEMENT IN INDIA

'Social Responsibilities of business' is not a new concept. Leading businessmen of the world have reaffirmed their belief in this concept. It affects their decisions and actions. Modern businessmen are more concerned with it than their predecessors. They recognise that since they are managing an economic unit in the society, they have an obligation towards the society with regard to their decisions and actions affecting social welfare.

Businessmen are human beings. They have their emotions and value judgements which are influenced by social environment. So it will not be right to say that like a machine they respond only to economic and technical data. Businessmen, in making decisions, typically apply three separate value systems, alongwith overriding ethical-moral considerations. These are:

- (i) Technical—Based upon physical facts and scientific logic.
- (ii) Economic—Based upon market values determined by consumers.
- (iii) Human—Based upon socio-psychological needs other than economic consumption needs.



Human value system exerts some weight upon the decisions of the businessmen. For instance, when a businessman decides to raise the price of his products, he is normally taking an economic decision. But while taking such a decision, he is guided by certain factors (other than technical and economic) like effect on inflation and poorer sections of the society, which proves that his decision is being influenced by human considerations. A manager who is more particular about his social responsibilities will always be influenced by socio-economic and socio-human obligations while making decisions and putting them into action.

### Increasing Concern for Social Responsibilities

Why are today's businessmen concerned more about their social responsibilities? Howard Bowen has tried to answer this question in a very interesting way. He feels that answer to the question can be divided into three parts: (1) because they have been forced to be more concerned, (2) because they have been persuaded to be more concerned and (3) because owing largely to the separation of ownership and control in the big companies, conditions have been favourable to the development of this concern.

The modern generation of Indian managers show greater concern for social responsibilities of business because of the following factors:

- (i) **Compelling Forces:** The business managers fulfil their social responsibilities because of the fear of public interference in business through the Government. For instance, in India many acts like Factories Act, Industrial Disputes Act, Companies Act and Industries (Development and Regulation) Act have been enacted to control the functioning of business enterprises and they empower the Government to intervene in the affairs of any business whenever situation warrants. The Government is even empowered to take over the ownership and management of any business undertaking in public interest. This has made the business realise their social responsibilities in their own long run self-interest and in the interest of the community. Businessmen can no longer be allowed to maximise their profits by marketing adulterated and sub-standard goods, creating artificial shortages, exploiting the consumers and the workers and cheating the Government. The fear of punishment for such practices has forced them to conform to social norms to which the whole society is committed.
- (ii) **Persuasive Forces:** Businessmen have been persuaded to consider their social obligations. Enlightened businessmen have always appealed to the business community to act with constraint. Various associations of businessmen have also worked a lot to persuade their members to perform their social obligations voluntarily. As Mr J.M. Parsons, an industrialist and former President of the Associated Chambers of Commerce and Industry said, "It is our duty to ensure good working conditions and a good standard of living for our workers to supply our customers with goods of acceptable quality at reasonable prices and to fulfil our obligations to the state by the punctilious payment of taxes, observance of rules of public regulation and cooperation in the larger purposes of society".



Government also tend to persuade the businessmen by advising them on various occasions. Persuasion has proved to be effective in many cases. This has avoided direct action by the Government.

- (iii) **Favourable Forces:** With the separation of ownership and control in large business houses, the managerial function has been vested in the professional managers. This had made conditions favourable to the recognition of social responsibilities. The new generations of managers are well educated and fully acquainted with the expectations of the society. They think in terms of the long-range welfare and interest of the enterprise which can be achieved if they are able to satisfy the customers, society, owners, workers and the Government. Since they are professionals, their motivation and point of view tend to differ in important respects from those of owner-managers. They give the required weightage to social and human values in their decisions as they realise that the business undertaking is the creature of the society and it cannot afford to maximise profits at the cost of social welfare.
- (iv) **Change in Business Environment:** Business is a part of economic system of the country. It is influenced by the economic, political, legal, social and technological environment of the country. The changes in the environment which have compelled the business to assume social responsibilities include the following:
- (a) Rise of consumerism
  - (b) Growth of labour movement
  - (c) Increase in level of literacy
  - (d) Improved communication and transport
  - (e) Legal provisions against the exploitation of workers and consumers.
- (v) **Need of Favourable Public Image:** Modern business is aware of the need of good public opinion of their business if they have to run their business successfully. It is easier to increase public image of the business if it assumes social responsibilities and gives publicity to the steps taken in this direction.

The business managers of today understand the need for contribution to national goals of economic growth, increase in employment, increase in sports, improvement of physical environment and development of backward regions in the country. Leading business houses such as TISCO, ITC and L&T have done a lot in this regard. They have shown concern for customers, employees, investors and suppliers. Besides, they have shown concern for ecological balance, increasing exports, encouraging ancillary industries and welfare of local communities where their plants are located.

Several public sector enterprises have also tried to fulfil their social responsibilities. Indian Railways, NTPC, BHEL and HMT, for instance, have contributed a lot for the welfare of people, development of human resources, introduction of new technology, import substitution, etc. To illustrate this, the management philosophy of BHEL is given below.

## **Bharat Heavy Electricals Limited**

### ***Business Mission***

To maintain a leading position as suppliers of quality equipment, systems and services in the field of conversion, transmission, utilisation and conservation of energy for application in the areas of electric power, transportation, oil and gas exploration and industries and utilise company's capabilities and resources to expand business into allied areas and other priority sectors of the economy like defence, communications and electronics.

### ***Growth***

To ensure a steady growth by enhancing the competitive edge of BHEL in existing business, new areas and international operations so as to fulfil national expectations from BHEL.

### ***Profitability***

To provide a reasonable and adequate return on capital employed primarily through improvements in operational efficiency, capacity utilisation and productivity and generate adequate internal resources to finance the company's growth.

### ***Customer Focus***

To build a high degree of customer confidence by providing increased value for his money through international standards of product quality, performance and superior customer service.

### ***People Orientation***

To enable each employee to achieve his potential, improve his capabilities, perceive his role and responsibilities and success of the company. To invest in human resources continuously and be alive to their needs.

### ***Technology***

To achieve technological excellence in operations by development of indigenous technologies and efficient absorption and adaptation of imported technologies to suit business needs and priorities and provide a competitive advantage to the company.

### ***Image***

To fulfil expectations which stakeholders like Government as owner, employees, customers and the country at large have from BHEL.

### ***The Basic Code***

A member of a management association affiliated to the All India Management Association (AIMA) shall:

- Try his best to organise the resources available to him with a view to optimise their use in attaining the objectives of his organisation.



- Consider the guide to good management practices conveyed by AIMA from time to time in carrying out his tasks.
- Comply with the Indian laws relating to the management of his organisation and do his best to operate within the spirit of these laws.
- So order his conduct as to uphold and further the reputation of professional management.

### *Guide to Good Management Practices*

A professional manager is primarily responsible to his organisation. He is, thereafter, responsible to the following six stakeholders of his organisation: Investors, Employees, Suppliers, Customers, Government and Community.

(1) As regard his **Organisation**, a professional manager should:

- Act both with loyalty and honesty in carrying out the lawful policy and instructions of his organisation and not undermine its image or reputation.
- Plan, establish and review objective, tasks and organisation structures for himself and his subordinates which are compatible with the codes and practices of other professionals in the enterprise and will help to meet the enterprise's overall objectives, and, by his own work and through leadership and coordination direct all available efforts towards the success of the enterprise rather than of himself.
- Provide a working climate in which innovation and free exchange of ideas are encouraged.
- Full respect the confidentiality of information which comes to him in the course of his duties and not use confidential information for personal gain or in a manner which may be detrimental to the organisation for which he works or has worked.
- In his contacts and dealings with other people, demonstrate his personal integrity and when called upon to give an opinion in his professional capacity shall, to the best of his ability, give an opinion that is objective and reliable.

(2) As regard the **Investors** in his organisation, a professional manager should:

- Ensure that surplus generated in the operations of the company is divided fairly amongst investors, employees and for further growth opportunities.
- Ensure that the investors are given fairly accurate financial and other important operating information periodically.

(3) As regards the **Employees**, a professional manager should:

- Set an example for his subordinates through his own work capability and performance, through his leadership and by taking account of the needs and problems of his subordinates.
- Train people under him to become qualified for higher duties, including his own position.
- Pay proper regard to the safety and well being of the personnel for whom he is responsible.



- (4) As regards the Customers and Suppliers, a professional manager should:
- Ensure that the terms of all contracts and terms of business be stated clearly and unambiguously and honoured.
  - In no circumstances supply inherently unsafe goods or services.
  - Operate an organisation's policy or require one to be established, which excludes corrupt practice, with regard to the giving or receiving of gifts or benefits and not to tolerate any practice which could lead to commercial or other corruption.
- (5) As regards Government, a professional manager should:
- Conform to the national interest as expressed in Government policy.
- (6) As regards Community, a professional manager should:
- Make the most effective use of all natural resources employed.
  - Be ready to give professional assistance in community affairs.

### Factors Influencing Ethical Behaviour

Ethical behaviour on the part of business executives has its roots in the following factors:

1. **Social Factors:** We function as members of society which has norms, values, customs and traditions to govern behaviours. In practice, however, various levels of conformity prevail. Each of us has different life experiences, personal concerns and aspirations. Ethics, imparted by the family during childhood and youth, affect our perceptions of what is right or wrong. Similarly, friends can have a positive or negative influence on our behaviour. Some individuals adhere to religious beliefs, others do not.
2. **Cultural Factors:** Cultural values are passed on from generation to generation. They have a long lasting impact on the ethical norms the business managers have to follow. In every society, there are institutions which provide the basic sources of values for persons and organisations. These institutions may be classified into family, school (educational), religious organisation and State (Government). These institutions are inter related and they reinforce the values propagated by each other. These institutions prescribe what is good or bad for an individual or an organisation. Good behaviour is encouraged and bad behaviour is discouraged. We observe this phenomenon from our childhood and see that good behaviour is reinforced. These values form a part of most of the individuals.
3. **Political Factors:** Prominent political parties in the country and the Government in power may also have influence on the ethical values. They exert their influence through legislative enactments. There are several laws in force in India and other countries to regulate the behaviour of business firms. It is unethical for a manager not to follow Government regulations even if he is personally against these. He can go to the court of law to redress his grievances, but he has to fulfil the requirements to different laws applicable to the business firm. A few example



of Government regulations are working conditions in factories and mines, safety in factories and mines, anti-pollution measures, statutory warning on cigarette packets, printing of weight, price and date of manufacture on consumer products and so on.

4. **Industry Code:** The associations of industrial and trading houses such as Chamber of Commerce and Industry and Trade Associations may prescribe codes of conduct for the member firms. Such a code is a useful source of ethical behaviour for the business.

Personnel from several professions work in modern organisations such as Chartered Accountancy, Medical, Engineering, Legal, etc. Professional codes are an important source of ethical norms for professionals in business organisations. Professional codes are prescribed by associations of professional such as the Institute of Chartered Accountants of India, Medical Council of India, Bar Council of India. It is worth noting that All India Management Association has also prescribed a code of conduct for professional managers which has been reproduced earlier.

5. **Organisational Factors:** Superiors, subordinates and co-workers have an impact on ethical judgements and subsequent behaviours of individuals. An individual develops beliefs, attitudes and values derived from the groups of colleagues; supervisors and subordinates with whom he is associated. He tends to conform to the group norms so that his behaviour is not called undesirable.

Organisational policies govern business operations. Yet they can be interpreted differently, stated vaguely and actually interfere with efforts to comply with them. If rewards are distributed without regard to anything but results, unethical behaviour is more likely to occur. That is why, kickbacks and pay-offs by business houses in securing Government contracts have been frequently termed as unethical.

## SUMMARY

Every business organisation is basically an open system which takes its input from the environment and gives the output to the environment. Hence the responsibilities of a professional manager is not restricted to the shareholders only. Actually every manager is responsible to all the stakeholders i.e., shareholder, employees, customers, suppliers, et.al. If the managers shirk their responsibilities then the government is forced to bring legislations regarding the social responsibilities of business organisations. It is always better to assume voluntarily the responsibilities towards all the stakeholder and try to make them feel delighted. It has been observed that the share market looks favourably towards those organisations which are transparent in their working and behave responsibly towards the society.

## REVIEW QUESTIONS

1. "Economic goals and social obligations of business are always in conflict with each other and cannot be reconciled." Comment.

2. What are the basic social obligations of management? Do these conflict with the profit objective?
3. How can management set its objectives so as to balance a variety of needs and goals?
4. "It is wrong to say that there is any conflict between profit objective and social obligations of business". Comment on the statement.
5. What do you mean by social responsibilities of business? Give arguments for and against the assumption of social responsibilities by a business.
6. Give reasons, why present-day business managers attach importance to social responsibilities.
7. Briefly discuss the obligations of business towards workers, consumers, investors and government.
8. Explain the social responsibilities of business towards its shareholders, customers and community at large.
9. Discuss the concept of social responsibilities of business. Explain the social responsibilities of business towards customers and workers.
10. "A modern industry owes certain obligations towards specific identifiable groups in society." Identify such groups and explain the nature of obligations.
11. Account for the growing concern among businessmen about their social responsibilities. Do you think legal measures are sufficient to force or induce a company to discharge its social responsibilities?
12. Explain the following:
  - (a) Relevance of profit motive
  - (b) Influence of environment on business objectives

### SUGGESTED READINGS

Howard R. Bowen, *Social Responsibilities of the Businessmen*, Harper and Brothers.

K.G. Mashruwala, *Gandhi and Marx*.

Peter Durcker, *Management*, Heineman Ltd.

Peter Drucker, *The Practice of Management*, Harper and Row.

Richard T. DeGeorge, *Business Ethics*, Macmillan.



**CHAPTER** MANAGERIAL PLANNING**5****OBJECTIVES**

- Discuss planning in terms of its principles, process and significance
- State the prerequisites of an effective plan
- Describe the significance of business forecasting in an organization

**STRUCTURE**

- ◆ Principles of Planning
- ◆ The Process of Planning
- ◆ Essential Requirements of an Effective Plan
- ◆ Derivative Plans
- ◆ Planning Premises
- ◆ Business Forecasting

Planning is the most basic of all management functions since it involves deciding of future course of action. The other functions of management, viz., organising, staffing, directing and controlling, must reflect proper planning. A manager organises, directs and controls to ensure the accomplishment of predetermined goals according to plans. Thus, planning logically precedes the execution of all other managerial functions. Although, all the functions intermesh in practice, planning is unique in the sense that it establishes the objectives for the group effort and lays down steps to accomplish them before the manager proceeds to perform other functions.

### Definition of Planning

Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done. It is the determination of a course of action to achieve the desired results. It bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen. Planning is a mental process requiring the use of intellectual faculties, imagination, foresight and sound judgement. In the words of Koontz, O'Donnell and Weihrich, "Planning is an intellectually demanding process; it requires the conscious determination of courses of action and the basing of decisions on purpose, knowledge and considered estimates".

Planning involves anticipation of future course of events and deciding the best course of action. It is basically a process of thinking before doing. "To plan is to produce a scheme for future action; to bring about specified results, at specified cost, in a specified period of time. It is a deliberate attempt to influence, exploit, bring about and control the nature, direction, extent, speed and effects of change. It may even attempt deliberately to create change, remembering always that change (like decision) in any one sector will in the same way affect other sectors". Planning is a deliberate and conscious research used to formulate the design and orderly sequence of actions through which it is expected to reach the objectives. Thus, we can say that planning is a systematic attempt to decide a particular course of action for the future. It leads to determination of objectives of the group activity and the steps necessary to achieve them. From this, we can conclude that planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formulation of proposed activities believed necessary to achieve desired results.

### Nature of Planning

The nature of planning can be highlighted by studying the following characteristics:

- (i) **Planning is an Intellectual Activity:** Planning involves vision and foresightedness to decide the things to be done in future. It bridges the gap between where we are and where we want to go. It is not a simple process. It involves use of mental skills for the achievement of group objectives.
- (ii) **Planning Involves Selection among Alternatives:** Planning is a choice activity. The planning process involves finding of alternatives and selection of the best alternative to achieve specified objectives. Thus, decision making is an integral part of planning. Every manager finds himself surrounded by many alternatives. He has to pick up the best one.



- (iii) **Planning is Forward-Looking:** Planning means looking ahead. It is carried out to achieve some objectives in future. It may involve forecasting of future events such as customers, demand, competition, government policies, etc. In other words, the manager attempts to handle future events effectively through the process of planning. Thus, planning is futuristic in nature.
- (iv) **Planning is Related to Objectives:** Every plan specifies the objectives to be attained in the future and steps necessary to reach them. As Billy E. Gotez said, "Plans forecast which actions will tend towards the ultimate objective...Managerial planning seeks to achieve a consistent, coordinated structure of operation focused of desired ends".
- (v) **Planning is the Most Basic of all Management Functions:** Since managerial operations in organising, staffing, leading, and controlling are designed to support the accomplishment of enterprise objectives, planning logically precedes the execution of all other managerial functions.
- (vi) **Planning is a Pervasive Function of Management:** Planning is a function of all managers, although, the character and breadth of planning will vary with their authority and with the nature of policies and plans outlined by their superiors.

### Is Planning Really Necessary

Planning is an activity of a highly ubiquitous character. Every function of business is planned in most of the enterprises as is evident from the fact that there are production plans, sales plans, financial plans, purchase plans, research and development plans and so on. This is done because of the necessity to ensure proper utilisation of human and material resources to achieve the objectives of the business. Without proper planning, the affairs of any enterprise are most likely to be haphazard. Less important task may be done ahead of more important one or the same piece of work may be done by different individuals using different procedures or methods. There may be unnecessary repetition of certain business operation leading to wastage of efforts and resources. In short, without plans, action must become merely random activity, producing nothing but chaos. Therefore, planning is a must to achieve a consistent and coordinated structure of operations focussed on desired objectives.

Henri Fayol explained the importance of planning as a management function. According to him, "the maxim, Managing means looking ahead, gives some idea of the importance attached to planning in the business world, and it is true that if foresight is not the whole of management, at least it is an essential part of it... The plan of action is, at one and the same time, the result envisaged, the line of action to be followed, the stages to go through, and the methods to use". George Terry viewed planning as basic to the other managerial functions. Without the activities determined by planning, there would be nothing to organise, no one to actuate and no need to control. This stresses the importance of planning in the management process. Thus, planning is a prerequisite to good management.

Planning provides a rational approach to predetermined objectives as it requires a lot of systematic mental exercise on the part of planners. Planning helps in selecting from among alternative future courses of action for the enterprise as a whole and for



its every department. It lays down clearly what every segment of the enterprise should do to achieve the organisational objectives. No organisation can achieve its objectives without proper planning because of certain obvious reasons. These reasons are as follows:

- i. Growing complexities of modern business because of rapid technological changes and keen competition in the market.
- ii. Rapid social, economic and political changes.
- iii. Recognition of social responsibilities.
- iv. Growth of trade unionism.
- v. Uncertainties caused by trade cycles.
- vi. Shortage of certain resources.
- vii. Increasing government control over business.
- viii. Need for research and development activities.
- ix. Fluctuations in macro and micro-economic variables.

These are the challenges before the managers of modern era which can be dealt with effectively only through proper planning. Looking at the significance of planning, management of every organisation should give due weightage to the planning function. Good planning is the foundation of efficient management.

### Benefits of Planning

Good planning can result in the following advantages:

- i. **Focuses Attention on Objectives:** Since all planning is directed towards achieving enterprise objectives, the very act of planning focuses attention on these objectives. Laying down the objectives is the first step in planning. If the objectives are clearly laid down, the execution of plans will also be directed towards these objectives.
- ii. **Ensures Economical Operation:** Planning involves a lot of mental exercise which is directed towards achieving efficient operation in the enterprise. It substitutes joint directed effort form uncoordinated piecemeal activity, even flow of work for uneven flow and deliberate decisions for snap judgements. This helps in better utilisation of resources and thus minimising costs.
- iii. **Reduces Uncertainty:** Planning helps the managers in performing their function of control. Planning and control are inseparable in the sense that unplanned action cannot be controlled because control involves keeping activities on the predetermined course by rectifying deviations from plans. Planning helps control by furnishing standards of control. It lays down objective and standards of performance which are essential for the performance of control function.
- iv. **Facilitates Control:** Planning helps the managers in performing their function of control. Planning and control are inseparable in the sense that unplanned action cannot be controlled because control involves keeping activities on the predetermined course by rectifying deviations from plans. Planning helps control



- by furnishing standards of control. It lays down objectives and standards of performance which are essential for the performance of control function.
- v. **Encourages Innovation and Creativity:** Planning is basically the deciding function of management. It helps innovative and creative thinking among the managers because many new ideas come to the mind of manager when he is planning. It creates a forward looking attitude among the managers.
  - vi. **Improves Motivation:** A good planning system ensures participation of all managers which improves their motivation. It improves the motivation of workers also because they know clearly what is expected of them. Moreover, planning serves as a good training device for future managers.
  - vii. **Improves Competitive Strength:** Effective planning gives a competitive edge to the enterprise over other enterprises that do not have planning or have ineffective planning. This is because planning may involve expansion of capacity, changes in work methods, changes in quality, anticipating tastes and fashion of people and technological changes, etc.
  - viii. **Facilitates Coordination:** Planning secures unity of direction towards the organisational objectives. All the activities are directed towards the common goals. There is an integrated effort throughout the enterprise. It will also help in avoiding duplication of efforts. Thus, there will be better coordination in the organisation.

### Limitations of Planning

Sometimes, planning fails to achieve the desired results. There are many causes of failure of planning in practice. These are discussed below:

1. **Lack of Reliable Data:** There may be lack of reliable facts and figures over which plans may be based. Planning loses its purpose if reliable information is not available or if the planner fails to utilise the reliable information. In order to make planning successful, the planner must determine the reliability of facts and figures and must base his plans on reliable information only.
2. **Lack of Initiative:** Planning is a forward looking process. If a manager has a tendency to follow rather than lead, he will not be able to formulate good plans. Therefore, the planner must take the required initiative. He should be an active planner and should take adequate follow up measures to see that plans are understood and implemented properly.
3. **Costly Process:** Planning is time consuming and expensive process. This may delay action in certain cases. But it is also true that if sufficient time is not given to the planning process, the plans so produced may prove to be unrealistic. Similarly, planning involves costs of gathering and analysing information and evaluation of various alternatives. If the management is not willing to spend on planning, the results may not be good.
4. **Rigidity in Organisational Working:** Internal inflexibility in the organisation may compel the planners to make rigid plans. This may deter the managers from taking initiative and doing innovative thinking. So the planners must have



sufficient discretion and flexibility in the enterprise. They should not always be required to follow the procedures rigidly.

5. **Non-acceptability of Change:** Resistance to change is another factor which puts limits on planning. It is a commonly experienced phenomenon in the business world. Sometimes, planners themselves do not like change and on other occasions they do not think it desirable to bring change as it makes the planning process ineffective.
6. **External Limitations:** The effectiveness of planning is sometimes limited because of external factors which are beyond the control of the planners. External stringencies are very difficult to predict. Sudden break-out of war, government control, natural havocs and many other factors are beyond the control of management. This makes the execution of plans very difficult.
7. **Psychological Barriers:** Psychological factors also limit the scope of planning. Some people consider present more important than future because present is certain. Such persons are psychologically opposed to planning. But it should not be forgotten that dynamic managers always look ahead. Long range well-being of the enterprise cannot be achieved unless proper planning is done for future.

### Measures to Overcome Limitations of Planning

Some people say that planning is a mere ritual in the fast changing environment. This is not a correct assessment of managerial planning. Planning may be associated with certain difficulties such as non-availability of data, lethargy on the part of planners, rigidity of procedures, resistance to change and changes in external environment. But these problems can be overcome by taking the following steps:

1. **Setting Clear-cut Objectives:** The existence of clear-cut objectives is necessary for efficient planning. The overall objectives should not only be understandable but rational also. The overall objectives of the enterprise must be the guiding pillars for determining the objectives of various departments. This would help in having coordinated planning in the enterprise.
2. **Management Information System:** An efficient system of management information should be installed so that all relevant facts and figures are made available to the managers before they perform the planning function. Availability of right type of information will help in overcoming the problems of complete understanding of the objectives and resistance to change on the part of the subordinates.
3. **Careful Premising:** The planning premises constitute a framework within which planning is done. They are the assumptions to be made regarding future happenings. In other words, it is a prerequisite to determine future settings such as marketing, pricing, Government policy, tax structure, business cycle, etc., before giving the final shape to the overall business plan. The planning premises should be set up very carefully. Due weightage should be given to the relevant factors at the times of premising. It may be pointed out that the premises which may be of strategic significance to one enterprise may not be of equal significance to another because of size, nature of business, nature of market, etc.
4. **Business Forecasting:** Business is greatly influenced by economic, social, political and international environment. The management must have a mechanism of forecasting changes in such environment. Good forecasts will contribute to the effectiveness of planning.



5. **Dynamic Managers:** The persons concerned with the task of planning should be dynamic in outlook. They must take the required initiative to make business forecasts and develop planning premises. A manager should always keep in mind that planning is looking ahead and he is making plans for future which is highly uncertain.
6. **Flexibility:** Some element of flexibility must be introduced in the planning process because modern business operates in an environment which keeps on changing. For achieving effective results, there should always be a scope to make necessary addition, deletion, or alteration in the plans as is demanded by the circumstances.
7. **Availability of Resources:** Determination and evaluation of alternatives should be done in the light of resources available to the management. Alternatives are always present in any decision problem. But their relative plus and minus points are to be evaluated in the light of the resources available. The alternative which is chosen should not only be concerned with the objectives of the enterprise, but also capable of being accomplished with the help of the given resources.
8. **Cost-Benefit Analysis:** The planners must undertake cost-benefit analysis to ensure that the benefits of planning are more than the cost involved in it. This necessarily calls for establishing measurable goals, clear insight to the alternative courses of action available, premising reasonably and formulation of derivative plans keeping in view the fact that environment is fast-changing.

### PRINCIPLES OF PLANNING

The important principles of planning are discussed below:

1. **Principle of Contribution to Objectives:** The purpose of plans and their components is to develop and facilitate the realisation of organisational aims. Long range plans should be interwoven with medium range plans which, in turn, should be meshed with short range ones in order to accomplish organisational objectives effectively and economically.
2. **Principle of Pervasiveness of Planning:** Planning is found at all levels of management. Strategic planning or long range planning is related to top management, while intermediate and short range planning are the concern of middle and operating management respectively.
3. **Principle of Limiting Factors:** Planning must take the limiting factors (manpower, money, machines, materials and management) into account by concentrating on them when developing alternative plans, strategies, policies, procedures and standards.
4. **Principle of Flexibility:** Flexibility should be built into organisation plans. Possibility of error in forecasting and decision making and future uncertainties are the two common factors which call for flexibility in managerial planning. The principle of flexibility states that management should be able to change an existing plan because of change in environment without undue cost or delay so that activities keep moving towards established goals. Thus, an unexpected slump



in demand for a product will require change in sales plan as well as production plan. Changes in these plans can be introduced only when these possess the characteristic of flexibility. Adapting plans to suit future uncertainties or changing environment is easier if flexibility is an important consideration while planning.

Both short-term and long-term plans need to have the element of flexibility. However, flexibility is more important in long range plans. The reason is not difficult to trace. Possibility of error or uncertainty is much higher for long-term plans than for short-term plans. However, the management can have flexibility in planning only within limits. External and internal rigidities and pressures greatly limit flexibility in managerial planning. Thus, the existing patterns of human behaviour, policy and procedure rigidities, union pressures, government policy and legal requirements are some important inflexibilities which restrict adaptability of plans to changing environment.

5. **Principle of Navigational Change:** This principle requires that managers should periodically check on events and redraw plans to maintain a course towards the desired goal. It is the duty of the navigator to check constantly whether his ship is following the right direction in the vast ocean to reach the destination as scheduled. The navigator changes the path of ship in case it is not going on the right path. In the same way, a manager should check his plans to ensure that these are progressing as required. He should change the direction of his plans if he faces unexpected events. It is useful if plans contain an element of flexibility. But built-in flexibility in plans does not mean that plans get revised automatically. It is the responsibility of the manager to adapt and change direction of plans to meet the challenges of constantly changing environment. In this regard, the role of a manager is analogous to the role of navigator of a ship which changes its course if it is not going on the right path.
6. **Principle of Commitment:** An organisation should plan in the future for a period of time sufficient to fulfil the commitments of the organisation. This principle helps in determining the length of the planning period. It suggests that the time period covered by planning should be related to the commitments of the organisation. If the commitments are defined in terms of long-term goals, the resources should be procured and deployed by the long-term plans to realise the goals.

### Types of Planning

We can classify planning on the basis of the following dimensions:

1. **Organisational Level:** Corporate, divisional and functional planning.
2. **Focus:** Strategic, operational and tactical planning.
3. **Time Period:** Long-range, medium-range and short-range planning.

### Levels of Planning

Based on organisational levels, planning exercise may take the form of (i) corporate planning, (ii) divisional planning and (iii) sectional or unit planning.



- (i) **Corporate Planning:** Corporate planning may be defined as a systematic and comprehensive process of planning taking account of the resources and capability of the organisation and the environment within which it has to operate and viewing the organisation as a total corporate unit. Corporate planning is strategic in nature and it covers the entire spectrum of organisational activities. It lays down the basic objectives, policies and strategies for the organisation as a whole. It usually covers a long period of five years or even more than this.

Corporate planning provides for future contingencies and attempts to match the organisational resources with the opportunities and threats in the external environment. Plans at the corporate level are formulated by the top level managers and they integrate various divisional and functional plans of the enterprise.

- (ii) **Divisional Planning:** Divisional planning relates to a particular division or department. Thus, it sets the objectives, policies and programmes of a particular division or department in tune with the corporate plans of the enterprise. The divisional plans. For instance, financial planning is the responsibility of finance manager and sales budget that of marketing manager.
- (iii) **Sectional or Unit Planning:** Sectional or unit planning is highly specific as it is done to achieve the divisional objectives. Its focus is to lay down detailed plans for a particular unit for the day-to-day guidance of personnel working there. The first-line managers are responsible for developing plans for their units in the light of the divisional plans. Such plans are more specific and detailed as compared to divisional and corporate plans.

### Focus of Planning

The focus of managerial planning may be on developing (i) strategic (ii) operational and (iii) tactical plans as discussed below:

- (i) **Strategic Planning:** Strategic planning is the process of deciding the objectives of the organisation and determining the manner in which the resources of the enterprise are to be deployed to realise the objectives in the uncertain environment.

A strategy represents the general direction of the organisational efforts. It is the way in which the management choose to utilise the organisation resources to reach its objectives. It involves multi-lateral relationships among the organisation, its resources and the environment. Strategic plans are made by the top management of the firm after taking into account the firm's strengths and weaknesses in the light of internal and external environment.

- (ii) **Operational Planning:** Operational planning is concerned with the efficient use of the resources already allocated and with the development of a control mechanism to ensure efficient operation so that organisational objectives are achieved. It lays down programmes, budgets, projects policies, procedures, rules, etc., to implement the strategic plan. In other words, an operational plan (also called tactical planning) involves laying down how the firm's resources of the organisation will be used to help the firm achieve its objectives.

Operational plans provide the details of how the strategic plans will be accomplished. In other words, the details that activate the strategic plan are



domain of operational planning. An operational plan is often more specific than a strategic plan.

### BOX 5.1

Strategic Planning vs. Operational Planning		
Basic	Strategic	Operational Planning
1. Time Span	It covers a long period of time depending upon the nature of business and its environment.	It covers a short-term perspective upto one year.
2. Level of Management	It is done by the top level managers.	It is done by the middle level and lower level managers.
3. Scope	It covers the whole enterprise.	It may cover specific departments or functional areas of business.
4. Primacy	Strategic plans are based on organisational objectives and they precede operational plans.	Operational plans are based on strategic plans and they succeed strategic plans.
5. Details	Strategic plans contain relatively less details and are less specific.	Operational plans contain greater details and so are more specific.
6. Resources	Strategic plans are concerned with the acquisition and allocation of new resources.	Operational plans are made to utilise the given resources efficiently.
7. Environment	Strategic plans are made in the light of external environment. They are generally based on long-term forecasts of technological changes, economic changes, socio-political changes, etc.	Operational plans are focused on the internal environment of the firm so as to make effective use of firm's resources.

- (iii) **Tactical Planning:** Tactical plans are made for short-term moves and maneuvers things necessary for supporting the strategic plans and achieving firm's objectives. They are required to meet the challenges of sudden changes in the environmental forces. For instance, tactical plans may be made to handle a sudden fall in the demand of firm's products of unexpected move by a competitor. Tactical planning may also become necessary to secure big orders by changing the price policy, terms of credit and discount, etc. The nature of a tactical plan is dictated by the threats posed by the environment.

### Range or Time Span of Planning

Business plans may be classified on the basis of time span covered into three categories, namely (i) long range (ii) medium range, and (iii) short range.

- (i) **Long Range Planning:** Long Range planning is the process of establishing long-term goals, working out strategies, policies and programmes to achieve these goals. In other words, long range planning sets long-term goals for the enterprise and formulates strategic plans for attaining these goals. It involves an attempt to anticipate, analyse and make decisions about basic problems which have significant effects well beyond the present operating horizon of the enterprise. Long range planning is done by the top management.

Long range planning generally covers a period ranging from 5 years to 20 years or even more. The period will vary from organisation to organisation. It may be five years for a departmental store and at least twenty-five years for a company intending to take up the production of timber. The purpose of long range planning



may include technological leadership, increase in market share, globalisation of production and marketing, public image, etc.

Long range planning may involve capital budgeting, product planning, project planning, acquisition of competing units. It may involve a complete change in outlook of the business. It deals with the broad technological, financial and competitive aspects of the business. Because of this, long range planning is associated with a great deal of uncertainty. Its success will be determined by the ability of the organisation to predict and deal with the environment.

- (ii) **Intermediate or Medium Range Planning:** Intermediate plans are made to support the medium term plans. They may relate to development of new products and markets, product publicity, increasing return on investment from the existing products and markets, etc. They are more detailed than the long range plans. Coordination between different departments is given greater emphasis.

Medium-term planning usually covers a period of more than one year but less than five years. The length of period may vary from one business to another depending upon the nature of business, risks and uncertainties, government control, changes in technology, nature of market, etc.

- (iii) **Short Range Planning:** Short range planning relates to period of upto one year, generally. Such plans are made to achieve short-term goals. Short range planning is concerned more with the current or near-future operations of the enterprise. It may be considered as a step by step approach to medium and long range planning. Short range plans are instrumental in implementing long-term plans. They are quite specific in nature such as change of product design, training of workforce, reduction of inventory levels, preparation of production budget and so on. Short-range planning is generally action-oriented and is the responsibility of lower level managers.

#### BOX 5.2

Long-range, Medium-range and Short range Planning			
Basic	Long range Planning	Medium range Planning	Short range Planning
1. Time Span	Time horizon is generally more than five years.	Time horizon is more than one year, but less than five years.	Time span is restricted upto one year.
2. Focus	It is focused on the external environment of the business.	It is focussed on the long range plans and internal environment of business.	Its main focus is on internal environment of business. Linkage between various elements of business is greatly emphasised.
3. Uncertainty	It is very high.	It is moderate.	It is low.
4. Specificity	The actions are less specified.	The actions are specified, but details are lacking.	The actions are highly specified and detailed.
5. Linkage	It is linked with the corporate objectives.	It is linked with long range planning.	It is instrumental in implementing medium and long range planning.
6. Means	Strategies and long-term policies are formulated.	Policies, procedures, programmes and projects are quite often used.	Methods, rules, budgets, schedules, etc., are employed.

## THE PROCESS OF PLANNING

It is difficult to specify the steps in the planning process for all organisations because of their differences in size and complexity. Nevertheless, it is possible to suggest some important steps for effective planning. The steps which are applicable to the most types of plans are discussed below:

- (i) **Establishing Objectives:** Planning is an intellectual process which an executive carries out before he does any job with the help of other people. But while planning, the question which must arise in the mind of the executive is "what is the objective of doing the job?" So the first step in planning is the determination of objectives. Objectives provide direction to various activities in the enterprise. Planning has no utility if it is not related to objectives.

The establishment of objectives can, at times, be more important than the objectives themselves since their establishment emphasizes how various people and units fit into the overall organisation framework. The formalisation of this process can also be used to motivate individuals to achieve objectives which they have helped to establish. Objectives clarify the tasks to be accomplished. Overall objectives define what is to be accomplished in the general terms. The derivative objectives define what is to be accomplished in general terms. The derivative objectives focus on more details, that is, what is to be accomplished, where action is to take place, who is to perform it, how it is to be undertaken and when it is to be accomplished.

- (ii) **Collection of Information and Forecasting:** Sufficient information must be collected in order to make the plans and sub-plans. Necessary information includes the critical assessment of the current status of the organisation together with a forward look at the environment that is anticipated. The assessment of external environment may consider the strong and weak points of the organisation. Collection of information and making forecasts serve as an important basis of planning.

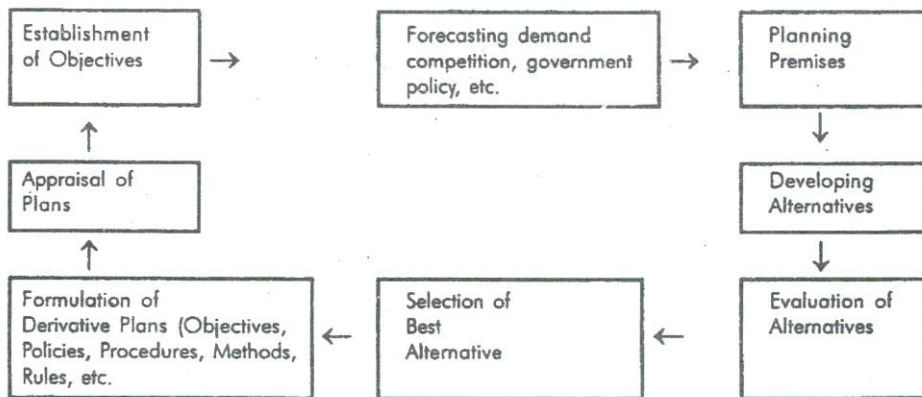


Fig. 5.1 Steps in planning

- (iii) **Development of Planning Premises:** This step involves making assumptions concerning the behavior of internal and external factors mentioned in the second step. It is essential to identify the assumptions on which the plans will be based. Assumptions denote the expected environment in the future and are known as 'planning premises'. Again, forecasting is important in premising. It helps in



making realistic assumptions about sales, costs, prices, products, technological developments, etc., in the future. The assumptions along with the future forecasts provide a basis for the plans. Since future environment is so complex and uncertain, it would not be realistic to make assumptions in greater details about every environmental factor. It is advisable to limit premising to those factors which are critical or strategic to the planning process.

- (iv) **Search of Alternatives:** Usually, there are several alternatives for any plan. The planner must try to find out all the possible alternatives. Without resorting to such a search, he is likely to be guided by his limited imagination. At the time of finding or developing alternatives, the planner should try to screen out the most unviable alternatives so that there are only a limited number of alternative for detailed analysis. It may be noted that determination of alternative plans can be a time consuming task because objectives which have been established initially may be found to be inflexible. It is also possible that the assumption need revision in the light of the changed circumstances.
- (v) **Evaluation of Alternatives:** Once alternative action plans have been determined, they must be evaluated with reference to considerations like cost, long range objectives, limited resources, expected payback, risk and many intangible factors to select the satisfactory course of action. Many quantitative techniques are available to evaluate alternatives. The manager may take the help of these techniques to reach the most objective result. The best possible alternative may be chosen by the manager after detailed analysis. Sometimes, evaluation of available alternatives may disclose that two or more courses are advisable and so the concerned manager may decide to choose two or more alternatives and combine them to suit the requirements of the situation.
- (vi) **Selection of Plan and Development of Derivative Plans:** The final step in the planning process is to select the most feasible plan and develop derivative plans. The plans must also include the feedback mechanism. The hierarchy of plans must be both integrated and flexible to meet the changing internal and external environment.

The derivative plans are required to support the basic or overall plans because the latter cannot be executed effectively unless they are supported by the derivative or sub-plans. The derivative plans are developed within the framework of the basic overall plan. For instance, if an airline decides to acquire a fleet of new planes, it will be followed by the development of a host of derivative plans dealing with the employment and training of various types of personnel, the acquisition of spare parts, the installation of maintenance facilities, scheduling, advertising, financing and insurance.

### ESSENTIAL REQUIREMENTS OF AN EFFECTIVE PLAN

An effective plan is one which helps in the better management of the enterprise. In order to be effective, a plan should possess the following characteristics:

- (1) **The Plan should be Specific:** The more specific it is, the less chance there is for it to be misinterpreted. Objectives should be clearly defined. The means for carrying out the plan should also be indicated in unambiguous terms.



- (2) **The Plan should be Specific:** The more specific it is, the better it is. If facts are not available, reasonable assumptions must be made about the future.
- (3) **The Plan should be Complete and Integrated:** A plan is said to be complete when it is comprehensive enough to cover all actions expected from integrated one when various administrative plans are so welded into one another that the whole undertaking operates at the peak of its efficiency.
- (4) **The Plan should be Flexible:** No plan is infallible nor can it cover all possible contingencies. Conditions under which a plan will be most effective change as do the variables and factors on which the plan is formulated. Therefore, it is essential to introduce some flexibility in every plan.
- (5) **The Plan should be Capable of being Controlled:** Effective planning of business activities depends upon the ability to foresee with utmost accuracy the nature and requirements of future events relating to industry in general and the business undertaking in particular. Therefore, the plan must distinguish between controllable future environment for better administrative control.

### DERIVATIVE PLANS

Planning consists of several components or derivative plans that are generally bound together. These components are also known as plans. They include projects, policies, programmes, strategies, procedures, methods and budgets. Now we shall discuss these plans which could be classified into (1) standing plans; and (2) single-use plans.

- (1) **Standing Plans:** The operational plans of a business organisation consist of a number of sub-plans or derivative plans which may be grouped into two broad headings, namely, standing plans, and single use plans. The standing plans are made to be used time and again. They are formulated to guide managerial decisions and actions on problems which are of recurring nature. That is why, standing plans are also known as 'repeated use' plans. Standing plans include policies, procedures, methods and rules and regulations.

Standing plans are formulated to achieve unity and uniformity of efforts in meeting repetitive situations arising at various levels of the enterprise. They are thus effective devices of coordination. They act as ready guides to deal with recurring problems. They help in the effective management of business enterprise in several respects as stated below:

- (i) Standing plans facilitate delegation of authority to lower levels without abdication of accountability at successively higher levels.
- (ii) They are effective means of achieving the goals of the enterprise. Goals may tend to be vague, complex, multidimensional and, sometimes, conflicting with one another in the absence of standing plans. In order to overcome such difficulties, it is essential to develop a hierarchy of policies, methods, procedures and rules to serve as ready frames of reference whenever there is some difficulty in taking a managerial decision.
- (iii) Standing plans help in achieving coordination in the enterprise. They tend to achieve consistency, uniformity and unity of efforts in the enterprises.
- (iv) Standing plans ensure quick action whenever need arises because there is no need to repeat the reasoning and analysis required initially to design a standing plan whenever a similar situation arises. Thus, they are great



labour-saving devices as they provide frames of reference for tackling recurring situations.

- (v) Standing plans facilitate better administrative control. They provide the rational bases of evaluating the results of efforts of persons working at the various levels in the enterprise.
- (2) **Single-use Plans:** Single-use plans are made for handling non-recurring problems. They are also known as 'specific' plans as they are tailored to fit the specific situations. A single use plan is formulated to handle a non-repetitive, novel and unique problem. It can't be used again and again. It becomes obsolete after its purpose has been achieved. The examples of single-use plans are, programmes, projects and budgets.

#### BOX 5.3

Distinction between Standing and Single-Use Plans	
Standing Plans	Single-use Plans
1. It is made to meet a situation which is of recurring nature.	1. It is made to meet a particular situation only.
2. It is used time and again.	2. It is used for a specific purpose only.
3. It is made to achieve uniformity and unity of efforts in meeting repetitive situations throughout the enterprise.	3. It is made to cater to a particular situation. It ceases to exist after its purpose is served.
4. The examples of repetitive use plans are: (i) Policies (ii) Procedures (iii) Methods (iv) Rules.	4. The examples of single-use plans are: (i) Programmes (ii) Projects (iii) Budgets.

### PLANNING PREMISES

Planning involves taking of decisions by the management on the basis of assumptions of what is likely to happen in the future. These assumptions may be referred to as planning premises since they constitute the basis of planning. Such assumptions are nothing but forecasts about the likely shape of events in future. Every manager assumes that certain entities will behave in a particular way. The assumptions are not merely based on experience or intuition but also on systematic prediction with the help of quantitative techniques.

Planning premises constitute the framework within which planning is done. They provide the bedrock upon which the future course of action is based. In order to have effective planning, the plans must be based on sound premises. Therefore, the premises should be based on systematic forecasting. Though, derivation of premises in the form of forecasts is a rigorous form of research activity which involves huge cost, it is essential to enhance the effectiveness of planning. These forecasts are based upon both past events as well as expected events. It is wrong to say that only future estimates are taken as planning premises. Past events are a useful guide for deriving reliable planning premises.

#### Types of Planning Premises

- (i) **Internal and External:** The internal premises include those originating from the sales forecast, the existing policies and programmes of the organisation, capital



investment policies, philosophy of management, etc. The abilities and skills of the workers are also significant internal premises. The external premises, on the other hand, are derived from the external environment of the business. They relate to the political, economic, social and technological forces in which the organisation operates and the conditions which influence demand for the organisation's products. These factors are generally beyond the control of an organisation.

- (ii) **Controllable, Semi-controllable and Non-controllable:** Factors like materials, money and machines are controllable to a great extent. In these areas, management has maximum control over the future commitments. Semi-controllable premises are those assumptions about future which are under the partial control of a business like labour relations and marketing policy. Non-controllable premises are entirely beyond the scope of business as, for instance, government policy, international trade agreements, wars, natural calamities, innovations, etc.
- (iii) **Tangible and Intangible:** Tangible premises are those which are capable of being expressed in terms of quantitative units. Intangible premises are not measurable quantitatively. They include such factors as goodwill of the business, public relations, employee attitude and morale, etc.

### Significance of Planning Premises

Planning premises are assumptions providing a background on which the planning process is based. The very nature of planning requires that in all circumstances, some assumptions be made regarding future happenings. Therefore, before drawing up a master plan for a concern, it is necessary to determine future settings such as markets, prices, tax structure, government policies, trade cycles, etc. The selection of planning premises and their use in planning depend upon the skill and experience of the planners. But the difficulty normally faced by the planners is twofold: (i) selecting what premises to use; and (ii) evaluating the benefits obtained from the use of the premises.

Planning premises are not always the same for all industries, or even units in the same industry. Premises which may be of strategic importance to one industry may not be of strategic importance to another due to size of the business, nature of business and other variables. For example, passenger load factor is a strategically important issue to air and road transport industries while the same is not at all important to other industries. Likewise in closely regulated industry, the policies and practices of the government have great relevance for planning premises whereas the same is less significant in unregulated industries.

The effectiveness of planning will be determined by the quality of forecasts or premises on which it is based. If the premises are properly assessed, it will be possible to develop reliable plans for future.



### Planning Premises: Some Illustrations

In order to illustrate the types of planning premises the business enterprises should have, three industries, namely, cement, sugar and liquor have been chosen. The important planning premises in these lines of business are listed below.

#### *Cement Industry*

- (a) Internal premises – capital investment, scope for expansion in the future, sales forecasts.
- (b) External premises – product market, location, availability of raw materials.
- (c) Tangible premises – production capacity, scope for expansion.
- (d) Semi-controllable premises – labour policy, pricing policy, share of the firm in the market.
- (e) Uncontrollable premises – government policy regarding plant location and tax structure.

#### *Sugar Industry*

- (a) Internal premises – capital investment and sales forecasts.
- (b) External premises – product market, location and availability of raw materials.
- (c) Tangible premises – production capacity, scope for expansion.
- (d) Semi-controllable premises – existing and future share of the company in the market.
- (e) Uncontrollable premises – Government licencing policy; taxation policy and socio-cultural factors, multinational corporations.

## BUSINESS FORECASTING

Forecasting is a systematic attempt to probe future with the help of known facts. It is the “research procedure to discover those economic, social and financial influences governing business activity, so as to predict or estimate current and future financial, production and marketing operations” Thus, forecasting is the process of predicting future systematically. The result of this process is known as forecasts.

### Significance of Forecasting

Forecasting is an essential element of planning. It means estimating future on a systematic basis. Almost every business executive makes forecasts of one thing or the other. The need to foresee future on a systematic basis was very well emphasised by Henri Fayol. He was of the opinion that the entire planning in business is made up of a series of separate plans, called forecasts. L. Urwick also visualised the pervasiveness of forecasting in every aspect of business. According to him, “The man who engages staff usually has an eye to future organisational requirements”. Thus, forecasting is a necessary activity for any business right from its birth.

Forecasting has assumed great importance in the modern business world which is characterised by growing competition, rapidity of changes in environment, fast

technological changes and increased government control. It offers the following advantages:

- (i) It helps in effective planning by providing a scientific and reliable basis for anticipating future operations such as sales, production, inventory, supply of capital and so on.
- (ii) Forecasting aims at reducing the area of uncertainty that surrounds management decision-making with respect to cost, production, sales, profits, pricing, etc. If the future were known with certainty, there would have been no need of forecasting. But the future is highly uncertain and so there is a great need to have an organised system of forecasting in the organisation.
- (iii) Making and reviewing of forecasts on a continuous basis will compel the managers to think ahead and to search for the best possible decisions with a dynamic approach.
- (iv) Forecasting is necessary for efficient managerial control as it can disclose the areas where control is lacking. Forecast of sales a must in order to control the costs of production and the productivity of personnel. Forecasting will help in anticipating the areas where there is great need to be attentive to control the costs.

**Limitations of Forecasting:** The limitations of forecasting are as under:

- (i) Though forecasting is a necessity in a modern business, it should not be forgotten that all forecasts are subject to a degree of error and they can never be made with a hundred percent accuracy. Guesswork can never be omitted from forecasting, though it can be reduced with the help of modern quantitative techniques.
- (ii) The quantitative techniques with the help of which forecasts are made have also got certain limitations. These techniques are based on certain assumptions. So the conclusions derived by the application of quantitative models can be no better than the assumptions on which they are based.
- (iii) Managers often neglect to examine whether the forecasts are supported by reliable information. Managers must use their knowledge, experience and available information with a great degree of skill and take care to make forecasts more dependable.

### Steps in Forecasting

The process of business forecasting involves the following steps:

- (i) **Understanding the Problem:** The first step in the forecasting process is the understanding of real problem about which forecasts are to be made. A manager must know clearly the purpose of forecasting. Forecasts may be made in regard to technological conditions, sales, choice of people, availability of finance and so forth. The clear understanding of the scope of forecasting will help the manager to probe the relevant information only.
- (ii) **Developing the Groundwork:** At this stage, the manager will try to understand what changes in the past have occurred. He can use the past data on performance



to get a speedometer reading of the current rate (say of sales or production) and how fast this rate is increasing or decreasing. This will help in analysing the causes of changes in the past.

- (iii) **Selecting and Analysing Data:** There is a definite relationship between the choice of statistical facts and figures and the determination of why business fluctuations have occurred. Statistical data cannot be selected intelligently unless there is proper understanding of the business fluctuations. The reasons of business fluctuations will help in choosing the relevant information. After selecting the data, they are analysed in the light of past changes. Statistical tools can be used to analyse the data.
- (iv) **Estimating Future Events:** Future events are estimated on the basis of analysis of past data. Here, the manager must use his past experience and judgement. He must know clearly what he expects in the future in the light of overall organisational objectives. He should make an estimate of future business from a number of probable trends revealed by the systematic analysis of data. The estimated results can be compared with actual results in the future. This will help in refining the process of forecasting.

### Techniques of Forecasting

The various techniques of forecasting may be classified into two major categories: (i) Quantitative and (ii) Qualitative. Quantitative techniques apply various statistical tools to data for predicting future events. They include Time Series Analysis, Regression Analysis, Econometric Models and Extrapolation. Qualitative techniques employ mainly human judgement to predict future such as Historical perspective (business barometers), Panel Consensus, Delphi Method and Relevance Tree Method. These methods are used where data is not readily available. For instance, quantitative methods cannot be used to forecast technological environment. A brief discussion of various quantitative and qualitative methods of forecasting is given below.

1. **Time Series Analysis:** Time series analysis assists to identify and explain:
  - (i) Any regular or systematic variation in the series of data which is due to some seasons; and
  - (ii) Cyclical trends that repeat every two or three years or more.

With the help of time series analysis, a trend line can be fitted (by using the method of least squares) which is the best indicator of the trend. Time series analysis provides an initial approximation forecast that takes into account the empirical regularities which may be expected to persist. After the seasonal effects have been identified and measured, the original data may be adjusted for these influences, yielding a new historical time series consisting of the trend and seasonally adjusted data. The new time series may be used in the analysis and interpretation of cyclical and residual influences. This method has certain limitations also. Since the future does not always reflect the past, the time series analysis may give misleading results in some cases. Moreover, this method can be used only when data of several years are available.



2. **Regression Analysis:** Regression analysis is the means by which we can select from among the many possible relationships between different variables which are relevant to forecasting. If two variables are functionally related, then the knowledge of one will make possible an estimate of the other. For instance, if it is known that advertising expenditure and sales are correlated, then we can find out the probable increase or decrease in sales with the given increase or decrease in the advertising expenditure. Regression analysis also helps in forecasting where there is one dependent variable and several independent variables. The help of computer programmes may be sought to solve the regression equations that are very complex and time consuming.
3. **Econometric Models:** Econometrics refers to the application of mathematical economic theory and statistical procedures to economic data in order to verify economic theory and statistical procedures to economic data in order to verify economic theorems and to establish quantitative results. Econometric models take the form of a set of simultaneous equations. The number of equations may be very large in some cases. So the help of electronic data processing equipment may be sought to solve these equations. It is also significant to point out that the development of an econometric model requires sufficient data so that the correct relationships can be established. The econometric models reveal, in quantitative terms, the way in which various aspects of a problem are interrelated.
4. **Extrpolation:** This technique is used frequently for sales forecasting and other estimates when other forecasting methods may not be justified. It is the simplest method of forecasting. In many forecasting situations, it can be expected more reasonably that the variable will follow its already established path. Extrapolation assumes the relative consistency in pattern of past movements in some time series. If this assumption is taken, the problem is to determine accurately appropriate trend curve and the values of its parameters. Numerous trend curves are suitable for business forecasting. They include arithmetic trend, semi-log trend, modified exponential trend, logistic curve, etc. Selection of an appropriate curve depends on empirical and theoretical considerations relevant to the forecasting problem.
5. **Historical Perspective (Business Barometers):** Historical perspective technique uses business barometers to make business forecasts. The term 'barometer' is used to indicate the economic situations. The assumption behind the use of business barometers, i.e., various indices, is that past patterns tend to repeat themselves in the future and that the future can be predicted with the help of certain happenings of the present. The various barometers which can be used in forecasting include gross national product, wholesale prices, consumer prices, industrial production, volume of money supply, stock exchange quotations, etc. Some of these index numbers may also be combined into a general index of business activity. The general index refers to general conditions of commerce and industry. However, this composite index may show quite contrary tendencies from those of some of its components. So proper care must be taken while using the index numbers for business forecasting. If the business barometer being used is reliable, it will reduce the chances of wrong forecasting.



6. **Panel Consensus Method:** Under this method, data is presented openly to a group of experts. The list of experts related to particular problem area is prepared with great care and the experts are brought together to have a face-to-face discussion and arrive at a consensus forecast. Such a forecast is expected to prove better as compared to a forecast made by one expert. Several experts can determine a better forecast than one working along.
7. **Delphi Method:** This method enjoys respectability due to its scientific minds of the people who possess the necessary expertise in the pertinent or related areas. Under this method, a panel of experts related to a particular problem area is prepared. Instead of bringing these experts together to have a face-to-face discussion, they are kept apart and their identity is kept secret from one another. This is done to prevent experts from being influenced by others and to eliminate the possibility of the emergence of a band-wagon mentality. The opinions of the experts are solicited by eliciting their response to a carefully prepared questionnaire. The answers collected are studied carefully to separate the answers to questions on which a general consensus has emerged. The experts who have differed with majority opinion are fed back the results of the first round of survey and are requested to communicate the reasons for their divergence. Similarly, in the case of such questions on which wide difference of opinion has surfaced, the same process is employed to narrow down the differences. The process of successive feedbacks and seeking of opinions continues until the experts re-evaluate their estimates and a better convergence of opinion emerges or at least the scatter of opinions gets narrowed. The final results are taken as the forecasts. It should be noted that the Delphi method would not give only one answer in all the cases.
8. **Relevance Tree Method:** In its normative application, the purpose of the relevance tree method is to help the business in determining objectives and predicting ways to attain them. According to this method, the feasibility of the future objective is judged first of all, and then by working backwards, attempt is made to find the technological innovations needed to achieve the objective. In its exploratory application, the relevance tree method is similar to the decision tree method of decision making. It is used to develop alternatives and to determine the most desirable course of action.

## SUMMARY

The function of management starts with planning. It logically precedes the execution of all other managerial functions. It is the determination of a course of action to achieve the desired results. It bridges the gap between where we are to where we want to be. It is a mental process which requires the use of intellectual faculties, imagination, foresight and sound judgment. There are various types of plans on the basis of organisational level, focus, and time period. But the basic steps of planning remains the same and are applicable on all the types of plans. Adequate balance between rigidity and flexibility is crucial for the success of plans. Plans must be made in a manner so that control can be exercised otherwise they may go haywire. It must be complete and should be capable of integrating all the areas.

## REVIEW QUESTIONS

1. "Managerial planning seeks to achieve a coordinated structure of operations".  
Comment.
2. "Without planning, an enterprise would soon disintegrate, its actions would be as random as leaves scampering before an autumn wind and its employees as confused as ants in an upturned anthill". Elaborate the statement and examine the significance of planning in the managerial process.
3. "Managerial planning is more of a ritual in a fast changing environment".  
Comment.
4. "Planning is a mere wastage of time and money". Comment.
5. Discuss the causes of ineffectiveness of planning. How can they be cured?
6. What do you understand by planning? What should be done to overcome its limitations?
7. What do you understand by planning premises? What are their different types? How does correct assessment of planning premises help in preparation of reliable plans?
8. Explain various kinds of planning based on time horizon and levels of management.
9. Why is it necessary to determine the time span of managerial planning? How is long-term planning different from short-term planning?
10. What is Planning? State what advantages does planning confer to an organisation?
11. Explain briefly the principle of flexibility and navigational change with regard to managerial planning. Distinguish between short-term planning and long-term planning.
12. Explain the significance of policies in management. Briefly describe the process of policy formulation.
13. What is Business Forecasting? How would you say that scientific forecasting is a must for dependable planning? Describe the main steps in business forecasting.
14. Explain 'planning premises'. List the planning premises, you would have as a manufacturer, of any ONE of the followings: (i) Cement, (ii) Sugar, (iii) Liquor.
15. Discuss briefly the various techniques of forecasting.

## SUGGESTED READINGS

Billy E. Goetz, *op. cit.*

Cyril L. Hudson, *Business Organization and Operation*, Staples Press.

*General and Industrial Management*, Sir Issac Pitman & Sons.

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



Harold Koontz, Cyril O'Donnell and Heinz Wehrich, *Management*, McGraw-Hill, Kogakusha Ltd.

Kenneth H. Killen, *Management — A Middle Management Approach*, Houghton Mifflin Co.

*Management Planning and Control*, McGraw-Hill Book Co.

# **ORGANIZING AND ORGANIZATIONAL STRUCTURE, LINE AND STAFF CONFLICTS**

## **OBJECTIVES**

- ❑ Define organization structure and its principles
- ❑ Distinguish between organization charts and organization manuals
- ❑ Describe various forms of organization structure.

## **STRUCTURE**

- ◆ Organization Structure
- ◆ Principles of Organization
- ◆ Span of Management
- ◆ Organization Charts
- ◆ Organization Manuals
- ◆ Authority Relationships: Line, Staff and Functional
- ◆ Forms of Organization Structure



Organization is the backbone of management. Without efficient organization, no management can perform its functions smoothly. Sound organization contributes greatly to the continuity and success of the enterprise. Once A. Carnagie, an American industrialist said, "Take away our factories, take away our trade, our avenues of transportation, our money. Leave nothing but our organization and in four years we shall have re-established ourselves". That shows the significance of managerial skills and organization. However, good organization structure does not by itself produce good performance - just as good constitution does not guarantee great presidents, or good laws a moral society. But a poor organization structure makes good performance impossible, no matter how good the individuals may be. The right organizational structure is the necessary foundation; without it the best performance in all other areas of management will be ineffectual and frustrated.

Sound organization brings about the following advantages:

1. Facilitates attainment of the objectives of the enterprise.
2. Facilitates optimum use of resources and new technological development.
3. Facilitates growth and diversification.
4. Stimulates creativity and innovation.
5. Facilitates effective communication.
6. Encourages better relations between the labour and the management.
7. Increases employees' satisfaction and decreases employee turnover.

### Concept of Organization

The term 'organization' connotes different things to different people. Many writers have attempted to state the nature, characteristics and principles of organization in their own way. For instance, to the sociologist organization means a study of the interactions of the people, classes, or the hierarchy of an enterprise; to the psychologist organization means an attempt to explain, predict and influence behaviour of individuals in an enterprise; to a top executive it may mean the weaving together of functional components in the best possible combination so that an enterprise can achieve its goals. The word 'organization' is also used widely to connote a group of people and the structure of relationships. In order to clearly understand the nature and characteristics of organization, we shall study it under the following heads:

- (i) Organization as a group of persons;
- (ii) Organization as a structure of relationships;
- (iii) Organization as a function of management; and
- (iv) Organization as a process.

### Organization as a Group

Organization is very often viewed as a group of persons contributing their efforts towards certain goals. The evolution of organization dates back to the early stages of human civilisation when two or more persons began to cooperate and combine together for fulfilling their basic needs of food, clothing, shelter and protection of

life. Organization begins when people combine their efforts for some common purpose. It is a universal truth that an individual is unable to fulfil his needs and desires alone because he lacks strength, ability and resources. So he seeks cooperation of other people who have similarity of goals:

Barnard defined organization as an identifiable group of people contributing their efforts towards the attainment of goals. "An organization comes into existence when there are a number of persons in communication and in relationship to each other and are willing to contribute towards a common endeavour". People form groups or organizations and pool their efforts by defining and dividing various activities, responsibility and authority. As such an organization has the following characteristics:

- (i) It represents cooperative relationships of two or more persons.
- (ii) It is created to achieve certain common objectives.
- (iii) The group members are in a position to communicate with each other.
- (iv) The group lays down rules and regulations to regulate the behaviour of group members.

Communication is the first major characteristic of an organization. An organization comes into existence and then continues because people are in a position to communicate with one another. It is also essential that they are willing to cooperate with one another for the achievement of their goals. They must contribute their efforts voluntarily towards certain objectives. The existence of common objectives is a must, otherwise the members of the group will not be able to stay together for a long time. Lastly, group members lay down the rules and regulations and the formal structure of relationship among themselves. These are necessary for the proper coordination of the efforts of different individuals in the organization.

### **Organization as a Structure of Relationships**

Some people view organization in a very narrow sense by defining it as a framework of duties and responsibilities through which an undertaking functions. "Organization is no more than the framework within which the responsibilities of management of an enterprise are discharged". According to this definition, organization sets up the scope of activities of the enterprise by laying down the structure of relationships. If organization is merely recognised as a structure, it will be viewed as a static thing used to explain formal relationships. But an organization is a dynamic entity consisting of individuals, means, objectives and relationships among the individuals. An organization is certainly more than a chart. It is the mechanism through which management directs, coordinates and controls the activities of the enterprise.

### **Organization as a Function**

Organization is one of basic functions of management. It involves the determination and provision of whatever capital, materials, equipment and personnel may be required for the achievement of certain predetermined goals. By performing this function, management brings together human and non-human resources to form a manageable



unit (which is also identified as an organization). Thus, organization is a process of integrating and coordinating the efforts of manpower and material resources for the accomplishment of certain objectives. Just as planning is applied to every other managerial functions, the process of organization is also used in every aspect of management. For instance, organization of the planning department is essential for the formulation of plans and policies. Similarly, organization of other managerial functions is also necessary.

### Organization as a Process

Organization is the process of establishing relationships among the members of the enterprise. The relationships are created in terms of authority and responsibility. Each member in the organization is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty.

According to Louis A. Allen, "Organization involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organizational objectives".

As a process, organising is concerned with arranging in a logical and orderly manner all the activities of the organization. It specifies how the duties are to be divided among the departments and the employees. It also creates relationship of one job to the other jobs and lays down the scope or limits of authority and responsibility of each job.

Organising involves the following steps:

- (i) **Determination of Objectives:** Organization is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. It will help the management in the choice of men and materials with the help of which it can achieve its objectives. Objectives also serve as the guidelines for the management and the workers. They bring about unity of direction in the organization.
- (ii) **Identification and Grouping of Activities:** If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For instance, the total activities of an industrial organization may be divided into major functions like production, purchasing, marketing, financing, etc. and each such function is further subdivided into various jobs. The jobs, then, can be classified and grouped to ensure the effective implementation of the other steps.
- (iii) **Assignment of Duties:** After classifying and grouping the activities into various jobs, they should be allotted to the individuals so that there are round pegs in round holes. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him.



- (iv) **Developing Authority-Responsibility Relationships:** Since so many individuals work in the same organization, it is the responsibility of management to lay down structure of relationships in the organization. Everybody should clearly know to whom he is accountable. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

### Nature of Organization

The nature of organization will be clear by studying the following features:

- (i) **An Organization Connotes Group of Persons:** McFarland has defined organization as an identifiable group of people contributing their efforts towards the attainment of goals. People form groups or organization to accomplish common objectives and pool their efforts by defining and dividing various activities, responsibility and authority.
- (ii) **Communication is the nervous system of organization:** The organizational members are able to communicate with each other and they coordinate their activities. No organization can survive without an efficient system of communication.
- (iii) **Organising is a Basic Function of Management:** It is essential for the achievement of organizational objectives. Organising is done in relation to all other functions of management, namely, planning, staffing, directing and controlling and all the areas of business, namely, purchasing, production, marketing, personnel, etc. The organising function is performed by all the managers.
- (iv) **Organising is a Continuous Process:** It is not a one step function. Managers are continuously engaged in organising and reorganising. The nature of the process or organization has been described by The Haimann as follows. "Organization is a process of defining and grouping the activities of the enterprise and establishing authority relationships among them".
- (v) **Organising is Always Related to Objectives:** Whether it is organization of the entire enterprise or a part of it, organising is influenced by objectives. The operations are divided and authority and responsibility are determined to achieve the predetermined objectives.
- (vi) **Organization Connotes a Structure of Relationships:** The structure of relationships created by the management is referred to as 'formal organization'. But an organization also includes the network of social relationships that arise between people working together. Such relationships are known as 'informal organization'. The study of both formal and informal relationships is necessary to understand the nature of any organization.
- (vii) **Organization Involves a Network of Authority and Responsibility Relationships:** Various positions are created and specific tasks are assigned to them. To perform the tasks, each position is delegated adequate authority. Authority and responsibility relationships throughout the organization must be clearly defined to achieve coordination and to avoid conflicts between individuals and departments.



### Significance of Organization

A sound organization can contribute to the success of an enterprise in many ways. As a matter of fact, it is the backbone of management. It helps the performance of other functions of management like planning, staffing, direction and controlling. Sound organization can help in achieving enterprise objectives in the following ways:

1. **Clear-cut Authority Relationships:** Organization structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results. The structure helps an organization member to know what his role is and how it relates to other roles.
2. **Pattern of Communication:** Organization structure provides the patterns of communication and coordination. By grouping activities and people, structure facilitates communication between people centred on their job activities. People who have joint problems to solve often need to share information.
3. **Location of Decision Centres:** Organization structure determines the location of decision making in the organization. A departmental store, for instance, may follow a structure that leaves pricing, sales promotion and other matters largely up to individual departments to ensure that varied departmental conditions are considered. In contrast, an oil refinery may concentrate on production, scheduling and maintenance decision at top levels to ensure that interdependencies along the flow of work are considered.
4. **Balancing of Activities:** Organization structure creates the proper balance and emphasis of activities. Those more critical to the enterprise's success might be placed higher in the organization. Research in a pharmaceutical company, for instance, might be singled out for reporting to the general manager of the managing director of the company. Activities of comparable importance might be given roughly equal levels in the structure to give them equal emphasis.
5. **Stimulating Creativity:** Sound organization structure stimulates creative thinking and initiative among organizational members by providing well-defined patterns of authority. Everybody knows the area where he specialises and where his efforts will be appreciated.
6. **Encouraging Growth:** An organization structure provides the framework within which an enterprise functions. If it is flexible, it will help in meeting challenges and creating opportunities for growth. A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of activity.
7. **Making Use of Technological Improvements:** A sound organization structure which is adaptable to changes can make the best possible use of latest technology. It will modify the existing pattern of authority-responsibility relationships in the wake of technological improvements.

In short, existence of good organization structure is essential for better management. Properly designed organization can help to improve team work and productivity by providing a framework within which the people can work together most effectively. While building the organization structure, it is essential to relate the people to design.



The organization structure which has technical excellence may be quite useless for practical purposes because it is not suited to the needs of the people. Thus, an organization structure should be developed according to the needs of the people in the organization.

## ORGANIZATION STRUCTURE

An organization structure denotes the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is a set of planned relationships between groups of related functions and between physical factors and personnel required for the achievement of organizational goals.

Organization involves establishing an appropriate structure for the goal seeking activities. The structure of an organization is generally shown on an organization chart or a job-task pyramid. It shows the authority and responsibility relationships between various positions in the organization. It is significant to note that the organization structure is directly related to the attainment of the organization objectives. For instance, if an undertaking is in production line, the dominant element in its organization chart would be manufacturing and assembling. A good organization structure should not be static but dynamic. It should be subject to change from time to time in the light of the changes in the business environment.

### Developing the Organization Structure

There are two types of structural variables, namely, basic structure and operating mechanism. Designing of basic structure involved such central issues as how the work of the organization will be divided and assigned among positions, groups, departments, divisions, etc. and how the coordination necessary to achieve organizational objectives will be brought about. But operating mechanism, on the other hand, includes such factors as information system, control procedures, rules and regulations, system of reward and punishment, etc.

The development of organization structure deals with two facts, namely (i) the functions which are to be performed and (ii) the form of structure. The first fact requires the determination of activities, the organization needs and division of these activities keeping in mind degree of specialisation it can afford. The second fact, i.e., form of structure, requires a detailed study and application of many organizational principles and practices.

Organization structure establishes formal relationships among various positions in the enterprise. The formal relations may be classified into the following categories:

- (i) Relations between the senior and the subordinates and vice-versa;
- (ii) Relations between the specialist position and the line positions;
- (iii) Staff relations; and
- (iv) Lateral relations.

### Differentiation and Integration of Activities

Differentiation and integration of activities relationships are very important considerations in organization designing. Differentiation may be defined as the



differences in cognitive and emotional orientation among managers in different functional departments and the differences in formal structure among these departments. Integration, on the other hand, refers to the quality of the state of collaboration that is required to achieve unity of effort. System approach suggests that since various departments are integral part of the whole system, they should not be considered in isolation of others. But since each department is interacting with the environment in a different way, various departments are likely to develop some degree of differentiation depending upon the nature of environment. Therefore, designing of structure of one department may be different from that of the other. But the overall objective of organizational designing should be integration of activities and authority roles and relationships existing in different departments.

### Determining the Kind of Structure

Organization structure is an indispensable means towards business objectives. Wrong structure will seriously deter the enterprise from achieving its objectives. Thus, it is essential that a great deal of care should be taken while determining the organization structure. Peter Drucker has suggested three specific ways to find out what kind of structure is needed to attain the objectives of a specific business, which are discussed below.

1. **Activities Analysis:** It is the first stage in building an organization structure which involves finding out what activities are needed to attain the objectives of the enterprise. Each business undertaking has a set of functions to perform such as manufacturing, purchasing, marketing, personnel, accounting, etc. These functions can be identified after proper analysis. It may be pointed out that in every organization, one or two functional areas of business dominate. For instance, printing is an important function of a printing firm and designing is an important activity of the readymade garments manufacturer.

After the activities have been identified and classified into functional areas, they should be listed in the order of importance. It is advisable to divide and sub-divide the whole work into smaller homogeneous units so that the same may be assigned to different individuals. For instance, the Chief Executive may divide the whole activities into various functional departments and delegate authority to the departmental managers. The departmental managers may be assisted by deputy managers; deputy managers by assistant managers and so on. It should be remembered that the job constitutes the basic building block in designing an organization structure.

2. **Decision Analysis:** What decision are needed to obtain the performance necessary to attain objectives? What kind of decisions are they? On what level of the organization should they be made? What activities are involved in or affected by them? Which managers must therefore participate in the decisions? Though, it is difficult to predict the content (kind) of decision problems which will arise in future, yet the subject-matter has a high degree of predictability. Analysis of the foreseeable decisions shows the structure of top management the enterprise needs and the nature of authority and responsibility different levels of operating management should have.



Peter Drucker has emphasised four basic characteristics, viz., (i) the decision degree of futurity in the decision; (ii) the impact that decision has on other functions; (iii) the character of the decision as determined by a number of qualitative factors, such as basic principles of conduct, ethical values, social and political beliefs, etc.; and (iv) whether the decisions are periodically recurrent or rare as recurrent decision may require general guidelines whereas a rare decision is to be treated as a distinctive event.

3. **Relations Analysis:** With whom will a manager-in-charge of an activity have to work? Such other questions of relation, e.g., line and staff relations, relations between subordinates and superior will also help in deciding the structure of the organization. As said earlier, downward, upward and sideways relations must be analysed to determine the organization structure.

### PRINCIPLES OF ORGANIZATION

As a tool of management, organization is expected to facilitate the achievement of certain objectives. In order to facilitate the achievement of objectives, management thinkers have laid down certain statements from time to time, from certain generally accepted understandings which may be called the principles of organization. The principles are guidelines for planning an efficient organization structure. Therefore, a thorough understanding of the principles of organization is essential for good organization. The important principles of organization are discussed below:

1. **Consideration of Objectives:** An enterprise strives to accomplish certain objectives. Organization serves as a tool to attain these objectives. The objectives must be stated in clear terms as they play an important role in determining the type of structure which should be developed. The principle of consideration of objectives states that only after the objectives have been stated, an organization structure should be developed to achieve them.
2. **Division of Work and Specialisation:** The entire work in the organization should be divided into various parts so that every individual is confined to the performance of single job, as far as possible, according to his ability and aptitudes. This is also called the principle of specialisation. More a person continues on a particular job, the better will be his performance.
3. **Definition of Jobs:** Every position in the organization should be clearly defined in relation to other positions in the organization. The duties and responsibilities assigned to every position and its relationship with other positions should be clearly defined so that there may not be any overlapping of functions.
4. **Separation of Line and Staff Functions:** Whenever possible, line functions should be separated from staff activities. Line functions are those which accomplish the main objectives of the company. In many manufacturing companies, the manufacturing and marketing departments are considered to be accomplishing the main objectives of the business and so are called the line functions and other functions like personnel, plant maintenance, financing and legal are considered as staff functions.



5. **Chain of Command:** There must be clear lines of authority running from the top to the bottom of the organization. Authority is the right to decide, direct and coordinate. The organization structure should facilitate delegation of authority. Clarity is achieved through delegation by steps or levels from the top position to the operating level. From the chief executives, a line of authority may proceed to departmental managers, to supervisors or foremen and finally to workers. This chain of command is also known as scalar principle of organization.
6. **Parity of Authority and Responsibility:** Responsibility should always be coupled with corresponding authority. Each subordinate must have sufficient authority to discharge the responsibility entrusted to him. This principle suggests that if a plant manager in a multi-plant organization is held accountable for all activities in his plant, he should not be subject to orders from company headquarters specifying the quantity of raw materials he should buy or from whom he should purchase raw materials. If a supervisor is responsible for the quality of work of his department, he should not be asked to accept as a member of his workforce an employee who has been hired without consulting him.
7. **Unity of Command:** No one in the organization should report to more than one supervisor. Everyone in the organization should know whom he reports and who reports to him. Stated simply, everyone should have only one boss. Receiving directions from several supervisors may result in confusion, chaos, conflicts and lack of action. So each member of the organization should receive directions from and report to one superior only. This will avoid conflict of command and help in fixing responsibilities.
8. **Exceptional Matters:** This principle requires that organization structure should be so designed that managers are required to go through the exceptional matter only. All the routine decisions should be taken by the subordinates, whereas problems involving unusual matters and policy decisions should be referred to higher levels.
9. **Span of Supervision:** The span of supervision means the number of persons a manager or a supervisor can direct. If too less number of employees are reporting to a supervision, his time will not be utilised properly. But, on the other hand, there is a limit to the number of subordinates that can be efficiently supervised by an executive. Both these points should be kept in mind while grouping and allocating the activities to various departments. It is difficult to give a definite number of persons a manager can direct. It will depend upon the nature of the work and a number of other factors.
10. **Balance of Various Factors:** There should be proper balance in the formal structure of the organization in regard to factors having conflicting claims, e.g., between centralisation and decentralisation, span of supervision and lines of communication and authority allocated to departments and personnel at various levels.



11. **Communications:** A good communication network is essential to achieve the objectives of an organization. No doubt the line of authority provides readymade channels of communication downward and upward, still some blocks in communication occur in many organizations. The confidence of superior in his subordinates and two-way communication are the factors that unite an organization into effectively operating system.
12. **Flexibility:** The organization structure should be flexible so that it can be easily and economically adapted to the changes in the nature of business as well as technical innovations. Flexibility of organization structure ensures the ability to change with the environment before something serious may occur. So the organization structure should be such that it permits expansion and contraction without disrupting the basic activities.
13. **Continuity:** Change is the law of nature. Many changes take place outside the organization. These changes must be reflected in the organization. For this, the form of organization structure must be able to serve the enterprise and to attain its objectives for a long period of time.

### SPAN OF MANAGEMENT

The term 'span of management' is also known as 'span of control', 'span of supervision' and 'span of authority'. It represents a numerical limit of 'subordinates to be supervised and controlled by a manager. It is an important principle of sound organization. This principle is based on the theory of relationships propounded by V.A. Graicunas, a French management consultant. Graicunas analysed superior-subordinate relationship and developed a mathematical formula based on the geometric increase in complexities of managing as the number of subordinates increases.

#### Graicunas' Theory

Graicunas showed mathematically that a number of direct, group and cross relationships exist between a manager and his subordinates. The number of these relationships increase with the increase in the number of the subordinates. He said that an executive having four subordinates under him is required to deal with (i) 4 direct single relationships, (ii) 12 cross relationships and (iii) 28 group relationships i.e., in all forty-four relationships. He derived these on the basis of the following formula:

No. of direct relationships	=	$n$
No. of cross relationships	=	$n [n - 1]$
No. of group relationships	=	$n [2^{n-1} - 1]$
Total No. of relationships	=	$n [2^n/2 + (n - 1)]$ or $n [2^n + n - 1]$

Where  $n$  represents the number of subordinates.

The last formula reveals that possible relationships with variable number of subordinates rise very rapidly as shown in the following table:



Table 6.1: Possible Relationships with Variable Number of Subordinates

No. of Subordinates	No. of Relationships
1	1
2	6
3	18
4	44
5	100
6	222
7	490
8	1,080
9	2,376
10	5,210
12	24,708
18	23,59,602

Though, Graicunas gave mathematical formulae for finding out the number of relationships, his approach suffers from various shortcomings, such as ignoring the importance of relationships, frequency of relationships and the factors which determine the span. Moreover, he left out certain possible relationships, particularly in cross relationships. However, his theory gives an important indication that an executive must think twice before increasing his span because increase of one subordinate will increase relationships manifold. Graicunas suggested that an executive can effectively manage 222 relationships which arise out of six subordinates. However, he failed to list factors which govern the span of supervision in practice.

Span of control refers to the number of subordinates an executive can supervise. The concept is central to the classical theory of organization. Proper span of control is considered a necessity for effective coordination. The view in the traditional theory has been that a small span is better than a large one because an executive must have intimate and direct contact with his subordinates. The ideal ratio was considered to be 15 to 25 subordinates for first level supervision and 5 to 8 subordinates in executive spans.

### Impact of span of Supervision

The number of persons an executive supervises has an important influence on the nature of organization structure. If the span is large, it means that fewer levels are needed in the organization. The structure would tend to be flat and wide. Presumably the possibility of communication blockages would be minimised because more people report directly to the top executive. If the span is small, the structure would be narrow and deep. There would be more levels in the organization. More people will have to communicate to the top manager through intervening layer of executives. The possibility of communication blockages and distortions would increase.

For instance, if there are 256 persons in an organization and all are reporting to one executive, there will be one level of management. If it is thought that only four subordinates should directly report to the chief executive, then the number of management levels will increase to two as four executives directly report to the top executive and each executive controls 64 persons as shown in Fig. 6.1. This structure is flat as the span of control is very large at the lowest level and there are only two

layers of management. If it is thought that an executive can manage only 4 subordinates effectively, the number of managerial levels will increase to four as shown in Fig. 6.2. This will make the organization structure look like a tall pyramid.

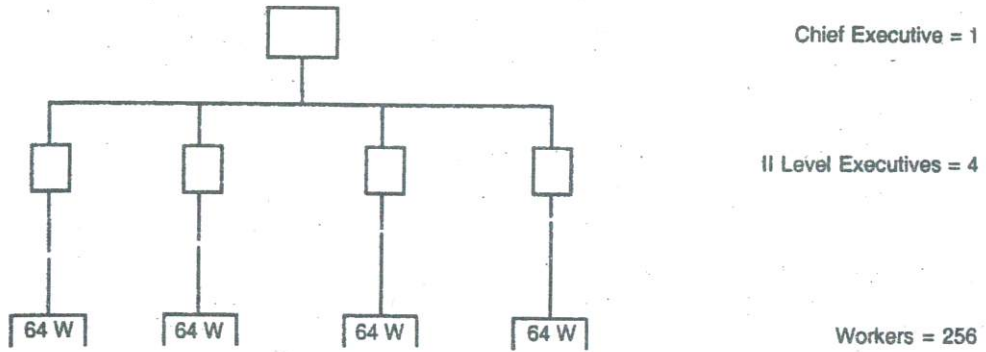


Fig. 6.1 Flat structure (Span of control = 64 workers)

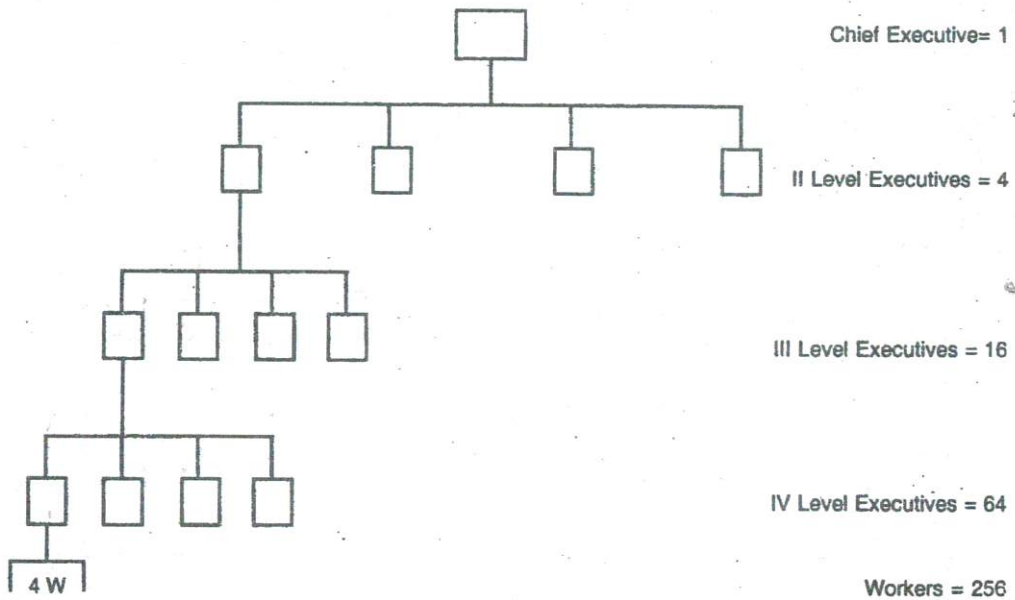


Fig. 6.2 Tall structure (Span of control = 4 workers)

**Wide Span of supervision:** When the span of supervision is wider, the number of executives needed to supervise the workers will be less. This will make the organization structure wide. Such a structure would be less expensive because of less overhead costs of supervision. Since the number of levels is less, there will be better communication between the worker and the management and better coordination. However, the quality of performance is likely to deteriorate because one executive cannot effectively supervise a large number of subordinates. He will not be able to devote sufficient time in directing each and every subordinate.



**Narrow Span of Supervision:** The narrow span of supervision will lead to a tall structure and to an increase in the executive payroll as compared to the flat structure. Another drawback is that the additional layers of supervision will complicate communication from the chief executive down to operative employees and back up the line. There will also be a problem of effective coordination of the activities of different persons in the organization because of more levels of executives. However, the narrow span of supervision has the benefit of better personal contacts between the supervisors and the subordinates. It facilitates tight control and close supervision. Tall organization structure gives sufficient time to an executive for developing relations with the subordinates.

In recent years, there has been a controversy about the significance of the concept of span of control. The transformation in the style of decision making has had an inevitable bearing on question relating to the number of people an executive can supervise. Moreover, the use of delegation and decentralisation is highly advocated these days. It is realised that narrow span of control is an effective means of forcing the executives to delegate. It is also argued that if an executive has enough number of subordinates to supervise. Moreover, the use of delegation and decentralisation is highly advocated these days. It is realised that narrow span of control is an effective means of forcing the executives to delegate. It is also argued that if an executive has enough number of subordinates to supervise, there is a point beyond which intimate control becomes very difficult. But how this point should be determined is the main question.

### Factors Determining Span of Supervision

The span of control varies from individual to individual, time to time and place to place. The factors which determine the span of control are discussed below:

1. **Ability of the Managers:** Individuals differ in various qualities like leadership, decision making and communication. The span may be wider if the manager possesses these skills in greater degree as compared to others.
2. **Time available for Supervision:** The span should be narrow at the higher levels because top managers have less time available for supervision. They have to devote the major portion of their time to planning, organising, directing and controlling. Each top manager will delegate the task of supervision to his subordinates who have to devote comparatively less time on the important functions of management.
3. **Nature of Work:** When the spans are narrowed, the levels in the organization increase. This involves delegation of authority and responsibility. If the work is of a routine and repetitive nature, it can easily be delegated to the subordinates.
4. **Capacity of Subordinates:** If the subordinates are skilled, efficient and knowledgeable, they will require less supervision. In such a case, the superior may go in for a wider span.
5. **Degree of Decentralisation:** Under decentralisation, the power to make decisions is delegated to the lower levels. The span of management will be narrow in such cases so as to exercise more and more control.



6. **Effectiveness of Communication:** An effective system of communication in the organization favours large number of levels because there will be no difficulty in transmission of information in spite of a large number of intervening layers.
7. **Control Mechanism:** The span of control also depends upon the control mechanism being followed. Control may be followed either through personal supervision or through reporting. The former favours narrow span and the latter favours a wide span.

To sum up, it can be said that an executive should be expected to supervise a reasonable number of subordinates. What is reasonable depends on a variety of factors like individual differences in executives, number and capacity of subordinates, the nature of work, availability of time, ease of communication, internal checks and controls and degree of delegation in the organization. If the span of control is narrow, there will be more organizational levels, which in turn may impede communication. If the number of levels is reduced and the span of control is widened, the supervisory load may become too heavy. Sound management requires a proper balance between supervisory load and organization levels.

## ORGANIZATION CHARTS

An organization chart is a diagrammatical form which shows important aspects of an organization including the major functions and their respective relationships. In other words, it is a graphic portrayal of positions in the enterprise and the formal lines of communication among them. It provides a bird's eye view of the relationships between different departments or divisions of an enterprise as well as the relationships between the executives and subordinates at various levels. It enables each executive and employee to understand his position in the organization and to know to whom he is accountable. Thus, it is obvious that an organization chart has the following characteristics:

1. It is a diagrammatical presentation.
2. It shows principal lines of authority in the organization.
3. It shows the interplay of various functions and relationships.
4. It indicates the channels of communication.

The organization chart should not be confused with the organization structure. An organization chart is merely a type of record showing the formal organizational relationships which management intends should prevail. It is, therefore, primarily a technique of presentation. It presents diagrammatically the lines of authority and responsibility among different individuals and positions. It may be either personnel or functional. Personnel organization chart depicts the relationships between positions held by different persons. Functional organization chart depicts the functions or activities of each unit and sub-unit in the organization.

**Master and Supplementary Charts:** Master chart shows the whole structure of the enterprise portraying all positions and relationships. It provides a clear picture of the entire organization structure. Supplementary charts are used to show separately



department wise structure portraying the positions and relationships within each department. Such charts are popular in big organization where it is difficult to show the necessary details through the master chart.

**Advantages of Organization Chart:** The advantages of an organization chart are as follows:

- (i) It is tool of administration to tell the employees how their positions fit into the total organization and how they relate to others.
- (ii) It shows at a glance the lines of authority and responsibility. It is a reliable blueprint of how the positions are arranged. From it, the individuals can sense the limits of their authority and can see who their associates are, to whom they report and from whom they get instructions.
- (iii) It serves as a valuable guide to the new personnel in understanding the organization and for their training.
- (iv) It provides a framework of personnel classification and evaluation systems.
- (v) It plays a significant part in organization improvement by pointing out inconsistencies and deficiencies in certain relationships. When management sees how its organization structure actually looks, it may discover some unintended relationships.

**Limitations of Organization Chart:** While the organization chart is an important tool of management, its mere existence does not ensure effective organization because of the following limitations:

- (i) Organization chart shows only the formal relationships and fails to show the informal relations within the organization. In modern enterprises, informal relationships exert important influence on various decisions.
- (ii) It shows the lines of authority, but is not able to answer the questions like how much authority can be exercised by a particular executive, how far he is responsible for his functions and to what extent he is accountable.
- (iii) It shows a static state of affairs and does not represent flexibility which usually exists in the structure of a dynamic organization.
- (iv) It introduces rigidity in the relationships. Updating is not possible without disturbing the entire setup.
- (v) Faulty organization chart may cause confusion and misunderstanding among the organizational members. Moreover, it gives rise to a feeling of superiority and inferiority which causes conflicts in the organization.
- (vi) It does not show the relationships which exist actually in the organization but shows only the 'supposed to' relationships.

Despite these limitations, an organization chart is a must for all enterprises. It can serve as a useful tool of management. It is a reliable blueprint of how positions are related to each other. It shows the employees how their positions fit into the organization and how they relate to others. It is a must to create a proper understanding about the organization structure.

### Types of Organization Charts

There are three types of organization charts, viz., (a) Vertical, i.e., from top down; (b) Horizontal, i.e., from left to right; and (c) Circular or concentric. These are briefly discussed below:

- (a) **Vertical Chart:** Most organizations use this type of chart which presents the different levels of organization in the form of a pyramid with senior executive at the top of the chart and successive levels of management depicted vertically below that. Thus, lines of command proceed from top to bottom in vertical lines as shown in Fig. 6.3.
- (b) **Horizontal Chart:** Horizontal charts which read from left to right are occasionally used. The pyramid lies horizontally instead of standing in the vertical position. The line of command proceeds horizontally, i.e., from left to right showing top level at the left and each successive level extending to the right as shown in Fig. 6.4. However, this chart does not decrease the importance of levels. But it is feared that some people may make erroneous inferences about differences in status and importance of various echelons.
- (c) **Circular Chart:** In this chart, top positions are located in the centre of the concentric circle. Positions of successive echelons extend in all directions outward from the centre. Positions of equal status lie at the same distance from the centre on the same concentric circle. This chart shows the flow of formal authority from the chief executive in many directions. The main weakness of this chart is that it is often confusing.

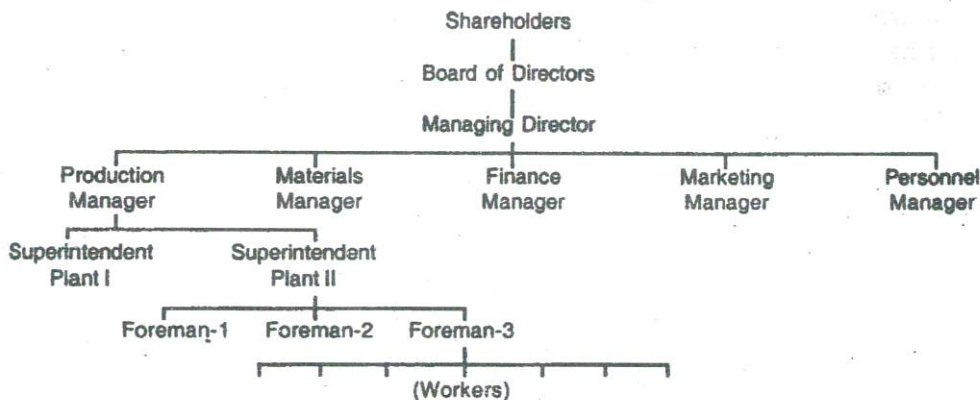


Fig. 6.3 Vertical chart

### ORGANIZATION MANUALS

An organization chart shows who has authority over whom, but it does not show the extent of authority or the duties each person in the organization is expected to perform, except in so far as duties are implied by job titles. For this reason, big undertakings prepare organization manuals that include job descriptions and other information in addition to the charts. A job description includes factual statements of job contents in terms of its duties and responsibilities.



An Organization Manual is an authoritative guide to the company's organization. It consists of records of top management decisions, standard practices and procedures and the descriptions of various jobs. It is maintained in a loose leaf book form for the guidance of the personnel of the company. If the employees are not supplied with this information adequately, they will approach their superiors for proper information and guidance, causing interruption of work and resulting in wastage of superior's time and energy along with their own time.

### Types of Manuals

Manuals may be classified under a variety of headings, some of which are: (1) policy manual, (2) operations manual, (3) organization manual, (4) rules and regulation manual and (5) departmental manual. These are discussed below:

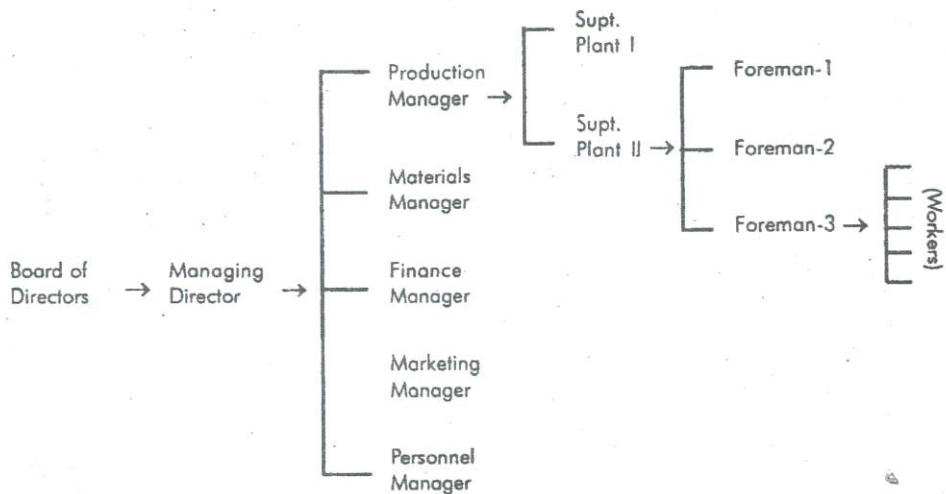


Fig. 6.4 Horizontal chart

1. **Policy Manual:** It is prepared to state the policies of the enterprise. It is a basic guide to action. Policy manual describes the overall limitations within which activities are to take place and thus reveals the broad courses of managerial action likely to take place under certain conditions. It, as a matter of fact, contains decisions, resolutions and pronouncements of the management of the enterprise. Policy manuals are very helpful for providing the framework on which all actions are based.
2. **Operations Manual:** It is prepared to inform the employees of established methods, procedures and standards of doing the various kinds of work. It lists the authorised steps and supplements them by the use of diagrams, sketches, charts, etc. Such a manual gives an overview of the procedures to be used in each of the various departments and divisions.
3. **Organization Manual:** It explain the organization, the duties and responsibilities of various departments and their respective subdivisions. It may consist of portrayal of the formal chain of responsibilities and authorities among different persons working in the enterprise. The level of authority and responsibility of

each executive is indicated in the manual so as to avoid conflict in the organization in future. Promotional charts may be included in the organization manual which will show possible promotional lines throughout the entire organization.

4. **Rules and Regulations Manual:** It gives concise information about the operating rules and employment regulations. It may also explain to employees various benefit plans including group insurance, hospitalisation and credit facilities. It prescribes the rules regarding the use of library, cafeteria, recreation club, etc. It also gives the regulations like hour of work, timings, procedure for taking leaves, etc. It is actually a handbook of employment rules.
5. **Departmental Practice Manual:** It contains procedures for a particular department. It deals in detail with the internal policies, organization and procedures of one department. It shows with the help of charts and diagrams the inter-departmental relationships. For instance, the Filing Manual will contain the organization of Filing Department, responsibilities of various jobs, relationships between the employees and the standard procedures for doing the different operations. Similarly, other departments may have such manuals.

**Advantages of Manual:** A manual can lead to the following benefits:

1. It contains, in written form, all important decisions relating to internal organization of the enterprise.
2. It contains rules and regulations and various instructions in a written form. These need not be explained to the employees time and again.
3. It avoids jurisdictional conflicts by avoiding overlapping of authority. The sources of authority are also clear.
4. It enables the new employees to know the various procedures and practices in the shortest possible time. They can know the responsibilities of their jobs and their relationships with other jobs.
5. It enables quick decisions as instructions and policies are stated in definite words.

**Drawbacks of Manual:** A manual may suffer from the following limitations:

1. Small enterprises cannot afford to have a manual because its preparation is a costly and time consuming process.
2. Manual may bring rigidity in the organization by putting the standardised procedures and practices in writing. It leaves little scope of individual's initiative and discretion.
3. Manual may put on record those relationships which no one would like to see exposed.

### Preparation of Manual

The organization manual is prepared by the experts who have the detailed knowledge about the organization. The experts should clearly know the objectives of preparing the manual before collecting the information for putting in the manual. Usually, the companies want that the manual should cover a wide range of information. In such cases, it is advisable to carefully arrange the information in some logical fashion. An



organization manual may be divided into three parts, viz., (i) Introductory; (ii) Administrative; and (iii) Procedural.

The introductory part contains the following information:

- (a) Nature of the enterprise.
- (b) Objectives of the enterprise.
- (c) Location of the enterprise.
- (d) Organization structure.

The administrative part contains the following information:

- (a) Purpose of the manual.
- (b) Policies of the management.
- (c) Areas of major organizational problems.
- (d) Job descriptions.
- (e) Rules and regulations.
- (f) Organization charts.

The procedural part of the manual contains the following information:

- (a) Instructions relating to the performance of standardised jobs.
- (b) Instructions relating to performance of non-standardised jobs.
- (c) Specimen forms to be used.

The preparation of manuals is too expensive. If no provisions made their revision, their utility will be reduced after any major change. So they must be kept up to date, otherwise employees will not follow such manuals after some time and will discard them. Then the need will be felt of having a new manual and its preparation is very lengthy process. Therefore, revision of the manuals should be made as often as practicable to incorporate the changes that have taken place. If the manuals are in loose-leaf form, new pages with new information may be substituted in place of old ones. In this way, manuals will not remain static. They will undergo change with the changes in the business and its environment.

### **AUTHORITY RELATIONSHIPS: LINE, STAFF AND FUNCTIONAL**

Within the framework of the formal organization, there are three basic organizational relationships, namely, (i) authority, (ii) responsibility and (iii) accountability. Authority is the right conferred on an individual to make possible the performance of the work assigned. It includes the discretion to make decisions to issue instructions to the subordinates and to use organizational resources. Responsibility means to task or duties assigned to an individual in the organization. Entrustment of responsibility must be associated with the requisite authority for the accomplishment of the task. By accepting authority and responsibility, a subordinate becomes accountable for the use of authority to his boss. These relationships are designated as formal because they are predetermined by the management as a way of relating and combining the diverse functions of the enterprise. This chapter aims at providing an insight into these relationships.



### Authority

Authority is the right to order or command and is delegated from the superior to the subordinate to discharge his responsibilities. Right to procure or use raw materials, to spend money or ask for the allotment of money, to hire or fire people, etc., has to be delegated to the individuals to whom the work has been assigned. For instance, if the chief executive of a plant assigns the production manager with the production of particular types of goods and service, he should also grant him the authority to use raw materials, money and machinery, hire workers and so on to fulfil the production schedules prescribed as his duty.

Louis A. Allen defined authority as the sum of the powers and rights entrusted to make possible the performance of the work assigned. Authority is basis to the job of managing. A manager must have adequate authority to get things done through the subordinates. The features of managerial authority are as under:

- (i) Authority is the right or power to command and control the subordinates.
- (ii) It is granted to a position (or manager) for the achievement of organizational objectives.
- (iii) The authority may be exercised through persuasion or sanctions. If the subordinate does not obey, the superior has a right to take disciplinary action.

### Responsibility

The term 'responsibility' means the work or duties assigned to a person by virtue of his position in the organization. The person carrying the responsibility for the performance of a given task has also the authority to perform it. For instance, if a project manager is responsible for the construction of a bridge, he has also the authority to command his subordinates, procure the needed materials, procure personnel and seek assistance from functional departments for the completion of the project. Responsibility should be distinguished from accountability which is the obligation of an individual to render an account of the fulfilment of his responsibility to the superior to whom he reports.

### Accountability

Just as responsibility is a derivative of work to be performed and authority is derived from responsibility, accountability, in turn, is a logical derivative of authority. When a subordinate is given an assignment and is granted the necessary authority to complete it, the final phase in basic organization relationship is holding the subordinate responsible for results. In other words, the subordinate undertakes an obligation to complete the assignment by the fair use of authority and account for the discharge of responsibility assigned.

Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards. For accountability to be effective, the standards of performance should be determined before entrusting a task and should be understood and accepted by the subordinate. The extent of accountability depends upon the extent of authority and responsibility delegated. A person cannot be held answerable for the acts not assigned to him by his superior. Creation of accountability leads to justifying delegation authority to a subordinate.



## BOX 6.1

Authority vs Responsibility	
Authority	Responsibility
1. Authority is the right of a manager to command his subordinates and use organizational resources.	1. Responsibility denotes the duties or tasks assigned to a subordinate by his boss.
2. Authority arises because of a formal position in the organization. Whoever occupies a position, has the right to command the subordinates.	2. Responsibility arises from a superior-subordinate relationship. The subordinate is accountable since he owes an explanation to his superior for the performance of duties assigned.
3. Authority can be delegated to the subordinates.	3. Responsibility i.e., obligation to account for results, can't be delegated.
4. Authority always flows downward from a superior to his subordinate.	4. Accountability always moves in the upward direction as the subordinate is responsible to his superior.

### Kinds of Authority

Louis A. Allen has classified authority into three categories namely, (i) Authority of knowledge, (ii) Authority of position, and (iii) Legal authority. According to him authority of knowledge is possessed generally by the staff specialists appointed by the company. They more often influence the actions of persons in line by virtue of their knowledge. Some persons acquire authority by virtue of their position in the organization. Legal authority is the authority which is entrusted to a person by the law of the land. For instance, a company is a legal person and has a right to sue others according to the provisions of the Companies Act.

### Sources of Authority

Management scholars are divided on whether authority originates at the top and flows down in traditional fashion or whether it originates at the bottom as a kind of consent of the subordinates. We can classify the views of various management writers under the three headings, namely, formal authority theory, acceptance theory and competence theory. These viewpoints are discussed below:

1. **The Formal Authority Theory:** According to this theory, authority is viewed as originating at the top of an organization hierarchy and flowing downward therein through the process of delegation. The ultimate authority in a company lies with the shareholders who are its owners. The shareholders entrust the management of the company to the Boards of Directors and delegate to it most of their authority. The Board of Directors delegates authority to the Chief Executive and the Chief Executive in turn to the departmental heads and so on. Every manager in the organization has some authority because of his organizational position. That is why, the authority is known as formal authority. Subordinates accept the authority of a superior because of his formal position in the organization. A manager in the organization has only that much of authority which is delegated to him by his superior.

The shareholders of a company have authority over the company because of the institution of private property in the society. Various social factors, laws, political



and ethical considerations, and economic factors put certain limits on their authority and the organization has to function within these limits. In fact, the basic sources of authority can rest in the social institutions themselves. In a society, where private property does not exist as in the case of socialist economies, the origin of authority can be traced to the elements of basic group behaviour. The concept of authority as being a right transmitted from the public through social institutions to business manager is the central theme of the formal authority theory. As shown by a schematic model given below, business and its management are influenced by changes in the country's environment (economic, political, social, educational, etc.) which in turn modify the public norms and attitudes.



Fig. 6.5 Formal authority through social institutions

- The Acceptance Theory:** According to this theory, the authority is the power which is accepted by others. Formal authority has no significance unless it is accepted by the subordinates. The degree of effective authority possessed by a manager is measured by the willingness of the subordinates who accept it. "An individual will accept an exercise of authority if the advantages accruing to him from accepting plus the disadvantages accruing to him from not accepting exceed the advantages accruing to him from not accepting plus the disadvantages accruing to him from accepting; and conversely, he will not accept an exercise of authority if the latter factors exceed the former". Thus, the acceptability of orders may be fully acceptable, may be fully unacceptable and others only partially acceptable. Barnard maintains that a subordinate will accept an order if he understands it will, if he believes it is consistent with the organizational objectives and compatible with his own interest.

**Zone of Indifference:** In addition to the above conditions, acceptance of authority is fostered by what Barnard called, the zone of indifference and Simon referred to as the area of acceptance. The 'zone of indifference' indicates the specific limits that are set by individuals themselves within which they will respond willingly to the exercise of authority over them. In fact, not all orders are obeyed with equal enthusiasm. The zeal or reluctance with which a subordinate carries out an order is the result of his weighing, often subconsciously, the effect which trying to carry out the order will have upon his personal career. Within this zone, the employees will not question the use of authority. But outside this zone, the superiors must earn the acceptance of the employees.



The acceptance theory of authority has certain limitations. According to it, a manager has authority if he gets obedience from the subordinates. But a manager is not able to know whether his order will be obeyed by his subordinates unless the order is carried out or disobeyed by them. Further, the theory emphasises rewards and punishments a superior can use, but it overlooks the influence of social institutions like trade unions.

3. **The Competence Theory:** According to this theory, an individual derives authority because of his personal competence. Urwick identified formal authority as being conferred by organization, technical authority as being simplicity in a special knowledge or skill, personal authority as being conferred by seniority or popularity. Thus, a person may get his order or advice accepted not because he is having any formal authority, but because of his personal qualities. These qualities may be technical competence and social prestige in the organization. For example, a person is expert in a particular field and other people go to him for guidance and follow his advice as if that were an order.

From the analysis of theories of authority, it can be concluded that acceptance and competence theories suggest how and why an individual obeys the order of another. But the importance of formal authority cannot be undermined. The formal authority should be regarded as basic to managerial job and acceptance and competence authority as products of leadership. In some organizations like army and police, formal position is the most important source of authority.

### Limits of Authority

The authority of an organization is not absolute. It is subject to various economic, social, legal political and other factors. Similarly, the authority of a manager is restricted by various factors such as:

- (i) **Physical Limitations:** Physical laws, climate, geographical factors, etc., restrict managerial authority to a great extent. Thus, an order to make silver from aluminium would be meaningless.
- (ii) **Economic Constraints:** The authority of an executive is restricted by economic constraints. A chief executive would not like to ask his sales personnel to sell products at a high price in a highly competitive market or to ask the purchase department to procure raw material for use in the next twelve months when capital and storage space are not available for this purpose.
- (iii) **Social Constraints:** The use of managerial authority is also subject to many social limitations. Thus, the task assigned to employees must conform to the group's fundamental social beliefs, values, customs and ethics.
- (iv) **Legal Constraints:** Various acts of the Central and State Governments impose restrictions on the exercise of authority by a manager. For instance, a manager can't ask the workers not to form or join a union.

- (v) **Biological Limitations:** A manager cannot ask a subordinate to do something which he is not capable of doing. For example, a manager cannot task a subordinate to climb the side wall of a building.
- (vi) **Internal Constraints:** A manager's authority is limited by the objectives and policies laid down by the top management of the organization. He can't go against the internal policies and rules of the organization.

### Power

The term 'power' may be defined as the capacity to exert influence over others. If a person has power, it means that he is able to influence the behaviour of other individuals. The essence of power is control over the behaviour of others. "In one's role as a supervisor, a manager's power may be seen as the ability to cause subordinates to do what the manager wishes him to do. A manager's power may be measured in terms of the ability to (1) give rewards, (2) promise rewards, (3) threaten to withdraw current rewards, (4) withdraw current rewards, (5) threaten punishment and (6) punish".

The term 'authority' on the other hand, denotes the right of a manager to decide and command. For example, a manager has a right to assign tasks to subordinates and expect and require satisfactory performance from them. But the manager may not have the means (or power) available to enforce this right. Thus, whether a manager can enforce his rights is a question of power. Similarly, there may be a situation where a person has a power to do something, but lacks authority to do it. Such situations may cause conflicts in organizations. Therefore, for organizational stability, power and right to do things should be equated. "When power and authority for a given person or position are roughly equated, we have a condition we may call legitimate power".

### Sources of Power

John French and Bertram Raven have identified five sources or bases of power which may occur at all levels of the organization. These are discussed below:

- (i) **Reward Power:** It is based on the influencer having the ability to reward the influencee for carrying out orders. The extent of reward power depends upon the extent to which one has control over rewards that are valued by another.
- (ii) **Coercive Power:** It is based on the formal rights one receives as a result of holding a position in an organization. It may also be called 'positional power' because of authority inherent in the position. It exists when an influencee acknowledges that the influencer is lawfully entitled to exert influence. It is also implied that the influencee has an obligation to accept this power.
- (iii) **Legitimate Power:** It is based on the formal rights one receives as a result of holding a position in an organization. It may also be called 'positional power' because of authority inherent in the position. It exists when an influencee acknowledges that the influencer is lawfully entitled to exert influence. It is also implied that the influencee has an obligation to accept this power.



- (iv) **Expert Power:** It is based on the perception or belief that the influencer has some relevant expertise or special knowledge that others do not have. For example, a doctor has expert power on his patients. It is a type of personal power.
- (v) **Referent Power:** It is based on the influencee's desire to identify with or imitate the behaviour of the influencer. It develops out of others' admiration for a person and their desire to model their attitudes and behaviour after that person. For example, a manager will have referent power over the subordinates if they are motivated to emulate his work habits.

These are potential sources of power only. Possession of some or all of them does not guarantee the ability to influence particular individuals in specific ways. The role of the influencee in accepting or rejecting the attempted influence is very important. It may also be noted that, normally, each of the five power bases is potentially inherent in a manager's position.

Some generalisations about the use of power and effectiveness of various bases of power are given below:

1. There is no evidence of power unless it is exercised. The purpose of power is influence over others for getting certain things done.
2. Power is stronger than influence. It is the ability to bring about potential acts by commanding or exerting influence. But influence is a psychological force. In exerting influence, one person tries to influence the behaviour of another.
3. The effect of power is reduced when it is exercised outside its perceived limits.
4. The stronger the power base, the greater is the power. The strongest power base is legitimacy (or formal authority) and the weakest is coercion.
5. A person difficult to be replaced has more power than others. If a low ranking employee has more knowledge than his superiors, he is likely to have more personal power.

### Distinction between Authority and Power

The terms 'authority' and 'power' are generally used interchangeably, but there is a clear-cut distinction between the two as discussed below:

- (i) **Nature:** Authority is the right to command; power is the ability to exercise influence. Authority usually resides in the position organization, but power is exercised by the person. Authority includes the right to command which has been institutionalised. Thus, authority is always positional and legitimate and is conferred on the position. But power is not institutional, rather it is personal. It is acquired by people in various ways and exercised upon others. It is acquired through political means or by having certain personal attributes.
- (ii) **Association with Structure:** Authority of a person is associated with the position in the formal organization. It increases as one goes up the organizational hierarchy. But it need not necessarily be accompanied by more power. In actual practice, the power centres may be located at the lower levels in the organization. Thus, one cannot get any idea of power centres in an organization by merely looking at its organization chart.



- (iii) **Relationship:** The structure of an organization merely shows its authority relationships. In practice, these relationships are modified by power politics in the organization. Some individuals may have more power and less authority or more authority and less power. It is the operating mechanism of the organization which is relevant for studying organizational behaviour.
- (iv) **Flow:** Authority is a downward flowing concept whereas power flows in all directions. Authority can be delegated to the lower levels in the organization. The lower we go down the hierarchy, the lesser is the authority. But it is not so in case of power which has been defined as the ability or capacity to influence the behaviour of others. If a worker succeeds to influence the behaviour of a departmental manager, it is implied that the worker has exercised power over the departmental manager.
- (v) **Pervasiveness:** Authority rests with important positions in the organization whereas power is all-pervasive. For instance, an informal leader may be more powerful than even a departmental head.
- (vi) **Responsibility:** The extent of authority is limited to the amount of responsibility. Authority and responsibility are coextensive and balance each other. But in case of power, there is no such balancing factor. Persons wielding greater power may have only limited responsibility.
- (vii) **Formal/Informal:** Authority is inherent in official positions in the organization and so it is always formal. But power can be both formal and informal. Sometimes, informal power of a person exercises greater influence in the organization than is formal authority which is also called legitimate power.

### Types of Authority Relationships

Modern organizations make considerable use of line, staff, functional and committee authority and various combinations thereof. All the four types can be found in almost every big organization. The organization patterns that accompany the four types of authority have already been discussed in this chapter. Now we shall discuss the nature of various types of authority.

#### Line Authority

Line authority refers to those positions and elements of the organization which have responsibility and authority and are accountable for accomplishment of primary objectives. "Line authority, the basic authority in an organization, is the ultimate authority to command, act, decide, approve or disapprove - directly or indirectly - all the activities of the organization. It is the authority to direct the work of others and to require them to conform to decisions, plans, policies, systems, procedures and goals. Line authority is the heart of the relationship between superiors and subordinates".

Line elements provide authority to decide and direct and a central means for flow of communication through a scalar chain of authority. Line officials are in the chain of command from the highest executive to the lowest position in the organization as shown in Fig. 6.6. Each successive manager exercise direct line authority over his



subordinates. However, line authority is not absolute. Managers are responsible for how they exercise authority and for its consequences. They must use judgement and discretion and stay within the limits of their delegated authority. They must apply authority reasonably to the performance of tasks and the proper execution of organizational policies. It should be remembered that the primary purpose of line authority is to ensure effective functioning of the organization. It does so in the following ways:

- (i) Line authority acts as a chain of command from chief executive to lower level workers. It also provides for the channel of communication.
- (ii) It provides the basic decisions required for operating the enterprise.
- (iii) It makes the leadership process effective by establishing authentic channels of communication.
- (iv) It provides points of reference for the approval or rejection of proposals.
- (v) It serves as a means of control by setting limits to the scope of managerial actions.

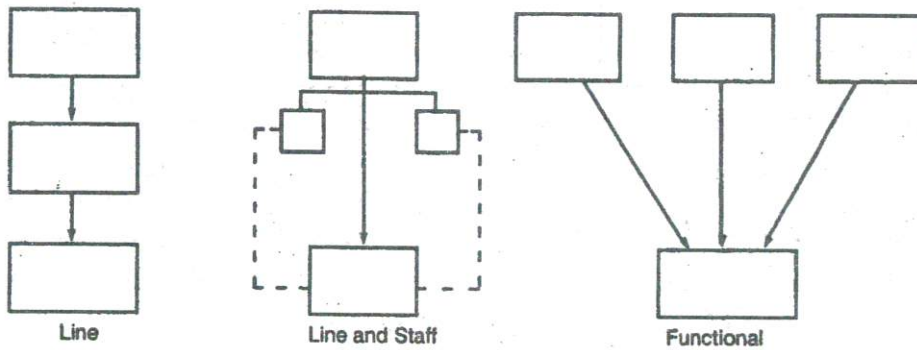


Fig. 6.6 Types of authority relationships

### Staff Authority

Staff refers to those elements which have responsibility and authority for providing advice and services to line in attainment of objectives. Fayol described staff as an adjunct reinforcement and a sort of extension of the manager's personality. Line managers make the salient decisions by exercising command authority, whereas staff officials advise and counsel, with no authority to command but within their own staff chain of command. According to McFarland, "Staff authority is best defined as authority whose scope is limited, by the absence of the right to direct or command, to such auxiliary and facilitating activities as planning, recommending, advising or assisting".

The nature of staff authority is advisory as shown by broken lines in Figs. 6.6 and 6.7. The use of staff to assist line came about because of the need to provide special counsel and assistance to the line manager who is unable to carry out the demands of his position. Line authority alone becomes inadequate for large organizations whose managers face an increasing number of problems that can better be handled by staff specialists.



The basic criterion for distinguishing between line and staff functions is the degree of closeness of the function to the primary objectives of the organization. Basic activities such as production, finance and marketing are usually line departments. Activities such as industrial engineering and costing, which consist mainly of assistance, advice or services cutting across several units, are general set up as staff departments. However, the indirect relationship of staff to primary objectives does not necessarily mean any lack of importance.

Pure staff authority has no right to command except within the staff department itself. Staff managers cannot issue orders. They work by planning, thinking, studying, informing, recommending, persuading and suggesting. Thus, staff orientation is different from the line orientation which is concerned directly with the primary objectives of the enterprise. Staff men relieve the line men of the burden of details, often technical, which would otherwise be handled less ably. Staff managers possess specialised knowledge and skills. They can provide better solutions to organizational problems in their areas.

In practice, the distinction between line and staff gets blurred. Staff advice or service may be accepted by others much the same as the line authority is. Staff managers may make command decisions when line managers fail to act or decide. Moreover, staff managers may be delegated authority to command on certain matters by the line managers. The demarcation between line and staff may be possible during the initial stages of the organization; but when it grows, its functions become more and more complex and the demarcation between line and staff becomes progressively fuzzier. Another basic criticism of the line and staff concepts is that the distinction between them is based on the assumption that organizational activities can be segregated on the basis of their contribution in achieving the organizational goals. But all activities, whatever name they may be given, collectively contribute to the achievement of organizational goals. The segregation of expert knowledge from actual performance of the job is unwise and uncalled for in the present era of vast technological developments.

### Types of Staff

Staff may be divided into the following three categories:

- (a) **Personal Staff:** It refers to the positions created to help a manager in carrying out those parts of his responsibilities which he cannot or does not want to delegate to others. Personal staff is required by top managers because their responsibilities grow beyond their personal capacities. For instance, a general manager of a company may have a personal secretary to help him in carrying out his responsibilities.
- (b) **Specialised Staff:** It counsels, advises and helps all line and other staff elements in the organization. It consists of specialists in different areas like accounting, quality control, personnel, public relations, etc. Staff specialists generally provide both advice and service to the line departments of the organization.
- (c) **General Staff:** It consists of a group of experts in different areas who are attached to the central office of the organization. It is generally employed to provide advice on certain matters to the top management.



### Functional Authority

Functional authority occupies a midway position between line and staff authority. It is means of putting the staff specialists in top positions for the entire enterprise and it confers upon the holders a limited power to command over the people of their departments concerning their function. For empowering the persons in charge of various functional areas to maintain the quality and uniformity of the functions throughout the enterprise, functional authority is granted to them in addition to the line authority over his department and over the activities of other departments that pertain to his functional area.

Functional authority is subordinate to line authority and is a way of putting specialists to work in the organization. Functional authority differs from line authority in that its right to command is limited to a particular specialised area. It differs from staff authority in that functional authority confers upon its holders the right to command in matters pertaining to that function. The greatest weakness of functional authority is that it may subject subordinates to the conflict of multiple supervision. However, this multiplicity may not always be undesirable. Whenever functional authority is granted to some individual, it should be properly evaluated, whenever conflict arises. The scope of functional authority is limited. Suppose, for example, that the production control department found that supervisors were changing routing and scheduling of materials at will. The production control manager could issue final orders of routing and scheduling. Thus, functional authority assures that production policies would be properly followed in each workshop.

### Use of line, Staff and Functional Authority

An organization may follow a structure which makes use of line, staff and functional authority as shown in Fig. 6.7. The Human Resources and Finance Managers act as staff advisors to the Managing Director.

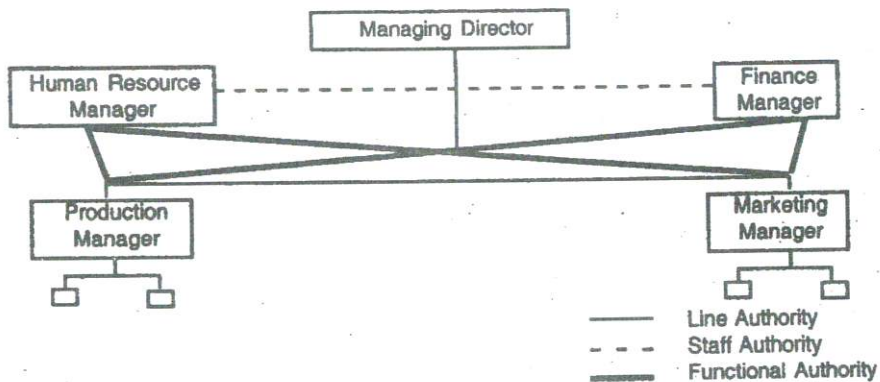


Fig. 6.7 Line, Staff and Functional relationships in organization structure

But as far as production and marketing departments are concerned, they act as functional managers. The Managing Director has line authority over the Production and Marketing Managers represented by a bold vertical line. Similarly, Production and Marketing Managers have line authority over their respective subordinates.

## BOX 6.2

Comparison of Line, Line & Staff and Functional Authority			
Basis	Line	Line & Staff	Functional
1. Nature	The line authority follows the principle of scalar chain. It flows from top to bottom in line.	The staff have advisory role. They don't have authority to get their advice accepted.	The functional authority is restricted to a function only and it flows diagonally. The functional manager has authority over his function wherever it is performed.
2. Specialisation	Line managers are generalists.	Staff officials are specialists in their respective areas.	Functional managers are specialists in their respective areas.
3. Unity of Command	There is unity of command. Each subordinate receives orders from his boss only.	Unity of command is observed to a great extent. The staff officials cannot give orders to the people in the chain of command.	Unity of command is not followed as each subordinate gets instructions from his line boss and the functional bosses.
4. Discipline	There is strict discipline.	More or less, there is strict discipline.	There is loose discipline because of multiplicity of command by various functional experts.
5. Suitability	It is suitable for small scale operations.	It is suitable for medium-scale operations.	It is suitable for large scale operations where expert knowledge in certain fields is essential.
6. Economy	It is economical because a few line executives are required.	It is little costlier because of use of staff specialist alongwith line executives.	It is very costly because of placement of functional experts as heads of various departments.

### Conflict Between Line And Staff

Line and staff concept is based on the assumption that they should support each other and work unitedly for the achievement of enterprise objectives. But an unfortunate result of this concept is the creation of status problems in the organization. Line members view themselves as important and first class members of the organization because they directly accomplish the objectives of the enterprise. And the staff members are often treated as second class members. The line members ignore staff advice and they often act according to their own thinking. Thus, line and staff arrangement has failed to achieve the desired purpose.

The major source of line and staff conflicts is the difference in their viewpoints and perceptions. Conflict arises when either of them fails to appreciate the viewpoints of the other. When a conflict between line and staff arises, each party tries to explain the causes of conflict in terms of behaviour of the other. The important causes of line and staff conflict as reported by line and staff executives are discussed below.

#### Line's Viewpoint

1. **Undermining of Line Authority:** Staff officers encroach upon the line authority. They interfere in the work of line managers and try to tell them how



to do their work. They undermine the role of line executives by trying to impose their ideas on the line executives.

2. **Academic Approach of Staff:** Staff specialists are too academic and do not understand the practical problems of the organization. Their ideas are often unrealistic and impracticable. They are armchair theoreticians living in their ivory towers and totally cut off from the realities of the situation. They are not well acquainted with operating problems of the company. They unnecessarily create paper work for the line managers.
3. **Lack of Accountability:** The staff men are not directly accountable for any result; they are generally overzealous and recommend a course of action which is not practicable. It is also said that because of lack of accountability, the staff officials often give unsound advice.
4. **Limited Outlook of Staff:** The staff often thinks in a vacuum and fails to see the 'big picture' of the organization. Line is loyal to the overall objectives of the organization; staff is loyal to a narrow area of speciality. That is why, staff fails to relate its ideas to the organizational objectives.

**Stealing of Credit:** The staff specialists have the tendency to take credit for the decisions which prove successful and lay the blame on the line men in case the decisions do not prove successful. They are overambitious and want power without responsibility. Staff people usually have a strategic advantage because they are closer to the top executive and have more frequent access to him.

### Staff's Viewpoint

1. **Ignoring the Staff:** Line managers generally do not make a proper use of the services of the staff specialists. Their advice is often ignored. Sometimes, staff advice is sought only as a last resort as line executive feels that asking for the advice is admitting defeat.
2. **Resistance to New Ideas:** Line managers generally resist new ideas as they consider staff as a threat to their status and authority. They sabotage ideas and programmes of staff. Line managers do not 'look beyond their nose'. They are short-sighted and follow a 'wait and see' policy.

**Lack of Enough Authority:** A general complaint from the staff side is the lack of proper authority. Staff specialists feel that if they have arrived at the best solution to a problem, they should be able to put into action. But due to lack of authority, they are unable to do so.

### BOX 6.3

Line and Staff Conflict	
Line Managers	Staff Specialists
1. Are generalists having wide knowledge and experience of different areas of business.	1. Are specialists in particular areas and lack the experience of different areas of business.
2. Are ultimately responsible for decisions.	2. Lack authority to implement decisions.
3. Have short and long-range orientations.	3. Have long-range orientation.



4. Want simple, easy to use solutions.	4. Provide Scientific solutions.
5. Are action-oriented, they want to solve the problem now.	5. Are thought-oriented; they want to examine the problem in depth and solve it later.
6. Like to solve problems on the basis of experience, intuition and "gut feeling".	6. Like to solve problem using the latest and most sophisticated techniques.
7. Consider staff as theoreticians and irresponsible.	7. Consider line as over-confident and short-sighted

### Suggestions for Improving Line-Staff Relationships

The conflict between line and staff is not in the interest of the organization and therefore, efforts should be made to resolve it. The following steps may be suggested to resolve conflict between line and staff:

1. The line of demarcation between line and staff authority should be clear. It must be understood by line and staff men that line has the ultimate responsibility for the implementation of the decisions and staff is responsible only for providing advice and service to the line departments.
2. Qualified and trained personal should be placed on staff positions. They must have the ability to explain their advice in concrete terms to the line managers and to convince them about the practicability of their advice.
3. The top management should take steps to educate the staff to be aware of line attitudes and sensitivities and to educate the line of the value of specialised skills of experts.
4. Line managers must give due consideration and serious thought on the advice of experts before taking the final decision. In case they do not accept the staff advice, sufficient reasons should be given for doing so.
5. Line and staff people should operate in terms of policies and objectives of the whole organization. They should try to understand as to how they can contribute to these objectives. The staff official should have the tolerance power because his ideas are likely to be resisted in the initial stages.
6. The staff men should appreciate the difficulties in implementing the new ideas. They should not consider it as a prestige issue if some of their suggestions are not implemented. They should understand that the ultimate accountability is that of the line managers.

### Is Line and Staff an Obsolete Concept

The division of organizational relationships on the basis of line and staff produces more conflicts than cooperation as it is very difficult, in practice, to demarcate the limits of their authority. Some writers, particularly G.G. Fisch and H.H. Logan, have argued that the concept of line and staff is of merely of academic interest and it has no practical applicability. But the concept of line and staff has become so popular in management literature that it is not so easy to eliminate it through it may not have any practical relevance. According to Logan; "The concept that all functions or departments of a business enterprise are either line or staff is now so firmly entrenched in management theory that any attempt to dislodge it may well seem doomed to failure. Yet it is certainly pertinent to ask, how applicable to business today is this seemingly immutable principle of organization".



Logan further emphasises that demarcation between line and staff may be possible at the initial stage of the organization, but when it grows, its functions become more and more complex, the demarcation between line and staff functions becomes progressively fuzzier until, in large organizations, it is no longer possible to state unequivocally just who is directly engaged in furthering its objectives and who is not.

The basic criticism of the line and staff concept is that it is based on the assumption that organizational activities can be segregated on the basis of their contribution to the achievement of organizational goals. In the traditional way of classifying line and staff, production and marketing functions are treated predominantly line departments. There are many functional departments whose activities cannot be reconciled with the proposition that production and marketing are the only segments of the organization directly concerned with furthering its objectives. All activities, whatever name they may be given, collectively contribute to the achievement of objectives. The segregation of expert knowledge from the actual performance of the job is unwise.

It appears that line and staff distinction is based on the assumption that those who are good at thinking and planning are not good in doing and vice versa. This assumption has also gone wrong in the complex industrial world. In practice, three types of authority, namely, line, staff and functional, are not granted to three categories of persons. One person may be granted all the three types of authorities simultaneously. In order to avoid line and staff conflicts, it is essential to clearly define the various authority relationships. This will help in improving the working of the organization by avoiding the gap in and overlapping of authority and responsibility.

## FORMS OF ORGANIZATION STRUCTURE

Organization requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. The establishment of formal relationships among the individuals working in the organization and to coordinate the efforts of different individuals in an efficient manner. In order to organise the efforts of individuals, any of the following types of organization structures may be set up: (i) Line organization, (ii) Line and staff organization, (iii) Functional organization, (iv) Committee organization, (v) Project Organization and (vi) Matrix organization. The nature, merits and demerits of these are discussed below.

### Line Organization

The line organization represents the structure in a direct vertical relationship through which authority flows. It is the simplest form of organization structure and is also known as scalar or military organization. Under this, the line of authority flows vertically downward from top to bottom through out the organization. Under this, the line of authority flows vertically downward from top to bottom throughout the organization. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. Every person in the organization is in the direct chain of command as shown Fig. 6.8.

In line organization, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in enterprise.

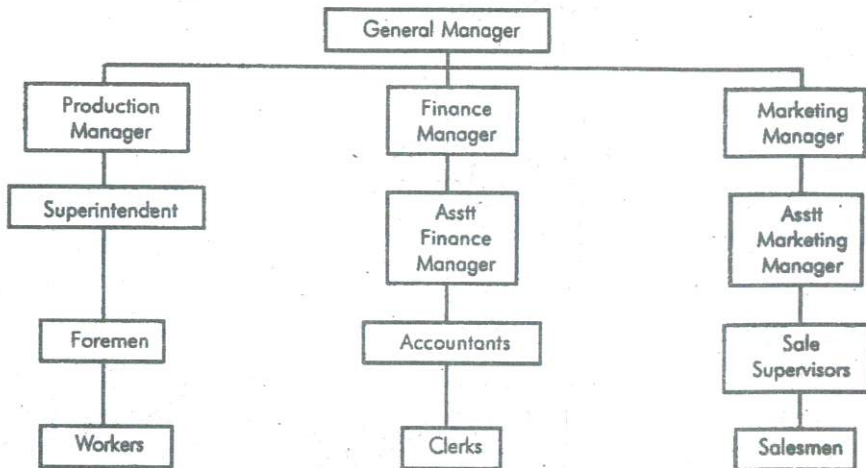


Fig. 6.8 Line organization

### Advantages of Line Organization

The merits of line organization are as follows:

- (i) It is very easy to establish line organization and it can be easily understood by the employees.
- (ii) It facilitates unity of command and thus conforms to the scalar principle of organization.
- (iii) There is clear-cut identification of authority and responsibility relationship. Employees are fully aware of the boundaries of their jobs.
- (iv) It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible.
- (v) It facilitates prompt decision making because there is definite authority at every level. An executive cannot shift his decision making to others, nor can the blame be shifted.

### Disadvantages of Line Organization

The demerits of line organization are as under:

- (i) With growth, the line organization makes the superiors too overloaded with work. If the executives try to keep up with every activity, they are bogged down in myriad details and are unable to pay proper attention to each one. It will hamper their effectiveness.
- (ii) There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.



- (iii) Line organization is not suitable to big organizations because it does not provide specialists in the structure. Many jobs require specialised knowledge to perform them.
- (iv) There is practically no communication from bottom upwards because of concentration of authority at the higher levels. If superiors take a wrong decision, it would be carried out without anybody having the courage to point to its deficiencies.

In spite of these drawbacks, the line organization structure is very popular particularly in small organizations where there are less number or levels of authority and a small number of people. A modification of this structure is line and staff organization under which specialists are attached to line executives to provide them specialised assistance on matters of great importance to the enterprise.

### Line and Staff Organization

The line executive is often described as the individual who stands in the primary chain of command and is directly concerned with the accomplishment of primary objectives. Line organization provides decision making authority to the individuals at the top of the organization structure and a channel for the flow of communication through a scalar chain of authority. Line executives are generalists and do not possess specialised knowledge which is a must to tackle complicated problems. With a view to give specialist aid to line executives, staff positions are created throughout the structure. Staff elements bring expert and specialised knowledge to provide advice to line managers so that they may discharge their responsibilities successfully.

In line and staff organization, the line authority remains the same as it does in the line organization. Authority flows top to bottom. The main difference is that specialists are attached to line managers to advise them on important matters. These specialists stand ready with their speciality to serve line men as and when their services are called for to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organization as they are employed to provide expert advice to the line officers. Staff means a supporting function intended to help the line manager. In most organizations, the use of staff can be traced to the need for help in handling details, gathering data for decision-making and offering advice on specific managerial problems. Staff investigates and supplies information and recommendations to managers who make decisions. Specialised staff positions are created to give counsel and assistance in each specialised field of effort as shown in Fig. 6.9.

Line and staff structure has gained popularity because certain problems of management have become very complex and, in order to deal with them, expert knowledge is necessary which can be provided by the staff officers. For instance, personnel department is established as a staff department to advise the line executives on personnel matters. Similarly, finance, law and public relations departments may be set up to advise on problems related to finance and accounting, law and public relations.



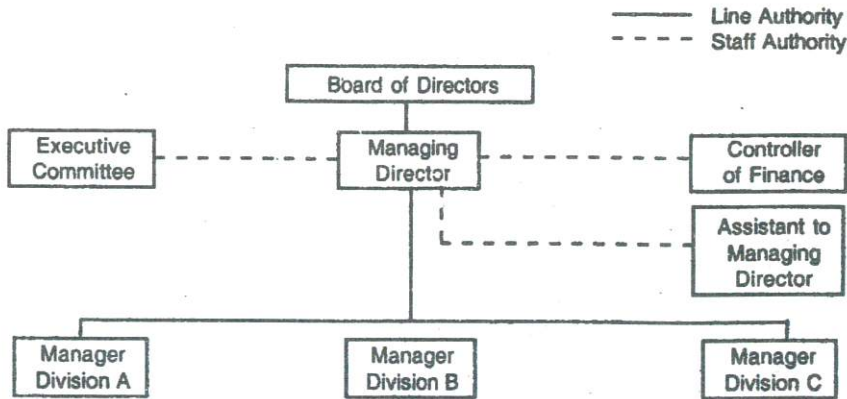


Fig. 6.9 Line and staff organization

The staff officers do not have any power of command in the organization as they are employed to provide advice to the line officers. In most organizations, the use of staff can be traced to the need for help in handling details, gathering data and offering advice on specific managerial problems.

### Advantages of Line and Staff Organization

The line and staff organization has the following merits:

- (i) **Specialised Knowledge:** Line managers get the benefit of specialised knowledge of staff specialised at various levels.
- (ii) **Reduction of Burden:** Staff specialists relieve the line managers of the botheration of concentrating on specialised functions like accounting, selection and training, public relations, etc.
- (iii) **Proper Weightage:** Many problems that are ignored or poorly handled in the line organization can be properly covered in the line and staff organization by the use of staff specialists.
- (iv) **Better Decisions:** Staff specialists help the line executives in taking better decisions by providing them with adequate information of right type at the right moment and expert advice.
- (v) **Flexibility:** Line and staff organization is more flexible as compared to the line organization. General staff can be employed to help line managers at various levels.
- (vi) **Unity of Command:** Under this system, the experts provide special guidance without giving orders. It is the line manager who only has got the right to give orders. The result is that enterprise takes advantages of functional organization while maintaining the unity of command, i.e., one subordinate receiving orders from one boss only.

### Demerits of Line and Staff Organization

The line and staff organization suffers from the following drawbacks:

- (i) There is generally a conflict between the line and staff executives. There is a danger that the staff men may encroach on the line authority. Line managers



- feel that staff specialists do not always give right type of advice and staff officials generally complain that their advice is not properly attended to.
- (ii) The allocation of duties between the line and staff executives is generally not very clear. This may hamper coordination in the organization.
  - (iii) Since staff men are not accountable for the results, they may not be performing their duties well.
  - (iv) There is a wide difference between the orientation of the line and staff men. Line executives deal with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical.

### Superiority of Line and Staff Organization over Line Organization

Line and staff organization is considered better than the line organization because of the following reasons:

- (i) Staff makes available expert advice to the line executives. This is necessary to deal with complex problems of management. For instance, personnel department is established as a staff department to advise the top executives and other line executives on personnel matters. Similarly accounts, law and public relations departments may be set up to advise on problems related to accounting, legal issues and public relations.
- (ii) Better decisions are ensured in line and staff organization as compared to a simple line organization.
- (iii) Line and staff structure is more suitable for large organizations as expert advice is always available. The line managers can make use of the knowledge of staff specialists to deal with complicated problems. Therefore, line and staff organization is certainly better than line organization.

#### BOX 6.4

Line Organization vs Line & Staff Organization	
Line Organization	Line & Staff Organization
1. Line refers to those positions which have the responsibility of achieving the primary objectives of the organization.	1. Staff refers to those positions which have responsibility for providing advice and service to the line in attainment of organizational objectives.
2. There are no experts to assist and advise the line officials.	2. There are experts known as staff to assist and advise the line officials.
3. There is strict discipline.	3. There is loose discipline.
4. There is no scope of friction between line and staff.	4. There is always a risk of friction between line and staff people over their respective roles.
5. It is not based upon planned specialisation.	5. It is based upon planned specialisation.
6. Certain line men become key men as they occupy those positions on which the survival of the organization depends.	6. This is not possible in case of line and staff organization as staff officials always share credit with line officials.

### Functional Organization

Functional authority occupies a mid-way position between line and staff authority. It is a means of putting the specialists in top positions throughout the enterprise. It

confers upon the holder of a functional position a limited power of command over the people of various departments concerning their function. Functional authority remains confined to functional guidance of different departments. It helps in maintaining quality and uniformity of the performance of functional areas throughout the organization.

Under functional organization, various activities of the enterprise are classified according to certain functions like production, marketing, finance, personnel, etc. and are put under the charge of functional specialists as shown in Fig. 6.10. A functional incharge directs the subordinates throughout the organization in his particular area of business operation. That means that subordinates receive orders and instructions not from one superior but from several functional specialists. In other words, the subordinates are accountable to different functional specialists for the performance of different functions.

It was F.W. Taylor who evolved functional organization for planning and controlling manufacturing operations on the basis of specialisation. But in practice, functionalisation is restricted to the top of the organization structure and is not carried down to the lowest level in the organization as recommended by Taylor.

The features of functional organization are as follows:

- (i) The entire organizational activities are divided into specified functions, such as operations, finance, marketing, personnel relations, etc.
- (ii) Each functional area is put under the charge of a functional specialist. The specialist has the authority or right to give orders regarding his function wherever that function is performed in the enterprise.
- (iii) If anybody in the enterprise has to take any decision relating to particular function, it has to be in the consultation with the functional specialist.

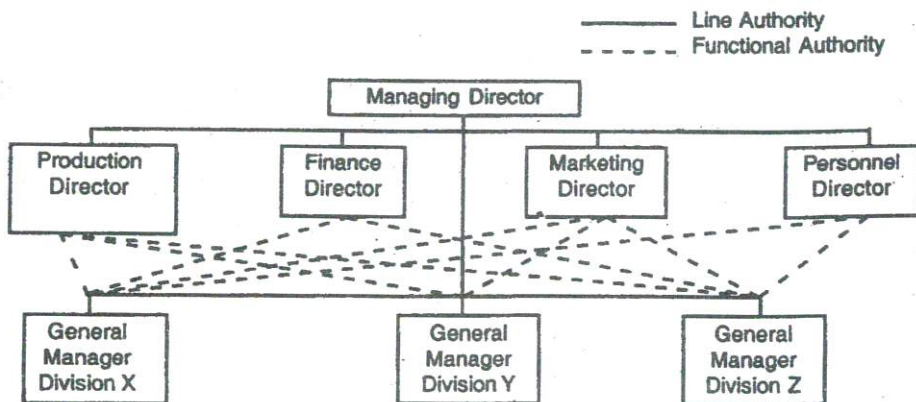


Fig. 6.10 Functional organization

### Advantages of Functional Organization

The merits of functional organization have been discussed below:

- (i) **Specialisation:** Functional organization helps in achieving the benefits of specialisation of work. Every functional incharge is an expert in his area and can help the subordinates in better performance in his area.



- (ii) **Executive Development:** A functional manager is required to have expertise in one function only. This makes it easy to develop the executives.
- (iii) **Reduction of Workload:** Functional organization reduces the burden on the top executives. There is joint supervision in the organization. And every functional incharge looks after his functional area only.
- (iv) **Scope for Expansion:** Functional organization offers a greater scope for expansion as compared to line organization. It does not face the problem of limited capabilities of a few line managers.
- (v) **Better Control:** The expert knowledge of the functional manager facilitates better control and supervision in the organization.

### Demerits of Functional Organization

The functional organization suffers from the following drawbacks:

- (i) Functional organization violates the principle of unity of command since a person is accountable to a large number of bosses.
- (ii) The operation of functional organization is too complicated to be easily understood by the workers. Workers are supervised by a number of bosses. This creates confusion in the organization.
- (iii) Functional organization develops specialists rather than generalists. This may create problem in succession of top executive positions.
- (iv) A functional manager tends to create boundaries around himself and thinks only in terms of his own department rather than of the whole enterprise. This results in loss of overall perspective in dealing with business problems.
- (v) There is generally a lack of coordination among the functional executives and delay in decision making when a decision problem requires the involvement of more than one specialist.

Jurisdictional conflicts often arise between the line and functional executives. Executives with functional authority sometimes issue instructions directly to personnel throughout the organization. This happens because of failure to define the exact nature of the functional authority which an executive may have. Therefore, it is essential that the functional authority of executives should be clearly laid down. As far as possible, the accountability of subordinates should rest with their line superiors and not with their functional.

### Taylor's Functional Foremanship

The functional organization design discussed above is somewhat different from F.W. Taylor's functional foremanship. The structure discussed earlier stands for functionalisation at the top whereas in Taylor's plan, the functional control went down to lowest level in the organization. Taylor felt that one foreman cannot manage the different aspects of production work for directing a group of employees as he cannot have varied knowledge and ability. So he advised the substitution of line authority by functional foremanship at the lower levels of the organization structure.

Taylor recommended that instead of the usual practice of putting one foreman in charge of 10 to 20 workers, there should be the following staff to guide the workers in various functional areas.

- i. Route clerk
- ii. Instruction card clerk
- iii. Time and cost clerk
- iv. Shop disciplinarian
- v. Gang boss
- vi. Speed boss
- vii. Repair boss
- viii. Inspector

There is functional relationship in the structure because every worker is responsible to the speed boss in the matter of discipline and so on. This is the extreme form of functional organization which is not found anywhere because it has been found to be unrealistic and it violates totally the principle of unity of command. In order to maintain unity of command in the organization, functionalisation is applied at the top structure and the functional authority is limited only to the first level that comes below the position of the functional manager.

### Committee

Committees, if not one of the poorest forms of organization ever designed, are certainly one of the most maligned. We often come across humorous definitions of committee such as: "A committee is a group of units engaged by their unwillingness to do the unnecessary". "It is a means of passing the buck. It is a group of persons who keep minutes and waste hours". "It is a group of six people - two to do the work, three to pat those two on the back and one to present a minority report". Nevertheless, committees exist in modern organizations because of certain advantages which are discussed later. A committee usually represents a modification in the existing line, line and staff and functional organization structures. It does not replace a significant part of the overall organization structure. It is an aid to the existing organization structure rather than an essential part of it.

### What is a Committee

According to Louis A. Allen, "A committee is a body of persons appointed or elected to meet on an organised basis for the consideration of matters brought before it". A committee is a group of persons performing a group task with the object of solving certain problems. The area of operation of a committee is determined by its constitution. A committee may formulate plans, make policy decisions or review the performance of certain units. In some cases, it may only have the power to make recommendations to a designated official. Whatever may be the scope of their activities, committees have come to be recognised as an important instrument in the modern business as well as non-business organizations. They help in taking collective



decisions, coordinating the affairs of different departments and meeting communication requirements in the organization.

Committees exist both in business and non-business organizations. It is difficult to give a precise definition of the term 'committee' because there are many different kinds of committees and the concept of committee varies widely from one organization to another. In many organizations, committees contribute an important part of the organization structure. Committees are usually relatively formal bodies with a definite structure. They have their own organization. To them are entrusted definite responsibility and authority. A committee may review budgets, formulate plan for new products or make policy decisions. Or the committee may only have a power to make recommendations and suggestions to a designated official.

Generally, committees are constituted to achieve one or more of the following objectives:

- (i) To have consultation with various persons to secure their viewpoints on different aspects of business.
- (ii) To give participation to various groups of people.
- (iii) To secure cooperation of different departments.
- (iv) To coordinate the functioning of different departments and individuals by bringing about unity of direction.

### Types of Committees

According to the nature of their constitution and functions, committees can be classified as follows:

- (i) **Line and Staff Committees:** If a committee is vested with the authority and responsibility to decide and whose decisions are implemented invariably, it is known as a line committee. For example, board of directors of a company is a line committee of the representatives of its members which is authorised to take and implement policy decisions. On the other hand, if a committee is appointed merely to counsel and advise, it is known as a staff committee. For instance, a committee composed of the heads of various departments may meet at periodical intervals to counsel the chief executive.
- (ii) **Formal and Informal Committees:** When a committee is constituted as a part of the organization structure and has clearcut jurisdiction, it is a formal committee. But an informal committee is formed to advise on certain complicated matters on which the management does not want to set up formal committee which is a costly device. Informal committees do not form part of the organization structure.
- (iii) **Standing and Ad hoc Committees:** Formal committees which are of permanent character are known as standing committees. Ad hoc committees are temporary bodies which may be formal or informal. An adhoc committee is appointed to deal with some special problem and stops functioning after its job is over.
- (iv) **Executive Committee:** It is a committee which has power to administer the affairs of the business.



- (v) **Coordinating Committee:** Such a committee is generally constituted to coordinate the functioning of different departments. It consists of the representatives of different departments who meet periodically to discuss their common problems.

In addition, a business enterprise may have other committees like (a) Finance Committee, (b) Planning Committee, (c) Production Committee, (d) Workers' Welfare Committee and so on.

### Why are Committees Used

A committee almost invariably is used to carry out responsibilities which cannot be undertaken by a single person. Committees have certain inherent advantages because people in a group react differently from people as individuals. The advantages or merits are discussed below:

1. **Pooled Knowledge and Experience;** A committee is an effective method of bringing the collective knowledge and experience of a number of persons to solve many intricate problems that are beyond the reach of a single person. In a committee, such members may be taken who are experts in their fields. This will help in concentrating knowledge and judgement of experts for the solution of the intricate problems.
2. **Enforces Participation:** A committee tends to enforce participation by different people in the organization. A major source of resistance to new policies and plans by those who are asked to carry them out is lack of participation on their part at the planning stage. The management can give representation to the employees in various committees. This will motivate the employees for better performance as they feel that they have a say in the affairs of the organization.
3. **Facilitates Coordination:** When it is necessary to integrate varying points of view, which cannot conveniently be coordinated by individuals, the committee may be used to bring about coordination. A committee consists of representatives of different departments or persons who represent different points of view, who will sit around a table and discuss their common problems. The direct contact among various individuals will bring about proper understanding and coordination in the activities of various departments and individuals.
4. **Overcoming Resistance:** The committee is an important means of cooling off agitation and temper on the part of affected people. Establishment of a committee is recognised as a strategy for overcoming resistance, opposition or pressure from the affected parties. For purposes of strategy, committees have a wider application in Government, educational, and other non-business institutions.
5. **Check against Misuse of Powers:** It acts as a check and safeguard against the abuse and misuse of powers. Numerous boards and commissions are established by the Governments of all nations to circumscribe the executive authority and to hold it in balance. Even in business, the Board of Directors is a plural executive which reviews the operations of the chief executive of the company. Plural executives in the form of committees are more common in non-business organizations than in business organizations.



### Limitations of Committees

Some people consider committee as an organised means of passing the buck. A committee is created when some top people can't make up their minds and they want a committee to do it for them. Though, use of committees brings about certain advantages, they have certain inherent drawbacks also which are discussed below:

1. **Evasion of Decision making Responsibilities:** If a manager has an opportunity to carry a problem to a committee, he may take it as a means of avoiding decision-making or to escape the consequences of an unpopular decision. Thus, managers who want to avoid the laborious and difficult process of logical thinking that leads to a sound decision and to escape responsibility, take resort to committee device.
2. **Slow Decision making:** Committees take more time on procedural matters before any decision is taken. In some cases, slowness seriously handicaps the administration of the organization. The delay in decision making often reduces the usefulness of the decisions. The delay is caused by many factors like giving sufficient membership and lack of preparation before meeting. That is why, committees are sometimes used by managements to cool off agitation by their employees which may create difficulties in the long run.
3. **Costly Device:** Committees are an expensive device both in terms of cost and time. Committee meetings take too much time which absorb the sum total of the salary of its member for that time. Sometimes, committee members deliberately tend to pass time in order to show that they have taken pains in reaching the decision.
4. **Lack of Definite Decision:** When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive. They may cloud the real issues and get extraneous matters involved in decision making. In case of committee decisions, it is very difficult to fix responsibility on a particular person. So the committee members are apt to be irresponsible and indifferent.
5. **Incompetent Membership:** When a committee is formed, it is implied that the individual members of the committee will exert pressure on the ideas, suggestions, comments and judgements of other members. But this may not happen in practice. The chairman or any strong member of the committee may force the committee to come to a foregone conclusion on the basis of his own thinking and the incompetent members may keep silent. Thus, the decisions may be overshadowed by the force of strong personality.
6. **Source of Misunderstanding:** The committee meetings may prove to be a source of misunderstanding instead of providing a forum for team work and settlement of problems. The chairman of the meeting may not be effective in bringing about reconciliation of ideas of different individuals. Moreover, committee actions are characterised by voting and dissenting practices which may leave behind a legacy of bitterness, discontent and frustration.



### **Making Better Use of Committees**

Notwithstanding the dangers of committees mentioned above, committees are used by most organizations because their advantages far outweigh their disadvantages. Management can make committees a useful agency of administration rather than a doubtful and much bedevilled administrative gimmick. For the successful operation of the committees, the management should keep in mind the following points.

1. **The committee should have a clearly stated purpose:** The purpose should be put in black and white in unambiguous language. This will avoid confusion and wasteful efforts. For clear understanding, the committee members must be specific about the following facts:
  - (i) Functions and scope of the committee.
  - (ii) Responsibilities of the committee.
  - (iii) Authority of the committee.
  - (iv) Organizational relationships.
2. **Members of the committee should be carefully selected:** This is an important factor for the success of the committee. The members must be capable of understanding the real issues entrusted to the committee and taking part in the discussion. As far as practicable, members of the committee should be of similar organizational rank if they are expected to discuss and contribute on an equal basis. The choice of committee members requires a sound judgement as to personality differences, ability in expressions as well as their status.
3. **The committee should be of proper size:** The group should not be too large. If it is too large, many of its members will not have adequate opportunity to express their viewpoints. It may become chaotic if there are many vocal members. But if the group is too small, it is difficult to secure a well rounded viewpoint. The size of committee should depend on the purpose of forming it and the need to give representation to different viewpoints.
4. **The committee should have a capable chairman:** The chairman of the committee has to conduct the proceeding of the committee meeting. He should understand his role properly. His job is to encourage others to express themselves, to settle differences and to add a touch of humour when the going is tough. He is an arbiter, a peacemaker and an expediter. He should not be an advocate of one point of view. His job is to get members of the group think and not to think for them.
5. **There should be adequate preparation for the committee meeting:** The major cause of not reaching any decision by the committee is lack of preparation by the committee members and the office. The office should keep all the details ready for use by the committee. The chairman should be provided with adequate clerical and staff assistance so that he can furnish all available factual data for each member before the meeting takes place. The agenda of the meeting and the concerned data, reports and notes should be circulated among the members of the committee well in time so that they get raw material for discussion in the meeting.



**There should be adequate follow up:** In order to encourage the proper functioning of committees, it is necessary that management should take adequate follow up measures to implement the intent of the committee. Minutes of the committee meeting should be prepared and distributed to each member and also to the top management so that it may evaluate the work done by the committee. This type of control is necessary to avoid committees becoming self-perpetuating or wasting time and delaying decision making.

### Departmentation

There is a limitation on the number of persons an enterprise can manage directly. This limitation will restrict the size of enterprise if it does not opt for the device of departmentation. Grouping activities and employees into departments makes it possible to expand the activities of enterprise. That is why, departmentation is an integral part of the process of organising.

### Meaning of Departmentation

A department is a work group combined together for performing certain functions of similar nature. The process of division of the enterprise into different parts is broadly called departmentation or departmentalisation. The various parts or divisions go by the name of departments. Departmentation leads to grouping of both functions and personnel who are assigned to carry out allocated functions.

The impact of departmentation is a delineation of executive responsibilities and a grouping of operating activities. Every level in the hierarchy below the apex is departmentalised and each succeeding lower level involves further departmental differentiation. Grouping of activities into manageable units is necessary at all levels in the enterprise. The chief executive groups activities into major divisions such as production, marketing, finance, etc. These divisions are administered by senior executives who report directly to the chief executive. The senior executives further assign duties to their juniors. For example, the marketing manager may divide his activities on the basis of activities like advertising, marketing research, customer service and so on. At the lower level, there may be sales assistants, sales representatives, etc.

### Objectives and Significance of Departmentation

Objectives of departmentation are to: (i) specialise activities, (ii) simplify managerial tasks and (iii) maintain control by grouping employees within well-defined areas. Departmentation achieves systematic distribution of work among individuals. It facilitates proper supervision and control as the authority for making decisions is diffused to the managers of the departments. This increases the capacity of top management to concentrate on important managerial functions.

The main advantages of departmentalisation are as follows:

1. **Increase in Efficiency:** The efficiency of management and enterprise increases because everyone knows precisely his duties and authority. Well-defined jobs and limitations of authority help the individuals achieve better performance.



2. **Fixation of Accountability:** Since jobs are well-defined and responsibilities are clearly mentioned, it is easy to fix accountability for the results.
3. **Development of Managerial Faculties:** Departmentation divides the entire enterprise into various departments. The departmental managers are given the opportunity to take initiative. Departmentation is a training device for them. They can learn new managerial skills which will help them to move higher in the hierarchy.
4. **Performance Appraisal:** Departmentation presupposes the existence of goals or standards of performance. This helps not only in fixing responsibility but also in evaluation of work carried out by an individual or a group or the department as a whole.
5. **Better Control:** Departmentation facilitates better control because standards of performance are well known. Budgets which are one of the control mechanisms can be prepared to control the income and expenditure of different departments. Periodical meetings of the departmental managers can be called to bring units of action in the enterprise.

### Methods of Departmentation

Departmentation is the process which is used to group the activities of the enterprise into various units for the purpose of efficient management. It divides the people and functions comprising an enterprise into various departments to achieve organizational goals. There are certain methods of creating departments in an enterprise which are discussed below:

#### 1. Departmentation By Numbers

Departmentation by simple numbers has been an important method in organization of tribes and armies. It involves placing specific number of undifferentiated persons at the direction of an executive or a manager. The success of such departments depends upon the quality manpower. This method is not used these days as it is not feasible to achieve the organizational objectives by dividing the entire manpower into certain groups. Labour skills have increased and, moreover, groups composed of persons from different fields are frequently more efficiently than those based on mere numbers.

#### 2. Departmentation By Function

Under this method, the departments are created on the basis of specified functions to be performed. Activities related to a function are grouped in a single unit with a view to give a well defined direction to the whole group. For instance, in a big enterprise, the major functions like production, purchase, finance, marketing and personnel may be grouped into different departments as shown in Fig. 6.11.

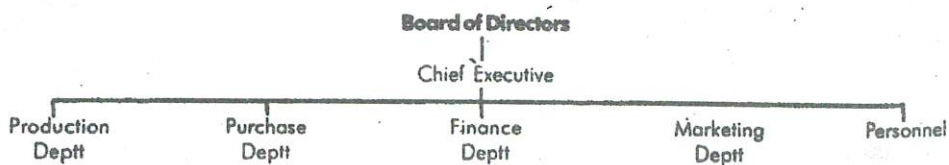


Fig. 6.11 Departmentation of function



The function shown in the above figure will differ in non-industrial concerns or institutions. For example, in an insurance company, departmentalisation may be achieved on the basis of these functions, viz., underwriting agency, claims adjustment and administration. Departmentalisation may also go a step further. For instance, the marketing division may be divided into three subdivisions, namely, advertising, selling and marketing research.

Functional departmentation is the most widely employed basis for organising activities and is present in almost every enterprise at some level in the organization structure as it leads to improved planning and control of the key functions on which the survival and growth of the enterprise depends. Functional specialisation leads to better performance in different areas. This type of departmentation is very helpful for the enterprises having a small number of products. It also leads to better results in big organizations producing a large number of products. For instance, activities relating to accounting and finance may be centralised in a separate department and cost and chartered accountants may be employed to provide services to different departments which may even be created on a different basis.

### 3. Departmentation By Product

The grouping of activities on the basis of product or product lines is followed in multi-product large organizations. All the activities related to a particular product line may be grouped together under the direction of a semi-autonomous division manager. Departmentalisation by product allows the top management to delegate a divisional manager extensive authority over production, sales, engineering and other functions that relate to a product line as is shown in Fig. 6.12. Within the structure of each of the divisions, line and staff organization may also be used.

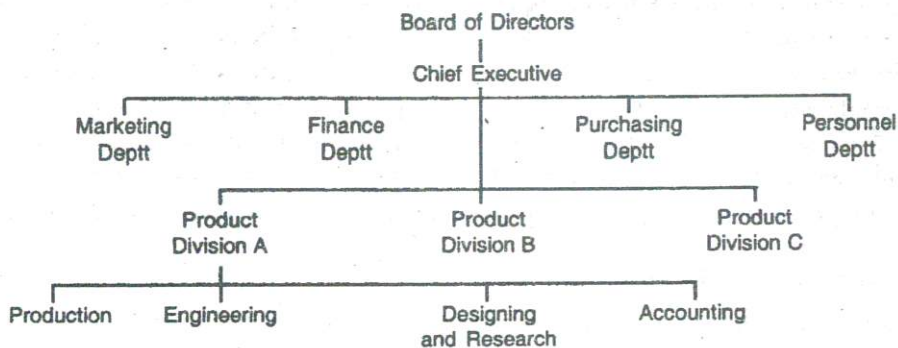


Fig. 6.12 Departmentation by product

Product line is an important basis of departmentation because it creates product divisions each of which could be considered as a viable profit centre for accountability purpose. It places attention and efforts on product lines and fixes responsibility for profits at the division level. Since the product divisions are semi-autonomous, it permits growth and diversity of products and services. Market-oriented long range growth strategies can be planned and implemented. The top management can evaluate the performance of different product divisions and pay greater attention to the product line which is less profitable as compared to others. This type of departmentation is



useful where it is essential to coordinate the activities relating to a particular product. Besides better coordination, it will also improve customer service.

The advantages of product departmentation are as follows:

- (i) Product departmentation can reduce the coordination problems which are created under functional departmentation. There is integration of activities relating to a particular line of product. It facilitates product expansion and diversification.
- (ii) It focuses individual attention on each product line.
- (iii) It leads to specialisation of physical facilities on the basis of products which results in economy.
- (iv) It is easier to evaluate and compare the performance of various product divisions.
- (v) It keeps problems of production isolated from those of others.

Departmentation by products is suitable only for large scale multi-product enterprises which have the capacity to produce and sell on a large scale. If the market of a product line is limited, the management will avoid creating a department for this product as there is duplication of efforts and equipment. Every product division has its own personnel to look after the different areas of the division. The services of certain experts may not be used fully in some departments. The management should resort to this type of departmentation only when it thinks that there will be proper use of personnel and various equipments in different departments. However, there will be problems in allocating overhead costs which are incurred for the entire enterprise.

#### 4. Departmentation By Customer

Departmentation by customer may be followed in enterprises engaged in providing specialised services to different classes of customers. Under this, customers are the guide for grouping the activities. The management groups the activities on this basis to cater to the requirements of clearly defined customer groups. For instance, a big automobile servicing enterprise may organise its departments as follows: heavy vehicle servicing division, car servicing division, and scooter servicing division. Many educational institutions usually follow this type of departmentation. They offer day courses, evening courses and correspondence courses to meet the requirements of different types of students. Similarly, marketing organizations may be divided into wholesale, retail and export departments as shown in Fig. 6.13.



Fig. 6.13 Departmentation based on customers

The benefits of departmentation based on customers are as follows:

- (i) Customer departmentation can focus on the special customer needs.
- (ii) It focuses on the need to employ personnel with special abilities required for meeting different customer requirements.



- (iii) It leads to greater satisfaction of customers which enhances the reputation of the enterprise among the public.

Customer departmentation is also not free from drawbacks. For instance, it creates the difficulty of coordination between the departments organised on this basis and those organised on other bases. Greater emphasis to the need of the customers may lead to less than optimum use of space, equipment and specialised personnel.

### 5. Departmentation By Territory

Departmentation based on territory or geographical area is oftenly used when several units of an enterprise are geographically dispersed in different locations. Under this, all activities in a given area or territory are grouped together. The best example of such a type of departmentation is that of Indian Railways which is divided into Northern Railways, Western Railways, Southern Railways, Eastern Railways and Central Railways. In business enterprises, this type of departmentation may be followed for production or/and sale in different areas.

Territorial departmentation has the following advantages:

- (i) It helps in achieving the benefits of local operations. The local managers are more conversant with their needs and those of their customers. They can adapt and respond to the local situation with speed and accuracy.
- (ii) A marketing division can meet the demands of various regions more effectively.
- (iii) There is better coordination of activities in a locality through the setting of a regional division.
- (iv) It facilitates the expansion of business in various regions.
- (v) The departments based on territories may function as autonomous units and provide better services to customers.
- (vi) Geographical departmentation enables a big enterprise to disperse its units physically to have advantages of locational factor like availability of raw materials or labour, cheap transport, market and other facilities.

Territorial departmentation may create the problems of coordination among various regional units. Top management which is not conversant with the problems of different areas may not be able to exercise effective control. It will have to depute able personnel to manage various divisions. This will increase the costs of operation. Moreover, the top management will also have some problems in providing economical central services to various divisions which are located at different places.

### 6. Departmentation By Process or Equipment

The departmentation of a manufacturing enterprise having a number of production process may be done on the basis of production process or equipment involved. The manpower and materials are brought together in such a department in order to carry out a particular operation. For instance, production department of a textile mill may be divided on the basis of processes of production, like designing, spinning, weaving, dyeing, bleaching and calendering. A nut bolt manufacturing unit may group similar machines into separate workshops such as lathe machines, drilling

machines and grinding machines. This sub-division is also used when the cost of capital equipment is very high. For instance, electronic computer is generally installed in a separate department so that its full use may be made by all other departments.

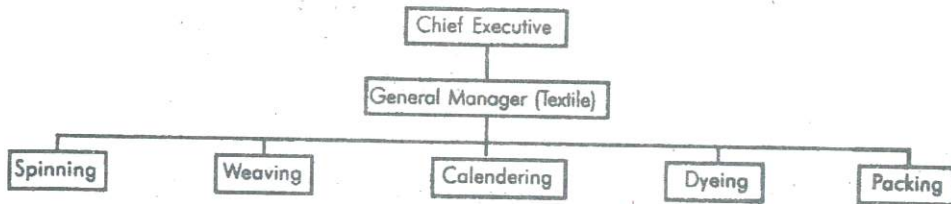


Fig. 6.14 Departmentation based on process

The advantages of process of departmentation are as under:

- (i) Process of departmentation facilitates coordination by grouping production facilities needed for the completion of each distinct phase of work.
- (ii) It provides for effective utilisation of specialised equipments and skills.
- (iii) It puts full responsibility for the completion of each stage in the production process on the head of the process department.

Process departmentation requires that the volume of activity must be large enough to warrant a separate department. There may be difficulty in the coordination of the departments based on different processes. A breakdown in one process department may hinder the working of all the other process departments which follow the former in sequential workflow. Moreover, inefficient operations in one process department may adversely affect other process departments. There is also a duplication of general purpose equipment in various departments.

### Choice of a Method of Departmentation

We have discussed above the six methods of departmentation which are being used by different organizations. Whatever be the basis, the departmentalisation should be directed to promote the attainment of overall organizational objectives. It should simplify coordination and help in achieving economies of specialisation. It is significant to point out that in big enterprises no single basis is applied throughout the organization. A combination of two or three bases is used at different levels in the organization. For instance, a company may adopt functional departmentation at the top, process departmentation in the production function and territorial departmentation in the marketing function and so on.

The choice of basis of departmentation is affected by the following factors:

- (i) **Degree of Specialisation:** Specialisation helps in raising efficiency and thereby productivity. Top management must create departments on the basis of those methods which facilitate specialisation.
- (ii) **Adequate Attention to Key Areas:** Divisionalisation should ensure that sufficient attention is given to the key areas on which the survival and success of the enterprise depends. Separate divisions may be created for all the key areas.



- (iii) **Coordination:** Coordination is said to be the essence of management. The top managers should see that the method of departmentation chosen will ensure proper coordination not only in the departments but also in the entire enterprise.
- (iv) **Control:** The top management must be facilitated to exercise control effectively. The departmentation should not create problems for managerial control. For instance, as an enterprise expands, the functional form of organization becomes difficult to control and other patterns like product departmentation may be adopted.
- (v) **Cost Considerations:** The basis of departmentation chosen must be influenced by cost considerations. For instance, a company may not be in a position to afford departmentation on the basis of territory as it will involve duplication of equipment and manpower. Therefore, cost factor should be given proper consideration at the time of selection of basis or bases of departmentation.
- (vi) **Human Considerations:** Departmentation should not only consider the technical aspect of the organization, but should also give due attention to the human factor. The existence of informal groups, cultural patterns, value systems, etc., should not be lost sight of at the time of grouping the personnel.

### Conclusion

Whatever may be the basis, the departmentation should be directed to promote the attainment of organizational objectives economically and efficiently. Naturally, managers concerned with taking such decisions will consider the relative advantages and disadvantages of various types of departmentation in the light of needs of the organization. In practice, in many cases, it is not feasible to follow a single basis in grouping the activities throughout the organization. Most of the big organizations follow schemes of departmentation that are a composite of several bases as shown in Fig. 6.15. Thus, there is no ideal pattern to suit all occasions and situations. Therefore, the management has to be very careful and use high degree of imagination at the time of choosing a pattern of departmentation. Once a pattern is chosen, it is very difficult and costly to switch over to another pattern.

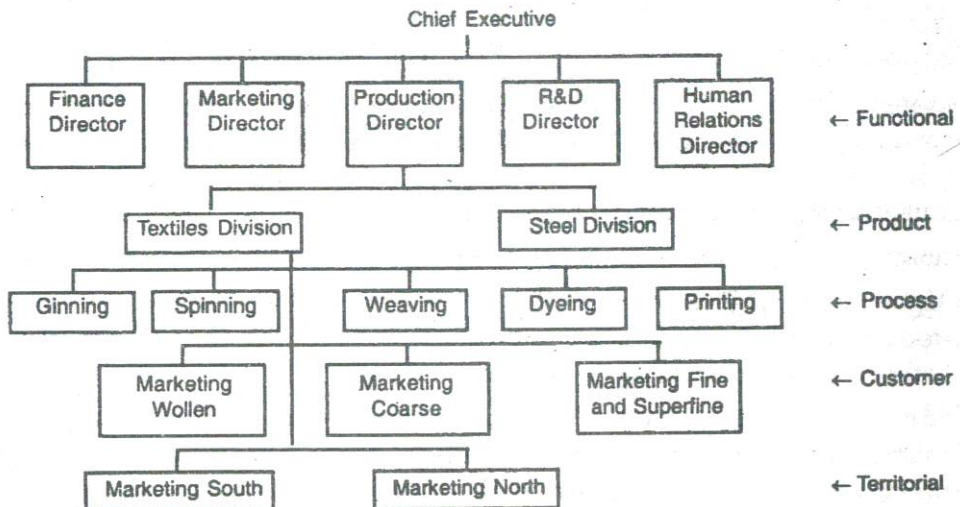


Fig. 6.15 – Composite structure



The most commonly followed basis of departmentation at the top level of the organization is functional departmentation. At the intermediate and lower levels, other bases are used wherever further functionalisation is not feasible.

### **Project Organization**

Project organization is oriented towards the completion of a big project or a small number of big projects. Under this, a team of specialists from different areas is created for each project. Such a team is separate from and independent of functional departments. The size of the project team varies from one project to another. The activities of the project team are coordinated by the project manager who can obtain advice and assistance of experts both inside and outside the organization.

The project organization calls for creating a team of specialists to work on and complete a particular project. It has been developed to deal with situation where production and marketing strategies do not fit into a pure functional organization. Project organization is employed in aero-space, aircraft manufacture, construction and professional areas like management consultancy. In such cases, projects are subject to high standards of performance and there is a strong emphasis on horizontal relation among specialists. In industrial concerns, project teams may be structured to facilitate the designing and development of new products.

The need for project organization is felt when an organization is to execute a project or programme which is subject to high standards of performance as in case of aircraft companies. If the project organization is created for one time project, it will have temporary set up and will be disbanded when the project is completed. However, in practice, it takes a permanent form when the duration of the project is quite long and it may become a regular autonomous project division, functionally organised.

### **Suitability of Project Organization**

Modern organizations use project structure under the following circumstances:

- (i) The project is a one-time assignment with well-defined specifications and the organization wants to continue concentration on its regular activities.
- (ii) The assignment presents a unique or unfamiliar challenge.
- (iii) Successful completion of the project is critical for the organization.
- (iv) The project must be completed within the given time limit.

### **Merits of Project Organization**

- (i) Project organization facilitates concentrated attention on the complex project. It can be tailored to meet the requirements of a particular project.
- (ii) Project management requires specialists in various fields. Specialists get higher satisfaction while working on complex projects. Thus, project organization allows maximum use of specialised knowledge available with the organization.
- (iii) Project organization provides flexibility in handling specialised projects. It adopts a logical approach to any challenge in the form of a project with definite beginning, end and well-defined result.



- (iv) Project organization facilitates the timely completion of a project without disturbing the normal activities of the organization.

### Limitations of Project Organization

- (i) The job of a Project Manager becomes very difficult because of lack of clearly defined responsibility, lack of clear communication pattern and lack of standards of performance for various professionals.
- (ii) Uncertainty in project structure arises because the Project Manager has to deal with specialists from a number of diverse fields. The specialists often have different approaches and interests.
- (iii) Decision making gets highly complicated because there are unusual pressures from specialists from diverse fields. The Project Manager has to devise a decision process where information could be monitored quickly and decisions taken quickly.
- (iv) Motivation of specialists may pose another problem for the Project Manager. Moreover, there may be conflicts among the specialists quite often because of their different orientations.

### Matrix Organization

This is one of the latest types of organizational designs which has been developed to establish flexible structure to achieve a series of project objectives. Matrix organization, also known as grid, has been designed as an answer to the growing size and complexity of undertakings which require an organization structure more flexible and technically oriented than the traditional line and staff or functional structure.

Matrix organization is created by merging the two complementary organizations – the project and the functional. It represents a combination of functional and departmental organization. In it, projects cut across the functional lines. The project teams are composed of people from the functional departments who are assigned to the project for a specific period or for the duration of the project. When their assignment is complete, they return to the functional departments to which they belong.

1. Matrix organization is built around a specific project. The charge of the project is given to the project manager, who is given the necessary authority to complete the project in accordance with the time, cost, quality and other conditions communicated to him by the top management.
2. The project manager draws personnel from various functional departments. He assigns work to the various functional groups. Upon completion of the project, the functional groups return to their functional departments for reassignment to other projects. The project manager himself is also available for reassignment by the divisional manager.
3. In matrix organization, the project and the functional managers have different roles. The project manager follows a general management viewpoint with regard to his project. Each functional manager is responsible for maintaining the integrity of his function. Project managers have to determine:



- (i) What efforts are required to accomplish the given project?
- (ii) When will it be performed?
- (iii) How much is budgeted?

Functional managers determine:

- (i) Who will perform the specific tasks?
- (ii) How will they be accomplished?
- (iii) How well are they accomplished?

The matrix organization structure has been illustrated in Fig. 6.16. The Division X is composed of two projects each with specific objectives and a period of completion. The Division has four functional departments: Production, Engineering, Finance and Personnel which provide functional support to the projects. Each of project organization is composed of a project manager and functional work groups from various functional departments. The project manager achieves the project objectives with the help of the functional group who are assigned back to their respective departments when their assignment is over.

During the continuation of the project, the personnel assigned to the project have two bosses—first of the functional department and second of the concerned project. This violates the principle of unity of command which states that no person in the organization should report to more than one boss. This may create serious problems for the organization. In order to avoid problems, both bosses in the project should determine in advance the exact authority and responsibility each will have during the project's life. With such an arrangement, employees will be receiving orders about a specific subject only from one boss. If this is not done, it will create many human relation problems which are difficult to handle. Therefore, it is essential to demarcate the nature and extent of authority with each boss so that both the supervisors and their subordinates can operate smoothly.

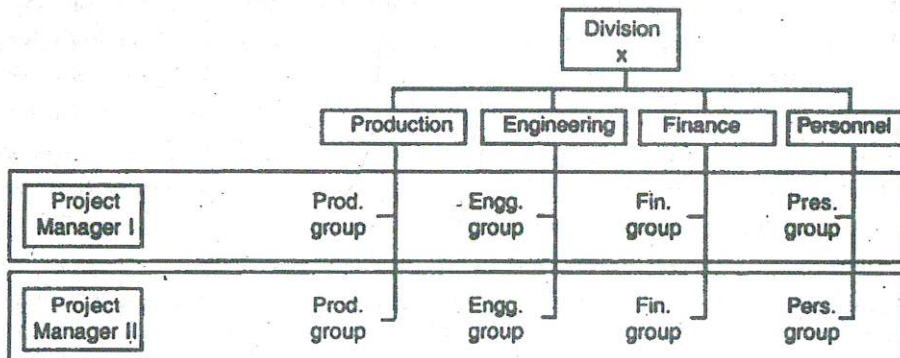


Fig. 6.16 Matrix organization

**Suitability of Matrix Organization:** Matrix organization has been developed to meet the needs of large organizations for a structure which is flexible and technically sound. Temporary project teams are deputed for the successful completion of particular projects. For instance, in an industrial organization, chemical, mechanical,



industrial and electronic engineers may work together with physicists, accountants and other professionals to develop a new product.

Matrix organization is used in industries with highly complex products as in aerospace industry where project teams are created for specific space or weapon systems. It is also highly useful when an organization has a number of projects ranging from small to large as in case of a construction company.

### **Project Organization vs Matrix Organization**

There is a difference between the project organization and the matrix organization. In pure project organization, complete responsibility for the project as well as the resources needed for its completion are usually assigned to one person known as Project Manager. In case of a large project, its structure resembles a regular autonomous division. But in a matrix organization, the Project Manager has to share the resources with the rest of the enterprise. In other words, matrix structure requires two lines of authority to exercise shared influence over the same resources. It combines functional departmentation with the project structure. The individuals working on a project under a matrix structure have a continuing dual assignment to the project and their parent (functional) department.

Matrix organization is often desirable when an organization has variety of projects, ranging from small to large as in case of a construction company. But Project organization is employed by companies dealing with one or two big projects. A separate project team is created to handle each project.

### **Merits of Matrix Organization**

1. It focuses attention on resources of each project separately which facilitates better planning and control. It also helps in completion of projects in time.
2. It is more flexible than the traditional functional organization. It can be applied more usefully to an organization involved in projects ranging from small to large. It can better respond to the changes in technology, market conditions, etc. It can also respond to the needs of the client quickly.
3. Service of professionals are better utilised in case of matrix organization as more emphasis is placed on the authority of knowledge than rank of the individuals in the organizational hierarchy.
4. It provides motivation to the personnel engaged in a project. They can utilise their competence and make maximum contribution for the execution of the project. It also improves communication and coordination by facilitating direct contact between the project manager and the functional groups.
5. Functional departments provide the necessary personnel to each project. The personnel revert back to their parent department after the project is completed. This brings economy in the use of the specialised services of personnel from different functional areas.

### **Limitations of Matrix Organization**

1. It violates the principle of unity of command as personnel receive orders from the project manager and the functional boss. This may give rise to jurisdictional conflicts in the organization.



2. Apart from formal relationships, informal ones also operate in the matrix organization. Thus, organizational relationships become more complex and they create the problem of coordination.
3. Functional groups generally visualise the significance of their respective functions. This may lead to conflicts between the functional groups.
4. In matrix organization, personnel are drawn temporarily from different departments and the project manager does not have line authority over them. This may lead to lack of commitment to project objectives on the part of personnel. Moreover, morale of the personnel may also be low.
5. Matrix organization can't constitute a homogeneous and compact group. The multiplicity of vertical and horizontal relationships may impair organizational efficiency. The functional experts may try to emphasise their own specialisation at the cost of the project because of lack of clarity of jurisdiction of the project and functional managers.
6. Deputation of personnel from functional departments to a number of projects over a period of time makes it difficult for the functional heads to appraise employee performance. It is quite likely that job requirements in projects are different from the jobs in functional departments. In some cases, the personnel may find it difficult to adjust to the requirements of the new project.

## SUMMARY

Information technology revolution has forced the organization to change their traditional structures and many organizations have actually restructured themselves and changed their management styles to take full advantage of the information age. At AT&T from a large number of 1300 business tasks before the introduction of Information Technology applications in its Network Services Division with 16000 employees is now organised around 13 core business processes. Another example of change in the organization structure is of Eastman Kodak Company which has adopted 'Pizza chart' replacing the conventional organizational structure. In the light of the information age, the organizations are redefining the mission, objectives, strategies, critical success factors (CSFs), and restructuring the traditional pyramid type organization structures to the new organization structures like flat, networks, orchestras, spiderwebs, starburst, pizza, etc. Managers must learn to be pro-active in this fast moving world of today.

## REVIEW QUESTIONS

1. "Sound organization structure is an essential prerequisite of effective management". Comment.
2. "Organization is an important tool to achieve enterprise objectives". Explain this statement.
3. Explain the concept and nature of organization. Narrate, in brief, the steps in organising.
4. Explain the concept of span of control. What factors influence the span of control in an organization?



5. What is meant by organising? Explain the principles of organising.
6. "Sound organization structure is an essential prerequisite of efficient management". Discuss the above statement and point out the various principles while establishing and developing organization structure.
7. Discuss the basic considerations to be kept in view while designing an organization structure. State the usefulness of organization charts in this context.
8. "Organization charts provide a broad picture of positions of authority and their relationships in the organization structure". Discuss and point out the important limitations of organization charts.
9. What do you understand by an organization manual? Discuss the contents it should contain.
10. (a) Define and distinguish between line, staff and functional relationships.  
(b) Write an explanatory note on line and staff conflict.
11. "Staff is supposed to be subsidiary to line, but in reality staff is more influential and powerful than line". Do you agree? Give reasons in support of your answer.
12. "The line manager's orientations differ considerably from those of expert staff advisers". Why? Suggest measures to resolve the conflicts between line and staff.
13. The chief executive of a large manufacturing enterprise is upset over frequent clashes and continuing conflicts between the production department and the personnel department. The enterprise is organised on line and staff pattern. What can be the possible causes of this conflict and what steps can be taken to reduce and overcome it?
14. Why are committees widely used in business management? What limiting factors make them expensive and ineffective? Give suggestions for better use of committees.
15. "A committee as a tool of management is excellent but only a few managers know how to use it". Comment.
16. Define departmentation. What are the basic factors to be considered while creating departments?
17. Suggest a scheme of departmentation for a large business enterprise with a field network of sales all over the country. Discuss its merits and demerits.
18. Rahul Steel and General Industries Ltd has decided to diversify its activities and undertake production of automobiles. The Chief Executive seeks your advice on whether to group the activities by product or by function. What advice would you tender and why?
19. "Project organization is not a panacea for overcoming all functional organization weaknesses. But it can be a great asset to those companies which possess the acumen to exploit its strengths". Indicate the various strengths of a project organization and suggest whether it should complement or supplement or replace the functional organization.

20. Explain the concept of Matrix Organization. How does it differ from Project Organization?

### SUGGESTED READINGS

- Allen, Louis A., *Management and Organization*, McGraw-Hill.
- Allen, Louis A., *Management and Organization*, McGraw-Hill Kogakusha Ltd.
- Amitai Etzioni, *Modern Organizations*, Prentice-Hall of India, New Delhi.
- Bernard, Chester I., *The Functions of the Executive*, Harvard University Press, Cambridge.
- Brech, F.E.L. (ed), *The Principles of Practice of Management*, Longmans, Green & Co.
- Chester I. Barnard, *The Functions of the Executive*, Cambridge Harvard University Press.
- Dalton E. McFarland, *Management: Foundations and Practices*, New York, Macmillan.
- Fred Luthans, *Organizational Behavior*, McGraw-Hill New York.



# UNDERSTANDING AND MANAGING INDIVIDUAL BEHAVIOUR

## OBJECTIVES

- ❑ Understand the underlying nature of an individual in an organizational setting.
- ❑ Recognize individual variations in respect to different situations.
- ❑ Identity various theories developed to manage individual behaviour.

## STRUCTURE

- ◆ Concepts Relating to Nature of Man
- ◆ Concepts Relating to Nature of Organization
- ◆ Models of Organizational Behaviour
- ◆ McGregor's 'Theory X' and 'Theory Y'
- ◆ Immaturity-Maturity Theory
- ◆ Mayo's Social Man
- ◆ Schein's Rational and Complex Man
- ◆ Theory Z : A Hybrid Model

Individuals create excellence. They are the real assets of the organization. Thus, an organization needs to understand individual needs, interpret individual behaviour, analyze individual aspirations and, importantly balance such aspirations with organization demands carefully. For effective management of human resources, the management needs to understand (i) concepts relating to nature of an individual (ii) concepts relating to nature of organization.

### CONCEPTS RELATING TO NATURE OF MAN

- (i) *Individual differences.* A basic assumption on which behavioural science is based is that every person is different from others. Individuals differ in physical characteristics, intelligence, aptitudes, attitudes, personality, skills etc. Such differences are important because they affect on-the-job behaviour of the people. Therefore, every person should be selected, trained and treated on the basis of the kind of person he is. Many research studies have established that differences in personal characteristics among workers create differences in their working performances and behaviour. Scientific techniques have been developed to identify and measure individual difference in psychological factors and they can be used in selection and placement of right type of people for various jobs.

The principle of individual difference also emphasises that a manager has to be cautious in dealing with human beings, who differ in emotions, feelings, goals etc. Importance to differences in physical characteristics such as weight, height, muscular power, etc. is given in order to select right types of people and reduce the rate of labour turnover. In short, the principle of individual differences has wide applications in selection, placement and designing of training programmes and to know their motives to understand their behaviour and to supervise them effectively. As a result of individual differences, the nerve centre of organizational behaviour is the individual. It is the individual who should feel satisfied with the organizational policies. The style of leadership and supervision and the type of motivation provided must satisfy the individuals if their maximum cooperation is to be attained.

- (ii) *Whole person.* The concept of whole person signifies that behaviour of a person at work can't be studied in isolation. The person comes to the work place as a complete person, he has his background, emotions, sentiments, and feelings which cannot be separated from the skills he is used on the job. A person is a complete system in himself. It is not possible to separate mind and skills of a person. At the place of work, the person carries with him the problems of his private life. His performance at work is influenced by his past and present environment. Similarly, his private life is influenced by his workplace. When he goes home, he may carry tensions of his job with him which are influenced in his dealings with his family.
- (iii) *Causation of human behaviour.* The psychologists assume that human behaviour is caused. An individual does not just behave in one way or the other. It is the situation which stimulates him to behave in a particular manner. Therefore, it is necessary to understand the causes of behaviour before making an attempt to



improve upon it: Human behaviour is caused by needs which can be directed and controlled in order to get the desired results from human beings.

- (iv) *Human dignity.* Unlike other factors of production, people should be treated differently as they are the higher order in the universe. A person has mind to think and heart to feel. He has emotions, sentiments and aspirations which have to be respected by the organization. He must be treated with respect and dignity. He can't be treated like a machine or commodity which has no sensitivity at all. If a person is not treated in a dignified manner, he will not cooperate fully with the organization. He will feel dissatisfied because of which his efficiency will go down.

### CONCEPTS RELATING TO NATURE OF ORGANIZATION

There are two basic assumptions about organization. These are: (i) organizations are social systems, and (ii) they are formed on the basis of mutual interest.

- (i) *Social system.* An organization is a social system which co-ordinates the activities of its members for the achievement of common goals. It is a part of the society and consists of people who are social beings. People have many psychological needs and play different types of roles. Their behaviour is influenced not only by their individual drives, but also by the groups of which they are members. That is why, organizational behaviour is dynamic in nature. A change in the social system is reflected in the organizational behaviour through the behaviour of individuals and groups.
- (ii) *Mutual interest.* Mutuality of interest is the basic factor in every kind of relationship. Interest of the people and that of organization must be served otherwise there is no sense in people joining the organization. An individual will join an organization if he feels that his goals will also be served. People form organizations or social systems to pursue common goals. Mutual interest is represented by the statement that 'organizations need people, and people also need organizations.' People need organization as a vehicle to achieve their goals and organizations need people to help reach organizational goals. In fact, without people, there is no organization. Both people and organization are benefitted by their association.

### MODELS OF ORGANIZATIONAL BEHAVIOUR

Organizations differ in the quality of organizational behaviour that they develop. These differences are substantially caused by different models of organizational behaviour being followed by management in each organization. The model that a manager holds usually begins with certain assumptions about individuals and leads to certain interpretations of events. Underlying theory, therefore, is an unconscious but powerful guide to managerial behaviour. Managers tend to act as they think. Eventually this means that the underlying model that prevails in an organization's management (especially in the firm's chief executive officer) extends throughout that organization. For this reason, models of organizational behaviour are highly significant.



Since the dawn of industrial revolution, four models or organizational behaviour have been followed by managers of different organizations at different times. These are autocratic, custodial, supportive and collegial as shown in Table 7.1.

Table 7.1: Models of Organizational Behaviour

Model	Autocratic	Custodial	Supportive	Collegial
Basis of model	Power	Economic resources	Leadership	Partnership
Managerial orientation	Authority	Money	Support	Teamwork
Employee orientation	Obedience	Security and benefits	Job performance	Responsible behaviour
Employee psychological result	Dependence on boss	Dependence on organization	Participation	Self-discipline
Employee needs met	Subsistence	Security	Status and recognition	Self-actualization
Performance Result	Minimum	Passive co-operation	Awakened drives	Moderate enthusiasm

1. **Autocratic model:** As the name suggests, this model depends on power of the boss. Those who are in the command must have the power to demand. In an autocratic environment, the manager is the official authority. This authority is delegated by right of command over the people to whom it applies. Management believes that it knows what is best and that the employees' obligation is to follow orders. It assumes that employees have to be directed, persuaded, and pushed into performance, and this is management's task. Management does the thinking; the employees obey the orders. This conventional view of management leads to tight control of employees at work.

Under autocratic model, the employees' orientation is obedience to the boss, not respect for him. The psychological result for employee is dependence on their boss, whose power to hire, fire and "perspire" them is almost absolute. The boss pays minimum wages because minimum performance is given by the employees. The employee gives minimum performance, though sometimes reluctantly, because they must satisfy subsistence needs of themselves and their families. Some employees give higher performance because of internal achievement drives as they personally like their boss, because the boss is "a natural-born leader", or because of some other factor; but most of them give only minimum performance.

The autocratic model has been successful in certain situations such as where workers are lazy and work-shirker and where accomplishment of task is of utmost importance. The manager using this model threatens to withhold rewards if the workers do not obey him. But now a days, it is not applicable in the strict sense because there are minimum wage laws in most of the countries and workers are educated and organized.



2. **Custodial model:** Workers being managed under the autocratic model often feel insecure and frustrated. They may even show aggression towards their boss and their families and neighbours. That is why progressive managers felt that there must be some way to develop better employee relationships so that insecurity and frustration could be dispelled. The custodial model was used by such managers. It depends on economic resources. If an organization does not have the wealth to provide pensions and pay other benefits, it cannot follow a custodial approach. The resulting managerial orientation is towards money to pay wages and benefits. Since employees' physical needs are already reasonably met, the employer looks to security needs as motivating force.

The custodial approach leads to employee dependence on the organization rather than on the boss. The employees are satisfied and happy but they are not strongly motivated, so they may give only passive cooperation. The result tends to be that they do not work much more vigorously than under the autocratic approach. The difficulty with this model is that it depends upon money as the best way to motivate employees. However, the workers have their psychological needs also.

**Supportive model:** The supportive model had its origin in the "principle of supportive relationships". As stated by Rensis Likert, "The leadership and other processes of the organization must be such as to ensure a maximum probability that in all interactions and all relationships with the organization, each member will, in the light of his background, values, and expectations, view the experience as supportive and one which builds and maintain his sense of personal worth and importance."

The supportive model depends on leadership instead of authority or economic rewards. Through leadership, management provides a climate to help employees grow and accomplish, in the interests of the organization. The leader assumes that the workers will take responsibility, develop a drive to contribute, and improve themselves if management will give them a chance. Management's orientation, therefore, is to support the employee's job performance, rather than simply supporting employee benefit payment as in the custodial approach. In other words, the supportive model takes care of certain psychological needs of the employees in addition to their subsistence and security needs. Thus, it is an improvement over the earlier two models.

Under the supportive model, the worker feel a sense of participation and task involvement in the organization. The manager's role is one of helping employees solve their problems and accomplish their work. This model has been found to be effective in affluent countries where workers are more concerned about their higher level needs affliction and esteem. This model has limited application under Indian conditions because a vast majority of operative workers are still working for the satisfaction of their psychological and security needs.

4. **Collegial model:** The term "collegial" relates to a body of persons having a common purpose. It is a term concept. The collegial model is basically an extension of the supportive model it is very useful in research laboratories and similar work environment. The collegial model depends on management's building a



feeling of partnership with employees. The result is that employees feel useful. They feel that managers are contributing also, so it is easy to accept and respect their roles in the organization. Managers are seen as joint contributors rather than as bosses. The collegial model tends to be more useful with unstructured work, an intellectual environment and considerable freedom at the job.

The managerial orientation under collegial model is teamwork. The employees feel an obligation to uphold quality standards for the better image of their company. The employees are self disciplined. In this kind of environment, employees normally feel some degree of fulfilment, worthwhile contribution and self-actualization, even though the amount may be modest in some situations. The self-actualization will lead to moderate enthusiasm in performance.

### Relevance of OB Models

The four models discussed above have evolved over time to meet the requirements prevailing during a particular period. This implies that the search for newer model is still on. The obvious conclusion is that there is no best model. It is wrong to assume that a particular model is the 'best' one and will be applicable for all situations and for all times to come. The managers using autocratic and custodial models will have to change their thinking and practices to meet new conditions where workers are educated and understand the implications of democracy. Even the supportive model may not work under the new conditions. That is why, the great challenge before the manager is to identify the model he is actually using and then assess its current effectiveness. In effect, a manager has two key tasks – to acquire a new set of values as models evolve and to learn and apply the behavioural skills that are consistent with those values.

The models of organizational behaviour are closely linked with human needs. Autocratic model is concerned with physiological needs of the people. It followed 'carrot and stick' principle to get things done from the people. But when the employees' concern for security of job and belongingness came to the light, the custodial model evolved to satisfy people's security needs. The supportive model was employed by the managers to serve the needs of affiliation and esteem which the first two models failed to satisfy. It may also be noted that each successive model is an improvement over the previous models as far as the human needs are concerned. Thus, adoption of supportive practices does not mean abandonment of custodial practices. What it does mean is that workers' security and needs have already been met and now psychological needs predominate.

As said above, there is no 'best' model suited to all conditions. The manager is required to make contingent use of all models depending upon organizational policies, culture and climate, workers' history and external environment. However, supportive and collegial models are likely to be used more often than the autocratic and custodial models. It is because of the emergence of professional managers and their changing assumptions about people from passive, dependent and immature workers to active, independent and mature workers, i.e., from Theory X to theory Y.



## ORGANIZATIONAL ASSUMPTIONS ABOUT INDIVIDUALS

OB models are based upon management's assumptions about people. For instance, 'Theory X' assumptions appear to be inherent in the autocratic model and 'Theory Y' assumptions seem to be the basis of supportive model. Besides, there are other sets of assumptions such as Argyris' mature and immature person, Mayo's social man and Schein's economic and complex man. In this chapter, we propose to study these sets of assumptions. Towards the end of the chapter, we shall study 'Theory Z' - a hybrid model of organizational behaviour.

### MCGREGOR'S 'THEORY X' AND 'THEORY Y'

Douglas McGregor was a known psychologist. He propounded two contrasting theories of human behaviour which he called theory X and theory Y. These theories contain two pairs of assumptions about human beings which McGregor thought were implied by the actions of autocratic and permissive managers. It may be noted that these sets of assumptions are merely intuitive deductions and that they are not based on any research studies.

#### Theory X

McGregor stated that management is responsible for organizing the elements of productive enterprise - money, materials, equipments, people - in the interest of economic ends. In "Theory X", he said that with respect to people, management is in the process of directing their efforts, motivating them, controlling their actions, modifying their behaviour to fit the needs of the organization. Without this active intervention by management, people would be passive - even resistant to organizational needs. They must, therefore, be persuaded, rewarded, punished, controlled - their activities must be directed. This is management's task. We offer sum it up by saying that management consists of getting things done through other people.

Theory X indicates the traditional approach to managerial motivation and control. It represents old stereotyped and authoritarian management style of motivation. The underlying assumptions of this theory are as follows :

- (i) The average human being is basically lazy and has an inherent dislikes of work. He will avoid work, if he can.
- (ii) Most people lack ambition. They are not interested in achievement. They like to be directed.
- (iii) Most people have little capacity for creativity in solving organizational goals.
- (iv) Most people are indifferent to the organizational goals.
- (v) Most people must be closely controlled and often threatened to achieve organizational goals.
- (vi) Motivation of average human beings occurs at the physiological (food, clothing, shelter, etc.) and safety levels.

These negative assumptions of human behaviour underline the traditional management of people and processes. The world is supposed to be full of unskilled

workers, peons and messengers and to manage them is largely a matter of vigilance and strict supervision. Management merely thinks of catering to their physical and safety needs with some fringe benefits, keeping the implied threat of punishment handy in case of need. Thus, carrot and stick approach to motivation is followed. Theory X suggests that threats of punishment and strict control are the ways to manage people. It was practised during the days the scientific management approach gained prominence and human beings were treated like machines.

The above assumptions have been challenged because employees are treated merely as a commodity or passive factor of production. McGregor questioned the assumptions of Theory X which followed carrot and stick approach to motivation of people and suggested autocratic style of leadership. He felt that management by direction and control is a questionable method for motivating such people whose physiological and safety needs have been satisfied and whose social, esteem and self-actualization needs are becoming important.

### Theory Y

After challenging the validity of Theory X; McGregor developed an alternative theory of human behaviour which is known as Theory Y. This theory assumes that people are not unreliable and lazy by nature. If they are properly motivated, they could really be creative. The main task of management is to unleash the potential in the employees. An employee who is properly motivated can achieve his goals by directing his own efforts and, thus, he can help in accomplishing the organizational goals. The assumptions of McGregor's Theory Y are as follows :

- (i) Work is as natural as play, if the conditions are favourable. The average person does not inherently dislike work.
- (ii) External control and threat of punishment are not the only means for bringing about efforts towards organizational objectives. The average man will exercise self-direction and self-control in the service of objective to which he is committed.
- (iii) Commitment to objectives is a function of the rewards associated with their achievement. The most significant of such rewards, e.g., the satisfaction of ego and self-actualization needs can be direct products of efforts towards organizational objectives.
- (iv) The average human being learns under proper conditions, not only to accept but also to seek responsibility. Avoidance of responsibility, lack of ambition and emphasis on security are generally the consequences of experience, not inherent in human characteristics.
- (v) The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely, not narrowly distributed in the population.
- (vi) The intellectual potentialities of the average human being are only partially utilized under the conditions of modern industrial life.

Theory Y assumes that goals of the organization and those of the individuals are not necessarily incongruent. The basic problem in most of the organizations is that of



securing commitment of workers to organizational goals. Workers' commitment is directly related to the satisfaction of their needs. Thus, this theory place emphasis on satisfaction of the needs of the workers. It does not rely heavily on the use of authority as an instrument of command and control. It assumes that workers exercise self-direction and self-control in the direction of the goals to which they feel themselves committed. Because of these reasons, 'Theory Y' is realistic and frequently used at different levels in most of the organizations.

In support of the assumption embodied in 'Theory Y', McGregor cited a few practices wherein the subordinates are given freedom to direct their activities, to assume responsibility and, importantly, to satisfy their egoistic needs. These practices include decentralization and delegation, job enlargement, participation and consultative management, and management by objectives. This is why, Theory Y is often termed as participative theory of motivation.

**Table 7.2: Comparison of Theory X and Theory Y**

Theory X	Theory Y
1. Based on the assumption that people are basically lazy and so shirk work.	Based on the assumption that people like work as children like play.
2. People do not take initiative. They like to be directed.	People like to take initiative. They seek self-direction.
3. People avoid responsibility whenever possible.	People assume responsibility gladly if conditions are favourable.
4. For getting things done, people must be supervised strictly.	People do not require close and strict supervision for properly performing their jobs.
5. Autocratic style of leadership is likely to be more effective.	Democratic or participative style of leadership is likely to be more effective.
6. Applicable to illiterate, unskilled and lower-level workers.	Applicable to educated and skilled employees' who occupy higher positions in the organization.
7. Believes in mental sickness and so negative motivation of employees.	Believes in mental health and so positive and intrinsic motivation of employees.

### Appraisal of McGregor's Contribution

Douglas McGregor's Theory X and Theory Y represents extremes to draw the fencing within which the organizational man is seen to behave. No man would belong completely to either Theory X or Theory Y. He possesses the traits of both in varying degrees under different situations. Thus, these theories are important tools in understanding the behaviour of human beings and in designing the incentive schemes to motivate the employees. Neither of the two theories is fully applicable in all the situations and to all types of human beings. However, Theory X is more applicable to unskilled and uneducated low level workers, whereas Theory Y is more applicable to skilled and educated employees who are mature enough and understand the responsibility. Therefore, the management should use an amalgamation of both the theories to motivate the different kinds of employees at different levels in the organization.

The chief merit of McGregor's contribution is that it helped crystalise and set the right perspective to the findings of Elton Mayo's Hawthorne Studies which had then puzzled management and productivity experts and set in motion a wave of research into the behaviour of the organizational man. It (along with Hawthorne Studies) can be said to have been the starting point and mainspring that evoked wide and lasting interest in the area of motivation, leadership and techniques of understanding human behaviour in complex organization.

### IMMATURITY-MATURITY THEORY

The framework of maturity-immaturity characteristics suggested by Chris Argyris describes the multi-dimensional development process along which an individual in an organization grows. In his study, Argyris examined industrial organizations to determine the effect of managerial practices on the behaviour of individuals and their personal growth within the organization. He identified seven basic changes that takes place in the people over the years. These changes reveal that people have a tendency :

- (i) to develop from a state of being passive as an infant to a state of increased activity as an adult.
- (ii) to develop from a state of dependence on others as an infant to a state of relative independence as an adult.
- (iii) to develop from being capable of behaving in only a few ways as an infant to being capable of behaving in many different ways as an adult.
- (iv) to develop from having erratic, casual and shallow interests as an infant to a deepening of interests as an adult.
- (v) to develop from having being in a subordinate position in the family and society as an infant to an equal or superior position to others as an adult.
- (vi) to develop from being in a subordinate position in the family and society as an infant to an equal or superior position to others as an adult.
- (vii) to develop from the state of lack of self-awareness of self as an infant to a state of awareness and control over self as an adult.

Table 7.3: Immaturity-Maturity Theory

Immaturity Characteristics (Pattern A)	Maturity Characteristics (Pattern B)
1. Passive	Active
2. Dependence	Independence
3. Capable of behaving only in a few ways	Capable of behaving in a variety of ways
4. Shallow interest	Deepening interest
5. Short-term perspective	Long-term perspective
6. Subordinate position	Superordinate or equal position
7. Lack of awareness of self	Awareness of and control over self.



The continua of seven changes show the general tendency of people in organization to develop from immaturity (Pattern A) to maturity (Pattern B). The matured state is characterized by an endless series of challenges in which the reward comes from doing something for its own sake. Argyris accepted the fact that very few persons develop to full maturity. He came to the conclusion that organizational setting and management practices in most of the organizations are obstacles to individuals attaining maturity. People in the organization are immature not because of their laziness or passivity, but because of built-in mechanism in the organizations which encourages them to be passive, dependent and subordinate. Rigid organization structure, autocratic leadership, close supervision and strict controls restrict the creativity and initiative of the individuals.

Argyris pointed out that the formal (pyramidal) organizations under the assumption of McGregor's Theory X are incompatible with the proper development of maturity of individuals. The classical theory of management based on Theory X assumptions creates child-like immature roles for the employees that inhibit their natural development and prevent their self realization. That is why, Argyris advocated humanistic organizations and the work environment in which every individual gets a chance to grow as a mature individual. He placed a high value on autonomy, self-direction and quest for self development. He recommended that individuals should be given more responsibility and opportunity to take decisions. This is beneficial to both the workers and the organization. If the people are given an opportunity to grow and mature, this will satisfy their higher level needs and will also allow them to make productive use of their potential in accomplishing goals.

### **Comparison of McGregor's Assumption and Chris Argyris' Behavioural Patterns**

One might get the impression that Theory X is bad and Theory Y is good. This is not true because the assumptions under these theories are attitudes or predispositions of managers towards people. They are not behavioural patterns as is the case with Pattern A and Pattern B of Chris Argyris. Thus, although the 'best' assumptions for a manager to have may be Theory Y, it may not be advisable to behave consistent with these assumptions all the time. A particular manager may have Theory Y assumptions about human nature, but he may find it necessary to behave in a very directive manner (as if he had Theory X assumptions) with some people in the short-run to help them to be mature and self motivated (i.e., Theory Y people).

Chris Argyris differentiated between attitude and behaviour when he identified behavioural patterns A and B and studied their correlation with McGregor's Theory X and Theory Y. Pattern A represents the interpersonal behaviour, group dynamics and organizational norms that Argyris found to be associated with Theory X and Pattern B represents the same process found to be associated with Theory Y. "Although XA and YB are usually associated with each other in every day life, they do not have to be. Under certain conditions, Pattern A could go with Theory Y or Pattern B with Theory X". Thus, some managers at times may be XB or YA.

XB managers have negative assumptions about people (lazy, immature, dependent, etc.), but they seem to be behaving in supportive and facilitating ways because of



either of the two reasons. Firstly, they have been told or have learnt from experience that such behaviour will increase productivity. Secondly, they work for people who have created a supportive environment and if they want to maintain their jobs, they are expected to behave accordingly.

YA managers have positive assumptions about people (dependable, self-motivated, mature, etc.) but they seem to control and supervise people closely because of either of the two reasons. Firstly, they are engaged in controlling people who demand similar behaviour from them. Secondly, they find it necessary to behave in a directive, controlling manner for a period of time. Such managers are attempting to help people develop the skills and abilities necessary for self-direction and thus creating an environment where they become YB managers.

### MAYO'S SOCIAL MAN

Elton Mayo conceived of 'social man' when he carried out Hawthorne Studies during 1927-32. The following assumptions about human beings can be drawn from the reports of Hawthorne experiments :

1. Human beings are basically motivated by social needs and they obtain their basic sense of identity through relationships with others.
2. They are more responsive to the social forces of the peer group than to the incentives and controls of management.
3. The amount of work to be done by a worker is not determined by his physical capacity or the management, but by the social norms.
4. Generally people do not act or react as individuals, but as members of group.
5. Informal leaders play an important role in setting and enforcing the group norms.

### SCHEIN'S RATIONAL AND COMPLEX MAN

Edgar Schein has given two sets of assumptions — the first for a 'rational economic man' and the second for a 'complex man'. The assumptions of the concept of 'rational economic man' are :

1. People are motivated primarily by economic incentives. They will do that which gets them the greatest economic gain.
2. Since economic incentives are under the control of the organization, people are essentially passive agents to be manipulated, motivated and controlled by the organization.
3. People's feelings are essentially irrational and must be prevented from interfering with their rational calculation of self-interest.
4. Organizations can and must be designed in such a way as to neutralize and control people's feelings and therefore their unpredictable traits.

Schein made the following assumptions about a complex man :

1. People are not only complex but are also highly variable.
2. People are capable of learning new motives through their organizational experiences.



3. People's motives in different organizations or different sub-parts of the same organization may be different.
4. People can respond to many different kinds of managerial strategies.

If these assumptions are valid in practice, the task of a manager to direct the complex individuals becomes a very complicated one. People are not basically adverse to work because it is a must for them to make a living. It is the task of the manager to guide and induce them to contribute to the best of their efforts for the accomplishment of organizational goals. For this, a manager has to study the individuals working under him and understand their nature and needs to influence their behaviour.

### THEORY Z : A HYBRID MODEL

International attention is being focussed on the outstanding performance of the Japanese economy and the success of management practices being adopted by Japanese firms. Interest in Japanese management has rapidly increased in America and other countries. William Ouchi made a comparative study of America and Japanese management practices. He came to the conclusion that many of the Japanese management practices can be adapted in American context. He suggested the adoption of Theory Z which represents an integration of American and Japanese management practices. It may be noted that Theory Z is not a theory in the true sense. It is merely a label interchangeable with type Z. It describes human behaviour as is the case of theories X and Y. The expression 'Theory Z' was adopted not for analytical purpose but for promotional purpose. It may be noted that the label Z has been used by Urwick, Rangnekar and Ouchi. But Ouchi's views have got much publicity.

### Japanese Management

Japanese management is characterized by the following principles: (1) an emphasis on the group rather than the individual; (2) an emphasis on human rather than functional relationships; and (3) a few of top management as generalists and facilitators rather than as decision-makers. These are discussed below :

- (1) *Emphasis on group.* Japanese relish life in groups. By focussing on the group instead of the individual, Japanese companies are able to get best out of their employees. Japanese management reinforces group cohesiveness through a variety of methods. The first is to emphasize the permanence of the group. The employees are appointed with the understanding that they are joining for life. Pay and incentives for workers depend partly on company profits or the financial performance of group. Group cohesiveness is supported by company songs, recitations of the company creed, and another activities. The "us against them" mentality in a Japanese company is likely to put the company against its competitors - not the workers against management.
- (2) *Emphasis on human relations.* American organizations tend to view people as tools to fill slots that have specific job descriptions. In Japan, however, the permanence of group forces managers to place more emphasis on people than on the system. This emphasis on human relations can be seen in careful

recruitment practices, a concern for the employee, harmonious resolution of conflict, etc. The companies provide housing facilities, welfare facilities and counselling services to their employees.

**Table 7.4: Comparison of Japanese and American Management Styles**

Japanese Organizations	American Organization
1. <i>Lifetime Employment</i> : Japanese workers tend to make a lifetime commitment to their organizations and, in turn organizations assume responsibility for lifetime employees.	<i>Short-term Employment</i> : The American organizations don't commit lifetime employment. The employees also seek better careers by changing organizations.
2. <i>Slow Advancement</i> : Employees rise slowly through established ranks ; when opportunities arise for promotion, seniority, loyalty and harmonious behaviour are considered.	<i>Rapid Advancement</i> : Employees gain economically and socially from rapid advancement with a premium on success measured by promotions.
3. <i>Collective Decision Making</i> : Employees and managers seek consensus on decisions and endorse collective decision-making processes.	<i>Personal Decision Making</i> : Americans tend to rely on individual judgement and prefer to make decisions unilaterally.
4. <i>Group Responsibilities</i> : Japanese prefer group processes and accept group responsibilities through conciliatory communications ; group rewards are not uncommon.	<i>Individual Responsibilities</i> : Americans prefer taking personal initiatives, shouldering responsibilities as individuals rather than in groups.
5. <i>Holistic Concern for Employees</i> : The employees are treated as integral parts of the total organization. The management takes care of their needs even beyond their workplace. It provides for housing, day care services, mental and physical counselling, etc.	<i>Segmented concern for Employees</i> : American firms tend to focus on the roles of employees at work. There is less concern for family, social issues and healthy of the employees.
6. <i>General Career</i> : Careers are linked to organization, not professions. Japanese firms don't prefer specialization. They emphasise flexibility and internal training to reassign personnel.	<i>Specialization in Career</i> : American organizations are founded on specialization of skills. Employees create intensity in career choices and follow specialized career paths.

- (3) *Role of top management*. Managers are generalists and they operate as social and symbolic leaders. Their role is that of facilitator and not of decision-maker. In other words, group decision-making is encouraged. The managers do not follow specialized career paths as is the case with the American managers.

### Features of Theory Z

Theory Z represents the adoption of Japanese management practices by the American companies. They 'hybrid' type of system incorporates the strengths of Japanese



management (group decision making, social cohesion, job security, holistic concern for employees, etc.) and American management (quick decision making, individual freedom, risk-taking by the individuals, etc.). The features of Theory Z or Z or US-Japanese system of management are discussed as under :

1. **Strong cohesion between the company and the employees.** Theory Z suggest lifetime employment in the company as followed in Japan. Retrenchment, lay-off etc., should be avoided as far as possible. Along with financial incentives, the management should also use non-financial incentives to motivate the workers. To strengthen the bond between the company and the workers, the management should follow the paternalistic leadership style. The needs of workers must be satisfied.
2. **Employees' participation.** The employees must participate in all decision-making. They must be consulted by the management and their suggestions must be considered. This will increase their commitment to the organizational decisions. This, decision making under Theory Z, is less centralized and more consensus seeking. It involves the employees in decision making and gives them due recognition.
3. **Mutual trust.** There should be trust between employees, supervisors, work groups, unions and management. According to Ouchi, trust, integrity and openness are closely related. All these are necessary for an effective organization. To develop trust, there should be complete openness and candour in relationships. The chances of conflicts should be reduced to the minimum. Attempts should be made to achieve win-win relationships in the organization. This would make the employees committed to the organization.
4. **Integrated organization.** No formal structure is recommended by theory Z. The organization structure should be based on team-work as in case of a basket ball team where there are no formal reporting relationships and the players play together. An integrated organization need not have any chart or visible structure. The control system should be informed so as to reinforce mutual trust. The employees develop the group spirit under such situations.
5. **Human resource development.** The management must work to develop new skills among the employees. In theory Z, human resources potential is recognized and greater emphasis is placed on job enlargement and career planning as well as organization socialization. Technical training, research and development are emphasized.

From the above description of the postulates of Theory Z, it is clear that this theory provides a complete transformation of motivated aspect of employees as compared to Theory X and Theory Y. Theory Z has been followed successfully by the Japanese firms operating in the U.S.A. With the collaboration of Indian organizations and Japanese firms, there has been a lot of talk about the application of Theory Z to Indian conditions. In Maruti Udyog (having collaboration with Suzuki Motors of Japan), an attempt has been made to implement Theory Z. The work-place has been designed on the Japanese pattern. There is a common canteen for all employees irrespective of levels in the organization. Similar uniform has been introduced for all. These practices have been followed to avoid class feeling among the employees



and to remove all the problems that status differentials among different levels bring about.

### Appraisal of Theory Z

Theory Z may suffer from the following drawbacks :

- (i) Provisions of life time employment to employees to develop strong bond between the organization and its employees seems to be misplaced. An entrepreneur may not like to keep a less productive employee. Moreover, an employee may leave the organization, if he gets higher emoluments and other benefits somewhere else. Thus, theory Z fails to motivate those having higher level needs.
- (ii) Theory Z emphasises a common culture in the organization. But people have different backgrounds ; they differ in attitudes, values, habits, language, religion etc. Thus; it may not be possible to develop a common culture in the organization.
- (iii) Involvement of workers through participation in decision making is very difficult. The management may dislike this idea because of Theory X assumptions about people, or the workers may be reluctant to participate in decision making because of fear of criticism and lack of proper motivation.
- (iv) Theory Z emphasises organization without any structure. But in a large organization, the absence of any structure may bring about chaos in the organization as nobody will know who is responsible to whom.

Japanese style of management is successful because of emphasis on groups, human relations and a view of top management of facilitators rather than as decision makers. It has been observed that certain firms in America have followed these features and have been more successful as compared to firms following American management style. It is also suggested that Japanese style should be applied to Indian companies. Here it must be remembered that Japanese culture is unique in itself because of regard for seniority, life long employment, group decision making, quality consciousness, etc. Such values are not fully shared by other cultures. That is why, Theory Z can't be applied fully to all the countries. Besides it does not present complete solution to all motivational problems of all organizations operating under different economic, social, cultural and political environment.

### SUMMARY

The chapter deals with concepts relating to the nature of an individual in an organization setting and concept relating to the nature of an organization as a whole. It enumerates the models of organization behaviour; namely autocratic, supportive custodial and collegial, and delves upon the appropriateness of each model in a situational context. It brings out the assumptions that are presumed within an organizational structure about the nature of an individual and theories developed henceforth.



## REVIEW QUESTIONS

1. Explain the relevance of supportive models of Organizational Behaviour in Indian setting.
2. Discuss the basic philosophical models that form the foundations of Organizational behaviour.
3. Enumerate the assumptions of McGregor's Theory X and Theory Y. which one is applicable in India ?
4. What are behaviour patterns A and B are identified by Chris Argyris ? How are they related to Theory X and Y of Douglas McGregor ?
5. Examine Chris Argyris maturity-immaturity theory of personality ?
6. Briefly explain the assumptions of Elton Mayo's social man and Edgar Schein's rational man.
7. Examine the characteristics of the Theory Z model. How are the employees being supervised under custodial approach going to react if Theory Z model is implemented?
8. "Theory Z appears to be a hybrid model of organizational behaviour". How will you react to this statement ?
9. Distinguish between Theory X and Theory Y. Which one is more applicable to professionally qualified personnel ? Why ?
10. Answer the followings :
  - (a) "Theory X follows carrot and stick approach to motivation". Comment.
  - (b) "Theory Y advocates participative practices". Discuss.
  - (c) What are the characteristics of immature people ?
  - (d) Do mature people always expect self-realization at the place of work ? Explain.
  - (e) What are the assumptions implied in 'social man' ?
  - (f) What features of 'Theory Z' you feel could be successfully applied under Indian conditions?

# CHAPTER 8 INDIVIDUAL DECISION MAKING AND PROBLEM SOLVING

## OBJECTIVES

- Distinguish between programmed and non-programmed decisions.
- Discuss the four steps in the rational model of decision-making.
- Contrast Simon's normative model and the garbage can model of decision-making.
- Understand the Dynamics of Decision Making.

## STRUCTURE

- ◆ The Importance of Decision Making
- ◆ Programmed Decisions
- ◆ Non-Programmed Decisions
- ◆ Models of Decision Making
- ◆ Dynamics of Decision Making



## THE IMPORTANCE OF DECISION-MAKING

Decision-making is one of the primary responsibilities of being a manager. The quality of a manager's decisions is important for two principal reasons. First, the quality of a manager's decisions directly affects his or her career opportunities, rewards, and job satisfaction. Second, managerial decisions contribute to the success or failure of an organization.

Decision-making is a means to an end. It entails identifying and choosing alternative solutions that lead to a desired state of affairs. The process begins with a problem and ends when a solution has been chosen. To gain an understanding of how managers can make better decisions, this chapter focuses on: (1) the types of decisions managers make, (2) models of decision-making, (3) the dynamics of decision-making.

Table 8.1: Techniques of Dealing with Two Types of Decisions

Types of Decisions	Decisions-making Techniques	
	Traditional	Modern
<b>Programmed</b>		
<ul style="list-style-type: none"> <li>• Routine, repetitive decisions</li> <li>• Organization develops specific processes for handling them</li> </ul>	<ol style="list-style-type: none"> <li>1 Habit</li> <li>2 Clerical routine: Standard operating procedures</li> <li>3 Organization structure: Common expectations</li> </ol>	<ol style="list-style-type: none"> <li>1 Operations research: Mathematical analysis Models</li> <li>2 Computer Simulation: Electronic data processing.</li> </ol>
<b>Non-programmed</b>		
<ul style="list-style-type: none"> <li>• One-shot, ill-structured, novel policy decisions.</li> <li>• Handled by general problem-solving processes</li> </ul>	<p>A system of subgoals, well-defined informational channels</p> <ol style="list-style-type: none"> <li>1 Judgment, intuition, and creativity</li> <li>2 Rules of Thumb</li> <li>3 Selection and training of executives</li> </ol>	<p>Heuristic problem-solving techniques applied to:</p> <ol style="list-style-type: none"> <li>(a) Training human decision makers.</li> <li>(b) Constructing heuristic computer programs.</li> </ol>

Decision theorists have identified two types of managerial decisions: programmed and non-programmed. It is important to distinguish between these two types because different techniques are used to deal with them (Table 8.1).

### PROGRAMMED DECISIONS

Programmed decisions tend to be repetitive and routine. Through time and experience, organizations develop specific procedures for handling these decisions. Getting dressed in the morning or driving to school involve personal programmed decisions. Through habit, you are likely to act on a similar chain of decisions each day. Work-related examples are determining how much vacation time to give to an employee, deciding when to send a bill to customers, and ordering office supplies. Habit and standard operating procedures are the most frequently used techniques for making these decisions. Today, computers handle many programmed decisions. For example, computerized job interviews are one method being used to select entry-level employees.



## NON-PROGRAMMED DECISIONS

Non-programmed decisions are novel and unstructured. Hence, there are no cut-and-dried procedures for dealing with the problem at hand. These decisions also tend to have important consequences.

To solve non-programmed decisions, managers tend to rely on judgment, intuition, and creativity.

## MODELS OF DECISION MAKING

There are several models of decision-making. Each is based on a different set of assumptions and offers unique insights into the decision-making process. This section reviews three key historical models of decision-making: They are (1) the rational model, (2) Simon's normative model, and (3) the garbage can model. Each successive model assumes that the decision-making process is less and less rational. Let us begin with the most orderly or rational explanation of managerial decision-making.

### The Rational Model

The rational model proposes that managers use a rational, four-step sequence when making decisions: (1) identifying the problem, (2) generating alternative solutions, (3) selecting a solution, and (4) implementing and evaluating the solution. According to this model, managers are completely objective and possess complete information to make a decision. Despite criticism for being unrealistic, the rational model is instructive because it analytically breaks down the decision-making process and serves as a conceptual anchor for newer models. Let us now consider each of these four steps.

#### *Identifying the Problem*

A problem exists when the actual situation and the desired situation differ. For example, a problem exists when you have to pay rent at the end of the month and don't have enough money.

Your problem is not that you have to pay rent, your problem is obtaining the needed funds. Similarly, the problem for a sales manager who has orders for 100 personal computer, but only 80 units in stock, is the 20 unavailable units (the gap between actual and desired). One expert proposed that managers use one of three methods to identify problems: historical cues, planning, and other people's perceptions.

1. Using historical cues to identify problems assumes that the recent past is the best estimate of the future. Thus, managers rely on past experience to identify discrepancies (problems) from expected trends. For example, a sales manager may conclude that a problem exists because the first-quarter sales are less than they were a year ago. This method is prone to error because it is highly subjective.
2. A planning approach is more systematic and can lead to more accurate results. This method consists of using projections or scenarios to estimate what is expected to occur in the future. A time period of one or more years is generally used. Companies are increasingly using this scenario technique as a planning tool. The



scenario technique is a speculative, conjectural, forecasting tool used to identify, future states, given a certain set of environmental conditions.

3. A final approach to identifying problems is to rely on the perceptions of others. A restaurant manager may realize that his or her restaurant provides poor service when a large number of customers complain about how long it takes to receive food after placing an order. In other words, customers' comments signal that a problem exists. Similarly, automobile manufacturers are sometimes forced to recall cars because of consumer complaints about product safety or quality.

### *Generating Solutions*

After identifying a problem, the next logical step is generating alternative solutions. For programmed decisions, alternatives are readily available through decision rules. This is not the case for non-programmed decisions. For non-programmed decisions, this step is the creative part of problem-solving. Managers can use a number of techniques to stimulate creativity.

### *Selecting a Solution*

Optimally, decision-makers want to choose the alternative with the greatest value. Decision theorists refer to this as maximizing the expected utility of an outcome. This is no easy task. First, assigning values to alternatives is complicated and prone to error. Not only are values subjective but they also vary according to the preferences of the decision-maker. For example, research demonstrates that people vary in their preference for safety or risk when making decisions. Further, evaluating alternatives assumes they can be judged according to some standards or criteria. This further assumes that (1) valid criteria exist, (2) each alternative can be compared against these criteria, and (3) the decision-maker actually uses the criteria. As you know from making your own key life-decisions, people frequently violate these assumptions.

### *Implementing and Evaluating the Solution*

Once a solution is chosen it needs to be implemented. Before implementing a solution, though, managers need to do their homework. For example, three ineffective managerial tendencies have been observed frequently during the initial stages of implementation. Skillful managers try to avoid these tendencies. Table 8.2 indicates that, to promote necessary understanding, acceptance, and motivation, managers should involve implementers in the choice making step.

After the solution is implemented, the evaluation phase assesses its effectiveness. If the solution is effective, it should reduce the difference between the actual and desired states that created the problem. If the gap is not closed, the implementation was not successful, and one of the following is true: Either the problem was incorrectly identified, or the solution was inappropriate. Assuming the implementation was unsuccessful, management can return to the first step, problem identification: If the problem was incorrectly identified; or the solution was inappropriate. The management should consider implementing one of the previously identified, but untried, solutions. This process can continue until all feasible solutions have been tried or the problem has changed.



Table 8.2: Three Managerial Tendencies Reduce the Effectiveness of Implementation

Managerial tendency	Recommended Solution
<ul style="list-style-type: none"> <li>● The tendency not to ensure that people understand what needs to be done.</li> <li>● The tendency not to ensure the acceptance or motivation for what needs to be done.</li> <li>● This tendency not to provide appropriate resources for what needs to be done.</li> </ul>	<p>Involve the implementors in the choice-making step. When this is not possible, a strong and explicit attempt should be made to identify any misunderstanding, perhaps by having the implementor explain what he or she thinks needs to be done and why.</p> <p>Once again, involve the implementors in the choice-making step. Attempts should also be made to demonstrate the pay-offs for effective implementation and to show how completion of various tasks will lead to successful implementation.</p> <p>Many implementations are less effective than they could be because adequate resources, such as time, staff, or information, were not provided. In particular, the allocation of such resources across departments and tasks are assumed to be appropriate because they were appropriate for implementing the previous plan. These assumptions should be checked.</p>

*Summarizing the Rational Model:* The rational model is based on the premise that managers optimize when they make decisions. Optimizing involves solving problems by producing the best possible solution. This assumes that managers:

- Have knowledge of all possible alternatives.
- Have complete knowledge about the consequences that follow each alternative.
- Have a well-organized and stable set of preferences for these consequences.
- Have the computational ability to compare consequences and to determine which one is preferred.

As noted by Herbert Simon, a decision theorist who, in 1978, earned the Nobel Prize for his work on decision-making, "The assumptions of perfect rationality are contrary to fact. It is not a question of approximation; they do not even remotely describe the processes that human beings use for making decisions in complex situations." Thus, the rational model is at best an instructional tool. Since decision makers do not follow these rational procedures, Simon proposed a normative model of decision-making.

### Simon's Normative Model

This model attempts to identify the process that managers actually use when making decisions. The process is guided by a decision-maker's bounded rationality. Bounded rationality represents the notion that decision-makers are "bounded" or restricted by a variety of constraints when making decisions. These constraints include any personal or environmental characteristics that reduce rational decision-making. Examples are the limited capacity of the human mind, problem complexity and uncertainty, amount and timeliness of information at hand, criticality of the decision, and time demands.



As opposed to the rational model, Simon's normative model suggests that decision-making is characterized by (1) limited information processing, (2) the use of rules of thumb or shortcuts, and (3) satisficing behaviour. Each of these characteristics is now explored:

*Limited information processing:* Managers are limited by how much information they process because of bounded rationality. This results in the tendency to acquire manageable, rather than optimal, amounts of information. In turn, this practice makes it difficult for managers to identify all possible alternative solutions. In the long-run, the constraints of bounded rationality cause decision-makers to fail to evaluate all potential alternatives.

*Use of rules of thumb or shortcuts:* Decision-makers use rule of thumb or shortcuts to reduce information-processing-demands. Since these shortcuts represent knowledge gained from past experience, they help decision-makers evaluate current problems. For example, recruiters may tend to hire applicants receiving degrees from the same university attended by other successful employees. In this case, the "school attended" criterion is used to facilitate complex information processing associated with employment interviews. Unfortunately, these shortcuts can result in biased decisions.

*Satisficing:* People satisfice because they do not have the time, information, or ability to handle the complexity associated with following a rational process. This is not necessarily undesirable. Satisficing consists of choosing a solution that meets some minimum qualification, one that is "good enough". Satisficing resolves problem by producing solutions that are satisfactory, as opposed to optimal. Although a discounted, blue, two-door automobile may satisfice for purchasing your new sports car, shopping around may locate the red, two-seat convertible you prefer.

### The Garbage Can Model

As true of Simon's normative model, this approach grew from the rational model's inability to explain how decisions are actually made. It assumes that decision-making does not follow an orderly series of steps. In fact, organizational decision-making is said to be such a sloppy and haphazard process that the garbage can label is appropriate. This contrasts sharply with the rational model, which proposed that decision-makers follow a sequential series of steps beginning with a problem and ending with a solution. According to the garbage can model, decisions result from a complex interaction between four independent streams of events: problems, solutions, participants, and choice opportunities. The interaction of these events creates "a collection of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, solutions looking for issues to which they might be the answer, and decision-makers looking for work" The garbage can model attempts to explain how these events interact and lead to a decision. After discussing the streams of events and how they interact, this section highlights managerial implications of the garbage can model.

*Streams of Events:* The four streams of events-problems, solutions, participants, and choice opportunities-represent independent entities that flow into and out of



organizational decision situations (see Fig. 8.1). Because decisions are a function of the interaction among these independent events, the stages of problem identification and problem solution may be unrelated. For instance, a solution may be proposed for a problem that does not exist. On the other hand, some problems are never solved. Each of the four events in the garbage can model deserves a closer look.

- **Problems:** As defined earlier, problems represent a gap between an actual situation and a desired condition. But problems are independent from alternatives and solutions. The problems may or may not lead to a solution.
- **Solutions:** Solutions are answers looking for questions. They represent ideas constantly flowing through an organization. Contrary to the classical model, however, solutions are used to formulate problems rather than vice-versa. This is predicted to occur because managers often do not know what they want until they have some idea of what they can get.
- **Participants:** Participants are the organizational members who come and go throughout the organization. They bring different values, attitudes, and experiences to a decision-making situation. Time pressures limit the extent to which participants are involved in decision-making.

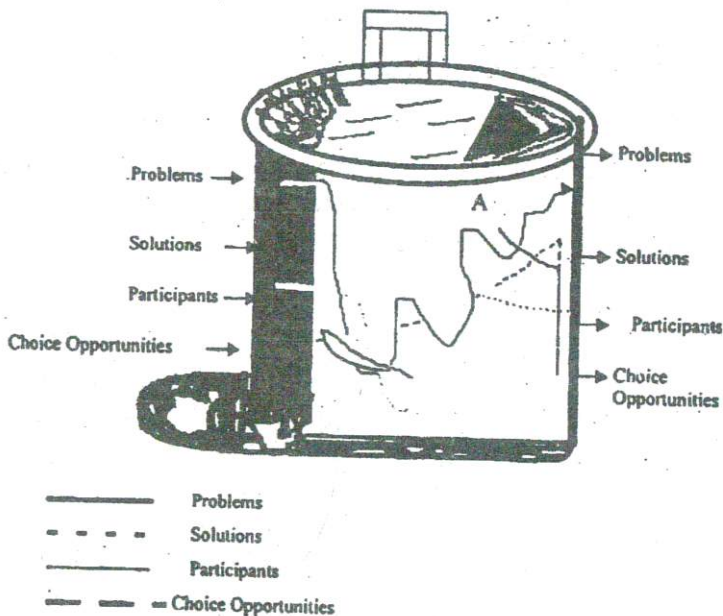


Figure 8.1: Garbage can model of organizational decision-making

- **Choice opportunities:** Choice opportunities are occasions when an organization is expected to make a decision. While some opportunities, such as hiring and promoting employees, occur regularly, others do not because they result from some type of crisis or a unique situation.

**Interactions among the Streams of Events:** Because of the independent nature of the streams of events, they interact in a random fashion. This implies that decision making



is more a function of chance encounters than a rational process. Thus, the organization is characterized as a "garbage can" in which problems, solutions, participants, and choice opportunities are all mixed together (see Fig. 8.1). Only when the four streams of events happen to connect such as at point A in Fig. 8.1, is a decision made. Since these connections randomly occur among countless combinations of streams of events, decision quality generally depends on timing. In other words, good decisions are made when these streams of events interact at the proper time. This explains why problems do not necessarily relate to solutions (point B in Fig. 8.1), and why solutions do not always solve problems. In support of the garbage can model, one study indicated that decision-making in the textbook publishing industry followed a garbage can process. Moreover, knowledge of this process helped the researchers to identify a variety of best-selling textbooks.

**Managerial Implications:** The garbage can model of organizational decision-making has four practical implications. First, many decisions will be made by oversight or the presence of a salient opportunity. Second, political motives frequently guide the process by which participants make decisions. Participants tend to make decisions that promise to increase their status. Third, the process is sensitive to load. That is, as the number of problems increase relative to the amount of time available to them, problems are less likely to be solved. Finally, important problems are likely to be solved than unimportant ones because they are more salient organizational participants.

## DYNAMICS OF DECISION-MAKING

Decision-making is part science and part art. Accordingly, this section examines dynamics of decision-making-contingency considerations and the problem escalation of commitment-that affect the "science" component. An understanding of these dynamics can help managers make better decisions.

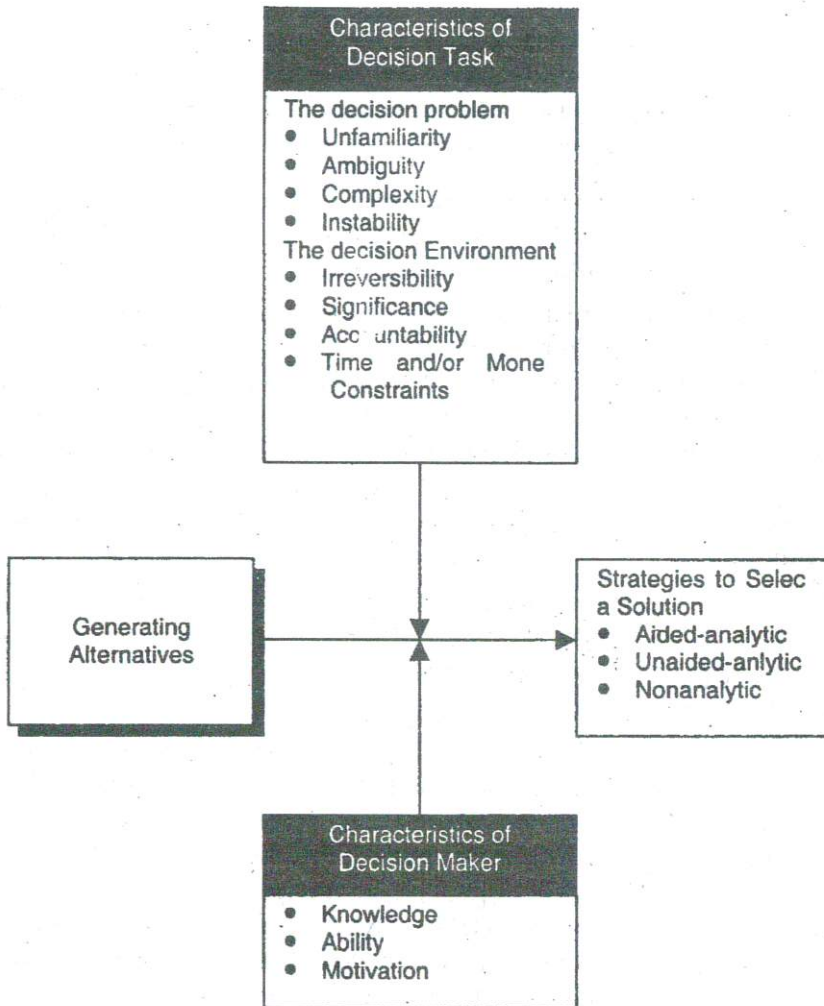
### Selecting Solutions: A Contingency Perspective

The previous discussion of decision-making models noted that managers typically satisfice when they select solutions; however, we did not probe how managers actually evaluate and select solutions. Let us explore the model in Fig. 8.2 to better understand how individuals make decisions.

**Strategies for Selecting a Solution:** What procedures do decisions-makers use evaluate the costs and benefits of alternative solutions? According to management experts Lee Roy Beach and Terence Mitchell, one of three approaches is used: aided-analytic, unaided-analytic, and non-analytic. Decision-makers systematically use tools such as mathematical equations, calculators, or computers to analyze and evaluate alternatives within an aided-analytic approach. Technicians also may be commissioned to conduct a formal study. In contrast, decision-makers rely on the confines of their minds when using an unaided-analytic strategy. In other words, the decision-maker systematically compares alternatives, but the analysis is limited to evaluating information that can be directly processed in his or her mind. Decision-making tools such as a personal computer are not used. Finally, a non-analytic strategy consists of using a simple preformulated rule to make a decision. Examples are flipping a coin, normal habit convention ("we've always done it the way"), using a conservative approach ("better

safe than sorry"), or following procedures offered in instruction manuals. Both the cost and level of sophistication decrease as one moves from an aided-analytic to a non-analytic strategy.

Determining which approach to use depends on two sets of contingency factors: characteristics of the decision task and characteristics of the decision-maker (refer again to Fig. 8.2).



**Figure 8.2: A contingency model for selecting a solution**

**Characteristics of the Decision Task:** This set of contingency factors reflects the demands and constraints a decision-maker faces. In general, the greater these demands and constraints, the higher the probability that an aided-analytic approach will be used. These characteristics are divided into two components: those pertaining to the specific problem and those related to the general decision environment.



Table 8.3: Contingency Relationships In decision-making

- |    |   |
|----|---|
| 1. | Analytic strategies are used when the decision problem is unfamiliar, ambiguous, complex, or unstable.  |
| 2. | Non-analytic methods are employed when the problem is familiar, straightforward, or stable.   |
| 3. | Assuming there are no monetary or time constraints, analytic approaches are used when the solution is reversible and significant, and when the decision-maker is accountable. |
| 4. | Non-analytic strategies are used when the decision can be reversed and is not very significant, or when the decision-maker is not held accountable.                           |
| 5. | As the probability of making a correct decision goes down, analytic strategies are used.  |
| 6. | As the probability of making a correct decision goes up, non-analytic strategies are employed.  |
| 7. | Time and money constraints automatically exclude some strategies from being used.   |
| 8. | Analytic strategies are more frequently used by experienced and educated decision-makers.   |
| 9. | Non-analytic approaches are used when the decision-maker lacks knowledge, ability, or motivation to make a good decision.   |

Unfamiliar, ambiguous, complex, or unstable problems are more difficult to solve and typically require more sophisticated analysis.

The environment also restricts the type of analysis used. For instance, a recent study of 75 MBA students revealed that they purchased and used less information for decision-making as the cost of information increased. In contrast, they purchased and used more information when they were rewarded for making good decisions. These results suggest that both the cost of information and one's accountability for a decision affect the type of analysis used to solve a problem. Moreover, time constraints influence selection of a solution. Power decisions are bound to be made in the face of severe time pressure.

**Characteristics of the Decision-Maker:** In the present context, knowledge, ability, and motivation affect the type of analytical procedure used by a decision-maker. In general, research supports the prediction that aided-analytic strategies are more likely to be used by competent and motivated individuals.

**Contingency Relationships:** There are many ways in which characteristics of the decision task and decision-maker can interact to influence the strategy used to select a solution. In choosing a strategy, decision-makers compromise between their desire to make correct decisions and the amount of time and effort they put into the decision making process. Table 8.3 lists contingency relationships that help reconcile these competing demands. As shown in this table, analytic strategies are more likely to be used when the problem is unfamiliar and irreversible. In contrast, non-analytic methods are employed on familiar problems or problems in which the decision can be reversed.

**Escalation of Commitment:** Escalation situations involve circumstances in which things have gone wrong but, where the situation can possibly be turned around by investing additional time, money or effort. Escalation of commitment refers to the tendency to stick to an ineffective course of action when it is unlikely that the bad situation can be reversed. Personal examples include investing more money into an old or broken car, waiting an extremely long time for a bus to take you somewhere within an easy walking distance, or trying to save a disruptive interpersonal relationship that has lasted 10 years.

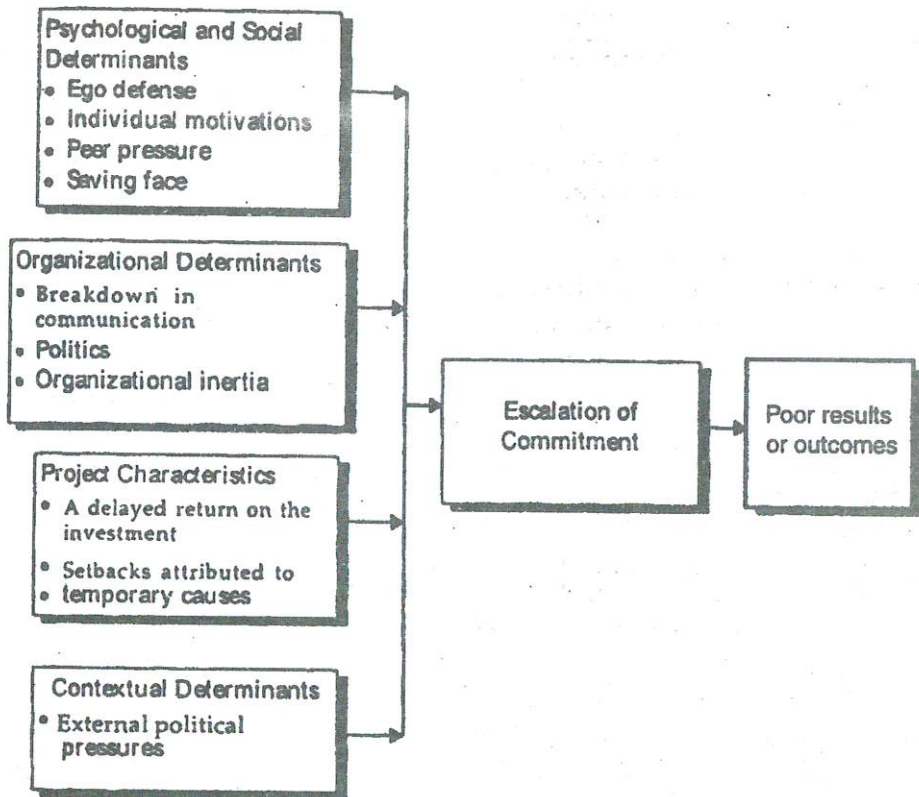


Figure 8.3: A model of escalation of commitment

**Psychological and Social Determinants:** Ego defense and individual motivations are the key psychological contributors to escalation of commitment. Individuals "throw good money after bad" because they tend to (1) bias facts so that they support previous decisions, (2) take more risks when a decision is stated in negative terms (to recover losses) rather than positive ones (to achieve gains), and (3) get too ego involved with the project. Because failure threatens an individual's self-esteem or ego, people tend to ignore negative signs and push forward.

Social pressures can make it difficult for a manager to reverse a course of action. For instance, peer pressure makes it difficult for an individual to drop a course of action when he or she publicly supported it in the past. Further, managers may continue to support bad decisions because they don't want their mistakes exposed to others.

**Organizational Determinants:** Breakdown in communications, workplace politics, and organizational inertia cause organizations to maintain bad courses of action.

**Project Characteristics:** Project characteristics involve the objective features of a project. They have the greatest impact on escalation decisions. For example, because most projects do not reap benefits until some delayed time period, decision-makers are motivated to stay with the project until the end. Thus, there is a tendency to attribute setbacks to temporary causes that are correctable with additional expenditures.



*Contextual Determinants:* These causes of escalation are due to external political forces outside an organization's control.

*Reducing Escalation of Commitment:* It is important to reduce escalation of commitment because it leads to poor decision-making for both individuals and groups. Barry Staw and Jerry Ross, the researchers who originally identified the phenomenon of escalation, recommended several ways to reduce it:

- Set minimum targets for performance and have decision-makers compare their performance with these targets.
- Have different individuals make the initial and subsequent decisions about a project.
- Encourage decision-makers to become less ego-involved with a project.
- Provide more frequent feedback about project completion and costs.
- Reduce the risk or penalties of failure.
- Make decision-makers aware of the costs of persistence.

Although a few studies have supported some of these recommendations, additional research on the cause and reduction of escalation of commitment is needed.

## SUMMARY

There are two types of managerial decisions: programmed and non-programmed. Programmed decisions are repetitive and routine. Non-programmed decisions are novel, unstructured, and tend to have important consequences. To make these decisions, managers rely on judgment, intuition, and creativity.

The rational decision-making model consists of identifying the problem, generating alternative solutions, evaluating and selecting a solution, and implementing and evaluating the solution. Research indicates that decision makers do not follow the series of steps outlined in the rational model.

Simon's normative model suggests that decision making is characterized by (1) Limited information processing, (2) the use of rules of thumb or shortcuts, and (3) satisficing.

In a garbage can model decisions result from interaction among four independent streams of events: problems, solutions, participants, and choice opportunities.

The choice of a strategy depends on the characteristics of the decision task and the characteristics of the decision makers. In general, the greater the demands and constraints faced by a decision maker, the higher the probability that an aided analytic approach will be used. Aided analytic strategies are more likely to be used by competent and motivated individuals.

## REVIEW QUESTIONS

1. Is decision-making a process or an outcome? Why or why not?
2. What are the kind of decisions that a manager has to make? What are the techniques/models he applies in reaching such a decision?
3. What is the garbage can model?
4. Decision making is both science and an art. Elucidate.

# CHAPTER UNDERSTANDING AND 9 MANAGING GROUP PROCESSES

## OBJECTIVES

- Explain the terms formal organization and informal organization.
- Analyze the importance and relevance of both.
- Bring out the concept of group dynamics.
- Identify and describe the four types of work teams.
- Enumerate the usefulness of quality circles.
- Highlight the purpose of team building.

## STRUCTURE

- ◆ Formal Organization
- ◆ Informal Organization
- ◆ Group Dynamics
- ◆ Group Cohesiveness
- ◆ Growing Realization of Teamwork
- ◆ Work Teams: Definition, Types, and Effectiveness
- ◆ A General Typology of Work Teams
- ◆ Quality Circle
- ◆ Team Building



Formal organization which refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability, is not capable of accomplishing organizational objectives all alone. It needs the help of informal organization for this purpose. In other words, informal organization which does not appear on the organization chart supplements the formal organization in achieving organizational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organization and to use them for achieving organizational objectives. In this chapter, an attempt has been made to study the behaviour of informal groups which develop automatically along with the formal organization.

### FORMAL ORGANIZATION

Chester I. Barnard defined formal organization as "a system of consciously coordinated activities or forces of two or more persons". A formal organization is deliberately designed to achieve some particular objectives. It refers to the structure of well-defined jobs, each bearing a definite measure of authority responsibility and accountability. The structure is consciously designed to enable the organizational members to work together for accomplishing common objectives. The individual must adjust to the formal organization. It tells him to do certain things in a specified manner, to obey orders from designed individuals and to cooperate with others. Co-ordination also proceeds according to a prescribed pattern in the formal organization structure.

The formal organization is built around four key pillars, namely: (i) division of labour, (ii) scalar and functional processes, (iii) structure and (iv) span of control. These may also be called the principles of formal organization. Division of labour and specialisation is the basic principle of formal organization. The whole work is divided into a number of small operations and each operation is performed by a different person so that there is maximum specialisation. The scalar and functional processes imply the growth of the organization both vertically and in the organization which ensures proper balance between different parts of the organization and secures the execution of all operations and the achievement of organizational objectives. The span of control refers to the number of subordinates directly reporting and accountable to one superior.

#### Characteristics of Formal Organization

The salient features of formal organization are as follows:

- (i) Organization structure is laid down by the top management to achieve organizational goals.
- (ii) Organization structure is based on division of labour and specialisation to achieve efficiency in the operations.
- (iii) Organization structure concentrates on the jobs to be performed and not the individuals who are to perform jobs.



- (iv) The organization does not take into consideration the sentiments of organizational members.
- (v) The authority and responsibility relationships created by the organization structure are to be honoured by everyone. The position in the organization hierarchy determines the relative status of the incumbent.

### Significance of Formal Organization

Formal organization is the basis of effective management of any enterprise. It can help in achieving the following benefits:

1. Formal organization helps in determining the objectives of various departments and units. It facilitates the attainment of organizational goals through the fulfilment of objectives of various departments.
2. It facilitates optimum use of resources and new technological developments.
3. It clarifies authority and responsibility relationships which lead to better communication.
4. There is clear-cut division of work among the departments and individuals. As a result, there is no overlapping of efforts. This will avoid wastage of resources and conflicts between individuals.
5. Formal organization creates a proper balance of activities of different departments.
6. The creation of a chain of command from top to bottom indicates avenues for promotion and the qualifications needed to hold a higher level job. Employees are motivated to work for personal advancement.
7. Formal organization brings about stability in the enterprise through procedures, policies, rules and regulations. The working of different departments continues despite the leaving of old employees and joining of new hands.

### INFORMAL ORGANIZATION

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes, etc. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally, large formal groups give rise to small informal or social groups. These groups may be based on common taste, language, culture or some other factor. These groups are not preplanned, but they develop automatically through continuous interaction between people.

Man is a social animal and cannot live without social interaction. Wherever people work or live together, they develop social relationships by becoming member of one or more informal groups. These informal groups are known as informal organization. Keith Davis has described informal organization as a network of personal and social relations not established or required by formal organization but arising spontaneously as people associate with one another. It is also known as 'shadow organization' as it exists along with the formal organization.



### Characteristics of Informal Organization

Generally, large formal groups give rise to small informal or social groups. These groups may be based on common taste, language, culture or some other factor. These groups are not pre-planned. They develop automatically within the organization according to the nature of interaction between the members in the organization. The salient features of informal organization are as follows:

- (i) Informal relations are unplanned. They arise spontaneously.
- (ii) Formation of informal organization is a natural process.
- (iii) Informal organization reflects human relationships.
- (iv) Informal organizations are based on common taste, problems, language, religion, culture, etc.
- (v) The membership of informal organizations is voluntary. At the same time, a person may be a member of a number of informal groups. Thus, there can be overlapping in these groups.

### Significance of Informal Organization

The importance of informal organization arises from the functions performed by informal groups. The important functions of informal organization are as under:

- (i) It serves as a very useful channel of communication in the organization. The informal communication is very fast.
- (ii) It blends with the formal organization to make it more effective. It gives support to the formal organization.
- (iii) The informal leader lightens the burden of the formal manager and tries to fill in the gap in the manager's abilities.
- (iv) Informal organization gives psychological satisfaction to the members. They get a platform to express their feelings.
- (v) The presence of informal organization encourages the manager to plan and act carefully. Thus, informal organization supports and supplements the formal organization.

### Is Informal Organization Necessary

Modern authors on organization behaviour view organization as consisting of both types of relationships, i.e., formal and informal. It is true that while laying down an organizational design, management can only develop formal structure of relationships but organization is not only a formal chart or structure of relationship. Formal organization, no doubt, is an important part of the organization. But informal organization is also not less important. If handled properly, it will help in performing the activities of the organization very efficiently and effectively. The role of informal leaders and groups has been discussed later in the chapter. In short, informal relations are complementary to formal relations and procedures laid down in the organization. Both formal and informal organizations are necessary for any group action just as two blades are essential to make a pair of scissors workable.



small informal or social organization. It may be noted that formal organization is unable to meet the needs of the workers by encouraging healthy interaction among groups and their members. Also, informal organization provides a buffer against the shock of tensions and frustrations among the members as a result of organizational principles. Informal organization may act to fill in gaps in a manager's abilities. For instance, if a manager is weak in planning, one of his subordinates may informally help him in planning. Management may also make use of informal group leaders by taking confidence to mediate as bridges of understanding between the manager and the employees. Shartle has rightly said, "Informal structure is one of the dynamics of getting work done and it appears that, for efficiency, it will deviate from the formal structure". Therefore, management should adopt a liberal attitude towards informal organization. It should use it along with formal organization to make a workable system for achieving the organizational objectives.

nt should not look down upon the informal organization as it arises along with the formal organization and fills in some of the vital gaps organization. It may be noted that formal organization is unable to meet the needs of the workers by encouraging healthy interaction among groups and their members. Also, informal organization provides a buffer against the shock of tensions and frustrations among the members as a result of organizational principles.

organization may act to fill in gaps in a manager's abilities. For instance, if a manager is weak in planning, one of his subordinates may informally help him in planning. Management may also make use of informal group leaders by taking confidence to mediate as bridges of understanding between the manager and the employees. Shartle has rightly said, "Informal structure is one of the dynamics of getting work done and it appears that, for efficiency, it will deviate from the formal structure". Therefore, management should adopt a liberal attitude towards informal organization. It should use it along with formal organization to make a workable system for achieving the organizational objectives.

### Comparative Study of Formal and Informal Organization

Formal and informal organizations differ from each other in the following respects:

**Origin:** The reasons and circumstances of both formal and informal organizations are totally different. Formal organizations are created by conscious managerial decisions. But informal organizations arise naturally within the formal organization because of the tendency of the individuals to associate and interact. Management has no hand either in emergence or in winding up of informal groups.

**Purpose:** Formal organizations are created for realizing certain well defined objectives. But informal groups are created by organizational members for their social and psychological satisfaction. There may be a conflict between the goals of the formal organization and those of informal groups.

**Activities:** Activities in case of formal organization are differentiated and integrated around the objectives of the enterprise and are formalized into work units or departments on a horizontal basis. Individuals are placed on jobs and positions and work-groups as a result of managerial decisions. In case of informal organization, there are no specific activities. They arise from time to time as a result of interactions and sentiments of the individuals. Informal groups may be based on common taste, language, culture or some other factor.

**Structure:** Formal organization is hierarchical, pyramid shaped and bureaucratic in structure with well-defined positions, rigid delineation of roles and superior-subordinate relationships on impersonal basis, enforcement of organizational order through a set of policies, procedures, and rules, conscious emphasis on status differentials based on authority, narrow and downward oriented communication system, etc. On the other hand, informal organization is uncharitable; it looks like a complicated and common social network



The management should not look down upon the informal organization as it arises spontaneously along with the formal organization and fills in some of the vital gaps in the formal organization. It may be noted that formal organization is unable to meet all the needs (e.g., affiliation, affection, esteem, etc.) of its members. Management can fulfil these needs of the workers by encouraging healthy interaction among informal groups and their members. Also, informal organization provides a buffer to absorb the shock of tensions and frustrations among the members as a result of formal organizational principles.

Informal organization may act to fill in gaps in a manager's abilities. For instance, if a manager is weak in planning, one of his subordinates may informally help him in such a situation. Management may also make use of informal group leaders by taking them into confidence to mediate as bridges of understanding between the management and the employees. Shartle has rightly said, "Informal structure is one index of the dynamics of getting work done and it appears that, for efficiency, it will necessarily deviate from the formal structure". Therefore, management should adopt a positive attitude towards informal organization. It should use it along with formal structure to make a workable system for achieving the organizational objectives.

### Comparative Study of Formal and Informal Organization

The formal and informal organizations differ from each other in the following respects:

- (i) **Origin:** The reasons and circumstances of both formal and informal organizations are totally different. Formal organizations are created by conscious managerial decisions. But informal organizations arise naturally within the formal organization because of the tendency of the individuals to associate and interact. Management has no hand either in emergence or in winding up of informal groups.
- (ii) **Purpose:** Formal organizations are created for realizing certain well defined objectives. But informal groups are created by organizational members for their social and psychological satisfaction. There may be a conflict between the goals of the formal organization and those of informal groups.
- (iii) **Activities:** Activities in case of formal organization are differentiated and integrated around the objectives of the enterprise and are formalized into work units or departments on a horizontal basis. Individuals are placed on jobs and positions and work-groups as a result of managerial decisions. In case of informal organization, there are no specific activities. They arise from time to time as a result of interactions and sentiments of the individuals. Informal groups may be based on common taste, language, culture or some other factor.
- (iv) **Structure:** Formal organization is hierarchical, pyramid shaped and bureaucratic in structure with well-defined positions, rigid delineation of roles and superior-subordinate relationships on impersonal basis, enforcement of organizational order through a set of policies, procedures, and rules, conscious emphasis on status differentials based on authority, narrow and downward oriented communication system, etc. On the other hand, informal organization is uncharitable; it looks like a complicated and common social network



of interpersonal relationships. Informal organization is loosely structured with only unwritten norms of behaviour enforced by mutual consent. Communication is informal and multi-directional. There are no rigid status differentials.

- (v) **Membership:** In a formal organization, every individual belongs to one work group only and works under one superior. But in case of informal organization, one person can be a member of more than one group according to his choice. He may be a leader in one group and a member in another. There is no rigidity about group membership.
- (vi) **Orientation:** In case of formal organization, values, goals and tasks are predominantly economic and technical and they concern productivity, profitability, efficiency, survival and growth. But in case of informal organization, values, goal and tasks are mainly psycho-social, setting around individual and group satisfaction, affiliation, cohesiveness and friendship.
- (vii) **Norms of Behaviour:** In a formal organization, individuals are required to behave in the prescribed manner in their work situations. They are expected to behave in a rational manner. Deviations from the standard norms are dealt with according to the processes of organizational law and order. There is also a system of rewards and punishments. But in case of informal organization, individual behaviour and group behaviour influence each other. Behaviour is more natural and social. Interactions cut across formally established positions and relationships and there is free exchange of feelings and ideas. An informal organization develops its own norms of behaviour and a system of rewards and punishments to ensure adherence to group norms.

## GROUP DYNAMICS

Social needs are among the most powerful and compelling on-the-job motivating forces. In order to fulfil their social needs, workers form small groups on the job itself. It was revealed by Hawthorne experiments that people behave as members of a group and their membership of group helps shape their work behaviour and attitudes towards the organization. Management can use groups successfully for the accomplishment of organizational objectives. According to Likert, an organization will function best when its personnel function not as individuals but as members of highly effective work-groups with high performance goals.

The social process by which people interact face-to-face in small groups is called group dynamics. Group dynamics is concerned with the interaction of individuals in a face-to-face relationship. It focuses on teamwork wherein small groups are constantly in contact with each other and share common ideas to accomplish the given tasks. The group develops its goals clearly and furnishes suggestions to its members for the accomplishment of goals. Every group chooses its leader (who may be called informal leader as he is not recognized in the formal organizational structure) who may effectively coordinate the group efforts towards the accomplishment of its objectives.



BOX 9.1

Formal Organization vs Informal Organization		
Basis	Formal Organization	Informal organization
1. Objectives	It is consciously created to achieve pre-determined objectives.	It has no predetermined objectives. It is created because of integration among people in the formal organization.
2. Structure	It is an official hierarchy of relations. It refers to the structure of well defined authority and responsibility relationships.	Its structure is based on human emotions and sentiments. It refers to the personal relationships which develop automatically when people work together.
3. Formation	Formal relations are well planned and are created deliberately.	Informal relations are unplanned and they originate automatically.
4. Chain of Command	Formal organization follows the official chain of command which can't be changed. Communication has to follow formal channels.	Informal organization does not have a fixed chain of command. It is based on command. It is based on the sentiments of the members. There are no fixed patterns of communication.
5. Stability	Formal organization is usually stable. It continues to exist even if some members leave it.	Informal organization does not last so long. The life of informal groups is generally short. They can disintegrate if some members leave the organization or even get transferred to some other department.
6. Authority	Formal authority is institutional, i.e., it attaches to a position and a person exercises it by virtue of his position. Formal authority flows downward as it is delegated.	Informal authority is personal i.e., it attaches to a person. It flows downward, upward and horizontally. Formal authority is replaced by informal influence.
7. Leadership	The managers who have formal authority provide leadership to the workers.	Informal leaders are not appointed, but chosen by the group members.
8. Human Relations	Formal organization reflects technological aspect of the organization. It does not take care of human sentiments.	Informal organization reflects human aspect. It is based on the attitudes, likes and dislikes, tastes, languages, etc., of people.
9. Flexibility	It allows a rigid structure of relationships. The lines of communication and flow of authority are predecided.	It is loosely structured and is highly flexible in nature. Communication is quite free as there are no barriers to downward, upward or horizontal communication.
10. Pattern of Behaviour	It has a prescribed pattern of behaviour for its members. There is a system of reward and punishment to regulate the behaviour of members.	It develops social norms of behaviour through mutual consent. Rewards include satisfaction, social esteem, recognition, etc. and punishments includes censure, isolation, boycott, etc.

In order to be called a group, an aggregation of persons must satisfy the following conditions:

- (i) People must interact with one another.
- (ii) People must be psychologically aware of one another.
- (iii) People should perceive themselves to be a group.

Thus, mere interaction among the people is not sufficient to be called a group. They should be aware of one another and perceive the existence of a group. If we apply these tests, many aggregations of people will not qualify as groups. Some illustrations



are: people sitting in a cinema hall and people waiting for a bus at a bus stop. However, a family is treated as a group as it satisfies all the above tests to a large extent.

### Reasons of Formation of Informal Groups

Workers form or join small informal groups for the following reasons:

1. **Companionship:** The need for relationship with other people is one of the strongest and most constant of human drives. One can express his feelings only through companionship. Many research studies have indicated that the employees who have no opportunity for close social contacts find their work unsatisfying and this lack of satisfaction often reflects itself in low productivity and high rate of absenteeism and turnover. Elton Mayo observed that the employees in a textile plant who worked at isolated jobs were highly dissatisfied and consistently failed to meet production standards and staggered rest period helped a little. But when the company permitted these workers to take rest period as a group, production and satisfaction both increased.
2. **Sense of identification:** Workers get more identified in small groups, and so small groups tend to enjoy high morale. Employees working in large departments where everybody does the same type of job, find it hard to form stable social groupings and so they have low morale.
3. **Source of information:** Informal group is a source of information to its members. Informal communication is every fast. A piece of information available to a member will reach nearly all the members of the group in a short span of time. The group may develop a special code or language for speedy communication. Psychological barriers to communication are also overcome by the group.
4. **Job satisfaction:** The group's solution to a problem may be different from what management expects and it may even be more efficient. Red tapism is eliminated, short-cuts are evolved and informal channels of communication are established to cut across department boundaries. By the same token, work groups may also facilitate job satisfaction. Many jobs which appear superficially dull and routine are made interesting by the group and spontaneity is encouraged and protected by the group. Certain jobs can be done by isolated workers, but working as a group often results in higher motivation of the individuals.
5. **Protection of members:** Groups help to protect their members from outside pressures. Groups often resist management's demands for additional output, increased working hours, a higher quality. But dynamic organizations have a tendency to introduce changes in work methods and routines at a faster rate than individuals can adjust to them. The speed at which these changes are introduced can be materially altered by a determined work-group. Without a sense of group allegiance, individual workers may behave in ways which incite their fellow workers. Group members often agree not the level of output that each will put forth so that no member may outperform the others.
6. **Outlet for Frustration:** An individual may be faced with several problems relating to his family life and work life. At times, he feels tremendous stress in life and gets frustrated. If he shares his feelings and anxieties with someone, his tension



is released to a great extent. The social relations provide an important outlet for frustration. An informal group, as a matter of fact, serves as a safety valve which helps release tension and frustration and checks the mental breakdown of the individual. Organizations that lack this outlet sometimes rely on the expensive system of employee counselling in which outsiders hear employees' problems and advise them accordingly.

7. **Perpetuation of Cultural Values:** Sometimes, groups are formed by individuals belonging to a common cultural background. Such people can preserve their cultural identity and also feel a sense of security by associating with those pursuing the same cultural values and social norms. Maintenance of cultural values will also provide them psychological satisfaction.
8. **Generation of New Ideas:** Informal groups are a breeding ground for new ideas as they provide a supportive environment in which the members can engage themselves in creative thinking. Quality circles in Japan are an important example in this regard. Under quality circles, workers meet periodically and discuss problems relating to quality and come out with new ideas to solve the problems.

### Importance of Small Groups to the Organization

Informal groups are important not only from the point of view of their members, they have a great utility from organization's point of view also. They help the organization in better administration by performing the following functions:

1. **Filling in Gaps in Manager's Abilities:** Informal organization may act to fill in gaps in a manager's abilities. For example, if a manager is weak in planning, one of his subordinates may help him informally in such a situation.
2. **Solving Work Problems:** Informal organization helps in solving the work problems of members. It allows sharing job knowledge and taking decisions which affect a number of jobs.
3. **Better Coordination:** Informal groups evolve short-cuts and eliminate red tapism. They facilitate smooth flow of information and quick decision making. All these ensure better coordination among various individuals and departments.
4. **Channel of Communication:** Informal groups act to fill up the communication gaps which might arise in the organization. Informal communication cuts across the hierarchical and departmental boundaries and transmits information with greater speed. Management can use informal channels to share information with the workers and get their reaction to management's proposals. Informal communication can be of great use to the organization if it is handled by the management properly.
5. **Restraint on Managers:** Informal groups do not allow the managers to cross their limits. They restrict them from acquiring unlimited power and from using their power injudiciously.
6. **Better Relations:** A manager can build better relations with his subordinates through informal contacts. He can consult the informal leaders and seek their cooperation in getting the things done from the workers.



7. *Norms of Behaviour:* Informal groups develop certain norms of behaviour which differentiate between good and bad conduct and between legitimate and illegitimate activities. These bring discipline and order among the employees.
8. *Developing Future Executives:* Informal groups recognize talented workers as their leaders. Such leaders can be picked by the management to fill vacancies at the junior executive level in the future.

### Problems Created by Informal Groups

Informal groups have dysfunctional aspects too. They may create the following problems for the organization:

1. *Negative Attitude of Informal Leaders:* The informal leader may turn out to be a troubleshooter for the organization. In order to increase his influence, he may work against the policies of management and manipulate the behaviour of his followers. Thus, he can be source of conflict between the management and the workers. He may induce the followers to work against the interests of the organization. If such a leader is promoted to the rank of an executive, he may prove to be a work shirker and an arrogant and autocratic boss.
2. *Conformity:* The informal group exerts strong pressure on its members for conformity. The members may become so loyal to their group that following the group norms becomes a part of their life. This implies that members become subject to wilful control of the group leader who may lead the group toward selfish ends. This will lead to dilution of the effect of organizational policies and practices on the group members.
3. *Resistance to Change:* Informal groups generally have a tendency to resist change. Change requires group members to make new adjustments and acquire new skills. But groups want to maintain status quo. Sometimes, groups react violently to the proposed changes being brought by the management. This creates obstructions in implementing new ideas and thus organization's survival and growth.
4. *Rumour:* Informal communication may give rise to rumours. This is not desirable from organization's point of view. Rumour originates for a number of reasons. One cause is plain maliciousness, but it is probably not the most important. A more frequent cause is employee's anxiety and insecurity because of poor communication in the organization. Rumour also serves as a means of wish fulfilment for some employees or applying pressure upon management.  
Rumour tends to change as it passes from person to person. Its general theme may be maintained, but not its details. The rumour gets twisted and distorted always when it passes from one mouth to another. The message gets its own head, tail and wings on its journey and swells up proportionately to an exaggerated shape. Thus, rumours may prove to be very dangerous for the organization.
5. *Role Conflict:* Every member of the informal group is also a member of the formal organization. Sometimes, there may be role conflict because what the informal group requires of a member is just the opposite of what is expected of



him by the formal organization. In such a situation, group members may conform to their social norms. And if an individual member wants to follow the formal instructions of his boss, he may be snubbed by the informal leader and compelled to conform to informal group norms. Thus, organization interests are likely to suffer in case of conflicts between formal and informal roles.

### How to deal with Informal Organization

According to Keith Davis, "Beneath the cloak of formal relationships in every institution, there exists a more complex system of social relationships called informal organization". Creation of informal organization is a universal process as man is a social animal and he can't live in isolation. People form informal organization on the basis of common interests, preferences, tastes, religion, etc.

Some people do not favour the recognition of informal organizations by the management because they feel that informal organizations can create problems for the management by spreading rumours and resisting introduction of change. But it should be noted that management cannot eliminate the informal groups because it does not create them. The best course for the management is to use the informal groups in the achievement of organizational objectives. For instance, informal communication is very fast and can break the barriers of the formal communication. Management can use informal communication for getting acceptance to its policies. Hence, management should not consider informal organization hostile to formal organization. Both types of relationships are necessary for any group action such as two blades are essential to make a pair of scissors workable.

The informal groups have both functional and dysfunctional aspects. Though, they supplement the formal structure, they have also the potential of creating problems for the management. The management cannot wish away the existence of informal groups. The effective way of dealing with informal groups is to identify groups and their goals and leadership and to seek their cooperation for the realizations of organizational goals. The following guidelines will enable the manager to make effective use of small groups in the organization:

1. The informal groups operating in the organization should be identified and their existence recognized.
2. The patterns of informal communication should be analyzed carefully. To know the sources of misinformation, rumour, etc. an enlightened manager can use informal channels to plug the loopholes of the formal communication system. Informal communication is very fast and ensures speedy transmission of information. It is the duty of every manager to see that informal communication does not produce rumour. But if a rumour spreads, it should be checked immediately by transmitting correct information and controlling the sources of rumour.
3. The management should try to achieve an equilibrium between formal and informal organizations. Conflicts between the two should be avoided through two-way communication with the group and their leaders.



4. Often the leader of the informal organization gains and maintains the recognition of its members by working with management or against management. Knowing and understanding the informal leadership can be extremely useful to a manager. He can build favourable relationships with informal leaders in several ways. He can consult the leaders and seek their advice on technical matters and human relations problems. He can seek their assistance and cooperation in orientation of new members and training them to become competent workers. Open, two-way communications can be encouraged on a continuing basis for mutual benefit. A manager must be careful not to reduce the status of the informal leader in the eyes of his constituents.
5. The management should attempt to integrate the interests of informal groups with the objectives of the formal organization. If this could be achieved, much of the role conflict would be avoided.
6. The desirable patterns of informal relationships may be incorporated into the formal structure. This will make the organization strong.
7. Informal group must be taken into confidence whenever a change in work methods is to be introduced in the organization. It is easier to introduce a change when group norms are changed. For overcoming resistance to change on the part of the groups, the management must share complete information about the change with the groups and try to persuade them to accept change by convincing them of the benefits of the said change.

To sum up, informal groups can be used constructively for attainment of organizational goals. If the interests and goals are integrated with the company's, the groups will work for the company objectives rather than against them. The manager's responsibility is to do all he can do to effect this integration so that the formal organization and informal groups will mesh instead of clash. This is effective management and its overall result is that the informal organization would supplement the formal organization.

### GROUP COHESIVENESS

By group cohesiveness we mean the degree of attachment of the members of a group. The greater the degree of attachment, the greater is the likelihood that all the members will conform strictly to the group standards and greater the likelihood that its leader will represent the feelings of all members. Cohesive groups are more powerful and are more likely to act in unison when their expectation do not come to be realized.

The degree of group cohesiveness is determined by the following factors:

- i. *Nature of the Group*: Heterogeneous groups (whose members have different interests and backgrounds) are often less effective in promoting their own interests than groups whose members are homogeneous. Homogeneous groups, whose members are alike on such factors as age, education, status, experience, background, etc., are better when the task or goal requires mutual cooperation and conflict-free behaviour. For example, where people with sharp differences in their scales of pay and job responsibilities work near one another, the resulting informal group is generally less cohesive.



- ii. **Location of the Group:** Location of the group plays an important role in determining cohesiveness. Particularly, isolation from other groups of workers tends to build high cohesiveness. Where there is no dividing line between one group and another, cohesion is more difficult to achieve because a chain of interactions develops, but little group solidarity. Where members of a group are located close together and are in isolation from other groups, they will develop greater cohesiveness because of constant face-to-face interaction.
- iii. **Status of the Group:** Status of a group determines the degree of group cohesiveness to a great extent. A high status group receives greater loyalty from its members which in turn makes the group more strong. That is why people are generally more loyal to high status groups.
- iv. **Communication:** Groups whose members are located close together and can interact frequently and easily are likely to be more cohesive and effective than those whose members are scattered. Such groups tend to develop their own language a symbol and codes to communicate with the group members. Even scattered groups, like maintenance crews, may become tightly knitted if the technology of work requires or permits them to interact frequently with one another. In fact, one of the determinants of group cohesion is the speed with which message can be transmitted through the group.
- v. **Size of the Group:** The effective group is relatively small. Small groups are more closely knitted than large ones. When the group is small, its members have constant face-to-face contacts. So it is easier to have close relationship with all the members of a small group than with all the members of a large one.
- vi. **Autonomy:** A group may be dependent or independent of other groups and, thus, will have a different structure. When each member of a group has independent and different activities, the cohesiveness among members of the group will be less as compared to the group whose members are doing the operations which are dependent upon each other.
- vii. **Leadership Style:** The different styles of leadership influence group cohesiveness differently. An effective leader keeps the members of the group close together by helping them satisfy their social needs.
- viii. **Outside Pressure:** Groups provide security for the individual members from pressures from other groups. The group members work together when they are threatened by a common danger, e.g., a group of employees may forget their personal differences and also ranks against a new supervisor who is regarded as a threat to the group. It may also happen that the group is unable to bear the excessive pressure and cohesiveness cannot be created to withstand the pressure from outside.
- x. **Management Behaviour:** The behaviour of management also has an influence on the degree of cohesion that exists within a group. By creating competition among employees and by constantly comparing one employee with another, a manager may make close relations difficult. A manager can build solidarity by rewarding cooperative behaviour. He can utilize group cohesiveness for achieving the goals of the enterprise if he can provide good leadership to the group.



## GROWING REALIZATION OF TEAMWORK

Teams and teamwork are popular terms in management circles these days. A cynic might dismiss teamwork as just another management fad or quick-fix gimmick. But a close look reveals that much more than catchy buzz words are involved here. The team approach to managing organizations is having diverse and substantial impacts on organizations and individuals. Teams promise to be a cornerstone of progressive management for the foreseeable future. According to management expert Peter Drucker, tomorrow's organization's will be flatter, information based, and organized around teams. This means managers will need to polish their team skills. General Electric's director of corporate management development, James Baughman, puts it this way: "The people who will excel will be those who can build a team and integrate it with other teams." Examples of the trend toward teams and teamwork abound.

Hospitals, for example, are installing health care teams to control runaway costs, and improve quality of care. Team policing is a growing practice in public safety departments. Commercial airline pilots are attending team-building seminars to improve cockpit communication and coordination skills.

Like Thermos, Boeing has staked its future competitiveness on teams and total quality management.

## WORK TEAMS: DEFINITION, TYPES, AND EFFECTIVENESS

Jon R Katzenbach and Douglas K Smith, management consultants at McKinsey & Company, say it is a mistake to use the terms-group and team-interchangeably. After studying many different kinds of teams—from athletic to corporate to military—they concluded that successful teams tend to take a life of their own. Katzenbach and Smith define a team as "a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable." Because of conflicts over power and authority and unstable interpersonal relations, many work groups never qualify as a real team. Katzenbach and Smith clarified the distinction this way: "The essence of a team is common commitment. Without it, groups perform as individuals; with it, they become a powerful unit of collective performance." (see Table 9.1).

When Katzenbach and Smith refer to "a small number of people" in their definition, they mean between 2 and 25 team members. They found effective teams to typically have fewer than 110 members.

**Table 9.1: The evolution of a Team**

A work group becomes a team when:

1. Leadership becomes a shared activity.
2. Accountability shifts from strictly individual to both individual and collective.
3. The group develops its own purpose or mission.
4. Problem-solving becomes a way of life, not a part-time activity.
5. Effectiveness is measured by the group's collective outcomes and products.

## A GENERAL TYPOLOGY OF WORK TEAMS

Work teams are created for various purposes and thus face different challenges. Managers can deal more effectively with those challenges when they understand



how teams differ. A helpful way of sorting things out is to consider a typology of work teams developed by Eric Sundstrom and his colleagues. Four general types of work teams listed in Table 9.2 are (1) advice, (2) production, (3) project, and (4) action. Each of these labels identifies a basic purpose. For instance, advice teams generally make recommendations for managerial decisions; less commonly do they actually make final decisions. In contrast, production and action teams carry out management's decisions.

Four key variables in Table 9.2 deal with technical specialization, co-ordination, work cycles, and outputs. Technical specialization is low when the team draws upon members' general experience and problem-solving ability. It is high when team members are required to apply technical skills acquired through higher education and/or extensive training. The degree of co-ordination with other work units is determined by the team's relative independence (low coordination), or interdependence (high coordination). Work cycles are the amount of time that teams need to accomplish their missions. The various outputs listed in Table 9.2 are intended to illustrate real-life impacts. A closer look at each type of work team is in order.

**Advice Teams:** As their name implies, advice teams are created to broaden the information base for managerial decisions. Quality circles, discussed later, are a prime example because they facilitate suggestions for improvement from volunteer production or service workers. Advice teams tend to have a low degree of technical specialization. Coordination also is low because advice teams work pretty much on their own. Ad hoc committees (e.g., the annual picnic committee) have shorter life-cycles than standing committees (e.g., the grievance committee).

**Production Teams:** This second type of team is responsible for performing day-to-day operations. Minimal training for routine tasks accounts for the low degree of technical specialization. But coordination, typically, is high because work flows from one team to another. For example, railroad maintenance crews require fresh information about needed repairs from train crews.

**Project Teams:** Projects require creative problem-solving, often involving the application of specialized knowledge. The Boeing 777 team discussed earlier, for example, has a degree of technical specialization. It also requires a high degree of coordination among organizational sub-units because it is cross-functional. A pharmaceutical research team of biochemists, on the other hand, would interact less with other work units because it is relatively self-contained.

**Action Teams:** High specialization is combined with high coordination. Nine highly trained athletes specialized in defensive positions. But good defensive play is not enough because effective hitting is necessary. Moreover, coordination between the manager, base runners, base coaches and the bull pen needs to be precise. So it is with airline cockpit crews, hospital surgery teams, mountain-climbing expeditions, rock music groups, labor contract teams, and police SWOT teams, among others. A unique challenge for action teams is to exhibit peak performance on demand.

This four-way typology of work teams is dynamic and changing, not static. Some teams evolve from one type to another. Other teams represent a combination of types. For example, consider the work of a team at General Foods: "About five years



ago the company launched a line of ready-to-eat desserts by setting up a team of nine people with the freedom to operate like entrepreneurs starting their own business. The team even had to oversee construction of a factory with the technology required to manufacture their product." This particular team was a combination advice—project-action team. In short, the General Foods team did everything but manufacture the end product themselves (that was done by production teams).

**Table 9.2: Four General Types of Work Teams and Their Outputs**

Types & Examples	Degree of Technical Specialization	Degrees of Coordination with other Work units	Work Cycles	Typical Outputs
<i>Advice</i> Committees Review panels, boards Quality circles Employee involvement groups Advisory councils	Low	Low	Work cycles can be brief or long; one cycle can be team life span	Decisions Selections Suggestions Proposals Recommendations
<i>Production</i> Assembly teams Manufacturing crews Mining teams Flight attendant crews Data processing groups Maintenance crews	Low	High	Work cycles typically repeated or continuous process; cycles often briefer than team life span.	Food Chemicals Components Assemblies Retail sales Customer service Equipment repairs.
<i>Project</i> Research groups Planning teams Architect teams Engineering teams Development teams Task forces	High	Low (for traditional units) or High (for cross-functional units)	Work cycles typically differ for each new project; one cycle can be team life span.	Plans, Design Investigations Presentations Prototypes Reports Findings
<i>Action</i> Sports team Entertainment groups Expeditions Negotiating teams Surgery teams Cockpit crews Military platoons and squads	High	High	Brief performance events, often repeated under new conditions, requiring extended training and/or preparation.	Combat missions Expeditions Contracts, lawsuits Concerns Surgical operations Competitive events

## QUALITY CIRCLE

The concept of Quality Circle emerged from quality control. Quality circles are quite popular in Japan. Looking at their success, many organizations in USA and India have also attempted to implement quality circles. It should be noted the quality



circles provide a future-oriented approach. They seek high quality products in the current production run and in the future.

A quality circle is a small group of employees doing similar or related work who meet regularly to identify, analyze and solve product-quality problems and to improve general operations.

The quality circles are relatively autonomous units (ideally about 10 workers), usually led by a supervisor or a senior worker and organized as work units. The workers, who have a shared area of responsibility, meet periodically to discuss, analyze and propose solutions to ongoing problems.

Some typical efforts in improving production methods and quality involve reducing defects, scrap, rework, and downtime, which are expected to lead to cost reduction as well as increased productivity. In addition, the circles intend to focus attention on the self-development of workers and the improvement of working conditions. Through this process, there is improvement of workers' morale and motivation, stimulation of teamwork, and recognition to their achievements.

The technique of quality circle has been refined over the years. It is now followed to achieve the following objectives:

1. Overall improvement of quality of products manufactured by the enterprise.
2. Improvement of production methods and productivity of the enterprise.
3. Self-development of the employees who take part in quality circles.
4. Encouragement of innovative ideas among the employees.
5. Building high morale of employees by developing team-work in the organization.

### **Benefits of Quality Circles**

Quality circles are supposed to bring the following benefits for the organization.

1. Formation of quality circles in Japan and other countries has helped in bringing out several innovations and changes.
2. Quality circles have proved to be a valuable tool for increasing productivity, improving quality and increasing workers' job satisfaction.
3. Membership in a circle means a participative environment that provides identification with work-group. Participation encourages commitment of the employees in producing quality products. Through quality circles, every one becomes involved with the operation of the company. Everyone from top to bottom works towards a single goal, i.e., success through quality.

### **Introducing Quality Circle in an Organization**

Quality circle is a new concept and its introduction may cause some resistance on the part of the employees. Therefore, before introducing quality circle, all precautions must be taken as in case of any organizational change. The steps in the introduction of quality circle are briefly discussed below:

1. *Selling the Idea of Quality Circle:* The workers must be educated the need and significance of quality circle from the point of view of the organization and the



workers. The scope of quality circle should also be adequately publicized. The workers should be allowed to clear their doubts about quality circle. Attempt should be made to seek their voluntary cooperation in implementing quality circles in the organization. The management may also arrange for some kind of training of the employees who want to form quality circles.

2. **Constitution of Quality Circles:** The employees should be encouraged to form quality circles by drawing members doing the same kind of work. The membership of a quality circle should not exceed ten to twelve members. The information about the constitution of a quality should be made available to the top management.
3. **Analysis of Quality Problems:** The members of a quality circle are supposed to meet periodically, say once a month. They would collect data and analyze the same. Past records, employees suggestions, customers suggestions are very important in this regard. This will lead to identification of the problems that hinder quality.
4. **Problem Solving:** The members of a quality circle will discuss the problems thoroughly and make a list of possible solutions. The merits and demerits of each solution will be evaluated. The final decision will be taken by the consensus of all members.
5. **Presentation of Suggestions to the Management:** The suggestions for improving the quality are put in writing and forwarded to the management. Top management may form a committee to evaluate the suggestions of different quality circles in the organization. The committee may also meet the members of the quality circles, if it has any doubt. The final report will be prepared by the committee. It will list the suggestions which must be implemented for improving the quality of goods and services.
6. **Implementation:** Proper publicity should be given to the suggestions of quality circles which are being put into practice. This will motivate the employees as they will feel importance of having contributed to well-being of the organization. The implementation of the suggestions should be properly monitored by the management so that the change over to new methods is smooth.

### Problems in Implementation of Quality Circles

There are several pitfalls in quality circles. Despite their merits, they have failed in many companies. The common hurdles in initiating quality circles in India are as under:

1. **Negative Attitude:** The employees and even managers may have negative attitude towards the quality circle. Naturally, they will resist its implementation. The wrong notions of the people about quality circles should be cleared. They should be properly informed about the concept of quality circle and its utility.
2. **Lack of Ability:** The workers in India have a low level of education. They also lack leadership qualities. To overcome this hurdle, Workers' Education Programme should be initiated. It must educate the workers about quality circle.



3. *Lack of Management Commitment:* The top management may not be committed to the concept of quality circle. The employees may not be allowed to hold meetings of quality circles during the working hours. The employees will be least interested in devoting their personal time to the quality circle. Therefore, the management should allow the workers to hold quality circle meetings periodically during the working hours. It should extend the assistance required by the quality circles for their smooth working.
4. *Non-implementation of Suggestions:* The workers will feel disheartened if their suggestions are turned down without any reason. The suggestions of each quality circle should be given due weightage. If they are likely to improve quality of products, they must be implemented. This will enthuse the members of the quality circle.

## TEAM BUILDING

Team building is a catch-all term for a whole host of techniques aimed at improving the internal functioning of work groups. Whether conducted by company trainers or outside consultants, team building workshops strive for greater cooperation, better communication, and less dysfunctional conflict. Experiential learning techniques such as interpersonal trust exercises, conflict-handling role play sessions, and interactive games are common.

Rote memorization and lecture/discussion are discouraged by team-building experts who prefer active versus passive learning. Greater emphasis is placed on how work groups get the job done than on the job itself. Team building generally is carried out in the name of organization development (OD). The extensive use of team building appears to be justified. In a survey of human resource development managers from 179 Fortune 500 companies, team building reportedly was the most successful management technique.

Complete coverage of the many team-building techniques would require a separate book. Consequently, the scope of our present discussion is limited to the purposes of team building, and the day-to-day development of self management skills. This foundation is intended to give you a basis for selecting appropriate team-building techniques from the many that you are likely to encounter in the years ahead.

### The Purpose of Team Building/High-Performance Teams

According to Richard Beckhard, a respected authority on organization development, the four purposes of team building are:

- To set goals and/or priorities.
- To analyze or allocate the way work is performed.
- To examine the way a group is working and its processes (such as norms, decision making, and communication).
- To examine relationships among the people doing the work.

Trainers achieve these objectives by allowing team members to wrestle with a simulated or real-life problem. Outcomes are then analyzed by the group to determine



what group processes need improvement. Learning stems from recognizing and addressing faulty group dynamics. Perhaps one subgroup withheld key information from another, thereby hampering group progress. With cross-cultural teams becoming commonplace in today's global economy, team-building is more important than ever.

A nationwide survey of team members from many organizations by Wilson Learning Corporation provides a useful model or benchmark of what OD specialists expect of teams. The researchers' question was simply: What is a high performance team? The respondents were asked to describe their peak experiences in work teams. Analysis of the survey results yielded the following eight attributes of high performance teams:

1. Participative leadership. Creating an interdependency by empowering, freeing up, and serving others.
2. Shared responsibility. Establishing an environment in which all team members feel as responsible as the manager for the performance of the work unit.
3. Aligned on purpose. Having a sense of common purpose about why the team exists and the function it serves.
4. High communication. Creating a climate of trust, and open, honest communication.
5. Future focused. Seeing change as an opportunity for growth.
6. Focused on task. Keeping meetings focused on results.
7. Creative talents. Applying individual talents and creativity.
8. Rapid response. Identifying, and acting on, opportunities.

These eight attributes effectively combine many of today's most progressive ideas on management: among them being participation, empowerment, service ethic, individual responsibility and development, self-management, trust, active listening, and envisioning. But patience and diligence are required. According to a manager familiar with work teams "high-performance teams may take three to five years to build". Let us keep this inspiring model of high performance teams in mind as we conclude our discussion of team-building.

### **Developing Team Members' Self-Management Skills**

A promising dimension of team-building has emerged in recent years. It is an extension of the behavioural self-management approach. Proponents call it self-management leadership, defined as the process of leading others to lead themselves. An underlying assumption is that self-management teams are likely to fail if team members are not expressly taught to engage in self-management behaviours. This makes sense because it is unreasonable to expect employees who are accustomed to being managed and then led to suddenly manage and lead themselves. A key transition to self-management involves current managers engaging in self-management leadership behaviours. This is team-building in the fullest meaning of the term.



Six self-management leadership behaviours were isolated in a field study of manufacturing company organized around self-managed teams. The observed behaviours were:

1. Encourages self-reinforcement (e.g., getting team members to praise each other for good work and results).
2. Encourages self-observation/evaluation (e.g., teaching team members to judge how well they are doing).
3. Encourages self-expectation (e.g., encouraging team members to expect high performance from themselves and the team).
4. Encourages self goal-setting (e.g., having the team set its own performance goals).
5. Encourages rehearsal (e.g., getting team members to think about and practice new tasks).
6. Encourages self-criticism (e.g., encouraging team members to be critical of their own poor performance).

According to the researchers, Charles Manz and Henry Sims, this type of leadership is a dramatic departure from traditional practices such as giving orders and/or making sure everyone gets along. Empowerment, not domination, is the overriding goal.

## SUMMARY

The best performance is achieved when the people in the organization function not as individuals but as members of highly effective work-groups with high performance goals. Social needs are among the most powerful and compelling on the job motivating forces. In order to fulfil their social needs, workers form small groups on the job itself. It is not necessary that small groups would always be productive, they may prove to be counter productive also. Hence there is a need to tackle groups very carefully. Managers must be able to understand, and when possible, take advantage of group dynamics.

## REVIEW QUESTIONS

1. Define formal organizations and explain their characteristic features.
2. Give a comparative assessment of the importance of formal and informal organization.
3. Distinguish between formal and informal organization. What should be the attitude of management towards informal organization?
4. What is an Informal Group? Describe its features. Provide a guideline to practising managers for effective utilization of informal groups.
5. Define group dynamics. Why informal groups come into existence? What factors influence group cohesiveness?
6. (a) How can informal organization undermine and distort the formal organization?  
(b) Examine the role of groups in the management of change.

7. "Beneath the cloak of formal relationships in every institution, there exists a more complex system of social relationships called the informal organization". (Keith Davis). Explain this statement and state why the informal groups come into existence.
8. "Both formal and informal organizations are necessary for group activity just as two blades are essential to make a pair of scissors workable", (Keith Davis).. Do you agree with this view? What should be the attitude of management towards informal groups?
9. What is meant by Group Dynamics? What problems are created by informal groups for the organization?
10. What are the causes of emergence of informal groups? How should a manager handle these groups?
11. What are the characteristics and limitations of informal organizations? Discuss.
12. What is meant by Quality Circle? How can this concept be introduced in an organization?
13. Write short notes on:
  - (a) Informal Organization
  - (b) Group Cohesiveness
  - (c) Quality Circle.
14. Write an explanatory note on Group Dynamics.
15. Do you agree or disagree with Drucker's vision of more team oriented organizations? Explain your assumptions and reasoning.

### CASE STUDY

#### NORTH EAST SECURITY SYSTEMS

North East Security Systems is a leading North Eastern home and office security systems company. The company was started in 1988 by Sumesh & Nita Goel, a husband and wife team that has developed the business into a 250 employee business in four big cities – Delhi, Calcutta, Chennai and Mumbai. The firm's motto "your safety is our first priority" has guided a customer-oriented philosophy that the customers credit their success to. All products and services are given unconditional lifetime guarantees, and service runs are made within two hours, 365 days a year. In addition, a lean management team, generous pay and benefits, flexible hours, and generous profit-sharing plans have helped build a loyal, hard working group of employees.

Sumesh and Nita returned from this year's National Security Association meeting convinced that they should offer the employees the opportunity to form self-managed work teams. They have discussed this concept with owners of other business that have teams, and after six months of planning have decided to allow the employees in each of the ten branch offices to volunteer to form teams. The teams would be empowered to choose their own leaders, design jobs and assign hours, implement new ideas and select and appraise their own members. The current manager of each office must, however, support the change. Teams would be evaluated by the home office every six months on three standards – profitability, number of new clients, customer satisfaction index. If an office had generated a profit and had met agreed upon goals for new clients and customer satisfaction, then the team, would be given a profit bonus (in addition to monthly salary) that it could divide according to its own formula. The change in the organizational chart would appear as shown in figure 1.

*Contd...*



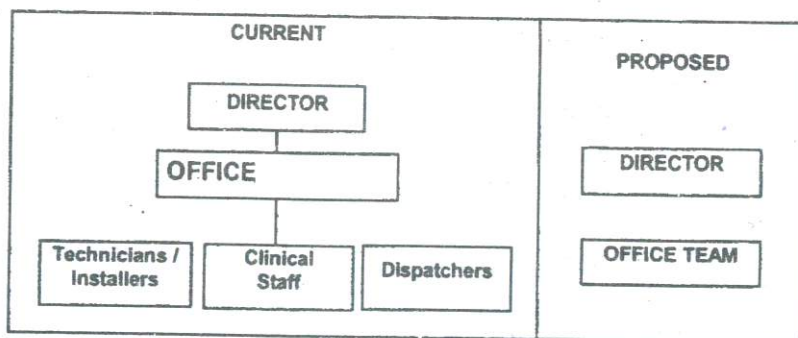


Figure 1

The Delhi office of the security agency is considering Director Goel's offer. Three other offices have made the change within the last year. The security agency of Delhi has been the most profitable office for the last three consecutive years. Employees are very happy working together, with the status quo, and for six years. After 4 days of discussion no decision has been made. The last discussion left the decision up to Nina Bansal; everyone trusts her to make the right one.

### Questions

1. If you were Nina Bansal, what information would you want before you made a recommendation?
2. What are the potential advantages of the office changing to a self managed team?
3. If you were Nina Bansal, what would you recommend? Why?

**OBJECTIVES**

- Explain the process of group decision making.
- Distinguish between group vs individual performance.
- Contrast brainstorming, the nominal group technique, the Delphi technique, and computer-aided decision-making.
- Describe the stages of the creative process, and specify at least five characteristics of creative people.

**STRUCTURE**

- ◆ Group Decision-Making
- ◆ Group versus Individual Performance
- ◆ Group Problem-Solving Techniques
- ◆ Creativity



## GROUP DECISION-MAKING

Groups such as committees, task forces, or review panels often play a key role in the decision-making process.

Are two or more heads always better than one? Do all employees desire to have a say in the decision-making process? When and how should a manager use group decision-making? This section provides the background for answering these questions, essential for gaining maximum benefits from group decision-making.

### Advantages and disadvantages of Group-Aided Decision-making

Including groups in the decision-making process has both pros and cons (see Table 10.1). On the positive side, groups contain a greater pool of knowledge, provide more varied perspectives, create more comprehension of decisions, increase decision acceptance, and create a training ground for inexperienced employees. These advantages must be balanced, however, with the disadvantages listed in Table 10.1. In doing so, managers need to determine the extent to which the advantages and disadvantages apply to the decision situation. The following three guidelines may then be applied to help decide whether groups should be included in the decision-making process.

1. If additional information would increase the quality of the decision, managers should involve those people who can provide the needed information.
2. If acceptance is important, managers need to involve those individuals whose acceptance and commitment are important.

**Table 10.1: Advantages and disadvantages of group aided decision-making**

Advantages	Disadvantages
1. <i>Greater pool of knowledge:</i> A group can bring much more information and experience to bear on a decision or problem than can an individual acting alone.	1. <i>Social pressure:</i> Unwillingness to "rock the boat" and pressure to conform may come to stifle the creativity of individual contributions.
2. <i>Different perspectives:</i> Individuals with varied experience and interests help the group see decisions, situations, and problems from different angles.	2. <i>Minority domination:</i> Sometimes the quality of group action is reduced when the group gives in to those who talk the loudest and longest.
3. <i>Greater comprehension:</i> Those who personally experience the give-and-take of group discussion about alternative courses of action tend to understand the rationale behind the final decision.	3. <i>Logrolling:</i> Political wheeling and dealing can displace sound thinking when an individual's pet project or vested interest is at stake.
4. <i>Increase acceptance:</i> Those who play an active role in group decision-making and problem-solving tend to view the outcome as "ours" rather than "theirs".	4. <i>Goal displacement:</i> Sometimes, secondary considerations such as winning an argument, making a point, or getting back at a rival displace the primary task of making a sound decision or solving a problem.
5. <i>Training ground:</i> Less experienced participants in group action learn how to cope with group dynamics by actually being involved.	5. <i>"Groupthink":</i> Sometimes, cohesive "in groups" let the desire for unanimity override sound judgment when generating and evaluating alternative courses of action.



3. If people can be developed through their participation, managers may want to involve those whose development is most important.

## GROUP VERSUS INDIVIDUAL PERFORMANCE

Before recommending that managers involve groups in decision-making, it is important to examine whether groups perform better or worse than individuals. After reviewing 61 years of relevant research, a decision-making expert concluded that "Groups' performance was generally qualitatively and quantitatively superior to the performance of the average individual." Although a recent review of small group decision-making generally supported this conclusion, a few drawbacks to group decision-making were uncovered:

1. Groups were less efficient than individuals. This suggests that time constraints are an important consideration in determining whether to involve groups in decision-making.
2. Groups were more confident about their judgments and choices than individuals. Because group confidence is not a surrogate for group decision quality, this over-confidence can fuel groupthink.
3. Group size affected decision outcomes: decision quality was negatively related to group size.
4. Additional research suggests that managers should use contingency approach when determining whether to include others in the decision-making process.

Let us consider these practical contingency recommendations.

### Practical Contingency Recommendations

If the decision occurs frequently, such as deciding on promotions or who qualifies for a loan, use groups because they tend to produce more consistent decisions than do individuals. Given time constraints, let the most competent individual, rather than a group, make the decision. In the face of environmental threats, such as time pressure and potential serious impact of a decision, groups use less information and fewer communication channels: this increases the probability of a bad decision. This conclusion underscores a general recommendation that managers should keep in mind: because the quality of communication strongly affects a group's productivity on complex tasks it is essential to devise mechanisms to enhance communication effectiveness.

## GROUP PROBLEM-SOLVING TECHNIQUES

Using groups to make decisions generally requires that they reach a consensus. According to a decision-making expert, a consensus "is reached when all members can say they either agree with the decision or have had their day in court and were unable to convince the others of their viewpoint. In the final analysis, everyone agrees to support the outcome." This definition indicates that consensus does not necessarily represent unanimous agreement.

Groups can experience roadblocks when trying to arrive at a consensus decision. For one, groups may not generate all relevant alternatives to a problem because an



individual dominates or intimidates other group members. For instance, group members who possess power and authority, such as a CEO, can be intimidating, regardless of interpersonal style, simply by being present in the room. Moreover, shyness inhibits the generation of alternatives. Shy individual may withhold their input for fear of embarrassment or lack of confidence. Satisficing is another hurdle to effective group decision-making. As previously noted, groups satisfice due to limited time, information, or ability to handle large amounts of information.

Decision-making experts have developed three group problem-solving techniques—brainstorming, the nominal group technique, and the Delphi technique to reduce the above roadblocks. Knowledge of these techniques can help present and future managers to more effectively use group-aided decision-making. Further the advent of computer-aided decision-making enables managers to use these techniques to solve complex problems with large groups of people.

### Brainstorming

Brainstorming was developed by A F Osborn, an advertising executive, to increase creativity. Brainstorming is used to help groups generate multiple ideas and alternatives for solving problems. This technique is effective because it helps to reduce interference caused by critical and judgmental reactions to one's ideas from other group members.

In brainstorming a group is convened and the problem at hand is reviewed. Individual members are then asked to silently generate ideas/alternatives for solving the problem. Next, these ideas/alternatives are solicited and written on a board or a flip chart. A second session is used to critique and evaluate the alternatives. Managers are advised to follow four rules when brainstorming:

1. Freewheeling is encouraged. Group members are advised to offer any and all ideas they have: the wilder, the better.
2. Criticism is discouraged. Don't criticize during the initial stage of idea generation. Phrases such as "we've never done it that way", "it won't work", "it is too expensive", and "the boss will never agree" should not be used.
3. Quantity of ideas is encouraged. Managers should try to generate and write down as many ideas as possible.
4. Combination and improvement of ideas is pursued: Group members are advised to "piggyback" onto the ideas of others.

Brainstorming is an effective technique for generating new ideas/alternatives. It is not appropriate for evaluating alternatives or selecting solutions.

### The Nominal Group Technique

The nominal group technique (NGT) helps groups to generate ideas and evaluate and select solutions. NGT is more comprehensive than brainstorming. The technique is primarily used during the decision-making stage of evaluating and selecting solutions. NGT is a structured group meeting that follows this format:

A group is convened to discuss a particular problem or issue. After the problem is understood, individuals silently generate ideas in writing. Each individual, in round-robin fashion, then offers one idea from his or her list. Ideas are recorded on a



blackboard or flip chart: they are not discussed at this stage of the process. Once all ideas are elicited, the group discusses them. Anyone may criticize or defend any item. During this step, clarification is provided as well as general agreement or disagreement with the idea expressed. Finally, group members anonymously vote for their top choices with a weighted voting procedure (e.g., 1st choice = 3 points; 2nd choice = 2 points; 3rd choice = 1 point). The group leader then adds the votes to determine the group choice. Prior to making a final decision, the group may decide to discuss the top ranked items and conduct a second round of voting.

The nominal group technique reduces the roadblocks to group decision-making by (1) separating brainstorming from evaluation, (2) promoting balanced participation among group members, and (3) incorporating mathematical voting techniques in order to reach consensus. NGT has been successfully used in many different decision-making situations.

### The Delphi Technique

The problem-solving method was originally developed by the Rand Corporation for technological forecasting. It is now used as a multipurpose planning tool. The Delphi technique is a group process that anonymously generates ideas or judgments from physically dispersed experts. Unlike the NGT, experts' ideas are obtained from questionnaires as opposed to face-to-face group discussions.

A manager begins the Delphi process by identifying the issue(s) he or she wants to investigate. For example, a manager might want to inquire about customer demand, customers' future preferences, or the impact of locating a plant in a certain region of the country. Next, participants are identified and questionnaire is developed. The questionnaire is sent to the participants and returned to the manager. The manager then summarizes the responses and sends feedback to the participants. At this stage, participants are asked to (1) review the feedback, (2) prioritize the issues being considered, and (3) return the survey within a specified time period. This cycle is repeated until the manager obtains the necessary information.

The Delphi technique is useful when face-to-face discussions are impractical, when disagreements and conflicts are likely to impair communication, when certain individuals might severely dominate group discussion, and when group think is a probable outcome of the group process.

## CREATIVITY

In all the group decision making techniques, creativity among the group members has been emphasized. In the light of today's fast-paced decisions, an organization's ability to stimulate the creativity and innovation of its employees is becoming increasingly important. Some organizations are successfully meeting this challenge; others are not. To gain further insight into managing the creative process, we begin by defining creativity and highlighting stages of the creative process. This section then reviews the characteristics of creative people and discusses the management of creative individuals.

### Definition and Stages

Although many definitions have been proposed, the essence of creativity is development of something new, something that has never existed before. It can be as simple as developing a new flavor of the month for an ice cream store, or as



complex as developing a pocket-size microcomputer. This definition highlights three broad types of creativity. One can create something new (creation), one can combine or synthesize things (synthesis), or one can improve or change things (modification).

Early approaches to explaining creativity were based on differences between the left and right hemispheres of the brain. Researchers thought the right side of the brain was responsible for creativity. More recently, however, researchers have questioned this explanation.

Let us now examine a model of the creativity process.

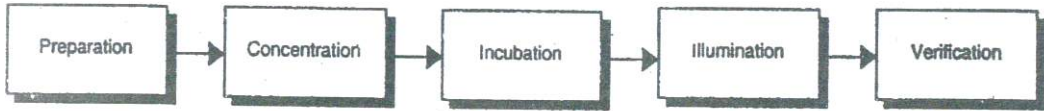


Figure 10.1: Stages of the creative process

Researchers are not absolutely certain how creativity takes place. Nonetheless, we do know that creativity involves "making remote associations" between unconnected events, ideas, information stored in memory, or physical objects.

The preparation stage reflects the notion that creativity starts from a base of knowledge. Preparation includes the amount of time an individual engages in schooling, reading, on-the-job training, attending workshops, or just paying attention to one's environment.

During the concentration stage, an individual focusses on the problem at hand. Incubation is done unconsciously. During this stage, people engage in daily activities while their minds simultaneously mull over information and make remote associations. These associations are ultimately generated in the illumination stage. Finally, verification entails going through the entire process to verify, modify, or try out the new idea.

Why do Japanese organizations propose and implement so many more ideas than do American companies? To answer this question, a creativity expert visited, and extensively interviewed, employees from five major Japanese companies. He observed that Japanese firms have created a management infrastructure that encourages and reinforces creativity. People were taught to identify problems (discontents) on their first day of employment. In turn, discontents were referred to as "golden eggs" to reinforce the notion that it is good to identify problems.

These organizations also promoted the stages of incubation, illumination, and verification through teamwork and incentives. For example, some companies posted the golden eggs on large wall posters in the work area; employees were then encouraged to interact with one another to execute the final three stages of the creative process. Employees eventually received monetary awards for any suggestions that passed all five phases of this process. This research underscores the conclusion that creativity can be enhanced by effectively managing the creativity process.

## Characteristics of Creative People

Creative people, typically, march to the beat of a different drummer. They are highly motivated individuals who spend many years mastering their chosen field or occupation. But contrary to stereotypes, creative people are not necessarily geniuses or introverted nerds. They prefer to resolve difficulties or make decisions in such a way as to have the least impact upon the assumptions, procedures, and values of the organization. In contrast, creative individuals are dissatisfied with the status quo. They look for new and exciting solutions to problems. Because of this, creative organizational members can be perceived as disruptive and hard to get along with. Further, research indicates that male and female managers do not differ in levels of creativity, and creative people are more open to experiencing new and different activities.

Research also reveals that creativity seems to peak in early adulthood and then steadily declines. For example, Albert Einstein was 26 when he came up with his theory of relativity, and Isaac Newton figured out the laws of gravity at 24. Moreover, creativity seems to peak at different ages for people in different professions. "People who rely on pure bursts of creativity—for example, physicists, theoretical mathematicians, and poets—tend to produce their most original work in their late twenties and early thirties. The output of novelists, engineers, and medical researchers, on the other hand, tends to rise more slowly, peaking in the late thirties and early forties, and then falling steadily until retirement" Researchers, currently, are trying to figure out why these patterns occur.

## Managing Creative Employees

Today's competitive pressures challenge managers to develop an environment that supports creative behaviour. Kodak, for example, created a humor room where employees can relax and have creative brainstorming sessions. The room contains joke books, videotapes of comedians, stress-reducing toys, and software for creative decision-making. Table 10.2 lists some specific managerial recommendations to spark creativity.

After a supportive environment has been created, managers may want to consider creativity training for employees. Since each of us has the potential to be creative, training gives everyone a chance to participate in the creative process. This training should help people to overcome the mental blocks that stifle creativity.

**Table 10.2: Suggestions for Improving Employee Creativity**

- Develop an environment that supports creative behaviour.
- Try to avoid using an autocratic style of leadership.
- Encourage employees to be more open to new ideas and experiences.
- Keep in mind that people use different strategies, like walking around or listening to music, to foster their creativity.
- Provide employees with stimulating work that creates a sense of personal growth. Encourage employees to view problems as opportunities.
- Don't let your decision-making style stifle those employees who have a different style.

*Contd...*



- Guard against employees being too involved with putting out fires and dealing with urgent short-term problems.
- Make sure creative people are not bogged down with specific tasks all day long.
- Allow employees to have fun and play around.
- Encourage an open environment that is free from defensive behaviour.
- Treat errors and mistakes as opportunities for learning.
- Let employees occasionally try out their pet ideas. Provide a margin of error.
- Be a catalyst instead of an obstacle.
- Avoid using a negative mind-set when an employee approaches you with a new idea. Encourage creative people to communicate with one another.
- Welcome diverse ideas and opinions.
- Send yourself and your employees to creativity training seminars/workshops.
- Reward creative behaviour.

Roger von Oech, a creativity consultant in Silicon Valley, identified 10 mental blocks or hang-ups that interfere with creativity:

1. Searching for the "right" answer.
2. Always trying to be logical.
3. Looking for solutions that "follow the rules".
4. Trying to be too practical.
5. Avoiding ambiguity.
6. Fearing failure.
7. Not playing or having fun at work.
8. Ignoring problems outside one's speciality.
9. Not wanting to look foolish.
10. Believing you are not creative.

## SUMMARY

A decision is something that takes place prior to the actual performance of a course of action that has been chosen. Managerial decision making involves the entire process of establishing objectives, defining tasks, searching for alternatives and developing plans in order to find the best answer to the decision problem. There are various types of decisions like routine and strategic decisions, policy and operating decisions, organizational and personal decisions, programmed and non-programmed decisions, and individual and group decisions. Each of the above mentioned requires different inputs and ways to handle the decision problem but the common steps mentioned above are applicable on all these also. Managers must remember that models and information systems can provide support to the decision making but the fact remains that the crucial decisions are to be taken by the managers and not by models and systems.

## REVIEW QUESTIONS

1. Do you prefer to solve problems in groups or by yourself?
2. "Almost every position in any business is a decisional centre". Examine the statement in light of group decision making.
3. "To many cooks spoil the broth". Do you agree or not. Elucidate the statement in the organizational context.
4. Do you think you are creative? Why or why not?
5. What advice would you offer a manager who was attempting to improve the creativity of his or her employees? Explain.

## CASE STUDY

## HAIDER METALS COMPANY

Haider Metals manufacturing company is a multinational joint venture between a French aluminum company (60%) and an Indian Aluminium company (40%). The Indians often feel that the French were too rule-oriented while the French sometimes have the opinion that the Indian way of management was too chaotic. There are virtually no differences in the way the two groups approach the technical issues in producing aluminium.

In 1993 the French plant manager of Haider Metals Company, Emile Laurent, an engineer trained in France, invited Krishna Agnihotri, to train the plant's managers and engineers in problem solving techniques. Together, Krishna Agnihotri and Laurent worked out the agenda for the problem solving training, a modification of the standard programme of the consulting firm. It would have two modules. The first would cover the problem solving process. The second would, because of Laurent's feelings about the present level of plant effectiveness, include diagnosis and brainstorming of current problems and a search for solutions to them. In these planning discussions, Krishna Agnihotri pointed out that one principle on which the consulting firm designed its training was that it is crucial to gain acceptance of solutions by those who have to implement them or are affected by them. Laurent told him that he did not worry about this issue very much because if the top management decided that something is needed to be done, most employees would do it.

When the first module was completed, the group moved on to the second: Brainstorming current company problems. The people in the classroom seemed uneasy and reluctant to move into this phase. Krishna Agnihotri quickly found out why: several times, Laurent pounded the table and yelled, trying to get the managers to admit there were problems. After one of these sessions, Laurent told Agnihotri that the problems being identified were very petty and not very significant. For the last scheduled training class, Laurent appeared with three critical problems that he wanted solved and presented them to the group. He got these from talking to several of his key managers.

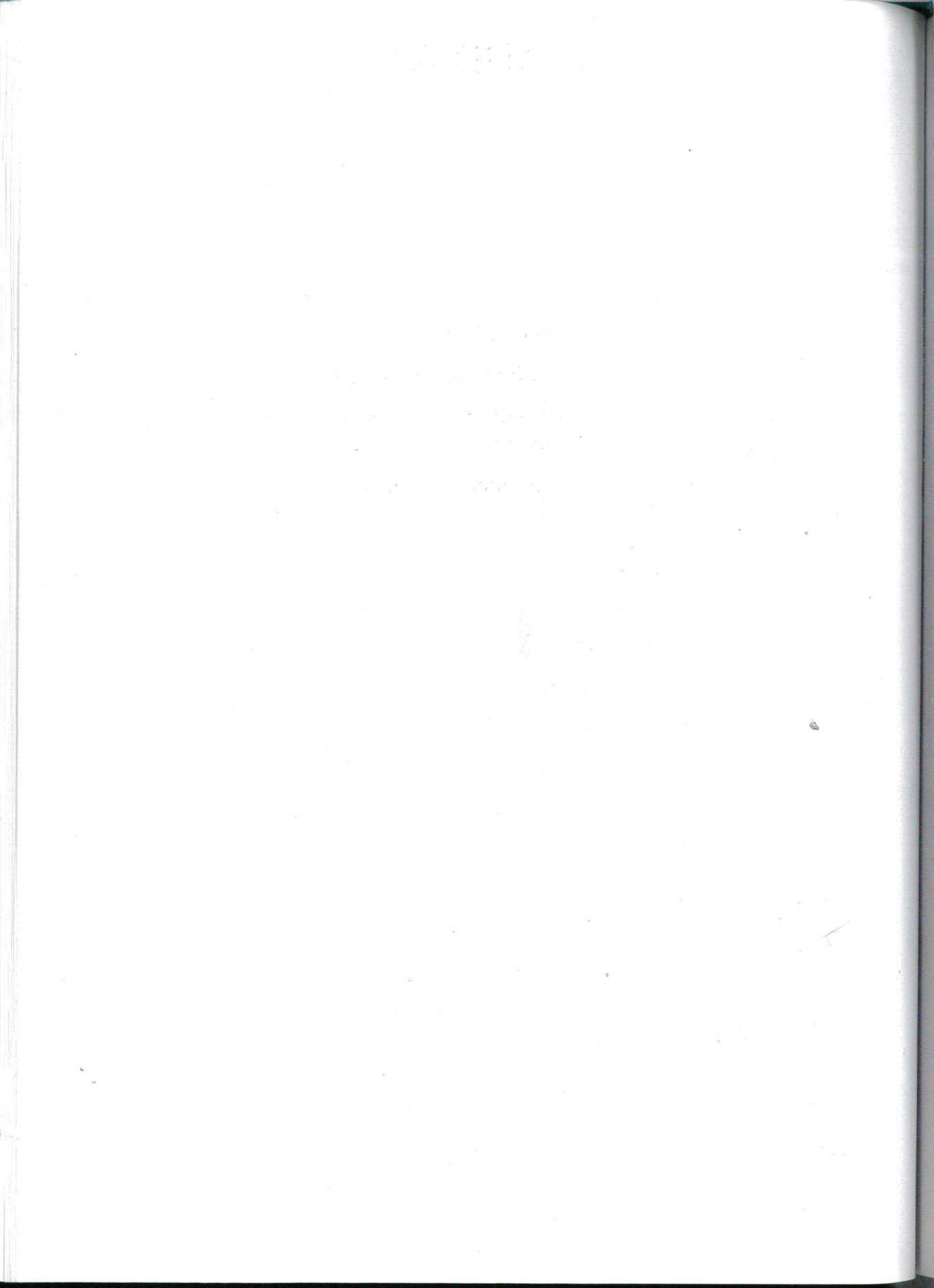
The first problem was excessive plant operating costs on each of several performance indicators. Laurent told the group that the Haider Metal Plant was typically around the average compared to the other aluminium plants of this company. For some measures they were a little higher and for other measures somewhat lower than the other plant. After learning this, the production manager turned to Laurent, yelling at him in a very emotional way, "If our performance is okay, why are you wasting our time like this? I, for one, am not going to waste my time any more. I am going back and do the job that I am paid to do by this company." At that point he walked out angrily. After he left there appeared to be a very high level of tension. It was impossible for Krishna

## Questions

1. What does the case illustrate about some of the basic difficulties in the process of problem solving, and decision making in organizations?
2. How might the plant manager have better handled this in order to obtain better results?
3. Are there any special difficulties in this situation which may have contributed to the plant manager's problem improvement difficulties?



# PART B





**OBJECTIVES**

- Evaluate the concept of values in the business environment
- Interpret the attitudes of employees and the resultant behaviours
- Understand the interrelationship between an individual's values and attitudes with his job performance
- Understand the philosophy of job satisfaction

**STRUCTURE**

- ◆ Introduction
- ◆ What are Values?
- ◆ Type of Values
- ◆ Sources of Values
- ◆ Values and Corporate Culture
- ◆ Attitudes
- ◆ Measurement of Attitude
- ◆ Job Satisfaction

## INTRODUCTION

Values are encompassing concepts. They are at the core of personality and, therefore, are a powerful, though silent, force affecting behaviour. Values are so embedded that they can be inferred from people's behaviour and their expressed attitudes. What may 'appear' to be strange behaviour in an employee can make sense if managers understand the value underlying that behaviour. Values have an important influence on the attitudes, perceptions, needs and motives of people at work. That is why, they are important to the study of organizational behaviour.

## WHAT ARE VALUES?

Milton Rokeach, a noted psychologist, has defined values as global beliefs that guide actions and judgements across a variety of situations. He further said, "Values represent basic convictions that a specific mode of conduct (or end-state of existence) is personally or socially preferable to an opposite mode of conduct (or end-state of existence). They contain a judgmental element, i.e., they carry an individual's ideas as to what is right, good or desirable. Values have both content and intensity attributes. The content attribute emphasizes that a mode of conduct or end-state of existence is important. The intensity attribute specifies how important it is. When we rank an individual's values in terms of their intensity, we obtain the value system of that person. All of us have a hierarchy of values that forms our value system. This system is identified by the relative importance that we assign to such values as freedom, self-respect, honesty, obedience, equality, and so on.

Values are so embedded that they can be inferred from people's behaviour and their perception, personality and motivation. They generally influence their behaviour. Values are relatively stable and enduring. This is because of the way in which they are originally learnt.

The values learnt can be divided into two broad categories (i) terminal values, and (ii) instrumental values. 'Terminal values' lead to ends to be achieved, e.g., comfortable life, family security, self-respect and sense of accomplishment. 'Instrumental values' relate to means for achieving desired ends, e.g., ambition, courage, honesty and imagination. Terminal values reflect what person is ultimately striving to achieve, whereas instrumental values reflect how the person gets there.

Table 11.1 : Terminal and Instrumental Values

Terminal Values ("ends")	Instrumental Values ("means")
Comfortable life	Ambition
Sense of accomplishment	Courage
Family security	Honesty
Mature love	Helpfulness
Self-respect	Independence
Wisdom	Imagination



## TYPE OF VALUES

Allport and his associates have categorized values into six major types as follows :

1. **Theoretical.** Interest in the discovery of truth through reasoning and systematic thinking.
2. **Economic.** Interest in usefulness and practicality, including the accumulation of wealth.
3. **Aesthetic.** Interest in beauty, form and artistic harmony.
4. **Social.** Interest in people and human relationships.
5. **Political.** Interest in gaining power and influencing other people.
6. **Religious.** Interest in unity and understanding the cosmos as a whole.

Different people place different importance to the above six value types. In other words, every individual has a system of values ranking from first to sixth. This is very important from the point of view of understanding the behaviour of people. The fact that people in different occupations have different value systems has led the progressive organizations to improve the values—job fit in order to increase employee performance and satisfaction.

## SOURCES OF VALUES

Parents, friends, teachers and external reference groups can influence individual values. Indeed, a person's values develop as a product of learning and experience in the cultural setting in which he lives. As learning and experiences vary from one person to another, value differences are the inevitable result. Not only the values but also their ranking in terms of importance differ from person to person.

A person learns and develops values because of the following factors:

- (i) **Familial Factors.** A significant factor influencing the process of socialization of an individual is role of the family. The child rearing practices that parents use shape the individual's personality. The learning of social behaviour, values and norms come through these practices. For example, through reward and punishment, parents show love and affection to children, indicating the typical ways in which a child should behave in different conditions.
- (ii) **Social Factors.** Of the societal factors, school has a major role to play in the development of values. Through discipline in school, a child learns desirable behaviours important in the school setting. Interactions with teachers, classmates and other staff members in the educational institutions makes the child inculcate values important to the teaching-learning process. Other institutions that may influence the values are religions, economic and political institutions in the society.
- (iii) **Personal Factors.** Personal attributes such as intelligence, ability, appearance and educational level of the person determine his development of values. For example, one's higher level of intelligence may result in faster understanding of values.



## VALUES AND CORPORATE CULTURE

Corporate culture is the term used to describe a system of shared values (what is important) and beliefs (how things work) that create behavioural norms (the way we do things) to guide the activities of organizational members. It is believed that strong corporate culture facilitates higher performance. Thomas J. Peters and Robert H. Waterman, Jr., authors of *In search of Excellence* state, for example: "Every excellent company we studied is clear on what it stands for, and take the process of value shaping seriously".

As a system of shared values, the corporate culture reflects a climate within which people value the same things and apply these values to benefit the corporation as a whole. One example is the dominant value of customer service. This value shall help to keep everyone from top management down to persons on the factory floor pulling in the same direction. Corporate values may be put in the form of slogans such as "The Family Feeling" by an airline company or "Quality at a good price" by a pharmaceutical giant. The strength of such slogans lies in the basic premise that values can influence behaviour. To the extent employees understand and share corporate values, their behaviour should be more uniform and consistent. The performance of individuals, groups and the organization as a whole will increase and benefit all. The managers who sense a compatibility between their personal values and those of the organization experience feelings of success in their lives, show high regard for organizational objectives and significant stakeholders, and have a healthy assessment of the values and ethics of their colleagues, subordinates, and bosses.

Big organizations develop different cultures which have different performance implications. Organizations with strong cultures that fit the needs and challenges of the situations survive and grow while organizations with weak cultures are phased out. That is why, the study of corporate culture is important in the field of organizational behaviour. It may be noted that 'corporate culture' and its companion notion of 'shared values' are not static concepts. They could be changed or modified to meet the need of changing environment.

## ATTITUDES

Attitudes constitute an important psychological attribute of individuals which shape their behaviour. Schermerhorn, et. al, have defined attitude as a predisposition to respond in a positive or negative way to someone or something in one's environment. When a person says that he likes or dislikes something, an attitude is being expressed.

An attitude may be defined as the way a person feels about something – a person, place, a commodity, a situation or an idea. It expresses an individual's positive or negative feelings about some object. It describes an individual's feelings, thoughts and predisposition to act towards some object in the environment.

Attitudes may be regarded as varying in several ways:

- (a) *Direction* – for or against something.



- (b) *Degree* – favourableness. To be neutral in attitude is to be indifferent to the object.
- (c) *Intensity* – degree of confidence.

An attitude may be unconsciously held. Most of our attitudes may be those about which we are not clearly aware. Prejudice furnishes a good example. A person can simultaneously hold inconsistent attitude towards the same object or at least towards aspects which are not clearly discriminated from one another.

### Components of Attitudes

There are three basic components of an attitude described below :

- (i) *Cognitive or Informational Component*. It consists of beliefs and values, ideas and other information that a person has about the attitude object. For instance, a person seeking a job may learn from newspapers and other people that a particular company is good pay-master.
- (ii) *Affective or Emotional Component*. It involves the person's feelings of likes and dislikes towards the attitude object.
- (iii) *Behavioural Component*. The tendency of a person to behave in a particular manner towards the attitude object is the behavioural component of an attitude.

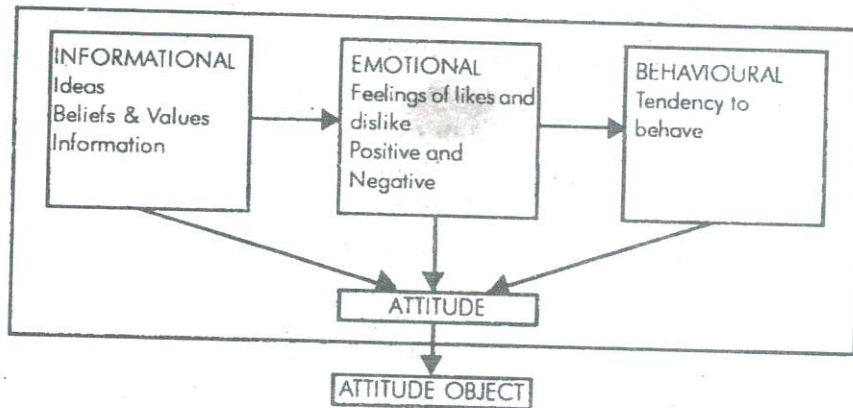


Figure 11.1 Components of an Attitude

These components show that an attitude can be considered as a way of thinking, feeling and behaving. For example, if someone has favourable thoughts about his supervisor at the job, he would develop feelings of consideration and respect for him and, as a result, may like to associate more frequently with him.

### Features of Attitudes

The important characteristics of attitudes are as follows:

- (a) *Attitudes affect behaviour*. People have the natural tendency to maintain consistency between two attitudes or behaviours. Attitudes can lead to intended behaviour if there is no external intervention.

- (b) *Attitude are invisible.* Attitudes constitute a psychological phenomenon which cannot be directly observed. However, we may observe an attitude indirectly through observing its consequences. For example, if a person is highly productive, we may infer that he has a positive attitude towards his work.
- (c) *Attitudes are acquired.* Attitudes are generally learnt over a period of time. The process of learning attitude starts right from childhood and continues throughout the life of a person. However, in the beginning, the family members have a positive attitude toward business and negative towards service, there is a greater likelihood that the child will inculcate similar attitudes towards these objects.
- (d) *Attitudes are pervasive.* Attitudes are formed in the process of socializations and may relate to anything in the world. For example, a person may have positive or negative attitudes towards religion, politics, politicians, countries, and so on. At our place of work, we have attitudes towards work, superiors, peers, subordinates, clients, government and its policies, investors and so on. Thus, there is an endless list of attitude objects.

### Attitudes and Beliefs

Belief reveals what one suppose to be true. It may be about anything. A subordinate may believe his superior to be honest. But, in fact, the superior may or may not be honest. The attitude of the subordinate towards the superior reveals whether he likes or does not like him. The positive attitude, and the consequent liking, may rather make the subordinate condone all the bad qualities in the superior and consider him honest.

### Attitudes and Values

The values of a person reveal his ideas about what is good or bad, what is right or wrong, or what is desirable or undesirable. They reflect a moral tone. 'Workers should be honest to their work' is a statement of value. The honest workers are good is an evaluative statement and reveals the attitude of the person towards the honest workers. It can be noted that beliefs are one of the determinants of one's attitudes. A person holds an honest worker to be good because of his values that workers should be honest towards their work.

### Sources of Attitudes

The central ideal running through the process of attitude formation is that the thoughts, feelings and tendencies to behave are acquired or learned gradually. But how does one learn them?

The attitudes are acquired from the following sources :

- (a) *Direct Personal Experience.* The quality of a person's direct experience with the attitude object determines his attitude toward it. For example, if a worker finds his work repetitive, inadequately paid, supervisor too tough, and co-workers not so cooperative, he would develop a negative attitude towards his job because the quality of his direct experience with the job is negative.



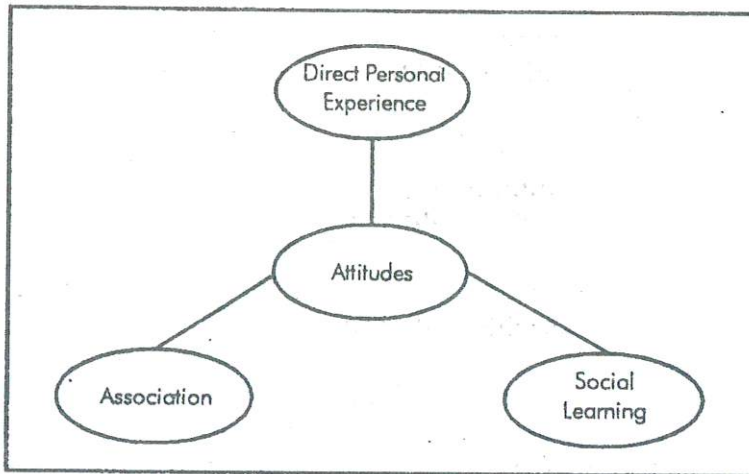


Figure 11.2: Sources of Attitudes

- (b) **Association.** A new attitude object may be associated with an old attitude object and the attitude towards the latter may be transferred towards the former. For example, if a newly recruited worker remains most of the time with a worker towards for whom the supervisor has a favourable attitude, the supervisor is likely to develop a positive attitude towards the new worker also. Hence, the favourable attitude for the old worker has been transferred towards the new worker.
- (c) **Social Learning.** Attitudes are also learnt from others as for example, from parents, teachers, superiors, models etc. An individual may learn by having contact with others or even watching models over the T.V. In fact, social learning makes it possible for a person to develop attitude towards something even when he has no direct experience of the attitude object. For example, an unemployed person entering the job market for the first time, may be favourably disposed towards a government job because others in the society have such an attitude towards government job. Thus, the social learning is a convenient way of developing attitudes.

### Formation of Attitudes

The above are the three important ways in which attitudes are learnt. But what type of attitudes will ultimately develop is dependent on the following factors :

- (a) **Psychological Factors.** The psychological make-up of a person is made up of his perceptions, ideas, beliefs, values, information, etc. It has a crucial role in determining a person's attitudes. For example, if a person perceives that generally all supervisors are exploitative, he is likely to develop a negative attitude towards his superior who in fact may not be exploitative.
- (b) **Family Factors.** During childhood, a person spends a major part of his time in the family. Thus, he learns from the family members who provide him with ready-made attitudes on a variety of issues such as education, work, health, religion, politics, economics, etc. Every family instills or attempts to instill such

- attitudes among its members as are considered appropriate to its socio-economic status in the society. Therefore, a person from a middle class family may hold a different attitude towards spending than a person from an affluent family. In the later years of life, however, any person whom we admire, respect or fear may have greater influence on our attitudes.
- (c) **Social factors.** Societies differ in terms of language, culture, norms, values, beliefs, etc., all of which influence a person's attitude. For example, people in India in general hold different attitudes towards communism than people of China. Similarly, Indians and Americans differ in their attitudes toward religion.
  - (d) **Organizational factors.** It should be remembered that a worker spends a major part of his life in the institution in which he works. Thus, organizational factors such as nature of job, factory or office layout, fellow workers, quality of supervision, monetary rewards associated with the job, trade unionism, informal groups, organization's policies and practices, play an important role in shaping the job attitudes of a person. For example, if a creative person finds the nature of his job to be repetitive, dull, boring and less changing, he is likely to develop a negative attitude towards his job.
  - (e) **Economic factors.** A person's attitude towards a host of issues such as pleasure, work, marriage, working women, etc., is influenced by economic factors such as his economic status in the society, rate of inflation in the economy, Government's economic policies, and the country's economic conditions. For example, during the Gulf crisis, the Government of India made a big drive to save oil so as to cut the import bill. A big campaign was started to educate people in this regard. It aimed at promoting negative attitude towards pleasures trips and positive attitude towards proper driving and maintenance of vehicles.
  - (f) **Political factors.** Policies plays a crucial role in the administration of a country. Therefore, political factors such as ideologies of the political parties, political stability and the behaviour of the political leaders greatly affect the attitude of the people.

### MEASUREMENT OF ATTITUDE

The attitudes of people tend to be relatively stable but can always be modified at least to some extent. Certain difference in employees' attitudes is inevitable and that is responsible for difference in their behaviour within the organization. There are certain ways by which it is possible for a supervisor to get some inkling of attitudes of individuals such as interpreting the chance remarks of individuals or behaviour of individuals in the work groups, etc. A sensitive supervisor can always get a feeling with respect to the general reaction of his work-group even though he cannot pinpoint such reactions specifically. The other way to find attitude change is the analysis of certain factors such as turnover rate, absenteeism and production level. Various methods have been developed to doing this, some of these consist of questionnaires which are filled up by the employees. There are two general types of questionnaires in common usage, one is "attitude scale" and other "opinion survey".



### Thurstone Attitude Scale

To develop an attitude scale, the first step is to write out a large number of statements, each of which expresses a viewpoint of some kind towards the company. Each of these statements is typed on a separate slip of paper and the judge is asked to place each statement in one of several piles (usually 7, 9 or 11). Statements judged to express varying degrees of favourableness in between these extremes are placed in the piles that are judged best to characterize their relative degrees of favourableness. Many experts are used in the construction of the scale. The allocation of statements to the several piles is a part of the process of constructing the scale.

The purpose of allocation is to determine the scale values of various statements. If all judges tend to place a statement in piles towards the favourable then we can conclude that the statement expresses a favourable attitude towards the company. If the statement is placed by the judges in piles towards the unfavourable end of the series, then we may conclude that an unfavourable attitude is expressed by that particular statement. So we can determine the average location of the statement by the judge.

The use of different statements in scales measuring the same attitude helps in checking results by a repeat test in order to be sure of conclusion reached and to measure the effectiveness of systematic company effort to improve employee morale.

### Likert's Scale

Likert's method does not require the use of judges in scaling the statements. A number of statements describing attitudes are prepared and each statement has five degrees of approval and ask the person taking the scale to check one of the five degrees:

- Strongly approved.
- Approved.
- Undecided.
- Disapproved.
- Strongly disapproved.

### Opinion Surveys

Attitude scale help to measure the attitudes of individuals by summarizing data for all employees within a group : such scales can be used to quantify 'morale' of employee groups. Attitude scales can be useful in indicating the relative level of morale of employees group, they do not enable the management to identify specific factors that may be sources of employees' unrest or dissatisfaction. The information can be obtained by the use of questionnaire that provides for giving opinions about specific matters such as working conditions, company policies, facilities, etc.

The usual practice in opinion questionnaire is that of obtaining a single response to each question in either 'yes' or 'no'. In particular, the employees may be asked to check each item in one of the three boxes ; satisfied, neutral or dissatisfied and also check each item as being of great importance. It is possible to develop a questionnaire that can serve both the purposes of obtaining opinions of employees and measuring their attitudes. The data collected by the questionnaires can be compiled, tabulated

and analyzed to know about the attitude of workers towards supervision and the company.

### **Interviews**

Still another method of obtaining information about personnel reactions is the use of interviews. The workers should be interviewed by the representatives of some outside organization such as a consultancy firm or a university department. In a guided interview, the interviewer asks a series of questions such that each of which may be answered by a simple 'yes' or 'no' or by some other words or phrases. In the unguided interview, the interviewer asks more general questions to encourage the employee to express himself and solicit information about his job satisfaction, job involvement and job commitment.

### **Attitudes and Individual Behaviour**

As shown in Figure 11.1, there is a tentative link between attitudes and behaviour. Beliefs and values create attitudes that predispose behaviour. In other words, attitude leads to intended behaviour. However, this intention may or may not be carried out in any given circumstances. Take a person with a favourable attitude toward labour opinions. Other things being equal, this attitude would predict saying nice things about labour unions. Practically speaking, however, other factors in a given situation may override the intentions. Hearing a good friend say negative things about a union, for example, may lead to the suppression of the tendency to say something nice about them in the same conversation. The person's favourable attitude in this case, has not changed, but its associated intention to behave was not carried out.

Even though attitudes do not always predict behaviour, the link between attitudes and potential or intended behaviour is important for managers. It is not uncommon to hear concerns expressed about someone's 'bad attitude'. These concerns are expressed for a reason, i.e., displeasure with the behavioural consequences with which the poor attitude is associated. In an organization, unfavourable attitudes of workers in the form of job dissatisfaction can result in labour turnover, absenteeism, tardiness, low productivity, etc.

### **Role of Leadership in Changing Attitudes and Behaviour**

Once formed, attitudes have a tendency to persist and are very difficult to change. The main difficulty in changing attitudes is resistance on the part of people to change. They do not want to be informed that they are wrong in their thoughts and feelings. But attempts to change attitudes are very common. Since attitudes are acquired through the process of learning, they can also be changed through the process of education. In this process, leadership plays an important role.

A leader is one who is able to influence the perceptions, attitudes and behaviour of other person or a group of persons for some objective. By the same token, any person whose perception, attitude and behaviour are being influenced by someone is called a follower. A leader, attempting to change the attitude of his follower(s), can focus



his attention on the components of an attitude and the situation surrounding the attitude. To be more specific, attitudes can be changed by changing any one or more of the following factors :

- (1) *Change in Ideas and Beliefs.* When the reason for the undesirable attitude is insufficient or misleading, attempts to change such attitudes can be made by supplying sufficient amount of desired information to the person. For example, people can be seen possessing negative attitude towards the staff at the railway reservation counters. They believe that the staff avoids the work. Therefore, whenever there is some delay in getting reservation, people express their anguish towards the staff. Such a negative attitude can be changed by drawing the attention of public towards the circumstances in which the staff works. Sometimes the staff is to deal with illiterate passengers which consumes a lot of their time.
- (2) *Change in Feelings or Emotions.* Sometimes, attempts to change ideas and beliefs by providing facts are without effect on the negative attitude because of the strong impact of emotions on such attitudes. The most effective way in such circumstances is listening. That is why complaint boxes are provided in some organizations. Some government departments organize open house meetings with the public to listen to their grievances. This goes a long way in changing the negative attitudes of people.
- (3) *Change in Situation.* To change an undesirable attitude, some situational variables which are causing such an attitude could be modified. For example, if inadequate pay is the cause of the negative attitude, then pay increase may be planned. A few more examples of situational variables which may affect attitude towards job are communication among people at work, nature of the job, management practices, style of supervision and work groups.
- (4) *Change in Behaviour.* In the ultimate analysis, the undesirable behaviour accompanying some attitude is the focus of change. Though it is a direct method of changing some undesirable attitude, it is more complicated and not likely to last long. For example, if a person has a negative attitude towards his job, he may absent himself from the work more often. If punishment is planned for absenteeism, the person may become more regular but may express his attitude in some other manner. He may slow down the work. Thus, the attempts to change behaviour requires close watch because the undesirable attitude may not have changed at all and the undesirable behaviour accompanying such an attitude may have only gone underground or the undesirable behaviour may have been replaced by some other undesirable behaviour.

### Attitudes and OB

The focus of OB is on job-related attitudes of employees. Such attitudes tap positive or negative evaluations that employees hold about certain aspects of their work environment. The behavioural scientists have concentrated on three job related attitudes: job satisfaction, job involvement, and organizational commitment.

- (i) *Job Satisfaction.* The term 'job satisfaction' refers to an individual's general attitude towards his job. A person with a high level of job satisfaction holds



positive attitudes towards the job, while a person who is dissatisfied with his job holds negative attitudes about the job. Job satisfaction is supposed to be an important key to employee's performance.

- (ii) **Job Involvement.** It measures the degree to which a person identifies psychologically with his job and considers his perceived performance level important to his self-worth. Employees with a high level of job involvement strongly identify with and really care about the kind of work they do on their jobs. Such people are reported to have shown lower rates of labour turnover and absenteeism.
- (iii) **Organizational Commitment.** It is defined as a state in which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization. High job involvement means identifying with one's specific job, while high organizational commitment means identifying with one's employing organization.

The research studies demonstrate negative relationships between organizational commitment and both absenteeism and turnover. In fact, studies demonstrate that an individual's level of organizational commitment is a better indicator of turnover than the far more frequently used job satisfaction predictor. Organizational commitment is probably a better predictor because it is a more global and enduring response to the organization as a whole than is job satisfaction. An employee may be temporarily dissatisfied with his particular job, and not with the organization. But if he is dissatisfied with the organization, he is more likely to find job elsewhere.

## JOB SATISFACTION

The term 'job satisfaction' is commonly used in any discussion of OB. In the words of Feldman and Arnold, "Job satisfaction is the amount of overall positive effect or feelings that individuals have towards their jobs".

"Job satisfaction is the amount of pleasure or contentment associated with a job. If you like your job intensely, you will experience high job satisfaction. If you dislike your job intensely, you will experience job dissatisfaction." Job satisfaction is an individual's emotional reaction to the job itself. It is his attitude towards his job.

### Job Satisfaction and Productivity

The old view that 'a happy worker is a productive worker' does not clarify the complex relationship between job satisfaction and productivity. It was traditionally said that high job satisfaction leads to improved productivity, decreased turnover, reduced accidents and less job stress in the long-run. But the relationship between job satisfaction and productivity is not definitely established.

Porter and Lawler found that job performance leads to job satisfaction and not the other way round. They argued that performance leads to two kinds of rewards- intrinsic and extrinsic. The intrinsic rewards such as growth, challenging job, etc, stem from the job itself and extrinsic rewards are under the control of management



such as salary, bonus, etc. Intrinsic rewards are more closely related to satisfaction. For instance, if a person performs well on a challenging assignment, he gets an immediate feeling of satisfaction.

The lack of correlation between job satisfaction and performance can be explained as follows. If a job holds little potential for intrinsic rewards, and if extrinsic rewards bear a very little relationship to the performance level of the individual, the resultant connection between satisfaction and performance tends to be weak. In such a situation, management should do two things:

- (i) Modify the job so that it becomes capable of yielding intrinsic rewards for performance.
- (ii) Correct the reward system so that it acts as an incentive for higher performance, i.e., higher performance receives proportionally higher extrinsic rewards.

In practice, there may not be a direct cause and effect relationship between job satisfaction and productivity at lower levels because productivity is determined by outside factors like speed of machine, quality of materials, type of supervision, etc. However, the satisfaction-performance correlation may be stronger for people working as professionals, or in supervisory and managerial positions.

### **Job Satisfaction and Absenteeism**

There is a negative relationship between satisfaction and absenteeism, though the correlation is not high. It makes sense that dissatisfied workers are more likely to abstain from work as compared to the satisfied workers. But even the satisfied workers may absent themselves from the workplace to enjoy a three-day weekend or to watch a five-day cricket match. That means outside factors can act to reduce the correlation between dissatisfaction and absenteeism.

### **Job Satisfaction and Employee Turnover**

High employee turnover is of considerable concern for the management because it disrupts normal operations, causes morale problems for those who stick on, and increases the cost involved in selecting and training replacements. The employees must do whatever possible to minimize turnover, making the employees feel satisfied on their jobs.

Unlike the relationship between satisfaction and productivity, the connection between job satisfaction and employee turnover is established beyond doubt. It has been demonstrated that workers who have relatively low levels of job satisfaction are the most likely to quit their jobs and that organizational units with the lowest average satisfaction levels tend to have the highest turnover rates. However, the withdrawal behaviour of employee is modified by certain factors. Loyalty to the organization is one such. Some employees cannot imagine themselves working elsewhere, however dissatisfied they are in their present jobs. Availability of other places of employment also influences turnover. If better avenues are available, an employee may not mind going in search of them, notwithstanding the present level of job satisfaction he enjoys.



### Determinants of Job Satisfaction

Several elements contribute to job satisfaction. These are discussed below:

- (i) **Nature of Job.** Job satisfaction is related to the aptitude of the employee. If the employee is given a work for which he has no aptitude, the job will provide no attraction to him. Hence the question of contribution, creativity or motivation does not arise. It is for the management to design jobs in such a manner that each worker gets the job of his own choice.
- (ii) **Nature of Supervision.** The employee-centered supervisory style enhances job satisfaction as the leader looks after subordinates carefully, displays friendship, respect and warmth etc., towards them. On the other hand, production-oriented leader may cause low job satisfaction to the employees and may affect the turnover and absenteeism adversely. Of course, it all depends on the situation.
- (iii) **Working Conditions.** Job satisfaction is related to working conditions also. The work will be more attractive if working conditions are congenial to the task a worker proposes to accomplish. Good working conditions involve such facilities as adequate light, comfortable temperature, attractive surroundings, etc.
- (iv) **Equitable Rewards.** Economic rewards play a significant role in influencing job satisfaction. This is because of two reasons. First, money is an important instrument in fulfilling one's needs; and secondly, employees often see pay as a reflection of management's concern for them. Employees want a wage pay system which is simple, fair, and in line with their expectations. When pay is seen as fair, based on job demands, individual skill level, and community pay standards, satisfaction is likely to result. What needs emphasis is that it is not the absolute amount paid that matters, rather it is one's perception of fairness.
- (v) **Opportunities of Promotion.** Promotional opportunities affect job satisfaction considerably. The desire for promotion is generally strong among higher levels employees as it involves change in job content, pay, responsibility, autonomy, status and the like. It is no surprise that the employee takes promotion as the ultimate achievement in his career and when it is realized, he feels extremely satisfied.
- (vi) **Work-group.** It is the work-group that fulfils the need for social interaction of the members. If the worker has good relations with the fellow employees and the supervisor, he will feel satisfied. If the work-group enjoys a higher status, his job satisfaction will increase further.
- (vii) **Employee Morale.** If the morale is higher, satisfaction with job is likely to be higher and vice-versa. The workers will be loyal to the organization if their morale is higher. The rates of absenteeism and labour turnover will also be low because of psychological satisfaction from the job.

### SUMMARY

Values and attitudes of an individual are the micro variables in the study of organization behaviour. Value is a personal belief of an individual regarding some



object. While attitude is a persistent behaviour towards that object. Both of them are, in general circumstances, positively correlated. But in some cases, values upheld are different while the attitude being presented is of a different line. Hence, it is a situational context. Attitudes often help employees adapt to their work environment. A positive attitude of an employee towards his job, work environment, colleagues, subordinates, his bosses results in job satisfaction. Although the relation of job satisfaction and productivity is not established low job satisfaction tends to lead to both turnover and absenteeism. While his job satisfaction often results in fewer on-the-job accidents and work grievances and less time needed and learn new job-related tasks.

### REVIEW QUESTIONS

1. Discuss the concept and types of values. What are the sources of values?
2. What do you understand by attitude? What are its components? How is an attitude formed?
3. Explain the features of attitudes. What are the sources of attitudes?
4. How are attitudes formed? How can attitudes be measured?
5. Do attitudes affect an individual's behaviour? What is the role of a manager in changing the attitudes of workers?
6. "Job-related attitudes are significant for understanding organizational behaviour," Explain this statement.
7. What is job satisfaction? How is it linked with productivity? What factors determine job satisfaction?
8. Explain the determinants of job satisfaction of an individual. What is the influence of job satisfaction on employee turnover and absenteeism?
9. Answer the following:
  - (a) What are values?
  - (b) What are the sources of values?
  - (c) State the impact of corporate values on organizational climate.
  - (d) Explain the components of attitudes.
  - (e) What is social learning?
  - (f) Briefly discuss the role of attitudes in job satisfaction and job involvement.
  - (g) Write a short note on organizational commitment.
  - (h) What is the impact of job satisfaction on employee productivity?

**OBJECTIVES**

- ❑ Establish learning as a variable of organizational behaviour.
- ❑ Define the theories relating to learning.
- ❑ Analyse the principle of reinforcement detailing the law of effect, positive and negative reinforcers.

**STRUCTURE**

- ◆ Introduction
- ◆ Nature of Learning
- ◆ Theories of Learning
- ◆ Cognition
- ◆ Classical Conditioning
- ◆ Operant Conditioning
- ◆ Social Learning
- ◆ Shaping Behaviour
- ◆ Strategies of Reinforcement
- ◆ Use of Reinforcement Theory in Behaviour Modification (OB Mod)



## INTRODUCTION

E.R. Hilgard has defined learning as a relatively permanent change in behaviour that occurs as a result of prior experience. Ironically, it can be said that change in behaviour indicates that learning has taken place and that learning is a change in behaviour. To quote W. McGehee, "Learning has taken place if an individual behaves, reacts, responds as a result of experience in a manner different from the way he formerly behaved."

Learning is change in behaviour through education and training, practice and experience. It is accompanied by acquisition of knowledge, skills and expertise which are relatively permanent. Temporary changes may be only reflexive and fail to represent any learning.

Learning may be described as 'the process of acquiring the ability to respond adequately to a situation which may or may not have been previously encountered, the favourable modification of response tendencies consequent upon previous experience, particularly the building of a new series of complex coordinated motor response; the fixation of times in memory so that they can be recalled or organized; the process of acquiring insight into situational'. Thus, learning can be defined as a relatively permanent change in behaviour as a result of prior experiences.

## NATURE OF LEARNING

The process of learning involves the following implications:

- (i) Learning involves a change, though not necessarily improvement, in behaviour. Learning may be good or bad from organization's point of view. For example, bad habits, prejudice, stereotypes and work restrictions may be learnt by an individual.
- (ii) Change in behaviour must be relatively permanent. Temporary changes may be only reflexive and fail to represent any learning. Changes caused by fatigue or temporary adaptations are not covered in learning.
- (iii) The change in behaviour should occur as a result of experience, practice, or training. The change may not be evident until a situation arises in which the new behaviour can occur.
- (iv) The practice or experience must be reinforced in order for learning to occur. If reinforcement does not accompany the practice or experience, the behaviour will eventually disappear.
- (v) Learning is reflected in behaviour. A change in an individual's thought process or attitude, not accompanied by behaviour, is no learning.

## THEORIES OF LEARNING

There are four theories which explain how individuals learn new patterns of behaviour as shown in Figure 12.1.

- (i) **Classical conditioning.** The classical behaviourists, particularly Pavlov and Watson, attributed learning to the connection between stimulus and response. (Stimulus Response).



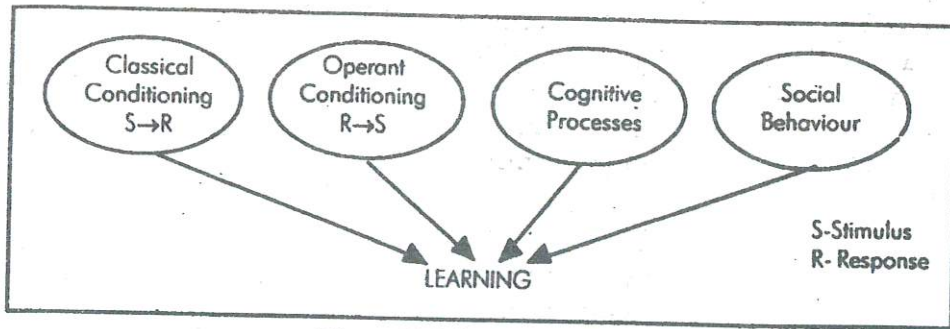


Figure 12.1: Types of Learning

- (ii) **Operant conditioning.** The operant behaviourists such as Skinner described the role of consequences in understanding the learning process. (Response Stimulus). Operant behaviour means voluntary or learned behaviour in contrast to reflexive or unlearned behaviour.
- (iii) **Cognitive learning.** Cognitive theorists felt that processes within the individual, concerned with receiving, preserving and interpreting information, make the individual learn new patterns of behaviour.
- (iv) **Social learning.** It is an integrative theory of learning which explains that people learn through observation and direct experience. Modeling, symbolism and self-control are the important techniques of social learning.

## COGNITION

Cognition implies a conscious or deliberate process towards acquiring knowledge. Individuals have cognitive system that represent what they know about themselves and the external environment. These systems are developed through cognitive processes like perceiving, imaging, thinking, reasoning, and decision-making. By understanding a person's cognitive system, it is possible to predict his behaviour. The more we understand about an individual's cognitive system, the better we are able to predict his behaviour.

## CLASSICAL CONDITIONING

Classical conditioning deals with the association of one event with another desired event resulting in a desired behaviour or learning. It is a type of conditioning where an individual responds to some stimulus that would invariably produce such a response. Learning through classical conditioning was first studied by Ivan Pavlov, a famed Nobel Prize winning physiologist, at the turn of the 20th century.

Pavlov conducted an experiment on a dog to study the relation between the dog's salivation and the ringing of a bell. A simple surgical procedure helped him to measure accurately the amount of saliva secreted by the dog. When Pavlov presented a piece of meat to the dog, he noticed a great deal of salivation. He termed the food an unconditional stimulus (food automatically caused salivation) and the salivation an unconditioned response. When the dog saw the meat, it salivated. During the second stage, Pavlov merely rang a bell (neutral stimulus), the dog did not salivate. Pavlov subsequently introduced the sound of the bell each time the meat was given to the



dog. Thus, meat and the ringing of the bell were linked together. The dog eventually learnt to salivate in response to the ringing of the bell even when there was no meat. Pavlov conditioned the dog to respond to a learned stimulus. Thorndike called this the "law of exercise" which states that behaviour can be learned by repetitive association between a stimulus and a response.

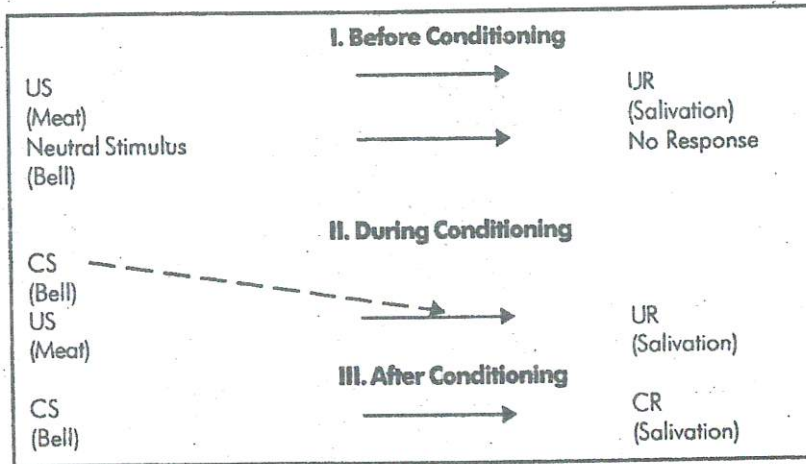


Figure 12.2. Stages in Classical Conditioning

The meat was an unconditioned stimulus (US). It invariably caused the dog to react in a specific way, i.e., noticeable increase in salivation. This reaction is called the unconditioned response (UR). The bell was an artificial stimulus or conditioned stimulus (CS). It was originally neutral. But when the bell was paired with the meat (an unconditioned stimulus), it eventually produced a response. After conditioning, the dog started salivating in response to the ringing of the bell alone. In other words, conditioned stimulus (CS) led to conditioned response (CR).

Thus, under classical conditioning, learning is a conditioned response which involves building up an association between a conditioned stimulus and an unconditioned stimulus. Using the paired stimuli, one compelling and the other one neutral, the neutral one becomes a conditioned stimulus and, hence, takes on the properties of the unconditioned stimulus. This happens quite often in organizational settings. In a case, there was a cleanliness drive in a hospital to prepare for inspection by the top officials of the health ministry. Here the nurse and other staff showed great attention to their duties. This practice continued for a considerable period. Eventually, nurses and other staff showed their utmost attention to duties whenever the cleanliness drive was carried out in the hospital even though it was not linked with the inspection by the health ministry official.

Classical conditioning represents only a very small part of total human learning. So it has a limited value in the study of organizational behaviour. In the words of S.P. Robbins, "Classical conditioning is passive. Something happens and we react in a specific or particular way. It is elicited in response to a specific, identifiable event and as such it explains simple and reflexive behaviours. But behaviour of people in organizations is emitted rather than elicited, and it is voluntary rather than reflexive.



The learning of complex behaviours can be better understood by looking at operant conditioning."

## OPERANT CONDITIONING

Operant is defined as behaviour that produces effect. Operant conditioning is based on the work of B.F. Skinner who advocated that individuals emit responses that are rewarded and will not emit responses that are either not rewarded or are punished. Operant conditioning is voluntary or learned behaviour and it is determined, maintained and controlled by its consequence. In contrast, respondent behaviour is an involuntary or unlearned response to an environment stimulus.

Operant conditioning is based on the premise that behaviour is a function of its consequences. People learn to behave to get something they desire or to avoid something they do not like. Behaviour is likely to be repeated if the consequences are favourable and it is not likely to be repeated if the consequences are unfavourable. Thus, the relationship between behaviour and consequences is the essence of operant conditioning. The term 'operant' indicates that the organism operates in its environment to generate consequences. The relationship between consequences and response summarizes quite concisely a basic learning process that occurs over time, in which a person changes his behaviour based on his past experience. The various strategies of reinforcement are discussed later in this chapter.

Reinforcement strengthens a behaviour and increases the likelihood that it will be repeated. This is the essence of operant conditioning. Its advocates point out that evidence abounds throughout human history that we will adhere to its tenets. We do learn from touching a hot stove, and we understand electric shock rather well after we stick a finger in a light socket. Whether or not we agree with the concept of operant conditioning, we cannot avoid it. Parents reward children for good behaviour and admonish them for inappropriate behaviour. In education, we invoke the law of effect by awarding grades for various works and how we are caught up in it, we gain insight about how and why people behave as they do. Thus, we learn to recognize environmental stimuli and probable responses, thereby improving our ability to predict behaviour.

Operant conditioning is a powerful tool for managing people in organizations. Most behaviours in organizations are learned, controlled and altered by the consequences, i.e., operant behaviours. Management can use the operant conditioning process successfully to control and influence the behaviour of employees by manipulating the reward system. If a manager wants to influence behaviour, he must also be able to manipulate the consequences. Thus, it can be concluded that the behavioural consequences that are rewarding, increase the rate of response, while the aversive consequences decrease the rate of response.

### Classical Conditioning vs. Operant Conditioning

The points of difference between the two types of conditioning are given below :

- (i) In classical conditioning, a specific stimulus, such as food, is used to elicit a specific response. In operant conditioning, the response is not elicited by



controlled stimulation but rather is spontaneously emitted by the subject. The stimulus situation serves as a cue in operant conditioning. It does not elicit the response but serves as a cue for a person to emit the response. The critical aspects of operant conditioning is what happens as a consequence of the response. Moreover, responses are variable in types and degrees as against fixed response under classical conditioning.

- (ii) The emphasis in classical conditioning is upon involuntary responses, while the emphasis in operant conditioning is upon voluntary responses.
- (iii) During the classical conditioning process, the unconditioned stimulus, serving as a reward, is presented every time. Thus, stimulus leads to response (S R). But in operant conditioning, the reward is presented only if the organism gives the right response. The organism must operate on the environment in order to receive a reward. The response or behaviour is instrumental in obtaining the reward. (R S).
- (iv) Under classical conditioning, reinforcement is not received by choice of the individual. But in case of operant conditioning, the individual's response is instrumental in securing reinforcement by operating on the environment.

### Cognitive Learning

Cognitive learning is learning achieved by thinking about the perceived relationship between events and individual goals and expectations. For instance, the process motivation theories deal with explaining "why" people decide to do things. They do so by examining how people come to view various work activities as perceived opportunities to satisfy needs, pursue desired rewards, and eliminate felt inequities.

Cognition refers to an individual's ideas, thoughts, knowledge, interpretations, understandings, etc., about himself and his environment. Cognitive theorists argue that the learner forms a cognitive structure in memory, which preserves and organizes information about the various events that occur in a learning situation. When a test is conducted to determine how much has been learned, the subject must encode the test stimulus and scan it against his memory to determine an appropriate action. What is done will depend upon the cognitive structure retrieved from memory.

The cognitive theory recognizes the role of an organism in receiving, memorizing, retrieving and interpreting the stimulus and reacting to it. The cognitive explanation of learning differs from classical conditioning (stimulus response learning) and operant conditioning (response stimulus learning). According to Tolman, cognitive approach could be termed as stimulus stimulus approach, i.e., one stimulus leads to another.

The cognitive theory has forced the behaviourists to develop more complex explanations of behaviour and urged upon the need to consider cognitions as having at least a possible mediating role between the stimulus environment and the behaviour. Many motivation theories centre around the cognitive approach. Expectations, attribution and locus of control, and goal setting (which are in the forefront of modern work-motivation) are all cognitive concepts and represent the purposefulness of organizational behaviour.



## SOCIAL LEARNING

Social learning is learning achieved through the reciprocal interactions between people, behaviour, and their environment. Social learning theory integrates the cognitive and operant approaches to learning. It recognizes the importance of consequences as determinants of behaviour. It also emphasizes that people acquire new behaviours by observing and imitating others in the social setting. Learning is not a case of environmental determinism (classical and operant views) or of individual determinism (the cognitive view). Rather, it is a blending both. Thus, social learning theory emphasizes the interactive nature of cognitive, behavioural and environmental determinants.

People learn through observation and direct experience. Social learning theory is a behavioural theory. It draws heavily from the classical and operant conditioning concepts and even goes beyond that. Besides antecedent stimuli and contingent consequences, social learning can also take place via (i) modeling or vicarious learning; (ii) symbolism; and (iii) self-control.

**Modeling.** Through vicarious learning or modeling, people acquire behaviours by directly observing and imitating others. When the "models," such as manager or coworker, demonstrate desirable behaviours, it can have major impact on a person's work efforts. Many patterns of behaviour are learned by watching the behaviour of models such as parents, teachers, superiors, film stars, etc.

The influence of models is central to the social learning viewpoint. The following process determine the influence that a model will have on an individual :

1. **Attentional Process.** People only learn from a model when they recognise and pay attention to its critical features. We tend to be most influenced by models that are attractive, repeatedly appearing, which we think are important, or we see as similar to us.
2. **Retention Process.** A model's influence will depend on how well the individual remembers the model's action, even after the model is no long readily available.
3. **Motor Reproduction Process.** After a person has seen a new behaviour by observing the model, the watching must be converted into doing. This process demonstrates that the individual can perform the modelled activities.
4. **Reinforcement Process.** Individuals will be motivated to exhibit the modelled behaviour if positive incentives or rewards are provided. Behaviours that are reinforced will be given more attention, learned better and performed more often.

## SHAPING BEHAVIOUR

In any organization, managers concerned with making the subordinates learn those behaviours that are most beneficial to the organization. When a manager moulds individuals by guiding their learning in graduated steps, he is shaping behaviour.

A manager can shape behaviour by systematically reinforcing each successive step that moves the individual closer to the desired response. If an employee who has been chronically a half-hour late for work comes in only twenty minutes late, the



manager can reinforce this behaviour so that it comes more close to the desired behaviour to be at work on time.

### The Law of Effect

The operant conditioning or learning approach to behaviour is based on the law of effect propounded by Thorndike. The law states that the behaviour that has rewarding consequence is likely to be repeated; whereas behaviour that leads to a negative or punishing consequence tends not to be repeated. In any organization, the frequency of various behaviours can be seen as depending on the immediate consequence of those behaviours. If, for example, employees work hard to achieve organizational objectives and are directly rewarded with bonus or privileges, they will tend to repeat their efforts when new objectives are set.

Reinforcement plays a central role in the learning process. Reinforcement is an external explanation of behaviour as compared to motivation which is an internal explanation of behaviour (being concerned with inner needs). Something is reinforcing only if it strengthens the response preceding it and induces repetitions of the response.

### STRATEGIES OF REINFORCEMENT

Reinforcement is very important for learning because behavioural response is conditioned by reinforcement. We may define reinforcement as anything that both increases the strength of response and tends to induce repetitions of the behaviour that preceded the reinforcement. Four types of reinforcement strategies can be employed by managers to influence the behaviour of employees, viz., (i) positive reinforcement, (ii) negative reinforcement, (iii) extinction, and (iv) punishment. These are discussed below :

1. **Positive Reinforcement.** The strategy entails the use of rewards that stimulate desired behaviour and strengthen the probability of repeating such behaviour in the future. Positive reinforcers can be primary or secondary. Those considered primary have direct beneficial consequences and include food, clothing and shelter. Secondary reinforcers bring pleasure but have a variety of meanings for individuals such as money, promotion, and praise. Money is considered secondary because it is used to purchase primary reinforcers (food) or as a proxy for status (also a primary reinforcer).

Effective reinforcers must meet two conditions: First, the reward should be contingent upon the type of performance. Second, the reward should be matched with the needs of the worker. Because positive reinforcers differ among individuals, managers must either develop a reward system that is appropriate for all the members of their workgroup or tailor their rewards to suit each individual.

**Negative Reinforcement or Avoidance Learning.** Negative reinforcement takes place when individuals learn to avoid or escape from unpleasant consequences. Much lawful behaviour in our society is based on avoidance learning. For example, people learn to drive carefully to avoid accidents. In the workplace, avoidance



learning usually occurs when peers or supervisors criticize an individual's actions.

Negative reinforcement relies on avoidance of punishment or the threat of punishment rather than the offering of a reward. For instance, we learn to watch for traffic when crossing streets, and we learn to bundle up on cold days to avoid accidents and to protect ourselves from cold. However, punishment or threat of punishment is not implied in any of these actions. In work environment, training, safety warnings, orientation sessions and counselling help alert employees against negative consequences of undesirable behaviour. When coupled with positive reinforcement for appropriate behaviour, the effect can be extremely beneficial.

3. **Extinction.** It is an effective method of controlling undesirable behaviour. It refers to non-reinforcement. It is based on the principle that if a response is not reinforced, it will eventually disappear. The absence of all forms of reinforcement used to remove or extinguish undesirable behaviour. A disruptive employee who, for example, picks fights and who is apparently punished by the supervisor may continue the disruption because of the attention they bring. By ignoring or isolating the disruptive employee, attention is withheld and possibly also the motivation for fighting.
4. **Punishment.** Through punishment, managers try to correct improper behaviour of subordinates by providing negative consequences. Giving harsh criticism, docking pay, denying privileges, demoting, and reducing an individual's freedom to do his or her job are common forms of punishment in the workplace. Punishment is the historic method of reducing or eliminating undesirable behaviour. Sometimes, punishment frustrates the punished and leads to antagonism towards the punishing agent. As a result, the effectiveness of the punishing agent diminishes over time. Because of the possible dangers of punishment, it should be administered properly. The following points may be noted in this regard:
  - (i) The specific undesired behaviour, not the person should be punished. If it is directed at the person, punishment will receive revenge.
  - (ii) The punishment should be enough to extinguish the undesired behaviour. Underpunishment may not deter the behaviour, over punishment may produce undesirable results.
  - (iii) Punishment should be administered privately. By administering the punishment in front of others, the worker is doubly punished in the sense that he is also put out of face.
  - (iv) Punishment should quickly follow the undesirable behaviour. It is more effective when applied immediately after the undesirable behaviour is produced. Further, punishment should follow every occurrence of the undesirable behaviour.
  - (v) Punishment is effective in modifying behaviour if it forces the person to select a desirable behaviour that is reinforced. If this is not done, the



undesirable behaviour tends to reappear causing fear and anxiety in the person being punished.

- (vi) Punishment must be administered carefully so that it does not become a reward for undesirable behaviour.

Although most ethical criticisms of behaviour modification techniques focus on punishment, Skinner and other behaviourists advocate the use of positive reinforcement rather than punishment to change behaviour. Punishment, by definition, only tells the individual what should not be done rather than what should be done. Thus, one mistake may be followed by a new one as the individual seeks to find, by trial and error, behaviour that will not be punished. In addition, punishment causes resentment, which is usually counterproductive in the work environment. For most organization members who are mature and willing to be productive, positive reinforcement (combined with extinction, if necessary) is more effective and humane.

**Table 12.1: Reinforcement Theory at a Glance**

<p><b>To Encourage Desirable Behaviour</b></p> <p>i. <b>Positive Reinforcement.</b> Increasing the frequency of or strengthening a desirable behaviour by making it contingent with the occurrence of desirable consequence. Example – A manager nods to express approval to a subordinate who pacifies an annoyed customer.</p> <p>ii. <b>Negative Reinforcement or Avoidance.</b> Increasing the frequency of or strengthening a desirable behaviour by making it contingent with the removal of an undesirable consequence. Example – A manager who has been regularly nagging a worker about his performance, stops nagging when the production quota is met.</p> <p><b>To Discourage Undesirable Behaviour</b></p> <p>iii. <b>Extinction.</b> Decreasing the frequency of a weakening an undesirable behaviour by removing desirable consequences previously contingent with its occurrence. Example – A disruptive employee is isolated or ignored so that his behaviour does not receive the attention of fellow employees.</p> <p>iv. <b>Punishment.</b> Decreasing the frequency of a weakening an undesirable behaviour by making it contingent with the occurrence of an undesirable consequence. Example – A manager deducts an employee's pay when he reports late for work.</p>
---

### Schedules of Reinforcement

Reinforcement does not always follow a particular response. For example, studying hard for exams sometimes yields high grades and sometimes, it does not. Similarly, taking a client out to dinner at an expensive restaurant and plying with excellent wine may help in closing an important deal, but not always. Also, keeping on top of one's work and getting it done on time sometimes results in praise and recognition; at other times, it may be ignored. In many cases, the occurrence or absence of reinforcement following a given form of behaviour seems to be quite random. In other words, it is governed by definite rules. These rules are known as schedules of reinforcement and exert powerful effects upon behaviour.

The influence of such schedules was studied systematically for several decades by B.F. Skinner and his associates. The key questions in such research have been these: How quickly and how often do subjects perform various responses under different schedules of reinforcement? Do such rates of responding vary from one schedule to another? In order to answer these questions, a large number of schedules have been examined. The simplest, of course, is one in which every response is followed by a



reward – continuous reinforcement. Besides this, however, the most basic schedules are ones in which the occurrence of reward is governed by a single rule. Four distinct schedules of reinforcement of this type exist, which are discussed below.

	Interval	Ratio
Fixed	Fixed	Fixed
Variable	Variable	Variable
	Interval	Ratio

Figure 12.3: Schedules of Reinforcement.

- (i) **Fixed Interval Schedule.** This schedule demands that a fixed amount of time has to elapse before a reinforcement is administered. In many organizations, monetary reinforcement comes at the end of a period of time. Most workers are paid hourly, weekly or monthly for the time spent on their jobs. This method offers the least motivation for hard work among workers because pay is tied to time interval rather than actual performance. The occurrence of reinforcement depends largely on the passage of time.
- (ii) **Variable Interval Schedule.** The availability of reinforcement is also controlled mainly by the passage of time in a variable interval schedule. In some cases, reinforcement can be obtained after a short period has passed. In others, a much longer interval must elapse before it again becomes available. As a result of such uncertainty, variable-interval schedule of reinforcement generally yield moderate and steady rates of response. Suppose the plant manager visits the production shop at 11 a.m. each day (fixed interval), performance tends to be high just prior to his visit and thereafter it declines. Under variable interval schedule, the manager visits at randomly selected time intervals and no one knows for sure when the manager will be around. As a result, performance tends to be higher and there would be less fluctuations than under the fixed interval schedule.
- (iii) **Fixed Ratio Schedule.** In a fixed ratio schedule, rewards are showered after a fixed or constant number of responses. For example, piece rate incentive plan is a fixed ratio schedule. It tends to produce high rate of response which is both vigorous and steady. Workers try to produce as many pieces as possible in order to pocket the monetary rewards. Therefore, the response level here is significantly higher than that obtained under an interval schedule.
- (iv) **Variable Ratio Schedule.** When the reward varies relative to the behaviour of the individual, he is said to be reinforced on a variable-ratio schedule. Salespersons on commission represents examples of individuals on such a reinforcement schedule. On some occasions, they may make a sale after only two calls on potential customers. On other occasions, they might need to make twenty or more calls to secure a sale. The reward, then, is variable in relation to the number of successful calls the salespersons makes.



## USE OF REINFORCEMENT THEORY IN BEHAVIOUR MODIFICATION (OB MOD)

The conscious application of operant conditioning is called behaviour modification. Extended to management, it is called organizational behaviour modification (OB Mod). When thinking of OB Mod, most researches focus on positive reinforcement as rewards that influence behaviour and strengthen the future probabilities of desirable behaviour. Milestone OB Mod research was conducted during the early 1970s at Emery Air Freight when the firm took pioneering steps to apply operant conditioning in motivating changes in performance. Emery used positive reinforcers for a three year period to improve customer services. The firm saved a huge amount while improving performance in its experimental work groups by impressive margins.

Operant conditioning is a reality. It may not always be apparent in a consciously applied strategy, but just as parents attempts to modify their children's behaviour through daily guidance, managers attempt to modify subordinates' behaviour through rules, regulations, directions, incentives, and a host of subtle clues that fit one of the strategies just presented. However, a conscious formal programme with behavioural objectives suggests an entirely different pattern of management.

The programmes that rest heavily on negative reinforcement or punishment are unlikely to be popular or effective. Extinction, a long-term strategy, is typically difficult to implement because in most organizations managers are expected to take immediate action. Therefore, most OB Mod programmes have an underpinning strategy of positive reinforcement. Procedures for using positive reinforcement have been suggested by several researchers including Fred Luthans and Robert Kreitner.

There are a large number of applications of the learning theory and OB Mod. The reinforcement theory could be used in disciplining the trouble-makers, designing mentoring programmes for new employees and developing employee training programmes. Social learning theory can also play a great role in designing training programmes.

### SUMMARY

Learning is a psychological process which has been lately accepted as a field of study of organizational behaviour. The theoretical explanations of learning namely behavioural, cognition and social lay the foundation to analyze an individuals' capacity to learn and grow. It is however, still a controversial field of theory as they are basically derived from experimentation. Reinforcement is one of the most important philosophies of the learning theory. The application of learning theories and reinforcement philosophy is through a standard reward system.

### REVIEW QUESTIONS

1. Explain the concept of learning and briefly examine the various theories of learning.
2. Discuss the nature of learning. How does classical conditioning help in learning the desired behaviour ?

3. What is operant conditioning ? How is it different from classical conditioning ?
4. What strategies are employed under operant conditioning to modify the behaviour of subordinates ? Discuss with the help of suitable examples.
5. What is meant by reinforcement ? What types of reinforcers could be employed by the managers to make the employees learn new behaviours.
6. "Reinforcement theory of learning is at the root of behaviour modification." Examine this statement.
7. Explain with examples the concepts of cognitive and social learning. What is the relevance of social learning in modern organization ?
8. Answer the following :
  - (a) "Learning leads to change in human behaviour." Comment.
  - (b) When should punishment be used by the managers ?
  - (c) "Negative reinforcement is used for avoidance learning." Discuss.
  - (d) What is cognitive learning ?
  - (e) "Classical conditioning is passive". Elaborate.
  - (f) "Behaviour is a function of its consequences." Do you agree ? Why ?
  - (g) What is law of effect ?
  - (h) Briefly discuss various schedules of reinforcement.



**OBJECTIVES**

- ❑ Explain the concept, nature and process of communication
- ❑ Describe merits and demerits of formal and informal communication
- ❑ Lists various methods of communication
- ❑ Discuss the importance of effective communication

**STRUCTURE**

- ◆ Communication Networks
- ◆ Channels of Communication
- ◆ Rumour
- ◆ Direction of Communication
- ◆ Methods of Expression
- ◆ Barriers or Gateways to Communication
- ◆ Effective communication

Communication is an indispensable activity in all organisations. No organisation can think of its existence without effective communication. Communication is a managerial skill which is essential for effective leading and motivation of people at work. A manager who is in a position to communicate well, will be able to get the cooperation of subordinates towards the objectives of the organisation.

The success of a manager depends on how clear he is in his mind about his basic functions and how effectively he can transfer this clarity of thought to others. This involves a skill of helping others to understand the manager and to be understood by him. Thus, the need for better mutual understanding between labour and management in industry cannot be over-emphasised. It is, in fact, a prerequisite of congenial climate necessary for the overall advancement and productivity. The importance of communication in management for getting the work done may also be seen from the estimate of time which is spent by a manager in communication — verbal or written, in conferences or meetings, giving directions or receiving information. Most of the managers spend more than 60% of their time in communication with others.

### **Effective Communication as the Foundation of Sound Management**

The performance of all managerial functions depends on successful communication by the managers at various levels. Planning which is one of the most important functions of management requires extensive communication among the executives and other personnel. Moreover, effective communication is important in executing a plan or a programme and then controlling the activities with the help of feedback information. Information about subordinates' performance is necessary to determine whether the planned objectives are being realised. Communication is of utmost importance in organisation. It is an important aid in directing the employees of the organisation. In short, communication is quite indispensable for the management in getting the things done by other personnel in the organisation. That is why, Chester Barnard remarked, "The first executive function is to develop and maintain a system of communication".

Majority of the complex problems which the managers generally face are people centred. These have their roots in lack of understanding which cause hostile attitudes among the subordinates. Such problems can be solved through effective communication. The concept of democratic leadership places a high premium on communication. It is only through communication that executives can attempt to mould the attitudes of persons within the organisation, motivate subordinates to carry-out certain function, fulfil a leadership role and coordinate the efforts of people within the organisation.

From the above discussion, we can say that communication is an indispensable process for effective management. The role of communication is summarised in the following points:

- i. **Better Planning:** Communication improves the quality of planning. The management can receive suggestions and comments from the subordinates and also gather information from the external sources. This will ensure formulation of effective plans throughout the organisation.



- ii. **Effective Operations:** Communication helps the management in explaining the objectives, plans and policies of the enterprise to the employees. This enables the workers to understand their job responsibilities clearly and relate to the company's objectives and plans. As a result, there will be effective implementation of company's plans.
- iii. **Decision making:** A manager can take better decision by collecting the necessary information from various sources, developing various alternatives and their systematic evaluation. The quality of decision depends upon the quality of information on which it is based.
- iv. **Controlling:** Communication helps in control by transmitting information about the performance of the subordinates to the manager. If the information received by the manager reveals that the performance of the subordinates is not up to the mark, he can take corrective action immediately.
- v. **Coordination:** The major requirement for achieving coordination is the presence of an effective communication system. Top management can communicate its policies, objectives, programmes, etc., to the lower levels. This will help in integration of activities at various levels in the organisation.
- vi. **Motivation:** Communication can help in motivating the subordinates and getting their cooperation. A manager can motivate his subordinates by using appropriate words to commend their performance. Clear-cut instructions by a manager also help a great deal in motivating the subordinates.
- vii. **Better Human Relations:** Communication develops proper understanding between the superiors and the subordinates. It leads to congenial human relations in the organisation.
- viii. **Worker's Participation:** Communication is an effective device for ensuring participation by the workers in the decision making process. Management can consult the workers and receive their suggestions before taking decisions.
- ix. **Facilitation of Change:** Communication facilitates change on the part of employees by sharing the necessary information about the change and securing their effective cooperation.
- x. **Public Relations:** Effective communication with the external groups such as shareholders, customers, suppliers, trade unions, press and government is very important for a modern business. It can build a good public image of the business.

### Concept of Communication

The word 'communication' is derived from the Latin word 'communis' which means common. If a person effects a communication, he has established a common ground of understanding. Thus, communication involves imparting a common idea and covers all types of behaviour resulting there from. This indicates that various factors enter into the process of communication. These are the communicator or source of information, the receptor or receiver of information, the content of communication and the manner of communication. Thus, 'communication' in its broad sense means



both the act of communicating something and the manner of communication such as letter, notice or circular.

According to Hudson, "Communication in its simplest form is conveying information from one person to another". In the words of Allen, "Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding". Thus, communication may be defined as interchange of thought or information to bring about mutual understanding and confidence. It is the information intercourse by words, letters, symbols or messages. It is the exchange of facts, ideas and viewpoints which bring about commonness of interest, purpose and efforts.

The success of a manager depends to a great extent on his ability to communicate. The Haimann regards communication as fundamental and vital to all managerial functions. "Communication is the process of passing information and understanding from one person to another.... It is the process of imparting ideas and making oneself understood by others".

### Nature of Communication

Communication is an attempt to share understanding by two or more persons. It is a two-way process and is completed when there is some response from the receiver of information. It has two basic objectives:

- (a) To transmit message, ideas, or opinions; and
- (b) To create an impression or understanding in the mind of the receiver of information.

Communication is an attempt to affect a transfer of messages, ideas or opinions between minds. It may take the form of an order, report, suggestion, memorandum, etc. The word 'transfer' tells us that communication is essentially a two-way process, involving a sender and a receiver. It could be a mechanical piece of equipment like computer, a writer and a reader and a speaker and a hearer. Thus, communication always involves at least two persons – a sender and a receiver. One person alone cannot communicate. Only the receiver can complete the communication act. There is no communication until the message sent by the communicator is received by the receiver. It should also be noted that communication is not effective if it does not produce the desired response. It is not enough for a manager to give an order; he must also see that it is correctly received, understood and carried out by the receiver. We are not all perfect, so the work 'attempt' becomes significant when we consider the media by which the communication is effected. Understanding means that the receiver should interpret the message exactly as the sender intends. But this is not always the case. If the sender transmits the idea of a rectangle, but the receiver sees a square, this is a case of poor or ineffective communication.

From the above discussion, we can sum up the nature of communication as follows:

- (i) Communication involves at least two persons – one who sends the message and the second who receives the message.



- (ii) Communication is a two-way traffic. The process of communication is not completed until the message has been understood by the receiver. Understanding is an essential part of communication, but it does not imply agreement.
- (iii) The basic purpose of communication is to create an understanding in the mind of the receiver of information.
- (iv) Communication may take several forms, e.g., order, instruction, report, suggestion, grievance, observation, etc. The message may be conveyed through words spoken or written, or through gestures.
- (v) Communication is a persuasive function of management. Managers at all levels must try to achieve effective communication.

### Process of Communication

A simple model of the communication process is illustrated in Fig. 13.1. The major elements of the communication process are discussed below:

- (i) **Sender:** The person who initiates the communication process is known as sender, source or communicator. The sender has some information which he wants to communicate to some other person to achieve some purpose. But initiating the message, the sender attempts to achieve understanding and a change in the behaviour of the receiver.

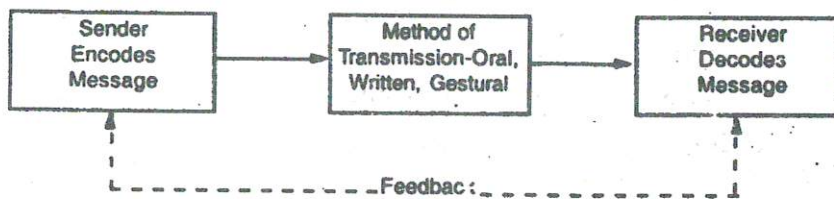


Fig. 13.1 Communication process

- (ii) **Message:** The message is the substance of the communication process. It may be in any form that could be experienced and understood by one or more of the senses of the receiver. Speech may be heard, written words may be read and gestures may be seen or felt. Thus, a message may take any of the three forms, viz., oral, written or gestural.
- (iii) **Encoding of Communication Symbol:** The sender of information organises his idea into a series of symbols (words, signs, etc.) which, he feels, will communicate to the intended receiver or receivers. This is known as encoding of message, i.e., converting ideas into communicable codes which will be understood by the receiver of the message.
- (iv) **Communication Channel:** After encoding the message, the sender chooses the mode of transmission (such as air for spoken words and paper for letters). The mode of transmission is often inseparable from the message. The channel is the link that connects the sender and the receiver. Air, light and sound are the important communication channels. The receiver must be considered while selecting a channel. Some people respond better to formal letters or communications, others to the informally spoken words. The channels of communication which are officially recognised by the organisation are known as formal channels.



- (v) **Receiver:** The person who receives the message is called receiver. The communication process is incomplete without the existence of receiver of the message. It is the receiver who receives and tries to understand the message. If the message does not reach the receiver, communication cannot be said to have taken place.
- (vi) **Decoding:** Decoding is the process by which the receiver draws meaning from the symbols encoded by the sender. It is affected by the receiver's past experience, education, perception, expectation and mutuality of meaning with the sender.
- (vii) **Feedback:** After receiving the message, the receiver will take necessary action and send feedback information to the communicator. Feedback is a reversal of the communication process in which a reaction to the sender's message is expressed. The receiver becomes the sender and feedback goes through the same steps as the original communication. It may be noted that the dotted line in Fig. 13.1 suggest that feedback is optional and may exist in any degree (from minimal to complete) in given situation. Generally, greater the feedback, the more effective the communication process is likely to be. For instance, early feedback will enable the manager (sender) to know if his instructions have been properly understood and carried out.

### Importance of Feedback in Communication

Two-way communication takes place when the receiver provides feedback to the sender. For instance, giving an instruction to a subordinate and receiving its acceptance is an example of two-way communication. On other hand, in case of one-way communication, feedback is totally absent. Here the sender communicates without expecting or getting feedback from the receiver. A policy statement from the chief executive is an example of one-way communication. One-way communication takes less time than two-way communication. In certain situations, one-way communication is more effective to get work from the subordinates.

Two-way communication is superior to one way-way communication in the following respects:

- (i) Two-way communication is more effective than one-way communication. The feedback allows the sender the refine his communication so that it becomes more precise and accurate.
- (ii) Receivers' self-confidence is higher in case of two-way communication as they are permitted to ask questions and seek clarification from the senders.

However, in case of two-way communication, the sender may feel embarrassed when the receiver draws his attention to sender's mistakes and ambiguities.

### Purpose of Communication

The basic purpose of communication is to give and receive information which is of interest both to the communicator and the receiver of information. A good communicator always attempts to transmit his ideas or information to create favourable impression in the mind of the receiver. Effective communication involves more than a mere receipt of message by the receiver, it creates understanding, acceptance and action. Understanding of the message by the receiver is a very important part of a good communication system.



In an industrial organisation, the communication system is conceived to lead ultimately to better industrial relations through the existence of well informed workforce, greater degree of consultation at every level and an atmosphere of mutual confidence. Glover has mentioned the following important purpose of communication:

- i. To keep employees informed of company's progress.
- ii. To provide employees with orders and instructions in connection with their duties.
- iii. To solicit information from the employees which may aid management.
- iv. To make each employee interested in his respective job and in the work of company as a whole.
- v. To express management's interest in its personnel.
- vi. To reduce or prevent labour turnover.
- vii. To indoctrinate employees with the will to work and the benefits derived from their association with the company.
- viii. To instil each employee with personal pride in being a member of the company.

### COMMUNICATION NETWORKS

A network of communication represents the pattern of contacts among the members of an organisation. It mainly depends upon the nature of channels of communication and the number of persons involved in the communication process. A network determines the speed, accuracy and smoothness with which the messages flow throughout the organisation. For instance, if the network is too long or roundabout, there will be delay in the flow of communication. But if it is too narrow, the message may get blocked. When the network contains several filtering points, the message may get distorted and the real purpose of communication may be lost.

There may be four types of communication networks in organisation, viz., chain, circle, wheel and free-flow. The networks are briefly discussed below.

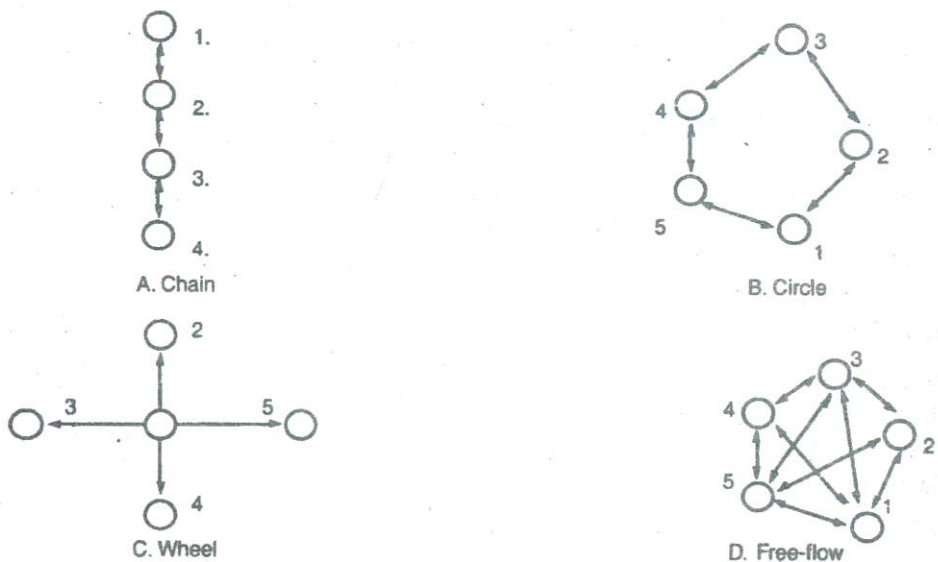


Fig. 13.2 Networks of communication

- (i) **Chain Network:** As shown in Fig. 13.2A, the message flows in a direct vertical line along the scalar chain of command. It can flow from top to bottom or from bottom to top in a line. Thus, the flow of communication takes place through the formal channels, say from a superior to subordinate and vice versa. There is no horizontal communication in the chain network.
- (ii) **Circular Network:** In case of circular network, the message moves in a circle. Each person can communicate with his two neighbourhood colleagues only as depicted in Fig. 13.2B. A disadvantage of circular network is that communication is very slow.
- (iii) **Wheel Network:** As shown in Fig. 13.2C, the wheel network represents the communication pattern under which the subordinates can communicate with and through one manager. It is called a wheel network since all communications pass through the manager who acts as a central authority like the hub of a wheel. All the workers receive instructions and guidance from one person.
- (iv) **Free-Flow or All Channel Network:** Under such as organisational design, there is no restriction on the flow of communication. Every one is free to communicate with anyone and everyone in the organisation. This network is informal and unstructured and so it allows free flow of communication. Moreover, it is highly flexible.

The various networks develop in practice as most of the members participate in more than one network. For instance, the financial manager may be at the centre of a chain as well as active in the circle and wheel networks. Thus, various combinations of networks are used in dynamic organisations.

Channel	Direction	Method
(1) Formal	(1) Downward	(1) Oral
(2) Informal	(2) Upward	(2) Written
	(3) Horizontal	(3) Gestural

Fig. 13.3: Types of communication

## CHANNELS OF COMMUNICATION

A channel of communication is a path through which information flows throughout the organisation. The numerous channels used in the organisation constitute its 'communication network'. The channels of communication include both formal and informal communication. These are discussed below:

### Formal Communication

The paths of communication which are officially determined by the management are called formal channels of communication. They are associated with the status or position of the communicator and the receiver. Formal communication enforces a relationship between different positions. It derives its support from scalar chain of organisation. It generally adopts three directions: (i) Downward; (ii) Upward; and (iii) Horizontal. These channels are used for different purposes which are discussed later. It is significant to point out that the first two channels are vertical in nature.



The important requirements of formal communication network are as follows:

- (i) Determining the information to be communicated and the person to whom it is to be communicated;
- (ii) Transmitting information accurately and at appropriate time;
- (iii) Processing and interpreting the data before giving feedback; and
- (iv) Maintaining records or information till required.

### Significance of Formal Communication

Downward communication is used for giving orders and instructions, providing information, or for influencing attitudes and behaviour of the subordinates. Upward communication is used for reporting, informing, requesting and suggesting. It is also used to influence decisions and to protest against certain actions or decisions of the management. Horizontal channels are used for informing and coordinating. All these channels are equally important for the proper functioning of any organisation.

In a well organised communication system, upward communication is given as much importance as downward communication. This is because one of the most crucial factors in the process of communication is information about how people feel about things in the organisation. Unless upward communication is encouraged and taken note of, downward communication is not fully effective. Upward communication gives an opportunity to the workforce to information management about their feelings and to suggest improvements in the methods of work and also enables management to locate problem areas in the organisation.

### Informal Communication or Grapevine

When the employees are unable to communicate the required information to higher authorities because of communication barriers, they may resort to informal channels of communication. Distortions may appear in the transmission of such messages through grapevine in the form of rumours and gossips. Such informal channels may be resorted to by the managers when they find that it is not possible to gather information through the established channels in the formal communication system of the organisation.

Informal communication or grapevine arises from social interaction of people. It is the expression of their natural motivation to communicate. Its speed is very fast as compared to formal communication. A study conducted by Keith Davis revealed that wife of a plant supervisor has a baby at 11.00 p.m. and a plant survey the next day at 2.00 p.m. showed that 46% of the management personnel knew of it through the grapevine.

The important point which we must recognise is that grapevine is a natural and normal activity. It is because of the desire of people to communicate without following the formal channels in the organisation. It is an essential part of the total human environment. There is nothing inherently bad about grapevine. It, as a matter of fact, fills in the gaps existing in the formal communication system. If it does not exist in the organisation, the ability of a manager to build teamwork, motivate people and

create identification with the organisation would be severely restricted.

The broad features of grapevine are as under:

- (i) Informal communication represents natural desire of people in the organisation to interact and communicate with each other and it fulfils the subordinate's desire to get the latest information.
- (ii) Grapevine works with surprising speed and is often faster than official channels; information gets disseminated very promptly.
- (iii) Informal communication network offers the managers insight into what the subordinates think and feel.
- (iv) Informal network of communication is useful for disseminating certain information which, in the general interest of the organisation, could not be transmitted through the official channels. Thus, the circumstances that led to sudden resignation of a manager may be communicated through the grapevine without giving the impression that he was the victim of some unfair top management action.

#### BOX 13.1

<b>Formal Communication vs Informal Communication</b>	
<b>Formal Communication</b>	<b>Informal Communication</b>
1. It is based on formal organisational relationships.	1. It is not based on formal organisational relationships. It is free from formalities.
2. The channels of communication are preplanned.	2. The channels of communication are not preplanned.
3. It is rigid as deviations are not allowed.	3. It is flexible.
4. It is slow as it has to follow the path laid down by the management.	4. It is very fast as it is not supposed to follow a particular path.
5. Chances of distortion of information are very few.	5. Chances of distortion of information are very high.
6. In case of formal communication, status or position of the parties is very important.	6. In case of informal communication, status or position of the parties has no relevance.
7. Formal communication is authentic.	7. Informal message may not be authentic.

#### Merits of Informal Communication

The informal communication has the following advantages:

- (i) It helps in achieving better human relations in the organisation.
- (ii) It links even those people who do not fall in the official chain of command.
- (iii) Its speed is very fast as it is free from all barriers.
- (iv) It serves to fill the possible gaps in the formal communication.
- (v) It provides the workers an outlet to freely express their fears, views and thoughts.

#### Demerits of Informal Communication

The demerits of informal communication are as follows:

- (i) Informal communication is not authentic. The message may get distorted because of different interpretations by different persons.



- (ii) Informal communication is oral in nature and it is very difficult to find the responsibility of the communicator for the message transmitted. It may lead to generation of rumours in the organisation.
- (iii) Informal channels may not always be active. So informal communication is not dependable.
- (iv) It may lead to the leakage of confidential information.

## RUMOUR

Rumour is the most undesirable feature of grapevine and it has given the grapevine a bad reputation. That is why, to some people, grapevine means rumour. But it is not always so in practice. A rumour is grapevine information which is communicated without authentic standards of evidence being present. It is thus an untrue part of grapevine. It can by chance be correct, but generally is incorrect; so it is presumed to be undesirable. Rumour originates for a number of reasons. One cause is plain maliciousness, but probably not the most important. A more frequent cause is employees' anxiety and insecurity because of poor communication in the organisation. Rumour also serves as a means of wish fulfilment or applying pressure upon the management.

Rumour largely depends on the interest and ambiguity perceived by each person; it tends to change as it passes from person to person. Its general theme may be maintained, but not its details. The rumour gets twisted distorted when it passes from one mouth to another. The message gets its own head, tail and wings on its journey and swells unproportionately to an exaggerated shape. Generally, each person chooses details in the rumour to fit his particular focus of reality. Thus, the details given at the beginning of a rumour are lost after a few transmissions because people reduce it to a rememberable number of details about in terms of interest to them. A major outbreak of a rumour can be devastating epidemic that sweeps through an organisation as fast as a summer storm and usually with as much damage. Therefore, the most important problems before the management is how to deal with rumours.

### Dealing with Rumour

The best approach in dealing with rumour is to get at its causes, rather than try to kill it after it has started. When causes are known, it should be stopped as early as possible because once a rumour's theme is known and accepted, employees distort future happenings to conform to the rumour. So the management must pass on the correct message in time. Once a rumour has been spread, it is difficult to erase it from the minds of the people. The only solution is to get the facts across before misconceptions have a chance to gain a foothold. Usually, fact-to-fact supply of facts is the most effective way because it helps answer the particular ambiguities in each individual's mind.

The oral message may be repeated clearly. The message must contain facts and not the opinions. Neither it should contain the rumour. The message should not be exaggerated. The message should be confirmed by the written message and it should be circulated quickly. Management may also take the help of union leaders in combating the rumour which is not in the interest of the workers and the organisation.



## DIRECTION OF COMMUNICATION

From the point of view of direction, communication may be either vertical or horizontal. Vertical communication may move both downward as well as upward. Horizontal communication is also known as sideward communication.

**Downward Communication:** It represents the flow of information from the top level to the lower level of the organisation. The purpose of downward communication is to communicate policies, procedures, programmes and objectives and to issue orders and instructions to the subordinates. A major part of the formal communication takes form of downward communication. Downward communication can take place through verbal or written orders and instructions, notices, circulars, letters, memos, posters, periodicals, publications, group meetings, etc.

Downward Communication is needed:

- (i) to get the things done;
- (ii) to prepare for changes;
- (iii) to discourage mis-information and suspicion; and
- (iv) to let the people feel the pride of being well informed.

**Upward Communication:** Feedback to the higher authorities by the lower levels is vertical upward communication. The examples of upward communication are : (a) activity reports on subjects like raw materials, production, distribution, man-hours, etc.; (b) opinions, ideas and suggestions; and (c) complaints and grievances. Upward communication is needed:

- (i) to create receptiveness of communication;
- (ii) to create a feeling of belongingness through participation;
- (iii) to evaluate communication; and
- (iv) to demonstrate a concern for the ideas of each employee.

**Horizontal Communication:** It refers to transmission of information among positions of the same level. The importance of horizontal communication is undermined due to three reasons. First, it is largely a by-product of vertical communication. Secondly, with increasing size and specialisation, the opportunities for cross talks are cut down and thirdly, in relative terms, lateral communication poses fewer difficulties than upward or downward communication because it has fewer implications of authority and status. To secure coordination and cooperation of employees at horizontal level, the problems are generally handled through informal contacts.

Horizontal communication is more of an informal nature. If a departmental head needs some information from another departmental head, he may get this by ringing him up directly. In spite of presence of hierarchy in any large industrial organisation, it is possible to accelerate exchange of information if the management recognises and encourage cross contacts which cut across the organisational lines. Such contacts may take place between individuals and groups, not only in their levels but also with other echelons of management. The cross-wise communication can be effective when a proper understanding exists among the superiors on these points. The subordinates should refrain from making communication beyond their authority and should keep their superiors informed of their inter-departmental activities.



## METHODS OF EXPRESSION

### Oral Communication

Communication with the help of spoken words is known as oral communication. Oral communication may take place: (a) by face-to-face conversation and (b) through mechanical devices.

Face-to-face conversation is the most natural way of transmitting message. It is the best means of securing cooperation and resolving problems. Various studies have shown that face-to-face communication carries the message better than any other media. It avoids misunderstanding between the person talking face-to-face. It is because by having face-to-face conversation, one can convey the message both by words and expressions or gestures. Sometimes, it is desirable to have face-to-face communication because of confidential nature of the message.

Mechanical devices which are used for oral communication in most organisation include signals, telephones, intercom system, electric paging systems and dictating machines.

Both methods of oral communication are frequently used in organisations for downward and upward communication. Every executive makes use of oral communication by instructing, lecturing, counselling and so on. Oral communication is also used for attending to the suggestions and grievances of the workers. The greatest benefit of oral communication is that it saves time as it provides an immediate response and feedback. It fosters a friendly and cooperative spirit. It permits personalised contacts and develops a sense of belongingness. Nonetheless, oral communication is not free from drawbacks. It may be time consuming because for having direct talks, the individuals concerned have to move back and forth to and from their work places. It may not be specific and so may be misunderstood. It may also create legal difficulties if no written record of conversation is preserved.

### Written Communication

Comprehensive devices for written communication in the form of circulars, bulletins, manuals, handbooks, notes, orders, instructions, etc., are widely used in modern organisations. However, elaborate a communication system may be, it cannot be composed of verbal communication only. The objectives of written communication may be:

- (i) To give information;
- (ii) To receive information;
- (iii) To record recommendations and decisions of a meeting;
- (iv) To give orders and instructions.

Written communication can be conveyed to the workers through house magazines, notice boards, employee handbook and memoranda. Workers can communicate upward through writing their suggestions and grievances. Upward communication in written form is generally discouraged as the workers are reluctant to use it to express their opinions. Management should encourage it by installing a suggestion

system in the organisation. Written communication serves as a permanent reference for future. It is formal and carries more weight. It is not possible to change the contents of written message by the receivers. Written messages are more clear and specific as they are carefully drafted. Written communication serves as a reliable record for future reference and can be used as evidence in legal proceedings. Response to written communication is generally well thought-out since the receiver gets time to evaluate and understand the message. In many cases, written communication is even more effective than the oral communication.

Written communication is slow as compared to oral communication. It may also become a source of dispute as once a written message is sent, it is very difficult to withdraw it. Written messages may give rise to queries for clarification and elaboration which lead to loss of time. Written communication is generally formal in nature and maybe blocked due to bureaucratic procedures in the organisation. Therefore, the management should take proper care to ensure that written communication does not lose its effectiveness.

### Gestural Communication

Communication through gestures or postures is often used as a means to supplement verbal communication. If there is a face-to-face conversation between two persons, they can better understand the feelings, attitudes and emotions of each other. Gestural communication is very much helpful to motivate the subordinates, as for instance, handshake with the subordinate or a pat on the back of the subordinate. Similarly, gestures taken by the listeners can help the communicator to know their reactions.

#### BOX 13.2

Oral vs Written Communication	
Oral Communication	Written Communication
1. Communication is expressed through spoken words.	1. Communication is expressed in writing.
2. It may not be precise.	2. It can be very precise.
3. Oral communication may not be complete. It may be difficult to understand it.	3. It is not difficult to understand written communication if it is expressed in unambiguous terms.
4. It is generally informal in nature.	4. It is generally formal in nature.
5. It may not be taken seriously.	5. It is generally taken seriously.
6. Oral message may not be verifiable.	6. Written message is verifiable from the records.

### Choice of Method of Communication

It is very difficult to predict which method of communication will be used in a particular organisation. In practice, all the three methods of expression are used in varying degrees under different circumstances. Postural communication is frequently used to supplement oral communication. Oral communication is very much useful for discussing problems in groups. It is very much helpful when the time available is very short. It also helps in knowing the reactions of the receivers quickly. Nonetheless, written communication has its own value. It is frequently used for exchanging lengthy



messages. Written communication constitutes reliable records for future reference and action.

Oral communication is used effectively in the following situations:

- (i) Executives use oral communication for instructing and counselling their subordinates.
- (ii) Executives use oral communication while dealing with the trade union leaders.
- (iii) Workers use oral communication to convey their grievances and suggestions to the management.
- (iv) Workers use oral communication to give feedback to the management.

Written communication has been found to be effective in the following situations:

- (i) Executives give written instructions where the assignment is important and it is necessary to fix responsibility.
- (ii) Written communication serves the purpose of a record for future reference.
- (iii) Workers and trade unions make use of written communication to communicate with the management formally and to get an official response from the management.

### BARRIERS OR GATEWAYS TO COMMUNICATION

Barriers or obstacles to communication cause breakdowns, distortions and inaccurate information. They plague the daily life of the managers who must depend upon the accurate transmission of the orders and information for efficient operations. Whenever a communication is made, there is always a tendency on the part of the receiver to evaluate the message received and then decide to approve or disapprove the same. Another important barrier to communication lies in the layers and spans of management.

In large organisations, there are a number of obstacles which make transmission of message more difficult. In both upward and downward communications, it may happen that some of the persons in the intermediate layers withhold the whole or part of the information because they may feel that by withholding the information they will be better informed than those whom they lead. It should be noted that although there is no such thing as perfect communication, yet considerable degree of perfection can be achieved in communication if the barriers to communication are overcome. The main barriers to communication are discussed below:

1. **Barriers due to Organisation Structure:** The organisation structure has an important influence on the ability of the members of the organisation to communicate effectively. These days the organisation structure of most big enterprises is complex involving several layers of supervision and long communication lines. Organisation structure creates problems because communication may breakdown at any level of supervision due to faulty transmission.
2. **Barriers due to Relationship:** Status of an organisational member is determined by the position he holds in the organisation. This fact is quite apparent when the



subordinate talks to his superior. Obstacle in communication occurs when the psychological distance between the two is created because of status symbols of the superior. Status symbols include high quality furniture, separate room, facilities, etc. A sense of inferiority complex in the mind of the subordinate does not allow him to seek clarifications from the superior.

3. **Semantic Barriers:** Semantic is the science of meaning. Words seldom mean the same thing to two persons. Symbols or words usually have a variety of meanings. The sender and the receiver have to choose one meaning from among many. If both of them choose the same meaning, the communication will be perfect. But this is not so always because of differences in formal education and specific situations of the people. Strictly one cannot convey meaning, all one can do is to convey words. But the same words may suggest quite different meanings to different people, e.g., Profits may mean to management efficiency and growth, whereas to employees, it may suggest excess funds piled up through paying inadequate wages and benefits.
4. **Filtering of Information:** Sometimes, the sender screens the information for passing only such information which will look favourable to the receiver. This is because of the simple reason that no one likes to show his mistakes to someone else, especially to his boss. The boss, on the other hand, wants to obtain information about what is actually going on, especially those actions which need his attention.
5. **Perceptual Errors:** A person's perception is determined by his needs, social environments, level of education, cultural factor, etc. Every person tries to interpret the information he receives from his own angle or point of view. This may create complexities in the process of communication. Effective communication requires the willingness to see things through the eyes of others.
6. **Closed Mind:** Premature evaluation by the listener also creates a hurdle in communication. If the listener has closed mind, he will always evaluate the things from his own point of view and will not be receptive to new ideas. Similarly, if a listener is suffering from the mirage of too much knowledge, he will be rigid and dogmatic in attitude.
7. **Lack of Ability to Communicate:** All persons do not have the skill to communicate. Skill in communication may come naturally to some, but an average man may need some sort of training and practice by way of interviewing, public speaking, etc.
8. **Inattention:** The simple failure to read bulletins, notice, minutes and reports is a common habit of many people. Similarly, verbal communication has the impact on those who are preoccupied or unwilling to listen. If people do not pay the required attention to listening and understanding messages they are supposed to receive, communication will lose its purpose. Also, some people are too quick in commenting on information as it is being received from the sender, without waiting for full information. This may drive the sender to frustration and into a sense of futility. The sender may then learn to be different in transmitting message to such pre-mature evaluators.



9. **Resistance to Change:** It is general tendency of human beings to maintain status quo. When new ideas are being communicated, the listening apparatus may act as a filter in rejecting new ideas. Thus, resistance to change is an important obstacle to effective communication. Sometimes, organisations announce changes which seriously affect the employees, e.g., changes in timings, place and order of work, installation of new plant, etc. Changes affect people in different ways and it may take sometime to understand the full meaning of the message. Hence, it is important for the management not to force changes before people are in a position to adjust to their implications.
10. **Situational Factors:** Barriers may also arise due to specific situations, e.g., physical conditions like noise or insufficient light, information overload, etc. When there is a notice or a number of persons are speaking simultaneously, communication can't be effective. And if an executive is overloaded with information and does not have time to organise the information, he will not be able to communicate effectively.
11. **Miscellaneous Barriers:** In addition to the above barriers, there may also be other barriers such as unclarified assumptions by the sender and receiver of message, emotional reactions, irrelevant message, lack of trust, etc.

## EFFECTIVE COMMUNICATION

### *(Overcoming Barriers to Communication)*

An effective system is one that ensures smooth flow of information in the organisation and overcomes barriers to communication. Such a system has the following characteristics:

- i. **Free Flow of Information:** The system of communication should be so designed that it has short lines of information flows. There should be free movement of information both vertically and horizontally. The rigid organisation structure should not be allowed to come in the smooth and speedy flow of information. Moreover, delegation and decentralisation of authority should be encouraged to cut delays in decision making and speed up communication.
- ii. **Positive Attitude:** There should be change in the attitude of superiors and subordinates so that there is open communication at all times across various levels. They should overcome the status barrier to create understanding. The superiors must keep the subordinates informed about the policies and programmes and also be in touch with subordinates regarding their problems, suggestions, etc. This is necessary to achieve the organisational goals effectively.
- iii. **Clarity of Message:** The message must be as clear as possible. No ambiguity should creep into it. The message can be conveyed properly only if it is clearly formulated in the mind of the communicator. The message should be encoded in direct and simple language so that the receiver is able to understand it without much difficulty.
- iv. **Open Mind:** The parties to communication must have open minds. They should not try to withhold information just to serve their personal interests. They should be able to interpret the information without any prejudice or bias. They should



also be receptive to new ideas that may come across. They should not react before receiving and understanding the full message.

- v. **Communication Skill:** Every person should have the necessary skill to share information with superiors, peers and subordinates. This will improve human relations in the organisation and also help in ensuring greater productivity.
- vi. **Effective Listening:** The sender must listen to the receiver's words attentively so that the receiver may also listen to the sender at the same time. It is also necessary for every employee to update his knowledge by reading company notices, bulletins, reports, etc.
- vii. **Receptive to New Ideas:** The employees should be prepared to accept new ideas and change themselves accordingly. They should be willing to receive information from internal and external sources which call for change in the organisation.
- viii. **Flexibility:** A good system should be flexible enough to adjust to the changing requirements. It should be able to carry extra loads of information without much strain. It should absorb new techniques of communication with little resistance. Use of a wide range of media such as oral and written messages, face-to-face contacts, telephonic calls, group meetings, etc., should be encouraged without any hesitation.
- ix. **Reliance on Feedback:** Feedback refers to transmission of information concerning the effect of any act of communication. For example, the manager, who sends a directive to his subordinate, should come to know the response of the latter. Feedback information flows upward and downward. Its purpose is to reinforce or correct the action implied in any act of communication. Feedback also provides an opportunity for suggestion and criticism.

### Principles of Communication

In order to achieve effective communication in the organisation, the following principles or guidelines must be followed:

1. **Principle of Clarity:** The beginning of all communication is some message. The message must be as clear as possible. No ambiguity should creep into it. The message can be conveyed properly only if it is clearly formulated in the mind of the communicator.
2. **Principle of Objective:** The communicator must know clearly the purpose of communication before actually transmitting the message. The objective may be to obtain information, give information, initiate action, change another person's attitude and so on. If the purpose of communication is clear it will help in the choice of mode of communication.
3. **Principle of Understanding:** Understanding is the main aim of any communication. The communication must create proper understanding in the mind of the receiver. Killian advised, "Communicate with an awareness of the total physical and human setting in which the information will be received. Picture the place of work; determine the receptivity and understanding levels



of the receivers; be aware of social climate and customs; question the information's timeliness. Ask what, when and in what manner you would like to be communicated with if you were in a similar environment and position".

4. **Principle of Consistency:** The message to be communicated should be consistent with the plans, policies, programmes and goals of the enterprise. This will increase the credibility of the message and promote better understanding. The message should not be conflicting with previous communications. It should not create confusion and chaos in the organisation.
5. **Principle of Completeness:** The message to be communicated must be adequate and complete, otherwise it will be misunderstood by the receiver. Inadequate communication delays action, spoils good relations and affects the efficiency of the parties to communication.
6. **Principle of Feedback:** This principle calls for making communication a two-way process and providing opportunity for suggestion and criticism. Since the receiver is to accept and carry out the instructions, his reactions must be known to the sender of message. The latter must consider the suggestion and criticism of the receiver of information. But feedback principle is often given a back seat by most managers which defeats the very purpose of communication.

### SUMMARY

The success of a manager depends on how clear he is in his mind about his basic functions and how effectively he can transfer this clarity of thought to others. Communication is a pre-requisite of congenial climate necessary for the overall advancement and productivity. Most of the managers spend more than 60% of their time in communication with others which speaks volumes about the importance of communication. The performance of all managerial functions viz. planning, organising, directing, staffing, controlling, and coordinating, depends on successful communication by the managers at various levels. There are some barriers to communication which a manager must learn to overcome. Further managers must update themselves with the latest innovations in the field of communication technology which has brought the world closer. The speed and accuracy of communication are very crucial for the success of communication in the modern world.

### REVIEW QUESTIONS

1. "Good communication is the foundation of sound management". Comment.
2. "Communication is sharing of understanding". Comment.
3. Define communication. Why has communication assumed importance in modern industrial organisations?
4. Explain how communication is the essence of management and how formal channels of communication provide for vertical and horizontal flows.
5. Discuss in detail the various channels of communication which are generally used in modern business enterprises.
6. What is informal communication? How can grapevine be used by the management for efficient management?

7. Write an explanatory note on grapevine communication.
8. Define communication. State the common barriers to effective communication in an organisation.
9. What are the essential of a good communication system? Explain.
10. What are the common barriers to communication in an organisation? How can these be overcome?
11. What are the important types of barriers to communication? Describe the three instances of communication breakdown. How each might have been avoided?
12. What are the essential characteristics of a good communication? Distinguish between formal and informal communication.
13. "Coordination and communication are the sine qua non of management". Comment and state the guidelines of effective communication.
14. Explain the term 'Grapevine' as a channel of communication. What are its benefits to the management?
15. Explain the principal barriers to management communication and suggest measures for removing them.
16. Answer the following:
  - (a) Discuss the nature of communication.
  - (b) What is informal communication?
  - (c) What is the role played by grapevine?
  - (d) Suggest measures to check rumours.
  - (e) Explain the concept of formal communication.
  - (f) What are communication networks?
  - (g) What is semantic barrier?
  - (h) Why is informal communication very fast?

### SUGGESTED READINGS

- Chester I. Barnard, *The Functions of the Executive*, Harvard University Press, Cambridge.
- Cyril L. Hudson, *Business Organisation and Operations*, Staples Press, London.
- Harold J. Leavitt and Ronald A.H. Mueller, *Some Effects of Feedback on Communicating*, Human Relations.
- John G. Glover, *Fundamentals of Professional Management*.
- Killian, Ray A., *Managing by Design for Maximum Executive Effectiveness*, American Management Association, New York.
- Louis A. Allen, *Management and Organisation*, McGraw-Hill Kogakusha, Ltd.
- The Haimann, *Professional Management*, Eurasia Publishing House, New Delhi.
- Torgersen and Weinstock, *Management - An Integrated Approach*, Prentice-Hall of India, New Delhi.



# CHAPTER MEANING AND **14** DETERMINANTS OF ORGANIZATIONAL BEHAVIOUR

## OBJECTIVES

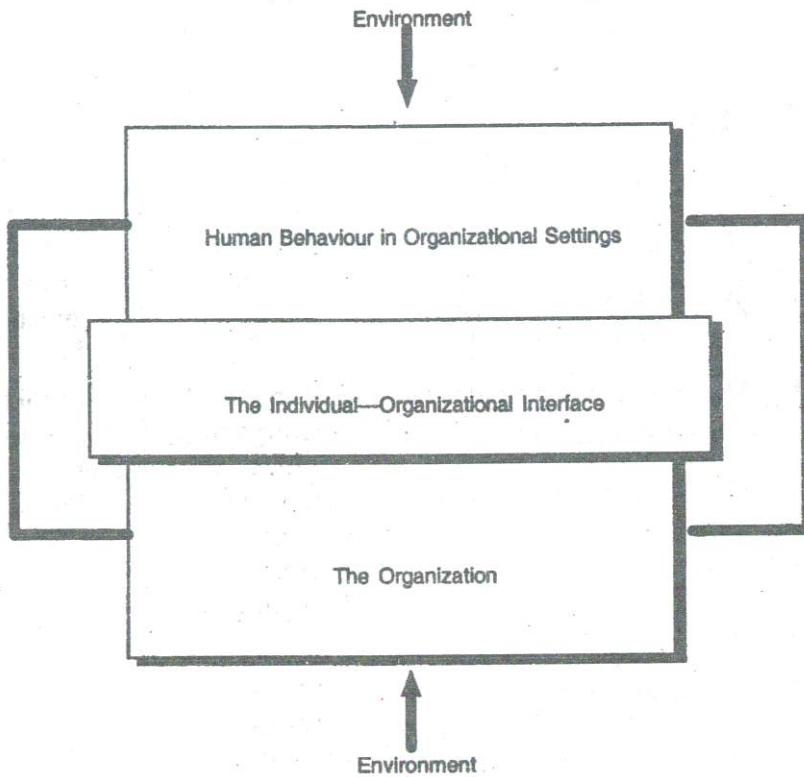
- Define organizational behaviour
- Trace the historical roots of organizational behaviour
- Discuss the emergence of organizational behaviour, including its precursors, the Hawthorne studies, and human relations
- Describe contemporary organizational behaviour—its basic characteristics, concepts, and importance
- Identify and discuss emerging perspectives in organizational behaviour

## STRUCTURE

- ◆ What is organizational behaviour
- ◆ The historical roots of organizational behaviour
- ◆ Scientific management
- ◆ Classical organizational theory
- ◆ The emergence of organizational behaviour
- ◆ Contemporary organizational behaviour
- ◆ A descriptive nature
- ◆ Managerial functions
- ◆ Managerial roles
- ◆ Emerging perspectives of organizational behaviour

## WHAT IS ORGANIZATIONAL BEHAVIOUR?

**Organizational behaviour (OB)** is the study of human behaviour in organizational setting, the interface between human behaviour the organization, and the organizational itself. Although we can focus on any one of these three areas, do remember that all three are ultimately relevant for a comprehensive understanding



**Fig. 14.1: The Nature of Organizational Behaviour**

of organizational behaviour. For example, we can study individual behaviour without explicitly considering the organization. But, because the organization influences and is influenced by the individual, we can't understand the individual's behaviour completely without learning something about the organization. Similarly, we can study organizations without focusing specifically on the people within them. But, again, we are looking at only a portion of the puzzle. Eventually, we must consider the other pieces as well as the whole.

Fig. 14.1 illustrates this view of organizational behaviour. The Figure shows the linkages among human behaviour in organizational settings, the individual-organizational interface, the organization, and the environment, surrounding the organization. Each individual brings to an organization a unique set of personal characteristics, experiences from other organizations, and a personal background. In considering the people who work in organizations, therefore, organizational behaviour must look at the unique perspective that each individual brings to the work setting. For example, suppose Texas Instruments hires a consultant to investigate



employee turnover. As a starting point, he or she might analyze the kinds of people usually hired by the firm. The goal of this analysis would be to learn as much as possible about the nature of the company's work force as individuals—their expectations, personal goals, and so forth.

But individuals do not work in isolation. They come in contact with other individuals and the organization in a variety of ways. Points of contact include managers, co-workers, the formal policies and procedures of the organization, and various changes implemented by the organization. Over time, the individual, too, changes; as a function of both the personal experiences and maturity, and work experiences and the organization. The organization is also affected by the presence, and eventual absence, of the individual. Clearly, then, the study of organizational behaviour must consider the ways in which the individual and the organization interact. Thus, the consultant studying turnover at Texas Instruments might next look at the orientation procedures for newcomers to the organization. The goal of this phase of the study would be to understand some of the dynamics of how incoming individuals interact with the broader organizational context.

An organization, characteristically, exists before a particular person joins it and continues to exist after he or she has left. Thus, the organization itself represents a crucial third perspective from which to view organizational behaviour. For instance, the consultant studying turnover would also need to study the structure of Texas Instruments. An understanding of factors like performance evaluation and reward systems, decision-making and communication patterns, and the design of the firm itself can provide added insight into why some people choose to leave a company and others elect to stay.

Thus, the field of organizational behaviour is both exciting and complex. Myriad variables and concepts go along with the interactions just described; and, together, these factors greatly complicate the manager's ability to understand, appreciate, and manage others in the organization. They also provide unique opportunities to enhance personal and organizational effectiveness. The key, of course, is understanding. To provide a groundwork for this understanding, we look next at the historical roots of the field.

### THE HISTORICAL ROOTS OF ORGANIZATIONAL BEHAVIOUR

Some fields, such as physics and chemistry, are thousands of years old. Management has also been around in one form or another for centuries as described in *International Perspective*. But, because serious interest in the study of management did not develop until around the turn of this century, organizational behaviour is only a few decades old. One reason for the relatively late development of management as a scientific field is that few large business organizations existed until around a hundred years ago. Although management is just as important to a small organization as to a large one, large firms were necessary to provide both a stimulus and a laboratory for management research.

A second reason for the late emergence of management as a scientific field was the assumption that management and other business issues were part of economics.



Economists, in turn, assumed that management practices were by nature efficient and effective, and therefore concentrated their attention on higher levels of analysis such as national economic policy and industrial structures.

Finally, in addition to being a relatively young field of study, management is a social science rather than a natural science; and so, its variables and concepts are more difficult to identify, define, measure, and predict than those associated with physical phenomena. A physical scientist can formulate a hypothesis or law such as "If you apply this process to this material under these specified conditions, the result will always be of the form . . . ." Other scientists can easily verify the proposed relationship and take it as a given in subsequent research. A social scientist, in contrast, can seldom say "If you provide a person in the workplace with a certain reward, the response will always be of the form . . . ." The complexities of individual understanding, perception, and motivation are too great to permit the formulation of such laws. (Social scientists try to do so sometimes, but the result is generally controversial.) Hence, the social sciences tend to progress more slowly than the natural sciences.

### *Scientific Management*

One of the first approaches to the study of management, popularized during the first years of this century, was **scientific management**. Several individuals helped establish scientific management, including Frank and Lillian Gilbreth, Henry Gantt, and Harrington Emerson, but the name of Frederick W. Taylor is most closely identified with this approach. Early in his life, Taylor developed an interest in efficiency and productivity. While working as a foreman at Midvale Steel Company in Philadelphia from 1878 to 1890, he became aware of a phenomenon he called *soldiering*, the practice of working considerably slower than one can. Because managers had never systematically studied jobs in the plant—and, in fact, had little idea of how to gauge worker productivity—they were unaware of this practice.

To counteract the effects of soldiering, Taylor developed several innovative techniques. He studied all the jobs in the plant and developed a standardized method for performing each one. He also installed a piece-rate pay system in which each worker was paid for the amount of work he or she completed during the workday rather than for the time spent on the job. These changes boosted productivity markedly.

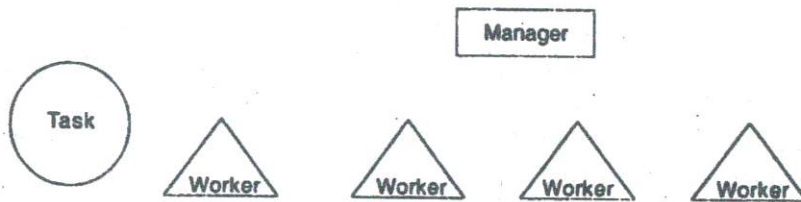
After leaving Midvale, Taylor spent several years working as a management consultant for industrial firms. At Bethlehem Steel Company, for instance, he developed several efficient techniques for loading and unloading rail cars. And, at Simonds Rolling Machine Company, he redesigned jobs, introduced rest breaks to combat fatigue, and implemented a piece-rate pay system. In every case, Taylor claimed his ideas and methods greatly improved worker output. His book entitled *Principles of Scientific Management*, published in 1911, was greeted with enthusiasm by practicing managers, and quickly became a standard reference.

The essence of scientific management is summarized in Fig. 14.2. Note that the manager is supposed to play the roles of planner and co-ordinator. An additional aspect of Taylor's approach, not shown in the Figure but reflected in his enthusiasm for piece-rate pay systems, was his belief that all employees are economically motivated. That is, he assumed that monetary rewards were the primary incentive managers could use to motivate workers to achieve higher levels of output.

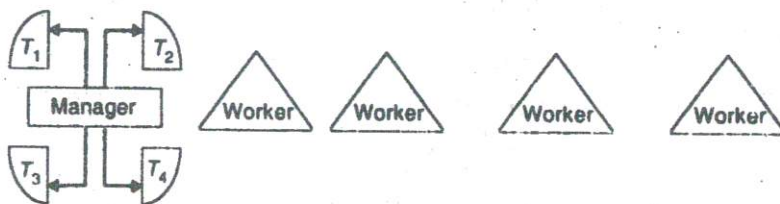


Scientific management quickly became a mainstay of American business thinking. It facilitated job specialization and mass production, profoundly influencing the American business system. Taylor had his critics, however. Labor opposed scientific management because of its explicit goal of getting more output from workers. Congress investigated Taylor's methods and ideas because some argued that his incentive system would dehumanize the workplace and reduce workers to little more than robots. Later theorists recognized that Taylor's views of employee motivation were inadequate and narrow. And there have been recent allegations that Taylor falsified some of his research findings and paid someone to do his writing for him. Still, scientific management remains a cornerstone of contemporary thought.

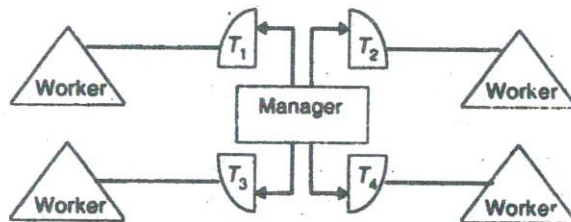
**Phase 1: A Task, A Manager, and A Pool of workers**



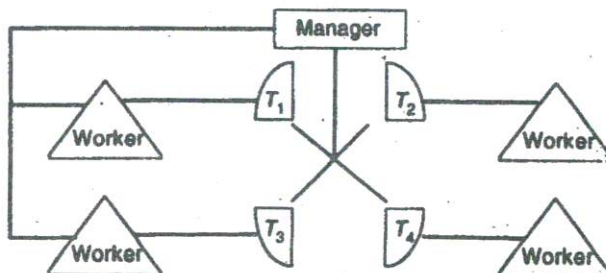
**Phase 2: Task Analysis, Breakdown, and Job Specialization by Manager**



**Phase 3: Task Assignment and Training**



**Phase 4: Continued Supervision, Coordination, and Planning by Manager**



**Fig. 14.2: Phases of scientific management**

### Classical Organization Theory

Scientific management dealt almost exclusively with the interaction between a person and his or her job. During the period of scientific management's popularity, another school of management thought also emerged. Generally referred to as **classical organization theory**, it was concerned with structuring organizations effectively. Whereas scientific management studied how individual workers could be made more efficient, classical organization theory studied how a large number of workers and managers could be most effectively organized into an overall structure.

Major contributors to classical organization theory included Henri Fayol, Lyndall Urwick, and Max Weber. Weber, the most prominent of the three, proposed a "bureaucratic" form of structure that, he thought, would work for all organizations. Although the term *bureaucracy* today generally connotes paperwork, red tape, and inflexibility, Weber's model bureaucracy embraced logic, rationality, and efficiency. Weber assumed that the bureaucratic structure would always be the most efficient approach. (Such a blanket prescription represents a universal approach.) The elements of Weber's ideal bureaucracy are summarized in Fig. 14.3.

In contrast to Weber's views, contemporary organization theorists recognize that different organization structures may be appropriate in different situations. However, Weber's ideas, and the concepts associated with his bureaucratic structure, are still interesting and relevant today.

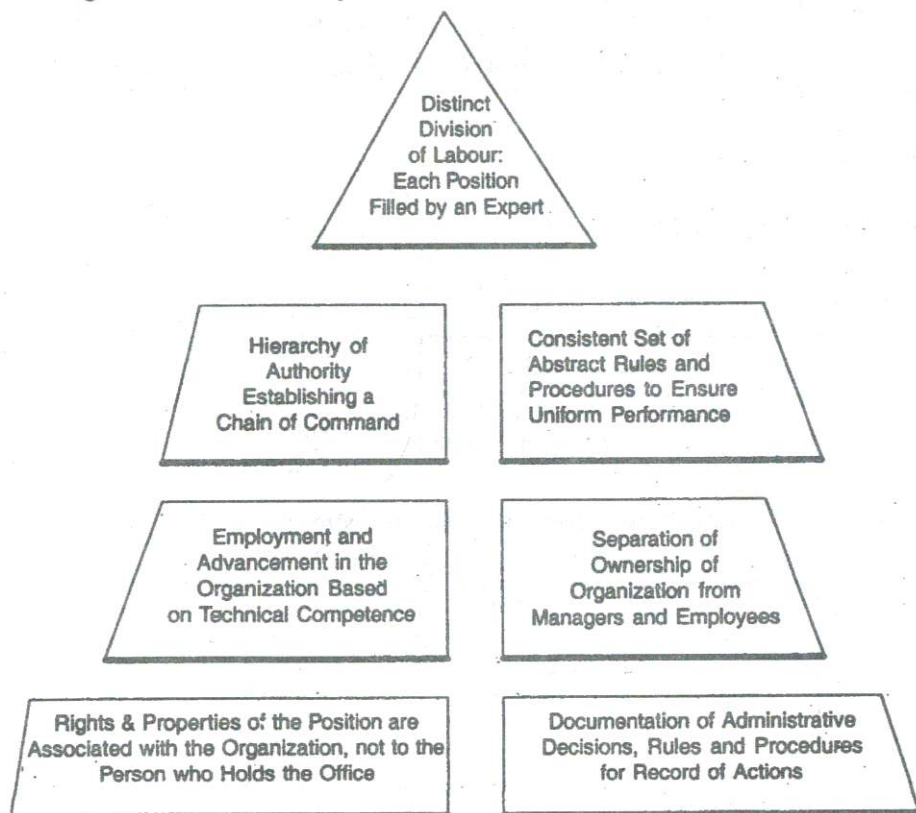


Fig. 14.3: Elements of Weber's ideal bureaucracy



## THE EMERGENCE OF ORGANIZATIONAL BEHAVIOUR

The central themes of both scientific management and classical organization theory were rationality, efficiency, and standardization. The roles of individuals and groups in organizations were either ignored altogether or given only minimal attention. A few writers and managers, however, recognized the importance of individual and social processes in organizations.

### *Precursors of Organizational Behaviour*

In the early nineteenth century, Robert Owen, a British industrialist, attempted to improve the condition of industrial workers. He improved working conditions, raised the minimum ages for hiring children, introduced meals for employees, and shortened working hours. Early in the twentieth century, the noted German psychologist Hugo Musterberg argued that the field of psychology could provide important insights into areas such as motivation and the hiring of new employees. Another writer in the early 1900s, Mary Parker Follett, believed that management should become more democratic in its dealings with employees. An expert in vocational guidance, Follett argued that organizations should strive harder to accommodate their employees' human needs.

Owen, Musterberg, and Follett held minority views, however, that were not widely shared by practicing managers. Not until the 1930s did much change in the management's perception of the relationship between the individual and the workplace. At that time a series of research studies led to the emergence of organizational behaviour as a field of study.

### *The Hawthorne Studies*

The Hawthorne studies were conducted between 1927 and 1932 at Western Electric's Hawthorne Plant near Chicago. General Electric initially sponsored the research but withdrew its support after the first study was finished. Several researchers were involved, the best known being Elton Mayo and Fritz Roethlisberger, Harvard faculty members and consultants, and William Dickson, chief of Hawthorne's Employee Relations Research Department.

The first major experiment at Hawthorne studied the effects of different levels of lighting on productivity. The researchers systematically manipulated the lighting of the area in which a group of women worked. The group's productivity was measured and compared with that of another group (the control group) whose lighting was left unchanged. As lighting was increased for the experimental group, productivity went up—but, surprisingly, so did the productivity of the control group. Even when lighting was subsequently reduced, the productivity of both groups continued to increase. Not until the lighting had become about as dim as moonlight did productivity decline.

In another major experiment, a piecework incentive system was established for a nine-man group that assembled terminal banks for telephone exchanges. Proponents of scientific management would have expected each man to work as hard as he could to maximize his own personal income. But the Hawthorne researchers found instead



that the group as a whole established an acceptable level of output for its members. Individuals who failed to meet this level were dubbed "chiselers", while those who exceeded it by too much were branded "rate busters". A worker who wanted to be accepted by the group could not produce at too high or too low a level. Thus, as a worker approached the accepted level each day he slowed down so as not to overproduce.

After a follow-up interview program with several thousand workers, the Hawthorne researchers concluded that the human element in the workplace was considerably more important than thought previously. The lighting experiment, for example, suggested that productivity might increase simply because workers were singled out for special treatment and, thus, perhaps felt more valued. In the incentive system experiment, being accepted as a part of the group evidently meant more to the workers than earning extra money. Several other studies supported the overall conclusion that individual and social processes are too important to ignore.

Like the work of Taylor, the Hawthorne studies have recently been called into question. Critics cite deficiencies in research methods and alternative explanations of the findings. Again, however, these studies played a major role in the advancement of the field and are still among its most frequently cited works.

### ***Human Relations***

The Hawthorne studies created quite a stir among managers and management researchers, providing the foundation for an entirely new school of management thought, which came to be known as the **human relations movement**. The basic premises underlying the human relations movement were that people respond primarily to their social environment, that motivation depends more on social needs than economic needs, and that satisfied employees work harder than unsatisfied employees. This perspective represented a fundamental shift away from the philosophy and values of scientific management and classical organization theory.

The values of the human relationists are exemplified in the work of Douglas McGregor and Abraham Maslow. McGregor is best known for his classic book *The Human Side of Enterprise* in which he identified two opposing perspectives that, he believed, typified managerial views of employees. Some managers, McGregor said, subscribed to what he labeled Theory X, whose characteristics are summarized in Table 14.1. Theory X takes a generally negative and pessimistic view of human nature and employee behaviour. In many ways, it is consistent with the tenets of scientific management. A much more optimistic and positive view of employees is to be found in Theory Y, also summarized in Table 14.1. Theory Y, generally representative of the human relations perspective, was the approach McGregor himself advocated.

In 1943, Abraham Maslow published a pioneering theory of employee motivation that became well-known and widely accepted among managers. Maslow's theory, which we describe in detail in Chapter 4, assumes that motivation arises from a hierarchical series of needs. As the needs at each level are satisfied, the individual progresses to the next higher level.



The Hawthorne studies and the human relations movement played major roles in developing the foundations for the field of organizational behaviour. Some of the early theorists' basic premises and assumptions were incorrect, though. For example, most human relationists believed that employee attitudes such as job satisfaction were the major causes of such employee behaviours as job performance. Also, many of the human relationists' views were unnecessarily limited and situation specific. There was still plenty of room for refinement and development in the emerging field of human behaviour in organizations.

Table 14.1: Theory X and Theory Y

---

*Theory X assumptions*

1. People do not like work and try to avoid it.
2. People do not like work; so, managers have to control, direct, coerce, and threaten employees to get them to work towards organizational goals.
3. People prefer to be directed, to avoid responsibility, to want security; they have little ambition.

*Theory Y assumptions*

1. People do not naturally dislike work; work is a natural part of their lives.
  2. People are internally motivated to reach objectives to which they are committed.
  3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives.
  4. People will both seek and accept responsibility under favorable conditions.
  5. People have the capacity to be innovative in solving organizational problems.
  6. People are bright but, under most organizational conditions, their potentials are underutilized.
- 

### *Towards Organizational Behaviour*

Most scholars would agree that organizational behaviour began to emerge as a mature field of study in the late 1950s and early 1960s. That period saw the field's evolution from the simple assumptions and behavioural models of the human relationists to the concepts and methodologies of a scientific discipline. Since that time, organizational behaviour as a scientific field of inquiry has made considerable strides, although there have been occasional steps backward as well. Many of the ideas discussed in this book have emerged over the past two decades. We turn now to contemporary organizational behaviour.

## CONTEMPORARY ORGANIZATIONAL BEHAVIOUR

### *Characteristics of the Field*

Contemporary organizational behaviour has an interdisciplinary focus and a descriptive nature. That is, it draws from a variety of other fields and attempts to describe behaviour (as opposed to prescribing how behaviour can be changed in consistent and predictable ways).

**AN INTERDISCIPLINARY FOCUS:** In many ways, organizational behaviour synthesizes several other fields of study. Psychology, especially industrial or



organizational psychology, is perhaps the greatest contributor to the field of organizational behaviour. Psychologists study behaviour, and industrial or organizational psychologists deal specifically with the behaviour of people in organizational settings. Many of the concepts that interest psychologists, such as learning and motivation, are also central to students of organizational behaviour.

Sociology, too, has had a major impact on the field of organizational behaviour. Sociologists study social systems such as a family, an occupational class, a mob, or an organization. Because a major concern of organizational behaviour is the study of organizational structures, the field clearly overlaps with areas of sociology that focus on the organization as a social system.

Anthropology is concerned with the interactions between people and their environments, especially their cultural environment. Culture is a major influence on the structure of organizations as well as on the behaviour of people within organizations.

Political science also interests organizational behaviourists. We usually think of political science as the study of political systems such as governments. But themes of interest to political scientists include how and why people acquire power, political behaviour, decision-making, conflict, the behaviour of interest groups, and coalition formation. These are also major areas of interest in organizational behaviour.

Economists study the production, distribution, and consumption of goods and services. Students of organizational behaviour share the economist's interest in such areas as labor market dynamics, productivity, human resource planning and forecasting, and cost-benefit analysis.

Engineering has also influenced the field of organizational behaviour. In particular, industrial engineering has long been concerned with work measurement, productivity measurement, work flow analysis and design, job design, and labor relations. Obviously, these areas are also relevant to organizational behaviour.

Most recently, medicine has come into play in connection with the study of human behaviour at work, specifically in the study of stress. Increasingly, research is showing that controlling the causes and consequences of stress in and out of organizational settings is important for the well-being of the individual as well as the organization.

## A DESCRIPTIVE NATURE

The primary goal of organizational behaviour is to describe, rather than prescribe, relationships between two or more behavioural variables. The theories and concepts of the field cannot, for example, predict with certainty that changing variables  $x$ ,  $y$  and  $z$  will improve employee performance by a certain amount. At best, the field can suggest that certain general concepts or variables tend to be related to one another in certain settings. For instance, research might indicate that in one organization, employee satisfaction and individual perceptions of working conditions correlate positively. However, we do not know if better working conditions lead to more satisfaction, if more satisfied people see their jobs differently from dissatisfied people, or if both satisfaction and perceptions of working conditions are actually related through other variables. Also, the observed relationship between satisfaction and perceptions of working conditions may be considerably stronger, weaker, or even non-existent in other settings.



Organizational behaviour is descriptive for several reasons: the immaturity of the field; the complexities involved in studying human behaviour; and the lack of valid, reliable, and accepted definitions, and measures. Whether the field will ever be able to make definitive predictions and prescriptions is still an open question. But the value of studying organizational behaviour is nonetheless firmly established.

Because behavioural processes pervade most managerial functions and roles; and, because the work of organizations is done primarily by people, the knowledge and understanding gained from the field can help managers significantly in many different ways.

*The importance of Organizational Behaviour*

Most people are born and educated in organizations, acquire most of their material possessions from organizations, and die as members of organizations. Many of their activities are regulated by organizations called governments; and, most adults spend the better part of their lives working in organizations. If organizations influence our lives so thoroughly, we have every reason to be concerned about how and why those organizations function.

In our relationships with organizations, we may adopt any one of several roles or identities. For example, we can be consumers or employees or adversaries (such as Ralph Nader in his crusade against General Motors). Since most readers of this book are present or future managers, we take a managerial viewpoint here. Organizational behaviour can greatly clarify the factors that affect how managers manage. It is the field's job to describe the complex human context in which managers work and to define the problems associated with that realm. The value of organizational behaviour is that it isolates important aspects of the manager's job and offers specific perspectives on the human side of management; people as organizations, people as resources, people as people.

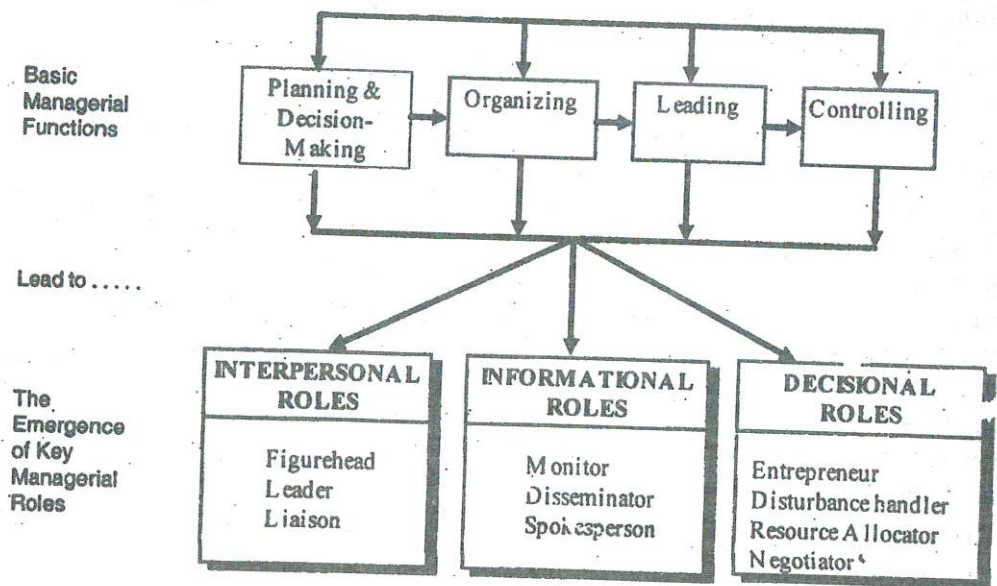


Fig. 14.4: The Manager's Job



### *The Manager's Job*

The job of a manager is, most often, described in terms of management functions and management roles. Four managerial functions and ten managerial roles are commonly defined, as illustrated in Fig. 14.4.

**Managerial Functions:** The four basic managerial functions are planning and decision-making, organizing, leading, and controlling. **Planning** is the process of determining the organization's desired future position and deciding how best to get there. The planning process at Sears, Roebuck, for example, includes scanning the environment, deciding on appropriate goals, outlining strategies for achieving those goals, and developing tactics to assist in executing the strategies. Behavioural processes and characteristics pervade each of these activities. Perception, for instance, plays a major role in environmental scanning; and, creativity and motivation influence how managers set goals, strategies, and tactics.

**Organizing** is the process of designing jobs, grouping jobs into manageable units, and establishing patterns of authority among jobs and groups of jobs. This process designs the basic structure of the organization, and for large organizations like Sears, that structure can be extensive and complicated. As noted earlier, the processes and characteristics of the organization itself are a major theme of organizational behaviour.

**Leading** is the process of getting members of the organization to work together toward the organization's goals. Major components of leading include motivating employees, managing group dynamics, and leadership *per se*, all of which are closely related to major areas of organizational behaviour.

The fourth managerial function, **controlling**, is the process of monitoring and correcting the actions of the organization and its people so as to keep them headed towards their goals. Again, behavioural processes and characteristics are a key part of this function. Performance evaluation, reward systems, and motivation, for example, all enter into control.

**Managerial Roles:** In an organization, as in a play or a movie, a role is the a part of person plays in a given situation. Much of our knowledge about managerial roles comes from the work of Henry Mintzberg. Mintzberg identified the ten basic managerial roles in three general categories that are shown in Fig. 14.4.

**Interpersonal roles** are primarily social in nature; that is, they are roles in which the manager's main task is to relate to other people in certain ways. The manager may sometimes serve as a *Figurehead* for the organization. Taking visitors to dinner and attending ribbon-cutting ceremonies are part of the Figurehead role. If the role of *leader*, the manager works to hire, train, and motivate employees. Finally, the *liaison* role consists of relating to others outside the group or organization. For example, a manager at Intel might be responsible for handling all price negotiations with a key supplier of electronic circuit boards. Obviously, each of these interpersonal roles involves behavioural processes.

Mintzberg's three **informational roles** involve some aspect of *information processing*: The *monitor* actively seeks information that might be of value to the organization in general, or to specific managers. The manager who transmits this information to others is carrying out the role of *disseminator*. The *spokesperson*



speaks for the organization to outsiders. For example, the manager chosen by Phillipsbury to appear at a press conference announcing a merger or other major deal (such as the recent decision to sell its Godfather's Pizza Chain) would be serving in this role. Again, behavioural processes are part of each of these roles, since information is almost always exchanged between people.

Finally, Mintzberg's research identified four decision-making roles. The *entrepreneur* voluntarily initiates change (such as innovations, new strategies, etc.) in the organization. The *disturbance handler* helps settle disputes between various parties, such as other managers and their subordinates. The *resource allocator* decides who will get what—how resources in the organization will be distributed among various individuals and groups. The last role is that of the *negotiator*, who represents the organization in reaching agreements with other organizations. Contracts between management and labor unions are the result of negotiations. Again, behavioural processes are clearly crucial in each of these decisional roles.

Mintzberg's research also provided quite a lot of insight into how managers allocate their time in performing these roles, especially senior managers at the top of an organization.

### *The Human Context of Management*

In addition to understanding the on-going behavioural processes involved in their own jobs, managers must understand the basic human element of their work. Organizational behaviour offers three major ways of understanding this context; people as organizations, people as resources, and people as people.

Above all, organizations are people; and, without people there would be no organizations. A neighborhood grocery store owned and operated by a husband and wife team; Exxon, one of the world's largest industrial corporations; the Smithsonian Institution in Washington; a neighborhood street gang; the Mayo Clinic, one of this country's finest health care facilities; your college or university—all are organizations; and, although they differ dramatically in size, purpose, and structure, they have one thing in common people. Thus, if managers are to understand the organizations in which they work, they must first understand the people who make up the organizations.

As resources, people are one of an organization's most valuable assets. People create the organization, guide and direct its course, and vitalize and revitalize it. People make its decisions, solve its problems, and answer its questions. In recent years, many Americans have been alarmed by the way productivity growth in the United States has slowed in relation to that of other industrial countries, including Japan, West Germany, and France. People are at the core of many of the factors cited as possibly causing this trend. To reverse declining productivity, many organizations have taken steps to boost the contribution from their human resources. Some companies have taken steps to encourage management and labor to cooperate better, and others have increased employee participation in decision-making and problem-solving. At Westinghouse, for example, groups of employees meet regularly to study major problems faced by the company and to recommend solutions. As managers



increasingly recognize the value of potential contributions by their employees, it will become more and more important for managers and employees to grasp the complexities of organizational behaviour.

Finally, there is people as people—an argument derived from the simple notion of humanistic management. People spend a large part of their lives in organizational settings, mostly as employees. They have a right to expect something in return beyond wages and employee benefits. Employees seek satisfaction, and many want the opportunity to grow and develop and to learn new skills. An understanding of organizational behaviour can help the manager better appreciate this variety of individual needs and expectations.

Of course, human life in organizations can have a negative side also. People who are unhappy with their jobs are more likely to be frequently absent to look for work elsewhere than people who are happy. Recent years have seen increasing attention to the causes and consequences of employee stress at work. Knowledge of organizational behaviour can help managers recognize the problems of the workplace and improve the quality of individual work experiences.

### EMERGING PERSPECTIVES ON ORGANIZATIONAL BEHAVIOUR

Three contemporary perspectives have increasingly influenced organizational behaviour; the systems view, the contingency view, and the interactional view. Many of the concepts and theories discussed in the chapters that follow reflect these perspectives: they represent basic points of view that influence much of our contemporary thinking about behaviour in organizations.

#### *The Systems View*

**System theory**, or the theory of systems, was first developed in the physical sciences, but it has been extended to other areas, such as management. A **system** is an interrelated set of elements functioning as a whole. Fig. 14.5 shows a general framework for viewing organizations as systems.

An organizational system receives four kinds of inputs from its environment: material, human, financial, and informational. The organization then combines and transforms the inputs, returning them to the environment in the form of products or services, profits or losses, employee behaviours, and additional information. Finally, the system receives feedback from the environment regarding these outputs.

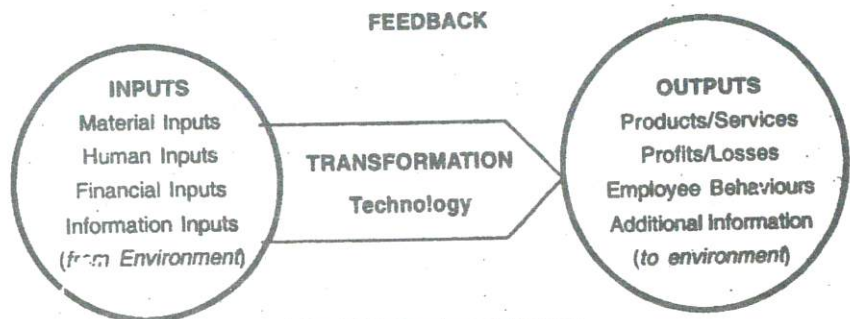


Fig. 14.5: Systems Theory



As an example, we can apply systems theory to Shell Oil company. *Material inputs* include pipelines, crude oil, and the machinery used to refine petroleum. *Financial inputs* take the form of money received from oil and gas sales, stockholder investment, and so forth. *Human inputs* are oilfield workers, refinery workers, office staff, and other people employed by the company. Finally, the company receives *information inputs* from forecasts about future oil supplies, geological surveys about potential drilling sites, sales projections, and similar analyses.

Through complex refining and other processes, these inputs are combined and transformed to create products like gasoline and motor oil. As outputs, these products are sold to the consuming public. Profits from operations are fed back into the environment through taxes, investments, and dividends; losses, when they occur, hit the environment by reducing stockholders' incomes. In addition to their on-the-job contacts with customers and suppliers, employees live in the community and participate in a variety of activities away from the workplace. In varying degrees, at least some part of this behaviour is influenced by their experiences as Shell workers. Finally, information about the company and its operations is also released into the environment. The environment, in turn, responds to these outputs and influences future inputs. For example, consumers may buy more or less gasoline depending on the quality and price of Shell's product, and banks may be more or less willing to lend Shell money based on financial information released about the company.

#### THE UNIVERSAL MODEL



#### THE CONTINGENCY MODEL

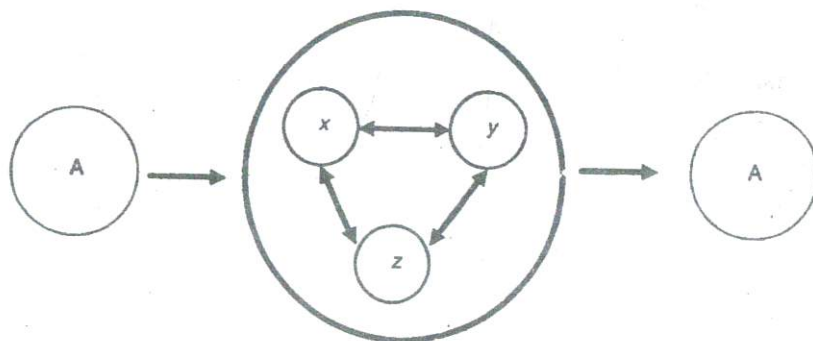


Fig. 14.6: Universal and contingency perspectives

#### The Contingency View

Another useful viewpoint for understanding behaviour in organizations comes from **contingency theory**. In the earlier days of management studies, both researchers and practicing managers searched for universal answers to organizational questions.

They sought prescriptions that could be applied to any organization under any conditions. For example, early leadership researchers tried to discover forms of leadership behaviour that would always stimulate employees to be more satisfied and to work harder. Eventually, however, researchers realized that *the complexities of human behaviour and organizational settings make universal conclusions virtually impossible*. They discovered that in organizations most situations and outcomes are contingent; that is, the relationship between any two variables is likely to be influenced by other variables.

Fig. 14.6 distinguishes universal and contingency perspectives. The universal model presumes a direct cause-and-effect linkage between variable *A* and variable *B*; for example, an increase in *A* will cause an increase in *B*; a decrease in *A* will cause a decrease in *B*. Moreover, this linkage is expected to exist in all settings. The contingency model, on the other hand, includes several other variables that alter the direct relationship. That is, the relationship between *A* and *B* is affected by variables *x*, *y* and *z*. The effect of *A* on *B* will depend on the presence, absence, level, and pattern of *x*, *y* and *z*.

The field of organizational behaviour has gradually shifted from a universal approach in the 1950s and early 1960s to a contingency approach.

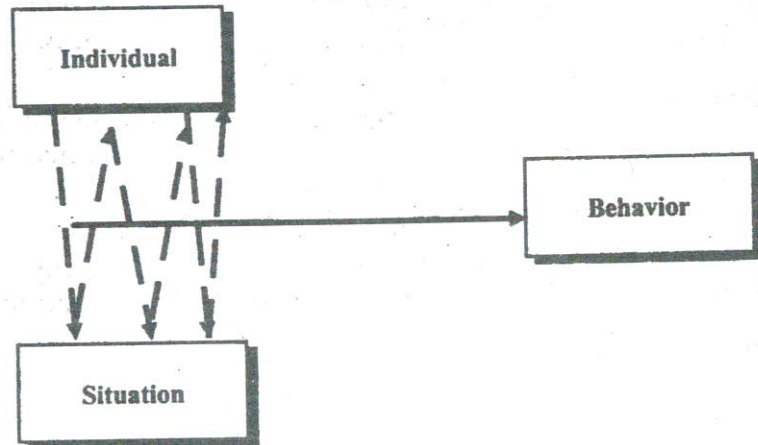


Fig. 14.7: The interactional view of behaviour

*Management in Action* tells a story of the contingency view's relevance to the real world. Jim Treybig found one style of management to work well when his organization was fairly small. As Tandem grew, however, he found it necessary to adapt his approach to the new circumstances.

### *The Interactional View*

The interactional view is a relatively new approach to understanding behaviour in organizational settings. First presented in terms of interactional psychology, this view assumes that individual behaviour results from a continuous and multidirectional interaction between characteristics of the person and characteristics of the situation. More specifically, **interactionalism** attempts to explain how people select, interpret, and change various situations. Fig. 14.7 illustrates the perspective. Note that the



individual and the situation are presumed to interact continuously. This interaction is what determines the individual's behaviour.

The interactional view implies that simple cause-and-effect descriptions of organizational phenomena are not enough. One set of research studies, for example, may suggest that job changes will lead to improved employee attitudes. Another set of studies may suggest that attitudes influence how people perceive their jobs in the first place. Both positions are probably incomplete—employee attitudes may influence job perceptions, but these perceptions may in turn influence future attitudes.

Because the interactional view is a fairly recent contribution to the field, it is less prominent in the chapters that follow than the systems and contingency theories. Nonetheless, the interactional view appears to offer many promising ideas for future development in the field.

## SUMMARY

**Organizational behaviour (OB)** is the study of human behaviour in organizational settings, the interface between human behaviour and the organization, and the organization itself.

Serious interest in the study of management did not develop until around the beginning of this century. Two of the earliest approaches were scientific management (best represented by the work of Taylor), and classical organization theory (best represented by the work of Weber).

Organizational behaviour began to emerge as a scientific discipline as a result of the Hawthorne studies. McGregor and Maslow led the human relations movement that grew from those studies.

Contemporary organizational behaviour attempts to describe, rather than prescribe, behavioural forces in organizations. Ties with psychology, sociology, anthropology, political science, economics, engineering, and medicine give organizational behaviour an interdisciplinary focus.

Basic concepts of the field are divided into five categories: individual characteristics, the individual-organization interface, organizational characteristics, organizational processes, and organization at change and development. Those categories form the framework for this book.

The study of organizational behaviour is important for several reasons. The manager's job, including its four basic functions and ten roles, involves a number of behavioural processes. There is also a distinctly human context to managerial work.

Three important emerging perspectives on the field of organizational behaviour are: the systems view, the contingency view, and the interactional view.

## REVIEW QUESTIONS

1. What elements of a manager's job are not affected by behaviour or behavioural processes?

2. Is organizational behaviour comparable to such functional areas as finance, marketing, and production? Why or why not?
3. Identify some managerial jobs that are highly affected by human behaviour and others that are less so.
4. Can you think of reasons, besides those cited in the text, for the importance of organizational behaviour? If so, what are they?
5. Some people argue that an organization's human resources are its most important asset. Do you agree or disagree? Why?
6. The text states that people working in an organization have a right to satisfaction, and to the opportunity to grow and develop. How would you defend this position? How would you argue against it?
7. Consider each of the basic concepts of organizational behaviour. How do they apply to a typical classroom setting? That is, can you think of examples from the classroom setting to illustrate each concept? What are they?
8. Do you think the field of organizational behaviour has the potential to become prescriptive, as opposed to descriptive? Why or why not?
9. Are the notions of systems, contingency, and interactionism independent? If not, describe ways in which they are related.
10. Get a recent issue of a popular business magazine like *Business Week* or *Fortune* and scan its major articles. Do some of them reflect concepts from organizational behaviour? Describe.

#### CASE STUDY

##### ECONOMIC HOME BUILDERS

Mr. Adesh Sahi wondered what he should do. Adesh was a carpenter who, with one helper, has earned a reputation for being a very skilled tradesman. The chance to own his own company came at a lucky time for Adesh. The 'Economic Home Builders', with its twenty two workers, four trucks, several buildings, and equipment was a thriving business. He could afford to buy 'Economic Home Builders' because his wife had recently inherited a large sum of money and they were looking for a good investment.

Adesh offered Anil Mittal, another carpenter and an old friend, the opportunity to buy half of 'Economic Home Builders'. Adesh and Anil decided to go ahead with the partnership. The business grew so fast that they had trouble keeping all the commitments they made to customers.

Adesh began to work seven days a week and long hours each day. He started to have a number of personnel problems. One of the most difficult problems was his partner Anil. Anil was not as willing as Adesh to work long hours every day. Anil often showed up late on the job. There were also difficulties with the workforce. Some of the carpenters, for example, often did not show up for work, forcing Adesh and Anil to pitch in and work themselves.

Adesh believed that the problems with the carpenters were because (1) there was always work for them in the city and (2) some of them would take on individual projects of their own, for which they could earn more money, than they were paid by 'Economic Home Builders'. Adesh and Anil disagreed on how to handle two carpenters who failed to report for work. Adesh thought he should be tough with them, while Anil was unwilling to criticise them when they were late or did not show up. Adesh felt that he was being thought of, by his employees, as the 'bad guy' while Anil was viewed as the 'good guy'.

The situation got worse as the problems continued. With mutual agreement both of them decided to dissolve the partnership. Adesh decided to pay a lumpsum amount, plus continue to make annual

Contd..



payments to Anil for ten years, reflecting Anil's part in the development of 'Economic Home Builders', and start his own business.

Then the financial problems started. Over the next few years interest rates increased rapidly. This meant a significant drop in business for 'Economic Home Builders'. One problem was that Adesh still owed Anil the regular payment to which they had agreed in the buyout.

What factor should Adesh consider now? All of these problems were contributing to high stress for Adesh.

**Questions:**

1. Based on Adesh's responses to the various problems that he experienced, how would you describe his "theory of managing people"?
2. What dangers do you see for Adesh from the stress he is experiencing?
3. Overall, what ideas about management and organizational behaviour would have been useful to Adesh to study before buying this business? Why?

### SUGGESTED READINGS

Stephens P. Robbins, *"Organizational Behavior"*, Ninth Edition, Prentice-hall India.

Laurie J. Mullins, *"Management and Organisational Behaviour"*, 2nd Edition, Pitman.

Fred Luthans, *"Organisational Behavior"*, Eight Edition, Irvin/Mc Graw-Hill.

# CHAPTER **15** PERCEPTION – PERCEPTUAL PROCESS AND MANAGERIAL IMPLICATIONS OF PERCEPTION

## OBJECTIVES

- ❑ Define learning, summarize classical conditioning and discuss learning as a cognitive process.
- ❑ Discuss reinforcement theory, including types of reinforcement, schedules of reinforcement, and related aspects of learning.
- ❑ Identify key managerial implications of learning.
- ❑ Define perception and describe basic perceptual processes.
- ❑ Discuss the attribution process, and describe internal and external attributions.
- ❑ Identify key managerial implications of perception and attribution.

## STRUCTURE

- ◆ The Role of Learning
- ◆ Reinforcement Theory
- ◆ Related Aspects of Learning
- ◆ Other Managerial Implications of Learning
- ◆ Performance Evaluation and Rewards
- ◆ The Role of Perception
- ◆ Characteristics of the Person
- ◆ Situational Processes
- ◆ The Role of Attribution
- ◆ Managerial Implications of Perception



## THE ROLE OF LEARNING

Learning can be defined as a relatively permanent change in behaviour or potential behaviour that results from direct or indirect experience. Each part of this definition deserves attention. *First*, learning involves change. After we have learned, we are somehow different from what we were before—for better or worse. We learn new job skills and new ideas, we may also learn to steal and to avoid work.

*Second*, the change brought about by learning tends to be long lasting. Thus, a student who memorizes material for an exam, and then promptly forgets it has not really learned anything. Likewise, workers who get less done at the end of the day than in the morning have not learned to work more slowly. They are simply tired.

*Third*, learning affects behaviour or potential behaviour. Because we cannot read minds, we must depend on observation to see how much learning has occurred. If a secretary, who typed seventy words a minute before a new training course, can now type eightyfive words a minute we can infer that learning has occurred. Other kinds of learning are harder to discern. Suppose a new fellow who has been arriving at work on time sees the boss scold some workers who come in late. The punctual worker now has an added incentive to be on time everyday. Even though actual behaviour has not been altered, learning has taken place because potential behaviour—the likelihood of being tardy—has been reduced.

*Finally*, the changes brought about by learning result from direct or indirect experience. The secretary probably sat and practiced at an actual keyboard during the training session (an example of direct experience). But the punctual employee learned about punishment for tardiness only by observing what the boss said to co-workers: nothing was done or said to him directly. This is learning through indirect experience (also called vicarious learning). We should also distinguish between experience and simple physical maturation. A grown up can lift a 20-pound sack of potatoes that a five year old cannot, handle not because of experience and resultant learning but because physical maturation has made the adult stronger.

### *Classical Conditioning*

To understand contemporary thinking on learning, we need to be aware of its historical roots. By far the most influential historical approach to learning is classical conditioning, as described by Ivan Pavlov. The concept of **classical conditioning** is illustrated in Fig. 15.1.

Pavlov's theory was based on a series of famous experiments with dogs. Pavlov knew that if he gave meat to the dogs, they would salivate. The meat was an unconditioned, or natural, stimulus and the salivation an unconditioned, or reflexive, response. This link is shown in step 1 in Fig. 15.1 Pavlov next began to ring a bell at the same time that he presented the meat. Prior to that the dogs did not associate the ringing of the bell with eating, so the bell alone brought no response.

But by ringing the bell while presenting the meat, Pavlov established a relationship between the two stimuli in the minds of the dogs. In the Figure, this linkage is step 2. Eventually, the dogs associated eating with the sound of the bell so completely that they would salivate when the bell was rung, even if no meat was forthcoming (step

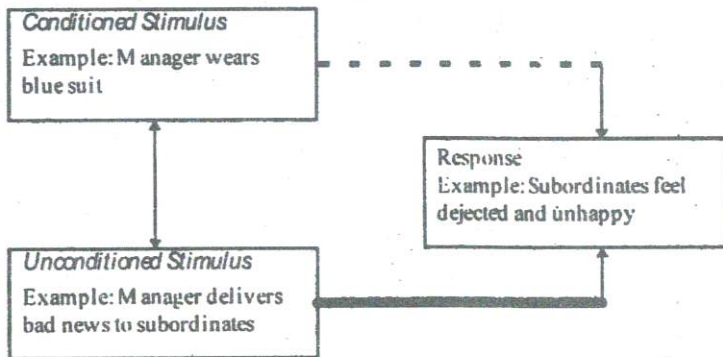
3). The bell had become a conditioned stimulus able to call up the newly conditioned, or learned, response.

Even though Fig. 15.1 includes an organizational example of classical conditioning, simple form of this conditioning seldom occurs among human beings. Learning theories soon recognized that although classical conditioning offered some interesting insights into the learning process, it inadequately explained human learning. For one thing, classical conditioning relies on simple cause and effect relationships between one stimulus and one response; it cannot deal with more complex forms of learned behaviour that typify human beings.

## STEP 1



## STEP 2



## STEP 3



Fig. 15.1 : Classical conditioning

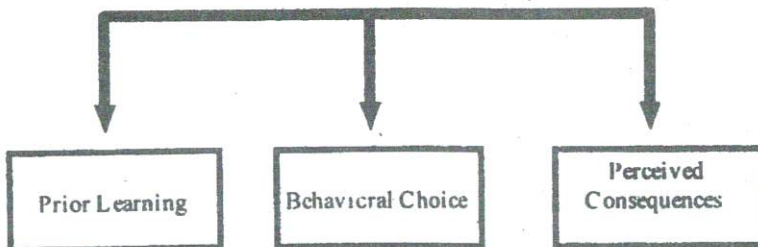


Fig. 15.2: Learning as a cognitive process

For another, classical conditioning ignores the concept of choice. Classical conditioning assumes that behaviour is reflexive, or involuntary. Therefore, this perspective cannot



explain situations in which people consciously and rationally choose one course of action among many. Because of these shortcomings of classical conditioning theorists eventually moved on to other approaches that seemed more useful in explaining the processes associated with complex learning.

### *Learning as a Cognitive Process*

Although it is not tied to a single theory or model, contemporary learning theory generally views learning as a **cognitive process**. People, it is assumed, are conscious active participants in how they learn. Fig. 15.2 illustrates some of the underpinnings of the cognitive view of learning.

*First*, in the cognitive view, people draw on their experiences and use past learning as a basis for present behaviour. These experiences represent presumed knowledge, or cognitions. For example, an employee, faced with a choice of job assignments, will use previous experiences in making a decision about which one to accept. *Second*, people make choices about their behaviour. The employee recognizes her two alternatives and chooses one. *Third*, people recognize the consequences of their choices. Thus, when the employee finds the job assignment rewarding and fulfilling, she will recognize that the choice was a good one and will understand why. *Finally*, people evaluate those consequences and add them to prior learning, affecting future choices. Faced with the same job choices next year, the employee will very likely choose the same one.

As implied earlier, several perspectives on learning take a cognitive view. Perhaps foremost among them is reinforcement theory. In any event, this approach is the most relevant to understanding human learning processes in organizational settings.

## REINFORCEMENT THEORY

**Reinforcement theory**, also called **operant conditioning**, is generally associated with the work of B. F. Skinner. In its simplest form, reinforcement theory suggests that behaviour is a function of its consequences. Thus, behaviour that results in pleasant consequences is more likely to be repeated, and behaviour that results in unpleasant consequences is less likely to be repeated.

Reinforcement theory further suggest that, in any given situation, people will explore a variety of possible behaviours. Future behavioural choices are affected by the consequences of earlier behaviours. Cognition, as already described, also play an important role. So rather than assume a mechanical stimulus-response linkage suggested by early research, contemporary theorists believe that people consciously explore different behaviours, and systematically choose those that result in the most desirable outcomes.

Suppose, for example, that a new employee at General Dynamics in St. Louis wants to learn the best way to get along with his boss. At first the employee is very friendly and informal, but the boss responds by acting aloof and, at times, annoyed. Because the boss does not react positively, the employee is not be likely to continue this behaviour. In fact, the employee starts acting more formal and professional and finds the boss much more receptive to this posture. In all likelihood, the employee will continue this new set of behaviours because they result in positive consequences.

### Types of Reinforcement

The consequences of behaviour are called reinforcement. A managers may be able to use various kinds of reinforcement to affect employee behaviour. We do not mean our discussion of reinforcement to be prescriptive: we simply describe four kinds of reinforcement; how to use them depends on the situation. Fig. 15.3 summarizes the concepts underlying the four basic kinds of reinforcement.

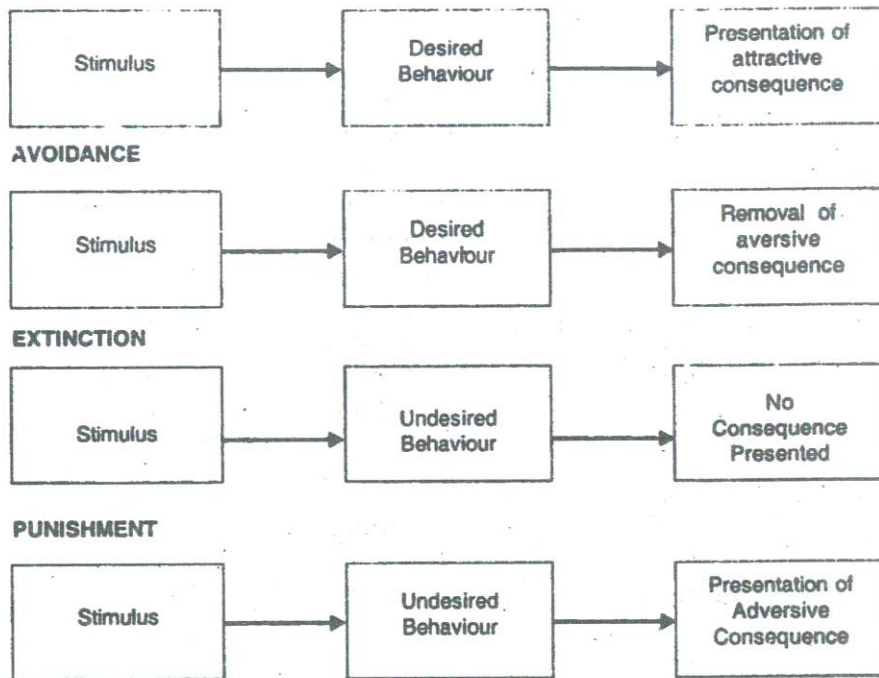


Fig. 15.3: Kinds of reinforcement

### Positive Reinforcement

Positive reinforcement is the concept of reinforcement theory that is perhaps most familiar to people outside the fields of psychology and organizational behaviour. Positive reinforcement is a reward that follows desirable behaviour. A compliment from the boss after completing a difficult job, and a salary increase following a period of high performance are both examples of positive reinforcement. Its effect is to maintain or increase the frequency of a desired behaviour. Managers might define desirable employee behaviour as hard work, punctuality, conscientiousness, and loyalty and commitment to the organization. When employees exhibit these behaviours, a manager may reward them with pay increases, praise, some kind of formal recognition, promotions, and the like. In terms of reinforcement theory, the rewards are intended to ensure the same type of behaviour in the future. Of course, different people work for different reasons. Therefore, to be useful as positive reinforcement, rewards should be tailored to the needs of the individual. In addition, a reward should be directly linked with the desired behaviour, and the individual should have ample opportunity to achieve the reinforcement. For example, a person



who gets a raise in salary following a period of high performance should be made aware explicitly that the raise was given because of the performance. Likewise, the level of performance needed to get the raise should not be set so high as to be impossible to reach.

### Avoidance

**Avoidance**, also known as **negative reinforcement**, is another means of increasing the frequency of desired behaviour. Rather than receiving a reward following a desired behaviour, the person is given the opportunity to avoid an unpleasant consequence. For example, an employee's boss may habitually criticize individuals who dress casually. To avoid criticism, the employee may routinely dress to suit the supervisor's tastes. The employee is engaging in desired behaviour (at least from the supervisor's viewpoint) to avoid an unpleasant, or aversive, consequence.

### Extinction

Whereas positive reinforcement and avoidance increase the frequency of desired behaviour, extinction decreases the frequency of undesired behaviour, especially behaviour that was previously rewarded. That is, if rewards are withdrawn for behaviours that were previously reinforced, the behaviours will probably become less frequent and eventually die out. For example, a manager with a small staff may encourage frequent visits from subordinates as a way of keeping in touch with what is going on. Positive reinforcement might include cordial conversation, attention to the subordinate's concerns, and encouragement to come in again soon. As the staff grows, however, the manager might find that such unstructured conversations now make it difficult for her to get her own job done. She might then brush off casual conversations and reward only to-the-point business conversations. Withdrawing the rewards for casual chatting will probably extinguish that behaviour. Be sure to note, too, that if managers, accidentally or otherwise, cease to reward valuable behaviours such as good performance and punctuality, those behaviours may also become extinct.

### Punishment

Punishment, like extinction, also tends to decrease the frequency of undesired behaviour. **Punishment** is presented as an unpleasant or consequence of undesirable behaviour. In the workplace, undesirable behaviour might include slacking off, being late, stealing, or arguing unnecessarily with the boss. Examples of punishment are verbal or written reprimands, pay cuts, loss of privileges, layoffs, and termination of service. Punishment is by natural controversial and therefore we discuss arguments for and against it in a separate section later in the chapter.

### *Schedules of Reinforcement*

Should the manager try to reinforce every instance of desired behaviour, or is it better to apply reinforcement according to some plan or schedule? Generally, that depends on the situation. Five **schedules of reinforcement** used effectively by psychologists and managers are summarized in Table 15.1.



**Table 15.1: Schedules of Reinforcement**

**Continuous Reinforcement:** Behaviour is reinforced every time it occurs.

**Fixed Interval Reinforcement:** Behaviour is reinforced according to some predetermined, constant schedule based on time.

**Variable Interval Reinforcement:** Behaviour is reinforced after periods of time, but the time span varies from one time to the next.

**Fixed Ratio Reinforcement:** Behaviour is reinforced according to the number of behaviours exhibited with the number of behaviours needed to gain reinforcement held constant.

**Variable Ratio Reinforcement:** Behaviour is reinforced according to the number of behaviours exhibited, but the number of behaviours needed to gain reinforcement varies from one time to the next.

### Continuous Reinforcement

Continuous reinforcement rewards behaviour every time it occurs. Continuous reinforcement is very effective in increasing the frequency of a desired behaviour. When reinforcement is withdrawn, however, extinction sets in very quickly. The schedule poses serious practical difficulties as well: the manager must monitor every behaviour of an employee and provide effective reinforcement. This schedule, then, is seldom worth much to managers. Offering partial reinforcement according to one of the other four schedules is much more typical.

### Fixed Interval Reinforcement

Fixed interval reinforcement means providing reinforcement on a predetermined, constant schedule. The Friday afternoon paycheck is a good example of a fixed interval reinforcement. Unfortunately, in many situations, the fixed interval schedule is not necessarily going to maintain high levels of performance. If employees know that the boss will drop by to check on them everyday at 1:00 p.m. they are likely to be working hard at that time, hoping to gain praise and recognition, or to avoid the boss wrath. But at other times of the day, the employees probably will not work as hard because they have learned that reinforcement is unlikely except during the daily visit.

### Variable Interval Reinforcement

This schedule also uses time as the basis for applying reinforcement but varies the interval between reinforcements. Although this schedule is inappropriate for paying wages, it can work well for other types of positive reinforcement such as praise and recognition and for avoidance. Consider again the group of employees just described. Suppose that instead of coming by at exactly 1:00 everyday, the boss visits at a different time each day. Thus, he comes by at 9:30 on Monday, 2:00 on Tuesday, 11:00 on Wednesday, and so on. The following week, the times change. Since the employees do not know when to expect the boss, they will probably work fairly hard until his visit. Afterward, they may drop back to lower levels because they have learned that he will not be back until the next day.

### Fixed Ratio Reinforcement

The fixed and variable ratio schedules gear reinforcement to the number of desired or undesired behaviours rather than to blocks of time. Under the fixed ratio schedule,



the number of behaviours needed to obtain reinforcement is constant. Assume, for example, that a work group enters its cumulative performance total into the office computer every hour. The manager of the group uses the computer to monitor its activities. She might adopt a practice of dropping by to praise the group every time it reaches a performance level of 500 units. Thus, if the group does this three times on Monday, she stops by each time; if it reaches the mark only once on Tuesday, she stops by only once. The fixed ratio schedule can be fairly effective in maintaining desired behaviour. Employees tend to develop a feel for what it takes to be reinforced and work hard to keep up their performance.

### **Variable Ratio Reinforcement**

Under the variable ratio schedule, the number of behaviours required for reinforcement varies over time. An employee performing under a variable ratio schedule is motivated to work hard because each successful behaviour increases the probability that the next one will result in reinforcement. With this schedule, the exact number of behaviours needed to obtain reinforcement is not crucial; what is important is that the intervals between reinforcement be not so long that the worker gets discouraged and stops trying. The supervisor, in the fixed ratio example, could reinforce her work group after it reaches performance levels of 450, 525, 325, 600 and so on. A variable ratio schedule can be quite effective but is difficult and cumbersome to use when formal organizational rewards, such as pay increases and promotions, are the reinforcers. A fixed interval system is the most common way to administer these rewards.

To sum up, relying on any given schedule for all rewards is difficult or impractical. Instead, the manager should use the schedule best suited to the kind of reinforcement being used and try to link outcomes with behaviours according to the needs of the organization and its employees.

## **RELATED ASPECTS OF LEARNING**

Several additional aspects of learning bear on individual behaviour in organizations. Among them are stimulus generalization, stimulus discrimination, vicarious learning, and the arguments for and against punishment.

### **Stimulus Generalization**

**Stimulus generalization** is how people recognize the same or similar stimuli in different settings. That is, it is the process by which they can generalize a contingent reinforcement from one setting to another. Fig. 15.4 illustrates a simple example of the process. Following an initial stimulus-response-consequence sequence, a person learns the behaviours likely to produce some kinds of reinforcement. Later, when presented with a similar stimulus in different surroundings, he or she knows that the same response is likely to elicit a similar consequence.

Consider, for example, the case of a plant manager with a history of effective troubleshooting. Over the years, he has been assigned to several different plants, each with a serious operating problem. After successfully dealing with the difficulties, he has always received an extended vacation, a bonus, and a boost in his base salary.

He has learned the basic contingencies, or requirements of reinforcement for his job: the stimulus is the assignment, the response is correcting problems, and the consequences are several positive reinforcers. When the manager gets his next assignment, he will probably generalize from his past experiences. Even though he will be in a different plant with different problems and employees, he will understand what it takes to be rewarded.

### Stimulus Discrimination

**Stimulus discrimination** is the ability to recognize differences between stimuli. This process is also shown in Fig. 15.4. As in stimulus generalization, the person learns the basic stimulus-response-consequence sequence for one stimulus. When confronted with a new stimulus, however, he or she can discriminate between the two different stimuli and respond differently.

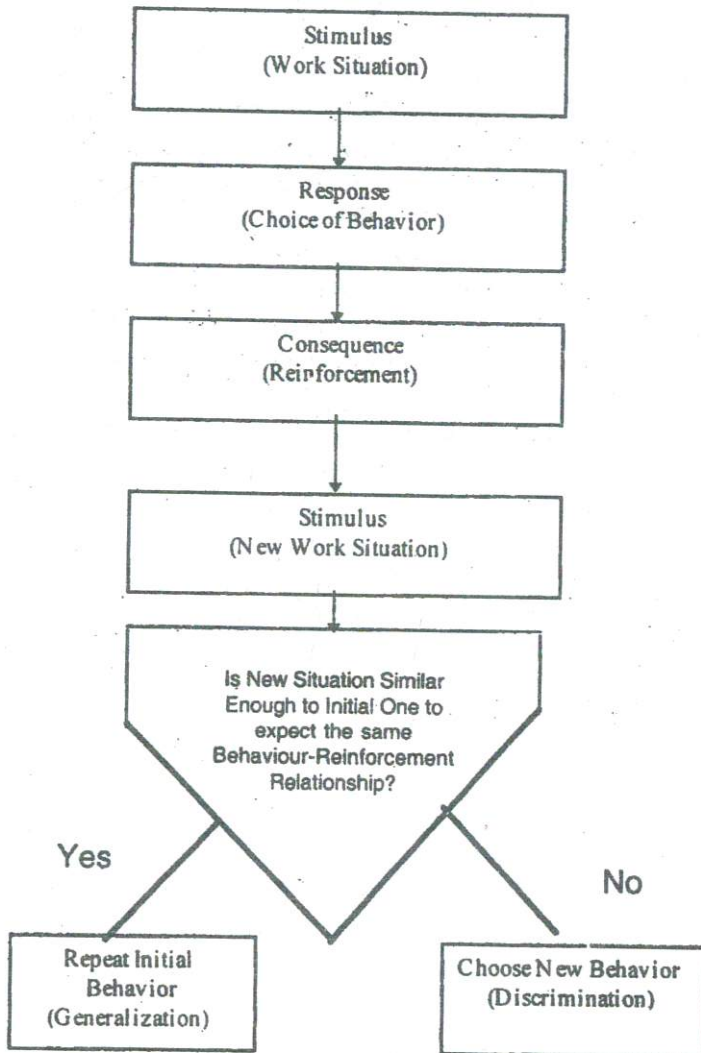


Fig. 15.4: Stimulus generalization and discrimination



Suppose the trouble-shooting plant manager is assigned to a plant that is running smoothly. His routine response to new situations has always been to identify and solve problems, but he must now discriminate between his new situation and his earlier ones. He, will then, also recognize that a different set of behaviours, or responses, is needed for him to receive positive reinforcement.

### Vicarious Learning

**Vicarious learning** or **modeling** is learning through the experiences of others. A person can learn to do a new job by observing others, for example, or by watching videotapes. And recall the earlier example where an employee learned not to be late by watching his boss chew out fellow workers.

Several conditions must be met for vicarious learning to take place. The behaviour being modeled must be relatively simple. Although we can learn by watching someone else how to push three or four buttons to set specifications on a machine, we probably cannot learn a complicated sequence of operations without also practicing the various steps ourselves.

Second, the behaviour being modeled must usually be concrete, not intellectual. We can learn by watching others how to respond to the different behaviours of a particular manager, or how to assemble a few components into a final assembly. But probably we cannot learn through simple observation how to write a computer program, or to conceptualize, or to think abstractly. Finally, to learn a job vicariously we must possess the physical ability needed to do the job. Most of us, for instance, can watch televised baseball games or tennis matches every weekend, but still will not be able to hit a curveball like Don Mattingly or a backhand like Martina Navratilova.

In recent years, considerable attention has been devoted to a specific type of vicarious learning called **social learning**. Social learning theory suggests that behaviour is determined by a person's cognition and social environment. More specifically, people are presumed to learn behaviours and attitudes at least partially in response to what others expect of them.

Suppose that a new employee joins an existing work group. She already has some basis for knowing how to behave (i.e., education and previous experience). The group provides a set of very specific cues, however, that help the person see how her behaviour needs to be tailored to fit the specific situation she is in now. The group may indicate how the organization expects members to dress, how people are "supposed" to feel about the boss and so forth. Hence, the new employee learns how to behave in the new situation partially in response to what she already knows and partially in response to what others suggest and demonstrate.

### Punishment

Punishment was defined earlier as the presentation of an unpleasant, or aversive consequence after an individual engages in undesirable behaviour. Thus, any unpleasant consequence that follows behaviour can be called punishment. When an attempt to punish is structured, official, and organizationally sanctioned, it is called **discipline**. When a boss yells at an employee who drops a bottle of solvent,



punishment has taken place. If the boss formally reprimands the worker and puts a written account of the reprimand in the employee's personnel folder, this action would represent an attempt at discipline.

To be effective, discipline must be perceived as punishing, but in fact, it may not always be seen as such. For example, a subordinate, planning to quit in the near future, might find the supervisor's written reprimand amusing.

Although punishment is common in organizations many managers and researchers question its practical value for influencing employee behaviour. They argue that punishment cannot be effective unless employee behaviour is continually observed. Punishment is likely to suppress behaviour temporarily rather than permanently extinguish it, and the side effects of punishment, such as hostility and anger, may outweigh any potential benefits. Furthermore, undesirable behaviour can often be changed through extinction or environmental engineering. For example, if two employees who must frequently interact are constantly arguing with each other, it may be possible to stop the bickering without punishing. The manager might alter their environment by having them deal with each other through a neutral third party.

Punishment may be an appropriate tool for altering behaviour in some situations, however. Many of life's events teach us what to do by means of punishment. Falling off a bike, drinking too much, or going out in the rain without an umbrella, all lead to punishing consequences (getting bruised, having a hangover, and getting wet), and we often learn to change our behaviour as a result. Furthermore, certain types of undesirable behaviour may have far-reaching negative effects if they go unpunished. For instance, an employee who sexually harasses a co-worker, a clerk who steals money from the petty cash account, and an executive who engages in illegal stock transactions should all be punished.

When punishment is needed, how is it most effectively meted out and how can its negative consequences be reduced? First, punishment should be applied before the undesired behaviour has been strongly reinforced. Thus, punishment should work better the second time an employee is late, rather than the tenth time. Second, the punishment should immediately follow the undesired behaviour to emphasize the connection between the behaviour and the consequence in the person's mind. Third, punishment should focus on the behaviour, not the person; thus, it should be impersonal, consistent across time, and impartial. Finally, the punishment should have as much information value as possible. The employee should know exactly what he or she did to warrant the punishment, the reason why punishment follows such an action, and the consequences of repeating the same behaviour.

### OTHER MANAGERIAL IMPLICATIONS OF LEARNING

Beyond the day-to-day implications of learning already noted, there are others that relate to more general managerial practice. As shown in Fig. 15.5, these implications relate most closely to the areas of motivation, performance evaluation and rewards, and employee training.



### Motivation

Motivation is related in several ways to learning. The extent to which valued rewards follow high performance, for example, will affect an employee's willingness to work hard in the future, and the cause-and-effect linkage needs to be clear. That is, employees should recognize that certain behaviours (such as hard work) cause certain outcomes (desired rewards). Similarly, if rewards do not follow performance an employee may be less inclined to work hard in the future. A lot of research on the learning process in organizations has been done recently. These studies have led to the development of a motivational perspective called organizational behaviour modification.

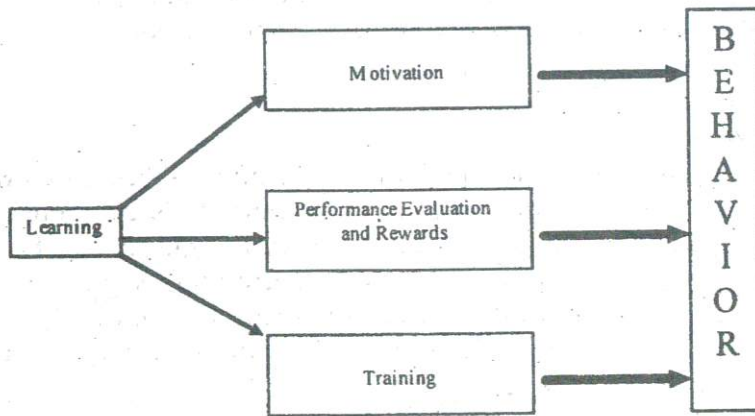


Fig. 15.5: Managerial implications of learning

### PERFORMANCE EVALUATION AND REWARDS

Learning also links up with organizational practices in the performance evaluation and reward system. Performance evaluation is how managers assess the work behaviour of individuals and groups; rewards are the positive reinforcements (salary, promotion, public recognition) that companies give for desirable behaviour.

### Training

Learning is the major goal of employee training. Many organizations devote vast resources to training and development to expand the skills and abilities of their employees. Andrews Grove, president of Intel Corporation, heartily believes in the importance of employee training. Intel employee spends from 2 to 4 per cent of their time in the classrooms. Much of this training, handled by Intel's own managers, focuses on how employees can benefit the organization while enhancing their own rewards.

Besides motivation, performance evaluation and rewards, and training, there are still other implications that can be drawn from learning theory. First, learning theory can explain certain forms of managerial behaviour toward subordinates. Suppose a manager always delivers bad news to subordinates in a certain way. If the subordinates receive the news graciously and constructively, they are giving the manager positive

reinforcement, so she will probably use the same mode of delivery in the future. Second, many aspects of the learning process underscore the manager's role as a teacher and the subordinate's role as a learner. Finally, learning processes clearly influence the day-to-day interactions, both official and casual, between people in organizations. Almost everything we do in responding to others, for example, has reinforcing consequences for them.

## THE ROLE OF PERCEPTION

Another very important facet of individual behaviour in organizations is perception. If everyone perceived everything the same way, things would be a lot simpler (and a lot less exciting). Of course, just the opposite is true—people perceive the same thing in very different ways. The remainder of this chapter is devoted to perception and attribution.

### Perception Defined

**Perception** is the set of the processes by which the individual becomes aware of, and interprets information about, the environment. A general discussion of behavioural concepts and processes might identify perception as a single process, but actually it consists of several distinct processes. Moreover, in perceiving we receive information in many guises, from spoken words or visual images to movement and form. Through the perceptual processes, the receiver assimilates the varied types of incoming information for the purpose of interpreting it.

People often tend to assume that reality is objective, that we all perceive the same things in the same way. To test this idea, we could ask students at the Universities of Dehli and Calcutta to describe the most recent cricket game between their schools. We would probably here two quite conflicting stories. These differences arise primarily because of perception. The fans "saw" the same things but interpreted them in very contrasting ways. Factors underlying these differences are perhaps best explained by the perceptual framework shown in Fig. 15.6. An object—another person, an event, an activity—is the focal point for perception. A stimulus makes the individual aware of the object must then be interpreted. Finally, interpretation triggers a response. Responses may include overt behaviour, changes in attitudes, or both.

### Perceptual Processes

The framework described in Fig. 15.6 is useful in a general introduction to perception. It is also useful, however, to understand more specific characteristics and processes that affect perception. As indicated by Fig. 15.7 perception is influenced by characteristics of the object (what is being perceived), characteristics of the person (the perceiver), and situational processes.

### The Characteristics of the Object

Perception is influenced by things about the object that set it apart from its surroundings, or cause the perceiver to be more or less aware of it than would otherwise be the case. Such characteristics include contrast, intensity, movement, repetition, and novelty.



If an object, in some way, contrasts with its surroundings, it is more noticeable. A manager who interviews twenty women and one man for a job will tend to remember the man first simply because he posed such a contrast. Similarly, if one person in an office is dressed very casually and everyone else is dressed very formally, we will be most likely to notice the person in casual attire. Objects may also vary in their intensity—in features such as brightness, color, depth, or sound. For instance, we tend to listen carefully to someone who is yelling—or whispering—because the intensity of the utterance is unusual.

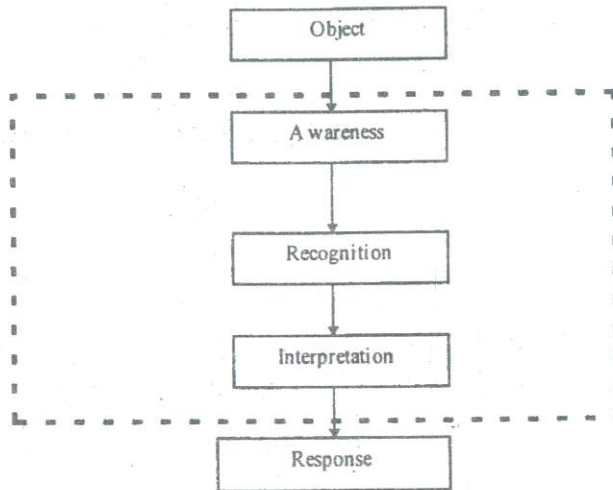


Fig. 15.6: The perceptual framework

We also tend to focus our attention first on objects that are moving or changing. We notice a flashing neon sign on a dark street, a person walking through a group of standing people, or a single car moving along next to two lanes of stalled traffic. Movement stimulates our awareness of an object before we become aware of its surroundings.

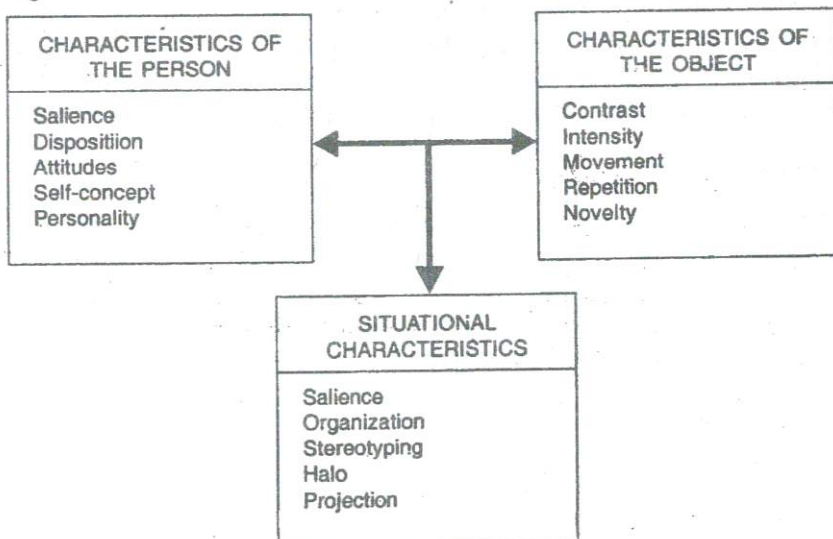


Fig. 15.7: Characteristics and processes that affect perception

Repetition can also increase our awareness of objects. Most people can recall the most recent advertising jingles for Pepsi's and Coca-Cola because they are repeated over and over on television and the radio. Likewise, if one of our subordinates repeats a request for additional budget support over and over again, we are more likely to remember the request than if it had only been made once.

An object's novelty can also stimulate our perception of it. People wearing unusual clothing, books that have strange covers, and athletic teams with peculiar names, all tend to attract our attention. Similarly, we are likely to remember people whose behaviour or appearance is unexpected. Hence, a manager who has always worn gray suits to work will be noticed by everyone the day he wears a brown one. Even though the brown suit is not unusual, it is novel for that manager.

For various reasons, managers invest considerable time and energy in shaping how people perceive their organizations, products and services. For example, most people think of Philips Petroleum Company as just a petroleum refiner. The company recently undertook a series of commercials to increase people's awareness of other products it has introduced.

### CHARACTERISTICS OF THE PERSON

A person's own characteristics also affect how he or she perceives and interprets things. The most important characteristics are salience, disposition, attitudes, self-concept, and personality.

Salience is the individual's feeling about how important the object is. The more salient the object is to you, the more attention you are likely to pay to it. If the local paper this morning contained an article about a dramatic tuition increase at a specific university, students at that university would probably read it carefully. Someone not affiliated with the school, however, might skim right past the article without a second glance. The reason is simple, the information contained in the article would be far more salient to the student than to the other person. Thus, a marketing manager for IBM would eagerly read an article about a new advertising campaign by Hewlett-Packard but would probably show significantly less interest in a new stock offering by Sears.

An individual's disposition also affects how he or she perceives things. Disposition is a short-term emotional response triggered by various environmental stimuli. Suppose a manager has just been told that she will receive no pay raise next year because of low performance in her work group. Back in her office, no doubt in a lousy mood, she discovers that one of her subordinates has made an error in calculating unit costs. She promptly berates the subordinate for what she perceives as slipshod work. The manager's disposition made her more aware of the subordinate's performance as well as less tolerant of it.

Whereas our disposition tends to be a short-term mood or emotional response, our attitudes are longer-lasting feelings about things. Attitudes can affect perceptions in dramatic ways. Consider that when President Reagan was riding a wave of popularity in 1986, Time magazine called him "one of the strongest leaders of the 20th century". People had positive attitudes about him and, therefore, saw him in a favorable light.



Sixteen months later, when his popularity has eroded because of the Iran-Contra affair, the same publication noted that "the nation calls for leadership and there is no one home" in the White House; because peoples' attitudes changed, so did their perceptions.

Self-concept can also affect perception. Self-concept is a person's perception of himself or herself. A person who has a good self-concept, tends to see things in a positive and enriching light. A negative self-concept, on the other hand, can give a person's perceptions and unfavorable or limiting cast.

A final characteristic that influences perception is a person's personality. A person's personality is the set of distinctive traits and features that make that person unique. Different personality traits can cause differences in the way individuals recognize and interpret their surroundings. An extrovert, for example, may eagerly respond to conversation. An introvert, in contrast, may be less interested in what others are talking about.

### SITUATIONAL PROCESSES

In a sense, situational processes act as filters. That is, objective information from the environment is interpreted and shaped as it is perceived by the individual. The individual's cognition of the environment are influenced, as described earlier, by characteristics of both the object and the individual. Subtle interactions that are unique to particular situations may also occur between person and object. This means that the same object may be perceived differently by the same person in different situations. The major situational processes are selection, organization, attribution, stereotyping, the halo effect, and projection.

Through the process of selection, we pay attention to objects we are comfortable with, and filter out those that cause us discomfort. A classic study by DeWitt Dearborn and Herbert Simon clearly demonstrated the effects of selection on managerial behaviour. Twenty-three executives were asked to read a case describing various problems faced by a company. Afterward, each executive was instructed to identify the case's single most important problem. Almost without exception, the executives' choices reflected their own functional specialties. Five of six marketing executives saw sales as the major problems. The researchers concluded that the managers' selection process filtered in the problems they were most comfortable with because of their functional expertise, and filtered out the problems they were less familiar with.

When used to describe an element of perception, the term *organization* refers to our tendency to order our perceptions so that they fit logical, consistent systems of meaning. As with selection, as we organize we often filter out stimuli that do not jibe with our view of reality. Take the case of a manager who believes a particular subordinate is hard working, conscientious, and loyal. One day the manager notices the worker goofing off. Because this perception does not fit into the manager's image of the worker, he may "choose" to see the behaviour as a well-earned rest after hard work. Organization also causes us to group and label things. Almost unconsciously, employees develop attitudes about many individual features of the workplace such as pay, benefits, their supervisor, their coworkers, working conditions, promotion opportunities, and organizational practices. But, when asked to describe how they



feel about their jobs, employees tend to collapse these attitudes into an overall impression such as "I can't stand it" or "It couldn't be better".

Stereotyping is the process of categorizing people into groups on the basis of certain presumed traits or qualities. Suppose you walk into the reception area of an executive suite. There you notice a man and a woman talking beside a secretary's desk. Unfortunately, a typical reaction, owing to a firmly entrenched stereotype, is to assume that the woman is the secretary and the man is the executive. Stereotyping consists of three steps. First, we identify categories by which we will sort people (race, region, sex). Next, we associate attributes with those categories (athletic ability, speech patterns, occupations). Finally, we infer that all people in certain categories take on the attributes we have decided on (all secretaries are women, all people pursuing an MBA are aggressive and career-oriented). Needless to say, stereotypes are almost always inaccurate.

In recent years, many researchers have studied stereotyping. Much of the research has been on either sex-role or age stereotyping. One study, for example, found that publishing company recruiters clearly assumed that female job applicants were suited for such positions as supervising other women and working as editorial assistance, whereas male applicants were thought to be better suited for jobs such as supervising men and working as editors. Another study found that business students tended to stereotype older workers as less creative, more resistant to change, and less interested in learning new skills.

The halo effect influences our perceptions when we let a single characteristic override our assessment of an individual's other characteristics. For example, if we consider a person friendly and outgoing, we may also assume that the person is diligent, conscientious, and punctual, even though we might be faced with evidence to the contrary. In a study conducted in the 1940s, two groups of people were given a list of personality traits and asked to describe the individual portrayed. The two lists were the same except one contained the word warm and the other the word cold. This one word difference led to significantly different descriptions. People working with the list containing the word warm said the individual must be humorous, intelligent, and popular. The other group said the person was serious and aloof, and did not have many friends.

Finally, perception may be influenced by the process of projection. Projection occurs when we see ourselves in others. If we are aggressive, power hungry, and status conscious, we may rationalize these traits by telling ourselves that everyone else is the same and to get ahead we must take care of ourselves. We focus on examples of behaviours by others that reinforce this view. When a colleague asks for another assistant, we see this request as yet another attempt to build a power base. In reality, of course, power may be the furthest thing from our colleague's mind. The request might even indicate that he is so inefficient that he cannot get his job done by himself. Projection, then, can cause misunderstandings, or worse.

## THE ROLE OF ATTRIBUTION

Attribution theory, a relatively new addition to the field of organizational behaviour, has links to perception, motivation, and leadership. Here we discuss only its implications for perception.



Fritz Heider and H. H. Kelley are the best known of the scholars who have contributed to what we call **attribution theory** which suggests, essentially, that we observe behaviour and then attribute causes to it. That is, we attempt to explain why people behave as they do. The process of attribution is based on perceptions of reality, and these perceptions may vary widely from individual to individual.

Fig. 15.8 illustrates the basic attribution theory framework. To start the process, we observe behaviour, our own or someone else's. We then evaluate the behaviour in terms of its degree of consensus, consistency, and distinctiveness. Consensus is the extent to which the same person behaves in the same way. Consistency is the extent to which the same person behaves in the same way at different times. Distinctiveness is the extent to which the same person behaves in the same way in other situations. As a result of various combinations of consensus, consistency, and distinctiveness, we form impressions or attributions as to the causes of behaviour. We may believe that the behaviour is caused internally (by forces within the person), or externally (by forces in the person's environment).

For example, you might observe that one of your subordinates is being rowdy, disrupting the work of others and generally making a nuisance of herself. If you can understand the causes of this behaviour, you may be able to change it. If the employee is the only one engaging in the disruptive behaviour (low consensus), and if she behaves like this several times each week (high consistency), and if you have seen her behave like this in other settings (low distinctiveness), a logical conclusion you could reach would be that internal factors are causing her behaviour.

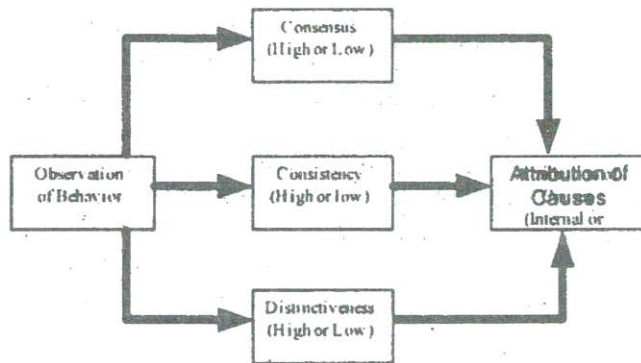


Fig. 15.8: The attribution process

You might, however observe a different pattern. Perhaps everyone in the person's work group is rowdy (high consensus), and although the particular employee is often rowdy at work (high consistency), you have never seen her behave this way in other settings (high distinctiveness). This pattern indicates that something in the situation is causing the behaviour, that is, that the causes of the employee's behaviour are external.

Attributions of behaviour have important implications for managers. If we attribute poor performance to internal factors such as ability or motivation, we will develop certain strategies to improve these factors. On the other hand, if we attribute poor performance to external factors, such as resource constraints or a poorly designed job, we will take different steps to enhance performance. Examples of different alternatives are shown in Table 15.2.

We also make attributions regarding ourselves. If we attribute a pay raise to our hard work, we may continue to work hard. On the other hand, if we think we were given the raise because the boss liked us, we may put more effort into cementing the friendship.

**Table 15.2: Attributions about success**

Internal attribution:	"Shyam is successful because he works hard and has lots of ability."
Possible response:	Give Shyam positive reinforcement, promote him, hold him up as an example to others.
External attribution:	"Shyam is successful because he has an easy job and a strong work group.
Possible response:	Give Shyam more work to do, promote some of his work group.
<b>Attributions about failure</b>	
Internal attribution:	"Gita is doing a poor job because she lacks ability and motivation."
Possible response:	Send Gita to a training program or change the incentive structure.
External attribution:	"Gita is doing a poor job because she lacks the proper resources and has a weak work group.
Possible response:	Increase her resources and strengthen her work group.

Attribution theory is currently getting a great deal of attention from organizational behaviour researchers in the areas of leadership, motivation, performance appraisal, communication, reward system, and a variety of other fields. It holds considerable promise for increasing our understanding of behaviour in organizational settings.

## MANAGERIAL IMPLICATIONS OF PERCEPTION

Perception has many implications for managers in organizations, particularly in motivation, hiring, and performance appraisal.

### Perception and Motivation

Perception of the workplace plays a major role in motivation. Suppose an employee is experiencing some unexpected money trouble. Because of her disposition (she is worried) and the salience of money (it is unusually important to her at the moment), she will be especially sensitive to issues of compensation. Through projection, she may assume that everyone in the organization also cares mainly about money. A large pay raise given to another employee will seem frustrating and will intensify her efforts to get a pay raise of her own, focusing even more attention on her own pay, the pay of others, and how they compare to one another.

Obviously, attribution is also relevant to motivation, as suggested earlier. A person who believes her pay raise is attributable to effort (internal), rather than to her being the boss's niece (external), will choose to continue to work hard.

### Perception and Hiring

Hiring new employees can be affected by perception in many ways. Contrast or novelty in the job applicant can affect his or her chances of getting the job. The



person doing the hiring may stereotype applicants on the basis of race or sex, or may allow the halo effect to color an overall perception of an applicant.

An interviewer's disposition during an interview or attitudes toward certain of the applicants' attributes can also affect the interviewer's perceptions of an applicant. For example, a manager, How does the toothache affect the manager perceiving? who believes that people should dress professionally for a job interview, is likely to be unimpressed by an applicant who shows up wearing sunglasses and a flowered sports coat.

### *Perception and Performance Evaluation*

Performance evaluation is the assessment of an employee's performance to correct shortcomings, identify strengths, and provide a basis for giving rewards. Several areas of performance evaluation are especially susceptible to perceptual distortion. The contrast between two employees can affect the evaluation. Suppose, for instance, that a manager prepares several performance evaluations of her subordinates in one afternoon, one right after the other. The first two employees receive extremely good evaluations. The next person, however, is only a marginal performer. If the manager is influenced by the high evaluations given to the first two people, the third employee may suffer in comparison. That is, his evaluation may be lower than it would have been if the first two employees had been unsatisfactory workers.

Selection also may affect performance evaluation. When we have a particularly favorable impression of an employee, we may ignore instances of poor performance. The halo effect and stereotyping, too, come into play as do the evaluator's characteristics, such as salience, disposition, and attitudes. In this way, a manager who emphasizes punctuality may weight it heavily as a standard of performance. Another manager may consider punctuality relatively unimportant and may barely mention it in a performance evaluation.

### SUMMARY

Learning is a relatively permanent change in behaviour or potential behaviour that results from direct or indirect experience. Learning is a cognitive process involving experiences and choices about behaviour.

Reinforcement theory is the learning perspective most relevant for organizations. Types of reinforcement are positive reinforcement, avoidance, extinction and punishment. Schedules of reinforcement include continuous, fixed interval, variable interval, fixed ratio and variable ratio.

Important related aspects of learning are stimulus generalization stimulus discrimination, vicarious learning and punishment. Key implications that can be drawn from learning theory bear importantly on motivation, performance evaluation and rewards and training.

Perception is the set of processes by which individuals become aware of information about their environment. Basic steps involving perception are awareness, recognition, interpretation, and response.

Basic perceptual processes are associated with characteristics of the object being perceived, the person perceiving it, and the situational process. Characteristics of the object are contrast, intensity, movement, repetition and novelty. Characteristics of the person include salience, disposition, attitudes self-concept and personality. Situational processes are selection, organization, attribution, stereotyping, the halo effect and projection.

Attribution theory involves the process by which we perceive and then attribute meaning to the behaviour of others. We evaluate such behaviour in terms of its consensus, consistency, and distinctiveness and then attribute internal or external courses to it.

Important managerial implications of perception bear on motivation, hiring and performance evaluation.

### REVIEW QUESTIONS

1. Can you think of instances when you have been classically conditioned to do something? Describe them.
2. How might an instructor use reinforcement theory to get students to come to class on time, turn in assignments on time, and take proper notes?
3. Think of a local business and imagine you are its manager. How might you use positive reinforcement, avoidance, and punishment to affect your employees' behaviour.
4. In the context of your role as a student, identify examples of each schedules of reinforcement that influence your behaviour.
5. Have you ever learned something vicariously? What? Have you ever practiced stimulus generalization or discrimination? In what situation?
6. Do you agree with the chapter's discussion of punishment, why or why not?
7. Use the perceptual framework from the chapter to describe how you recently perceived something important.
8. Recall and describe recent situations when your perceptions were influenced by salience, disposition, and attitudes.
9. In what ways are selection, organization, and stereotyping different? In what ways are they similar?
10. Can you recall a recent instance in which you made attributions about someone else's behaviour? How can you use attribution theory to explain those attributions?
11. How are learning and perception related? That is, how does one affect the other?



**CASE STUDY****LEARNING, PERCEPTION, AND ATTRIBUTION**

Amit Mittal has been a production line employee for nearly eight years with World Class Paints. During Amit's employment, two strikes have occurred. The first strike lasted two days while the second lasted twelve weeks. Five months ago Amit was promoted as supervisor of the production line on which he had previously worked. Even though Amit was known as a strong union man, the supervisor's position offered nearly Rs. 24,000/- more in salary per year. Amit believed the offer was too good to be refused. He was now part of management and enjoyed his position.

During the last fortnight, two incidents have occurred that have troubled Amit. The first incident involved an argument with the union's chief in which the chief claimed that Amit was harassing employees for working at a slow pace. Amit denied this, lost his temper and used foul language. The union chief later withdrew the grievance after asking and getting Amit to apologize.

The second incident involved an employee who was repeatedly late for work. Amit documented four occurrences and, after the fifth in twenty days, sent the employee home without pay as stipulated in the labour-management agreement. Again, a grievance was filed by the union asserting that Amit was harassing the employee. During a meeting in the plant manager's office, the union produced the employee's punching card indicating that the employee had clocked in on time for the day that Amit had sent the employee home.

Amit insisted that the employee had been twenty minutes late. The plant manager also expressed concern at Amit's behaviour as a supervisor, stating that several other employees had confided that Amit was a nit-picker and seemed to enjoy harassing them.

Amit became angry over these situations. He believes that the union is out to get him. He likes his job as a supervisor and wonders why the employees have turned against him.

**Questions**

1. Has Amit's attitude toward the union changed since he became a supervisor? Explain.
2. What perceptions might the employees who are union members have formed about Amit since he became a supervisor?
3. What should Amit do now?

**SUGGESTED READINGS**

Stephen P. Robbins, "*Organizational Behaviour*", Ninth Edition, Prentice-Hall India.

Archana Tyagi, "*Organizational Behaviour*", Excel Books.

Laurie J. Mullins, "*Management and Organisational Behaviour*", 2nd Edition, Pitman.

**OBJECTIVES**

- Define personality and its determinants
- List various trait theories of personality

**STRUCTURE**

- ◆ Personality
- ◆ Trait Theories
- ◆ The Development of Personality and Socialization



## PERSONALITY

Our own experience seems to tell us two things about human beings. First, they are all unique. Each possesses a set of traits and characteristics not totally duplicated in any other person. Second, these traits remain stable over time. Modern definitions of personality emphasize these two aspects. Uniqueness and consistency. According to Fish back and Weiner, personality is the 'unique but stable set of characteristics that sets each individual apart from others'. In short, it offers to the lasting ways in which a given person is different from others.

### Determinants of Personality

The factors which shape the personality of an individual are discussed as under:

#### 1. Biological Factors

- a. *Heredity.* It means the transmission of the qualities from ancestor to descendant through a mechanism lying primarily in the chromosomes of the germ cells. Physical stature, facial attractiveness, sex, temperament, muscle composition, reflexes, etc. are inherited from one's parents. However, the importance of heredity varies from the personality trait to another. For example, heredity is generally more important in determining a person's temperament than his values and ideals.
- b. *Brain.* There is a general feeling that brain plays an important role in the development of one's personality. However, no conclusive proof is available so far about the nature of relationship between the brain and personality.
- c. *Physical features.* An individual's external appearance may have a tremendous effect on his personality. Some people give relatively higher weightage to the physical features of an individual while defining his personality. Such factors include height, weight, colour, facial features, etc. of the individual. Good physical appearance is an asset for the job of a sales person and public relations.

2. **Family and Social Factors.** Family and other social groups also influence the development of an individual's personality. The infant acquires those behaviour patterns that are customary and acceptable to the standards of the family and the community where the family lives. The status of the family in the society influences an individual's perception about self, others, work, money, etc.

Family and social factors shape a person's personality through the processes of socialization and identification. Socialisation is a process by which an infant acquires, from the enormously wide range of behavioural potentialities that are open to him at birth, those behaviour patterns that are customary and acceptable to the family and social groups. Socialisation process starts with initial contact between mother and her new infant. Later on, other members of the family and social groups influence the socialization process.

The identification process occurs when a person tries to identify himself with some person whom he feels idea in family. Generally a child in the family tries to behave like his father or mother. The identification process can be examined from three different perspectives. First, identification can be viewed as the



similarity of behaviour (including feelings and attitudes) between the child and the model. Second, identification can be looked as the child's motives or desires to be like the model. Third, it can be viewed as the process through which the child actually takes on the attributes of the model.

3. **Situational Factors.** An individual's personality may change in different situations. The demands of different situations may call for different aspects of one's personality. Therefore, we should not look at the personality factor in isolation. Although certain generalizations can be made about personality, there exist significant individual differences which are further influenced by situational factors.

The relationship of the above factors affects the formation and development of personality. Physiological inheritance is entirely an internal contribution. Group and culture are the early environmental factors that influence later behaviour. Family and the social setting during early stages of education are the important factors which influence the initial formation of personality. Whatever the child learns lasts for a life time. Later in life, it is the peer groups of primary affiliations at work, social activities, etc. which shape the personality of an individual.

#### 4. Other Factors

- a. *Temperament.* Temperament and other non-intellectual personality traits are distributed according to the normal distribution. Temperament is the degree to which one responds emotionally.
- b. *Interest.* The individual normally has many interests in various areas. The top executives in any organisation do not have interests in common. The organisation should provide opportunities like job rotation and special training programmes to satisfy the interests of executives. Successful persons in the same occupation have, to a large extent, the same interests.
- c. *Character.* Character primarily means honesty. It is resistance to stealing and cheating others. Character is a very important requirement for responsible jobs. It is likely that an individual may not steal under normal circumstances. The situation needs to be considered to verify this part of the character of the individual. For example, if the family of an individual is starving, there is a great probability that one will steal. Thus, it is essential to study the situation as well as the individual before analyzing the behaviour that shows undesirable character.
- d. *Schema.* It is an individual's belief, frame of reference, perception, and attitude which the individual possesses towards the management, the job, working conditions, pay, fringe benefits, incentive system, and development towards religion, government and the satisfaction derived from the environment and cultural influences of his community. The perception of an individual depends upon his socio-economic conditions and particular culture he likes to follow. The behaviour of an individual depends to a great extent upon his frame of reference which he develops from the childhood experiences. These experiences are coloured by the social and ideological concepts of members of his family and community. The other important factors responsible for his behaviour are religion, education and



language. Because of these reasons, there are marked differences among individuals so far as their beliefs, major orientations, roles, perceptions, ideas and values are concerned.

- e. *Motives*. Motives are the inner drives of the individual. They represent goal directed behaviour of individual. A motive is a cognitive factor which operates in determining one's behaviour towards a goal. Individuals differ in variables which determine the inner drives. The behaviour of an individual to accomplish the goal varies because of his inner drives.

### Personality Traits and Types

A personality trait may be defined as an enduring attribute of a person that appears constantly in a variety of situations. The early work in the structure of personality involved around attempts to identify and label enduring features that describe a person's behaviour. Popular characteristics include the following

**Table 16.1: Sixteen Primary Traits**

Reserved	vs	Outgoing
Less intelligent	vs	More intelligent
Submissive	vs	Emotionally stable
Serious	vs	Happy-go-lucky
Expedient	vs	Conscientious
Timid	vs	Venturesome
Relaxed	vs	Tense
Tough-minded	vs	Sensitives
Trusting	vs	Suspicious
Practical	vs	Imaginative
Forthright	vs	Shrewd
Self-assured	vs	Apprehensive
Conservative	vs	Experimenting
Group-dependent	vs	Self sufficient
Uncontrolled	vs	Controlled

The Trait Theory (*Allport, Cattell* etc) is based on certain assumptions:

- Traits distinguish one personality from another
- Individuals can be described in terms of construction of traits such as achievement, anxiety aggression etc.
- Traits can be quantifiable and, hence, measurable.
- Traits and the amount of each trait that a person has is assumed to be stable fairly.

Describing an individual's behaviour in terms of personality has proved to be a tough job, because there are so many of them. In one study, 17,953 individual traits were identified. It is virtually impossible to predict behaviour when such a large number of traits need to be considered. The question then revolved around condensing the number of traits to a more manageable figure. The 16 primary traits,

as shown above, have been found to be fairly stable predictors of behaviour in specific situations.

The trait theories lacked scientific vigour and empirical evidence. They have been criticised thus:

- Traits may be too abstract. For example the scale of measuring 'anxiety' may not be clear.
- Trait theory focusses on isolated traits without stating how these traits are organised within the personality. Without knowing which traits are more important and how they are related to other traits of an individual, it is not possible to make adequate description of an individual's personality.
- More importantly the trait theories are essentially descriptive rather than analytical.

## TRAIT THEORIES

The trait approaches represent an attempt to scientifically dismiss personalities by classifying individuals into convenient categories. These are given below:

### Sheldon's Physiognomy Theory

According to Sheldon there is a link between physiological traits and characteristics of an individual with his behaviour. There are basically three types.

#### *Endomorph*

He is bulky and beloved. *Sheldon* argued that the endomorph tends to be rather fat, thick in proportion to his height. Such a person seeks comfort, eats too much, jovial, affectionate and liked by all persons. He is even tempered, shows a relaxed posture, reads slowly and is tolerant of others and easy to get along with others. He prefers to be led than to lead.

#### *Mesomorph*

He is basically strong, athletic and tough. His physique is appreciated by all. In fact, it is this personality all other 'morphs' wish for. According to *Sheldon*, such a person seeks lot of muscular activity; tends to be highly aggressive and self-assertive. He can run faster, smile brighter and beats alone the two 'morphs' together. He tends to be noisy, courageous and seeks lot of outdoor activity. He desires action, power and domination.

#### *Ectomorph*

Ectomorphs are thin, long and poorly developed physically. Such a person displays restraint, inhibition and desire for concealment. He tends to be distrustful of others. He works well in closed areas. He reacts overquickly, sleeps poorly and prefers solitude, when his mind is troubled. Also he prefers not to attract attention to himself. Typically, he is anxious, ambitious and dedicated.

According to *Sheldon*, most physiques are a mixture of three components. One important limitation of this theory is the inherent generalization. There is almost a



natural tendency on the part of many people to typecast every person into one category or another. Though a down-to-earth classification of real people is unreliable and impossible, *Sheldon's* theory provides a rough sketch of extreme forms of personality traits on the basis of which generalizations can be done, though not with cent percent accuracy.

### Carl Jung's Extrovert - Introvert Theory

Carl Jung - a student of Sigmund Freud, proposed another two-part theory of personality in early 60s. The theory typecasts all profile into two compartments.

#### *Extroverts*

They are optimistic, outgoing gregarious and sociable. They are objective and reality oriented people who believe in doing things. They are friendly, enjoy interaction with others, crave excitement and dislike solitude. They seek job environments that offer opportunity, variety, unpredictably and sporadic bursts intensity. Even an occasional crisis may appeal to them. If job environment is not sufficiently stimulating, they may play practical jokes and games or display other forms of distracting behaviour to produce additional stimulation.

#### *Introverts*

They are, by contrast, more inward-directed people. They are less sociable, withdrawn and absorbed in inner life. They are usually guided by their own ideas and philosophy. They are rigid and subjective oriented. Normally a person who has few friends, avoids social contacts, rarely speaks to others unless they speak first might be characterised as introverted or withdrawn. Introverts do not require much excitement from external stimulation, and consequently, tend to perform better than extroverts on repetitive tasks.

*Jung*, at the base of his theory, explains that the personality has four dimensions—thinking, feeling, sensation, and intuition.

- (a) **Thinking:** It includes logical reasoning (rational, analytic)
- (b) **Feeling:** It refers to the interpretation of a thing or event on a subjective scale (emotional, effect)
- (c) **Sensation:** It deals with perception of thing in general sense (factual and concrete)
- (d) **Intuition:** It is based on unconscious inner perception of the potentialities or events or things (associative or gestalt)

*Carl Jung's* functions can be thought of as sitting at the ends of orthogonal axes as depicted in Figure 16.1.

*Type I* person is a sensation thinking individual, and is basically analytic, oriented toward the present. He is primarily interested in facts, and extremely practical. *Type II* persons are intuition-thinking and the *type III* individual is sensation-feeling and finally *type IV* people are intuition-feeling.

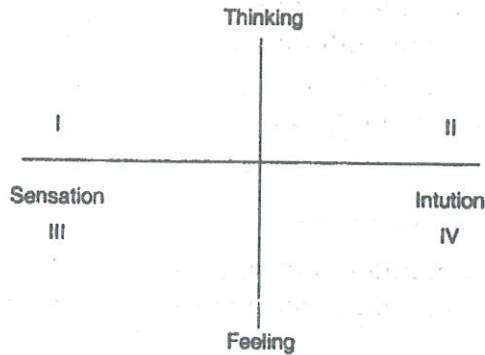


Figure 16.1: Carl Jung's extrovert-introvert theory

The Jungian theory has been applied by some researchers to the problem of implementation of management science. The intuition-feeling type is hypothesized as being more able to successfully implement change and innovation in the organization. On the other hand, managers who are characterized by sensation-thinking types are hypothesized as being more willing to build and accept management science tools and techniques than are managers who are predominantly trait-characterized by intuition-feeling types. But the question can arise as to what is the importance of extroversion-introversion dimension to the study of behaviour in organizations? On repetitive tasks or on tasks performed in environments that offer very little sensory stimulation, the introvert will usually do better; the extrovert will spontaneously engage in task-irrelevant behaviours designed to provide necessary variation to increase stimulation. On the other hand, on tasks performed in environments in which sensory overload threatens (for example, random stimulus changes, that require unpredictable shifts in the focus of attention, variable notice distractions etc), the extrovert will get along better. But to date, extroversion has received very little attention in studies investigating such topics as motivation, leadership performance of the organization.

### Self Theory

The intrapsychic, physiognomy and trait theories represent the traditional approaches to understanding the complex human personality. Of many contemporary theories the one that has received the most recent emphasis is the self-theory of personality. Self theory rejects both psychoanalytic and behaviouristic conceptions of human nature as too mechanistic portraying people as creatures helplessly buffeted about by internal instincts or external stimuli. Carl Rogers is most closely and his associates have developed this personality theory that places emphasis on the individual as an initiating, creating, influential determinant of behaviour within the environmental framework. According to Rogers there are three basic ingredients of personality—the organism, the phenomenal field, and the self. This can be seen from Figure 16.2. To understand the Roger's theory we have to see (i) the self concept, (ii) the organism, and (iii) the development of self.



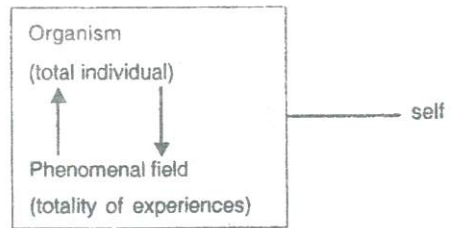


Figure 16.2

1. **Self-Concept:** The most important concept in Rogers's theory is the self. The self consists of all the perceptions, ideas, values, and characteristics that characterize 'I or Me'. It includes 'What I am' and 'What I can do'. Rogers defines the self concept as "an organized, consistent, conceptual gestalt composed of perceptions of the characteristics of the I or me and the perceptions of the relationships of I or me to these perceptions of the relationships of I or me to these perceptions". Here 'I' refers to the personal self, and 'me' refers to the social self. Personal self consists of a person's psychological processes such as perception, motivation and attitudes etc., that result in a composed whole. On the other hand, the social self is the way an individual appears to others and the manner this person thinks he appears to others. The perceived self influences both the person's perception of the world and his behaviour. An individual with a strong, positive self-concept is quite likely to view world and his behaviour. An individual with a strong, positive self-concept is quite likely to view world quite differently from one whose self-concept is weak. One important thing to remember here is that self concept does not necessarily mean or reflect reality; an individual may be highly successful or respected yet, views himself as failure. As Rogers said, 'the basic nature of the human being when functioning fully, is constructive and trustworthy. The self generally takes the initiative in improving the conditions in its environment so that the values of the self can be achieved.' The essence of this theory is that individuals normally are active creators and initiators, experience rather than passive reactors to the pressures of the environment.

There is yet another self in Rogers self theory. That is the ideal self. It represents the type of person an individual likes to be. This concept is similar to Freud's ego-ideal. If the ideal self is closer to the real self, then the individual will be more fulfilled and happy. On the other hand, if large discrepancy exists between these two then it results in an unhappy, dissatisfied individual.

2. **The organism:** The organism is essentially the locus of all experience. The totality of experience is the phenomenal field. This field is known to the person himself and is frequently referred to as frame of reference. Behaviour of an individual is largely determined by the phenomenal field not by the stimulating conditions of events in the external field or environment.

The individual evaluates every experience in relation to his self-concept. The experiences may be symbolized or unsymbolized. When they are symbolized they become part of individual's consciousness. Conversely, when they are unsymbolized they

remain outside the confines of the awareness or consciousness of an individual. The important thing here is that distorted symbolization gives rise to inappropriate behaviour.

3. **The development of self personality:** *Rogers* feels that the fundamental force motivating the human organism is self actualization. i.e. "a tendency toward fulfilment, toward actualization, toward the maintenance and enhancement of the organism". The tendency to self-actualization of both the organism and the self is subject to the profound influence of the social environment, right from childhood. Actually, in the childhood itself, when the child's behaviour is evaluated continuously by their parents, he will be in a position to discriminate between thoughts and actions that are considered 'worthy' and 'unworthy'. He will be able to exclude the unworthy experiences from his self-concept.

*Rogers* maintains that the innate tendency toward self actualization often runs into conflict with two needs—the need for self-regard, and the need for positive reward. It is true that the latter need is universal whereas the former one is the internalization of those actions and values that others approve. The regard may be conditional or unconditional. Ideally, the more completely the individual is given positive regard—acceptance that is not conditional to specific behaviours—the more congruences, there will be between his self-concept and his actual experiences, as well as between his self-concept and ideal self.

### Evaluation of the Self Theory

The self-theory is appreciated on the ground that it is organized around the concept of self. It is the one in which personality and behaviour are largely determined by the individual whereas, in other theories, the individual is the only medium through which behaviour is elicited after having been acted on by elements over which he has no control.

Another positive point in favour of self theory is that the 'best vantage point for understanding is from the internal frame of reference of the individual himself. To *Rogers* the individual is the centre of experience. To understand one's behaviour one should understand how that person views about himself.

In analysing organizational behaviours, it would be beneficial for the manager to understand the self-concept because this unique concept influences the way he should apply various reinforcement motivation and leadership techniques in the process of maintaining these required amount of output. For instance, monetary rewards for performance, authoritarian leadership style and motivational strategies when applied to an intelligent, independent, confident, workers may be ineffective. These techniques may prove to be effective when are applied to the unintelligent, insecure, indecisive workers.

The self theory focuses on the person's world as he perceives it. It is the individual's perception and interpretation of the experiences that determine behaviour. But the trouble with the self theory is that it vaguely defines the terms such as self



actualization, self concepts etc., and such vague concepts will not be of much value in making precise predictions of behaviour of individuals. Of several other troubling criticisms are the accurate measurements of subjective experiences and the revealing of self.

## THE DEVELOPMENT OF PERSONALITY AND SOCIALIZATION

Study of, and research on the development of personality has traditionally been an important area for understanding human behaviour. Modern developmental psychology does not get into the argument of heredity versus environment or of maturation (changes that result from heredity and physical development) versus learning. The human being consists of both physiological and psychological interacting parts. Therefore, heredity, environment, maturation, and learning all contribute to the human personality.

The study of personality has attempted to identify specific physiological and psychological stages that occur in the development of the human personality. This "stage" approach has been theoretical in nature. There are many well-known stage theories of personality development. However, as with most aspects of personality, there is little agreement about the exact stages. In fact, a growing number of today's psychologists contend that there are no identifiable stages. Their argument is that personality development consists of a continuous process and the sequence is based solely upon the learning opportunities available. The opposing view supports stages in personality development. Particularly relevant to the understanding of organizational behaviour are the theories provided by Levinson, Hall, and Argyris.

### Adult Life Stages

The work of Daniel Levinson on adult life stages has received attention. At first, he believed that "the life structure evolves through a relatively orderly sequence throughout the adult years, and, unlike other stage theories that were event-oriented (for example, marriage, parenthood, or retirement), his was age-based. In particular, he believed there was little variability (a maximum of two or three years) in four identifiable stable periods:

1. Entering the adult world (ages twenty-two to twenty-eight)
2. Settling down (ages thirty-three to forty)
3. Entering middle adulthood (ages forty-five to fifty)
4. Culmination of middle adulthood (ages fifty-five to sixty)

He identified four transitional periods;

1. Age-thirty transition (ages twenty-eight to thirty-three)
2. Mid-life transition (ages forty to forty-five)
3. Age-fifty transition (ages fifty to fifty-five)
4. Late adult transition (ages sixty to sixty-five)

Like historically significant stage theories of personality such as those of Sigmund Freud and Erik Erikson, Levinson's theory of adult life stages had a lot of intuitive



and popular appeal, but, as is also the case with previous stage theories, the research evidence is quite mixed. For example, one study utilizing longitudinal data found no support for Levinson's hypothesis that there should be greater variability in work attitudes during transitional as compared with stable developmental periods or that the greatest variability occurs during the mid-life transition. In other words, there may be such large individual differences among people that stage theories such as Levinson's don't really hold up. As a result, Levinson has reformulated his stages into what he now calls "eras" (early adult, mid-life, and late adult) and includes a transition-in period, a period of stability, and a transition-out period. In contrast to his earlier work discussed above, in which mobility or stability characterized whole stages of development, this new approach examines the interplay of mobility and stability within each life stage.

Hall has synthesized Levinson's theory and other adult stage theories (in particular the work of Erikson and Super) into an overall model for career stages splitted into four. During the first stage there is considerable exploration. The young employee is searching for an identity and undergoes considerable self-examination and role tryouts. This stage usually results in taking a number of different jobs and is, in general, a very unstable and relatively unproductive period in the person's career. In the second stage, establishment, the employee begins to settle down and indicates a need for intimacy. This is usually a growing, productive period in the employee's career. The third stage of maintenance occurs when the person levels off onto a highly productive plateau and has a need for generativity (the concern to leave something to the next generation). This need often leads the person to assume a paternalistic or perhaps a mentor role with younger subordinates. The person may either have a growth spurt or become stagnant and decline during this third career stage. The final stage, decline, is self-explanatory. The person indicates a need for integrity (that is, the person needs to feel satisfied with his or her life choices and overall career). With the recent changes in mandatory retirement laws (there is no longer an upper age limit for mandatory retirement), better medical treatment, and the expectations of society concerning "gray power," this last stage may undergo drastic changes in the years ahead.

There is recent evidence that the heretofore assumed direct, linear relationships between age and job satisfaction may not be true. Toward the end of employees' careers, there may be a downturn in their satisfaction. This decline may be the result of unmet expectations and the downsizing and "merger mania" that have left long-term employees feeling unwanted and with no sense of loyalty or belonging.

Table 16.2: The Argyris Immaturity-Maturity Continuum

Immaturity Characteristics	Maturity Characteristics
Passivity	Activity
Dependence	Independence
Few ways of behaving	Diverse behavior
Shallow interests	Deep interests
Short time perspective	Long time perspective
Subordinate position	Superordinate position
Lack of self-awareness	Self-awareness and control



### Immaturity to Maturity

In a departure from the strict stage approach, well-known organisational behaviour theorist Chris Argyris has identified specific dimensions of the human personality as it develops. Argyris proposes that the human personality, rather than going through precise stages, progresses along a continuum from immaturity as an infant to maturity as an adult. However, at any age, people can have their degree of development plotted according to the seven dimensions shown in Table 16.2.

Argyris carefully points out that this model does not imply that all persons reach or strive for all dimensions on the mature end of the continuum. He further explains:

1. The seven dimensions represent only one aspect of the total personality. Much also depends upon the individual's perception, self-concept, and adaptation and adjustment.
2. The seven dimensions continually change in degree from the infant to the adult end of the continuum.
3. The model, being only a construct, cannot predict specific behaviour. However, it does provide a method of describing and measuring the growth of any individual in the culture.
4. The seven dimensions are based upon latent characteristics of the personality which may be quite different from the observable behavior.

In contrast to the classic stage theories of Freud and Erikson, Argyris's immaturity-maturity model of personality is specifically directed to the study and analysis of organisational behavior. Argyris assumes that the personalities of organizational employees can be generally described by the mature end of the continuum. This being the case, in order to obtain full expression of employees' personalities, the formal organization should allow for activity rather than passivity, independence rather than dependence, long rather than short time perspective, occupation of a position higher than that of peers, and expression of deep, important abilities. Argyris argues that too often the exact opposite occurs. The mature organizational participant becomes frustrated and anxious and is in conflict with the modern formal organization. In other words, Argyris sees a basic incongruity between the needs of the mature personality and the nature of the formal organization.

This incongruity premise is an important cornerstone for the entire conceptualization of person-organization structure interaction, which is discussed in relation to the organizational behavior model used in this text. The fit between individual personal characteristics and organizational requirements is also frequently used today to explain job performance and work-related attitudes.

### The Emerging Recognition of the Importance of Emotional Maturity, or EQ

Argyris recognized the important role that maturity may play in organizational behavior many years ago. Very recently this concept has resurfaced in the popular press as emotional maturity or emotional intelligence or (as a takeoff from IQ) simply EQ. Based on research in both the neurological and behavioral sciences over the last ten years, it seems that a person's EQ may be a much better predictor of success (in



school, in at least certain jobs, and in life) than the traditionally revered IQ (intelligence as measured by standardized tests). People with high EQ delay gratification (reason over impulsiveness), understand their own feelings, and, especially important in organizational behavior, have a great deal of empathy for the feelings of others. This emotional maturity starts to develop at an early age and continues to develop both neurologically and through socialization. Those who have developed high EQ know how to regulate their emotions, such as anger (the most difficult) or anxiety, in a way that enhances success on the job and in life.

EQ provides a way to operationalize the "people skills" that are considered so important in many careers. For example, Seligman designed a test of how people respond to setbacks (optimistically or pessimistically). He developed hypothetical questions to which the person was to choose the response most closely matching his or her own. Here are some sample questions:

1. You owe the library \$10 for an overdue book.
  - a. When I am really involved in what I am reading, I often forget when it's due.
  - b. I was so involved in writing the report, I forgot to return the book.
2. A friend says something that hurts your feelings.
  - a. He/she always blurts things out without thinking of others.
  - b. My friend was in a bad mood and took it out on me.
3. You are penalized for returning your income tax late.
  - a. I always put off doing my taxes.
  - b. I was lazy about getting my taxes done this year.

He found that salespeople at the Metropolitan Life Insurance Company who answered with more b's than a's were better able to overcome bad sales days, recovered more easily from rejection, and changed jobs less frequently (major problems in the insurance industry). Also, EQ may be an overlooked dimension of predicting effective leadership. High-EQ leaders would seem to have empathy and graciousness as well as the uncanny ability to read a social situation (the great majority of emotional communication is nonverbal). Such characteristics may be more associated with effective leaders than are raw intelligence and technical skills. For example, the Center for Creative Leadership found that "derailed executives" (rising stars who flamed out) failed because of emotional-type problems (poor working relations, too authoritarian, too ambitious, conflict with upper management) rather than a lack of technical ability.

To take advantage of this newly found personality attribute, human resources management trainers are beginning to provide instruction in such areas as raising consciousness and integrating the perspectives of others (building empathy) in order to develop EQ in their people. Best-selling EQ author Daniel Goleman believes that a lot of men learn to be more empathic from their wives and that EQ can be learned through business training programs. He concludes an interview by noting, "You can learn emotional skills at any point, and the odds that you'll have a happy, successful life are much greater if you do."



### The Socialization Process

Besides the developmental aspects of personality in general and newly emerging constructs such as EQ, there is increasing recognition given to the role of other relevant persons, groups, and, especially, organizations that greatly influence an individual's personality. This continuous impact from the social environment is commonly called the socialization process. It is especially relevant to organizational behaviour because the process is not confined to early childhood; rather, it takes place throughout one's life. In particular, evidence is accumulating that socialization may be one of the best explanations for why employees behave the way they do in today's organizations. As Edgar Schein notes: "It is high time that some of our managerial knowledge and skill be focused on those forces in the organization environment which derive from the fact that organizations are social systems which do socialize their new members. If we do not learn to analyze and control the forces of organizational socialization, we are abdicating one of our primary managerial responsibilities." A recent study found that the socialization tactics that organizations employ can have a positive, long-run impact on the adjustment of newcomers (i.e., lower role conflict and ambiguity, less stress, and higher job satisfaction and commitment).

Socialization starts with the initial contact between a mother and her new infant. After infancy, other members of the immediate family (father, brothers, and sisters), close relatives and family friends, and then the social group (peers, school friends, and members of the work group) play influential roles. Of particular interest is Schein's idea that the organization itself also contributes to socialization. He points out that the process includes only the learning of those values, norms, and behavior patterns which, from the organization's and the work group's points of view, are necessary for any new organization member to learn.

The following are widely accepted characteristics of the organizational socialization of employees:

1. Change of attitudes, values, and behaviours
2. Continuity of socialization over time
3. Adjustment to new jobs, work groups, and organizational practices
4. Mutual influence between new recruits and their managers
5. Criticality of the early socialization period

Accordingly, organization members must learn such things as not to drive a Ford if they are working for Chevrolet, not to criticize the company in public, and not to wear the wrong kind of clothes or be seen in the wrong kind of place. They must understand "who holds power and who does not, which informal networks of communication are reliable and which are unreliable, and what political maneuvers they are likely to encounter in their department or unit. In short, if they wish to survive and prosper in their new work home, they must soon come to 'know the ropes.'" The same is true for those in overseas assignments. They must be socialized into the correct conduct in dealing with the local culture. The accompanying International Application Example: Gift Giving in Western Europe provides some guidelines for correct behavior in that part of the world.

Specific techniques of socializing new employees would include the use of mentors or role models, orientation and training programs, reward systems, and career planning. Specific steps that can lead to successful organizational socialization would include the following:

1. Provide a challenging first job.
2. Provide relevant training.
3. Provide timely and consistent feedback.
4. Select a good first supervisor to be in charge of socialization.
5. Design a relaxed orientation program.
6. Place new recruits in work groups with high morale.

Such deliberate socialization strategies have tremendous potential impact on human resources management and organizational effectiveness.

### SUMMARY

Every human possesses a unique set of traits and characteristics which remain stable over time. This uniqueness and consistency form the aspects of personality.

According to Sheldon Physiognomy Theory, there is a link between physiological traits and characteristics of an individual with his behaviour.

Carl Jung's Extrovert-Introvert theory typecasts all profile into two compartments: Extroverts and introverts.

Self theory propounded by Carl Rogers places emphasis on the individual as an initiating, creating, influential determinant of behaviour within the environmental framework. Rogers classifies personality into three basic ingredients – the organism, the phenomenal field, and the self.

Other theories relevant to the understanding of personality and its development were also proposed. Levinson, Hall and Argyris, particularly, propounded that personality development is a sequential and continuous and can be modelled into various stages.

The continuous impact of the social environment on various development aspects of personality is called socialization process. According to Edges Schein, organization are social systems and socialization is a necessary part of it.

### REVIEW QUESTIONS

1. What is the comprehensive definition of "Personality"? Give brief examples of various personality traits.
2. How does personality relate to organisational behaviour?
3. Briefly describe various trait theories of personality.
4. Elucidate Levinson's theory of adult life stages and its relatedness to socialization.
5. Define socialization process and its impact on personality development.



**SUGGESTED READINGS**

D. J. Levinson, "A Conception of Adult Development", *American Psychologist*, vol. 41.

Chris Argyris, *Personality and Organization*, Harper.

Archana Tyagi, *Organizational Behaviour*, Excel Books.

**OBJECTIVES**

- ❑ Define motivation
- ❑ Compare and contrast the content theories and process theories
- ❑ Explain and discuss the managerial implications of need theories of motivation
- ❑ Explain and discuss the managerial implications of equity theory and expectancy theory
- ❑ Use the Porter-Lawler model to summarise the relationship among the various theories of motivation, performance, and job satisfaction

**STRUCTURE**

- ◆ Introduction
- ◆ Content Theories of Motivation
- ◆ Process Theory Of Motivation
- ◆ Motivation in Practice
- ◆ Conclusions



## INTRODUCTION

Motivation is a reflection of the reasons why people do things. All behaviour has a purpose (often several). All behaviour is therefore based on choice: People choose to do the things they do. The term "motivation" was originally derived from the Latin word *movere*, which means "to move"

### Definitions

Huczynski and Buchanan (1993) *defined motivation from three perspectives*: in terms of the goals towards which human behaviour is directed; as the process through which those goals are pursued and achieved; and the social factors involved.

Mullins (1993) *summarises motivation thus*: the underlying concept of motivation is some driving force within individuals by which they attempt to achieve some goal in order to fulfill some need or expectation. Mullins also distinguishes between extrinsic motivation (related to tangible rewards such as money), and intrinsic motivation (related to psychological rewards such as the sense of challenge and achievement).

Luthans (1986) sees motivation as a combination of needs, drives and incentives. Motivation is defined as 'a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive.

Motivation is therefore both limited and directed by the situations and environments in which people find themselves. This is the general context in which people set their targets, ambitions, purposes, drives, goals, aims and objectives as marks of achievement and success. These are pursued in anticipation of the rewards - financial, social and behavioural - that their achievements are to bring. Satisfaction occurs when the targets set bring the anticipated rewards. Dissatisfaction occurs when the rewards are either not forthcoming, or else do not meet expectations.

The topic of motivation has become increasingly prominent in the efforts of organizational researchers and practicing managers to understand and influence organizational behaviour. A survey of the organization studies literature indicates that the theories may be grouped into two general classes: content theories and process theories.

The content theories of work motivation assume that factors exist within the individual that energize, direct and sustain behaviour. In contrast to content theories of motivation, process theories of motivation attempt to describe how behaviour is energized, directed and sustained. In particular, process theories place heavy emphasis on describing the functioning of the individual's decision system as it relates to behaviour.

## CONTENT THEORIES OF MOTIVATION

In this section, four of the most prominent content theories of work motivation will be discussed - they are (a) Maslow's hierarchy of needs, (b) Alderfer's existence-relatedness growth (ERG) where in needs are viewed as sequentially activated. The third theory (c) discussed in this section is Herzberg's motivator-hygiene model and (d) McClelland's needs theory represents needs as socially acquired attributes of the individual, rather than as innate psychological characteristics.



### Maslow's hierarchy of needs

Maslow's (1954, 1968) needs hierarchy is perhaps the most widely known theory relating individual needs to motivation. Maslow contends that people are wanting beings whose needs guide behaviour. According to Maslow, a need influences a person's activities until it has been satisfied. According to Maslow, lower-level needs must be satisfied, in general, before higher-level needs are activated sufficiently to drive behaviour. Further, only unsatisfied needs can influence behaviour, those that are satisfied do not motivate.

The hierarchy of needs works from the bottom of the pyramid upwards showing the most basic needs and motivation at the lowest levels and those created by, or fostered by, civilization and society towards the top of it. The needs are as follows:

1. **Physiological** - The need for food, drink, air, warmth, sleep and shelter, that are basic survival needs related to the instinct for self preservation.
2. **Safety and Security** - That is, protection from danger, threats or deprivation and the need for stability (or relative stability) of environment.
3. **Social** - That is, a sense of belonging to a society and the groups within it: for example, the family, the organization, the work group. Also included in this level are matters to do with the giving and receiving of friendship; basic status needs within these groups, and the need to participate in social activities.
4. **Esteem Needs** - These are the needs for self respect, self esteem, appreciation, recognition and status both on the part of the individual concerned and the society, circle or group in which they interrelate; part of the esteem needs is

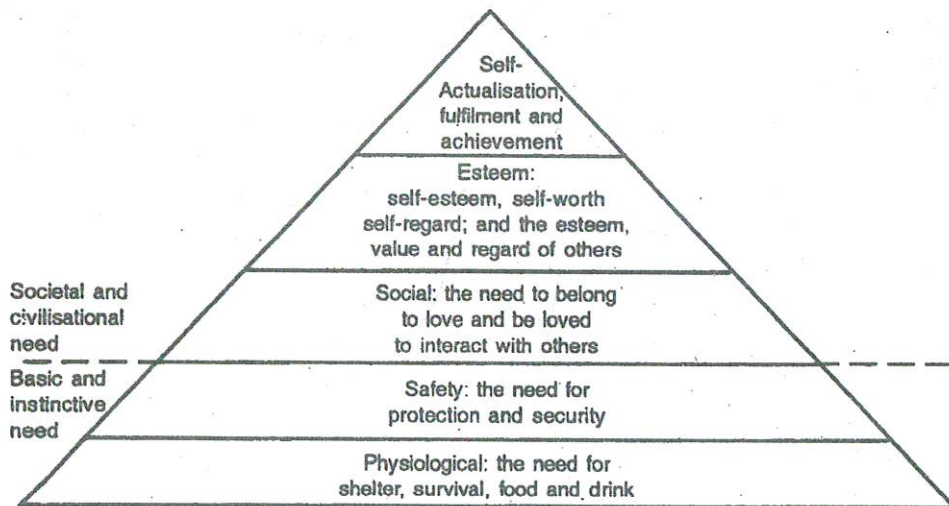


Figure 17.1: A Hierarchy of Needs

therefore the drive to gain the respect, esteem and appreciation accorded by others.

5. **Self Actualisation** - That is, the need for self-fulfillment, self-realization, personal development, accomplishment, mental, material and social growth and the development and fulfillment of the creative faculties.



Thus, was the hierarchy of needs outlined. Maslow reinforced this by stating that people tended to satisfy their needs systematically. They started with the basic, instinctive needs and then moved up the hierarchy. Until one particular group of needs was satisfied a person's behaviour would be dominated by them.

### Alderfer's Existence - Relatedness - Growth (ERG)

*Theory* - The most popular extension and refinement of Maslow's theory of needs is the one proposed by Alderfer (1972). While Maslow's model was not developed specifically for work organizations, Alderfer's theory attempted to establish a conceptualization of human needs that are relevant to organizational settings. In extending Maslow's theory, Alderfer argued that the need categories could be grouped into three more general classes:

1. **Existence** - These are needs related to human existence and are comparable to Maslow's physiological needs and certain of his safety needs.
2. **Relatedness** - These are needs that involve interpersonal relationships in the work place. Relatedness needs are similar to Maslow's belongingness needs and certain of his safety and esteem/ego needs.
3. **Growth** - These are needs associated with the development of the human potential. Included in this category are needs corresponding to Maslow's self-esteem and self-actualization needs.

Alderfer's model agrees with Maslow's in positing that individuals tend to move from existence, through relatedness, to growth needs as needs in each category are satisfied.

However, ERG theory differs from the needs hierarchy model in two important respects. First, Alderfer contends that, in addition to the satisfaction-progression process described by Maslow, a frustration-regression sequence also exists. For example, the ERG model predicts that if an individual is continually frustrated in his or her attempts to satisfy growth needs, then relatedness needs will be reactivated and become the primary drivers of behaviour. Second, and especially important, in contrast to the needs hierarchy theory, the ERG model does not hold that one level of needs must be satisfied before needs in the next level can emerge to motivate behaviour. Instead, the ERG model proposed that more than one need may be operative in a given individual at any point in time. The ERG model appears to be less rigid than the needs hierarchy theory, allowing for more flexibility in describing human behaviour.

### Herzberg's Motivator-Hygiene Theory

Herzberg's motivator-hygiene theory is, perhaps the most controversial theory of work motivation. The original research used in developing the theory was conducted with several hundred accountants and engineers. It was based on questioning people in organizations in different jobs, at different levels, to establish

- (a) those factors that led to extreme dissatisfaction with the jobs, the environment and the workplace : and



- (b) those factors that led to extreme satisfaction with the job, the environment and the workplace

The factors giving rise to satisfaction he called motivators; those giving rise to dissatisfaction he called hygiene factors. See (figure 17.1)

Herzberg argued, on the basis of these results, that eliminating the causes of dissatisfaction (through hygiene factors) would not result in a state of satisfaction. Instead, it would result in a neutral state. Satisfaction (and motivation) would occur only as a result of the use of motivators.

Herzberg advanced a theory that was simple to grasp, was based on some empirical data, and equally important - offered managers specific recommendations for action to improve employee motivational levels.

### McClelland's Learned Needs Theory

Another well-known content theory is the learned needs theory developed by McClelland. He contends that individuals acquire certain needs from the culture of a society by learning from the events that they experience, particularly in early life. The needs that people may learn are the need for achievement (*n Ach*), the need for power (*n Pow*) and the need for affiliation (*n Aff*). Once learned, these needs may be regarded as personal predispositions that affect the way people perceive work (and other) situations and that influence their pursuit of certain goals.

*Need of Achievement (n Ach)* - McClelland defined (*n Ach*) as "behaviour toward competition with a standard of excellence." He and his associates defined four characteristics of individuals with a high need for achievement:

- (1) a strong desire to assume personal responsibility for finding solutions to problems or performing a task,
- (2) a tendency to set moderately difficult achievement goals and to take calculated risks,
- (3) a strong desire for concrete performance feedback on tasks and
- (4) a single-minded orientation with task accomplishment.

Factors on the job that led to extreme dissatisfaction but not satisfaction Factors on the job that led to extreme satisfaction but not dissatisfaction proposed.

Many managerial and entrepreneurial position are assumed to require such a need in individuals in order for them to be successful.

*Need for Power (n Pow)* - The *n Pow* is defined as the need to control the environment, to influence the behaviour of others, and to be responsible for them. McClelland contends that individuals with a high *n Pow* may be characterized by:

- (1) a desire to direct and control someone else,
- (2) a concern for maintaining leader follower relations.

Research evidence suggests that individuals with high *n Pow* tend to be superior performers, to be in supervisory positions, to have above average attendance records, and to be rated by others as having good leadership abilities.



**Need for Affiliation (*n Aff*)** - The need for affiliation is defined as an "attraction to another organism in order to feel reassured from the other that the self is acceptable." Individuals with a high *n Aff* desire to establish and maintain friendly and warm relationships with others. McClelland identified three characteristics of individuals with a high need for affiliation:

- (1) a strong desire for approval and reassurance from others,
- (2) a tendency to conform to the wishes and norms of others when pressured by people whose leadership they value, and
- (3) a sincere interest in the feelings of others.

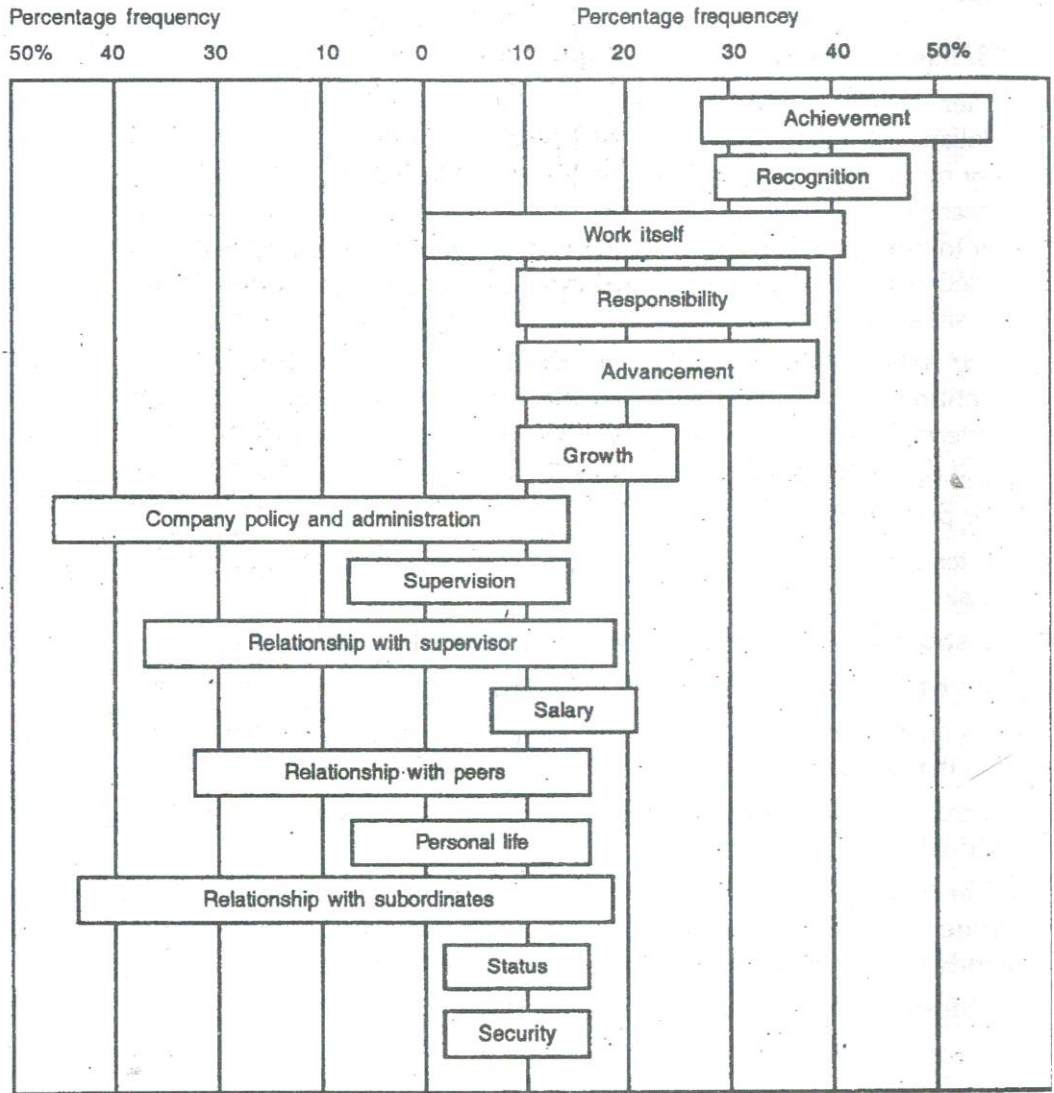


Figure 17.2: Two-Factor Theory

## PROCESS THEORY OF MOTIVATION

In this section, the three process theories of motivation discussed are :

- (a) Equity theory
- (b) Vroom's expectancy theory and
- (c) The Porter-Lawler Model

**Equity Theory** - First articulated by J. Stacey Adams, equity theory is based on the simple premise that people want to be treated fairly. The theory defines equity as the belief that we are being treated fairly in relation to others, and inequity as the belief that we are being treated unfairly in relation to others.

Adams describes the equity comparison process in terms of input/outcome ratios. Inputs are an individual's contributions to the organization, such as education, experience, effort and loyalty. Outcomes are what he or she receives in return, such as pay, recognition, social relationships and intrinsic rewards. (Fig. 17.3)

The person compares his or her own input-to-outcome ratio with the corresponding ratio of the comparison - other. Figure 17.3 summarizes the results of an equity comparison.

For managers, the most important implication of equity theory relates to organizational rewards and reward systems. Equity theory offers managers three messages.

First, everyone in the organization needs to understand the basis for the reward. If people are to be rewarded more for high-quality work than for quantity of work, the fact needs to be clearly communicated. Second, people tend to take a multifaceted view of their rewards, some tangible and others intangible. Finally, people base their actions on their perceptions of reality—if two people get exactly the same salary but each thinks the other gets more, they will each base their feelings of equity on the perception, rather than on reality. Hence, if a manager thinks two employees are fairly rewarded, the employees themselves may not necessarily agree.

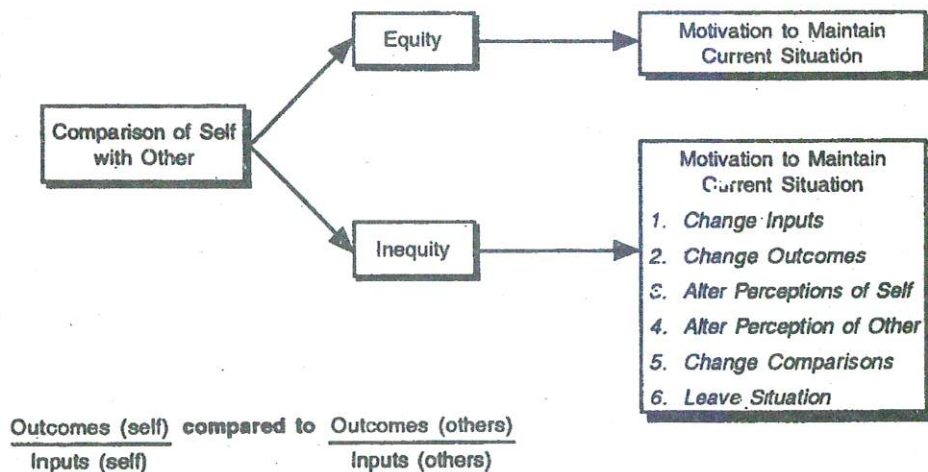


Figure 17.3: Responses to Equity and Inequity



*Vroom's Expectancy Theory* - Vroom (1964) presented the first systematic formulation of expectancy theory developed specifically for work situations. According to Vroom (1964) employees rationally evaluate various work behaviours (e.g. working overtime versus leaving work early) and then choose those that they believe will lead to the work related rewards that they value most (e.g. promotions). Put another way, employees will decide to apply effort to those tasks that they find attractive and that they believe they can perform. The attractiveness of a particular task depends upon the extent to which the employee believes that its accomplishment will lead to valued outcomes.

A useful way of viewing the model is presented below:

1. *Outcomes*: These are the anticipated consequences that are relevant to the individual and that are perceived to follow certain of his or her work behaviours, such as a pay raise, a sense of accomplishment, acceptance by peers, fatigue and soon.
2. *Valence*: This is the extent to which the anticipated outcomes appear attractive or unattractive to the individual work-related outcomes, such as good pay, a good job, group support, being fired, etc. These vary in their attractiveness from person to person.
3. *E → Expectancy*: This is the effort-performance (Ea P) expectancy (called simply "expectancy" in Vroom's original work) and is defined as an individual's subjective probability that effort will actually lead to performance on some job or task.
4. *P → O Expectancy*: This is the performance-outcome (P a O) expectancy (also called "instrumentality" in Vroom's work) and is defined as an individual's belief that a particular level of performance in a given situation will result in a particular set of outcomes.

This theory has generated a considerable body of research, much of which suggests that difficulties are encountered when testing the model. Expectancy theory does not specify which outcomes are relevant to a particular individual in a particular situation.

### THE PORTER-LAWLER MODEL

Porter and Lawler (1968) refined and extended Vroom's (1964) expectancy model. They agreed with Vroom that employee effort is jointly determined by the valence that employees place on certain outcomes and the degree to which people and their efforts will lead to the attainment of these rewards. However, Porter and Lawler emphasize that effort may not necessarily result in performance. Furthermore, they contend that the relationship between valencies and expectancies, on the one hand, and effort or motivation, on the other, is more complicated than Vroom's model suggests. The Porter-Lawler model is presented in Figure 17.4.

The Porter-Lawler model holds that effort may not necessarily result in job performance for two reasons. First, the individual may not have the ability to accomplish the tasks that constitute his or her job. Second, the person may not have a good understanding of the task to be performed (that is, there may be a lack of role

clarity). High motivation will not result in job performance if the employee does not have a clear grasp of the ways in which effort may be appropriately directed.

Furthermore, the Porter-Lawler model indicates that the nature of the task has implications for the satisfaction performance linkage. That is, performance on a task may provide the employee with intrinsic rewards, extrinsic rewards or both.

In addition, the model holds that employees' self-ratings of performance have a major impact on this belief about what levels of rewards are equitable.

Finally, Porter and Lawler suggest what may happen after an employee performs. Thus, this model suggests that performance leads to satisfaction, rather than the opposite. This was a significant departure from the traditional thinking.

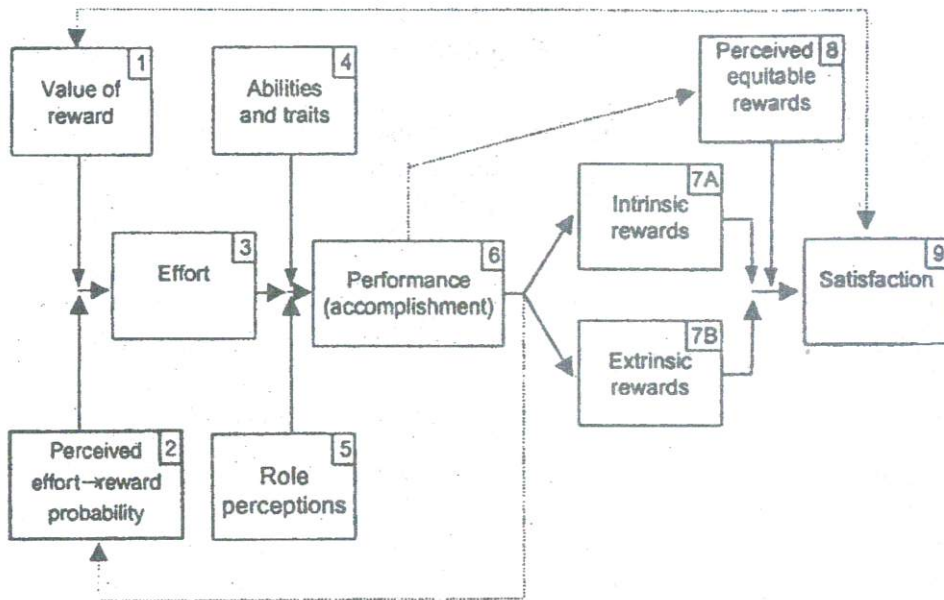


Figure 17.4: The Porter-Lawler model of work motivation.

(From Lyman W. Porter & Edward E. Lawler III, *Managerial attitudes and performance*. Homewood, Ill.: Irwin, 1968, p. 165.)

## MOTIVATION IN PRACTICE

After taking into account the various theories of motivation, let's discuss four motivational techniques - money, job enrichment, goal setting, and alternative working schedules - which motivate a person in practice.

**Money as a motivator** - The money that employees receive in exchange for organizational membership is in reality a package made up of pay and various fringe benefits that have rupee value, such as insurance plans, sick leave, and vacation time. According to Maslow and Alderfer, pay should prove especially motivational to people who have strong lower-level needs. But at the same time, it might also demonstrate that your superior cares about you, you receive prestige among friends and family, and your competency as a worker will be confirmed. Thus using need hierarchy terminology, pay can also function to satisfy social, esteem and self actualization needs. According to expectancy theory, if pay can satisfy a variety of



needs, it should be highly valent, and it should be a good motivator to the extent that it is clearly tied to performance.

The prototype of all schemes to link pay to performance on production jobs is piece-rate. More common than pure piece-rate is a system whereby workers are paid a basic hourly wage and paid a piece-rate differential on top of this hourly wage. Compared with production jobs, white-collar jobs frequently offer fewer objective performance criteria to which pay can be tied. Attempts to link pay to performance on white-collar jobs are often called merit pay plans. When merit pay makes up a substantial portion of the compensation package, management has to take extreme care to ensure that it ties the merit pay to performance criteria that truly benefit the organization. Organizations have to choose pay plans that support their strategic needs.

- (a) *Profit sharing* - The return of some company profit to employees in the form of a cash bonus or a retirement supplement.
- (b) *Gain sharing* - A group pay incentive plan based on productivity or performance improvements over which the workforce has some control.
- (c) *Skill based pay* - A system in which people are paid according to the number of job skills they have acquired.

After taking into consideration money as a motivator, now take a look at the job design as a motivator. In essence, the current goal of job design is to identify the characteristics that make some tasks more motivating than others and to capture these characteristics in the design of jobs.

Job scope can be defined as the breadth and depth of a job. Breadth refers to the number of different activities performed on the job, while depth refers to the degree of discretion or control the worker has over how these tasks are performed. "Broad" jobs require workers to do a number of different tasks, while "deep" jobs emphasise freedom in 'planning' how to do the work. The motivational theories discussed previously suggest that high-scope jobs (both broad and deep) should provide some intrinsic motivation than low-scope jobs.

As mentioned in the 'Quality of work life and socio-technical systems' - according to Hackman and Oldham, an overall measure of the motivating potential of a job can be calculated by the following formula:

Motivating Potential

$$= \frac{\text{Skill variety} + \text{Task identity} + \text{Task significance}}{3} \times \text{Autonomy} \times \text{job feedback}$$

Hackman and Oldham argue that work will be intrinsically motivating when it is perceived as meaningful, when the worker feels responsible for the outcomes of the work and when the worker has knowledge about his or her work progress. Hackman and Oldham recognise that jobs that are high in motivating potential do not always lead to favourable outcomes. They propose certain moderator or contingency variables that intervene between job characteristics and outcomes. These moderators are:

1. Knowledge and skill of the worker - That is, worker with weak knowledge and skills should not respond favourably to jobs that are high in motivating potential, since such jobs will prove too demanding;



2. Second proposed moderator is 'growth need strength' - and according to Hackman and Oldham those with high growth needs should be most responsive to challenging work; and
3. Finally, they argue that workers who are dissatisfied with the context factors surrounding the job (such as pay, supervision, and company policy) will be less responsive to challenging work than those who are reasonably satisfied with context factors.

*Job enrichment* is the design of jobs to enhance intrinsic motivation and the quality of work life. Many job enrichment schemes combine tasks, establish client relationships, reduce supervision, form teams, or make feedback more direct.

Despite the theoretical attractiveness of job enrichment as a motivational strategy, enrichment can encounter a number of challenging problems. Mainly those are

- (a) *Poor diagnosis* - of the needs of the organization and the particular jobs in question.
- (b) *Lack of desire or skill* - on the part of the workers.
- (c) Demand for rewards is much in the form of extrinsic rewards such as pay etc.
- (d) Union resistance.
- (e) Supervisory resistance.

Now take a look at the third motivational technique that is - goal setting as a motivator.

*Goal setting as a motivator* - If employees are to achieve acceptable performance, some method of translating organizational goals into individual goals must be implemented.

The notion of goal setting as a motivator has been around for a long time. Goal setting is that kind of motivational technique that uses specific, challenging, and acceptable goals and provides feedbacks to enhance performance.

But at the same time it is important to consider some of the factors that might affect the acceptance of challenging, specific goals, including participation, rewards and management support.

**Management by objectives (MBO)** is an elaborate, systematic, ongoing, management programme to facilitate goal establishment, goal accomplishment, and employee development. The concept was developed by management theorist Peter Drucker. The objectives in MBO are simply another label for goals. In a well-designed MBO programme, objectives for the organization as a whole are developed by top management and diffused down through the organization through the MBO process.

Even with the best of intentions, setting specific, quantified objectives can be a difficult process.

The last but not the least motivating technique is the *alternative working schedules* as motivators for a diverse workforce. The purpose of using this motivating technique is to meet diverse workforce needs and promote job satisfaction. One



alternative to traditional work schedules is Flex-time. Flex-time is an alternative work schedule in which arrival and quitting times are flexible.

Flex-time is obviously well suited to meeting the needs of a diverse workforce, since it allows employees to tailor arrival and departure time to their own transportation and childcare situations. It should reduce absenteeism, since employees can handle personal matters during conventional business hours. Also, flexible working hours connote a degree of prestige and trust that is usually reserved for executives and professionals.

**Compressed work week** - A second alternative to traditional work schedules is the compressed work week. This system compresses the hours worked each week into fewer days. The most common compressed work week is the 4-40 system in which employees work four ten-hour days each week rather than the traditional five eight-hour days.

Job sharing occurs when the part-time employees divide the work (and perhaps the benefits) of a full-time job. The two can share all aspects of the job equally, or some kind of complementary arrangement can exist in which one party does some tasks and the co-holder does other tasks.

## CONCLUSIONS

The standpoint taken is that people work better when they are highly motivated and there is a direct relationship between quality of performance and levels of motivation; the volume and quality of work decline when motivation is lower or when demotivation is present. The need to motivate and be motivated is continuous.

## SUMMARY

Motivation is the extent to which persistent effort is directed toward a goal. Intrinsic motivation stems from the direct relationship between the worker and the task and is usually self-applied. Extrinsic motivation stems from the environment surrounding the task and is applied by others.

Need theories propose that motivation will occur when employee behaviour can be directed toward goals or incentives that satisfy personal wants or desires. The three need theories discussed were Maslow's need hierarchy, Alderfer's ERG theory, and McClelland's theory of needs for achievement, affiliation and power. Process theories attempt to explain how motivation occurs rather than what specific factors are motivational. Expectancy theory argues that people will be motivated to engage in work activities that they find attractive and that they feel they can accomplish. Equity theory states that workers compare the inputs that they apply to their jobs and the outcomes that they achieve from their jobs with the inputs and outcomes of others. The Porter-Lawler model summarises the relationship among the process theory variables and performance, rewards, and job satisfaction.

Money should be most effective as a motivator when it is made contingent upon performance. Compensation plans to enhance teamwork include profit sharing, gain sharing and skill based pay. Recent views advocate increasing the scope (breadth and depth) of jobs to capitalize on their inherent motivational properties, as opposed

to the job simplification of the past. Goal setting can be an effective motivator when goals are specific, challenging, and acceptable to workers. Some organizations have adopted alternative working schedules such as flex-time, the compressed work week, or job sharing with expectations of motivational benefits. Although these schemes should have little effect on productivity, they have the potential to reduce absence and turnover and enhance the quality of work life for a diverse workforce.

## REVIEW QUESTIONS

1. Discuss a time when you were highly motivated to perform well but performed poorly in spite of your high motivation. How do you know that your motivation was really high? What factors interfered with good performance? What did you learn from this experience?
2. Use Maslow's hierarchy of needs and Alderfer's ERG theory to explain why assembly line workers and executive vice-presidents might be susceptible to different forms of motivation.
3. Describe in detail a specific job in which a person with high need for affiliation would be more motivated and perform better than a person with high need of achievement.
4. Feelings of inequity at work can obviously make people unhappy. But how can feelings of inequity act as a motivator?
5. Criticise the following assertion: People are basically the same. Thus, the motivation theories discussed in the chapter apply equally around the globe.
6. Debate the following statements: "Of all the motivational techniques we have discussed in this chapter, goal setting is the simplest to implement. Goal setting is no more than doing what a good manager should be doing anyway."
7. Describe some jobs for which you think it could be difficult to link pay to performance. What is there about these jobs that provokes this difficulty?

## CASE STUDY

### MOTIVATION

Sudhakar Shrivastava (S.S.) is an engineer in a large design engineering office. Sudhakar hails from a rural background, and his family had a low income and stern rules. In order to earn his college degree, he had to work, and he paid most of his own expenses.

Sudhakar is an intelligent and capable engineer. His main fault is that he does not want to take risks. He hesitates to take decisions himself, often bringing petty and routine problems to his supervisor or to other engineer colleagues of his for a decision. Whenever he does a design job he brings it in rough draft to his chief engineer for approval before he finalises it.

Since Sudhakar is a capable person, his chief engineer wants to motivate him to be more independent in his work. The chief engineer believes that this approach will improve Sudhakar's performance, relieve the chief engineer from extra routine and give Sudhakar more self confidence. However the chief engineer is not sure how to go about motivating Sudhakar to improve his performance.

#### Question

In the role of chief engineer, explain how you would motivate Sudhakar, using at least three motivational models. Be as specific as possible.



**SUGGESTED READINGS**

Laurie J. Mullins, *"Management and Organizational Behavior"*, 2nd Edition, Pitman.

Fred Luthans, *"Organizational Behavior"*, Eight Edition, Irvin/Mc Graw-Hill.

Stephen P. Robbins, *"Organizational Behavior"*, Ninth Edition, Prentice-Hall India.

**ORGANIZATIONAL  
CONFLICTS AND ITS  
DIMENSIONS**

**OBJECTIVES**

- ❑ Describe the conflict process and sources of conflict in organizations
- ❑ Analyze inter-personal conflict, organizational conflict and structural conflict
- ❑ Explain causes of conflict
- ❑ Relate different modes of managing conflict
- ❑ Discuss negotiation and differentiate between **integrative** and distributive negotiation tactics

**STRUCTURE**

- ◆ The Conflict Process
- ◆ Sources of Conflict in Organizations
- ◆ Interpersonal Conflict
- ◆ Organizational Conflict
- ◆ Structural Conflict
- ◆ Symptoms of Conflict
- ◆ Causes of Conflict
- ◆ Modes of Managing Conflict
- ◆ Increasing Resources
- ◆ Final Words on Negotiation



Conflict exists in all situations where individuals and groups are in disagreement with each other for whatever reason. This potential therefore, exists everywhere, where two or more people are gathered together; a world without differences and disagreements is inconceivable!

### THE CONFLICT PROCESS

Conflict occurs at interpersonal level, and also between groups such as organizational departments. Much of this is also relevant to conflict between individuals. And when conflict begins— following events generally transpire:

- "Winning" the conflict becomes more important than developing a good solution to the problem at hand.
- The parties begin to conceal information from each other or pass distorted information.
- Each group becomes more cohesive. Deviants who speak of conciliation are punished and strict conformity is expected.
- Contact with the opposite party is discouraged except under formalised, restricted conditions.
- While the opposite party is negatively stereotyped, the image of one's own position is boosted.
- On each side more aggressive people who are skilled at engaging in conflict may emerge as leaders.

### SOURCES OF CONFLICT IN ORGANIZATIONS

Most organizational conflicts can be traced back to one or more of the following:

1. Competition for resources and the basis on which this is conducted.
2. Lack of absolute standards of openness, honesty, trustworthiness and integrity in general. Organizational behaviour and in dealings between staff, departments, divisions and functions, between different grades of staff and between seniors and subordinates; lack of mutual respect.
3. Lack of shared values, commitment, enthusiasm, motivation and low morale.
4. Unfairness, unevenness and inequality of personal and professional treatment, often linked to perception (and realities) of favouritism and scapegoating.
5. Physical and psychological barriers, especially those between seniors and subordinates, and also those between departments, divisions and functions.
6. Inability to meet expectations and fulfill promises; this is always compounded by the use of bureaucratic words and phrases.
7. Expediency and short-termism that interferes with, dilutes the results that would otherwise be achieved.
8. The nature of work and its professional, expert and technical context.
9. The structure of work, and the division and allocation of tasks and jobs.

10. People involved, their hopes and fears, aspirations, ambitions, beliefs, attitudes and values.

11. The presence of vested interests and pressure groups.

Before taking up the organizational conflict in detail intra-individual conflict will also be taken into consideration.

There are three forms of intra-individual conflicts which can be analyzed in brief.

### 1. Conflict due to Frustration

Frustration occurs when a motivated drive is blocked before a person reaches a desired goal. Frustration may lead to any of the defense mechanisms used by the human organism, mainly the four which are (a) Aggression, (b) Withdrawal, (c) Fixation, and (d) Compromise.

### 2. Goal Conflict

- (a) **Approach-approach conflict** - where the individual is motivated to approach two or more positive but mutually exclusive goals.
- (b) **Approach-avoidance conflict** - the single goal contains both positive and negative characteristics of the individual.
- (c) **Avoidance-avoidance conflict** - where the individual is motivated to avoid two or more negative but mutually exclusive goals.

### 3. Role Conflict and Ambiguity

There are three types of role conflict. One type is the conflict between the person and the role.

A second type is intrarole conflict created by contradictory expectations about how a given role should be played.

Finally, inter role conflict results from the differing requirements of two or more roles that must be played at the same time.

## INTERPERSONAL CONFLICT

According to Whetten and Cameron there are four sources of interpersonal conflict.

- 1. **Personal differences** - Individual differences because of one's upbringing, cultural and family traditions, family background, education, experience and values the difference can be a major source of conflict.
- 2. **Information deficiency** - This source of conflict results from communication breakdown in the organization.
- 3. **Role incompatibility** - In today's inter-functional organizations, many managers have functions and tasks that are interdependent, and the individual roles of these managers may be incompatible.
- 4. **Environmental Stress** - Stress from environment can be due to scarce or shrinking resources, downsizing, competitive pressures and high degree of certainty.



## ORGANIZATIONAL CONFLICT

Most organizational conflicts can be traced back to one or more of the following:

1. Competition for resources and the basis on which this is conducted.
2. Lack of absolute standards of openness, honesty, trustworthiness and integrity in general behaviour in the workplace, and in dealings between staff, departments, divisions and functions.
3. Lack of shared values, commitment, enthusiasm, motivation and low morale.
4. Unfairness, unevenness and inequality of personal and professional treatment often linked to perceptions (and realities) of favouritism and scapegoating.
5. Physical and psychological barriers, especially those between seniors and subordinates, and also those between departments, divisions and functions.
6. Inability to meet expectations and fulfill promises;
7. The nature of work and its professional, expert and technical context.
8. The structure of work, and the division and allocation of tasks and jobs.
9. People involved, their hopes and fears, aspirations, ambitions, beliefs, attitudes and values.
10. The presence of vested interests and pressure groups.

## STRUCTURAL CONFLICT

1. **Hierarchical conflict** - "There may be conflict between the various levels of the organizations.
2. **Functional conflict** - Conflict between the various functional departments like production and marketing.
3. **Line-Staff conflict**.
4. **Formal-Informal conflict** - The informal organization's norms for performance may be incompatible with the formal organization's norms for performance.

## SYMPTOMS OF CONFLICT

1. Poor communications between groups, individuals and the organization and its components.
2. Poor intergroup relationships based on envy, jealousy and anger at the position of others.
3. Deterioration of personal and professional relationships.
4. Increases in absenteeism, sickness, and labour turnover.
5. Proliferation of rules and regulations covering especially the most minor areas of activities.
6. Escalation of disputes and grievances arising out of frustration and anger.
7. The growth of myths and legends via the grapevine.
8. The decline in organizational, departmental, group and individual perform.

9. Disregard and disrespect for persons in other parts of the organization.
10. Non-productive meetings between persons from different departments, divisions and functions based on the needs of individual to defend their own corner and protect what they have.

These are the outward manifestations of organizational conflict. It is necessary to look more deeply for the causes of conflict rather than treating the symptoms.

### CAUSES OF CONFLICT

The main causes of conflict in organizations are as follows:

1. Differences between corporate, group and individual aims and objectives, and the inability of the organization to devise systems, practices and environments in which these can be reconciled and harmonised.
2. Interdepartmental and intergroup wrangles overwhelmingly concerned with:
  - (a) Territory - where one group feels that another is treading in an area that is legitimately theirs.
  - (b) Prestige - one group feels that another is gaining recognition for efforts and successes that are legitimately theirs.
  - (c) Poaching and theft - where one group attracts away the staff of the other.
3. The status awarded by the organization to its different departments, divisions, functions, groups and individuals.
4. Individual clashes - both professional and personal - lead to conflict if the basis of the relationship is not established and ordered.
5. Personality clashes become seriously disruptive if allowed to proceed unchecked and if steps are not taken to ensure that there is a professional or operational basis on which relationships can be based.
6. Conflict with the job held also occurs. This comes in the following forms:
  - (a) conflicts between job and job holder - This is largely related in the cases of expert and professional staff, to frustration in terms of the ability to use expertise to the full; the lack of scope for professional development and advancement.
  - (b) Conflict between job and organization - This concerns the relationship that exists between the two; the availability of opportunities, the extent to which these are offered.
  - (c) Conflict between job holder and organization - This is the extent to which pay, supervision, management style and the work environment are suitable and effective.
7. Lack of clarity of reporting relationships causes conflict.
8. Conflict also occurs where somebody works for two superiors.
9. Hidden, secondary and paralleled agenda cause conflict. These proliferate where overall aims are not well or lightly drawn; where they do not, or are not able to accommodate those of the individuals involved, and where people feel



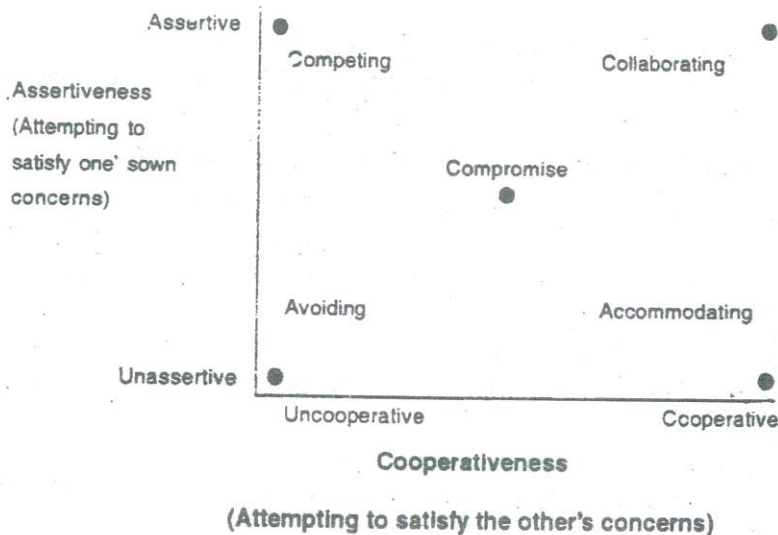
that, even if they do well with the work, they are not likely to receive due recognition.

- The issuing of differentials causes conflict. Difficulties here include company cars, company parking spaces, personal computers and fax machines, mobile phones, and other executive technology, the flexibility to work from home, personal secretaries and assistants, differentiated office furniture. Conflict is caused when the allocation of these elements is done (or seen to be done) from a point of view of patronage, prestige and status rather than operational necessity.

## MODES OF MANAGING CONFLICT

Conflict expert Kenneth Thomas notes that there are several basic reactions that can be thought of as styles, strategies or intentions for dealing with conflict. As shown in the figure given below these approaches to managing conflict are a function of both how assertive one is in trying to satisfy one's own or one's group's concerns and also how cooperative one is in trying to satisfy those of the other party or group. At the same time it is important to note that none of the five styles for dealing with conflict in the figure is inherently superior. Each style has its place given the situation in which the conflict episode occurs.

**Avoiding** - The avoiding style is characterized by low assertiveness of one's own interests and low cooperation with the other party. Avoidance can provide some short-term stress reduction from the rigours of conflict, it doesn't really change the situation.



Source: Thomas, K. W. (1982). Conflict and negotiation processes in organizations. In M. D. Dunnette & L. V. Hough (Eds.), *Handbook of industrial and organizational psychology*.

Palo Alto, CA: Consulting Psychologists Press.

**Figure 18.1 : Approaches to managing organizational conflict**

If the issue is trivial, information is lacking, people need to cool down, or the opponent is very powerful and very hostile, avoidance might be a sensible response.

**Accommodating** - Cooperating with the other person's wishes while not asserting one's own interests is the hallmark of accommodating.

Accommodating can be an effective reaction when one is wrong, the issue is more important to the other party, or one wants to build goodwill.

**Competing** - A competing style tends to maximise assertiveness for one's own position and minimise cooperative responses. In doing so one tends to frame the conflict in strict win-lose terms. Full priority is given to one's own goals, facts or procedures. The competing style holds promise when someone has a lot of power and you don't have to interact with the other party in the future.

**Compromise** - Compromise combines immediate levels of assertiveness and cooperation. Thus it is itself a compromise between pure competition and pure accommodation. Compromise isn't so useful for resolving conflicts that stem from power asymmetry, because the weaker party may have little to offer the stronger party. It is a good fall-back position if other strategies fail.

**Collaboration** - In the collaborating mode, both assertiveness and cooperation are maximised in the hope that an integrative agreement occurs that fully satisfies the interests of both parties.

It probably works best when the conflict is not intense and when each party has information that is useful to the other.

Effective collaboration can take time and practice to develop, it frequently enhances productivity and achievement. Collaboration also helps to manage conflict within organizations.

## Negotiation

Negotiation can be defined as a decision making process among interdependent parties who do not share identical preferences. Negotiation is an attempt to reach a satisfactory exchange among or between the parties. Negotiation constitutes conflict management in that it is an attempt either to prevent conflict or to resolve existing conflict.

It has become common to distinguish between distributive and integrative negotiation tactics. Distributive negotiation assumes a zero-sum win-lose situation in which a fixed pie is divided up between the parties. If we can reexamine the figure 18.1, we can imagine that distributive negotiation occurs on the axis between competition and accommodation. In theory, the parties will more or less tend toward some compromise.

On the other hand, Integrative Negotiation assumes that mutual problem solving can result in a win-win situation in which the pie is actually enlarged before distribution. Integrative negotiation occurs on the axis between avoiding and collaborating, ideally tending toward the latter.

**Distributive Negotiation Tactics** - Distributive negotiation is essentially a single issue negotiation.

**Threats and Promises** - Threats consist of implying that one will punish the other party if he or she does not concede to one's position.

Promises are pledges that concessions will lead to rewards in the future.



Threat has some merit as a bargaining tactic if one party has power over the other that corresponds to the nature of the threat, especially if no future negotiations are expected or if the threat can be posed in a civilised and suitable way. Promises have merit when one side lacks power and anticipates future negotiations with the other side.

**Firmness Vs. Concessions** - When one sticks to one's target position, offers few concessions and wait for the other party to give in - research shows that such a tactic is likely to be reciprocated by the other party, thus increasing the chances of a dead-lock.

**Persuasion** - Verbal persuasion or debate is common in negotiations. Verbal persuasion is an attempt to change the attitudes of the other party toward one's target positions. The obvious problem in distributive negotiation is bias - each party knows the other is self interested.

**Integrative Negotiation Tactics** - Integrative negotiations require a degree of creativity.

**Framing differences as opportunities** - Differences in the preference serve as a basis for integrative agreements because they contain information that can indicate each party's real interests.

**Cutting Costs** - Integrative solutions are especially attractive when they reduce costs for all parties in a dispute. For example, firms in the computer and acoustics industries have joined together to support basic research on technology of interests to all firms. This reduces costly competition to perfect a technology that all parties need anyway.

## INCREASING RESOURCES

**Introducing superordinate goals** - Superordinate goals are attractive outcomes that can be achieved only by collaboration. Superordinate goals probably represent the best example of creativity in integrative negotiation because they change the entire landscape of the negotiation episode.

**Third party involvement** - Sometimes, third party comes into play to intervene between negotiating parties. Often, this happens when the parties reach an impasse.

- (a) **Mediation** - The process of mediation occurs when a neutral third party helps to facilitate a negotiated agreement. Research shows that mediation has a fairly successful track record in dispute resolution.
- (b) **Arbitration** - The process of arbitration occurs when a third party is given the authority to dictate the terms of settlement of a conflict. In conventional arbitration, the arbitrator can choose any outcome, such as splitting the difference between the two parties. In final offer arbitration, each party makes a final offer, and the arbitrator chooses one of them. One of the most commonly arbitrated disputes between employees and employees is dismissal for excessive absenteeism.

## FINAL WORDS ON NEGOTIATION

**Interests Vs. Positions** - In negotiating, it is critically important to try to stay focused on underlying interests, not just on stated positions.



**Credibility** - Negotiator credibility is important in all forms of negotiations. In distributive negotiations, credible negotiators are viewed as good persuaders and as being capable of following through on threats and promises. In integrative negotiations, putting high quality information on the table is a key source of credibility.

**Maintaining face** - Good negotiators avoid personalising the problem, try to have some empathy for their counterpart, and avoid passing gratuitous insults. Causing the opponent to lose face will damage the chance of a resettlement.

**Constituency Effects** - Negotiators who negotiate for a constituency (such as their department) should be aware that their constituents can stimulate competitive bargaining and an escalation of conflict between the parties.

In everyday life there has traditionally been an emphasis on the negative, dysfunctional aspects of conflict. Functional conflict rests mainly on the idea that it promotes organizational change.

It can be put like this:

Conflict → Change → Adaptation → Survival

In other words, for organizations to survive, they must adapt to their environments. This requires changes in strategy that may be stimulated through conflict. In a related way, conflict might promote change because each party begins to monitor the other's performance more carefully. And also conflict may promote useful change by signaling that a redistribution of power is necessary.

The current view is that conflict is inevitable and that it is potentially present in all human relations and activities; this includes work. In organizations, it is determined by physical layout, physical and psychological distance, inter-group relationships, hierarchies, technology, expertise and by the interaction of individual group and organizational aims and objectives.

## SUMMARY

Many people automatically assume that conflict is related to lower group and organizational performance. The dynamics of interactive behaviour at individual, interpersonal, group and organizational levels, and the resulting conflict, play an increasingly important role in the analysis and study of organizational behaviour.

Conflict can be either constructive or destructive to the functioning of a group or unit. Inadequate or excessive levels of conflict can hinder the effectiveness of a group or an organization, resulting in reduced satisfaction of group members, increased absence and turnover rates, and eventually lower productivity. When conflict is at an optimal level, complacency and apathy should be minimised, motivation should be enhanced through the creation of a challenging and questioning environment with a vitality that makes work interesting.

Different modes of resolving conflicts should be used in different situations. Competition can be used when quick decisive action has to be taken. Collaboration can be achieved to find an integrative solution. In the case of trivial issues avoidance can be used. Accommodation can be used when harmony and stability are especially important. Compromise can be used when goals are important but not worth the effort of potential disruptions of more assertive approaches.



Negotiation was shown to be an ongoing activity in groups and organizations. Distributive bargaining can resolve disputes but it often negatively affects one or more negotiator's satisfaction because it is focused on the short term and is confrontational. Integrative bargaining, in contrast, tends to provide outcomes that satisfy all parties and to build lasting Relationships.

And in the end the most important thing one has to understand is that:

**Conflict → Change → Adaptation → Survival**

In other words for organizations to survive, they must adapt to their environments. The current view is that conflict is inevitable and that it is potentially present in all human relations and activities; this includes work.

### REVIEW QUESTIONS

1. What is the difference between functional and dysfunctional conflict? What determines functionality?
2. Under what conditions might conflict be beneficial to a group?
3. What are generally the causes of conflict?
4. Please identify and briefly elaborate various modes of managing conflict.
5. From your own experience, describe a situation you were involved in where the conflict was dysfunctional. Describe another example from your experience where the conflict was functional. Now analyze how other parties in both conflicts might have interpreted the situation in terms of whether the conflicts were functional or dysfunctional.
6. What can you do to improve your negotiating effectiveness?

#### CASE STUDY

##### GREENFIELD GENERAL HOSPITAL

Greenfield General Hospital is located in an urban community. It serves large portion of the surrounding area and is usually operating at or beyond capacity.

The formal hierarchy runs from the supervisors (a registered nurse) to registered nurses (RNs) to licensed practical nurses (LPNs) to students and nurse aides. Professionally there are some duties that are supposed to be performed only by the RNs; these are spelled out in the hospital manual. In practice, however, the LPNs do much of the work that is supposed to be done only by RNs. The RNs are happy with this because they are very busy with other duties. Over a long period of time, the RNs and the LPNs have worked out how to get the required tasks done quite efficiently, without thinking of whose job it is supposed to be. The hospital is normally so crowded that, even with everyone performing all types of work, there never seems to be enough time or enough help.

A current sticky point in the hospital is vacation privileges. They are different for the various groups of nurses. RNs receive two weeks vacation offer nine months on the job while LPNs must work at Greenfield for ten years before being eligible for the second week of vacation. The LPNs believe that this is extremely unfair and have been trying to have the privileges somewhat more equalized. Their efforts have met with little co-operation and no success. The hospital administration has simply told them that the vacation privileges are those stated in the hospital manual and that they see no need to change them.

This is when the difficulties started. The RNs have more work than they can handle, and the LPNs are just as busy only doing their "prescribed" duties. Both are exerting as much effort as before, but less is being accomplished because of the need to jump around from place to place and job to job to work strictly according to the manual. An example of this is taking doctor's orders by telephone. When doctors phone

Contd.....

in the type of treatment that a patient is to receive - medicines, times for dispensing such, diet, and so forth - the manual prescribes that the order is to be taken by an RN. However, in practice whoever was nearest the phone would take the order. If an LPN took the order, she had it signed by the supervisor as a safeguard. This saved the time and effort involved in getting an RN to the phone for every order. Now, however since they are working according to the manual, the LPNs refuse to take the doctors' orders. They call for an RN when a doctor is on the phone. The RN has to leave the work she is doing, go to the phone, take the order, then go back to her unfinished work. This procedure wastes the time of the doctor, the RN, and the person who had to locate the RN. Going by the book has raised hostile feelings among both groups of nurses and among the doctors who work on the floor. Many believe this has led to a reduction in the high quality of patient care.

The RNs complained to the hospital administration more vehemently than ever about being understaffed. They felt that there should be more RNs on every floor on every shift. The shortage was especially acute at night when unfamiliarity with individual patients often lead to mix ups in the treatments.

The ill feelings led the nurses to argue among themselves. The LPNs felt that they were always doing more work than the RNs, that they spent more time with the patients because the RNs had more to do at the desk, and that they know more about treatments because they more often accompanied doctors on their rounds. They now voiced these opinions. The RNs argued that they were superior because of their longer and more extensive formal training.

All these factors combined to bring about a tremendous drop in morale and a marked decrease in efficiency, and the conflict was in danger of spreading to the other floors in the hospital.

#### Questions

1. Why is there such conflict between these groups?
2. What are the consequences of this conflict?
3. What might be done to alleviate the problem?

### SUGGESTED READINGS

Stephen P. Robbins, *Organizational Behaviour*, Ninth Edition, Prentice-Hall India.

Fred Luthans, *Organizational Behaviour*, Eight Edition, Irwin/Mc Graw-Hill.



# **CHAPTER 19 INTERPERSONAL AND GROUP BEHAVIOUR**

## **OBJECTIVES**

- Describe individual behaviour
- List reasons for group formation

## **STRUCTURE**

- ◆ Introduction
- ◆ Nature of Groups
- ◆ Reasons for Group Formation

## INTRODUCTION

The study of individual behaviour draws heavily on the discipline of psychology and explains why individuals behave and react as they do in response to different situations. Theories of learning, motivation and leadership have been developed to explain the behaviour of individuals. Also socio-psychological theories have tried to explain how attitudes, beliefs, perceptions and values are inculcated and influence individual behaviour. Thus, individuals will behave differently depending upon their motivation, learning values and perception they have. Differences in individuals may be reflected in different types of behaviour on their part. Such differences range from desirable to undesirable in terms of factors stated earlier. Thus, if both individual and environmental variables are considered, there can be (i) differences in behaviour of an individual over time (Intra-individual differences) and (ii) differences in behaviour among individuals given the same set of stimuli (Inter-individual differences).

Individual behaviour means some concrete action by a person. For instance, how a teacher behaves in the class reflects his behaviour. The behaviour of an individual is influenced by various factors. Some of the factors lie within himself, e.g., his instincts, personality traits, internal feelings, etc., while some lie outside him comprising the external environment of which he is a part, e.g., weather conditions, events conveying some information and other peoples' behaviour that directly influence his behaviour. The environment acts as a 'stimulus' and the person responds to it. The process of human behaviour may thus be regarded as a 'stimulus-response' process. The teacher is affected by students' behaviour and in turn affects their behaviour. This takes place through interaction between them and is subject to the environment in which they interact. Thus, individual behaviour is not a self-induced phenomenon, but is affected by a larger system e.g., group, family and the society within which one functions.

Individuals behave differently to different stimuli because of a multitude of factors. These include an individual's age, sex, education, intelligence, personality, physical characteristics, experience, values and family and cultural background. For instance, a young railway ticket collector would behave differently from one who is more experienced and mature. Situational variables affecting individual behaviour include organisational and social variables, e.g., type of organisation, nature of supervision and physical and job variables like method of work, design of work and physical work environment.

### Factors Influencing Individual Behaviour

The important factors which influence the behaviour of individuals are explained below:

- (1) **Personality:** Personality refers to personal traits such as dominance, aggressiveness, persistence and other qualities reflected through a person's behaviour. An individual's personality determines the type of activities that he is suited for and the likelihood that the person would be able to perform the task effectively. Thus, personality factors must be taken into account



in determining the suitability of an individual for a position/task in an organisation.

- (2) **Ability:** Ability refers to the actual skills and capabilities that a person possesses and are required for the effective performance of activities. Railways need to ensure that its employees possess the necessary abilities to engage in the behaviour required for effective performance. This is accomplished either by careful selection of people or by a combination of selection and training.
- (3) **Perception:** Perception is the viewpoint by which one interprets a situation. For instance, a railway booking clerk facing a well-dressed person perceives him to be a high status and talks to him nicely, whereas he may tend to ignore an ill-dressed person, or make him wait, though both the passengers want 'first class' tickets. In an organisational setting, messages that the organisation sends to its members regarding the kind of behaviour and activities expected of them are significant. The messages are communicated in a variety of ways (job descriptions, policies, procedures and discussion with supervisors, etc.). A key factor is that an individual's behaviour is influenced not by the organisation's actual expectation of him, but by how these are perceived by the persons.
- (4) **Motivation:** Motivation refers to all the forces operating within a person to cause him or her to engage in certain kinds of behaviour rather than others. Even if all the factors are present to facilitate effective individual behaviour on a particular job, these factors would amount to nothing unless the person is motivated to perform well. Motivation may be internal, e.g., a person's skill, ability and intelligence; or external, e.g., incentives, training, etc. Further, a person's motivation is influenced by his attitudes, beliefs, values and goals.
- (5) **Organisational factors:** Individual behaviour is influenced by a wide variety of organisational systems and resources. Systems such as the organisational structure and hierarchy strongly influence and constrain both what individuals do and how they do. In addition, individual behaviour is influenced by various types of resources provided by the organisation such as advice and directions from leaders, physical support in terms of facilities and technology.
- (6) **Socio-cultural factors:** The social environment of an individual includes relationship with family members, friends, co-workers, supervisors and subordinates. The behaviour of others (as distinct from the individual's relationship with them) is also a part of an individual's social environment. Similarly, every individual has a cultural background which shapes his values and beliefs. The socio-cultural factors moderate the effect of other factors to determine the behaviour of an individual.

## NATURE OF GROUPS

The above definition emphasizes the following things:

- i) **Interaction:** Interaction can occur face to face, in writing, over the phone, across a computer network or in any other manner which allows communication between group members. The interaction can be over a long or a short period of time. A group would be quite static without interactions. It would be a collection of



individuals only. However, it should be noted that it is not necessary for all members of the group to interact simultaneously, but each members must interact at least occasionally with on or more members of the group to interact simulataneously, but each members must interact at least occasionally with one or more members of the group. Some form of communication and ability to communicate is vital for a group to exist. The term "group dynamics" implies the kind of interactions indicated above It also implies continuously changing and adjusting relationships among group members.

- ii) **Size:** For a group to exist, it must have atleast two members. The more group members there are, the more complex and numerous the relationships possible.
- iii) **Shared Goal Interest:** The shared goal identifies a common concern of all group members. This means that each group member desired the attainment of some specific objective or the accomplishment of some goal. If a group has a variety of goals or interests, each member of the group must share atleast one of the group's concerns. The phrase "associated normative strength" indicates the obligations felt by each grop member to the attainment of the shared goal.
- iv) **Collective Identity:** Perhaps, it is awareness of each other that most clearly differentiates a group from an aggregation of individuals. Each member of the group must believe that he is a member of, is a participant in, some specific group. Unless people are aware of each other and of the fact that they are a group, they will not interact in the way that achieves the common goal. This is why casual groups of people do not qualify as a group because they ordinarily are not aware of one another or, if aware, do not interact with the other individuals in a meaningful way.

### REASONS FOR GROUP FORMATION

Why do individuals form themselves into groups? What are the reasons for forming or joining a group and what are the benefits to such individuals who become a part of the group? There are many factors that influence the formation of the group, the most important being the individual need satisfaction. This means that the members expect affiliation with the group to satisfy a need. This need is primarily a social need for love, affection and friendship which is the third level need in Maslow's model of hierarchical needs. But the need could also be economic in nature because of economic group incentives which are generally financially more generous than individual incentives. Also being a member of a union is economically advantageous because unions can fight for higher pay and fringe benefits more effectively.

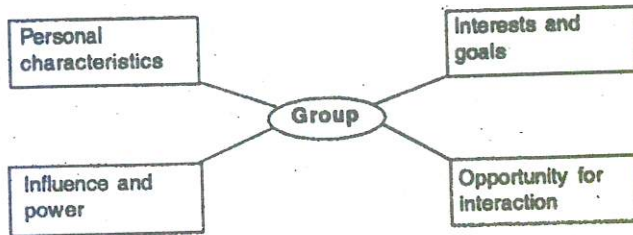
The most basic theory explaining group affiliation is the geographic proximity. For example, individuals working in the same area are more likely to form a group than those who are not physically located together. Similarly, students sitting near each other in a class room are more likely to form into a group than students sitting at opposite ends of the class room.

According to George Homans, there are three elements that form the foundations of groups. These are activities, interactions and sentiments. These three elements are inter-related. An improvement in one element will trigger an improvement in others.



For example, the more activities persons share, which means improvement in the first element, the more interaction will take place and stronger will be their sentiments.

While there are many reasons why individuals would either form or join a group, some reasons stand out. A sense of belonging and interpersonal attraction may be so strong that some people are willing to pay a high price in joining an exclusive country club, golf club or flying club. Some of the more important reasons are illustrated as follows :



### Personal Characteristics

People are more likely to form groups with others who share similar beliefs, values and attitudes. As the saying goes, "birds of a feather fly together", so the groups form around common political and culture philosophies, ethnic and religious affiliations and such factors as age, sex intelligence or similar interests and hobbies. For example, salesmen who are high need achievers may want to interact with similar other high achiever salesmen. There is also a contradictory saying that, "opposites attract each other". There may be situations where some dominant individuals may see the company of submissive individuals specially when this grouping leads to achievement of a common goal. For example, if a vice-president and a low level clerk of the same company lose their jobs, they may form a group to fight the company together.

### Interests and Goals

Interests and goals that are common and require cooperation with other for achievement of such goals are a powerful force behind such group formation. Individuals with common goals tend to work together. For example, within an organisation, the salesmen form a group, so do the production people and the accounting people. Even though, the salesman may have individual goals, their organisation goal is common.

Some goals cannot simply be achieved by individuals alone and the. require group cooperative physical activity. For example, the sky-scraper cannot be built by one person alone. It requires the group efforts in all areas of building. Similarly, there are a number of groups involved in constructing and sending a satellite into space. If these individuals in the group with a common group and organisational goal also have similar personal characteristics, then the group cohesion can be strengthened and group efforts, can be improved. Some groups form because of similar intellectual and recreational goals and pursuits. Golf clubs, chess clubs and hunting clubs are some of the groups with recreational pursuits. Groups are often organized to accomplish some problem solving and decision making tasks such as designing political



strategies or designing computers. The goals can also be social and emotional in nature. Thus the groups are formed because of the individual's need for safety and security, sense of belonging and affiliation and self esteem. Safety and security needs of individuals are satisfied through groups. Even from the early days men used to go out hunting for food together in groups to face outside threats from animals and other hostile environments. Group formation is likely when the environment becomes hostile and threatening. For example, in times of floods, fire or other natural disasters, neighbors who may not be even speaking with each other form effective groups to help and shelter the people affected by such disasters. In an organisational setting, individual workers join unions because the unions have the ability to meet their needs and interests as well as protect them from threats of being fired.

A sense of belonging is the third level need in the Maslow's model of hierarchical needs. It is an emotional need for friendship, love, affection and affiliation with others. Most people have strong need for being with others who can understand, support and help them when they are in need and render them moral and emotional support in time of difficulty. The concept of family and friends fills this need.

Membership in a prestigious group is a source of enhanced self-esteem. The members of the group feel good about themselves by virtue of the group's power, prestige and social standing. For example, being in United States marines or SWAT team can be a source of pride for the members.

### **Opportunity for Interaction**

When people are provided with an opportunity to interact, they may discover that they have a lot in common, thus necessitating the formation of a group. This interaction, for example) leads to friendships and group formation in college dormitories, apartment complexes and sometimes in the same compartment of a train or on cruise ships where people are together and have an opportunity to form informal groups.

In an organisational setting, management generally tries to create a physical as well as psychological environment to induce interaction. Sometimes, the offices are designed in such a manner so that people who need to interact with each other are assigned work-space close to each other. Common cafeterias and coffee breaks given at the same time increases opportunity for interaction.

### **Influence and Power**

There is a saying in India that, "while a single one is just a one, two single ones make it an eleven". We all know that there is strength in unity. Henry Fayol's last of the fourteen principles of effective administration is "Esprit de Corps", which means the "power of spirit of togetherness". There is another saying supporting the same sentiment as, "united we stand, divided we fall".

Most managers listen to a complaint of employees when the employees approach the manager together. The same managers may not listen to individual complaints. In the case of one college, that the author knows, there were many individual faculty complaints against the President of the college for some of his decisions and actions, as well as against many aspects of the physical and conceptual academic environment



of the college. But the President refused to listen or show sympathy for the needs and desires of faculty on individual basis. But when the faculty as a group in the form of "faculty organisation." approached the President with their problems and difficulties and the President still refused to listen, he was forced to resign, because of the power of the group.

Groups also provide opportunities for individual members to become leaders of the group and influence other members of the group with their views and reasoning. As a leader of a group, he may influence people outside the group or other groups. Leaders of certain groups are often called upon to speak to other groups, thus giving them an opportunity to express their own view points and ideologies. These leaders may also find that their leadership roles give them increased public visibility and may prove to be stepping stones for enhancement of their own careers.

### SUMMARY

The field analysing interpersonal relations is quite interesting and the more a person knows about it, the more he wants to know and see its practical relevance. It helps in behaving properly by giving right kind of responses to different people.

A group formation can be attributed to individual need satisfaction. The need could be social in form of need for love, affection or economical in form of incentives. Activities, interactions and sentiments form three basic elements of group formation.

Groups are the opportunistic tools for individual's growth to become the leader of the group. Enhancing individual's leadership roles, a group engenders greater public visibility to the individual, thus paving his way to upliftment of his career.

### REVIEW QUESTIONS

1. What are the factors that affect individual behaviour?
2. What attributes are taken in account in a group formation?
3. Explain how groups are effective for an individual's growth.

### SUGGESTED READINGS

- Laurie J. Mullins, *"Management and Organisational Behaviour"*, 2nd Edition, Pitman.  
Stephen P. Robbins, *"Organizational Behavior"*, Ninth Edition, Prentice-Hall India.

# CHAPTER **20** **LEADERSHIP-ITS APPROACHES AND STYLES**

## **OBJECTIVES**

- Define leadership
- Present the background and classical studies of leadership
- Discuss the established theories of leadership, including the Trait, Fielder's contingency model, Pathgoal, Vroom, Yetton and Jago's Normative Decision model of leadership and Leader-Member Exchange approaches
- Introduce leadership theories like Conger and Kanungo's Charismatic leadership and Transformational leadership.

## **STRUCTURE**

- ◆ Introduction
- ◆ Definitions
- ◆ Early Leadership Frameworks
- ◆ Leader Traits
- ◆ Leader Behaviour
- ◆ Contingency Theories Of Leadership
- ◆ Leadership Styles
- ◆ Vroom, Yetton, And Jago's Normative Decision Model Of Leadership
- ◆ Leader Decision-making Style
- ◆ Emerging Leadership Theories



## INTRODUCTION

Leaders have to break out of old habits and stereotypes to build organizations that continually improve quality and reduce costs to prosper in the turbulent marketplace. Leaders have to translate visions and aspirations into new, concrete ways of working. Learning is a common journey that binds leaders and employees together. To be credible and persuasive, leaders have to model the ongoing learning and self-development they expect from employees.

## DEFINITIONS

"A leader is a person who has the ability to get other people to do what they want to do, and like it."

*President Harry S. Truman*

"Leadership is the ability to decide what is to be done, and then to get others to want to do it."

*President Dwight D. Eisenhower*

Leadership is the lifting of people's vision to a higher sight, the raising of their performance to a higher standard, the building of their personality beyond its normal limitations.

*P.P. Drucker, 1986*

"Leadership is creating a vision to which others can aspire and energising them to work towards this vision"

*Anita Roddick*

"There is a need in all organizations for individuals linking pins who will bind groups together and, as members of other groups, represent their groups elsewhere in organizations, leadership concerns the leaders themselves, the subordinates, and the task in hand."

*Handy (1993)*

In his book 'Key Management Ideas', Stuart Crainer says 'Leadership is one of the great intangibles of the business world. It is a skill most people would love to possess, but one which defines close definition. Ask people which leader they admire and one is most likely to hear the name of Gandhi, J.F. Kennedy and Jack Welch. But we must agree that leadership is a vital ingredient in business success and that great leaders make for great organizations.'

Is leadership the same as management? Not according to the many writers on the subject. The differences have been charted by U.S. management guru Warren Bennis in his book 'On Becoming a Leader':

Difference between management and leadership:

- the manager administers, the leader innovates
- the manager is a copy, the leader is an original
- the manager maintains, the leader develops
- the manager focuses on systems and structure, the leader focuses on people

- the manager relies on control, the leader inspires trust
- the manager has a short-range view, the leader has a long-term perspective
- the manager asks how and when, the leader asks what and why
- the manager has his eye always on the bottom line, the leader has his eye on the horizon
- the manager imitates, the leader originates
- the manager accepts the status quo, the leader challenges it
- the manager is the classic good soldier, the leader is his own person
- the manager does things right, the leader does the right thing.

### EARLY LEADERSHIP FRAMEWORKS

The first major theoretical framework in the scientific study of leadership was the leader trait approach. From this perspective, researchers concentrated on identifying a common set of attributes that distinguished leaders from followers or effective leaders from ineffective ones.

The second significant development in leadership theory was the behavioural approach. Scholars interested in leader behaviour focused on trying to discover leadership styles that would be effective across all situations.

### LEADER TRAITS

The scientific analysis of leadership began by focusing on leaders themselves. The trait theory of leadership, as it is often called, was originally grounded in the assumption that some people are simply "natural" leaders by virtue of the fact that they have been endowed with certain characteristics not possessed by others. Since traits appeared to have little analytical or predictive value, leadership researches shifted their emphasis in the late 1940s and early 1950s from leader traits to leader behaviours as the basic unit of analysis. The investigation of leader traits has been more productive because researchers have constructed more appropriate theories, used better measures of traits, included more relevant traits, and used longitudinal data. Consequently a variety of personal attributes, such as energy level and emotional maturity have now been linked to effective leadership (e.g. Bass, 1990). Further, traits associated with socialised or learned motivational patterns, such as the need for power and the need for achievement, have been empirically connected with effective managers.

In addition, different types of skills, that is, interpersonal skills, technical skills, and cognitive skills - appear to be relevant to managerial success.

### LEADER BEHAVIOUR

As discussed, the apparent failure of trait approaches to the study of leadership, by the end of the 1940s, led researchers to adopt a new focus for their work during the 1950s. Instead of personal attributes, investigators began to concentrate on leader behaviours as explanatory variables. This approach compares the behaviours of effective leaders with those of ineffective ones.



Two major research projects investigating leader behaviours were initiated at about the same time. One was a research effort conducted at Ohio State University, The other was a programme undertaken at the University of Michigan by Likert and his colleagues. The findings from the Ohio State University and University of Michigan studies are discussed in more detail below:

**The Ohio State Leadership Studies** - Researchers at Ohio State University designed a questionnaire which was administered in both military and industrial settings, to assess subordinates, perceptions of their leaders actual behaviour. The questionnaire responses were subjected to a factor analysis, which revealed that subordinates viewed supervisors' behaviour in terms of two basic categories labeled 'communication' and 'initiating structure'.

Consideration was defined as the degree to which a leader shows concern for subordinates and acts in a friendly and supportive manner. Initiating structure was defined as the extent to which a leader organises and structures his or her own work and the work of subordinates. Leaders with this style tend to direct group work through planning activities, assigning tasks, scheduling, and setting deadlines.

**The University of Michigan studies** - The Michigan studies investigated the relationships between behaviour and group performance. In comparing effective with ineffective managers, the Michigan studies found that these managers could be distinguished from each other along two dimensions of leader behaviour. These dimensions were similar to the ones discovered in the Ohio State studies and were labeled relationship oriented and task-oriented behaviour.

Furthermore, it was discovered that, for effective managers, these two categories of behaviour were not inversely related. In other words, findings suggested that relationship-oriented behaviour need not occur at the expense of task centered activities, and vice versa.

**Evaluation of the leader behaviour approaches** - The only relationship that has demonstrated any degree of consistency has been the effect of consideration on various measures of satisfaction. Subordinates tend to be more satisfied when leaders are considerate.

Two major theoretical weaknesses have been observed. First, the behaviour content categories - that is, consideration and initiating structure - seem to have been defined too broadly to allow for meaningful empirical results.

Second, these research programmes gave too little attention to the effects of the situation on leadership behaviour and/or leader effectiveness. In other words, although leader follower interactions were carefully considered, the situational differences that might influence leader effectiveness were not sufficiently examined.

**The managerial grid** - The 'managerial grid' was developed by Robert R. Blake and Jane as framework for examining types of supervision. As shown in Figure below the grid consists of two dimensions similar to the leader behaviour described by the Michigan and Ohio state studies.

The managerial grid is a configuration of management styles based on the matching of two dimensions of managerial concern: those of 'concern for people' and 'concern



for production/output'. Each of these dimensions is plotted on a 9 point graph scale and an assessment made of the managerial style according to where they come out on each. Thus, a low score (1-1) on each axis reflects poor managerial style; a high score (9-9) on each reflects a high degree of balance, concern and commitment in each area. The implication from this is that an adequate, effective and successful managerial style is in place.

Other styles identified are :

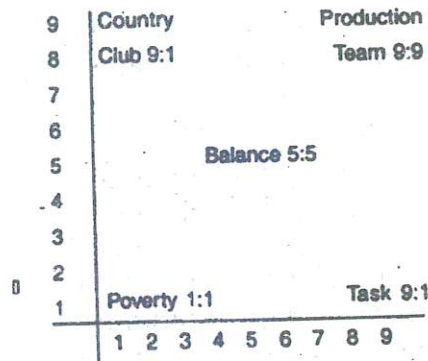


Figure 20.1: Managerial grid: Concern for Production

1. 9-1 : *The country club* - Production is incidental; concern for the staff and people is everything; the group exists largely to support itself.
2. 1-9 : *Task orientation* - Production is everything; concern for the staff is subordinated to production and effectiveness. Staff management mainly takes the form of planning and control activities in support of production and output. Organizational activity and priority is concerned only with output.
3. 5-5 : *Balance* - A medium degree of expertise, commitment and concern in both areas; this is likely to produce adequate or satisfactory performance from groups that are reasonably well satisfied with working relations.

The 9-9 score is indicated as the best by Blake and Mouton. This illustrates the targets to be striven for and the organization's current position in relation to each axis.

It also implies that the best fit is along the diagonal line: concern for the task and concern for the people should be grown alongside each other, rather than the one emphasised at the expense of the other.

The information on which the position on the grid is based is drawn from structured questionnaires that are issued to all managers and supervisors in the organization, section, unit or department to be assessed, and also to all their staff. (Source: Blake & Mouton, 1986)

These behavioural models and theories attracted considerable attention from researchers, but unfortunately further research revealed significant limitations and weaknesses. The behavioural approaches were valuable in identifying important leader behaviours and freeing leadership research from the traditional trait theory approach. However, in trying to specify a set of leader behaviour, effective in all



situations, the studies ran into the enormous complexities of individual behaviour in organizational settings. In the end they all failed to identify universal leader-behaviour/follow response relationships.

## CONTINGENCY THEORIES OF LEADERSHIP

### Fiedler's Contingency Model

Fiedler (1964, 67) and his associates developed the first contingency model of leadership. His theory contained three types of variables :

- (a) a leader orientation variable, called "least preferred coworker" (LPC);
- (b) a complex situation variable, termed "situation favourability", and
- (c) various outcome criteria of group performance or effectiveness.

Essentially Fiedler argued that group performance or effectiveness depends on the interaction of leader orientation and situation favourability.

1. **Leader orientation** - In an adaptation of the earlier research, Fiedler (1964, 97) distinguished two basic leader orientations - a relationship orientation (where concern for people is central) and a task orientation (where concern for work accomplishment is most important). The operational technique that Fiedler developed to measure leadership orientation is noteworthy. Leadership orientation is measured by his least preferred co-worker (LPC) scale. To arrive at an LPC score, the leader is asked to think of the person with whom he or she has worked that was least preferred as a co-worker. Then the leader is asked to rate that person on several bipolar scales (e.g. friendly, unfriendly, trustworthy, untrustworthy, cooperative, uncooperative). The LPC score is the sum of the ratings on all of these scales. A favourable description is the least preferred co-worker (that is, high LPC) is indicative of a relationship oriented leader, whereas an unfavourable description (that is, low LPC) is suggestive of a task-oriented leader.
2. **Situation favourability** - As noted above, group effectiveness or performance depends on the interaction between the leader's LPC score and situation favourability. Redler defines favourability as the extent to which the situation gives the leader control over his or her subordinates. Favourability is measured in terms of three aspects of the work situation.
  - (a) *Leader-Member relations* - This refers to the degree of loyalty, trust and respect that followers have for the leader. If others are willing to follow on the basis of loyalty or mutual respect, then the leader has little need to rely on task structure or position power.
  - (b) *Task structure* - This refers to the extent to which task-related goals can be specified, problems can be solved with procedures, decision correctness can be verified, and so forth. The more structured the task, the easier it is for the leader to tell group members how to perform it.
  - (c) *Position power* - This refers to the degree to which the leader has authority to evaluate subordinates' performance and to administer rewards and



punishments. The more rewards and punishments that the leader can use, the more influence the leader will have.

These three factors, in combination, determine the extent to which the leader controls the work situation. The differentiation of these factors yield eight leadership situations (or octants), which are depicted in exhibit below. As the exhibit shows, leader-member relations are described as good (octants 1-4) or bad (octants 5-8); task structure is clarified as high (octants 1,2,5,6,) or low (octants 3,4,7,8); and leader position power is rated as strong (octants 1,3,5,7) or weak (octants 2,4,6,8).

Fiedler's classification of situation favourableness

Leader/ Member relations	Good				Poor			
	High		Low		High		Low	
	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak
Task structure	I	II	III	IV	V	VI	VII	VIII
Position power								

Very favourable ←————→ Very unfavourable

Once the situation is defined in terms of some combination of the three situation variables, the situation may be rated in terms of its favourableness to the leader. Fiedler contends that situation favourableness, from the leaders' perspective, is highest in octant I and lowest in octant 8. In other words, when leader-member relations are good, when task structure is high, and when position power is strong (as in the case in octant 1), the leader is in a superior position to influence the group, compared with a situation in which the reverse is true (as in the case in octant 8).

According to Fiedler, if the situation is highly favourable (i.e., everyone gets along, the task is clear, and the leader has power), then the group only needs someone to show direction (that is, the low LPC leader). If the situation is highly unfavourable, then the group requires a low LPC leader to counter balance the power of the group and to show direction in an ambiguous task environment.

In contrast to low LPC leaders, high LPC leaders were more effective in facilitating group performance when the situation was moderately favourable or moderately unfavourable (that is, toward the middle of the continuum). In a range in the middle of the continuum, the leader is moderately liked, has some power, and supervises jobs that are somewhat vague. In such situations, a high LPC leader exerts the necessary influence to clarify task ambiguity through discussion and participation that utilises the contributions of the subordinates.

**Evaluation of Fiedler's Model** - Fiedler's theory and research have elicited pointed criticisms over the last three decades. First, Graunet at (1971) suggested that research support for the model is weak. In most cases, even though the corrections may be in the right directions, they fail to achieve statistical significance. Second, the LPC scale has been criticized as an invalid instrument for measuring leadership orientation or style. Third, the situational measures have been criticized as not being independent of the leader's LPC score.

Although Fiedler's theory is not as prominent today as it once was, its central idea that the leader's impact on group performance depends, to some extent, on a set of situational contingency factors— has endured.



**The Path-Goal theory of leadership** - Developed in the 1970's by Martin Evans and Robert House, the path-goal theory of leadership holds that subordinates' satisfaction and performance depends on their expectancies and valences which, in turn, depend on the leader's behaviour or style. Furthermore, the expectancies and valences of subordinates are also affected by two basic contingency variables: characteristics of the subordinates and characteristics of the environment faced by the subordinate. These contingency variables moderate the relationship between leader behaviours and subordinates' satisfaction and performance. The relationship among these variables is shown in Exhibit. The components of this model will be discussed below.

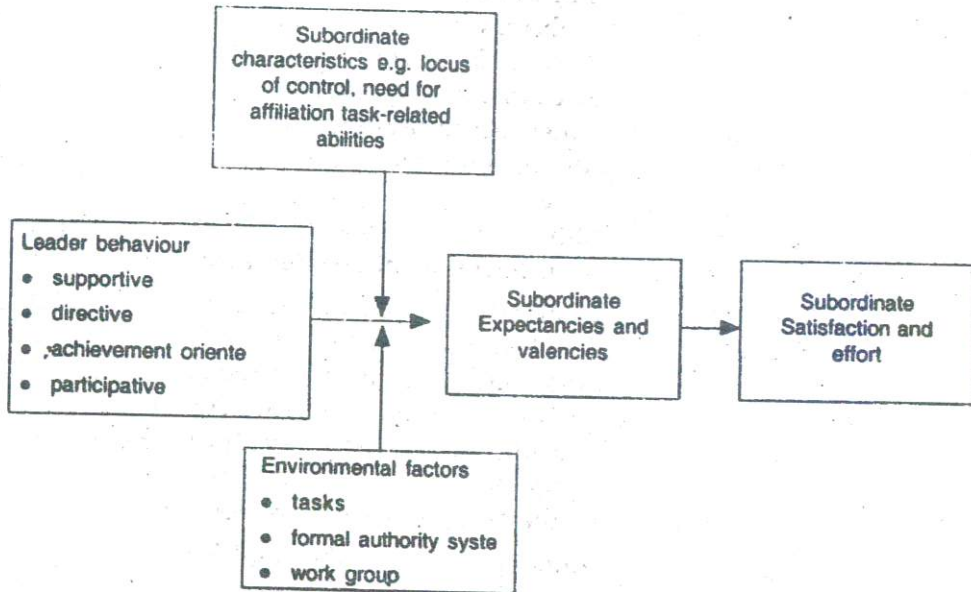


Figure 20.2: Components of the path-goal model.

## LEADERSHIP STYLES

The path-goal model identified four distinct types of leader behaviours:

1. *Supportive leadership* - Leaders with this style show concern for the well being and personal needs of subordinates.
2. *Directive leadership* - Leaders with this style provide specific guidance for subordinates by setting standards of performance, scheduling and coordinating work efforts, and asking subordinates to follow rules and regulations.
3. *Achievement-oriented leadership* - This style of leadership involves setting challenging goals, seeking improvements in performance, emphasizing excellence in performance, and showing confidence that subordinates will achieve high levels of performance.
4. *Participative leadership* - Leaders with this style solicit suggestions and advice from subordinates and take this information into account when making decisions.

**Subordinates' Expectancies and Valences** - According to expectancy models, employees make conscious and rational decisions about their work behaviour. They



will choose to apply effort to those tasks that they find attractive and that they believe they can perform. The effect of a leader's behaviour is to modify subordinates' perceptions regarding the valued outcomes that are attainable and to influence the perceived probabilities of attaining them.

**Subordinate Characteristics** - Subordinate characteristics are one set of situation variables that moderate the relationship between leader behaviour and the outcome variables of subordinate satisfaction and effort. In other words, the personal characteristics of employees partially determine how they will react to a leader's behaviour. For example, employees who have an internal locus of control (that is, who believe rewards are contingent upon their own efforts) may be more satisfied with a participative leadership style, whereas employees who have an external locus of control (who believe rewards are beyond their own control) may be more satisfied with a directive style. For another example, employees with strong needs for acceptance and affiliation may find their needs satisfied with a supportive leader, while employees with strong needs for autonomy may be motivated more by participative leaders than by supportive ones. Finally, individuals who feel that they have high levels of task related abilities may not respond well to directive leader behaviour. Instead, they may prefer an achievement-oriented style of leadership.

**Environmental Factors** - Environmental factors are another set of situation variables that moderate the relationship between leader style and outcomes. Variables in these categories may function either to motivate or to constrain the subordinates. For example, an intrinsically satisfying job may serve to motivate employees. On the other hand, the technological features of a task, such as an assembly line, may constrain behavior variability or, the work group may motivate the subordinates by praising individual who did the most to help the group achieve its performance objectives.

**Evaluation of Path-Goal Theory** - Although results of the empirical research testing path-goal theory have shown some promise, many of the findings are questionable because the theory itself contains some deficiencies. For example, the theory does not suggest how different situation variables are likely to interact. In addition, the theory considers the effects of the four leader behaviours separately, even though it is likely that interactions among the various behaviours exist.

Despite criticisms, however House's path-goal theory has made a significant contribution to the topic of leadership because it specified important leadership behaviours and situation variables that should be considered in almost any organizational setting.

### **VROOM, YETTON, AND JAGO'S NORMATIVE DECISION MODEL OF LEADERSHIP**

Vroom and his colleagues, Yetton, initially and Jago, later, developed a model of leadership that emphasized the role played by leaders in making decisions. Basically, the model focuses on the degree to which employees should be allowed to participate in decisions. Three of these, decision quality, decision acceptance, and decision timeliness - are discussed below.

1. **Decision Quality** - The quality of a decision is highest when the "best" alternative is selected, independent of effects that may be associated with the necessity that



the decision be accepted by subordinates. For example, a decision concerning where to place a water cooler in a plant does not require high decision quality, whereas a decision on performance goals does require high decision quality.

2. **Decision Acceptance** - Decision acceptance is important whenever a decision has implications for subordinates' work motivation and whenever a decision must be implemented by subordinates.
3. **Decision Timeliness** - Decision timeliness is an important consideration whenever time imposes constraints on decisions.

### LEADER DECISION-MAKING STYLE

The **Vroom-Yetton-Jago model** suggests that leaders with multiple subordinates have five basic decision-styles or procedures available to them. According to Vroom and Yetton (1973) the five decision making styles may be described as follows:

**A1** - The manager makes the decision or solves the problem alone, using only the information available to him or her at the time.

**All** - The manager asks for information from subordinates but makes the decision alone. Subordinates function only as information source.

**C1** - The manager shares the problem with the relevant subordinates individually, getting their ideas and suggestions, without bringing them together as a group. Then the manager makes the decision alone. The decision may or may not reflect the influence of the subordinates.

**CII** - The manager and subordinates meet as a group to discuss the problem, but the manager makes the decision. The decision may or may not reflect subordinates' influence.

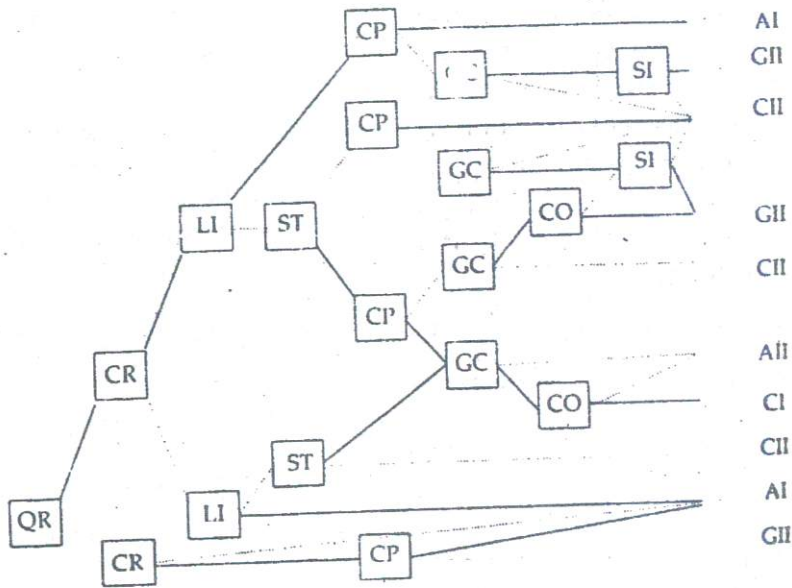
**GII** - The manager and subordinates meet as a group to discuss the problem, and the group makes the decision. The manager accepts and implements any solution which has the support of the entire group.

**Using the Normative Model** - The Vroom-Yetton-Jago normative decision model of leadership provides the leader with, in effect, a decision tree to help him or her choose an effective decision style. The decision process entails answering a series of questions about the nature of the problem. After working his or her way through the decision tree, the leader selects the style that is most appropriate for the situation.

**Evaluating the Vroom-Yetton-Jago Model** - Since the normative decision model of leadership was first proposed by Vroom and Yetton in 1973, a number of studies have been conducted to test it. In general, the results of the empirical research have been supportive.

QR	Quality Requirement	How important is the technical quality of the decision?
CR	Commitment Requirement	How important is subordinate commitment to the decision?
LI	Leader's Information	Do you have sufficient information to make a high-quality decision?

- ST Problem Structure Is the problem well structured?
- CP Commitment Probability If you were to make the decision by yourself, is it reasonably certain that your subordinate(s) would be committed to the decision?
- GC Goal Congruence Do subordinates share the organizational goals to be attained in solving this problem?
- CO Subordinate Conflict Is conflict among subordinates over preferred solutions likely?
- SI Subordinate Information Do subordinates have sufficient information to make a high quality decision?



Source: From *The new leadership: Managing participation in organizations*, by Victor H. Vroom and Arthur G. Jago (Englewood Cliffs, NJ, Prentice-Hall, 1968).

**Figure 20.3: The normative model of decision making**

### EMERGING LEADERSHIP THEORIES

**Leader-Member Exchange (LMX) Theory** - Leader-member exchange theory was formally called the "vertical dyad linkage theory. According to the theory, supervisors or leaders do not treat all subordinates equally. Over time, leaders establish close inter-personal relationships with some subordinates (called the "in-group"), but keep their distance from other subordinates (called the "out-group"). In-group members have relationships with their supervisor that are marked by trust, loyalty, and a sense of a common fate. Members of the out-group do not have such relationships with the leader.



**Evaluation of the LMX Theory** - The LMX theory requires further development and testing.

**Charismatic and Transformational Leadership Theories** - House's (1977) theory of charismatic leadership developed a set of testable propositions concerned with identifying the traits of charismatic leaders, the behaviours used by these leaders, and the conditions under which such leaders may emerge. House contended that the identification of leader traits, leader behaviours, and situation characteristics that may result in the emergence of charismatic leaders is important because these types of leaders have such extraordinary effects on followers.

**Conger and Kanungo's Charismatic Leadership Theory** - According to Conger and Kanungo (1987) charismatic leadership is, essentially, an attribution of the followers. Followers are more likely to attribute charisma to leaders who make self-sacrifices and take personal risks than those who do not.

**Bass' Transformational Leadership** - According to Bass (1985) transformational leadership consists of four behavioural components: Charisma, inspiration, intellectual stimulation, and individualized consideration.

According to this theory, the behavioural components of leadership interact to affect changes in followers level of awareness and in their motive patterns. First transformational leaders make followers cognizant of the importance of work objectives and task outcomes. Second, by exhibiting various combinations of these behaviours, leaders elevate followers to their "better selves." Consequently the followers of transformational leaders tend to be motivated by such high order needs as achievement and self actualization, rather than by baser needs (e.g. security).

**Evaluation of Charismatic and Transformational Theories** - Since these conceptual approaches to leadership are still quite new, insufficient empirical evidence exists to evaluate them adequately.

**Leadership Challenges** - The managerial challenge of actually exercising leadership in organizational settings provides "real-world" tests of leadership theory and research. The seemingly ever-increasing emphasis on the importance of organizational leadership in popular books and articles has put a great deal of pressure on managers to "perform" at high levels in the leadership role.

## SUMMARY

Leadership occurs when an individual exerts influence upon others' goal achievement in an organizational context. Early studies of leadership were concerned with identifying physical, psychological and intellectual traits that might predict leader effectiveness. While some traits appear weakly related to leadership capacity, there are no traits that guarantee leadership across various situations.

Studies of emergent leadership have identified two important leadership functions - the task functions and the social emotional functions. The former involves helping the group achieve its goals through planning and organizing, while the latter involves resolving disputes and maintaining a pleasant group environment. Explorations of the behaviour of assigned leaders have concentrated on initiating structure and



consideration, which are similar to task behaviour and social emotional behaviour. The effectiveness of consideration and structure depends upon the nature of the task and the subordinates. We have discussed three situational theories of leadership. Fiedler's contingency theory suggests that different leadership orientations are necessary depending upon the favourableness of the situation for the leader. Favourableness depends upon the structure of the task, the position power of the leader and the satisfactoriness of the relationship between the leader and the group. Fiedler argues that task-oriented leaders perform best in situations that are either very favourable or very unfavorable. Relationship-oriented leaders are said to perform best in situations of medium favourability. House's path goal theory suggests that leaders will be most effective when they are able to clarify the paths to various subordinate goals that are also of interest to the organization. According to House, the effectiveness of directive, supportive, participative, and achievement-oriented behaviour depends upon the nature of the subordinates and the characteristics of the work environment. Vroom, Yetton and Jago's Normative Decision Model of Leadership developed a model of leadership that emphasised the role played by leaders in making decisions. This theory basically emphasises the degree to which employees should be allowed to participate in decisions, which are of decision quality, decision acceptance and decision timeliness.

In this context in emerging leadership theories leader-member exchange theory has also been discussed. Charismatic leaders were concerned with identifying the traits of charismatic leaders, the behaviours used by these leaders, and the conditions under which such leaders may emerge. Transformational leaders modify the beliefs and attitudes of followers to correspond to a new vision. They also have charisma, the ability to command extraordinary loyalty, dedication and effort from followers. And last but not the least, the leadership challenges faced by the managers today has been emphasised.

### REVIEW QUESTIONS

1. Discuss the nature and significance of leadership. Is it measurable?
2. What are the traits and skills which determine effectiveness of a leader? Are these traits and skills considered equally important among managers, irrespective of culture?
3. Is leadership situational? Discuss some theoretical models in this respect.
4. "The effectiveness of leadership does not depend upon a single factor alone but it is a product of several factors including personal characteristics of the leader, behavioural styles, the group of followers, and situational requirements operating at a particular time in leadership situation." Elucidate.
5. Between Fiedler's theory and House's Path-goal theory, which would you say is more appealing to you? Why?
6. At one time, researchers abandoned the trait theory of leadership and now they have started to talk about "charisma" and transformational leadership. What do you think of this?



## CASE STUDY

## THE KANISHKA STEEL MILLS' PRESIDENT

Mr. Shyamal Arneja has been the President of Kanishka Steel Mills, in Udaipur, for the last 4 years. Before that he was the executive director at another steel mill in Bhiwadi, for eight years. Shyamal is extremely liked by the members of the Steel Mills Board of Directors, the steel mill's community, and his employees. He is also considered to be a fair and effective administrator. Five months ago Shyamal hired Khernchandani as his Vice-president. He believed that having fifteen staff directors reporting to him was too large a span of control. Now Khernchandani chairs the staff meetings each Wednesday morning instead of Mr. Shyamal. Mr. Khernchandani is also responsible for resolving any interdepartmental problems that arise and determines which problems, communications, and people have access to Mr. Shyamal.

Now Shyamal has been able to devote a much greater portion of his time to the external steel community and corporate gift-giving efforts, which was exactly what the directors intended when the president's position was approved. Shyamal has also been able to reduce his average workweek from eighty hours to sixty hours.

But the conversation which took place between him and the other two Directors of his company respectively from Operations & Marketing shook him up this afternoon.

Mr. Shyamal : How is everything?

Mr. Subhash (Director Operations) : You really want to know?

Mr. Shyamal : Of course, why, you sound like there is a problem.

Mr. Subhash : Well, there is. First of all we never have access to you any more.

Mrs. Sujata (Director Marketing) : And second, we don't like your new style of leadership. Previously we used to be able to share our problems with you, either in staff meetings, or we could walk in your office. Now you are never at the staff meetings, and we can't get in to see you in your office.

Mr. Shyamal : Well, you knew things would change when Mr. Khernchandani came. He should resolve problems in the staff meetings just as I did, doesn't he?

Mr. Subhash : You approach things differently. You let the group decide how to handle things if it meets with your approval. Mr. Khernchandani, well, he just hears both sides and then makes a decision.

Mr. Shyamal : Well, everyone has his own style of chairing a meeting and you know my door is always open. And the purpose of hiring Khernchandani was only to free me to do other things. And if you really need to see me, you can make an appointment.

Mr. Sujata : Make an appointment, you know things around here can't wait, this is a production department.

Mr. Shyamal : I can't do everything - some things just have to be delegated. And well, I am sorry to hear you two feel this way; you are two of my best directors.

As Shyamal walked away he began feeling troubled about the conversation. Yet, overall things were going well at the Steel Mill; he liked Mr. Khernchandani and he did not want to go back to the way things were.

## Questions

1. What style of leadership is Shyamal using?
2. Has his leadership effectiveness been impaired?
3. Are Subhash and Sujata being reasonable in their complaints?
4. What, if anything, should Mr. Shyamal do now?

## SUGGESTED READINGS

- Laurie J. Mullins, "Management and Organizational Behaviour", 2nd Edition.  
 Fred Luthans, "Organizational Behaviour", Eight Edition, Irwin/Mc Graw-Hill.

# CHAPTER WORK STRESS AND STRESS 21 MANAGEMENT

## OBJECTIVES

- Define the term stress.
- Describe Matteson and Ivacevich's model of occupational stress.
- Discuss four reasons why it is important for managers to understand the causes and consequences of stress.
- Explain how stressful life events create stress.
- Review the model of burnout and highlight the managerial solutions to reduce it.
- Explain the mechanisms of social support.
- Describe the coping process.
- Discuss the type and behaviour pattern and its management implications.
- Contrast the four dominant stress reduction techniques.

## STRUCTURE

- ◆ Foundations of stress
- ◆ Defining stress
- ◆ A model of occupational stress
- ◆ Stressors: Environmental factors that produce stress
- ◆ Economic cost and legal liabilities of stress
- ◆ Important stressors and stress outcomes
- ◆ An OB exercise
- ◆ Burnout
- ◆ Research findings and managerial lessons
- ◆ Coping
- ◆ Cognitive appraisal of stressors.
- ◆ Coping strategies



Life in the 1990s can be hectic and stressful. As students you must cope with tests, projects, and increased competition in landing good jobs after graduation. Married couples must wrestle with the demands of managing careers and a family. Single parents encounter similar pressures. Occupational stress is also on the rise.

Due to increased competition, employees are being asked to deliver a better quality and a greater quantity of work in less time and with fewer resources. This is particularly true for survivors of layoffs. Approximately 75 per cent of all Fortune 500 corporations have been affected by layoffs.

## FOUNDATIONS OF STRESS

We all experience stress on a daily basis. Although stress is caused by many factors, researchers conclude that stress triggers one of two basic reactions: active fighting or passive flight (running away or acceptance), the so-called fight-or-flight response. Physiologically, this stress response is a biochemical "passing gear" involving hormonal changes that mobilize the body for extraordinary demands. Imagine how our prehistoric ancestors responded to the stress associated with a charging saber-toothed tiger. To avoid being eaten, they could stand their ground and fight their beast or run away. In either case, their bodies would have been energized by an identical hormonal change, involving the release of adrenaline into the bloodstream.

In today's hectic urbanized and industrialized society, charging beasts have been replaced by problems such as deadlines, role conflict and ambiguity, financial responsibilities, traffic congestion, noise and air pollution, family problems, and work overload. As with our ancestors, our response to stress may or may not trigger negative side effects, including headaches, ulcers, insomnia, heart attacks, high blood pressure, and strokes. The same stress response that helped our prehistoric ancestors survive has, too often, become a factor that seriously impairs our daily lives.

Since stress and its consequences are manageable, it is important for managers to learn as much as they can about occupational stress. This section provides a conceptual foundation by defining stress, presenting a model of occupational stress, and highlighting related organizational costs.

## DEFINING STRESS

To an orchestra violinist, stress may stem from giving a solo performance before a big audience; while heat, smoke, and flames may represent stress to a firefighter; delivering a speech or presenting a lecture may be stressful for those who are shy. In short, stress means different things to different people. Managers need a working definition.

Formally defined, stress is "an adaptive response, mediated by individual characteristics and/or psychological processes, that is a consequence of any external action, situation, or event that places special physical and/or psychological demands upon a person." This definition is not as difficult as it seems when we reduce it to three interrelated dimensions of stress: (1) environmental demands, referred to as stressors, that produce, (2) an adaptive response that is influenced by, (3) individual differences.



Hans Selye, considered the father of the modern concept of stress, pioneered the distinction between stressors and the stress response. Moreover, Selye emphasized that both positive and negative events can trigger an identical stress response that can be beneficial or harmful. He also noted that

- Stress is not merely nervous tension.
- Stress can have positive consequences.
- Stress is not something to be avoided.
- The complete absence of stress is death.

These points make it clear that stress is inevitable. Efforts need to be directed at managing stress, not at somehow escaping it altogether.

### A MODEL OF OCCUPATIONAL STRESS

OB researchers Michael Matteson and John Ivancevich developed an instructive model of occupational stress. As illustrated in Fig. 21.1, stressors lead to stress, which in turn produces a variety of outcomes. The model also specifies several individual differences that moderate the stressor-stress-outcome relationship. A moderator is a variable that causes the relationship between two variables—such as stress and outcomes—to be stronger for some people and weaker for others.

For example, a recent field study of 102 clinical staff in a hospital revealed that employees with high organizational commitment reported less stress and job displeasure than did people with low organizational commitment. Organizational commitment moderated the effects of stress. Let us consider the major components of this stress model.

### STRESSORS: ENVIRONMENTAL FACTORS THAT PRODUCE STRESS

Stressors are environmental factors that produce stress, stated differently. Stressors are a prerequisite to experiencing the stress response. Fig. 21.1 shows the four major types of stressors: individual, group, organizational, and extra-organizational. Individual-level stressors are those directly associated with a person's job duties. For example, emergency room nurses experience stress uniquely associated with treating patients who are high on drugs and alcohol. The most common examples of stressors are role overload, role conflict, and role ambiguity; these role characteristics create stress because they make people feel both overworked and uncertain about what they should be doing. Managers can reduce these stressors by providing direction and support for their employees.

Group-level stressors are caused by group dynamics and managerial behaviour. Managers create stress for employees by (1) exhibiting inconsistent behaviours, (2) failing to provide support, (3) showing lack of concern, (4) providing inadequate direction, (5) creating a high productivity environment, and (6) focusing on negatives while ignoring good performance.

Organizational stressors affect large numbers of employees. Organizational climate or culture is a prime example. For instance, a high-pressure environment that places chronic work demands on employees fuels the stress response. In contrast, research



provides preliminary support for the idea that participative management can reduce organizational stress. Finally, the office design and general office environment are important organizational-level stressors. Research demonstrates that poor lighting, loud noise, improper placement of furniture, and a dirty or smelly environment create stress. Managers are advised to monitor and eliminate these stressors.

Extra-organizational stressors are those caused by factors outside the organization. For instance, conflicts associated with balancing one's career and family life are stressful; so is an individual's socio-economic status. Stress is higher for people with lower socio-economic status, which represents a combination of (1) economic status, as measured by income, (2) social status, assessed by educational level, and (3) work status, as indexed by occupation. These stressors are likely to become more important in the future.

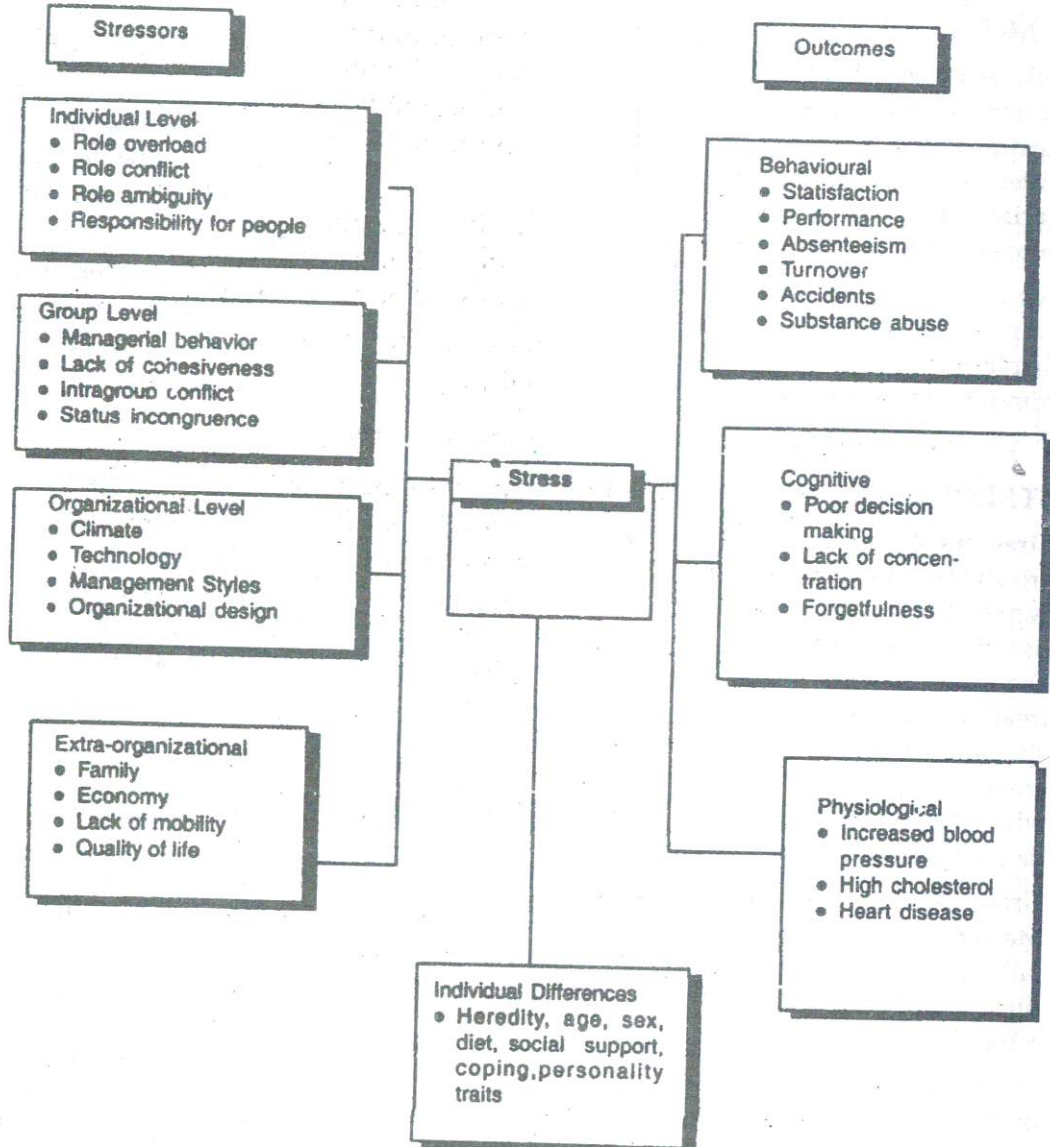


Fig. 21.1

**Outcomes:** Theorists contend that stress has behavioural, cognitive, and physiological consequences, or outcomes. For example, the International OB describes the manifestation of these stress outcomes in Saddam Hussein, President of Iraq, just prior to the war with the United Nations coalition forces in 1991. A large body of research supports the conclusion that stress produces harmful physiological outcomes. But researchers have only begun to examine the relationship between stress and work-related behavioural and cognitive outcomes. These studies indicate a negative relationship between stress and turnover, job satisfaction, and performance.

**Individual Differences:** People do not experience the same level of stress or exhibit similar outcomes for a given types of stressor. As discussed later, stressors are less apt to produce stress for people with a strong social support network and those who employ a variety of coping strategies. Perception of a stressor is another important moderator: if a stressor is perceived as threatening, an individual tends to experience greater stress and more negative outcomes. A recent study of 90 married couples further showed that men and women experienced different levels of stress when they argued. Women had higher stress than men when the interaction was nasty.

Finally, the personality trait of chronic hostility or cynicism also moderated stress. Research demonstrated that people who were chronically angry, suspicious, or mistrustful were twice as likely to have coronary artery blockages.

In summary, even though researchers have been able to identify several important moderators, a large gap still exists in identifying.

### ECONOMIC COSTS AND LEGAL LIABILITIES OF STRESS

Managers need to understand the causes and consequences of stress for at least four compelling reasons. First, from a quality-of-work life perspective, workers are more satisfied when they have a safe and comfortable work environment. Second, a moral imperative suggests that managers should reduce occupational stress because it leads to negative outcomes. For example, mental health experts estimate that 10 per cent of the workforce suffers from depression or high level of stress that may ultimately affect job performance. A third reason centers on the staggering economic costs of stress. Experts estimate that stress-related illnesses cost American business approximately \$68 billion a year. The fourth reason revolves around recent court cases where employees sued their employers for workers' compensation for stress-related problems.

In summary, managers cannot afford to ignore the many implications of occupational stress.

### IMPORTANT STRESSORS AND STRESS OUTCOMES

As we have seen, stressors trigger stress, which in turn leads to a variety of outcomes. This section explores an important category of extra-organizational stressors: stressful life events. Burnout, another especially troublesome stress-related outcome, is also examined.



### Stressful Life Events

Events such as experiencing the death of a family member, being assaulted, moving, ending an intimate relationship, being seriously ill, or taking a big test can create stress. These events are stressful because they involve significant changes that require adaptation and often social readjustment. Accordingly, stressful life events are defined as non-work-related changes that disrupt an individual's lifestyle and social relationships. They have been the most extensively investigated extra-organizational stressors.

Thomas Holmes and Richard Rahe conducted pioneering research on the relationship between stressful life events and subsequent illness. During their research they developed a widely used questionnaire to assess life stress.

### OB EXERCISE

#### The Holmes and Rahe Schedule of Recent Experiences Survey

##### Instructions

Place a check mark next to each event you experienced within the past year. Then add the life change units associated with the various events to derive your total life stress score.

##### Life Events

##### Life Change Unit

<input type="checkbox"/> Death of spouse	100
<input type="checkbox"/> Divorce	73
<input type="checkbox"/> Marital separation from mate	65
<input type="checkbox"/> Detention in jail or other institution	63
<input type="checkbox"/> Death of a close family member	63
<input type="checkbox"/> Major personal injury	53
<input type="checkbox"/> Marriage	50
<input type="checkbox"/> Being fired at work	47
<input type="checkbox"/> Marital reconciliation with mate	45
<input type="checkbox"/> Retirement from work	45
<input type="checkbox"/> Major change in the health or behaviour of a family member	44
<input type="checkbox"/> Pregnancy	40
<input type="checkbox"/> Sexual difficulties	39
<input type="checkbox"/> Gaining a new family member (e.g., through birth, adoption, older moving in)	39
<input type="checkbox"/> Major business readjustment (e.g., merger, reorganization, bankruptcy)	38

_____ Major change in financial state (e.g., a lot worse off or a lot better off than usual)	37
_____ Death of a close friend	36
_____ Changing to a different line of work	35
_____ Major change in the number of arguments with spouse (e.g., either a lot more or a lot less than usual regarding childbearing, personal habits)	31
_____ Taking out a mortgage or loan for a major purchase (e.g., for a home, business)	30
_____ Foreclosure on a mortgage or loan	29
_____ Major change in responsibilities at work (e.g., promotion, demotion, lateral transfer)	29
_____ Son or daughter leaving home (e.g., marriage, attending college)	29
_____ Trouble with in-laws	28
_____ Outstanding personal achievement	26
_____ Wife beginning or ceasing work outside the home	26
_____ Beginning or ceasing formal schooling	25
_____ Major change in living conditions (e.g., building a new home, remodeling, deterioration of home or neighborhood)	24
_____ Revision of personal habits (dress, manners, association)	23
_____ Troubles with the boss	20
_____ Major change in working hours or conditions	20
_____ Change in residence	19
_____ Major change in usual type and/or amount of recreation	19
_____ Major change in church activities (e.g., a lot more or a lot less than usual)	18
_____ Major change in social activities (e.g., clubs, dancing, movies, visiting)	17
_____ Taking out a mortgage or loan for a lesser purchase (e.g., for a car, TV, freezer)	16
_____ Major change in sleeping habits (a lot more or a lot less sleep, or change in part of day when asleep)	16
_____ Major change in number of family get-togethers (e.g., a lot more or a lot less than usual)	15
_____ Major change in eating habits (a lot more or a lot less food intake, or very different meal hours or surroundings)	15



_____ Vacation	13
_____ Christmas	12
_____ Minor violations of the law (e.g., traffic tickets, jaywalking, disturbing the peace)	11

Total Score =

*Assessing Stressful Life Events:* The Schedule of Recent Experiences (SRE), Developed by Holmes and Rahe, is the dominant method for assessing an individual's cumulative stressful life events. As shown in the OB Exercise, the SRE consists of 43 life events. Each event has a corresponding value, called a life change unit, representing the degree of social readjustment necessary to cope with the event. The larger the value, the more stressful the event. These values were obtained from a convenience sample of 394 people who evaluated the stressfulness of each event. (Please take a moment to complete the SRE survey and calculate your total life stress score.)

Research revealed a positive relationship between the total score on the SRE and subsequent illness. For example, the odds are you will experience good health next year if you scored below 150, but there is a 50 per cent chance of illness for those scoring between 150 and 300. Finally, a score above 300 suggests a 70 per cent chance of illness. A word of caution is in order, however. If you scored above 150, don't head for a sterile cocoon. A high score on the SRE does not guarantee that you will become ill. Rather, a high score simply increases one's statistical risk of illness.

### Research and Practical Implications

Numerous studies have examined the relationship between life stress and both illness and job performance. Subjects with higher SRE scores had significantly more problems with chronic headaches, sudden cardiac death, pregnancy and birth complications, tuberculosis, diabetes, anxiety, depression, and a host of minor physical ailments. Meanwhile, academic and work performance declined as SRE score increased. Negative (as opposed to positive) personal life changes were associated with greater susceptibility to colds and job stress and lower levels of job satisfaction and organizational commitment. Finally, life events that were uncontrollable (e.g., death of spouse), rather than controllable (such as marriage), were more strongly associated with subsequent illness and depression.

The key implication is that employee illness and job performance are affected by extra-organizational stressors, particularly those that are negative and uncontrollable. Because employees do not leave their personal problems at the office door or factory gate, management needs to be aware of external sources of employee stress. Once identified, training programs or counseling can be used to help employees cope with these stresses. This may not only reduce costs associated with illnesses and absenteeism, but may also lead to positive work attitudes and better job performance. In addition, by acknowledging that work outcomes are affected by extra-organizational stressors, managers may avoid the trap of automatically attributing poor performance to low motivation or lack of ability. Such awareness is likely to engender positive reactions from employees and lead to resolution of problems, not just symptoms. For individuals with a high score on the SRE, it would be best



to defer controllable stressors, such as moving or buying a new car until things settle down.

## BURNOUT

Burnout is a stress-induced problem common among members of helping professions such as teaching, social work, employee relations, nursing and law enforcement. It does not involve a specific feeling, attitude, or physiological outcome anchored to a specific point in time. Rather burnout is a condition that occurs over time and is characterized by emotional exhaustion and a combination of negative attitudes. Table 21.1 describes 10 attitudinal characteristics of burnout. Experts say a substantial number of people suffer from this problem. For example, a recent national study of 3,718 Americans indicated that 59 per cent were burned out. This result implies that Burnout is not limited to people working in the helping professions. To promote better understanding of this important stress outcome, we turn our attention to a model of the Burnout process and highlight relevant research and techniques for its prevention.

**Table 21.1: Attitudinal Characteristics of Burnout**

<i>Attitude</i>	<i>Description</i>
Fatalism	A feeling that you lack control over your work.
Boredom	A lack of interest in doing your job.
Discontent	A sense of being unhappy with your job.
Cynicism	A tendency to undervalue the content of your job and the rewards received.
Inadequacy	A feeling of not being able to meet your objectives.
Failure	A tendency to discredit your performance and conclude that you are ineffective.
Overwork	A feeling of having too much to do and not enough time to complete it.
Nastiness	A tendency to be rude or unpleasant to your co-workers.
Dissatisfaction	A feeling that you are not being justly rewarded for your efforts.
Escape	A desire to give up and get away from it all.

### A Model of Burnout

A model of Burnout is presented in Fig. 21.1. The fundamental premise underlying the model is that Burnout develops in phases. The three key phases are emotional exhaustion, depersonalization, and feeling a lack of personal accomplishment. As shown in Fig. 21.1, emotional exhaustion is due to a combination of personal stressors, and job and organizational stressors. People who expect a lot from themselves and the organizations in which they work tend to create more internal stress which, in turn, leads to emotional exhaustion. Similarly, emotional exhaustion is fueled by having too much work to do, by role conflict, and by the type of interpersonal interactions encountered at work. Frequent, intense face-to-face interactions that are emotionally charged are associated with higher levels of emotional exhaustion. Over time, emotional exhaustion leads to depersonalization, which is a state of psychologically withdrawing from one's job. This ultimately results in a feelings of being unappreciated, ineffective, or inadequate. The additive effect of these three phases is a host of negative attitudinal and behavioural outcomes.



**Research Findings and Prevention:** Burnout develops in phases. It is also significantly associated with personal stressors, job and organizational stressors, a lack of feedback, low job satisfaction, turnover, absenteeism, impairment of interpersonal relationships with family and friends, insomnia and quality and quantity of performance. This research underscores the organizational need to reduce the stress-induced problem of Burnout.

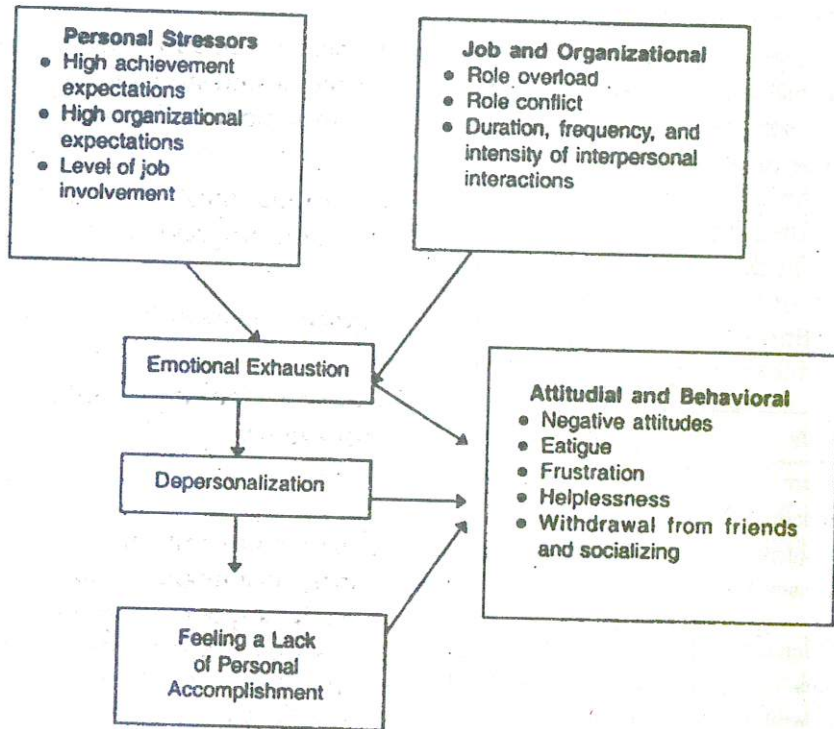


Fig. 21.2: A model of Burnout

Removing personal stressors and job and organizational stressors is the most straightforward way to prevent Burnout. Managers also can reduce Burnout by buffering its effects. Buffers are resources or administrative changes that alleviate the symptoms of Burnout. Potential buffers include extra staff or equipment at peak work periods, support from top management, increased freedom to make decisions, recognition for accomplishments, time off for personal development or rest, and equitable rewards. Decreasing the quantity and increasing the quality of communications is another possible buffer. Finally, managers can change the content of an individual's job by adding or eliminating responsibilities, increasing the amount of participation in decision-making, altering the pattern of interpersonal contacts, or assigning the person to a new position.

There are also two long-term strategies for reducing Burnout that are increasingly being used by companies. Apple Computer, American Express, IBM, McDonald's Corporation, and Intel, for instance, use sabbaticals to replenish employees' energy and desire for work. These programs allow employees to take a designated amount of time off from work after being employed a certain number of years. McDonald's grants paid sabbaticals after 10 years of employment; for Intel, it is eight weeks off

with pay after seven years for every full-time employee. An employee retreat is the second long-term strategy. Retreats entail sending employees to an outside location for 3 to 5 days. While there, everyone can relax, reflect, or engage in team and relationship building activities. Hallmark Cards uses retreats to help in the fight against Burnout.

### Stress Moderators

Moderators, once again, are variables that cause the relationships between stressors, stress, and outcomes to be weaker for some people and stronger for others. Managers with a working knowledge of important stress moderators can confirm employee stress in the following ways:

- 1 Awareness of moderators helps identify those most likely to experience stress and its negative outcomes. Stress reduction programs then can be formulated for high-risk employees.
- 2 Moderators, in and of themselves, suggest possible solutions for reducing negative outcomes of occupational stress.

Keeping these objectives in mind, we will examine four important moderators: social support, coping, hardiness, and Type A behaviour.

### Social Support

Talking with a friend or going to see a movie can be comforting during times of fear, stress, or loneliness. For a variety of reasons, meaningful social relationships help people do a better job of handling stress. **Social support** is the amount of perceived helpfulness derived from social relationships. Importantly, social support is determined by both the quantity and quality of an individual's social relationships. Fig. 21.3 illustrates the mechanism of social support.

**A model of Social Support:** As Fig. 21.3 shows, one's support network must be perceived before it can be used. Support networks evolve from five sources: cultural norms, social institutions, companies, groups, or individuals. For example, there is more cultural emphasis on caring for the elderly in Japan than in America. Japanese culture is thus a storage source of social support for older Japanese people. Alternatively, individuals may fall back on social institutions such as Social Security or the American Red Cross, religious groups, or family and friends for support. In turn, these various sources provide four types of support:

- **Esteem support:** Providing information that a person is accepted and respected despite any problems or inadequacies.
- **Informational support:** Providing help in defining, understanding, and coping with problems.
- **Social companionship:** Spending time with others in leisure and recreational activities.
- **Instrumental support.** Providing financial aid, material resources, or needed services.



If social support is perceived as available, and individual then decides whether or not use it. Generally, support is used for one or both of two purposes: Global and functional the first purpose is very broad in scope. Global social support, encompassing the total amount of support available from the four sources, is applicable to any situation at any time. The narrower functional social support buffers the effect of stressors or stress in specific situations. When relied on in the wrong situation, functional social support is not very helpful. For example, if you lost your job, unemployment compensation (instrumental support) would be a better buffer than sympathy from a bartender. On the other hand, social companionship would be more helpful than instrumental support in coping with loneliness. After social support is engaged for one or both of these purposes, its effectiveness can be determined. If consolation or relief is not experienced, it may be that the type of support was inappropriate. The feedback loop in Fig. 21.3, from effect of social support back to perceived availability, reflects the need to fall back on other sources of support when necessary.

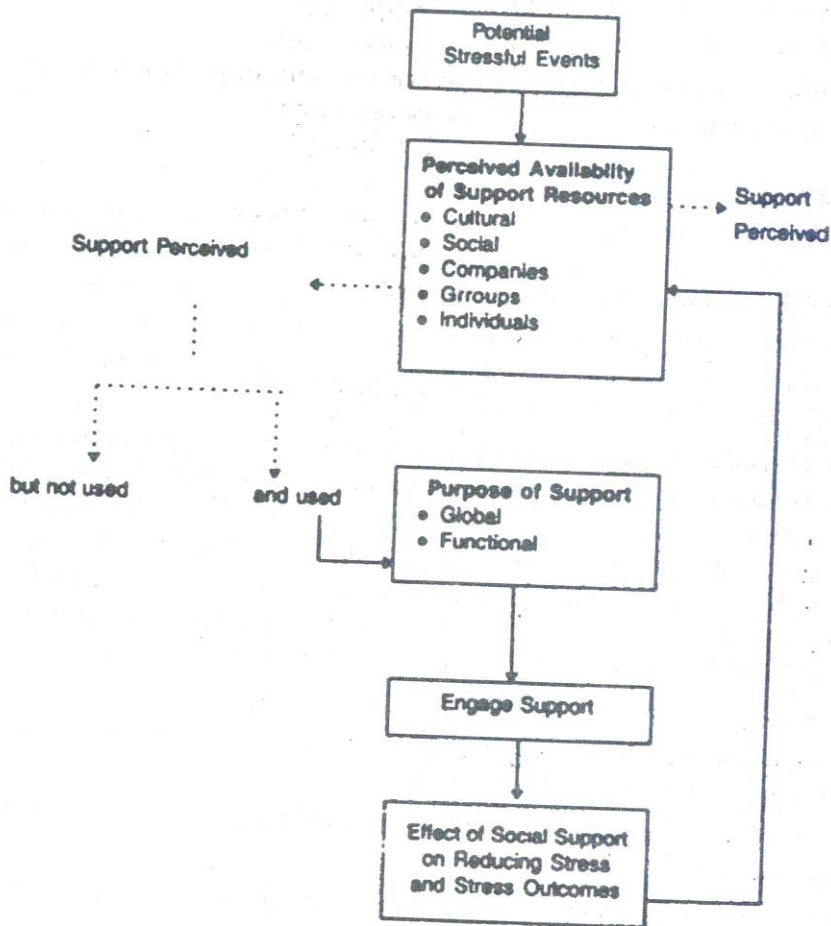


Fig. 21.3: A flow model of the mechanism of social support

## RESEARCH FINDINGS AND MANAGERIAL LESSONS

Research shows that global social support is negatively related to mortality. In other words, people with low social support tend to die earlier than those with strong social support networks. Further, global support protects against depression, mental illness, pregnancy complications, anxiety, high blood pressure, and a variety of other ailments. In contrast, negative social support, which amounts to someone undermining another person, negatively affects one's mental health. We would all be well advised to avoid people who try to undermine us. Moreover, there is no clear pattern of results regarding the buffering effects of both global and functional social support. It appears that social support does buffer against stress, but we do not know precisely when or why. Additional research is needed to figure out this inconsistency. Finally, as suggested in Fig. 21.3, global social support is positively related to the availability of support resources; that is, people who interact with a greater number of friends, family, or co-workers have a wider base of social support to draw upon during stressful periods.

One practical recommendation is to keep employees informed about external and internal social support systems. Internally, managers can use esteem and informational support while administering daily feedback and coaching. Further, participative management programs and company-sponsored activities that make employees feel they are an important part of an "extended family" can be rich sources of social support. Employees need time and energy to adequately maintain their social relationships and support networks will suffer, resulting in stress-related illness and decreased performance. Also, the positive effects of social support are enhanced when functional support is targeted precisely.

## COPING

**Coping** is "the process of managing demands (external or internal) that are appraised as taxing or exceeding the resources of the person". Because effective coping helps reduce the impact of stressors and stress, your personal life and managerial skills can be enhanced by a better understanding this process. Fig. 21.4 depicts an instructive model of coping.

The coping process has three major components: (1) situational and personal factors, (2) cognitive appraisals of the stressor, and (3) coping strategies.

**Situational and Personal Factors:** Situational factors are environmental characteristics that affect how people interpret (appraise) stressors. For example, the ambiguity of the situation—such as walking down a dark street at night in an unfamiliar area—makes it difficult to determine whether a potentially dangerous situation exists. Ambiguity creates differences in how people appraise, and subsequently cope with stressors. Other-situational factors are the frequency of exposure to a stressors and social support networks.

**Personal factors** are personality traits and personal resources that affect the appraisal of stressors. For instance, because being tired or sick can distort the interpretation of stressors, an extremely tired individual may appraise an innocent question as a threat or a challenge. Traits such as locus of control, self-esteem, self-efficacy and work experience were also found to affect the appraisal of stressors.



## COGNITIVE APPRAISAL OF STRESSORS

Cognitive appraisal reflects an individual's overall evaluation of a situation or stressor. Appraisal is an important component within the stress process because people appraise the same stressors differently. For example, some individuals perceive unemployment as a positive, liberating experience, whereas others perceive it as a negative, debilitating one.

Cognitive appraisal results in a categorization of the situation or stressor as either harmful, threatening, or challenging. It is important to understand the differences among these appraisals, because they influence how people cope.

## COPING STRATEGIES

Coping strategies are characterized by the specific behaviours and cognition used to cope with a situation. People use a combination of three approaches to cope with stressors and stress (see Fig. 21.4). The first called a **control strategy**, consists of using behaviours and cognition to directly anticipate or solve problems. A control strategy has a take-charge tone.

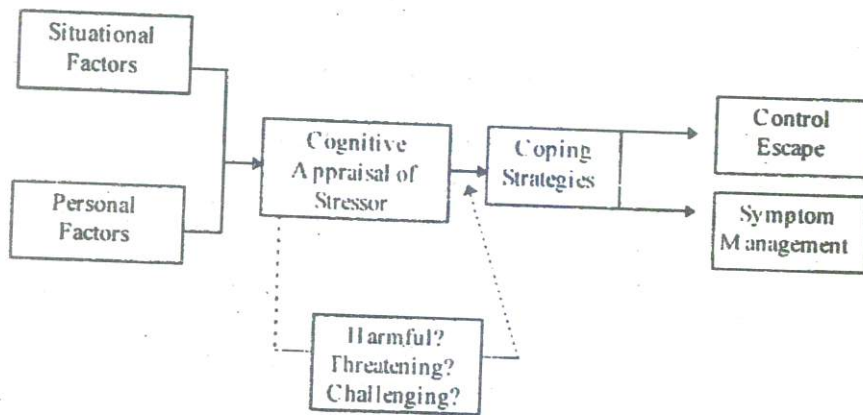


Fig. 21.4: A model of the coping process

In contrast to tackling the problem head-on, an **escape strategy**, amounts to running away: behaviours and cognition are used to avoid or escape situations. Individuals use this strategy when they passively aspect stressful situations or avoid them by failing to confront the cause of stress (an obnoxious co-worker, for instance). Finally, a **symptom management strategy** consists of using methods such as relaxation, meditation, or medication to manage the symptoms of occupational stress.

## RESEARCH FINDINGS AND MANAGERIAL RECOMMENDATIONS

As suggested by the model in Fig. 21.4, an individual's appraisal of a stressor correlates with the choice of a coping strategy. In further support of the coping model, personal factors, appraisal, and coping all significantly predicted psychological symptoms of stress. Nonetheless, research has not clearly identified which type of coping strategy—control, escape, or symptom management—is most effective. It appears that the best

coping strategy depends on the situation at hand. Escaping stress—by going on vacation, for example—is sometimes better than confronting a stressor with a control-oriented coping strategy. Researchers are currently trying to determine these contingency relationships.

The preceding results suggest that employees should be taught a contingency approach to coping with organizational stressors. This might begin by helping employees identify those stressors that they perceive as harmful or threatening. Training or managerial support can then be used to help employees manage and possibly eliminate the most serious stressors. The final section of this chapter describes specific techniques for that purpose.

## HARDINESS

Suzanne Kobasa, a behavioural scientist, identified a collection of personality characteristics that neutralize occupational stress. This collection of characteristics, referred to as **hardiness**, involves the ability to perceptually or behaviourally transform negative stressors into positive challenges. Hardiness embraces the personality dimension of commitment, locus of control, and challenge.

### Personality Characteristics of Hardiness

*Commitment* reflects the extent to which an individual is involved in whatever he or she is doing. Committed people have a sense of purpose and do not give up under pressure because they tend to invest themselves in the situation.

*Individuals with an internal locus of control* believe they can influence the events that affect their lives. People possessing this trait are more likely to foresee stressful events, thereby producing their exposure to anxiety reducing situations. Moreover, their perception of being in control leads "internals" to use proactive coping strategies.

*Challenge* is represented by the belief that change is a normal part of life. Hence, change is seen as an opportunity for growth and development rather than a threat to security.

### Hardiness Research and Application

A five-year study of 259 managers from a public utility revealed that hardiness—commitment, locus of control and challenge—reduced the probability of illness following exposure to stress. Hardy undergraduate students were similarly found to display lower psychological distress and heart rate in response to a threatening task than their less hardy counterparts. Hardy students were also more likely to interpret stressors as positive and controllable, supporting the idea that hardy individuals perceive situations in less stressful ways. Finally, a study of 73 pregnant women further revealed that hardy women had fewer problems during labor and more positive perceptions about their infants than unhardy women.

One practical offshoot of this research is: organizational training and development programs that strengthen the characteristics of commitment, personal control, and challenge. Because of cost limitations, it is necessary to target key employees or those most susceptible to stress (e.g., air traffic controllers). The hardiness concept



also meshes nicely with job design. Jobs can be redesigned to take fuller advantage of hardiness characteristics. A final application of the hardiness concept is as a diagnostic tool: employees scoring low on hardiness would be good candidates for stress-reduction programs.

### TYPE A AND TYPE B PERSONALITY

One dimension of personality which is getting attention both from organizational as well as medical researchers is the Type A and Type B behaviour profiles. A person exhibiting Type A behaviour is generally restless, impatient with a desire for quick achievement and perfectionism. Type B is much more easy going, relaxed about time pressure, less competitive, and more philosophical in nature. Some of the characteristics of Type A personality are given below:

- Is restless, so that he always moves, walks, and eats rapidly.
- Is impatient with the pace of things, dislikes waiting, and is impatient with those who are not impatient.
- Does several things at once.
- Tries to schedule more and more in less and less time, irrespective of whether everything is done or not.
- Usually does not complete one thing before starting on another.
- Uses nervous gestures such as a clenched fist and banging on table.
- Does not have time to relax and enjoy life.

Type B behaviour is just the opposite and is more relaxed, sociable and has a balanced outlook on life.

Type A behaviour profile tends to be obsessive and managers with such behaviour, are hard-driving, detail-oriented people with high performance standards. Such managers have difficulties in developing cordial interpersonal relationships and they create a lot of stress for themselves and other people. They feel specially pressurized if they have to complete a task within a given deadline. The B persons, on the other hand, do put in extra effort in order to meet a deadline but do not feel pressurized.

Those persons who are classified as Type A have a strong desire and tendency to control all aspects of the situation and, if they are unable to control a situation, they react with anger and frustration. Because of their obsession with perfection, they are more apt to fear failure and, even if their work is good, they tend to underestimate the quality of their work. In the case of negative outcomes, they blame themselves more than external factors. A comprehensive identification of Type A personality is given by Karen A. Mathews as follows:

"The Type A pattern can be observed in any person who is aggressively involved in a chronic, incessant struggle to achieve more and more in less and less time and if required to do so against the opposing efforts of other things or other persons. The over manifestations of this struggle include explosive accelerated speech; a heightened pace of living; impatience with slowness concentrating on more than one activity at a time self-preoccupation; dissatisfaction with life.





**MADHYA PRADESH BHOJ (OPEN) UNIVERSITY**

Raja Bhoj Marg (Kolar Road), Bhopal - 462016,

Phone : 91-755-2424660, Fax : 91-755-2424640

Website : [www.bhojvirtualuniversity.com](http://www.bhojvirtualuniversity.com)