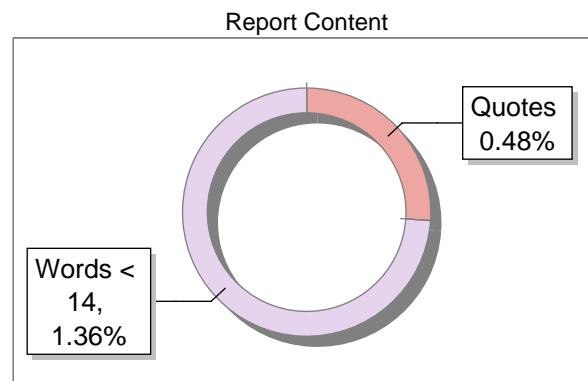
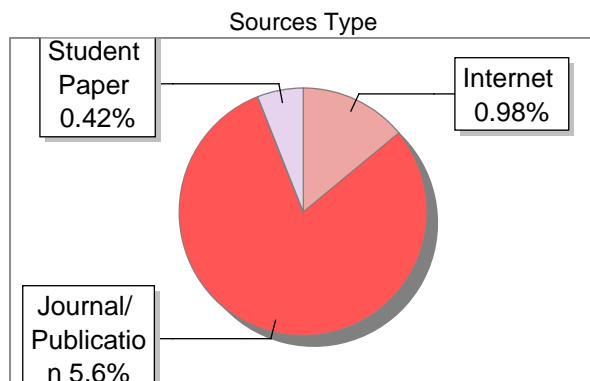


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## UNIT 1 INTRODUCTION, NATURE AND SCOPE OF MANAGEMENT

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### Structure

- 1.1** Introduction
- 1.2** Objectives
- 1.3** Meaning of Management
  - 1.3.1** Management as a Noun
  - 1.3.2** Management as a Process
  - 1.3.3** Management as a discipline
- 1.4** Nature of Management
- 1.5** Scope of Management
- 1.6** Management Approaches
- 1.7** Management Processes and Management
- 1.8** Let us Sum Up
- 1.9** Unit End Exercises
- 1.10** References and Suggested Readings

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### 1.1 INTRODUCTION

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Management is the most frequently used term and it has scope at all levels of an organization. Whatever may be the type of organization; commercial, political, cultural, or social, it engages in management because it facilitates and guides diverse endeavors toward a certain goal.

However, there are other meanings associated with the term management. It might be applied as a method, a word, or a different discipline. Before studying more about management, it is imperative to understand what exactly management means.

*In the words of Harold Koontz, "Management is an art of getting things done through and with the people in formal or organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals". F.W. Taylor defined management as "An art of knowing what to do, when to do and see that it is done in the best and cheapest way".*

Management is an intentional and goal-oriented action. It is a mechanism that guides collective endeavors towards the achievement of specific predetermined objectives. Organizational management is the systematic approach of collaborating with and guiding people to successfully accomplish the objectives of the organization, while optimally utilizing limited resources in a dynamic environment. Naturally, these objectives may differ among different enterprises. For example, one company may focus on introducing new items through market research, while another may prioritize maximizing profits by reducing costs.

Management entails the establishment of an internal environment: The management is

responsible for utilizing the many factors of production. Hence, it is incumbent upon management to establish an environment that fosters optimal performance, enabling individuals to execute their duties with optimal efficiency and effectiveness. It encompasses tasks such as assuring the availability of raw resources, determining wages and salaries, formulating laws and regulations, and so on.

Hence, it may be asserted that effective management encompasses both efficacy and efficiency. Being effective entails performing the suitable duty, such as placing square pegs in square holes and round pegs in round holes. Efficiency refers to the ability to do a task accurately while minimizing costs and reducing resource waste.

As we go further in this course, we will be discussing various perspectives of management as a noun, process, discipline, activity, group science, art and as a profession. 36

## 1.2 OBJECTIVES

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After going through this unit, you should be able to:

- Define management and explain its meaning
- distinguish between management and administration
- explain management as a noun, process and discipline
- define management and list out the features
- explain the nature and scope of management
- discuss various management approaches
- discuss management processes
- List out and explain various management functions

## 1.3 MANAGEMENT AS A NOUN, PROCESS AND DISCIPLINE

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### 1.3.1 Management as a Noun

Management, in common and widespread usage, refers to a certain group of individuals who oversee and guide the actions of other individuals and material assets in order to achieve pre-established objectives. From a broader perspective, management can be viewed as a resource, a system of authority, and a class or elite.

1. Management as an economic resource: Economists consider management to be a factor of production, similar to entrepreneurship, capital, and labor. The effectiveness and efficiency of an organization are largely determined by the managerial resource. Therefore, in a constantly changing environment, the need for managerial development is greater and its utilization must be more extensive.

2. Management can be understood as a hierarchical structure of authority, where a group of managers hold the responsibility of decision-making and overseeing the work of subordinates. Managers at different levels have varied levels of authority. Senior executives oversee middle-level managers. Mid-level and subordinate managers oversee and manage their subordinate managers and workers.

3. Management is regarded by sociologists as a class and status system. The growing intricacy of management in contemporary complex organizations has resulted in managers being recognized as a distinct social class, characterized by their possession of advanced knowledge and skills. Access to managerial positions is determined by merit-based criteria, such as intellect and knowledge, rather than by ascriptive criteria, such as family and social origins. Some people perceive this trend as a management revolution, in which the managerial class is seen as a potentially autonomous group gaining more power. Many people do not see this development as alarming because the increase in management power attracts additional managers, which helps prevent managerial autocracy.

### **1.3.2 Management as a Process**

Management, when viewed as a process, encompasses a sequence of interconnected managerial tasks that are categorized into several roles such as planning, staffing, leading, and controlling. Managers carry out these responsibilities using a methodical manner in order to combine physical and human resources into a productive operational entity. Management is the systematic process by which a collective group guides and directs actions in order to achieve shared objectives.

### **1.3.3 Management as a Discipline**

Another interpretation of management is that it is a distinct field of study with a structured body of information that managers utilize in their roles. Management, as an independent discipline, encompasses the principles and application of both general management and the several managerial functions. Theoretical foundations of management have evolved through empirical observations, scientific inquiries, and the development of unique tools.

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## **1.4 NATURE OF MANAGEMENT**

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The fundamental characteristics of management elucidate its essence and significance. The following points will be covered below.

1 Universality: Management is an ubiquitous phenomenon, as it is a prevalent and indispensable component in all organizations. Irrespective of their rank or the structure of the organization, managers carry out similar functions. The fundamental tenets of management are universally applicable across all managerial contexts, irrespective of the organization's scale, character, and geographical placement. The universality of managing activities and concepts indicates that managerial talents are transferable, and managers can undergo training and development.

2 Purposeful: Management is consistently directed towards the attainment of organizational objectives and aims. The effectiveness of management is gauged by the degree to which the intended goals are achieved. Both in economic and non-economic enterprises, the management's objectives are focused on achieving effectiveness (i.e., reaching organizational goals) and efficiency (i.e., achieving goals while using resources economically).

3 Social process: Management primarily involves the coordination of individuals engaged in tasks related to the recruitment, retention, development, and motivation of employees, while also attending to their overall pleasure as social entities. The multitude of human ties

and exchanges contributes to the characterization of management as a social process.

4. Coordinating force: Management ensures the efficient coordination of organizational members' efforts by arranging interrelated operations in an ordered manner to prevent redundancy and overlap. Management aligns the individual objectives with the organizational objectives and combines human and physical resources.

5. Abstract: Management is an intangible concept. It is an imperceptible phenomenon. The presence of this entity is evident in various aspects, such as the outcomes of its endeavors, which manifest as organization, productivity, a conducive work environment, employee contentment, and more.

6. Continuous process: Management is a fluid and perpetual process. The management cycle persists as long as there is coordinated effort towards attaining group objectives.

7. Composite process: The functions of management cannot be carried out in a sequential manner, as they are interdependent. Management is a complex process consisting of various components. Multiple substances are utilized to carry out all the functions. Thus, the entire process is cohesive and executed within a network.

8. The management acts as a creative organ by generating a synergetic effect, where the outcomes achieved are greater than the combined efforts of the individual group members. It facilitates the ordering of activities, aligns jobs with objectives, and establishes links between work and tangible and monetary resources. It offers innovative concepts, fresh perspectives, and visionary insights to collaborative endeavors. It is not a passive entity that just adapts to the external environment, but rather a dynamic and vital component within every organization.

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## **1.5 SCOPE OF MANAGEMENT**

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Management, similar to any other discipline, involves explicitly defined tasks that are essential for its advancement. It is limited to concepts, principles, and theories relevant to managerial functions. Enterprise functions, which differ from one organization to another, are not included within its scope. The management does not encompass the conventional company operations such as production, finance, marketing, and personnel.

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## **1.6 APPROACHES OF MANAGEMENT**

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Management approaches encompass a range of frameworks, ideologies, and methodologies that provide guidance to businesses and their leaders in resource management, decision-making, and goal attainment. Various management methodologies have arisen in reaction to shifts in organizational landscapes, technological advancements, and societal demands. Below are few essential management methodologies:

1. Classical Management Approach: The classical management approach refers to a traditional method of managing organizations that emphasizes hierarchical structures, clear division of labor, and a focus on efficiency and productivity.
  - a. Scientific Management Approach: Scientific Management, devised by Frederick Taylor, emphasizes enhancing efficiency by methodically analyzing and enhancing work processes.

- b. Administrative Management: The administrative management approach, pioneered by Henri Fayol, focuses on the fundamental activities of management, which encompass planning, organizing, coordinating, commanding, and managing.
- 2. Behavioural Approach of managing behavior:
  - a. The Human Relations Approach, which emerged in the 1920s and 1930s, emphasizes the significance of comprehending human behavior and social interactions inside the workplace. The Hawthorne Studies conducted by Elton Mayo serve as a prominent illustration.
  - b. The behavioral science approach combines knowledge from psychology, sociology, and other behavioral sciences to improve the efficiency and success of organizations.
- 3. Quantitative Management Approach:
  - a. Operations Research (OR) is the application of mathematical and statistical techniques to make decisions and solve problems in several fields, including production, logistics, and resource allocation.
  - b. Management Information Systems (MIS) is a field that emphasizes the utilization of technology and information systems to facilitate decision-making and streamline organizational operations.
- 4. Contingency Management Strategy:
  - a. The Contingency Theory posits that there is no universally applicable management style. The efficacy of managerial methodologies is contingent upon the particular circumstances, necessitating leaders to tailor their approaches accordingly.
  - b. The Situation Leadership Theory posits that the effectiveness of leadership styles is contingent upon the preparation and maturity levels of followers.
- 5. Systems Management Approach:
  - a. Systems Theory: Regards organizations as intricate systems comprising interconnected and mutually reliant components. Stresses the need of comprehending the entirety of the organization as a system, rather than fixating on individual components.
  - b. Chaos Theory recognizes the dynamic and unpredictable nature of organizations, suggesting that chaotic and unpredictable occurrences can have an impact on results.
- 6. Contemporary Management Approaches:
  - a. Total Quality Management (TQM) is a management approach that emphasizes the ongoing enhancement of product and service quality through continuous improvement, customer satisfaction, and staff involvement.
  - b. Lean Management is a methodology that focuses on reducing waste and increasing efficiency by removing activities that do not bring value to operations.

- c. Agile Management, derived from software development, prioritizes adaptability, cooperation, and iterative development to address evolving requirements.
- 7. Strategic Management Approach:
  - a. Strategic planning include the establishment of objectives for the long term, the development of strategies, and the coordination of organizational resources in order to attain a competitive edge.
  - b. Strategic Leadership focuses on the influence of leaders in developing organizational strategy and ensuring that the company is in line with its external surroundings.

These management styles are not mutually exclusive, and businesses frequently include components from other approaches to tailor them to their own requirements and conditions. The progression of management thought persists as fresh obstacles and prospects arise in the worldwide company milieu.

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## **1.7 PROCESSES AND FUNCTIONS OF MANAGEMENT**

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There is considerable divergence among management scholars regarding the categorization of managerial functional processes. Newman and Summer acknowledge a total of four distinct stages in the management process, specifically, organizing, planning, leading, and controlling. Henry Fayol delineates five essential roles of management, namely planning, organizing, commanding, coordinating, and controlling. Luther Gulick outlines a set of seven processes in the management process, referred to as "POSDCORB," which represents planning, organizing, staffing, directing, coordinating, reporting, and budgeting.

Warren Haynes and Joseph Massie categorize the management process into decision-making, organizing, staffing, planning, regulating, communicating, and directing. Koontz and O'Donnell categorize the process into five distinct stages: planning, organizing, staffing, directing, and controlling.

To fulfill our objective, we will assign the following six tasks as the functions of a manager:

The management process consists of six components: planning, organizing, staffing, directing, coordinating, and controlling.

### **1. Planning**

Planning is the fundamental and comprehensive component in the management process. In order for individuals working collaboratively to achieve optimal performance, it is imperative that they possess prior knowledge of the tasks at hand, the specific activities required to accomplish these tasks, and the designated timeline for completion. Planning focuses on the aspects of "what," "how," and "when" in relation to performance. Strategic planning involves making decisions in the present to determine future objectives and the necessary steps to accomplish them.

Strategic planning encompasses the following components: (a) Identification of both long-term and short-term goals; (b) Creation of strategies and action plans to attain these goals; and (c) Establishment of policies, procedures, and regulations to execute the strategies and

plans.

The top management establishes the organizational objectives by considering its fundamental purpose and mission, environmental circumstances, business projections, and the resources that are already accessible or have the potential to be utilized. These objectives encompass both long-term and short-term goals. The aims or goals are categorized into divisional, departmental, sectional, and individual levels.

Subsequently, the formulation of strategies and implementation plans is undertaken, targeting different management levels and organizational segments. Policies, procedures, and rules establish the structure for decision-making and the systematic process for creating and executing these decisions.

Every manager executes all of these planning functions, or contributes to their execution. In many businesses, particularly those with traditional management styles and smaller sizes, planning is typically carried out without deliberate and systematic design. However, in larger and more professional organizations, planning is conducted in a modern and planned manner.

The plans may exist in the minds of their administrators rather than being explicitly and precisely articulated. They may be vague rather than clear, but they are consistently there. Therefore, planning is the fundamental and essential role of management. Managers at all levels of the organizational structure carry out this task in various types of organizations.

## **2. Organizing**

Organizing entails the identification of activities necessary to accomplish enterprise objectives and the execution of plans. It involves grouping activities into specific jobs, assigning these jobs and activities to departments and individuals, delegating responsibility and authority for performance, and ensuring coordination of activities both vertically and horizontally.

Each manager must determine the necessary tasks to be carried out within their department or sector in order to accomplish the assigned goals. Once the activities have been identified, the individual must categorize identical or similar activities. This allows for the creation of jobs and the assignment of these jobs or groups of activities to subordinates. Furthermore, the individual must delegate authority to these subordinates, empowering them to make decisions and take action in carrying out these activities. Lastly, the individual must ensure coordination between themselves and their subordinates, as well as among the subordinates themselves.

Organizing encompasses the subsequent sub-functions:

(a) The process of identifying the necessary activities to accomplish objectives and carrying out plans.

(b) Organizing the activities in a manner that forms independent and complete tasks.

The allocation of tasks to personnel.

(d) Delegation of authority is necessary to empower individuals to effectively carry out their responsibilities and have control over the necessary resources for their tasks.

(e) Creation of a network of coordinating linkages.

The process of organizing leads to the establishment of a hierarchical structure inside the organization. The term "it" refers to a combination of jobs inside an organization, along with their associated duties, responsibilities, and a system of roles and authority-responsibility connections.

Organizing is the fundamental process of merging and harmonizing people, physical, and financial resources in productive interconnections to accomplish enterprise goals. Its objective is to integrate personnel and interconnected tasks in a systematic way, ensuring that organizational work is carried out in a synchronized manner, with all efforts and activities aligned towards achieving organizational goals.

### **3. Staffing**

Staffing is a continuous and essential phase in the management process. Once the objectives have been established, strategies, policies, programs, procedures, and rules are developed to achieve them. The activities required to implement these strategies, policies, programs, etc. are identified and organized into specific roles. The next logical step in the management process is to acquire appropriate personnel to fill these roles.

Staffing is acknowledged as a distinct function of management because the success of an organization heavily relies on the caliber of its personnel. It is the responsibility of management to ensure that qualified and well-trained individuals are recruited to fill different positions, as this directly impacts the efficiency and effectiveness of the organization.

It consists of multiple subordinate functions:

(a) Manpower planning entails the process of determining the necessary quantity and kind of staff.

(b) Recruitment is the process of attracting a sufficient number of potential employees to apply for job positions within the organization.

(c) The process of choosing the most appropriate individuals for the positions being considered.

(d) The process of placing, introducing, and familiarizing new employees.

(e) The movement of employees between positions, advancements in job roles, termination, and layoffs.

(f) Employee training and development.

As the recognition of the significance of the human dimension in organizational efficiency grows, staffing is being acknowledged as a separate and essential role of management. It is imperative to acknowledge that the quality of an organization is inherently tied to the caliber of its personnel. Managers must prioritize the staffing function with equal importance to other operational tasks.

### **4. Directing**

Directing involves guiding individuals to perform effectively and provide their maximum

effort towards achieving company goals. It is necessary to provide clear explanations and direction to subordinates regarding their assigned tasks. Additionally, they should be motivated to perform at their best with excitement and energy.

The function of directing encompasses the subsequent sub-functions:

- (a) Communication (b) Motivation (c) Leadership

### **5. Coordinating:**

Coordinating involves creating connections between different components of the organization to ensure that they collectively work towards achieving organizational goals. Therefore, it is the act of integrating all the decisions, operations, activities, and efforts within an organization in order to develop a cohesive approach towards accomplishing organizational goals.

Mary Parker Follet has accurately emphasized the importance of the coordinating process. According to the manager, it is important for the organization to have all its components working together in a closely connected and coordinated manner. <sup>26</sup> This means that the different parts of the organization should be linked, interlocked, and interconnected in such a way that they function as a unified whole, rather than as separate entities.

Coordination, as a managerial function, encompasses the subsequent sub-functions:

- (a) Precise delineation of authority-responsibility connections
- (b) Consistency in guiding objectives and strategies. (c) Clear hierarchy and authority structure. (d) Efficient exchange of information. (e) Competent guidance and direction.

### **6. Controlling**

Controlling involves ensuring that the performances of divisions, departments, sections, and individuals align with the established objectives and aims. It is necessary to identify and investigate any deviations from objectives and plans, and take corrective action. Deviations from plans and objectives serve as feedback for managers, who continuously review and modify all other management processes, such as planning, organizing, staffing, directing, and coordinating, as needed.

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### **1.8 LET US SUM UP**

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Management, a pervasive concept applicable across diverse organizations, guides collective efforts toward specific goals. It serves as both an art and a process, as articulated by Koontz and Taylor. Effective management aligns individual and group endeavors with organizational objectives, requiring intentional actions and goal-oriented strategies. It establishes an internal environment, optimizing resources and fostering performance. The nature of management encompasses universality, purposefulness, a social process, coordinating force, abstraction, continuity, and creativity. Management's scope involves distinct tasks and approaches, exemplified by classical, behavioral, quantitative, contingency, systems, and contemporary methods. Processes and functions like planning, organizing, staffing, directing, coordinating, and controlling constitute the managerial

domain. This comprehensive understanding equips individuals to define, differentiate, and appreciate the multifaceted dimensions of management.

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### **1.9 UNIT END EXERCISE**

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1. Define management. Discuss management as a noun, process and discipline.
2. Explore the nature and scope of management. How does management coordinate individual efforts, and why is it considered an intangible yet essential concept?
3. Enlist and explain various approaches of management.
4. Explain the processes and functions of management. Discuss the six components of the management process and their significance, especially focusing on planning, organizing, staffing, directing, coordinating, and controlling.

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## **UNIT 2 - MANAGERIAL SKILLS, TASKS AND RESPONSIBILITIES OF A PROFESSIONAL MANAGER**

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### **Structure**

- 2.1** Introduction
- 2.2** Objectives
- 2.3** Goal-Oriented Direction
- 2.4** Managing Survival and Growth
- 2.5** Achieving Organizational Effectiveness
- 2.6** Meeting the Challenge of Increasing Competition
- 2.7** Managing for Innovation
- 2.8** Building Human Organisation
- 2.9** Talent Retention and Inculcating Loyalty
- 2.10** Sustaining Leadership Effectiveness
- 2.11** Maintaining Balance Between Creativity and Conformity
- 2.12** Postponing Managerial Obsolescence
- 2.13** Change Management
- 2.14** Getting Updated with Technology
- 2.15** Handling Public Criticism and Political Opposition
- 2.16** Coping with Increasing Levels of Aspiration
- 2.17** Maintaining Public Relations
- 2.18** Let us Sum Up
- 2.19** Unit End Exercise

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### **2.1 INTRODUCTION**

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Peter F. Drucker defines, "management is an organ; organs can be described and defined only through their functions".

According to Terry, "Management is not people; it is an activity like walking, reading, swimming or running. People who perform Management can be designated as members, members of Management or executive leaders."

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## 2.2 OBJECTIVES

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28 After going through this unit, you should be able to:

- list out the managerial skills
- discuss who is a professional manager
- explain various tasks of a professional manager
- discuss the responsibilities of a professional manager

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## 2.3 TASKS OF A MANAGER - GOAL-ORIENTED DIRECTION

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### MANAGERIAL SKILLS

Management is the systematic approach of achieving organizational objectives by effectively utilizing human and other resources inside the business.

The three characteristics of management are as follows:

1. It is a sequential and interconnected set of ongoing actions.
2. It entails and focuses on achieving the objectives of the organization.
3. It achieves these objectives by collaborating with individuals and utilizing other available organizational assets.

### Management Hierarchy

#### 1. Executive/Top Level Management

The organization comprises a board of directors, as well as a chief executive or managing director. The top management holds the highest level of control and is responsible for setting goals and policies for a business. It allocates a greater amount of time to the tasks of planning and coordinating. The role of top management can be succinctly defined as follows:

- The aims and overarching policies of the firm are established by top management.
- It provides essential directives for the development of department budgets, protocols, timetables, and other related tasks.
- It formulates strategic strategies and policies for the organization.

The organization designates the executive responsible for overseeing middle-level operations, specifically departmental managers.

- It exercises control and coordination over the activities of all the departments.
- Additionally, it is accountable for establishing and sustaining communication with the external environment.
- It offers assistance and instructions.

The top management is accountable to the shareholders for the performance of the firm.

#### 2. Middle Level Management

The intermediate level of the organizational hierarchy is comprised of branch managers and departmental managers. They are accountable to the senior executives for the operation of their department. They allocate a greater amount of time to tasks related to organizing and providing direction. In small organizations, there is a single layer of middle-level management. However, in large firms, there may exist both senior and junior

levels of middle-level management. Their role might be highlighted as:

- They implement the organization's plans in compliance with the policies and instructions set by top management.
- They formulate strategies for the subordinate divisions of the organization.
- They engage in the recruitment and development of junior-level managers.
- They elucidate and clarify policies from upper echelons of management to lower echelons.
- They have the responsibility of overseeing and organizing the activities inside the division or department.
- Additionally, it transmits crucial reports and other significant data to senior-level executives.
- They assess the performance of subordinate managers.
- Additionally, they are accountable for motivating subordinate managers to achieve higher levels of performance.

### **3. Junior/First Line Management**

The lower level of management is commonly referred to as the supervisory or operative level. The hierarchy includes supervisors, foremen, section officers, and superintendents. As per R.C. Davis, supervisory management pertains to executives who primarily engage in overseeing and directing the work of operational personnel. Put simply, they focus on the guidance and supervisory role of management. Their operations encompass the allocation of assignments and tasks to different staff.

- They provide guidance and instructions to staff for their daily tasks.
- They bear responsibility for both the quality and quantity of production.
- They are also responsible for fostering positive relationships within the organization.

They convey workers' issues, comments, and requests for recommendations to higher-level management, and they also communicate higher-level goals and objectives to the workers.

- They assist in resolving the workers' complaints.
- They oversee and provide guidance to their subordinates.
- They have the responsibility of delivering training to the staff.
- They organize essential materials, machinery, tools, etc. to accomplish tasks.
- They compile regular reports on the workers' performance.

If you are involved in this program, you are either currently working as a manager or have ambitions to become one. First and foremost, it is crucial for you to understand the specific responsibilities that you are required to fulfill as a professional manager. The unit covers a range of tasks that are discussed.

There is considerable ambiguity surrounding the frequently employed terms "professional management" and "professional managers." Certain researchers argue that professional management does not exist. Management is an academic field of study. There are individuals who engage in this field and pursue management as a job, making them professional managers. Similar to the existence of doctors and attorneys as professions, there are also those who work as professional managers. Doctors engage in the practice of medicine, while managers engage in the practice of management. The sole distinction between professional managers and other professionals lies in the requirement for a formal

degree in their respective fields, whereas professional managers are not obligated to obtain a formal degree or education in management. He may have acquired the requisite skills and expertise through his experience. A key attribute of a professional manager is their unwavering focus on the organization or firm they are affiliated with. This is true regardless of whether the manager is employed in the private or public sector, or in a multinational corporation. It also applies to both executive directors and personnel managers who report to the executive director. The professional manager consistently maintains a holistic view of the firm and ensures that all of his actions align with the company's objectives.

A crucial attribute of a professional manager is their accountability for performance. Management entails the acquisition and efficient utilization of resources (such as finances, personnel, materials, and equipment) to attain specific predetermined goals or outcomes. The professional manager is accountable for effectively utilizing resources to achieve the desired outcomes. The fundamental aspects that define a manager's function are responsibility and performance. Performance entails engaging in action, which in turn requires the execution of specified actions and the completion of particular tasks. Let us begin by discussing the diverse responsibilities that a manager is anticipated to fulfill in order to achieve desired outcomes.

### **Management Skills**



Robert L. Katz's research determined that managers require three fundamental competencies. The talents encompassed are technological, human, and conceptual in nature. Technical skills refer to the specialized knowledge and procedures required to effectively carry out specific work responsibilities. Human skills encompass the aptitude to effectively collaborate with others, both on an individual basis and within a collective setting. Conceptual skills refer to the cognitive abilities that managers employ to analyze and comprehend abstract and intricate scenarios.

Lower-level supervisors typically prioritize technical skills over other competencies. This is because lower-level managers often oversee people that utilize technologies and methodologies to generate the organization's products and services.

Proficiency in interpersonal skills is crucial for managers at every level, as they are required to directly engage with individuals.

At the highest echelons of management, conceptual talents are of utmost importance. Managers in senior positions must employ conceptual skills to perceive the organization as a unified entity, comprehend the interconnections between different divisions, and envision how the organization aligns with its wider surroundings.

A manager might be likened to the helmsman of a vessel, responsible for charting the course towards a specific goal and subsequently guiding the ship along that course.

Likewise, a manager must initially establish goals that the company must accomplish. Objectives serve as the guiding path for the firm's movement. Once the objectives have been determined, the manager must consistently oversee the development and actions of the company to ensure that it is advancing in the intended direction. The primary responsibility of every manager is to accomplish this task.

If you hold a position in the upper echelons of management, you will play a highly engaged role in this endeavor by delineating the mission and objectives for the entire organization. As a subordinate manager, your responsibility is <sup>28</sup> to ensure that the actions of your subordinates in your department or division align with the required objectives. As a manager, your responsibility is to proactively avoid any activities that deviate your organization from the strategic direction established by top management.

An American multinational corporation operates a subsidiary in India that produces and sells a well-known range of cosmetics and cough and cold remedies. The company operates a sizable agricultural estate in Uttar Pradesh dedicated to cultivating a medicinal plant that serves as the primary component in all of its pharmaceutical products.

The corporation gains a significant cost advantage by having control over this crucial raw material. In order to obtain additional cost benefits, it was suggested that the company establish its own printing press to produce the packaging labels. The idea was in the last stage of approval until <sup>41</sup> the top management team realized that printing was not within their purview. Engaging in printing would only lead the organization further away from, rather than closer to, the desired direction. The primary focus of their business was the production and marketing of pharmaceuticals, and the farm played a crucial role in supporting this endeavor. Nevertheless, printing did not possess such a crucial significance that necessitated the corporation to exercise complete authority over it.

This image emphasizes the necessity of assessing all activities and decisions based on their impact on the company's objectives. Nevertheless, it is important to note that this picture does not imply that objectives or direction, once established, will be valid indefinitely, nor does it <sup>27</sup> suggest that any deviation from the existing stream of production or activity is necessarily unfavorable. The crucial aspect is that all motions and acts must align with the attainment of the objectives. In order to maintain uniformity, it is crucial for the manager to meticulously analyze each available option, assessing its capacity to contribute to the achievement of objectives.

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## 2.4 MANAGING SURVIVAL AND GROWTH

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The principle of "survival of the fittest" applies equally to the competitive marketplace, where enterprises engage in intense struggle and competition to ensure their survival. The manager's primary responsibility is to ensure the firm's survival. However, that alone is insufficient.

The manager must actively pursue growth. Regardless of the current size or strength of a company, if it fails to actively seek expansion, it is bound to be surpassed by newer, more robust, and more effective companies.

Two sets of factors affect the firm's ability to survive and expand. The first category consists of internal elements that are primarily under the firm's control.

The internal elements encompass the selection of technology, labor efficiency, managerial staff competence, firm image, and financial resources, among others.

The majority of the antiquated traditional textile mills were established in India around the late 19th or early 20th century, utilizing the technology that was available at that time. These mills thrived until the late 1960s. During the 1970s, there was a significant global shift in textile technology. Unaware of this evolving pattern, the Indian mills persisted with the outdated technology. However, other emerging enterprises, including Reliance Textiles with its renowned 'Vimal' brand, ventured into this industry equipped with advanced technology. They provided high-quality textiles in a diverse selection of polyester and cotton blends. The conventional mills were unable to compete with these emerging competitors in terms of both product quality and pricing.

One of the oldest and most lucrative industries had an extraordinary surge in illness. The majority of the antiquated mills saw a decline in profitability, necessitating either government intervention or closure.

The textile mills met their demise due to the inability to effectively handle technological advancements. The firm's ability to ensure survival and growth is influenced by a second set of elements that are external to the firm and beyond its control. These external environmental influences encompass government policy, laws and regulations, shifting customer preferences, attitudes and values, and intensifying competition, among others. Hindustan Lever Limited (HLL) is a subsidiary of a multinational corporation that previously produced and sold detergents (Surf, Rin), soaps (Lux, Liril, Lifebuoy, etc.), as well as Dalda Vanaspati, groundnut oil, and agro-products. The majority of these lines are characterized by low-technology. As a foreign firm operating in industries with little technological advancement, HLL faced limitations on its potential for expansion due to the Foreign Exchange Regulations Act (FERA). In order to overcome these restrictions, HLL had to reduce its foreign ownership to 40 percent. HLL, unwilling to reduce its ownership stake to 40 percent, needed to devise a strategy to ensure its survival and growth. HLL divested its vanaspati and cooking oil business to Lipton India and shifted its focus to the production of basic chemicals, a high-tech sector that permits foreign investment and expansion under FERA regulations. By transitioning from low-tech to high-tech, HLL has secured its future in India.

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## 2.5 ACHIEVING ORGANIZATIONAL EFFECTIVENESS

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Efficiency is the quotient obtained by dividing the output by the input. A manager is responsible for both executing tasks and achieving outcomes, while prioritizing efficiency as much as possible. In order to achieve outcomes, a manager necessitates inputs in the form of financial resources, personnel, raw materials, and equipment. The profitability will increase proportionally to the manager's ability to generate higher output using the same input. Profit is the excess or discrepancy that the manager can create between the value of inputs and outputs.

Profit is crucial for the viability and expansion of a business. A manager may choose to sacrifice immediate profits in favor of future profits. However, it is crucial for them to recognize that a firm cannot endure without generating profits in the long term. Business activity is conducted with the purpose of fulfilling a societal demand in a way that generates financial gains. A business is not a philanthropic or altruistic endeavor that operates solely to supply goods and services, regardless of its profitability.

The resulting profit can be allocated towards expansion, technological upgrades, business growth, or dividend payments. Profits are a cost-effective means of funding expansion, as they do not incur interest expenses or require relinquishing control to financial institutions through board representation. Profit provides the financial security to undertake risks, pursue ambitious goals, and explore unfamiliar territories.

An economically viable company might become unprofitable due to outdated technology, failure to satisfy expensive fixed cost structures, excessive levels of waste, or simply because the product is no longer desired by buyers. We have depicted the process by which the conventional textile mills became financially unsustainable and the inevitable outcome they faced. All unprofitable firms will face a similar destiny. The persistent inability of Engineering Projects India, a state-owned enterprise, to produce revenues and successfully complete overseas projects within the designated timeframes has posed a significant risk to the survival of this organization.

On the other hand, companies like Colgate-Palmolive, Tata Engineering and Locomotive Company (TELCO), Century Enka, Richardson Hindustan Limited, and others have regularly demonstrated strong profitability.

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## 2.6 MEETING THE CHALLENGE OF INCREASING COMPETITION

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In the current dynamic environment, it is crucial for managers to proactively foresee and make arrangements for the growing competition. The level of competition is rising due to an increase in the number of competitors, a larger range of products, a greater variety of products, improved product quality, and a more knowledgeable and aware client base. The growing prevalence and appeal of television as a medium for disseminating information has also played a role in the escalating rivalry. The management currently has a larger pool of possible consumers to sell to and convenient access to these clients. However, the

market is saturated with numerous competitors vying for the same customers.

Until ten years ago, the Times of India group dominated the magazine market with its 'Illustrated Weekly of India' as the sole Indian family magazine and 'Filmfare' as the only prominent cinema magazine. The former was commonly found in households that possessed a basic degree of literacy and financial prosperity. 'Filmfare' was the exclusive publication catering to individuals with a keen interest in films. The advent of 'India Today' and 'Stardust' resulted in a profound transformation. Commencing with humble beginnings, 'India Today' has become arguably the most extensively read magazine covering a wide range of topics. On the other hand, 'Stardust' has established its own distinctive and influential path of popularity. Following the triumph of these two publications, numerous more magazines emerged, encompassing a wide range of genres including general interest, film, women's, children's, and special interest magazines. The redesigned magazines offer improved reading material, enhanced visual appeal with vibrant colors and an aesthetically pleasing layout, making them very glossy and captivating. The circulation of the 'Illustrated Weekly of India' and 'Filmfare' declined due to the inability to compete with these new periodicals. Nevertheless, in recent years, these two periodicals have made efforts to recover their previous influence and have achieved some degree of success. However, they will never regain their former dominant status. In industrialized nations, the notion of competition is intricately connected to that of obsolescence. Companies continuously release successive iterations of vehicles, washing machines, refrigerators, and other products, featuring modest modifications, in order to convince customers to replace their older versions with the newer ones.

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## **2.7 MANAGING FOR INNOVATION**

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Innovation refers to the process of discovering novel, distinct, and superior methods of performing established tasks. Within the realm of business, innovation must be defined as the enhancement of value that it brings to the already existing products or services. The value is not quantified in relation to higher expenses or prices, but rather in terms of the impact it has on the client.

A television manufacturing company successfully developed a circuit with a well-organized layout that is highly convenient for servicing, following years of meticulous work. The corporation allocated substantial financial resources to promote this new circuit and its enhanced maintenance. However, the consumers were unimpressed, and sales did not meet the anticipated growth. Customers were unconvinced due to their inability to discern the subtle yet significant influence of the circuit on performance. The marketing expert advised the company to replace plywood with clear plastic back-covers for the chassis. This would enable customers to visually inspect the circuit and independently verify the accuracy of the company's assertion. This innovation is significant since it enables the customer to directly perceive and comprehend the enhancement, so making a crucial impact.

Frequently, it is the consumer themselves who serve as the origin of innovation.

Digital Equipment Corporation, a U.S. corporation that produces and sells minicomputers, does not allocate its own resources to discover new business applications for its products.

Instead, it maintains a strong and continuous connection with its clients and relies on them to discover applications for their mini-computers. A research conducted by Eric Von Hippel and James Utterback in the scientific instruments industry found that over 75 percent of innovative ideas originated from users.

In order to effectively strategize and oversee innovation as a continuous endeavor, the manager's initial step is to establish and sustain a strong rapport and connection with customers. The sales representatives of the organization serve as the most immediate and direct means of communication between the company and its consumers. The manager's responsibility is to instruct these salesmen to be vigilant and attentive in order to gather any form of information, ideas, suggestions, complaints, critiques, and relay it back to the organization. A comprehensive study on innovation undertaken by Christopher Freeman has determined that prosperous organizations devote significant attention to the market. Prosperous companies engage in innovation as a direct response to market demands, actively involve potential customers in the process of developing new ideas, and possess a deep understanding of the requirements and desires of their users.

The manager can also establish and sustain a direct connection between customers and the organization. Proctor and Gamble, a prominent American consumer goods corporation, included a toll-free telephone number on its packaging. This number allowed customers to contact the firm and provide any relevant information about the product. In 1979, this company got a total of 20,000 telephone calls, all of which were thoroughly followed up on. These calls served as a significant catalyst for generating innovative ideas and driving improvements.

Monitoring the actions and strategies of competitors can serve as a catalyst for innovation, just like advancements in technology. In order to be considered innovative, the technology must prioritize the market and customer needs rather than focusing solely on research. Typically, the innovation that eventually enters the market was not initially designed for that purpose. Understanding the veracity of this assertion is enhanced by the knowledge that xerography was first targeted at a limited portion of the lithography business, with no intention of being employed for mass duplication purposes. Transistors, which were initially created for military purposes, were employed in the production of television, radio, and other devices before the advent of integrated circuits. As a manager, it is essential to closely monitor technological advancements and identify customer-centric applications for them.

A manager who is well-informed about the market may promptly identify underlying changes and shifts and adjust their product properly to meet customer demands. The innovativeness of a corporation is determined not by the total amount of money and effort invested in research and development, but rather by its capacity to rapidly adapt and introduce superior products to the market. This necessitates adaptability in the organizational framework to enable the requisite modifications. The manager who fosters and cultivates curiosity and an open mind, while incorporating market feedback, will ultimately prevail in the competition when innovation is highly valued.

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## 2.8 BUILDING HUMAN ORGANIZATIONS

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The human being is unquestionably the most crucial asset of an organization. Merely possessing wealth, resources, and technology is insufficient to achieve desired outcomes. Men are required to oversee them. Machines can be designed to automate mundane and repetitive tasks, however, the creation and design of these machines can only be accomplished by the human intellect.

The advise given by U.S. President Ronald Reagan to practicing managers is to surround themselves with the most capable individuals, delegate control, and refrain from interfering. Undoubtedly valuable guidance, with the exception that individuals of high caliber, particularly the finest ones, are really challenging to locate. The phrase "I just can't seem to find the right people" is a commonly expressed complaint among many managers. It is a paradoxical scenario where there is a high level of unemployment while also facing significant difficulty in finding suitable individuals.

According to a small consulting firm, placing an advertisement for sales representatives in a national newspaper results in receiving up to four hundred applications. However, it is considered fortunate if the firm is able to select only two or three qualified individuals from this pool.

This serves to further emphasize the notion that a competent employee is a highly valued resource for any organization. Furthermore, it is imperative for every manager to consistently remain vigilant in identifying individuals with promising capabilities and enticing them to become part of his organization. Having a skilled team is a significant advantage for a manager, since it puts them in a favorable position to succeed. It is important to emphasize that we refer to a collective group as a team, rather than focusing on individual members. Regardless of their competence or brilliance, individuals who are unable to collaborate well with one another are of limited value to a firm. The responsibility of integrating individuals into a cohesive team lies with the manager. A manager who is unable to assemble a competent team will not be able to achieve success. Teams should be constructed based on the concepts of labor division, work specialization, and reciprocal exchange.

Pearl Polymers Private Limited specializes in the production and promotion of a diverse selection of consumer and industrial thermoplastics, marketed under the brand name PEARL PET. Furthermore, the business engages in the exportation of garments, the manufacturing of computers, as well as retailing and dealing in fundamental chemicals. The upper echelon of the management team comprises four siblings, each specializing in a distinct area of expertise. The eldest brother assumes the role of the group's leader, overseeing and managing the collective interests of the entire group, in addition to being accountable for marketing and trading activities. The second brother, who has a background in chemical engineering, is in charge of overseeing the production process. The third sibling holds the profession of a certified accountant and is responsible for overseeing financial matters and maintaining records of accounts. The fourth sibling possesses a degree in business management and assumes the responsibility of overseeing the exportation of garments. These brothers have achieved great success by establishing distinct areas of operation and responsibility, fostering a strong sense of teamwork.

Acknowledging the significance of fostering a sense of camaraderie and collaboration in order to accomplish organizational goals, forward-thinking firms are making concerted efforts to cultivate this ethos through various means. Quad Graphics, a highly prosperous printing company in the United States, refers to its employees as 'partners'. W.L. Gore Associates, an American high-tech firm, designates the 4000 individuals employed by the company as 'associates'.

More than 10 million employees in the United States are beneficiaries of Employee Stock Ownership Plans, which allow them to own a portion of the companies they work for. This arrangement is shared by over 8,000 American organizations.

## 2.9 TALENT RETENTION AND INculcating Loyalty

Recruiting competent individuals remains a relatively uncomplicated endeavor as compared to the challenge of retaining them. Employees will only remain with a company if they perceive recognition and contentment in their work.

In order to retain talented individuals, the management should establish a comfortable and favorable working atmosphere. The level of autonomy a worker has in making decisions within the established boundaries of their profession is more significant than the physical surroundings. When a worker is aware that he has the obligation to generate outcomes and he is held responsible for them, he will exert his utmost endeavor. Conversely, if the worker is consistently instructed to perform every single task without any autonomy, whatever remaining potential within them will be extinguished. An employee should possess the ability to have a sense of pride in their work and experience satisfaction in proclaiming, 'This is my accomplishment'. In order to prevent labor from becoming monotonous and devoid of purpose, it is important to alternate repetitive and mundane duties with those that require a certain level of inventiveness. Implementing this may provide challenges, but the manager should prioritize contemplating the most effective methods to imbue work with significance. Job rotation within a department and at the same level can enhance work engagement and allow employees to showcase their professional and technical expertise.

<sup>38</sup> The management must also recognize that each individual possesses distinct qualities and their level of proficiency in different elements of job differs from one another. As a proficient manager, your objective should be to identify the talents of your subordinates and assign them tasks that allow them to fully utilize their skills. Offer assistance to individuals in areas where they perceive themselves as lacking proficiency. An accomplished and capable man certainly deserves that additional assistance.

Acknowledging, valuing, and fostering the abilities of your subordinates will yield benefits in the form of enhanced outcomes and loyalty. Nevertheless, in order to truly secure the allegiance of his subordinates, the manager must bear in mind two other fundamental principles: communication and motivation. A manager that promotes transparent, straightforward, and candid communication is consistently able to address difficulties well in advance of their becoming problems, while also capitalizing on the innovative ideas of their employees.

Direct communication with the top manager boosts workers' self-esteem and fosters a sense of belonging, since it validates their thoughts and feelings as significant to the organization. Such a sentiment greatly contributes to the development of loyal employees.

Each person's behavior is motivated by various wants, impulses, and ambitions, and is aimed at accomplishing specific objectives. These desires and motivations compel an individual to take action. The manager's objective should be to exert influence on these wants, desires, or motives in order to align them with the attainment of the organizational objectives.

The more number of motivational aspects a manager can integrate into the work content, work atmosphere, and work rewards, the more gladly individuals will exert diligent effort. Monetary compensation, authority, social standing, acknowledgement, and other similar factors are potent incentives that a manager can employ. Through the implementation of Employees Stock Ownership Plans (ESOPs) in numerous US organizations, employees have the opportunity to purchase shares and acquire partial ownership in the companies they are employed by. Recent study indicates that these approaches effectively foster employee loyalty and retention throughout organizations.

## 2.10 SUSTAINING LEADERSHIP EFFECTIVENESS

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Every manager assumes the role of a leader by exerting influence over their subordinates, motivating them to freely strive towards accomplishing the goals of the organization, and inspiring them to provide their utmost effort. A manager can only be recognized as a leader by consistently showcasing their leadership skills. A manager who consistently prioritizes the well-being and interests of their employees, while making unbiased judgments that benefit all, will earn the faith and trust of their staff.

J.R.D. Tata exemplifies a very proficient leader. Having been appointed as Chairman of Tata Steel in 1939, he retained this post with excellence and demonstrated great leadership till 1985. The trust of millions of customers in Tata products, ranging from salt to trucks, is a testament to the exceptional leadership demonstrated by J.R.D. Tata. While there may be other industrial companies of similar size, few can match the level of consumer trust or possess the same level of integrity and flawless reputation as the Tatas. The inception is invariably established from the apex - the commencement of decay or distinction that is contingent upon your own selection. Regardless of your decision, it is crucial to recognize that it has significant weight. Once the momentum is established, it becomes challenging to halt and reverse the course of action.

A good leader must possess foresight and strategic thinking abilities, as well as the capacity to persuade and rally individuals.

## 2.11 MAINTAINING BALANCE BETWEEN CREATIVITY AND CONFORMITY

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The process of conceiving and creating a novel idea, concept, or product can be highly imaginative, demanding, and exhilarating. However, that constitutes merely a single facet

of the narrative. The subsequent aspect of the narrative, typically the more challenging one, involves the conversion of this concept into a prosperous enterprise. This necessitates meticulous strategizing and coordination of financial, marketing, administrative, and other related aspects. Although new product development requires a significant amount of imagination, its transition into a successful business venture necessitates the execution of more mundane and repetitive operations. Creating a novel, upscale garment can be a demanding and fulfilling endeavor. However, the process of marketing it to shops nationwide and diligently pursuing payment for outstanding debts may lack the same level of excitement, yet it can provide the gratification of successfully completing a normal task. A management will be fortunate if they can identify both creative and conforming qualities in the same individual. Typically, this is not the norm, and the majority of organizations have distinct entities such as Product Development Groups or Research and Development Divisions. Optimal conditions for fostering creativity are granting unrestricted autonomy while imposing minimal constraints and guidelines. The majority of companies grant product development teams the autonomy to operate within a more unrestricted environment. An advertising agency renowned for its exceptional campaigns grants its creative personnel, including copywriters and art directors, the liberty to enter and depart the office at their own discretion. Management grants a significant level of autonomy to its creative personnel, provided that they meet the deadline for completing their assignment.

Unlike artistic success, which lacks predetermined outcomes, corporate success necessitates the attainment of precise, typically measurable objectives. Optimal outcomes in business are typically achieved by adhering to company policies and regulations. Nevertheless, it should be noted that managing for commercial success is not tedious and does demand some level of ingenuity. In contrast, achieving success in today's fiercely competitive world requires creativity in all areas of management, including finance, marketing, advertising, public relations, and human relations.

In order to achieve success, an organization requires individuals who possess both creative abilities and the capacity to generate tangible business outcomes. The manager must foster inclusivity and promote the development of individuals from all backgrounds inside his organization. An innovative product concept presents a firm with a unique chance to rise above the monotony of competition and achieve success. However, the actualization of this opportunity relies on the individuals who are responsible for delivering favorable business outcomes.

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## 2.12 POSTPONING MANAGERIAL OBSOLESCENCE

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After accumulating 40 to 25 years of work experience, managers and executives frequently encounter a point where they no longer feel motivated by the potential for higher status, increased compensation, and additional benefits. Additionally, they may struggle to connect with and understand the latest managerial knowledge and skills, leading to a sense of disorientation. Both scenarios result in these managers becoming unproductive and burdensome to the organization due to their high expense and lack of capacity to make significant contributions. The issue at hand is management obsolescence, which occurs when managers become unproductive or outdated, or both. If the lack of motivation is the

underlying cause, the solution comes in reconfiguring their job content to enhance its significance. Aerospace companies appoint their top engineering managers as consultants to groups of young engineers, allowing them to share their extensive experience.

Training programmes are designed to enhance the manager's knowledge and skills, hence improving their job performance. Numerous organizations frequently provide financial support for their senior executives to participate in these training programs.

Other companies host external specialists at their own facilities to provide similar programs and workshops. Managers that are dealing with knowledge obsolescence can address this issue by participating in training programmes, refresher courses, and fundamental courses that focus on specific functional areas.

These training programs are not exclusively limited to senior management. Indeed, younger managers can also derive advantages from these programs, particularly those that offer insights into other functional domains, like as production, for managers who are not directly involved in production. Workshops targeting young managers, with the purpose of preparing them for high-level management positions, are also advantageous.

## 2.13 CHANGE MANAGEMENT

A key role for managers is to act as change agents. Firms operate in a constantly evolving social, political, economic, technical, and cultural context. The company needs to adapt and evolve. The organization may adopt new manufacturing technologies, phase out existing product lines, and implement formal procedures for planning, resource allocation, and job appraisal. Each implies change. People naturally oppose change. Employees who are accustomed to a certain system may view change as a danger to their job security. Most people oppose change since it requires learning new approaches or processes from scratch.

The marketing section of a television firm blamed the low quality circuit in black and white TVs for poor sales performance. Although an upgraded circuit was introduced, the marketing department attempted to convince upper management that the previous circuit was still operating well. The marketing department faced pressure to provide results, as there was no scapegoat for lack of results. The after-sales engineers disliked the new circuit as it required learning a new way to service it.

Change is inevitable. The manager's role is to smoothly implement changes with minimal disruption and resistance. Communicating change information, educating employees on its benefits, and including important personnel in the process can simplify the manager's role. To successfully implement change, managers should first seed the idea in the minds of a few individuals, then let it develop until the people themselves request it. The Japanese make choices through consensus. It may not always be feasible to implement change through consensus. Consensus methods may be impractical due to time, money, or competitive constraints.

## 2.14 UPDATING WITH TECHNOLOGY

Significant technological progress is being observed in areas such as production and information management.

In the field of production, advancements have enabled the complete automation of manufacturing facilities, greatly reducing the need for human labor. For instance, at Nissan's Zama plant, the entire final assembly process is fully automated and managed by robots. These machines have effectively replaced human workers in tasks where continuous, fatigue-free operation is possible through programming. Robots are particularly useful in handling heavy or dangerous materials during manufacturing. The shift to automated systems has forced managers to find solutions for reallocating workers who are no longer needed. Simply laying off employees is not always the best option, as it can result in significant compensation-related expenses.

Moreover, in several countries, workforce reductions are either restricted or discouraged due to political ideologies or cultural values. For example, in Japan, the concept of lifelong employment remains a key part of workplace culture, making it difficult to dismiss employees.

The use of computers in business operations has revolutionized managerial decision-making. Today's managers have access to more timely and higher-quality information, allowing them to make better-informed choices. Additionally, electronic data processing supports the use of complex statistical and analytical models to forecast the outcomes of various decisions. This helps reduce uncertainty and manage risk. However, with the abundance of information available, it becomes essential for managers to identify what information is relevant and to ensure that the advantages gained from data usage outweigh the costs involved in its collection and processing.

## **2.15 HANDLING PUBLIC CRITICISM AND POLITICAL OPPOSITION**

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Production and information management are two key areas undergoing rapid technological transformation.

Large corporate groups often find themselves under political and public scrutiny due to the perception that they wield excessive influence and control, stemming from the concentration of economic power. While this power may seem substantial within the Indian context, it is relatively modest when viewed on a global scale. Much of the criticism these corporations face is driven less by concrete facts and more by ideological, political, or personal biases. Nevertheless, there are cases where such criticism is warranted. For example, Peerless

General Finance Limited came under fire for raising large sums of money without following required regulatory procedures.

To avoid political backlash, it is essential that all corporate actions are carried out within the bounds of the law and with full transparency. Furthermore, managers should aim to keep their company's profile low to avoid drawing unnecessary attention. It is also important for managers to communicate clearly and honestly with the media and political stakeholders to ensure that the public perception of the organization remains fair and accurate.

## **2.16 COPING WITH 4 INCREASING LEVELS OF ASPIRATION**

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The rise of **information technology is** contributing to a shift toward a more democratized society. **People in one part of the world** are now better informed about the lives and events occurring in other regions. Similarly, individuals within one socio-economic class have greater exposure to the lifestyles of those in higher economic tiers. This increased awareness, especially among young people from less privileged backgrounds, often creates a strong desire to achieve a similar standard of living.

When supervising blue-collar workers, it is crucial for **a manager to** recognize the **gap between their** expectations and their actual living conditions. If management fails to acknowledge or understand this disconnect, it can lead to frustration and dissatisfaction among workers, which may eventually result in disruptions or challenges to company operations.

Therefore, **as a manager, it is** important to understand and respect the ambitions of your workforce. Efforts should be made to meet those aspirations where feasible, keeping in mind the limitations of the organization and the role of the employee. Offering greater independence, increased responsibility, improved wages, promotional opportunities, and involving workers in managerial decisions can enhance their sense of value and purpose. This approach may help channel their frustrations into more positive and productive outcomes.

## **2.17 MAINTAINING PUBLIC RELATIONS**

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A company satisfies a requirement or multiple requirements of the society. It is present within the societal framework and engages in reciprocal contact with it. An organization solicits resources such as funds, manpower, materials, machinery, and technology from the community, which it then utilizes to manufacture items and provide services for the community's consumption. During this interaction, the manager must engage with different societal segments, including the labor market for recruitment, machine and technology suppliers, **banks and financial institutions** for funding, the government for defining

operational boundaries, retail outlets or agencies for product distribution, and customers for product purchase. This is not a comprehensive compilation, but rather a suggestive enumeration of the several categories of societal divisions that necessitate the establishment of connections.

A firm generates impacts by meeting the demands of society and engaging with different groups of society. Certain affects are deliberate, while others are unintentional. By utilizing newspapers and magazines as advertising platforms, a corporation is effectively generating product awareness. This awareness is a deliberate outcome.

Nevertheless, the publication of editorial articles about the company and its products in magazines and newspapers inadvertently generates an unintended influence on the corporation. Given that certain unintended consequences can have negative implications for the company's reputation or disseminate misinformation, it is imperative for the management to consistently strive to mitigate these effects. The next lesson will cover the interactions with different elements of society and their intended and unintentional repercussions.

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## 2.18 LET US SUM UP

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The manager's job description dictates the exact responsibilities that they must complete. The tasks can differ based on the manager's level, role, and industry affiliation. Throughout this unit, we have covered a comprehensive range of responsibilities that are essential for every manager to carry out. It is likely that you may not be doing all the tasks outlined above, but rather limiting yourself to simply a select handful. Additionally, certain tasks may possess a higher level of significance compared to others.

Due to the extensive variety of responsibilities that a manager is expected to complete, it is crucial for the manager to possess the qualities of critical thinking, action-oriented behavior, and a focus on interpersonal relationships, all combined into a single individual. Nevertheless, it is uncommon to encounter a manager who possesses an optimal balance of all three dimensions in equal measure. In order to be efficient, it is crucial to identify your prominent attribute and seek an opportunity where your strength may be optimally employed.

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## 2.19 UNIT END EXERCISE

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1. Explain in detail the factors that influence the firm's ability to survive and grow.
2. How does a management ensure the firm's profitability by maintaining efficiency?
3. What strategies does a manager employ to effectively oversee innovation in order to accomplish the firm's objectives?
4. What is the primary responsibility of a manager in dealing with the difficulties associated with change?

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## 2.20 REFERENCES AND SUGGESTED READINGS

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## **UNIT 3 EVOLUTION OF MANAGEMENT THOUGHT**

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### **Structure**

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Evolution of Management Thought
- 3.4 Different Perspectives of Management
- 3.5 Let us Sum Up
- 3.6 Unit End Exercises
- 3.7 References and Suggested Readings

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### **3.1 UNIT END EXERCISE**

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The evolution of management may be traced back to the contributions of several schools of management thinking, which prioritize specific ideas and practices as the most effective for managing businesses. These techniques or philosophies are known as different viewpoints on management.

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### **3.2 OBJECTIVES**

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After reading this unit, you should be able to:

- discuss the evolution of management
- explain the foundations of management thought
- understand the different perspectives of management
- elaborate the philosophy and approaches of management

- discuss Taylor and Fayol's contribution to management
- explain the principles of Scientific management
- elaborate the contribution of the behavioral science to management
- discuss the contingency approach, Systems approach, Decision Theory Approach and other approaches to management

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### 3.3 PERSPECTIVES OF MANAGEMENT

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#### The Empirical or Classical Perspective

The empirical or classical method to management was introduced throughout the early years of the 20th century. To a certain degree, this method is acknowledged and implemented by numerous managers, even in the present day. The proponents of this management philosophy highlighted the need of studying the experiences of accomplished managers. They asserted that doing such a study would yield a more comprehensive comprehension of the optimal methods for corporate management. Occasionally, they emphasized the importance of conducting thorough examinations and analyses of cases. Nevertheless, detractors argue that management does not operate **in the same manner as law, which relies on precedent. Management is a dynamic field, and the circumstances in which managers make decisions** can vary significantly from their past experiences.

There are three distinct branches of the classical approach that can be observed - Scientific management, administrative theory, and bureaucracy.

##### A. Scientific Management

Scientific Management emerged as a response to the necessity of enhancing manufacturing efficiency by optimizing the utilization of physical and human resources. F.W. Taylor, widely regarded as the pioneer of scientific management, put out this proposal. He notes that the most effective management **38** is based on the principles of true science, which relies on clearly defined laws and duties as its foundation. He dedicated a significant portion of his life to solving the problem of improving productivity in the workplace. Taylor saw that the workers became accustomed to deliberately prolonging the job and expressing dissatisfaction with the subpar and outdated tools and equipment provided to them. He saw the necessity of instructing the workers that their employment would not be terminated if they produce a greater quantity of work. The answers proposed by Taylor were the result of his personal experience in the workplace, first as a worker and later as a manager. He suggested this against the backdrop of the industrial revolution. Employers prioritized effective working procedures to a great extent.

Taylor had a strong enthusiasm for optimizing work processes. He immediately recognized that conducting a systematic study of work would lead to a resolution for all the **issues related to** improving **the effectiveness of** working methods. Furthermore, he came to the realization that this was the sole method to tackle the concerns of the employees. Taylor consolidated his ideas at the Bethlehem Steel Company and undertook renowned trials to enhance labor productivity. In 1911, he published his work in an article titled "The Principles of Scientific Management." He was the pioneer in recognizing and highlighting

the necessity of implementing a scientific methodology in business operations.

The concept of scientific management involves the application of scientific principles to address management-related matters. Scientific management systems aim to optimize task performance by simplifying jobs and training workers to complete specialized sequences of motions in the most efficient manner. Taylor formulated the following four principles of management after conducting numerous trials to identify the most effective work practices.

- i. Establish a systematic approach for analyzing and understanding each component of an individual's job. This would include substituting the use of traditional trial-and-error approaches with procedures that are informed by a systematic and empirical examination of the problem at hand. Previously, workers relied on an estimation that was based on their personal expertise.
- ii. Employ a scientific approach to carefully choose, train, instruct, and enhance the skills of each worker, rather than simply relying on their self-training. Previously, workers had the autonomy to select their own tasks and acquire skills as best they could. It is crucial to foster strong collaboration with the workers to guarantee that work is carried out in alignment with the established principles of science. Previously, there was a persistent confrontation between management and workers.
- iii. Allocate labor and responsibility in a nearly equal manner between management and workers. Management would assume responsibility for tasks that align more effectively with their expertise compared to the workers. This entails managers applying scientific management concepts to organize the work, while the workers execute the tasks. Previously, the workers bore the majority of the workload and responsibility.

These concepts were applied in numerous factories, resulting in a three to fourfold boost in productivity. Henry Ford implemented Taylor's concepts in his automobile manufacturing, and similar principles were also adopted by families for their home tasks.

### **Taylor's Experiments**

Taylor showcased the advantages of enhanced efficiency and financial gains by conducting an experiment at Bethlehem Steel Works. Before the implementation of scientific management, work was carried out by proficient artisans who had acquired their skills through extensive apprenticeship. They autonomously made decisions regarding the execution of the tasks. Scientific management significantly reduced their independence and transformed expert crafts into a sequence of simplified tasks that could be executed by unskilled laborers who could be easily educated for the job. His early career demonstrated his keen interest in enhancing worker efficiency, as he saw significant inefficiencies while interacting with steel workers.

### **Soldering**

His involvement in the steel sector allowed him to witness the phenomena of workers intentionally performing at a significantly lower level than their actual potential, namely in the context of soldering. He ascribed this to the subsequent factors.

1. The widely accepted notion among workers is that increasing productivity would result in a reduced demand for workforce, leading to job cuts.

2. Non-incentive wage regimes resulted in decreased production.
3. No incentives were provided as part of the compensation, resulting in all employees receiving equal pay regardless of their productivity. They held the belief that their current rate of work was satisfactory and saw no reason to increase it. They believed that striving for a faster pace would result in the establishment of higher standards. Consequently, they were operating well below their maximum potential.
4. Workers predominantly depended on the rule of thumb approach, resulting in significant inefficiency and a failure to adhere to scientific methodologies in their task execution.

Therefore, Taylor conducted multiple trials to ascertain the optimal method of performance for each activity. One of the tests conducted is time study.

### **Time Study**

Taylor conducted time and motion experiments to ascertain the most efficient approach for doing a task. He employed a chronometer to document the duration of a laborer's actions in the course of his tasks. His objective was to determine the most optimal method for doing a task. He contended that by strategically planning and scientifically executing the most fundamental activity, productivity might be significantly enhanced, as opposed to relying on the incentive-based approach to motivate personnel. The fundamental concept of the initiative and incentive method was to provide a motivating reward to workers in exchange for higher production. <sup>37</sup> However, this approach also entails the responsibility of ensuring that the method is executed in the most optimal manner.

### **Pig Iron Experiment**

One of his notable experiments in time and motion research used the use of pig iron. Taylor hypothesized that if workers were tasked with moving 12 and a half tonnes of pig iron every day, and were encouraged to move four times that amount, they would become fatigued and unable to meet the target. He suggests that if the works manager were to perform an experiment and establish a standard schedule for rest, work, and other activities, the employees' physical abilities may be maximized. The personnel could also be categorized according to their aptitude and proficiency in doing the task.

### **Shoveling**

In a subsequent study, Taylor once again employed time studies to ascertain that the ideal weight for a worker to lift with a shovel was 21 pounds. He discovered that materials have varying densities, necessitating the use of a shovel that is proportionate in size. Through these experiments, he discovered that labor could be efficiently utilized on the shop floor by implementing scientific methodologies. He provided impromptu tools and observed a three to fourfold rise in worker productivity. As a result, employees were compensated with higher wages and additional incentives.

### **Brick Laying**

The Gilbreth's brick laying studies, inspired by Taylor, likewise demonstrated a notable augmentation in the quantity of movements needed to lay the bricks. The trials were conducted using motion picture technology.

## **Contribution of Scientific Management**

The contribution of scientific management can be summarized as follows: Taylor sought to supplant conventional management practices with scientific management by formulating empirical principles through his experiments on individuals, machinery, finances, and resources, with the aim of ensuring mutual benefits for both employers and workers. He advocated for the efficient utilization of both human and material resources in order to eliminate waste inside the company. Through his time and motion studies, he has eradicated superfluous actions, identified the most efficient way for a specific task, and established standards using the analytical methods he employed. He illustrated how an ordinary, unassertive employee could enhance their performance by receiving clear guidance and appropriate tools. The outcome of these studies was the most recent refinement of activities, meticulous job design, suitable procedures, and achieving an optimal level in terms of time and motion criteria.

2. His remuneration demonstrated his forward-thinking approach towards enhancing production and aligns with contemporary ideologies. His experiments focus on scientifically measuring the job that serves as the basis for determining salary rates. He contended that enhanced production should be remunerated based on merit rather than being determined by the union's requests or the management's capricious desires. He proposed that the management prioritize the generation of a surplus and its equitable distribution, rather than just sharing the current production.

The number 3. He advocated for a cognitive transformation from both the workers and management. According to him, in order to fully reap the advantages of scientific management, it is essential to establish mutual trust and cooperation. He stated that such an approach would eliminate exploitation and promote a singular, optimal method for doing tasks.

Scientific management made significant contributions to the workforce and their beliefs. He advised the workers to employ scientific principles and procedures in their job, disregarding the rule of thumb approach. He also encouraged them to cooperate with the management in order to establish scientific ways of working and to cease concerning themselves with the distribution of excess. He additionally urged them to adhere to the directives of the administration in order to plan the subsequent steps and acquire proficiency in contemporary work methodologies with confidence.

5. Its contribution has positively impacted the industry as a whole through the implementation of a logical approach, enhanced working methods, the development of incentive systems, and a significant boost in worker productivity. The tests established the groundwork for management strategies such as work study and other related methodologies.

## **Criticism of Scientific Management**

Scientific management prioritized the parties involved in the industrial management process. Consequently, it faced criticism from employers, workers, and leaders:

a. Scientific management disregarded the workers' creativity and inventiveness on the job

by insisting on a single, optimal method of work.

b. With the aim of enhancing production and elevating the quality of work, the workers were reduced to mere components in the machinery.

The analysis of the task in the workplace resulted in the fragmentation of work, with individuals becoming highly specialized in particular areas. The outcome was based on the systematic approach to performing a specific activity.

d. The management prioritized the design and planning of the project, disregarding the worker and their expertise, resulting in a monotonous and tedious experience.

The excessive reliance on rule of thumb approaches created a sense of insecurity among the workers, as they were expected to adhere to scientific standards set by the management.

## **B. Administrative Theory**

Henry Fayol, a prominent French industrialist, made significant contributions to the field of administrative theory. Additional contributors include Mary Parker Follet, Lyndall Urwick Terry, Peter Drucker, Harold Koontz, and others. The administrative theory, also referred to as the functional or process approach, is to identify the fundamental functions performed by managers and the principles that define effective management practices. The focus was on highlighting management functions and developing comprehensive administrative principles that may be used as a framework or guidelines for streamlining organizational activities, including organizational structures and relationships. They regarded the job as a precursor to the worker. Fayol contends that organizations operate from a managerial perspective. He suggested that all managers carry out five management functions: planning, organizing, commanding, coordinating, and regulating. In addition, he delineated the profession of management as separate from accounting, finance, production, distribution, and other company responsibilities. His contribution is particularly notable for his recognition that management is a universal activity that applies to all human endeavors, whether in industry, government, charitable organizations, or even inside households.

In addition, he put out a set of fourteen principles of administration that he anticipated would be frequently implemented in the running of organizations. The items are:

i. Division of labor - Fayol promoted the division of labor, whereby a worker is assigned specific tasks to capitalize on specialization. As the worker performs the same action repeatedly, the management provides corrections, enabling them to develop proficiency and precision, ultimately leading to improved productivity and efficiency. The principle of work division can be implemented in several fields, including technical and managerial work, and at all management levels.

ii. Authority and responsibility - Authority grants the power to provide commands in order to accomplish tasks. Personal authority is obtained from personal attributes such as intelligence, experience, ethics, and other things, but its basis lies in the individual's position. Responsibility is the state of being accountable for one's actions and is derived from the delegation of tasks.

iii. Discipline - As per Fayol's perspective, discipline refers to the adherence and

compliance of employees to employment contracts and rules, demonstrating obedience, energy, and a sign of respect. Discipline assumes the presence of self-imposed control, originating from inside the individual as a natural reaction to an experienced leader. Command discipline, in contrast, originates from an acknowledged authority that ensures adherence and is governed by laws, regulations, culture, and other factors.

iv. Unity of command - This principle states that an employee should only receive instructions from a single superior. When the employee is given many instructions, he becomes perplexed and is unable to execute any of the directives.

In such circumstances, the legitimacy of authority is eroded, discipline becomes compromised, commands are disregarded, and the stability of the organization is jeopardized.

v. Unity of Direction - The idea of Unity of Direction focuses on how the organization groups its activities and ensures their coordinated functioning. Activities inside an organization that have the same purpose are organized into groups, each with a designated leader and a plan. This arrangement promotes improved coordination among the activities.

vi. Subordination of personal interest to collective interest - Individuals, as constituents of the organization, are obligated to prioritize the interests of the organization. In the event of a conflict between personal and organizational interests, personal interests should not take precedence over those of the organization.

vii. Personnel compensation- The methods of payment and remuneration should be just and should provide contentment to both the employer and the employee. Fayol argues that many payment methods are not universally applicable and none of them can be regarded a flawless solution. In addition, he emphasized the nonfinancial incentive structure, which the management did not consider to be significant.

viii. Centralization — According to Fayol, this concept refers to the degree to which authority is either centralized or distributed. The organization should employ a careful equilibrium between centralization and distribution of power. The goal should be to effectively employ the skills and abilities present within the business, ensuring that the management maintains power and accountability.

ix. Scalar chain refers to the hierarchical line of authority that extends from top management to the lowest ranks. Communication is exclusively channeled through this network. It is only permissible to omit it when it has a harmful effect on the organization. Fayol proposed the implementation of a gang plank to facilitate cross-communication and mitigate the hindrance of the scalar chain on decision-making and execution.

x. Order - Order pertains to the organization of objects and individuals, signifying that each item has a designated location and should be positioned accordingly. For a well-functioning society, it is essential to have individuals occupying positions that align with their abilities and qualifications.

xi. Equity- Equity is the amalgamation of fairness and benevolence. When an institution exhibits fairness in its treatment and conduct, it garners admiration, popularity, and fosters loyalty and dedication among its subordinates. Equity additionally ensures amicable

interactions between management and labor, thereby promoting organizational well-being.

xii. Stability of tenure refers to the reasonable assurance of work stability.

Inefficient management both leads to and is a result of turnover.

Fayol argues that it is preferable to have a manager of average or mediocre ability rather than exceptional managers who frequently change positions.

xiii. Initiative - Demonstrating initiative while adhering to the boundaries of authority and discipline enhances the enthusiasm and vigor of individuals. Fayol defines initiative as a source of fulfillment for an intellectual individual. Management should promote and incentivize staff to proactively demonstrate their resourcefulness and provide high-quality work with utmost adaptability.

xiv. Esprit de Corps - Encouraging initiative is important for integrating it into the organization's planning process. Esprit de Corps refers to the collective team spirit and the belief that unity is a source of strength. It fosters the ethos and dedication necessary to guarantee collective concord. Fayol emphasizes the importance of fostering harmonious relationships among individuals, as it serves as the most effective source of strength.

The strength, stability, status, and reputation of an organization rely on the cohesive relationships among its personnel.

### **C. Max Weber's Bureaucratic Perspective**

Taylor's primary emphasis was on the supervision and control of people in the physical work environment, whereas Fayol's main concentration was on the overall management activities within the firm. Max Weber, the German sociologist, was closely associated with these concepts. He dedicated his efforts to formulating a theory of bureaucratic management that placed great importance on the concepts of authority, structure, and the depiction of organizational activity as being founded on authority and relationships. He examined management and organizational behavior via a structural lens.

Weber coined the term "bureaucracy" to describe an ideal sort of organization. The system is distinguished by the allocation of tasks, a well-defined chain of command, explicit guidelines and protocols, and interactions that lack human connections.

He acknowledged that the concept of a perfect bureaucracy is not existing in actuality, but instead serves as a partial reconstruction of the tangible world. The intention behind it was to serve as a foundation for speculation on the subject of work and how it could be executed within extensive collectives. The characteristics of Weber's ideal bureaucracy include the following aspects.

i. Job specialization, where work is separated into basic, routine, and well-defined specialized jobs.

ii. Hierarchy - Positions and individuals are arranged in a structured system of authority, with higher authorities exercising control and oversight.

iii. Formal selection: Employment and promotion should be based on merit.

Employee selection should be based on technical qualifications demonstrated through

training, education, or a formal examination.

iv. Formal rules and regulations: To ensure consistency and regulate employee behavior, a strict set of formal rules and regulations must be followed.

v. Impersonality: Superiors should approach their official duties with an impersonal attitude, applying rules and controls uniformly and avoiding personal preferences.

vi. Career orientation: Managers, as professionals, work for a fixed remuneration and focus on advancing their careers within the organization.

The classical approach serves as a foundation for training managers by identifying the functions and competencies required of managers. The main emphasis is on the universality of management ideas. It offers a systematic structure that disregards the human element inside the organization and is founded on the notion of a rational economic individual.

Furthermore, Mary Parker Follett and Chester Erwin Bernard are further intellectuals who made significant contributions to classical management. Mary Parker Follett advocated for the inclusion of managers and workers as a collective entity. Follett has introduced the concept of the law of situation, which posits that individuals should acknowledge and embrace the circumstances they find themselves in, and strive to operate effectively within those limitations. She emphasized the importance of coordination, particularly in the initial phases of the organization, to establish a firm grip on the control process.

In contrast, Bernard, the author of the Functions of the Executive, emphasized the harmonization of individual and organizational objectives. He restructured the business by incorporating three essential components - corporation, mission, and communication. According to him, individuals must voluntarily collaborate and contribute towards a common objective by utilizing both the official and unofficial channels within the organization. Within his book, he put forth three distinct functions that an executive should fulfill.

He believes that executives should actively participate and establish a communication framework to maximize their performance and contribute to shaping the organization's objectives. The classical management theory introduced a framework and principles of management that not only offered guidance for organizations to operate but also laid the groundwork for modern management techniques.

#### **D. Human Relations/Behavioural Approach**

The evolution of management thought is regarded as a coherent progression of concepts and experiments conducted within businesses, as well as the insights gained by management thinkers and consultants in the field of management. The Human Relations method was deemed unconventional during its time due to its emphasis on the psychological and sociological factors that impact employee performance. The Human Relations School emphasized the importance of employing human relations strategies such as leadership, communication, and motivation. According to their perspective, management should prioritize interpersonal relationships and include achieving goals through people. The emphasis was placed on the human element of management,

specifically in the fields of psychology and social psychology, with a focus on meeting psychological needs and comprehending human behavior.

Classical views have posited that humans are primarily motivated by the fear of hunger and that there is no inherent conflict between management and workers. Consequently, this study employed work, structures, and rewards as major elements to propose diverse concepts and practices derived from multiple trials aimed at enhancing productivity and effectiveness. Due to multiple factors, the anticipated levels of efficiency and production were not attained as anticipated.

Nevertheless, the classical approach to management, which involves applying scientific principles, incentivizing workers, ensuring job security, promoting initiative, and fostering group cohesion, has established a strong basis for acknowledging the importance of individuals inside an organization.

### **Hawthorne Experiments**

Undoubtedly, the primary and significant contribution to the human relations movement was the initial investigation known as the Hawthorne Studies, which took place at the Western Electrical Company in Hawthorne, near Chicago, in the state of Illinois. In 1924, a group of consultants from Harvard, led by George Elton Mayo, began studying the impact of illumination levels on workers' productivity. Mayo and his associates were later persuaded to join a team of industrial engineers, and their research grew throughout the 1930s. This connection, initiated in 1927 and lasting until 1932, involved a series of extensive trials focused on job redesign, alterations in the duration of the workday and workweek, intervals of rest, lunch arrangements, as well as individual and collective wage schemes. Two groups, a control group and an experimental group, were formed to conduct illumination tests. The groups were exposed to different levels of illumination intensity. Interviews were conducted to ascertain the attitudes and analyze the social structure among workers. It was discovered that the alterations in the work environment had minimal impact on work output. The engineers were unable to explain the observed behavior when the level of illumination did not have a direct correlation with group productivity. The results were perplexing, much to their astonishment. Therefore, it was determined that the social norms or standards established by the group are the primary factors influencing individual work behavior. The findings underscored the need of acknowledging the role of human influence. He, along with his colleagues Kurt Lewin, Roethlisberger, Dickson, Lipper, White, Cock, and French, held the belief that both psychological and physical factors have an impact on one's ability to work. The results of the Hawthorne investigations are commonly referred to as the Hawthorne effect. The phenomenon, known as the Hawthorne effect, suggests that employees are more motivated and productive when they perceive that their well-being is a priority for management and when their superiors show them additional attention. Elton Mayo is widely regarded as the progenitor of the Human Relations Approach.

### **Assumptions**

The hypothesis was founded upon the subsequent presuppositions.

- i. The utility and significance of persons ii. Acknowledgment of personal identity and their

affiliation with the collective iii. The prioritization of esteem requirements over monetary incentives for motivating individuals to work

iv. Foster an environment where individuals feel empowered to contribute to the organization through effective communication and active listening. v. Demonstrate self-discipline in handling everyday tasks. vi. Promote the involvement of individuals and facilitate the sharing of information with them. vii. If the basic requirements of subordinates are addressed, there will be no opposition to change.

### **Findings**

The findings of Hawthorne experiments that have made a substantial contribution to the Human Relations Theory are as follows:

- i. The level of production is determined by social norms, not the psychological abilities of workers.
- ii. The behavior of workers is significantly influenced by non-economic rewards or sanctions.
- iii. Money is not a motivator for people.
- iv. Individuals often act and react as members of a group.
- v. Leadership plays a crucial role in establishing and enforcing group norms.
- vi. Productivity is not influenced by working conditions, but rather by complex attitudes.
- vii. Group pressure has a stronger impact on productivity than managerial demands.
- viii. The concept of a rational economic man should be replaced by the concept of a social man.
- ix. The behaviour of an individual and their emotions are intricately interconnected.
- x. Individuals have the ability to exercise self-control.

In the Human Relations method, the primary focus is on the worker rather than the job, which is in contrast to the classical method. The Human Relations Theory has made significant contributions to the comprehension of organizations, as well as to the knowledge of individuals in the workplace, group dynamics, and organizational behavior.

### **E. Systems Approach**

This is a continuation of the Human Relations approach and perceives management as a social system. Inspired by sociologists, this approach seeks to discover different social groups with a core belief in the necessity of resolving biological, physical, and social constraints through collaboration. The systems approach has introduced a novel perspective on the organization and its managers. The theory posits that a system consists of multiple interconnected subsystems, each of which plays a role in determining the distinct attributes of the entire system in order to accomplish a specific objective. Various components, including as the monitor, keyboard, mouse, and CPU, work together in a computer to facilitate the input of data or information, ultimately resulting in the creation of a coherent and legible piece. As technology has progressed, certain devices including as keyboards and mice have been integrated into the system. For instance, devices such as tablets and cell phones often have certain subsystems that are integrated with additional

sub systems. Computers, tablets, cell phones, and other similar devices are complex systems composed of interconnected and interrelated components. The lack of any one component can have a significant impact on the overall functionality of the device. Likewise, <sup>19</sup> an organization is a social structure consisting of individuals, collectives, and their interconnections. The impact of the Social Systems

This approach emphasizes the importance of comprehending the individual, the group, the relationships, and the impact of the informal organization on the formal organization.

#### **F. Decision Theory Approach**

This approach was suggested in the aftermath of World War II. Given that the managerial job primarily involves making correct decisions, this method places great emphasis on this aspect. It examines the process of decision making, which entails choosing the most appropriate course of action from several available options. It entails the utilization of advanced methods to address managerial issues, particularly in the areas of planning and control.

#### **G. Mathematical/Quantitative Approach**

The Mathematical Approach offers a quantitative foundation for decision-making, viewing management as a system of mathematical models and processes. According to this methodology, decision making is a rational procedure that may be represented using mathematical symbols, formulas, or models.

The significance of this strategy lies in the utilization of advanced tools and techniques including as simulation, linear programming, and gaming. These tools aid in managerial decision making and simplify the process, even in huge organizations.

Presently, firms are employing big data and data analytics to manage substantial quantities of data. These tools and strategies aid in the data analytics employed by enterprises for decision-making purposes.

#### **H. Contingency Approach**

This approach arises from the empirical observations of managers who discovered that no singular technique or paradigm shown consistent efficacy in all circumstances.

This concept posits that managerial methods and styles vary depending on the specific conditions and contexts. The practical and realistic method to carrying out management activities is closely based on the actual conditions and requirements of the managerial role. This approach is grounded in the premise that organizations vary in terms of their size, scale, scope, and purpose, as well as the values, perception, attitudes, needs, and experiences of individuals within them. Consequently, proponents of this approach contend that there is no singular optimal method for managing people in organizations, and no universally applicable set of principles.

While this method may seem practical, it can only be put into reality when the specific actions to be taken in different scenarios are well defined. Moreover, the process of identifying and including all pertinent contingency elements and illustrating their

interconnections might be intricate.

### **I. Theory X and Theory Y**

Douglas McGregor, an American social psychologist, introduced the concepts of Theory X and Theory Y in his 1960 book, "The Human Side of Enterprise." The notion serves as a straightforward reminder of the inherent principles for effectively overseeing individuals, which managers often overlook due to the demands of their daily operations.

McGregor analyzed how managers interact with their employees and determined that a manager's perception of human nature is influenced by specific assumptions. Consequently, employers shape their conduct towards employees depending on these assumptions. The assumptions are categorized as theory X, which represents an authoritarian management style, and theory Y, which represents a participative management style.

Foundations of Theory X - The assumptions held by managers under Theory X are as follows:

- The average individual harbors a hate for work and so makes efforts to evade it.

- Due to their aversion towards work, it is necessary to employ the Carrot and Stick method to compel them to work.

- The typical individual tends to prioritize their own interests and is apathetic towards the objectives of an organization.
- The typical individual tends to rely on guidance from others as they lack ambition.
- The typical individual seeks stability and hence, exhibits resistance against change.

Managers exercise their decision-making power to advise and instruct personnel about the assigned work or tasks.

The assumptions of Theory Y are:

The manager operating under Theory Y makes the following assumptions:

- Individuals derive pleasure from their work, resulting in a work environment that resembles play.
- Due to their affinity for work, individuals actively seek out and embrace more duties.
- Due to their enjoyment of work, they exhibit self-control and self-direction.
- Their commitment to objectives is influenced by the benefits linked to their accomplishment.

Therefore, both of these ideas presuppose a specific conduct from the employees.

In his 1981 book "Theory-Z," William Ouchi, a consultant of Japanese origin and American education, emphasized strategies for American management to overcome the challenges posed by Japanese management. As a board member of multiple businesses in the USA, he promoted a hybrid management approach that combines elements of both American and Japanese management styles. He contended that in order to implement the participative management style he proposed, managers must possess a substantial level of trust in the workforce.

Various disciplines such as psychology, sociology, public administration, and business management have made significant contributions to the development of management theories. In recent times, Peter Drucker has made significant contributions to the development of many management concepts, while intellectuals such as Deming and

Joseph Juran have made valuable contributions to the field of quality management. In their book "In Search of Excellence," Thomas Peters and Robert Waterman shed light on the distinguishing features of exceptional firms. Additionally, noteworthy recent contributions in the field of contemporary management include the Strategic Management approach developed by C.K Prahalad and Hamel, the concept of Radical Change introduced by Sumantra Ghoshal, the concept of Learning Organization proposed by Peter Senge, and the exploration of Change Management and the role of managers as change masters by Rosabeth Moss Kanter. These various viewpoints have transformed management into a very dynamic discipline, often referred to as the "jungle" of management thought.

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### **3.4 LET US SUM UP**

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The growth of management philosophy demonstrates the incorporation of several viewpoints, including the classical method, which established the fundamental principles of management. The neo-classical school, which incorporates the viewpoints of sociologists, psychologists, and business managers, has made significant contributions to the field of management in terms of both knowledge and practice. The transformation process further advanced through the valuable insights and practical expertise provided by modern management thinkers and consultants worldwide. This has made the area of management a captivating subject of study and investigation for both researchers and managers.

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### **3.5 UNIT END EXERCISE**

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1. Discuss the contribution of Scientific management to the management thought?
2. Write a note on the experiments conducted by F. W. Taylor?
3. Discuss the principles as enunciated by Elton Mayo?
4. Enumerate and discuss Henry Fayol's principles of management. Do you think these principles apply to all organizations irrespective of size?
5. Discuss Elton Mayo's contribution to the Behavioral Movement?
6. Compare and contrast the Theory-X and Theory-Y with examples?
7. Briefly explain: a. Systems Theory b. Contingency Theory c. Hawthorne experiments d. Elements of scientific management.

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## **UNIT 4 PLANNING**

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### **Structure**

#### **4.1** Introduction

#### **4.2** Objectives

#### **4.3** Nature and Purpose of Planning

#### **4.4** Strategies

#### **4.5** Management by Objectives

#### **4.6** Policies and Planning Premises

#### **4.7** Forecasting

#### **4.8** Let Us Sum Up

#### **4.9** Unit End Exercise

## 4.10 References and Suggested Readings

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### 4.1 INTRODUCTION

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Planning is a vital and foundational aspect of management. It serves as the starting point that activates all other managerial functions, effectively marking the beginning of the management cycle. Before any actions are undertaken, it is essential for a manager to engage in thoughtful and strategic planning, which is primarily a mental activity.

Planning involves a systematic and intentional process of identifying and selecting the most suitable strategy to achieve specific objectives. It is essentially about deciding in advance what actions need to be taken. This process includes setting goals, establishing policies, procedures, and programs by evaluating various alternatives. Planning also requires clarifying the purpose behind each action to ensure the intended outcomes are reached. In essence, it is the process of decision-making, where managers evaluate different future scenarios and choose the best course of action.

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### 4.2 OBJECTIVES

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**30** After reading this unit, you should be able to:

- Define and explain the term planning
- Discuss the significance of planning in management
- List out various types of plans used in management to achieve desired goals

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### 4.3 NATURE AND PURPOSE OF PLANNING

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According to Koontz and O'Donnell, planning involves making decisions ahead of time about what actions to take, how to carry them out, when to execute them, and who will be responsible for them.

#### Nature of Planning

- Planning is focused on the future and enables management to anticipate and prepare for what is ahead. • It entails contemplating the success of the organization and facilitates the examination of facts.
- It entails a pre-established plan of action. • It delineates the **59** goals to be achieved in the future.
- The issue mostly involves selecting among various available routes of action.
- It pertains to the act of considering before taking action.
- It encompasses both the process of making decisions and the process of fixing problems.
- The aim is to attain superior outcomes.

## **Purpose of Planning**

**Focus on objectives:** -Planning is connected to the corporate objectives. All activities are strategically designed to accomplish the goals of the company. Strategic planning enhances the attainment of goals. Clear objectives must be defined in order to select the most suitable alternative courses of action.

**Reducing uncertainties:** -The future is replete with unpredictability. A corporate organization can achieve success by effectively anticipating and forecasting potential uncertainty. Systematic analysis and forecasting can help predict some uncertainty. Hence, strategic planning mitigates risks arising from fluctuations in both micro and macro environmental factors.

**Economical:** Planning helps save costs by selecting a single plan of action among various alternatives. It eradicates indecision, prevents emergencies, eliminates mistakes, and safeguards against incorrect deviations.

**Resource utilization:** Planning facilitates the efficient and optimal exploitation of all available resources, including manpower, finances, machinery, and materials. Effectiveness: Planning enhances organizational effectiveness by improving efficiency, thereby enabling the organization to fulfill its objectives.

**Co-ordination:** Plans consolidate the operations for the advancement of different sub-plans. The many departments operate in alignment with the organization's overarching strategies. The organization maintains harmony and prevents duplication of efforts.

**Innovation:** Planning facilitates innovative and imaginative thinking among managers, as the process of planning often generates numerous novel ideas. It fosters a proactive mindset among the management.

## **Objectives of Planning**

- (a) Enhancing the quality of life for individuals by achieving a substantial growth in the overall revenue of a nation within a little timeframe;
- (b) A substantial increase in employment possibilities to address unemployment and generate jobs and income;
- (c) The mitigation of social, economic, and geographical disparities.
- (d) Optimal utilization of the nation's resources to achieve accelerated economic growth;
- (e) The eradication of widespread poverty within a specified timeframe by implementing land reform, generating economic opportunities, and ensuring access to educational and medical services;
- (f) Achieving self-sufficiency by diminishing dependency on foreign finance and international help.

## **Types of Plans:**

Managers have various options available to them when formulating strategies to achieve goals. The most common method of characterizing plans is by their scope. There are two

primary categories of plans:

Strategic plans and operational plans:

The distinction between strategic and operational plans lies in their timeframe, scope and inclusion of a set of organizational objectives.

A strategic plan establishes the course of action for an organization's mission, objectives, and strategies or tactics. It outlines the specific measures that a corporation plans to take in order to achieve its strategic objectives. Additionally, it encompasses decisions that have the potential to significantly alter the nature or trajectory of the organization. Tactical planning is a form of planning that focuses on the immediate operations of different components within an organization.

A tactical plan involves providing assistance to strategic plans and executing a particular aspect of the company's strategy. Tactical plans are typically prepared for businesses in the domains of finance, production, plant facilities, and marketing.

Operational plans outline the specific steps and methods that will be used to achieve the strategic aims. They are designed to outline specific actions that lead to the attainment of operational objectives and to assist in the implementation of tactical strategies.

The distinction between strategic and operational plans lies in their temporal span, extent, and inclusion of a predetermined set of goals. Operational plans typically focus on shorter timeframes. Additionally, they focus on a limited scope and handle more specialized matters. Operational plans provide strategies for achieving these objectives. They presume that these aims are already familiar.

Operational plans can be classified into two categories:

Single-use plans and standing plans:

Organizational plans are typically categorized into two types: single-use plans and standing plans, with repetitiveness dimensions serving as a guiding principle.

Single-use plans:

Single-use plans are specific and intricate strategies that are unlikely to be replicated within the same timeframe in the future. Single-use plans commonly encompass organizational initiatives, projects, and budgets. A program is a strategic initiative created to achieve significant and specific organizational objectives on a one-time basis. Projects are discrete and smaller components of programs. Budgets are formal declarations of monetary resources allocated for specific endeavors within a defined timeframe.

Standing plans:

Standing plans are characterized by their continuous nature as they specifically address recurring organizational circumstances. Standing plans encompass policies, normal processes, and guidelines. Policy is a comprehensive directive for conducting actions. Standard procedures are formalized protocols that delineate a sequential set of actions aimed at achieving particular goals. A rule is a comprehensive directive for conducting a specific course of action. It outlines the procedure for carrying out a particular action.

## **Timeframe for Planning**

The time frame horizons encompass three categories: long term, intermediate term, and short term.

Long-term planning include the formulation of strategic objectives and strategies that can span up to a maximum of five years into the future.

Intermediate-term planning encompasses strategic goals and operates within a timeframe of one to two years.

Short-term planning include the establishment of operational goals for particular departments and individuals, with a time frame of one year or less.

The issue with these definitions is in their failure to acknowledge significant distinctions among organizations. It is important to acknowledge the strong correlation between the short-term and long-term categories and the earlier discussion on strategic, tactical, and operational plans, as strategic plans encompass both long-term and short-term plans.

## **Contingency Planning:**

Contingency planning involves creating alternative strategies to be implemented in the event of unforeseen circumstances. Contingency planning offers four causes or benefits:

1) It enables the firm to enhance its ability to handle unforeseen circumstances effectively. 2) It minimizes indecisiveness, uncertainty, and delays in the face of unexpected events. 3) The firm's responses are likely to be more carefully considered and logical. 4) Managers are compelled to consider various potential outcomes, rather than solely focusing on the most probable one.

## **Process of Planning**

Planning involves establishing objectives and delineating the necessary future actions to accomplish those objectives. The planning process involves several sequential steps:

(i) Identifying the issue: The process entails determining the objective that the plan is being developed to achieve. If there is a need for a new plan or if modifying an existing plan could aid in accomplishing these objectives.

(ii) Collecting information regarding the involved activities: A comprehensive plan necessitates a thorough understanding of the activities involved and their impact on both external and internal activities.

(iii) Information analysis: The provided information is thoroughly examined and categorized based on similar subjects to ensure that data of the same type is grouped together.

(iv) Identifying alternative strategies: At this stage, it is necessary to consider alternative plans that can be used to meet the objectives. This requires imagination and creativity, as some plans may also be produced during this process.

(v) Plan selection: During this phase, a plan that is deemed satisfactory by the operating people is put forward. The plan's adaptability and affordability are also factored in.

(vi) Elaborate sequence and timing: This phase involves specifying the precise allocation

of activities to individuals in the plan, as well as establishing the specific timeframe within which the plan shall be executed.

(vii) Evaluation of plan progress: Provisions are in place to monitor the plan's implementation, as the effectiveness of any plan can only be determined by its outcomes.

#### **4.4 <sup>12</sup> MANAGEMENT BY OBJECTIVES**

In the words of Koontz, O'Donnell and Weihrich, "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organisational and individual objectives."

The concept of management by objectives is a rational expansion of the Goal Setting theory. The Goal Setting theory examines the mechanisms via which individuals establish objectives for themselves and subsequently exert efforts to accomplish them. Empirical data substantiates that performance tends to enhance in 90 percent of cases when individuals engage in goal planning. High performers tend to set more challenging goals and derive greater satisfaction from internal rewards rather than external benefits. Management by objectives is an expansion of Goal theory, as it entails the systematic and programmatic pursuit of goals across an entire organization.

Peter Drucker coined the term "Management by Objectives" in 1954. MBO, or Management by Objectives, is a system that involves determining particular performance objectives through a participative manner. Regular assessments are conducted to evaluate the advancement towards goals, and incentives are created accordingly. Essentially, it pertains to a structured, or somewhat structured, series of steps that starts with establishing objectives and extends to evaluating performance. The essence of MBO lies in its participatory nature, which entails the active engagement of managers and staff members <sup>32</sup> across all levels of the business. MBO, by leveraging the connection between planning and controlling functions, aids in surmounting various obstacles to planning. This approach is alternatively referred to as 'Management by Results' (MBR), 'Goal Management', 'Planning by Objectives' (PBO), 'Results Management', 'Joint Target Setting', and 'Work Planning and Review'. Currently, MBO serves as both a method for establishing objectives and as a comprehensive framework for planning, motivating, evaluating performance, and exercising self-regulation.

#### **Need for Management by Objectives (MBO)**

The Management by Objectives technique facilitates employees' comprehension of their responsibilities in the workplace.

- Key Result Areas (KRAs) are tailored for each person based on their individual interests, areas of expertise, and educational qualifications.
- The personnel have a clear understanding of the expectations placed upon them.
- The <sup>12</sup> process of Management by Objectives results in employee satisfaction. It prevents job mismatches and avoidable confusion in the future.
- Employees make individual contributions towards the attainment of the organization's

aims and objectives. Each individual possesses a distinct job within the workplace. Every individual perceives themselves as essential to the organization and so develops a sense of allegiance to it. They exhibit a tendency to remain with the company for an extended duration and make significant contributions. They derive pleasure from their work and do not perceive it as a source of burden.

- Management by Objectives facilitates efficient communication among employees. It fosters a favorable atmosphere in the workplace.
- Management by Objectives results in clearly defined hierarchies in the organization. It guarantees openness across all levels. A supervisor in any organization would not have direct interaction with the Managing Director for any questions. Initially, he would encounter his supervising superior, who would subsequently relay the message to their higher-ranking colleague, and so forth. Each individual possesses a clear understanding of their role within the organization.
- The MBO Process fosters a high level of employee motivation and commitment.

### **Process of MBO**

1. The initial phase in the MBO process is to establish and validate corporate objectives through central goal formulation. Typically, the central management of the firm establishes these objectives, but only after seeking input from other managers. Prior to establishing these objectives, the central management conducts a comprehensive evaluation of the resources that are now accessible. In addition, it engages in market analysis and research, as well as providing forecasts. This comprehensive study highlights the organization's intended aims in both the long term and short term. The central administration endeavors to ensure that these objectives are both attainable and well-defined. Once these goals have been established, it is the management's duty to ensure that all members are aware of them and have a clear understanding.

2. Development and individual goal setting: Once the central management has established the organization's objectives, the next step is to determine the goals for each department. The senior leadership must engage in discussions with the department heads to develop mutually agreed-upon objectives. Each department collaborates with top management to establish both long-term and short-term objectives. Following the department

Once the organization's goals are set, employees collaborate with their supervisors to define their own individual goals that align with the organization's objectives. The significance of these participative goals lies in the fact that they effectively enhance employee motivation to accomplish the objectives set by them. Individual objectives should be concise and focused on short-term goals. These should demonstrate the proficiency of the individual. During this procedure, all the individuals inside the business actively participate in the task of establishing objectives.

3. Job description revision: During the MBO process, resetting individual goals necessitates revising the job descriptions for various positions inside the organization. Consequently, the entire organizational structure must be revised. It may be necessary to modify the organization manuals and charts in order to accurately represent the changes

brought about by the implementation of MBO. The job description must clearly delineate the goals, jurisdiction, and obligations of various positions. It is essential to establish a clear connection between one position and all other jobs inside the business.

4. Aligning goals: The successful establishment of objectives is contingent upon the provision of necessary resources and means to accomplish these objectives. Hence, it is essential to furnish subordinates with the necessary tools and materials that will empower them to properly and effectively accomplish the objectives. Accurate measurement of resource requirements can be achieved by setting clear and specific targets. This simplifies the process of resource allocation. Subordinates should be consulted prior to making resource allocation decisions.

5. Implementation of autonomy: The task team, consisting of the manager and their subordinates, should be granted the flexibility to determine how to allocate their resources and how to accomplish their goals. Minimal or no intervention from senior members is expected as long as the team adheres to the organization's policies.

6. Implementing checkpoints: The MBO process necessitates regular meetings between managers and their subordinates to review the progress made in achieving the specified objectives. In order to achieve this objective, managers must develop performance benchmarks or checkpoints to assess the progress of their subordinates. The criteria should be precisely described in quantitative terms and it is important to ensure that they are fully comprehended by all those involved.

Employees who are in a lower position or rank. All managers should adhere to this technique, which involves doing an analysis of key findings. The aims are expressed in terms of the outcomes.

7. Performance appraisal: Managers typically do informal performance appraisals as part of their regular routine. Additionally, it is important to periodically examine the performance of subordinates. Regular evaluations are necessary due to the ongoing fluctuation of priorities and situations, requiring continuous monitoring. These reviews assist both managers and subordinates in modifying objectives or tactics as needed. This greatly enhances the likelihood of attaining the objectives and also guarantees the absence of unexpected findings during the final evaluation. Periodic performance evaluations should rely on quantifiable and equitable criteria to ensure that subordinates have a clear understanding of the expected level of performance at each stage.

8. Counseling: Regular performance evaluations assist subordinates in enhancing their future performance.

#### **4.5 STRATEGIES**

<sup>32</sup> The term strategy is derived from the Greek word "strategi," which refers to the office of the general. Strategy is the comprehensive strategy of an organization to achieve its objectives while operating within the constraints of external environmental factors that cannot be controlled.

Amidst an unpredictable external context, the company faces a range of potential risks and potential advantages. In such circumstances, a company formulates multiple strategies,

including stabilizing the business during volatile times, product development, market expansion, vertical integration, mergers, disinvestment, and more.

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#### **4.6 POLICIES AND PLANNING PREMISES**

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##### **Policies:**

**Definition:** A policy is a set of planned instructions or courses of action that an organization establishes to guide decision-making and achieve specified objectives. They function as a structure for management autonomy within certain boundaries.

**Purpose:** Policies serve to establish uniformity, diminish ambiguity, and expedite decision-making by providing a foundation for managerial activities. They synchronize organizational actions with its aims and ideals.

##### **Classification of Policies:**

Strategic Policies: Determine the overarching direction and extent of the organization.

Functional Policies pertain to distinct functions or departments within the company.

Operational Policies: Provide guidance for the routine tasks and decision-making processes.

The development and implementation of policies involve a systematic process that includes analysis, decision-making, and communication. Effective execution necessitates unambiguous communication and comprehensive comprehension by the employees.

**Assessment and Revision:** Consistent evaluation guarantees that policies stay up-to-date. Policy revisions may be required to sustain effectiveness in response to changes in the internal or external environment.

##### **Premises for Planning:**

**Definition:** Planning premises refer to the fundamental assumptions, conditions, or elements that provide the basis for the development of plans. They are the projected future circumstances on which planning is predicated.

##### **Significance:**

Risk mitigation: The process of identifying and taking into account important assumptions aids in predicting uncertainty and minimizing risks.

Strategic Alignment: Ensures that strategies are congruent with the anticipated future circumstances.

Resource Utilization: Enables the efficient allocation of resources according to projected circumstances.

##### **Categories of Planning Premises:**

Internal premises: These refer to factors that are under the control of the organization, including resources, capabilities, and policies.

External Premises: Factors originating from outside sources, such as economic conditions, market trends, and regulatory changes.

**Process:**

Identification: The act of discerning and acknowledging pertinent internal and external components.

Evaluation: Evaluating the possible influence of these elements on the organization.

Incorporation refers to the act of integrating premises, or underlying assumptions, into the planning process.

Flexibility: Planning premises can be modified as a result of shifting internal and external circumstances. Ongoing surveillance and adjustment are crucial.

**3. Consolidation of Policies and Planning Assumptions:**

Alignment: Policies must be developed with a comprehensive comprehension of planning premises to guarantee their realism and attainability.

Flexibility is essential for both policies and planning premises to effectively handle changes in the corporate environment.

Effective communication of policies and planning premises is essential for ensuring organizational alignment. It is essential for employees to comprehend the fundamental assumptions that influence the organization's actions.

**4. Case Studies:** Analyzing actual instances where firms successfully synchronized their policies with precise planning premises might offer significant insights for students. This pragmatic implementation emphasizes the significance of strategic congruence.

**5. Guest Speakers:**

By inviting industry experts to engage in discussions regarding their policy formulation and consideration of planning premises, students can gain useful insights from the business realm.

Examining the relationship between policies and planning premises in an educational setting provides students with the necessary information and abilities to engage in successful strategic management. Gaining insight into how firms negotiate uncertainty and align policies with anticipated situations is essential for prospective managers.

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## 4.7 FORECASTING

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Planning and forecasting often appear to be identical. Although they share certain similarities. However, they possess a higher level of disparities. Forecasting pertains to predicting future events or outcomes when there are no available means of avoidance. Planning involves determining desired outcomes and establishing a course of action to achieve them. Forecasting is a precursor to planning. For instance, the presence of a danger to natural resources can serve as a catalyst for individuals and nations to develop strategies aimed at preserving and safeguarding these resources.

Planning entails the utilization of evaluation, evaluations, estimates, and calculations, all of which are conducted considering the existing resources, time constraints, and goals and objectives related to natural resources. In addition to this, planning is an ongoing process of assessing and evaluating to identify any deviations and then making corrections. In the

contemporary day, planning has become exceedingly intricate and relies heavily on data analysis and mining techniques.

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#### **4.8 LET US SUM UP**

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Planning is the essential and primary role of management. It is the primary role that establishes the fundamental basis for other administrative tasks, including organizing, staffing, leading, and managing. In order to prepare for potential future uncertainties, it is important to reflect on past experiences and improve planning by addressing any mistakes made in earlier plans. Planning is a cognitive process that is continuous, future-driven, and involves both advantages and constraints. Planning is not a straightforward and effortless task; instead, it is a cognitive and all-encompassing process that necessitates the adherence to a series of chronological procedures. In order to achieve success, a company must accurately describe its planning function, encompassing objectives, methods, rules, strategies, and policies.

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#### **4.9 UNIT END EXERCISE**

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1. Define planning and discuss nature and purpose of planning.
2. What are the various types of plans managers adopt to achieve goals?
3. What do you understand by Management by Objectives? Discuss the process of MBO.
4. Write a note on strategies.
5. What are the various premises of policies and planning?
6. Write a note on forecasting.

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#### **4.10 REFERENCES AND SUGGESTED READINGS**

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### **UNIT 5 ORGANIZING**

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#### **Structure**

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##### **5.1 Introduction**

##### **5.2 Objectives**

- 5.3 Decision Making
- 5.4 Organizing
- 5.5 Nature and Purpose of Organizing
- 5.6 Span of Management
- 5.7 Let us Sum Up
- 5.8 Unit End Exercise
- 5.9 References and Suggested Readings

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## 5.1 INTRODUCTION

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In the previous unit, you have acquired knowledge regarding many aspects of planning. Organizing is another crucial aspect of management. This unit will cover the organizing role of management and its vital parts, including organization.

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## 5.2 OBJECTIVES

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- Discuss about decision making
- Define the term 'organizing'
- Explain the nature and purpose of organizing
- Define and explain span of management

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## 5.3 DECISION MAKING

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An essential aspect of management is understanding and improving the decision-making process. Psychologists have suggested various approaches, many of which rely on a "divide-and-conquer" method. This technique, commonly referred to as "problem decomposition," involves breaking down a complex decision-making issue into smaller, more manageable parts.

### Types of Decision Making:

**Programmed decisions** are systematic and relatively straightforward 31 decisions that are often made with minimal effort.

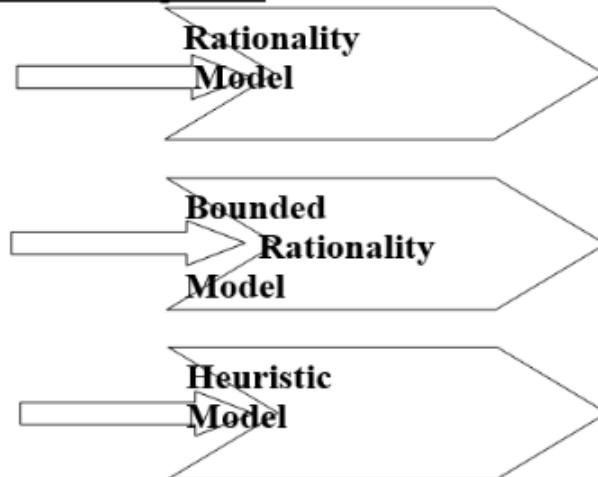
- These are decisions that managers have made repeatedly in the past.
- There are established rules or guidelines that should be followed.
- Example: Deciding to reorder office supplies.

**Non-programmed decisions** are those made in unique or rare situations that have not been encountered before.

- There are no predefined guidelines due to the novelty of the issue.

- These decisions rely on the manager's expertise, intuition, and judgment.
- Example: Deciding whether the company should invest in a new technological innovation.

### **Decision Making Models**



Rationality Model: It has the following are the steps:

1. Determine (acknowledge/establish) the problem.
2. Collect relevant information, including both factual data and assumptions.
3. Generate alternative routes of action (solutions).
4. Evaluate and contrast potential courses of action (alternatives/solutions).
5. Determine a resolution; choose the optimal course of action.
6. Formulate a strategic blueprint.
7. Execute the plan and evaluate the outcomes.
8. Analyze the issue at hand.

Accurately discerning the essence of a problem is a vital endeavor. Leadership difficulties, regardless of whether they pertain to a work-related scenario or a counseling session, are inherently exploratory. This means that leaders do not always accurately pinpoint the root cause of a problem or formulate the most effective course of action. Indeed, leaders often make two prevalent mistakes: misidentifying the situation at hand and misidentifying the underlying reasons of that problem. Moreover, the likelihood of leaders committing cognitive mistakes rises in tandem with their escalating levels of stress. Erroneous actions are inherent to human nature. Leaders who receive inaccurate information may be led to misidentify problems and make wrong assumptions about their causes. If leaders are

unable to identify the genuine origin of an issue, they could formulate an insufficient plan.

#### Collect Data

During this stage, leaders are required to collect all relevant information pertaining to the identified problem from many sources, including higher-ranking, lateral, and subordinate levels of command, as well as external agencies that are applicable. While certain information may not be directly relevant to the current problem, it is crucial for leaders to have access to it in order to evaluate and formulate courses of action.

#### Create strategies and plans

Once the problem has been recognized and all relevant information has been collected, you can proceed to formulate potential courses of action. Maintain a receptive mindset throughout this stage and be ready to foresee and adapt to alterations. "Anticipation accounts for 60% of effective problem-solving, while improvisation, the ability to reject preconceived ideas, and taking action instead of following rules account for the remaining 40%."

Conduct a thorough examination and provide a detailed comparison of the available courses of action.

Subsequently, it is vital to ascertain the most optimal course of action that would effectively resolve the situation. Hence, it is imperative for leaders to meticulously assess and enumerate the various benefits and drawbacks associated with each potential course of action. Next, it is necessary to impartially and rationally evaluate the pros and cons of each option in comparison to the pros and cons of the remaining alternatives.

#### Make Decision

Once you have thoroughly examined the potential courses of action based on the material at hand, take into account your intuitions and emotions. The decision-making process is not just based on an objective, mathematical algorithm. The functioning of the human mind, particularly when subjected to stress, does not operate in such a manner. On the contrary, the mind possesses both rational and intuitive faculties. Consequently, the decision-making process, being a cognitive activity, likewise incorporates both rational and intuitive elements. Intuition is the cognitive faculty that guides one's perception of what is subjectively right or incorrect. Your intuition is derived from your innate instincts and accumulated experience. Nevertheless, it is crucial to avoid the error of basing decisions solely on emotions or intuitions and promptly acting on what is subjectively correct. This situation is highly likely to result in a catastrophic outcome. Adhere to the problem-solving process with rationality and objectivity. Acquire data; subsequently formulate, evaluate, and contrast potential strategies. Take into account your intuition, instincts, emotions, and personal values. Attempt to discern an optimal plan of action that is both rational and probable to achieve success, while also aligning with your intuition, values, and character. Ultimately, reach a conclusion, formulate a strategy, and proceed with implementation.

#### Create a strategic blueprint.

Create a comprehensive plan that outlines the specific roles, responsibilities, timelines, locations, methodologies, and rationales for each individual involved. Provide detailed and precise information within the available time, ensuring that no crucial details are omitted that could hinder the successful completion of the job. Additionally, it is crucial to provide explicit details regarding the what, when, where, how, and why for all individuals or components under your jurisdiction. Lastly, ensure that you have contingencies in your strategy that anticipate and mitigate unforeseen circumstances or behaviors. Formulate these alternative courses of action based on the underlying assumptions stated during the problem identification and information gathering phase.

#### Execute the Plan

After the choice and plan have been finalized, it is now time to take action. During this ultimate phase, it is imperative to execute the plan and thereafter assess its effectiveness in order to verify the attainment of the intended outcomes. Assessment is frequently overlooked in the process of making decisions. To effectively evaluate, it is crucial to consistently solicit feedback regarding the progress of your plan. Solicit input from employees in lower positions. Directly assess the effectiveness of the strategy by going to the location where the action is taking place. If the plan is not correct, identify the reasons for its inaccuracy and promptly take necessary measures to rectify it. Having mental flexibility is crucial.

#### **The Bounded Rationality Model:**

Bounded rationality refers to the concept that individuals' decision-making rationality is constrained by factors such as the information available to them, the cognitive constraints of their minds, and the limited time they have to make decisions. Herbert Simon proposed it as an alternative foundation for mathematical modeling of decision making in economics and related fields. It serves as a complement to rationality as optimization, which considers decision making as a completely rational process of identifying the best choice based on available information. Another perspective on bounded rationality is that decision-makers, due to their limited abilities and resources, are unable to reach the ideal answer. Instead, they employ their rationality by simplifying the available alternatives to a significant extent. Therefore, the decision-maker is a satisficer, someone who seeks a solution that is satisfactory rather than one that is ideal.

Simon developed the bounded rationality model to elucidate the constraints on the level of rationality that a decision maker can attain within a decision-making context. His theoretical framework garnered him a Nobel Prize in 1978 and is commonly referred to as the administrative man theory. The primary focus of his approach is the assertion that there are distinct limitations that compel a decision maker to exhibit less than optimal rationality. His model is based on four assumptions:

1. Managers opt for the initial alternative that meets their requirements.
2. Managers acknowledge that their perception of the world is uncomplicated.
3. Managers are capable of making judgments without exhaustively considering all possible options.

4. Managers employ rules of thumb or heuristics to make judgments.

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## 5.4 ORGANIZING

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**Organizing** in management refers to the identification and classification of tasks, along with the establishment <sup>6</sup> of authority and responsibility relationships. This process ensures effective collaboration to achieve organizational goals. Broadly, organizing involves identifying and arranging the necessary personnel, resources, equipment, and finances required by a business to reach its objectives. In a more practical sense, it refers to specifying the duties and responsibilities of employees and defining how their actions should be coordinated. The result of organizing is a structured framework that defines the roles and responsibilities of individuals within the organization, grouped by the similarity and interconnection of their tasks.

In simpler terms, organizing results in the creation of an "organization" where individuals work together toward achieving common goals.

### Characteristics of Organizing:

- **Group of people:** An organization is formed when a group of individuals come together with the intention of achieving a shared objective and contribute towards a common cause.
- **Work allocation:** Organizing involves breaking down the overall workload into specific tasks and assigning them to individuals based on their skills, competence, and expertise.
- **Common purpose:** An organization is set up to achieve the goals of the company, which are separate from the personal goals of its employees. The common objective of the organization serves as the foundation for teamwork.
- **Vertical and horizontal relationships:** Organizing establishes connections across various departments and between supervisors and subordinates. Different functions like production, marketing, and finance are coordinated to ensure effective operation. Responsibilities at every level are synchronized to achieve collective goals.
- **Chain of command:** The chain of command is established through superior-subordinate relationships that determine authority levels within the organization. It represents a hierarchy that sets the line of communication and decision-making power.
- **Organizational dynamics:** In addition to structural relationships, organizing also includes interpersonal interactions shaped by emotions, attitudes, and behavior. These

human elements contribute to the dynamic functioning of the organization and can evolve over time.

## Significance of Organizing:

Organizing is vital for the continuity and growth of an organization. The significance of this process can be outlined as follows:

- **Improved administration:** Effective organizing ensures that resources are aligned with the organization's goals. It provides a structured platform for management to plan, direct, coordinate, motivate, and control the company's activities.
- **Facilitates growth and diversification:** A well-organized structure enables the company to grow and diversify its operations. As the organization expands, a more decentralized structure can replace the original functional approach.
- **Efficient resource utilization:** A well-organized system allows for the optimal use of both human and technological resources. It supports the integration of modern technology and ensures efficient use of labor through specialization. Additionally, it offers opportunities for employee development through training and advancement.
- **Fosters creativity:** A well-defined organizational structure allows managers to delegate routine tasks, enabling them to focus on more important matters where they can leverage their capabilities. This environment fosters individual creativity and innovation.
- **Promotes a humanistic approach:** An organization offers an environment where individuals collaborate as a team, enhancing job satisfaction. It provides job rotation, growth, and enrichment opportunities. The organization also ensures effective strategies for recruitment, training, compensation, and promotion, leading to improved communication and a supportive working environment.

Although organizing plays a crucial role, it's important to note that a well-established structure alone does not guarantee success. As Professor Drucker suggests, a well-structured organization does not automatically lead to high performance, much like a good constitution doesn't ensure excellent leaders or effective laws. However, a poorly designed structure can hinder performance, regardless of individual talent.

## Principles of Organization:

**6** The principles of organization are guidelines for designing an effective structure. Here are the key concepts:

1. **Unity of Objectives:** The entire organization should be aligned with clear objectives. All members should understand and focus on achieving these goals.
2. **Division of Work and Specialization:** Tasks should be assigned to individuals based on their skills and expertise to promote specialization, which in turn enhances efficiency and quality.
3. **Job Definition:** Each role within the organization must be clearly defined to avoid overlapping responsibilities.
4. **Separation of Line and Staff Functions:** Line functions directly contribute to the main goals of the organization (e.g., production, sales), while staff functions support these activities (e.g., HR, legal).
5. **Chain of Command or Scalar Principle:** A clear hierarchy should exist from the highest authority to the lowest. Authority should flow in a structured manner, ensuring clarity in decision-making and communication.
6. **Parity of Authority and Responsibility:** Responsibility should always be matched with the necessary authority. A manager should have enough authority to carry out their responsibilities effectively.
7. **Unity of Command:** An individual should report to only one superior to avoid confusion and conflicting instructions.
8. **Unity of Direction:** A single leader should oversee related activities that share the same objective to ensure unified direction.
9. **Exception Principle:** Managers at higher levels should focus on exceptional or unique problems, leaving routine issues to lower levels of management.
10. **Span of Supervision:** The number of subordinates a manager can effectively oversee should be manageable, depending on the complexity of tasks and the required level of supervision.
11. **Principle of Balance:** A balance must be maintained between various organizational components, such as centralization and decentralization, ensuring no function is overly prioritized.
12. **Communication:** Effective communication is essential for achieving organizational goals. It should flow smoothly through the hierarchy and eliminate barriers to information exchange.
13. **Flexibility:** The organization must be flexible enough to adapt to changes in the business environment and technological advancements without disrupting its core structure.

14. **Continuity:** The organization's structure should be capable of incorporating external changes and continue serving the company's long-term objectives.

## 5.5 SPAN OF CONTROL

The term 'span of control' <sup>17</sup> is also referred to as 'span of supervision' or 'span of authority'. In simple terms, it <sup>6</sup> refers to the number of individuals that a manager is able to supervise effectively. Therefore, the span of control—meaning the number of subordinates who report directly to a superior—should be kept manageable in order to ensure efficient supervision and control. This is important because managers have limited time and capacity. It is commonly suggested that the span of control should neither be excessively wide nor too narrow. In other words, the number of subordinates should not be overly large or small. Some experts recommend an ideal span of control of four subordinates at higher levels and between eight to twelve subordinates at lower levels. However, determining <sup>31</sup> the number of subordinates can be challenging, as it varies depending on the nature of the job and the abilities of the individuals in each organization. Furthermore, the span of control impacts the organization in different ways. A wider span results in fewer levels of supervision and better communication, but it only allows for general oversight due to the limited time available. In contrast, a narrower span necessitates more levels of supervision, which can slow down communication and increase costs, but it also allows for closer control and supervision by the manager.

### Factors Influencing the Span of Control

While there are general limits to the span of control, recent trends have moved away from establishing fixed numbers, recognizing that the ideal span depends on several factors. Below are some of the key factors that impact the span of control:

1. **Nature of the Work:** If the tasks are simple and repetitive, <sup>6</sup> a wider span of control is possible. However, if the work demands closer supervision, the span of control must be narrower.
2. **Manager's Ability:** Some managers are more adept at supervising larger teams than others. A manager with strong leadership qualities, decision-making skills, and communication abilities can manage a wider span of control.

3. **Efficiency of the Organization:** Organizations that operate with efficient systems and skilled personnel can handle a larger span of control.
4. **Staff Assistants:** The use of staff assistants can reduce the amount of direct contact between supervisors and their subordinates, thus enabling a broader span of control.
5. **Time Available for Supervision:** At higher levels of management, the span of control is generally narrower because top executives have less time for direct supervision. Their focus is more on strategic tasks such as planning, organizing, directing, and controlling.
6. **Ability of Subordinates:** New employees generally require more supervision than experienced ones. Subordinates who demonstrate good judgment, initiative, and responsibility will need less guidance from their managers.
7. **Degree of Decentralization:** Executives who make many decisions themselves tend to supervise fewer employees. Conversely, executives who offer general guidance and occasional direction can manage a larger span. It's clear that the ideal span of control is influenced by various factors, and no universal number applies across all organizations.

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## 5.6 LET US SUM UP

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In management, decision-making can be categorized into programmed and non-programmed decisions. We have explored the Rationality Model, which outlines steps from recognizing a problem to executing a plan. Additionally, we have examined the Bounded Rationality Model, which highlights the limitations decision-makers face. Organizing is a critical function in management, guided by several principles. The span of control refers to the number of subordinates a manager is able to supervise effectively. A narrow span of control results in a longer scalar chain, whereas a wider span leads to a shorter scalar chain. Various factors influence the determination of the optimal span of control within organizations.

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## 5.7 UNIT END EXERCISE

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1. What are the different types of decisions made by managers? Explain the importance of decision-making in organizations.
2. What is organizing? Discuss its nature and objectives.
3. What are the various factors that influence organizing?
4. What is meant by span of control? Explain the differences between a wide and narrow span of control. What factors should an organization consider when determining the ideal span of control?

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## **5. 8 REFERENCES AND SUGGESTED READINGS**

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## **UNIT 6 DEPARTMENTATION**

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### **Structure**

- 5.1** Introduction
- 5.2** Objectives
- 5.3** Departmentation
- 5.4** Line/Staff Authority and Responsibility
- 5.5** Effective Organizing
- 5.6** Organizational Culture
- 5.7** Organizational Charts and Manuals
- 5.8** Let us Sum Up
- 5.9** Unit End Exercise
- 5.10** References and Suggested Readings

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### **6.1 INTRODUCTION**

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Departmentation refers to the process of organizing similar operations into a single organizational unit based on their distinct and ongoing nature. Efficiently organizing and

dividing organizational tasks into departments for administrative purposes has been a key focus of management. In the preceding unit, you acquired knowledge on the essence of an organization, its components, structural configurations, the utility of organization charts and manuals, the extent of authority, and the distinctions between informal and formal features of organizational relationships. **25** In this unit, you will acquire knowledge about the fundamentals of departmentation and the process of choosing an appropriate basis for departmentation. You will have a deeper understanding of the many types of authority relationships and their respective advantages and disadvantages.

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## 6.2 OBJECTIVES

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After completion of this unit, you should be able to:

- Explain and analyze several methods of departmentalization. Assess the importance and constraints of departmentalization.
- Identify and delineate the key types of authority connections inside an organization.
- Propose strategies to foster cohesion among various line and staff roles within an organization.

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## 6.3 DEPARTMENTATION

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Departmentation refers to the process of organizing activities within an organization by grouping them into distinct units or departments to ensure efficient operation. The term may vary across different organizations. For example, in business, terms such as division, department, and section are commonly used. In governmental organizations, similar entities **62** are often referred to as branches, departments, or sections. The military, however, uses terms like regiment, battalion, units, and company.

Departmentation serves a dual purpose: it clearly defines the responsibilities of executives and organizes the various operational activities into distinct groups. Each level of the hierarchy, below the highest, is divided into departments, and each lower level further differentiates the departments.

### Need for Departmentation:

**44** Departmentation is essential for achieving organizational goals by ensuring coordination among the personnel within the organization. Specifically, it is needed for the following reasons:

1. It allows the organization to benefit from specialization.
2. It helps clearly define each individual's role within the broader organizational framework.

3. It improves communication, coordination, and control, leading to the overall success of the organization.
4. It provides a foundation for building employee loyalty and a sense of belonging.
5. It helps managers identify the knowledge, skills, and expertise required for making important decisions.

### **Bases of Departmentation:**

**Functional Departmentation:** Functional departmentation is a common method of grouping activities in almost every organization. A "function" refers to the core operations or activities that a business performs. In a manufacturing firm, key functions typically include production, sales, finance, and personnel management. Functional departmentation is also applicable at lower levels of the organization, where departments like marketing can be further divided into research, sales, and advertising.

### **Advantages of Functional Departmentation:**

1. It is the most logical and natural way to organize departments.
2. It fosters specialization, making **efficient use of** resources.
3. **It focuses on** every activity, ensuring that each department contributes effectively to organizational objectives.
4. It allows authority to be delegated, easing the workload of top executives.
5. It enables the recruitment of specialists to handle specific tasks requiring expertise.

### **Disadvantages of Functional Departmentation:**

1. Overemphasis on specialization may limit individuals' perspectives, potentially hindering overall growth.
2. Conflicts may arise between departments, such as production failing to meet delivery deadlines set by sales.
3. Coordination and control can be difficult across multiple departments.
4. While functional specialization can reduce costs by improving efficiency, it may also create additional expenses due to duplication of resources.

**Product Departmentation:** In product departmentation, organizations are divided based on the specific products they produce. Each division is managed as a semi-autonomous unit, with the division manager having the authority to adjust products according to market demand. This type of departmentation is common in industries that involve complex products and significant investment, such as automobiles and electronics.

**Advantages of Product Departmentation:**

1. It minimizes coordination issues that often arise in functional departmentation. Activities related to a product line are integrated, making product expansion and diversification easier.
2. It allows a focused approach on each product line.
3. It results in specialization of resources, improving efficiency.
4. It simplifies performance evaluation and comparison across product divisions.
5. It isolates production issues, allowing each division to focus on its products.

**Disadvantages of Product Departmentation:**

1. Physical facilities and functions may be duplicated across divisions, leading to inefficiency.
2. The advantages of centralizing certain functions, such as accounting or marketing, may not be realized.
3. If demand for a product is insufficient, plant capacity may be underutilized.
4. Adapting to changes in demand or technology may be more challenging.

**Geographical/Territory Departmentation:** Geographical departmentation involves dividing the organization into different divisions based on regions or territories. This structure is especially useful for businesses like banks, insurance firms, and transport companies that have operations across various locations. For example, Life Insurance Corporation of India utilizes territorial departmentation to organize its business operations.

**Advantages of Territorial Departmentation:**

1. Local managers are better equipped to understand their regions' needs and can make faster decisions tailored to their specific environment.
2. It allows marketing divisions to address local customer demands efficiently.
3. Regional divisions improve coordination within specific areas.
4. It supports business expansion into new geographical regions.
5. It benefits the overall economic development of a country.

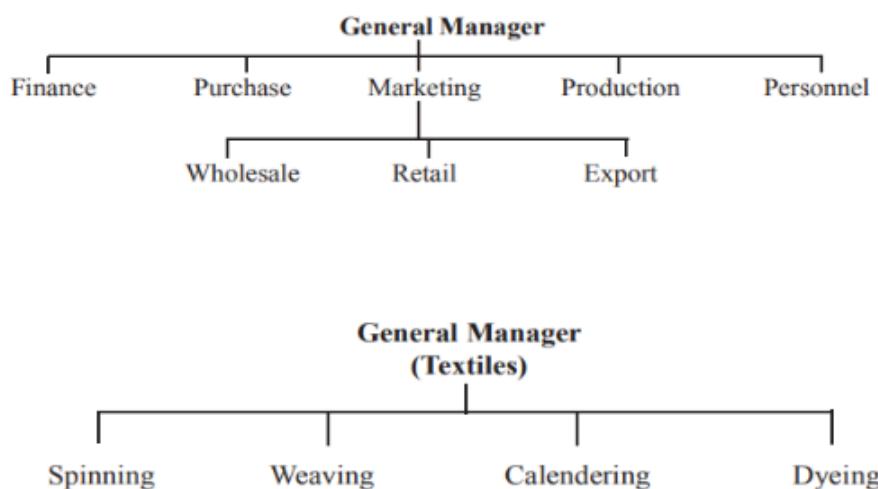
**Disadvantages of Territorial Departmentation:**

1. Duplicating physical facilities across regions can result in inefficient operations.
2. Integrating different regional offices may pose challenges.
3. There may be a shortage of skilled personnel to lead regional departments.

4. Delivering centralized services to different regions may be difficult.

**Departmentalization Based on Customers:** In customer-based departmentalization, departments are created to **44** meet the specific needs of different customer groups. This structure allows organizations to effectively address customer demands. For instance, a department store may have separate sections for men, women, and children, each dedicated to addressing the specific needs of those customer segments. Similarly, a business might organize its operations into wholesale, retail, and export divisions.

This approach enables managers to focus on providing tailored services to different types of clients, enhancing customer satisfaction and loyalty.



#### **Advantages of Process Departmentation:**

The benefits of process departmentation are as follows:

1. This structure is especially beneficial when machines or equipment require specialized operational knowledge.
2. It allows the organization to leverage specialization, ensuring optimal maintenance of equipment and resources.
3. It is particularly well-suited for manufacturing businesses.

**Drawbacks of Process Departmentation:** The disadvantages of process departmentation include:

1. It can hinder coordination between various functions and product lines.
2. It may lead to conflicts among managers across different levels of the hierarchy.

**Choosing the Basis for Departmentation:** When selecting an appropriate method of departmentation, it is important to consider several factors:

1. **Specialization:** Specialization leads to internal efficiencies within the organization. Therefore, careful consideration should be given to the specific basis of departmentalization, ensuring that operations <sup>62</sup> are organized in a way that promotes specialization. However, it's important to avoid excessive specialization, as it can result in reduced motivation among staff.
2. **Economic Considerations:** The economic impact of departmentation must be assessed. Creating a new department involves increased costs due to the need for additional staff, facilities, and equipment. Management should ensure that new departments are established with the goal of achieving maximum efficiency and utilization of these resources.
3. **Valuing Critical Areas:** It is essential to emphasize the key areas of the business that are crucial to its success. Departments should be created to oversee vital operations such as production, finance, marketing, etc. Local conditions may also play a significant role, so it is important for management to consider the specific circumstances in each location when deciding on departmentalization criteria.
4. **Conflict Prevention:** Clearly defining the scope of each department is important to reduce the likelihood of conflicts. The boundaries of authority for managers across various departments should be explicitly outlined.
5. **Coordination:** The main goal of departmentalization is to achieve organizational objectives. Effective coordination between departments is essential to accomplish these goals. Therefore, departmentalization should always aim to improve internal collaboration within the organization.
6. **Control:** Control is a vital managerial function that involves overseeing and guiding the activities of departments and employees. The chosen departmentalization method should ensure effective control, enabling management to achieve organizational objectives with greater efficiency and cost-effectiveness. It should also allow top-level

managers to monitor performance and hold departments accountable for their outcomes.

7. **Human Considerations:** While departmentalization should address the technical aspects of the organization, it is equally important to consider human factors. When grouping individuals, it's essential to account for informal teams, cultural norms, values, and other relevant social factors.

**Benefits of Departmentation:** Departmentalization offers several advantages, including:

1. **Specialization:** It allows the organization to take full advantage of specialization, as different activities are grouped based on their relevance to specific functions or goals. Department heads possess expertise in their areas, leading to increased efficiency.
2. **Administrative Control:** Departmentalization enables effective managerial control by setting clear performance standards for each department. Each <sup>33</sup> department has its own specific goals, which helps keep expenses within budget.
3. **Accountability:** Dividing the organization into manageable departments with defined authority and responsibility makes it easier to assign accountability. Each manager is responsible for the performance of their respective department.
4. **Autonomy of Departments:** The departments created through departmentalization are semi-autonomous, providing them with a reasonable level of authority to manage their operations. This autonomy enhances the effectiveness of each department.
5. **Managerial Development:** Departmentalization encourages the development of managers by providing them with opportunities to make independent decisions and demonstrate initiative. It helps executives develop their skills and prepare for higher-level positions.

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#### 6.4 LINE/STAFF AUTHORITY AND RESPONSIBILITY

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Establishing a suitable framework is essential for every organization.

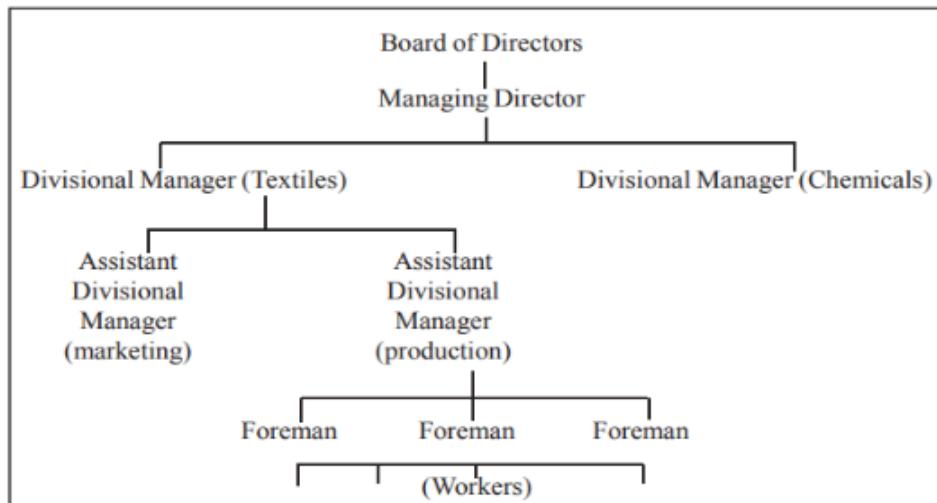
The organization structure denotes the hierarchical configuration of different roles inside the company. It facilitates the formal allocation of authority and responsibility. Additionally, it establishes the framework for communication and collaboration inside the organization. Therefore, the requirement for unambiguous authority/responsibility linkages has resulted in three distinct styles of administrative organization, which are as follows:

- 1) Hierarchical structure of authority

2) Line and staff organization refers to the hierarchical structure in which authority is divided between line managers who have direct control over operations and staff managers who provide specialized support and advice. 3) Functional organization refers to the arrangement of activities and responsibilities based on certain functions or departments within an organization, allowing for efficient coordination and utilization of resources.

### Line Organization

It signifies a straight up and down connection through which activity is sent. It is alternatively referred to as scalar or military organization. The hierarchical structure of the organization establishes a unidirectional flow of authority from the highest level to the lowest level. The level of authority is greatest at the top and decreases at each subsequent level in the hierarchy. Each individual within the organization is positioned inside the direct hierarchical structure, as illustrated below. The line of authority is a continuous sequence of authority levels that creates a hierarchical structure. The chain of authority serves as both the means of issuing commands to operational staff and the conduit for communication, coordination, and responsibility within the organization.



Advantages of line organization: 25 The following are the advantages of line organization:

- i) The establishment process is straightforward and may be readily comprehended by the staff.
- ii) There is a distinct and unambiguous delineation of the connection between authority and responsibility.
- iii) It promotes enhanced discipline within the organization since each individual is aware of their respective responsibilities and to whom they are accountable.
- iv) It enables expeditious decision-making by establishing clear authority at each level. An executive is unable to delegate his decision-making responsibilities, and it is also impossible to shift the blame onto others.
- v) It enables the consolidation of authority and hence adheres to the notion of scalar

organization.

Disadvantages of line organization: The following are the drawbacks of line organization:

- i) There is a centralization of power at the highest level. The success of the firm is contingent upon the competence of the top-level executives.
- ii) As the organization expands, the senior executive becomes overwhelmed with an excessive workload.
- iii) Communication from lower levels to higher levels is virtually non-existent due to the centralization of authority at the upper levels. If the superiors make an incorrect decision, it will be implemented without anyone daring to identify its shortcomings.
- iv) Line organization is unsuitable for large organizations due to a lack of specialization. Several occupations present unique challenges that may fall outside the expertise of a supervisor and necessitate the involvement of specialists.

Notwithstanding these disadvantages, the line organization is highly favored. Especially in tiny organizations with limited levels of power and a small number of individuals. A variation of this arrangement is known as line and staff organization, in which specialists are assigned to line executives to offer them specialized support on subjects of significant importance to the organization.

### **Line and Staff Organization**

In a line and staff organization, line authority is delegated in a similar fashion as in a line organization. However, in addition, experts (referred to as 'staff') are assigned to line managers to provide guidance on significant problems. The professionals are available to provide advice and support to line men whenever necessary, enhancing the efficiency of the line officials' work. The staff officers lack authority to issue commands within the organization, as their role is solely to offer guidance to the line officers. Staff refers to an auxiliary role designed to assist the line management. The utilization of personnel in most organizations may be attributed to the necessity of assisting with handling intricate tasks, collecting data for decision-making, and providing guidance on specific managerial issues. The staff conducts investigations, provides information, and offers recommendations to management, who ultimately make choices. The diagram below illustrates the line and staff structure.

Advantages of line and staff organization: The line and staff organization encompasses all the advantages of line organizations. Furthermore, it possesses the subsequent benefits.

- i) Line managers gain the advantage of leveraging the specialized expertise of staff specialists.
- ii) Numerous issues that are neglected or inadequately addressed in a line organization can be effectively treated in a line and staff organization with the assistance of staff experts.
- iii) Staff specialists alleviate line managers from the burden of focusing on specialized responsibilities such as budgeting, selection and training, public relations, etc.

Staff experts assist line executives in making informed decisions by supplying them with appropriate and timely information and offering expert guidance.

v) Line and staff organization exhibits greater flexibility in comparison to line organization. General staff can be hired to assist line managers at different hierarchical levels.

Disadvantages of line and staff organizations:

i) Staff officers infringe upon the line authority. They intrude onto the work of line managers and attempt to dictate their methods.

ii) Staff specialists may possess professional expertise but may lack familiarity with the practical challenges faced by the firm.

iii) As staff members are not personally responsible for any outcome, they often exhibit excessive enthusiasm and suggest a course of action that is not feasible.

iv) Staff members often lack objectivity while viewing the entire organization due to their specialization in specific areas.

v) Staff members tend to claim credit for successful decisions and attribute blame to line workers when decisions are unsuccessful.

The following text outlines the significant factors contributing to conflicts between line and staff personnel, as stated by staff members:

i) Line managers often fail to effectively utilize the expertise of specialists.

ii) Occasionally, line executives perceive seeking staff help as a final option, as 55 they believe that asking for advice implies acknowledging failure.

iii) The staff specialists should make an effort to understand and acknowledge the challenges involved in implementing innovative ideas. It is important for them to not view it as a matter of social status if their advise is occasionally disregarded.

iv) Line and staff personnel should strive to comprehend each other's orientation.

They should strive to foster collaboration in order to accomplish organizational goals.

There are many who contend that the differentiation between line and staff is an outdated notion and should be abolished. They contend that it is futile to separate organizational tasks based on their impact on goal attainment. Furthermore, in recent years, there has been an increasing emphasis on horizontal and diagonal links and work flows, which are considered more important than the traditional vertical ties represented by line authority.

The line and staff organization structure is preferred over the line organization structure due to the increasing complexity of management issues. Expert expertise from staff officers is required to effectively address these difficulties. For example, the personnel department is created as a staff department to provide guidance to the top executives and other line executives with personnel issues. Additionally, 63 it is possible to establish departments dedicated to accounts, law, and public relations in order to provide guidance on matters pertaining to accounting, legal matters, and public relations.

## **Line Vs Line and Staff Organization**

Line Organisation	Line and Staff Organisation
Line refers to those positions which have the responsibility of achieving the primary objectives of the organisation.	Staff refers to those positions which have the responsibility of providing advise and service to the line in attainment of organisational objectives.
There are no experts to assist and advise the line officials.	There are experts known as staff to assist and advise the line officials.
There is no scope of friction between line and staff.	There is always a risk of friction between line and staff people over their respective roles.
It is not based upon planned specialisation.	It is based upon planned specialisation.
Certain line men become key men as they occupy those positions on which the survival of the organisation depends.	This is not possible in case of line and staff organisation as staff officials share credit with line officials.

### Functional Organization

Functional authority is a form of authority that is between line authority and staff authority.

It is a method of placing experts in high-ranking positions across the organization.

The holder is granted a restricted authority to direct individuals from other departments in relation to their duties. Functional authority is limited to providing direction to various divisions. It aids in preserving the capacity and consistency of the performance of functional areas across the organization.

In functional organizations, the enterprise's activities are categorized based on certain functions such as production, marketing, finance, personnel, etc. These functions are then assigned to specialists in each respective area. A functional head supervises and guides the subordinates within their specific domains. This implies that the subordinates receive instructions from multiple functional specialists rather than just one superior.

Put simply, the subordinates are responsible to various functional specialists for carrying out distinct tasks.

F.W. Taylor developed functional organization as a method of planning and regulating manufacturing activities by focusing on specialization. However, in practice, functionalisation is limited to the higher echelons of the organizational hierarchy and is not extended to the lowest level as advocated by Taylor.

Merits of Functional Organizations:

- i) Specialization: Functional organization facilitates the advantages of work specialization. Each functional incharge have expertise in their respective field and can assist subordinates in improving their performance within that area.
- ii) Executive development: A functional manager must possess knowledge in a single function. This facilitates the development of executive skills.

- iii) Workload reduction: Functional organization alleviates the burden on top-level executives. The organization implements point supervision. Each functional manager is responsible for overseeing their own functional domain alone.
- iv) Expansion potential: Functional organization provides a wider potential for expansion in comparison to line organization. It is not confronted with the issue of restricted talents of a small number of line managers.
- v) Enhanced control: The proficient expertise of the functional manager also enables improved management and oversight within the organization.

#### Demerits of Functional Organizations:

- i) Dual command: Functional organization contravenes the principles of unity of command as an individual is answerable to multiple superiors.
- ii) Complexity: The functioning of the functional organization is excessively intricate for the workers to comprehend readily. Workers are overseen by multiple supervisors. This leads to ambiguity inside the organization.
- iii) Issues of succession: Functional organization cultivates experts rather than generalists. This may provide challenges in the succession of high-level executive roles.
- iv) Limited perspective: A functional manager often establishes limitations around themselves and primarily focuses <sup>35</sup> on their own areas, rather than considering the entire organization. This leads to a lack of comprehensive understanding while addressing business issues.
- v) Decision-making delay: The absence of coordination across functional executives sometimes leads to delays in decision making, especially when a decision problem involves the input of multiple specialists.

#### Line Organization Vs Functional Organization

Line Organisation	Functional Organisation
The line of authority is vertical as it follows the principle of scalar chain.	The line of authority is functional or diagonal. The functional manager has authority over his function wherever it is performed.
Line managers are generalists.	Functional managers are specialists in their respective areas.
There is unity of command.	Unity of command is not followed as each subordinate gets instructions from his line boss and the functional bosses.
There is strict discipline.	There is loose discipline.
It is suitable for small scale operations.	It is suitable for large scale operations where experts knowledge in certain fields is a must.

#### 6.5 EFFECTIVE ORGANIZING AND ORGANIZATIONAL CULTURE

Organizing involves establishing a clear framework of responsibilities in order to achieve optimal organizational effectiveness. Planning enables managers to prevent errors in

organizational structure by anticipating future staffing requirements and establishing necessary channels of communication. Furthermore, it aids managers in recognizing obsolete methods and, as a result, facilitates the maintenance of organizational innovation. A proficient organization maintains a high level of adaptability and readily adjusts to alterations in the surrounding conditions. Through the process of reorganization, an organization can enhance its adaptability and effectively respond to changes in the environment. An organization can utilize organization charts and role descriptions as a means to prevent conflict. Organizational efficiency is enhanced when all members are educated about the significance and mechanics of informal organization. The grapevine is a type of informal communication. Managers occasionally utilize the "grapevine" as a means of successful communication and to enhance employee morale. Successful businesses cultivate and foster a corporate culture. Organizational culture encompasses a collection of values, beliefs, and standards that have an impact on the conduct of individuals inside a group. Organizational socialization refers to the process through which newly hired personnel integrate into the cultural norms and values of the firm.

The organizational socialization process encompasses several stages, starting with meticulous recruitment of entry-level staff, followed by comprehensive on-the-job training. It also entails evaluating and incentivizing their performance, as well as elevating high-performing employees and utilizing them as exemplars for new recruits.

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## **6.6 ORGANIZATION CHARTS AND MANUALS**

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### **Organizational Charts**

An organization chart is a visual representation that depicts the key elements of an organization, such as the main functions and their interconnections. The document is a comprehensive outline of the organizational structure of the corporation, including its functional divisions, lines of authority, and job titles. Put simply, it is a visual representation of the roles inside the organization and the official channels of responsibility that connect them. It offers a comprehensive overview of the interconnections across various departments and divisions within an organization, as well as the hierarchical relationships between leaders and their subordinates at different levels. It allows every executive and employee to comprehend their role inside the organization and be aware of the person they are responsible to. Therefore, it is evident that an organizational chart possesses the following attributes:

- 1) It is a graphic representation.
- 2) It illustrates the primary lines of authority inside the organization.
- 3) It demonstrates the interaction between different roles and relationships.
- 4) It denotes the means of communication.

The organization chart should not be mistaken for the organization structure.

An organization chart is a document that displays the official hierarchical relationships that management wishes to establish within a company. Consequently, it is largely a method of displaying information. It visually illustrates the hierarchical relationships and distribution

of authority and responsibility among various individuals and roles. The chart might be either a personnel chart or a functional chart. A personnel organization chart illustrates the hierarchical structure and interconnections between various positions held by individuals. A functional organization chart illustrates the specific functions or activities performed by each unit and sub-unit within the organization.

#### Benefits of Organizational Chart

The benefits of an organizational chart are as follows:

- i) It is an administrative tool that visually illustrates to employees the hierarchical structure of the organization and the interconnections between their respective jobs.
- ii) It provides a clear visual representation of the hierarchical structure and allocation of duties and obligations. It provides a dependable and accurate representation of how the jobs are organized. Through it, individuals can gain an understanding of the boundaries of their power and identify their colleagues, superiors to whom they must report, and the sources from which they will receive guidance.
- iii) It functions as a great resource for new employees to comprehend the organizational framework and the interconnectedness among its many divisions and subdivisions.
- iv) It establishes a structure for people categorization and assessment systems.
- v) It plays a crucial role in enhancing organizational performance by highlighting discrepancies and weaknesses.

The chart provides a comprehensive perspective of the entire organization, allowing management to identify any unwanted gaps, overlaps, or other issues in the allocation of activities and responsibilities.

#### Constraints of Organizational Chart

Although the organization chart is a crucial management tool, its mere presence does not guarantee organizational performance due to the following constraints:

- i) The organisation chart solely depicts the formal links and does not illustrate the informal relations that exist within the organisation. Informal interactions have a considerable impact on the functioning of modern organizations.
- ii) It illustrates the hierarchical structure of power, but it is important to address inquiries regarding the extent of authority that a certain executive can wield, the level of responsibility they have for their duties, and the degree to which they are held accountable.
- iii) It imparts inflexibility in the relationships. Updating is infeasible without disrupting the entire configuration.
- iv) An erroneous organizational chart might lead to perplexity and misinterpretation among the members of the organization. Furthermore, it engenders a sense of superiority and inferiority that leads to conflicts inside the organization.
- v) It fails to depict the actual relationships within the organization, instead merely representing the assumed ties.

#### Organizational Manuals

An organisational chart depicts the hierarchical structure of authority within an organisation, indicating the chain of command. However, it does not provide information regarding the specific scope of authority or the responsibilities associated with each position, except to the extent that they are inferred by job names. Therefore, large enterprises create organizational guides that encompass job descriptions and other information, alongside charts. A job description consists of objective statements detailing the specific activities and responsibilities associated with a particular position. An organizational manual is a definitive guide for members of an organization. The document comprises records of executive decisions, established protocols and processes, and job descriptions. By providing employees with this information in the handbook, they are able to independently access instruction and guidance without needing to seek assistance from their superiors. This prevents work interruptions and saves both the time and energy of the superiors and subordinates.

A manual can be a beneficial management tool, justifying the effort and expense of its creation. A good manual helps personnel understand their work responsibilities and their interaction with other positions in the organization. Avoiding jurisdictional conflicts and overlaps is possible. Clear sources and authority are also provided. Clear instructions can assist employees understand their role in the organization and contribute to achieving goals while maintaining positive relationships with coworkers. Referring to the manual can quickly clarify any confusion. It eliminates the need for managers to repeatedly repeat information. It ensures consistency in procedures and practices. Writing down established routines and practices for work helps train new personnel. Manuals, updated regularly or after major changes, are valuable refreshers for long-term staff. Use of manuals promotes devolution of authority and exception-based management.

### **Types of Manuals**

An organization may create manuals with various topics and objectives, including: (1) Policy manual, (2) Operations handbook, (3) Organization manual, (4) Rules and Regulations manual, and (5) Departmental manual. The following topics are explored below:

- 1) Policy manual: It is created to articulate the policies of the organization. This is a fundamental manual for undertaking actions. A policy document provides an overarching structure for activities and outlines the general courses of managerial action that are expected to occur in specific circumstances. The document comprises the managerial choices, resolutions, and declarations of the firm.
- 2) Operations manual: The manual serves to educate personnel about established methodologies, protocols, and the expected benchmarks for work performance. The document enumerates the authorized procedures and enhances them by incorporating visual aids like as diagrams, sketches, charts, etc. for each department and division.
- 3) Organizational manual: This document outlines the structure of the organization, detailing the roles and responsibilities of different departments and their respective subdivisions. It depicts the hierarchical structure of roles and powers inside the organization. The document clearly outlines the hierarchy of authority and responsibility

for each executive, ensuring that conflicts within the organization are minimized. The organization manual may contain promotional charts that illustrate the various channels for promotion within the entire organization.

4) document on rules and regulations: This document contains information pertaining to the operational guidelines and employment policies. The document includes regulations that control work hours, schedules, procedures for requesting leave, and other related matters. This document serves as a comprehensive guide outlining the regulations and guidelines pertaining to employment. It may also denote the diverse benefit schemes for employees, encompassing regulations pertaining to the utilization of library facilities, cafeteria services, recreational club privileges, and so on.

5) Departmental manual: This document contains instructions for carrying out departmental tasks. The document provides a comprehensive account of the department's internal policies and operational regulations. It visually depicts the inter-departmental relationships using charts and diagrams. The filing manual includes the hierarchical structure of filing department tasks for different positions, the interconnections between employees, and the established protocols for specific processes. Likewise, it is possible that other departments own such guides.

### **Advantages of Manuals**

- 1) It comprises procedural guidelines, regulations, and other pertinent information presented in textual format. There is no need to repeatedly explain these to the personnel.
- 2) It serves as a comprehensive guide for all significant choices pertaining to the internal structure of the organization.
- 3) It highlights jurisdictional problems by clearly indicating the sources of organizing authority.
- 4) It facilitates the rapid acquisition of standard procedures and practices for new personnel. They possess a comprehensive comprehension of their job's duties and their interconnections with other positions.
- 5) It facilitates prompt decision-making by providing instructions and policies in clear and precise terms.

### **Limitations of Manuals**

- 1) Small businesses are unable to bear the expenses and time required to create a guidebook.
- 2) Manuals can impose inflexibility on organizational operations by documenting conventional procedures and practices. It severely limits opportunities for personal initiative and choice.
- 3) Manuals can document confidential interactions that individuals like to keep private.

### **Formal and Informal Organizations**

Formal organization is a designed framework that establishes ties among persons, groups, sections, units, departments, and divisions to achieve company goals.

This information is usually displayed in charts and formal documents such as organization manuals and job descriptions. Formal organization establishes a structure for prescribed functions and their interactions. Formal organization involves coordinated activity of multiple individuals towards a certain goal. A group works together under authority to achieve mutually beneficial goals for both participants and the organization. Consistent relationships foster order and aid in planning and controlling functions. Formal organization refers to (i) formal relationships, duties, organization charts, job descriptions, and position guides, and (ii) management-adopted rules, policies, and work procedures that guide employee behavior within formal relationships.

Formal organization helps set goals and policies. Communication, authority delegation, and coordination follow a set structure. In reality, formal structure limits the actions of individuals within an organization. Informal organization involves links between individuals based on personal interests, attitudes, emotions, prejudices, likes, dislikes, location, and work similarities. The informal organization arises due to formal structure restrictions. It represents natural grouping in the workplace. The emergence of tiny groups in organizations is natural. Informal groupings may overlap as individuals often belong to multiple groups. Informal groups exist to complement and augment formal organizations, as they are interconnected. The contrast between these two components of organizational activity is purely analytical and should not be overemphasized.

### **6.7 LET US SUM UP**

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Departmentation refers to the process of organizing similar operations into a single organizational unit based on their distinct and ongoing nature. Departmentation is done on various bases as functional, product, geographical, process and customers. The organization structure denotes the hierarchical configuration of different roles inside the company. It facilitates the formal allocation of authority and responsibility. Organizations can be line, staff, functional or line and staff organizations. A proficient organization maintains a high level of adaptability and readily adjusts to alterations in the surrounding conditions. Organizational culture encompasses a collection of values, beliefs, and standards that have an impact on the conduct of individuals inside a group. Organizational socialization refers to the process through which newly hired personnel integrate into the cultural norms and values of the firm.

An organization chart is a visual representation that depicts the key elements of an organization, such as the main functions and their interconnections. An organizational manual is a definitive guide for members of an organization. Organizations can also be formal or informal. Formal organization establishes a structure for prescribed functions and their interactions. Informal organization involves links between individuals based on personal interests, attitudes, emotions, prejudices, likes, dislikes, location, and work similarities. Informal organization involves links between individuals based on personal interests, attitudes, emotions, prejudices, likes, dislikes, location, and work similarities.

### **6.8 UNIT END EXERCISE**

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1. Explain the concept of departmentation. Discuss in detail the bases for departmentation.

2. Write a detailed note on line and staff authority and responsibility.
3. Write a note on effective organizing and organizational culture.
4. What are organizational charts and manuals?
5. What do you understand by formal and informal organizations?

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## **6.9 REFERENCES AND SUGGESTED READINGS**

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1. *Essentials of Management: An International Perspective* by Koontz & Weihrich, Tata McGraw Hill Education Private Limited, New Delhi.
2. *Management (Text and Cases)* by V.S.P. Rao and V Hari Krishna, Excel Books, New Delhi.
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## **UNIT 7 STAFFING**

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### **Structure**

- 7.1** Introduction
- 7.2** Objectives
- 7.3** Definition
- 7.4** Nature
- 7.4** Purpose of Staffing
- 7.5** Let us Sum Up
- 7.6** Unit End Exercise
- 7.7** References and Suggested Readings

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### **7.1 INTRODUCTION**

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The personnel department manages the staffing function, which involves supplying competent individuals for the different operations inside the firm. Talent management is the systematic process by which managers identify, attract, assess, and enhance the skills and abilities of individuals inside an organization, regardless of their position in the organizational structure. Companies have restructured their workforce in response to

several factors, including global competitiveness, technology advancements, well-informed clients, and a better educated workforce. Within this unit, we shall acquire knowledge of the fundamental principles of staffing.

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## 7.2 OBJECTIVES

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After going through this unit, you should be able to:

- Define and explain the meaning of staffing
- Discuss the nature of staffing
- Explain the purpose of staffing

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## 7.3 DEFINITION

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According to Koontz and O'Donnell: "The managerial function of staffing involves manuring the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure."

Staffing refers to the process of filling and maintaining positions within the organizational structure. This is achieved through the process of determining workforce needs, assessing the available personnel, recruiting, selecting, placing, promoting, evaluating performance, planning career paths, providing compensation, training, and developing both current employees and new hires, with the aim of enabling them to carry out their responsibilities in a competent and productive manner.

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## 7.4 NATURE OF STAFFING

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In management, staffing is constant and essential. After objectives are set, strategies, policies, programs, procedures, and rules are created to achieve them, activities for implementing them are identified and grouped into jobs, and the next logical step in the management process is to hire suitable staff.

Staffing is considered a separate function of management because an organization's efficiency and effectiveness depend on its staff and because it is one of the main functions of management to hire qualified and trained people.

It consists of multiple subordinate functions:

- (a) Manpower planning entails the identification of the necessary quantity and kind of staff.
- (b) Recruitment is the process of attracting a sufficient number of prospective employees to apply for job positions within the organization.
- (c) The process of choosing the most appropriate individuals for the positions being considered.

(d) Placement, induction, and orientation.

(e) The movement of employees between positions, advancements in job roles, termination, and layoffs.

(f) Employee training and development.

As the recognition of the significance of the human dimension in organizational efficiency grows, staffing is gaining acceptability as a separate function of management. It is imperative to recognize that the quality of an organization is ultimately determined by its personnel, and managers must prioritize the staffing function with equal importance to other functions.

The staffing function comprises a series of consecutive phases that elucidate the general concepts of staffing.

Step 1: Conduct a job analysis by creating a job description, job specification, and job analysis.

Step 2: Actual recruitment involves identifying and evaluating both internal and external sources to find the necessary personnel.

Step 3: Employee selection involves employing procedures to discover and separate individuals who are suitable for eventual selection.

Step 4: Retention involves ensuring that the individuals who have been appropriately recruited are kept within the organization for an extended period of time. This stage examines the influential elements that contribute to the maintenance of the work force.

Step 5 Training and development: This encompasses all programs aimed at facilitating the ongoing progress and advancement of employees.

Step 6 focuses on performance appraisal and career development. During this phase, strategies are created to evaluate an employee's performance over a specific duration. Additionally, employees are given opportunity to enhance their careers and build their managerial skills.

We shall discuss the above steps in detail in the later chapters.

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## 7.5 PURPOSE OF STAFFING

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The purpose of staffing is to ensure that appropriate workers are chosen and recruited for the correct positions, hence maintaining the highest level of productivity. It facilitates the achievement of efficient exploitation of human resources and assists in reducing unnecessary labor expenses in accordance with productivity. Staffing facilitates the process of identifying and recruiting highly skilled individuals for suitable positions inside the firm. It helps to ensure that staff morale and job satisfaction are maintained at a high level. The purpose of this is to prevent any insufficiency of personnel or labor inside the company, therefore avoiding any unnecessary disruption or delay in the processes.

The staffing process is given importance to ensure that both the employees and the company utilize the workforce in a productive and ethical manner.

1. Staffing facilitates the identification and acquisition of skilled and qualified workers for diverse job roles.
2. By assigning the appropriate individual to the suitable task, it aids in enhancing both the amount and the excellence of the production.
3. It enhances employees' job satisfaction.
4. It enhances productive performance by assigning the most suitable individual to each task.
5. It minimizes staff expenses by preventing the inefficient utilization of human resources.
6. It promotes the expansion and broadening of company activities.
7. It ensures the ongoing viability and expansion of the business by fostering the professional development of its personnel.

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### **7.6 LET US SUM UP**

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Staffing refers to the process of filling and maintaining positions within the organizational structure. Staffing is considered a separate function of management because an organization's efficiency and effectiveness depend on its staff and because it is one of the main functions of management to hire qualified and trained people. The purpose of staffing is to ensure that appropriate workers are chosen and recruited for the correct positions, hence maintaining the highest level of productivity. Staffing processes consists of many steps right from sourcing and recruitment of performance management.

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### **7.7 UNIT END EXERCISE**

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1. Define staffing. Discuss the nature of staffing.
2. What are the different phases of staffing process in an organization?
3. Write a detailed note on the purpose of staffing in organizations.

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### **7.8 REFERENCES AND SUGGESTED READINGS**

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1. *Essentials of Management: An International Perspective* by Koontz & Weihrich, Tata McGraw Hill Education Private Limited, New Delhi.
2. *Management (Text and Cases)* by V.S.P. Rao and V Hari Krishna, Excel Books, New Delhi.
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## **UNIT 8 HUMAN RESOURCE MANAGEMENT AND SELECTION, PERFORMANCE APPRAISAL AND CAREER STRATEGY**

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### **Structure**

- 8.1** Introduction
- 8.2** Objectives
- 8.3** Recruitment
- 8.4** Selection
- 8.5** Performance Appraisal
- 8.6** Career Strategy
- 8.7** Let us Sum Up
- 8.8** Unit End Exercise
- 8.9** References and Suggested Readings

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### **8.1 INTRODUCTION**

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Human resource management refers to a set of managerial operations that involve planning, recruiting, selecting, orienting, training, appraising, motivating, and compensating human resources. **22** The objective of Human Resource Management (HRM) is to enhance the growth and progress of individuals by means of their employment.

Practitioners in the field perceive HRM as a more innovative perspective on workplace management compared to the conventional approach of people management. The tactics employed in this approach compel enterprise managers to clearly articulate their goals, ensuring that they are comprehensible and actionable by the workforce. Additionally, managers are required to allocate the necessary resources to enable successful completion of assigned tasks. HRM techniques, when implemented correctly, reflect the objectives and operational procedures of the entire organization. Many people believe that HRM plays a **crucial role in** mitigating risks inside organizations.

This unit discusses the functions of recruitment and selection; performance appraisal and strategies for employee career development.

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### **8.2 OBJECTIVES**

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After studying this unit, you **should be able to**:

- Define **Human Resource Management**

- Discuss recruitment and selection processes
- List out and explain the steps in performance appraisal process
- Discuss employee career strategy

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### **8.3 RECRUITMENT**

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In order to thrive in a fiercely competitive climate, organizations must hire individuals who possess the necessary skills, qualifications, and experience. During this process, it is imperative for them to consider and take into account the economic, social, political, and legal aspects specific to the country. In order to achieve optimal results, it is necessary for them to utilize all accessible sources of procurement, including those from within the organization as well as those from external sources. Internal promotions and transfers enhance the morale of individuals who have demonstrated long-standing loyalty to the company.

Regular exploration of external sources is necessary to attract highly skilled individuals with a wealth of innovative ideas to join a company.

#### **Meaning of Recruitment**

Recruitment is the systematic procedure of identifying and motivating suitable candidates to submit applications for current or expected employment vacancies. It functions as a mechanism for connecting those who have work vacancies with others who are looking for employment. The purpose of recruitment is twofold: firstly, to attract a substantial pool of **22** qualified candidates who are willing to accept the job if it is offered, and secondly, to provide sufficient information for unqualified individuals to voluntarily remove themselves from consideration.

#### **Sources of Recruitment**

Sourcing of potential candidates for recruitment can be broadly done through two sources; internal and external sources.

Individuals that are currently employed within an organization are referred to as 'internal sources'. Internal sources may include retrenched employees, retired employees, and dependents of dead employees. Whenever a vacancy occurs, an individual from within the organization is either promoted, moved, or even demoted.

External sources refer to individuals who are not affiliated with the organization prior to the recruitment process.

Table 8.1 – Sources of Recruitment

INTERNAL SOURCES	EXTERNAL SOURCES
<ul style="list-style-type: none"> <li>• Promotions</li> <li>• Transfers</li> <li>• Internal job postings (IJP)</li> <li>• Employee referrals</li> <li>• Former employees including retired professionals</li> </ul>	<ul style="list-style-type: none"> <li>• Campus recruitments</li> <li>• Job postings (both online and print media)</li> <li>• Recruitment consultancies</li> <li>• Transfer from other business units in the corporate group</li> <li>• Walk-ins and write-ins</li> <li>• Unsolicited applications</li> <li>• Miscellaneous sources such as professional networks etc.</li> </ul>

### **Internet Recruiting**

Recently, many organizations have found it advantageous to create their own website and advertise job vacancies on it. The website provides a rapid, easy, and economical method for job seekers to electronically submit their resumes. Infosys Technologies Ltd. receives more than 1000 resumes per day from potential applicants on the internet. The resumes are subsequently transformed into a standardized format using the company's proprietary software, which is designed to screen individuals based on certain criteria such as educational background, qualifications, and work experience. The HR manager must input their requirements and the company's database will generate candidate profiles. Apart from a company's own website, there are other online platforms where individuals may post their resumes and potential employers can search for suitable candidates. Naukri.com, foundit.in, timesjobs.com are a few examples of such job portals.

As previously stated, internet recruiting yields prompt, economical, and timely feedback from job seekers located in various regions of the globe. However, the issue arises when the website becomes inundated with resumes from job seekers who lack the necessary qualifications. Applications may also originate from geographically distant regions that are not realistically feasible.

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### **8.4 SELECTION**

Selection involves assessing an applicant's qualifications, experience, skills, expertise, and other relevant factors in connection to the job criteria in order to establish their <sup>7</sup> fit for the position. The selection process aims to obtain pertinent information from candidates and choose the most appropriate individual based on an evaluation of their potential success in the work, if they were to be hired for the empty post. The selection process aims to achieve two primary goals: 1. To accurately forecast the potential success of an application if

chosen for the position, and 2. To effectively promote the organization and the job to the ideal candidate.

### Selection Process

The selection process is determined by the organizational objectives, job definition, and recruitment policy of the organization. The selection methods encompass initial screening, application forms, selection exams, group discussions, interviews, and reference checks.

In order to make a somewhat accurate prediction of an applicant's likelihood of success in a job, the selection methods must adhere to the fundamental criteria of reliability, validity, utility, and legality. The application form serves as an official document that records an individual's request for employment. It is commonly employed in the initial evaluation of job candidates.

The completed application forms contain relevant details about the individual and are utilized during the job interview and for conducting reference checks <sup>22</sup> in order to assess the applicant's suitability for employment. Two approaches can be used to assess these forms: the clinical technique and the weighted method. Commonly employed selection tests encompass IQ tests, aptitude tests, accomplishment tests, situational tests, interest tests, and personality tests.

Interviews assist managers in addressing the deficiencies in the information acquired via application forms and examinations. Interviews also allow the management to influence the job applicant's perception of the organization, in addition to evaluating their job-related conduct and attitude. Interviews can be categorized into three types: preliminary, selection, and decision-making, depending on when they take place and their intended purpose.

The interviewing process encompasses various stages, including interview preparation, establishing a suitable environment, performing the interview, concluding it, and reviewing the outcomes. The selection procedure additionally employs background investigation or reference checks to verify the veracity of the information provided by the candidate. Once a candidate is chosen, they are offered an offer, and upon acceptance, the placement process commences.

Selection at most organizations often comprises a series of steps. Each task must be satisfactorily completed before on to the next. The duration and significance assigned to each stage will naturally differ throughout organizations and even among different positions within the same organization. The order of steps may also differ from one position to another and from one organization to another. The recruitment and selection process typically involves the following general steps:

1. Perception: The reputation of a corporation is determined by the individuals it hires. To recruit highly skilled and experienced individuals, a company must make a positive impression on candidates starting from the initial reception stage. The individual who first encounters the candidate should possess both tact and the ability to offer assistance in a kind and polite manner. Employment opportunities should be communicated with transparency and accuracy. If there are no available positions at that particular moment, the candidate may be requested to reach out to the HR department once a reasonable duration

has passed.

2. Screening Interview: Large organizations often conduct a preliminary interview to reduce selection costs by only allowing qualified candidates to proceed to the next **stages of the selection process**. This 'courtesy interview', commonly referred to as such, aids **the department in** identifying and eliminating individuals who clearly do not fulfill the desired criteria. Once the department determines that the candidate is suitable, they provide the applicants with a designated application form to complete and submit.

3. Application Blank: An application blank or form is a widely used **way for gathering information about** the academic, social, and demographic backgrounds of applicants.

Professional experience and professional recommendations. An employee's background is typically summarized in a concise document, which includes the following information:

- (a) Personal data, such as address, gender, and identification markers
- (b) Marital information (unmarried or married, number of children, dependents)
- (c) Biometric information (height, weight, and overall health status)
- (d) Academic data (levels of formal education, grades, honors)
- (e) Employment data includes information about past experience, promotions, nature of duties, reasons for leaving previous employers, and salary drawn.
- (f) Data pertaining to extracurricular activities, including sports/games, NSS, NCC, prizes achieved, and leisure-time pursuits.
- (g) References (individuals who endorse the qualifications of a candidate for the advertised post).

### **Weighted Application Blanks (WABs)**

Weighted application blanks is a method used by organizations to enhance the job relevance of application forms. This is achieved by assigning numerical values or weights to the responses provided by applicants. Typically, factors that show a significant correlation with job success are assigned high scores.

For a medical representative's role, factors such as prior sales experience, marital status, age, and previous sales commissions may be weighted more heavily than factors such as religion, gender, language, and place of birth.

The cumulative score of each candidate is calculated by adding together the weights assigned to each individual item response. Subsequently, the obtained scores are employed in the process of making the selection decision. The Workforce Allocation and Balancing (WAB) system is most appropriate for occupations with a large number of employees, notably in sales and technical roles. It is particularly effective in mitigating employee turnover.

Selection Testing: Another crucial aspect <sup>7</sup> of the selection process is to applicant testing and the specific types of tests to employ. A test is a standardized and objective assessment of an individual's behavior, performance, or attitude.

Interview for selection: An interview is a verbal assessment conducted to evaluate job applicants. This phase is crucial in the choosing process. During this phase, the interviewer aims to gather and consolidate information regarding the skills and qualifications of the interviewee, as well as the specific demands of the job.

Medical Examination: Some occupations necessitate specific physical attributes such as excellent eyesight, sharp auditory perception, exceptional endurance, ability to withstand challenging working conditions, and a distinct vocal quality. A medical checkup determines whether an applicant exhibits these qualities or not.

Verification of References: After the completion of the candidate's interview and medical examination, the personnel department will proceed to verify the candidate's references. Applicants must provide the names of two or three individuals who can vouch for them in their application forms. An earnestly conducted reference check might provide valuable and dependable information to the organization.

Employment Determination: The Line Manager must now make the ultimate decision - whether to accept or reject an applicant after obtaining the necessary information. The line manager must exercise caution while making the ultimate decision due to the economic, behavioral, and social consequences associated with selection judgments.

## **8.5 PERFORMANCE APPRAISAL**

Performance appraisal is a crucial aspect of management. Performance appraisal is essential for making crucial decisions regarding individuals, such as transfers, promotions, compensation, rewards, training, and development. It is also critical for long-term workforce planning and organizational development. An extensively documented performance appraisal system facilitates comprehension of employees' traits and behaviors. Additionally, it is vital for fostering motivation, facilitating communication, enhancing the superior-subordinate relationship, establishing goal objectives (key performance areas/key result areas), devising work plans, and ultimately enhancing the overall performance of the organization.

A career refers to the progression of attitudes and behaviors that are linked to a person's lifetime of job and work-related activities. Alternatively, it can be described as a sequence.

A career ladder is a hierarchical sequence of interconnected employment inside an organization.

### **Concept and Functions of Performance Appraisal**

Performance refers to the level at which an individual utilizes their ability, knowledge, and efforts in carrying out their assigned task, and the outcome of their efforts. Performance assessment refers to the systematic analysis, review, and evaluation of an employee's

performance and behavior. The communication can take various forms, such as formal or casual, oral or written, and can be either open or confidential. However, within organizations, we typically encounter the official appraisal system in a written format. Hence, it is a formal procedure to assess the employees' performance in relation to the accomplishment of organizational goals.

The main purposes of performance appraisal are:

1. To ascertain and delineate the precise task requirements. At the start of the year, numerous organizations establish key performance areas (KPS) or key result areas (KRAs) for their staff through collaborative talks.
2. KRAs (Key Result Areas) and KPAs (Key Performance Areas) are meant to measure and compare work performance based on specific job criteria. They provide a means to assess job performance in both quantitative and qualitative terms.
3. To establish and validate a system of incentives, linking awards to the performance of employees.
4. To assess the competencies and limitations of personnel and determine appropriate job assignments and advancements.
5. To provide appropriate training and development initiatives to enhance staff performance.
6. To strategize for future workforce needs and determine the necessary organizational development initiatives, while accurately identifying areas requiring change (for the general enhancement of the organization).
7. The objectives are to determine motivating incentives, establish effective communication methods, and enhance relationships between superiors and subordinates.

### **Objectives of Performance Appraisal**

The primary aim of a performance appraisal system is to fulfill many goals and achieve a range of objectives.

The primary goals of a performance appraisal system can be categorized as corrective, growth-oriented, inventive, and motivational.

1. Developmental objectives foster the advancement of employees in their current and future positions. Therefore, it determines the requirements for training and development, guarantees appropriate placement and advancement, and so on.
2. Innovative objectives aim to explore strategies for addressing novel tasks and to identify and enhance more effective approaches for current tasks.
3. Motivational aims encompass the attainment of rewards, the stimulation of motivation, the facilitation of effective communication, and the enhancement of interpersonal interactions.

### **TECHNIQUES OF PERFORMANCE APPRAISAL**

Various organizations employ different approaches to performance review in order to

accomplish the aforementioned objectives. Due to the complexity and requirement of quantitative methodologies, several organizations choose for conventional methods of performance review, while others rely on current ways to evaluate employee work performance. The succeeding subsections discuss traditional approaches to performance appraisal.

## **TRADITIONAL METHODS OF PERFORMANCE APPRAISAL**

### **Straight Ranking Method**

This type of performance review is based on ranking employees according to their merit and assigning them a numerical rank. They are then arranged in a basic grouping. This classification categorizes employees based on their level of efficiency, ranging from the most efficient to the least efficient. As it is a direct measurement of performance, it does not take into consideration behavioral factors and just focuses on an employee's level of effectiveness compared to others.

This approach lacks a clear scientific foundation for evaluating employee performance, which is a glaring shortcoming.

### **Paired Comparison Method**

This approach of performance appraisal is more effective as it involves comparing each individual with others in pairs, one at a time. Each performance feature is evaluated by comparing an individual employee's performance with others in pairs, and then determining their rank order. This technique is also unsuitable in situations where there is typically a large number of employees. To enhance understanding, a sample table illustrating the dependability of traits is provided below:

Table:8.2 – Paired Comparison Method

As Compared To	A	B	C	D	E
A	X	-	-	-	-
B	X	+	-	+	-
C	+	-	X	-	-
D	+	-	+	X	-
E	+	+	-	+	X

### Man-to-Man Comparison

This method involves selecting certain factors, such as leadership, initiative, and interpersonal relationship, for examination. A rater then designs a scale for each element. Once each element has been evaluated and assessed, the overall **S** performance of an individual employee is determined and assigned a rating on a scale. Similarly, an individual employee is regarded in relation to others. This method bears resemblance to the factor comparison method and is extensively employed in job evaluation. Due to the complexity involved in creating a standardized rating system, organizations do not frequently utilize this criteria for evaluating employee performance.

### Grading Method

This strategy involves identifying certain attributes that contribute to the comprehension of an employee's performance. Examples of such attributes include leadership, effective communication skills, analytical prowess, extensive professional knowledge, and more. The raters assess these aspects using a scale and compare an employee's performance to their own established grade criteria.

A rater may construct grade criteria for each attribute, such as A, B, C, D, and E, to signify different levels of significance: A for Very Significant, B for Significant, C for Moderate, D for Average, and E for Poor. These types of grading systems are highly beneficial for staff selection or evaluating performance in written tests.

**Graphic Rating Scale/Linear Rating Scale:** A common rating scale is often a continuous scale, enabling the rater to mark any point along a continuum. Typically, a rater is given a printed form containing the factors to be evaluated. This form includes a continuous scale for each factor, allowing performance scores to be quantified and their significance analyzed using statistical methods. Creating an effective rating cluster may be difficult due to the obvious differences in individual job characteristics, which means this approach may not always provide an impartial evaluation.

**Forced Choice Method:** This method combines both objective and subjective evaluations of an employee's performance based on specific rating criteria. The rater is presented with both positive and negative descriptions and must determine if these descriptions accurately reflect the employee's performance. Although this method may seem complex, it is rarely used in practice.

**Forced Distribution Technique:** The Forced Distribution Method is a performance evaluation approach that assesses employees using a pre-set distribution scale. In this system, the rater is required to place 5% of employees at the top level, indicating exceptional performance and promotion potential. Another 10% may be placed just below this group, reflecting good performance and future promotion possibilities. This method is straightforward and can be implemented without much difficulty in many organizations.

**Checklist:** The Checklist Method is a simple evaluation technique where an employee's performance is assessed by answering yes or no to specific questions. The final rating is determined by considering these responses in relation to the HR department's standards. However, due to its subjective nature, this method is prone to biases.

**Essay Method:** The Essay Method involves a subjective assessment of an employee's performance, allowing the rater to provide detailed opinions on important job-related aspects. Given its narrative style, this approach has a higher chance of bias and potential judgment errors.

**Critical Incident Technique:** The Critical Incident Technique is a performance measurement method that evaluates employees based on key "incidents" or "events" that are pivotal in determining their success or failure in their role. The rater identifies these critical incidents after a thorough review of the employee's performance. While this method focuses on negative events, it requires careful documentation. However, it is not without its limitations.

**Group Appraisal Method:** The Group Appraisal Method involves assessing an employee's performance by a panel of evaluators. The immediate supervisor, along with a small group of evaluators, discusses performance criteria and evaluates the employee. A key advantage of this approach is its reduced bias, although it can be time-consuming.

**Field Evaluation:** The HR department typically conducts this type of evaluation by interviewing the employee's supervisor to gain insight into the employee's performance. In this evaluation, the HR representative prepares a set of questions and conducts an informal interview with the supervisor of the employee being assessed. As an indirect performance evaluation method, it may not always accurately reflect the employee's actual performance. The interview format can lead to biased and generalized responses, as it may raise the supervisor's awareness of the assessment. This method, while easy to implement, often requires top management to be involved in evaluations, particularly for lower-level staff, despite its drawbacks.

## MODERN TECHNIQUES <sup>5</sup> OF PERFORMANCE APPRAISAL

The traditional methods of performance evaluation previously discussed have a significant drawback in that they focus primarily on assessing individual performance or tasks, treating them as separate and independent factors. To overcome the limitations of such narrow and biased approaches, organizations have developed more advanced performance evaluation methods, which are widely used, <sup>5</sup> particularly for managerial and supervisory roles. The following sections will explore some of these contemporary methods.

**Management by Objectives (MBO)** :Management by Objectives (MBO) is a holistic management strategy employed for performance assessment and organizational development. When used solely for performance evaluation, MBO focuses on creating objective criteria to evaluate individual performance. The process of identifying shared goals is a collaborative effort between senior and junior management. <sup>49</sup> Once these goals are established, the specific responsibilities of each individual are defined, providing a clear framework for evaluating performance.

A key aspect of MBO is the development of Key Result Areas (KRAs). This involves a meeting between the supervisor and employee to set, define, and establish goals to be achieved within a specific time period, typically with intermediate targets. MBO also outlines methods for performance assessment and the roles supervisors play in providing support, such as counseling and coaching.

However, MBO tends to prioritize measurable objectives, often overlooking intangible goals such as morale, interpersonal relationships, and job commitment. Moreover, the MBO process demands considerable time and financial resources.

**Assessment Centre** The Assessment Centre Method is a process where candidates are evaluated in a group setting by multiple assessors. These evaluators use various techniques

like written tests, interviews, in-basket exercises, business simulations, role-playing scenarios, or leaderless group discussions to assess candidates. The evaluators are typically senior executives with experience in various management levels. This method evaluates both individual and group performance and is effective for assessing skills such as interpersonal abilities, planning, creativity, stress management, motivation, and decision-making.

**Human Resource Accounting:** This method involves quantifying the monetary value of human resources within an organization. It calculates the value of the workforce and can be evaluated by developing a system to regularly measure certain variables. These variables are categorized into either critical or intervening factors. Critical factors include decisions and policies of the organization, leadership styles, and the employees' skills and behavior, while intervening factors include loyalty, attitudes, motivation, communication, and decision-making abilities.

Quantifying human assets presents a challenge, as **5** it is difficult to create an accounting system that measures such variables over time. This approach is not commonly used for individual employee evaluation but is more suited for assessing overall organizational performance. It can be helpful for identifying areas of improvement in a more scientific way compared to other methods. This technique is discussed in more detail **in a separate** section.

**Behaviourally Anchored Rating Scales (BARS):** BARS is a method for evaluating work performance with greater precision. Standardized statements are provided for each performance dimension. These statements are then rated according to predefined scales. During the creation of BARS, group discussions help identify key job aspects that need evaluation. The scales are typically displayed vertically, with ratings ranging from five to nine points. BARS is considered one of the most effective performance evaluation methods because of its focus on behavior.

This approach allows for a dialogue between the evaluator and the employee, fostering cooperation in setting performance benchmarks. While BARS is comprehensive, it is time-consuming and labor-intensive, which leads many organizations to avoid using it.

**360 Degree Appraisals:** This evaluation method is widely used worldwide. Feedback is gathered from all relevant parties, including the individual being assessed, their supervisors, peers, team members, customers, and suppliers. In addition to providing a thorough performance assessment, this method ensures full employee involvement and empowerment. It also helps reduce the reliance on subjective evaluations within the organization.

**Potential Appraisal:** Potential appraisal refers to a comprehensive evaluation of an individual's various traits, such as their intellect, personality, and character. Two common

methods used to assess potential in the workforce are the helicopter approach and the whole person attributes approach. The helicopter approach aims to evaluate an individual's potential across both broad and specialized domains. In contrast, the whole person attributes approach focuses on the overall qualities and potential of an individual using a predefined set of factors. The insights gained from potential appraisals are crucial for career development, as they help match a person's hidden strengths with their future roles and responsibilities.

However, in India, there are no established standards for assessing the potential of individuals within the corporate world.

5

### Steps in Conducting Performance Appraisal

Regardless of the method—traditional or modern—the performance appraisal process generally follows a standard pattern, which includes the following steps:

1. Establishing criteria for performance measurement, typically during the job description process.
2. Communicating these standards to employees.
3. Assessing individual performance.
4. Comparing performance with established benchmarks.
5. Discussing the evaluation results with employees.
6. Taking necessary actions to address any issues.

Although the traditional view of a career emphasizes personal progress, it is more accurate to recognize that a career can be viewed from two perspectives: individual-centered or organization-centered. Therefore, careers are commonly categorized into external and internal types. An external career refers to the established progression pathways defined by society and organizations within a specific profession. In contrast, an internal career pertains to an individual's personal perspective on their career development within their job, comprising their own steps or stages. In an organizational setting, a career can be defined as the combined upward and lateral movement within an individual's job over time.

The goal of this integrated approach is to reduce discrepancies between employees' expectations and the organization's goals by aligning their personal career aspirations with organizational objectives.

Upon reviewing the concept, it becomes clear that a career encompasses the following key elements:

1. It represents a structured and ordered series of tasks relevant to a job. These tasks, related to experience, include the various roles a person has held at different

hierarchical levels. Such roles typically lead to increased responsibility, status, authority, achievements, and rewards.

2. It may focus on either the individual or the organization. An individual-centered (internal) career refers to how an individual perceives their own career advancement within a particular field.

In certain professions, career progression is clearly outlined. For example, in medicine, there are structured educational stages, including internships and residency programs. Similarly, in academia, career stages such as lecturer, reader, and professor are well-defined. In industrial sectors, individuals may be given access to predefined career paths that outline various stages of advancement.

The Indian Administrative Services and related fields also provide clear career progression stages. In the Indian Ordnance Factories, for instance, Class-I officers start as Assistant Works Managers and can move up to roles such as Works Manager, Deputy General Manager, Additional General Manager, and finally, General Manager. With such defined stages, individuals can easily foresee their career growth before joining these roles.

However, not all professions, in either the public or private sectors, offer well-defined career stages. In such cases, individuals tend to define their own career milestones.

3. Career progression can also be viewed as a series of lateral movements within an individual's professional journey. While an individual-centered career might not always be practical or achievable in every field, it can sometimes conflict with organizational expectations, as companies may have their own career development plans. An integrated approach helps align these different aspirations, ensuring career advancement that satisfies both the individual and the organization.

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## 8.6 CAREER STRATEGY

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The traditional notion of a career often centers around a personal sense of progress; however, it is more accurate to recognize that careers can either be oriented around the individual or the organization. Therefore, careers are typically divided into two categories: external careers and internal careers. An external career pertains to the structured categories defined by society and organizations that outline sequential progress in a specific field. In contrast, an internal career is shaped by an individual's own view of their career development, including

the stages or steps they perceive as necessary within their occupation. In an organizational setting, a career is a combination of both vertical and horizontal movements within a person's role over time.

The goal of this integrated approach is to align employees' personal career goals with the organization's objectives, reducing discrepancies between the two.

**Elements of Career Development:** Career development involves the following key components:

1. It is a well-structured and progressive sequence of job-related activities. These activities, as related to experience, include the various roles a person has held across different hierarchical levels, leading to increasing responsibilities, status, authority, achievements, and rewards.
2. A career can either be centered on the individual or the organization. An individual-centered (internal) career involves personal perceptions of career growth within a specific profession.

Certain professions, such as medicine or academia, offer well-established stages. For instance, medical professionals often follow a path that includes internships, residencies, and hospital or private practice roles. Similarly, in the academic field, career stages include positions like Assistant Professor, Associate Professor, and Professor.

The Indian Ordnance Factories have a defined progression for their employees. Class-I officers begin their careers as Assistant Works Managers and can advance to positions like Works Manager, Deputy General Manager, and ultimately, General Manager. In such professions with clearly defined growth stages, individuals can anticipate their career path before entering the role.

However, not all job roles or professions, public or private, have clearly outlined career advancement stages. In these cases, employees may develop their own sense of career progression.

3. Career progression can be understood as a cohesive path that may involve lateral moves within an individual's career. A career centered on the individual, though, may not always align with the practical realities or expectations of the organization. This misalignment can create tension between the desires of employees and organizational goals. A coordinated approach ensures that employees' growth aligns with both personal and organizational expectations.

**Career Development:** Career development refers to the organized efforts aimed at improving an employee's capacity for growth and transitions in their professional journey. Essentially, it involves creating a future plan for various roles **an individual may** take within the organization **and developing strategies** to gain the necessary skills as those opportunities arise.

Career development focuses on preparing individuals to advance through different roles throughout their professional careers. It is distinct **from career planning and career management.** **Career development** is a structured process that helps employees progress through different levels within the organization. In contrast, career planning is about setting career goals, either individually or collectively with the organization, and formulating strategies to reach those goals. This involves decisions about job roles, assignments, and personal development. Career management deals with the execution **of human resource** functions, **such as recruitment, selection, placement, and** performance evaluation, to assist employees' career growth.

It is vital for organizations to provide opportunities for career advancement. The current economic restructuring in India has driven many businesses to reorganize in response to market globalization, technological advancements, and increased competition. Organizations must adapt by reassigning trained personnel as they restructure. However, employees with similar skills are often in a favorable position to negotiate better opportunities, with many multinational corporations offering higher salaries and improved career prospects. **A lack of career development** programs can negatively impact an organization in several ways:

1. High turnover, particularly among early-career employees.
2. Reduced labor force participation.

Staff turnover is costly, with recruitment, training, and decreased productivity adding to the expense. Additionally, low employee engagement impacts overall organizational efficiency.

Several factors make career development crucial:

1. As jobs become more complex, an effective development program equips employees with the necessary skills for future roles and helps identify potential leaders within the organization.

2. Career development maximizes employees' contributions and enhances job satisfaction, fostering loyalty and productivity.
3. It enables employees to adapt to organizational changes, such as advancements in technology or shifts in management practices.
4. A fair career development program helps prevent subjective promotions, ensuring that advancement is based on merit.
5. It promotes equality, ensuring that women and minority groups have equal opportunities for career growth.

**Significance and Benefits of Career Development:** The importance and benefits of career development can be summarized as follows:

1. Reduces employee turnover by offering better promotion opportunities.
2. Boosts employee morale and motivation.
3. Enables organizations to fill managerial positions from within, saving on external hiring costs.
4. Enhances the effective use of employees' skills, leading to greater job satisfaction.
5. Helps employees adapt to evolving organizational needs.
6. Reduces conflicts related to promotions, promoting harmonious industrial relations.

By increasing employee loyalty and engagement, career development programs can significantly improve organizational productivity.

**Objectives of Career Development:** The objectives of a career development program include:

1. Attracting and retaining skilled individuals.
2. Maximizing the efficient use of human resources.
3. Improving staff morale and motivation.
4. Reducing employee turnover.
5. Establishing a fair internal promotion strategy.
6. Helping employees adapt to changes.
7. Strengthening employees' commitment to the organization.
8. Maintaining positive industrial relations.

9. Ensuring fair career advancement opportunities for all employees, including women and minorities.

**Types of Career Development:** Organizations offer various programs to enhance the skills of their workforce, including organizational development, employee development, management development, and career development. Organizational development programs are typically planned by top management to implement strategic changes, improving overall efficiency. Management development focuses on improving managers' abilities to guide human resources through the organization's various levels. Career development is closely linked to these other human resource development functions.

**Stages of Career Development:** Understanding the different stages of career development is essential for creating an effective program. While individuals' career paths may differ, the development process can generally be broken into four key stages:

1. **Exploration:** This stage occurs when a new employee enters the organization. Despite being highly qualified, they may find a mismatch between their skills and the organization's needs, which requires time to resolve. Organizations should support employees during this stage by offering job rotation to help them find a role that suits them.
2. **Establishment:** After settling into their career path, employees need regular feedback to assess their progress. Constructive feedback motivates employees and helps them align their performance with organizational expectations, ensuring long-term retention and loyalty.
3. **Maintenance:** In the middle of their careers, employees work to preserve their standing within the organization. Career development programs during this stage focus on updating skills and addressing potential mid-career crises, which can lead to job changes if not properly managed.
4. **Decline:** As employees near retirement, they may struggle with the prospect of reduced responsibilities or roles. Career development during this stage helps employees prepare for retirement, helping them adjust to changes both within the organization and in their personal lives.

**Career Anchors:** A career anchor refers to the collection of an individual's skills, values, and motivations that guide their career choices. These career anchors, influenced by early life

experiences, often conflict with organizational career plans, leading to tension between the individual's career path and organizational objectives. Understanding these anchors allows organizations to create development programs that align with employees' personal and professional goals.

Edgar H. Schein identified five main career anchors:

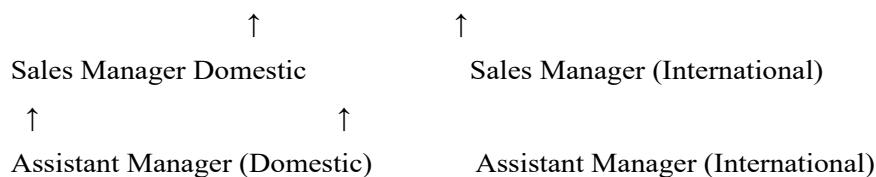
1. **Managerial Competence:** Employees with this anchor possess strong interpersonal, analytical, and emotional competencies, which prepare them for leadership roles.
2. **Technical/Functional Competence:** Individuals with this anchor prioritize specialized technical roles over managerial positions.
3. **Security and Stability:** Employees focused on job security and long-term stability tend to stay in secure positions, even if it means sacrificing career advancement.
4. **Creativity and Challenge:** These individuals seek entrepreneurial roles that allow for innovation and personal expression.
5. **Autonomy and Freedom:** Employees with this anchor prefer roles that provide functional autonomy, often seeking freelance or consultancy work to achieve greater independence.

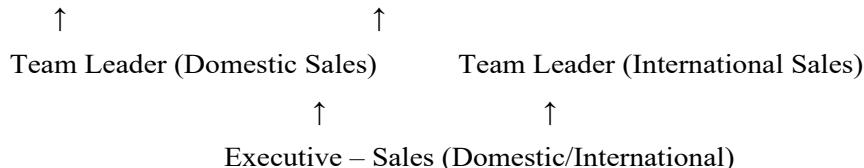
**Career Planning Process:** The process of career planning includes:

1. **Creating an inventory of personnel skills:** This includes gathering information about employees' qualifications, experiences, career objectives, and performance.
2. **Developing career paths:** Career paths are designed to help employees progress through different stages in their professional journey, with career ladders showing potential advancement opportunities.

By systematically managing these steps, organizations can build a workforce that is both satisfied and well-equipped to handle future challenges.

General Manager (Sales)





Nevertheless, professional trajectories are invariably complex. In manufacturing industries with several feeder positions at different levels, career paths are more intricate compared to those in the past.

**Right person for the right position:** The third phase of the career planning process involves recognizing capable employees who possess the necessary skills, talent, and eagerness to assume greater responsibilities and advance within the organizational hierarchy. Many organizations implement a performance review and merit rating system for this purpose.

This approach facilitates the comparison of performance metrics across persons based on job requirements. It aids in detecting training needs, selecting candidates for promotions, and giving financial incentives, among other benefits.

**Conduct Training:** The subsequent phase in the process of career planning involves creating and executing training and development programs. Programs should be created to enhance the technical and conceptual skills of employees, especially in areas that have been recognized as lacking through the performance appraisal system. In order to effectively respond to the ongoing changes in the environment, it is imperative to consistently refresh and enhance the knowledge and abilities of personnel, enabling them to readily adjust to the evolving demands. Many Indian organizations currently provide training to their staff on various topics such as quality circles, value engineering technique, overall quality management concepts, and ISO:9000.

**Review and Counselling:** In addition to the aforementioned, the career planning process also encompasses the formulation of appropriate promotion and transfer policies, regular evaluation of career development plans, and provision of career counselling. professional counseling offers employees information on vocational training, education, and professional objectives.

## **8.7 LET US SUM UP**

The performance appraisal process offers a chance to implement organizational change.

It expedites the process of transforming the organizational culture.

The interactive meetings conducted between the management and the staff aim to foster mutual understanding and achieve shared objectives.

The establishment of a conducive environment and the implementation of initiatives aimed at enhancing the professional growth of employees contribute to the transformation of the organization into a learning organization.

Regularly conducting performance appraisals integrates it into daily practice and empowers individuals to assume accountability for their work, so enhancing their professional growth. Professional planning and development is a comprehensive method for objectively describing the path of professional progression for individuals at all levels within an organization. While certain organizations may use the terms "career planning" and "career development" with varying implications, such as applying "career planning" to non-executive positions and "career development" to executive and managerial roles, we will be using both terms in a more general sense for our purposes.

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## 8.8 UNIT END EXERCISE

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1. Define Human Resource Management. What is its significance in achieving organizational goals?
2. Discuss various internal and external sources of recruitment.
3. Discuss selection process in detail.
4. Explain in detail the various traditional and modern methods of performance appraisal.
5. Discuss the following: MBO, BARS, Human Resource Accounting, 360<sup>0</sup> Appraisal.
6. Develop Key Result Areas (KRAs) for a Human Resources (HR) manager inside an organization and specify five crucial performance criteria for evaluating performance using a six-point behaviorally anchored rating system.
7. Define career. Explain the concept and significance and of career development. Do you think career development differs from career planning?
8. Identify the factors significant for successful career planning?
9. Discuss various steps in career planning process.
10. Design a performance appraisal system for an organization of your choice.
11. Discuss the challenges faced by HR professionals in executing performance appraisal.

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## 8.9 REFERENCES AND SUGGESTED READINGS

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**Unit:9 Manager and Organization Development: Managing Change, Organizational Conflicts.**

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## **UNIT 9: MANAGER AND ORGANIZATION DEVELOPMENT**

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### **Structure**

- 9.1 Introduction
- 9.2 Objectives
- 9.3 Organization Development
- 9.4 Managing Change
- 9.5 Organizational Conflicts
- 9.6 Conflict Management
- 9.7 Let us Sum Up
- 9.8 Unit End Exercises
- 9.9 References and Suggested Readings

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### **9.1 INTRODUCTION**

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An organization and an organism share many similarities. All creatures undergo birth, survival, growth, environmental influence, stabilization, and eventual deterioration and death.

Organizations also go through a process of development that is comparable to biological beings, with the exception of the final two stages. If proper measures are implemented, companies can prevent the occurrence of the following two stages.

Today, the susceptibility of enterprises has escalated. As a result of the rapid expansion of knowledge and technology, numerous enterprises are quickly becoming unviable. Customers have access to several options and new features, resulting in a decrease in product lifespan. Contemporary methods for reducing costs, enhancing quality, and decreasing delivery time are consistently presenting ongoing challenges. The dynamic shifts in the economic, political, and social landscape are giving rise to novel challenges. Therefore, contemporary businesses must consistently endeavor to improve their capacity to adapt and cope. Modern organizations have access to a range of interventions categorized under 'Organization Development' to ensure their effectiveness and growth in a dynamic environment. In this unit, we shall discuss the concept of organizational development, change management and organizational conflicts resolution.

Conflict and change are now widely recognized as essential for the progress and advancement of any organization.

The absence of both factors can not only impede the growth of an organization but also render it obsolete in a competitive environment, a circumstance that every organization

encounters. Therefore, it is imperative for managers to not only comprehend the fundamental principles associated with conflict and change, but also cultivate specific abilities for effectively overseeing them. This Unit aims to acquaint you with the various types, effects, and origins of conflicts, as well as the methods of conflict management. The Unit explores many facets pertaining to change and the specific tactics required to effectively manage or execute change.

This section explores the principles and procedures of organizational development and change management.

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## 9.2 OBJECTIVES

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After studying this Unit, you should be able to:

- Define and explain the concept of Organizational Development (OD)
- List out the objectives of OD
- Discuss various stages of OD
- Understand the different types of conflict
- Understand the causes of conflict
- Understand the consequences of conflict
- Understand how to manage conflict effectively
- Comprehend the process of resistance to change in order to develop a suitable strategy for implementing organizational change.

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## 9.3 Organization Development

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Organization Development has been defined differently by different people. Some of the definitions are given below.

According to Warren Bennis, “Organizational Development is a response to change, a complex educational strategy intended to change the beliefs, attitudes, values and structure of organizations so that they can adapt to new technologies, markets and challenges and the dizzying rate of change itself.”

Richard Beckhard defined OD as planned, organization-wide effort that is managed from the top to increase organization effectiveness and health through planned interventions in the organizations’ ‘processes’ using behavioural science knowledge. These efforts often span over a lengthy period of time, lasting at least 2-3 years. They are action-oriented, meaning they involve more than just training. The main aim is to bring about a change in attitudes and/or behavior through experiential learning activities, primarily conducted in a group setting.

Wendell L. French and Cecil H. Bell OD defined organization development as

interventions that are sets of structured activities in which selected organizational units (target groups or individuals) are engaged with a task or a sequence of tasks where the task goals are reflected directly or indirectly to organizational improvement. Interventions constitute the action thrust - of OD, they “make things happen” and also, “what’s happening.”

According to National Training Laboratories, USA, Organization Development aims to enhance the effectiveness of an organization by integrating human growth and development requirements with organizational goals and objectives, using knowledge and techniques from the behavioral sciences.

### **Stages of OD**

The above definitions make it clear that OD is a long-term more encompassing process. It is a planned change intervention for solving a problem and developing the organization.

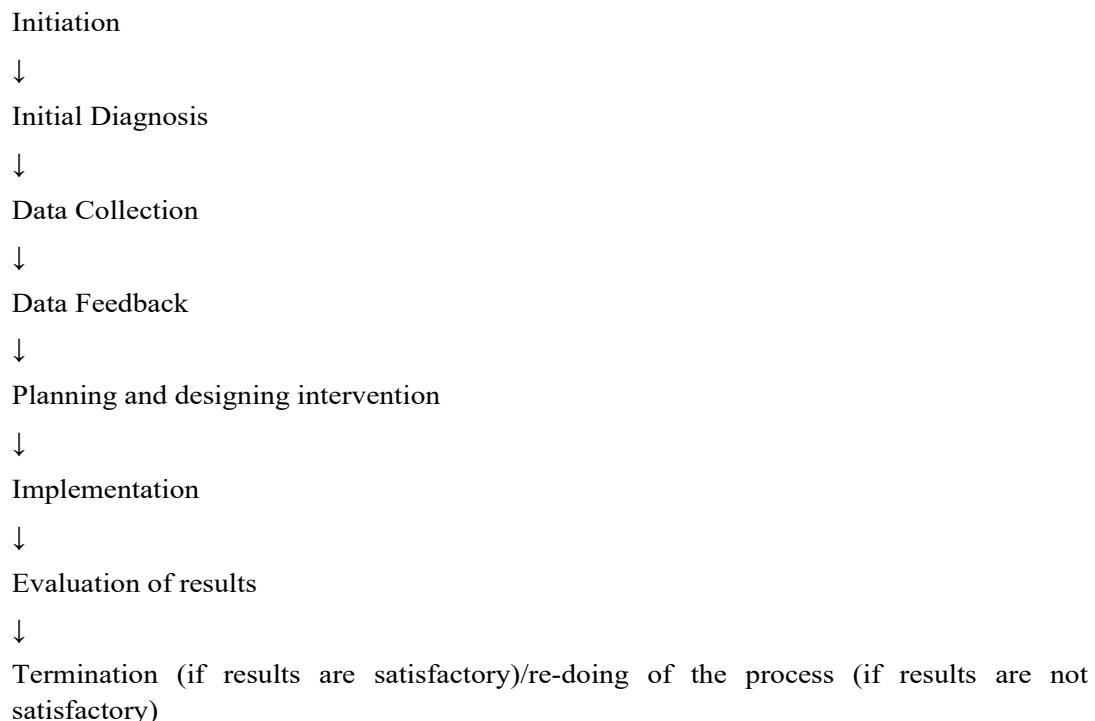


Figure 9.1

### **Initiation**

Organization Development initiatives are primarily launched in response to a perceived need by a senior executive. The need for change is often recognized while an organization is performing poorly, as well as when it is performing very well. For instance, in a sizable

government entity, the leader saw the necessity when there were persistent issues with the quality of the products. It has been noted that in numerous businesses, there is a perceived necessity to have a clear vision and mission in order to effectively address future issues.

Occasionally, the desire arises from observing other firms, particularly competitors, experiencing growth and success. Some corporations have recognized the necessity of including techniques for turnaround, particularly when consultants share success examples from other companies.

If an individual at the lower levels feels the need for something, they must exert effort to persuade the senior management. This is because unless the CEO is convinced and provides explicit support, organizational development activities **should not be started**.

Consultants are invited when **there is a** perceived need. Consultants might be either internal or external. Occasionally, consultants with a strong reputation in management but lacking expertise in organizational development are allowed to participate due to clients' limited knowledge. Hence, the process of choosing a consultant for organizational growth holds significant importance.

'Organization Development' is a technique based on Behavioural Science. Therefore, the first prerequisite is that the consultant should have a thorough understanding of 'process skills' and behavioural processes. The most desirable prerequisite is to be an accredited Behavioural Process Facilitator.

This is mostly due to the fact that Organisation Development techniques are predominantly grounded in Process Consultancy.

The user would like to make changes within their organization and is seeking assistance from a consultant.

### **Diagnosis**

Diagnosis refers to the evaluation of the operational performance of an organization or its departments in order to identify the root causes of problems and areas that can be enhanced (Cummings and Huse, 1989). This phase encompasses

Organizational diagnosis in OD is a cooperative effort between members of the organization and an OD consultant. This approach aims to gather pertinent information, analyze it, and develop conclusions in order to plan appropriate actions and interventions.

Several diagnostic models elucidate the attributes of organizational diagnosis. However, the concept of the 'Systems Model' that portrays an organization as an open system is highly crucial. In addition to the three components (Input, Processing, and Output).

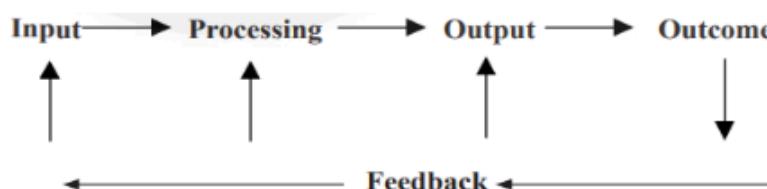


Figure – 9.2

Various methodologies for data collection can be employed for this objective. The methods of enumeration include questionnaires, interviews, and observations.

Typically, a combination of these three is utilized.

When creating a diagnosis, it is crucial to gather data regarding both the content and procedural aspects. Regardless of the chosen approach, it is crucial to ensure that it is appropriately developed and undergoes thorough testing and validation prior to actual data collecting. Utilizing statistical methods is recommended for calculating the appropriate sample size. Several organizational diagnosis instruments are available from various sources and can be effectively utilized.

The data gathered through various ways needs to be systematically analyzed. Several statistical techniques, such as frequency diagrams, scatter diagrams, run charts, correlation, and regression analysis, are valuable for quantitative analysis.

Qualitative analysis approaches such as Force Field Analysis, Fish-bone diagrams (root cause analysis), Affinity diagram, Why-Why diagram, and How-How diagram are highly valuable.

### **Data Feedback**

One distinguishing feature of OD is that the analyzed data is provided as feedback to the population from which it was collected.

To do this, 'Survey Feedback' meetings are arranged to present the analysis of the obtained data. The audience is invited to provide their views or reactions. The OD group establishes its credibility by presenting the data they have collected, analyzed, and inferred, serving two purposes. Additionally, it offers the chance to seek clarifications and gather supplementary data to verify the inferences. This intervention is highly effective since it provides individuals with a comprehensive understanding of the organizational difficulties, perceptions, and feedback on both individual and group behavior.

The survey feedback intervention involves gathering data and information about businesses and providing feedback to managers and employees. This feedback helps them identify problems and create action plans to address them. Typically, data collecting involves the use of questionnaires, which can be either standardized or customized. The significant findings are disseminated to individuals in various categories, ranging from top-level executives to lower-level employees. Both content and process observations arise from this exchange. Sessions are documented and additional clarity is achieved by gathering additional data as needed.

Specific precautions are implemented when interacting, particularly those that are observed when providing feedback to a person. The analysis should accurately depict reality, evoke a sense of unease, and focus on describing rather than judging.

### **Planning and Designing Intervention**

An intervention refers to a series of organized activities in which a specific target group, such as individuals, groups, or organizational units, participate in a task or series of tasks. The objectives of these tasks are directly or indirectly related to improving the

organization's performance (French & Bell, 1983).

OD interventions encompass a variety of deliberate and structured actions in which individuals engage as part of a formal OD initiative.

The OD treatments target many levels within the organization, including individuals, dyads (pairs), triads (groups of three), teams, and the entire organization as a whole.

Several common OD strategies used to address and resolve difficulties include:

### **Strategic interventions**

Self-designing organizations, cultural transformation, open system planning, trans-organizational development, strategic change.

### **Techno-Structural Interventions**

These include many strategies such as differentiation and integration, formal and collateral structures, job design, and improving the quality of work life.

### **HR Process Interventions**

HR process interventions include various strategies and techniques aimed at improving organizational performance and employee well-being. These interventions encompass goal setting, implementing a rewards system, facilitating career planning and development, managing stress, conducting T-Group sessions, utilizing third party intervention, fostering team building, providing process consultation, gathering survey feedback, organizing organizational confrontation meetings, adopting a normative approach, and addressing inter-group relations.

### **Evaluation of Results**

Once all the actions have been completed, it is necessary to assess the outcomes.

The previously established criteria should serve as the points of reference. Different approaches, such as comparing actual outcomes to intended results, conducting interviews and surveys using questionnaires, and organizing workshops, might be employed as necessary.

The future course of action should be determined collaboratively by the OD Task Force, Top Management, and Consultants.

### **Termination/Re-doing**

The termination of OD intervention should occur whenever the desired outcomes have been successfully attained.

The termination should be executed in a methodical fashion. If the Organization chooses to proceed to the subsequent step, the cycle must be done once more.

### **Factors Necessary for Success of OD**

The key factors for the effectiveness of organizational development (OD) are outlined below:

- 1) The Top Management and key individuals in the organization's perception of

organizational issues.

- 2) The Top Management / CEO must acknowledge that their main duty is to generate profit, but their foremost obligation is to focus on organizational development (OD).
- 3) A conviction in the field of Applied Behavioral Science and a readiness to engage a consultant.
- 4) Active participation and endorsement from senior executives.
- 5) Demonstrated readiness to engage in action research, encompassing the processes of conceptualization, implementation, and evaluation.
- 6) Demonstrating patience while awaiting outcomes involves having a thorough understanding of behavioral processes and placing emphasis on enhancing process-related characteristics.
- 7) A sincere conviction in the value of Human Resources.
- 8) The OCTAPACE environment, as defined by Udai Pareek in 2002, consists of the following elements: - Openness: a willingness to share information and ideas openly. - Confrontation: a readiness to address conflicts and disagreements directly. - Trust: a belief in the reliability and integrity of others. - Authenticity: the quality of being genuine and true to oneself. - Pro-action: a proactive approach to problem-solving and decision-making. - Autonomy: the freedom to make independent choices and decisions. - Collaboration: a cooperative and collaborative mindset. - Experimentation: a willingness to try new approaches and take risks.
- 9) Achievement in first organizational development endeavors.
- 10) Conviction in the importance of training and development.
- 11) The participation of line managers and HR managers is essential to ensure that the company's HR policies align with the philosophy and values of organizational development (OD).
- 12) Identification and cultivation of internal individuals with expertise to serve as facilitators for organizational development (OD).
- 13) A committee consisting of experienced and competent top-level managers who possess expertise in their respective responsibilities, demonstrate optimism, understand the interdependencies within the business, prioritize urgency, have a clear understanding and belief in the overarching goals of the organization, and maintain a learning mindset.
- 14) The extent to which individuals of the organization are open to modifying their thoughts and emotions as a consequence of OD initiatives.
- 15) A conviction in the pursuit of more effective methods of performing or managing, and the ability to adjust and respond to change.

Interventions should target both the organizational climate/environment and the social processes within the organization with the goal of inducing change.

- 17) The therapies should rely on scientific diagnosis, and the criteria for measuring effectiveness should be clearly defined beforehand.

18) Sustained continuity <sup>15</sup> of organizational development activities even following a transition in senior leadership.

19) There should be no imposition of any kind - the client should be able to choose the interventions from a wide range of choices.

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#### 9.4 MANAGING CHANGE

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Organizations implement changes by means of individuals. Unless individuals are willing to acknowledge the necessity and accountability for implementing organizational modifications, planned changes will never materialize. Furthermore, individuals must have the ability to adjust their attitudes and behavioral patterns to ever-evolving surroundings.

Within this section, our attention will be directed on three commonly stated concerns regarding the essence of change:

- 1) Can organizational transformation be initiated solely by implementing individual-level changes?
- 2) Does organizational change occur through a gradual and unfolding process or by sudden and disruptive events that topple existing arrangements?
- 3) Must we consistently adhere to environmental changes, or may we also instigate change?

When considering the matter of change management, it is worth noting the distinction between individual change and organizational change, notwithstanding their interconnectedness. <sup>15</sup> Individual change is influenced by the behavioral aspects that are governed by the individual qualities of members, such as their knowledge, attitudes, beliefs, needs, and expectations. By implementing a participative-educative method, it is feasible to achieve a complete transformation within an organization by modifying the behaviors of its individual members. Naturally, the level of complexity and duration required to implement the modification will mostly depend on the specific objective you are aiming to achieve.

Altering attitudes is typically regarded as more challenging and time-consuming in comparison to modifying knowledge. Organizational change can be perceived as either advantageous or menacing, serving as a warning and instilling fear in some individuals. Change is perceived by some as an essential and dynamic element in existence. Some people may view it as a disruption to be avoided or endured with resilience and patience. Attitudes towards change are primarily influenced by the specific circumstances, the type and magnitude of the change, and the methods used to introduce and implement the changes. These attitudes are generally more resistant to modification compared to information about the change.

Altering individual behavior is a significantly more time-consuming and challenging endeavor. It is commonly assumed that possessing sufficient knowledge and a favorable attitude towards something will inherently lead to a change in behavior or adjustment in

that direction. However, this is not always the case. As an illustration, it is widely recognized that honesty is the most effective approach. While we may hold positive opinions towards individuals who exhibit honesty and harbor negative sentiments towards those who display dishonesty, there are instances where we may nevertheless engage in behaviors that lack honesty. The correlation between attitude and behavior is not linear, making it more challenging to modify behavior compared to altering knowledge or attitudes.

One might potentially rationalize why altering the behavior of a collective is typically a more protracted and challenging endeavor. Each group possesses its unique dynamics of resistance and attraction, aiming to counterbalance the impact of change on an individual. Consistent efforts are made to uphold the established 'norm'. As a result of group dynamics, individual members may return to their previous normal behavior, thus preserving the existing status quo. Nevertheless, as a result of the group's dominant impact on individual members, it may be more convenient to address the group as a whole rather than attempting to modify the behavior of an individual member in isolation.

Implementing a comprehensive transformation of behavior among all groups and individuals within an organization typically requires a challenging and extensive long-term endeavor. Implementing a complete cultural transformation in an organization is typically a difficult and arduous task.

### **Strategies for Implementing Change**

If you inquire with a seasoned manager about the proper implementation of organizational change, you are likely to receive a lengthy response. The majority of managers who have been in charge of implementation have formed a subjective viewpoint comprised of assumptions and intense emotions regarding the appropriate approach to introducing change. These philosophies can be categorized into two groups: "tops-down" or "bottom-up".

#### **1) The Top-down Approach**

Proponents of this approach contend that, in general, individuals exhibit resistance towards alterations and necessitate guidance and organization for their overall welfare and to perform optimally and proficiently. The fundamental psychological agreement between employees and management is commonly understood as one where the employee offers work, effort, and dedication, and in exchange, expects compensation, perks, and a precise delineation of their responsibilities. Consequently, it is the duty of the management to devise and execute the necessary modifications efficiently and promptly through top-down instructions.

#### **2) The Bottom-up Approach**

The proponents of this method assert a perspective on human nature that they consider to be more enlightened.

They contend that individuals embrace change and the chance to enhance their personal efficiency, particularly when the shift offers them greater diversity in their tasks and increased independence. These managers operate under the assumption that individuals

possess a psychological contract that entails an anticipation of being engaged in both the design and execution of change. According to them, being actively engaged in the entire process of change is crucial for developing a strong dedication to change, which is necessary for effectively carrying out the change.

Which option is more accurate? Is it appropriate to inquire about the matter of accuracy? What is your perspective on the concept of change? If your response to the question essentially implies that "the appropriate approach to change is contingent upon the specific circumstances," then you are aligned with the prevailing contingency school of thought.

### 3) The Contingency Approach

According to the contingency school, the process of selecting a suitable strategy and implementing it involves evaluating eight independent variables or aspects within the organization. The upper section of Figure VII displays these variables, each with a range of possible values.

The implementation strategy will involve picking values for the three dependent variables, as indicated at the bottom of Figure VII, based on the evolving diagnosis.

After identifying the values of these variables, if the diagnostic results indicate that the independent variables lean towards the left side of the continuum, then the implementation strategy would also be oriented towards the left. Conversely, if the values of variables lean towards the right side of the continuum, the implementation method would similarly lean towards the right. In situations where time is limited, the urgency of the crisis or need for change is evident to everyone, the organization is small in size, and other similar factors are present, the most suitable change strategy would be a top-down approach that is directive and swift.

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## 9.5 ORGANIZATIONAL CONFLICT

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Conflict and change are now widely recognized as essential for the advancement and progress of any organization.

The lack of both factors can not only impede the growth of an organization but also render it obsolete in a competitive environment, a circumstance that every organization encounters. Therefore, it is crucial for managers to possess not just a comprehension of fundamental conflict and change principles but also the ability to cultivate specific abilities for effectively managing them. This section aims to acquaint you with the various types, effects, and origins of disputes, as well as the methods of conflict management. The Unit delves at several facets pertaining to change and the specific tactics required to effectively manage or execute change.

From a managerial perspective, we anticipate that this section will assist managers in effectively implementing the essential changes to develop innovative tourism products or services.

Conflicts can manifest in various forms and can be identified at different levels:

### 1) Intrapersonal Conflict

An individual may experience internal conflict, often known as intrapersonal conflict. There are essentially three categories of such confrontations. You may have received a compelling employment opportunity in a city that you are unwilling to relocate to. In this scenario, you experience both attraction and aversion towards the same thing, resulting in an approach-avoidance conflict.

Likewise, you can find yourself drawn to two equally enticing options, such as watching a movie or going for a picnic, which creates an approach-approach conflict. You may also experience a strong aversion towards two equally undesirable options, such as the risk of being fired if you neglect to report a colleague who has violated the organization's regulations - this is known as an avoidance-avoidance conflict. 2

## 2) Interpersonal Conflict

Interpersonal conflict is another manifestation of conflict. Conflict between persons arises due to several circumstances, with personal antipathy or disparities in personality being the most prevalent. When persons have differing opinions solely on task-related problems, it might be considered as technical conflict rather than interpersonal conflict. Undoubtedly, technical and interpersonal issues can mutually affect one another as a result of demands associated with one's role. The sales manager may attribute the poor sales volume on the production manager's failure to achieve the production schedule, leading to a growing disdain for the production manager's perceived incompetence. Determining the cause of a conflict between two parties can be challenging as it may stem from either obvious logical reasons or undisclosed personal issues.

## 3) Individual-Group Conflict

These instances of intragroup conflicts commonly occur when an individual is unable to adhere to the established norms of the group. For instance, many groups have a concept of what constitutes a "fair day's work" and may exert pressure on an individual who either surpasses or falls below the group's productivity standards. If the individual harbors any form of aversion towards such pressure or punishment, it may lead to a clash with other members of the group. Typically, it is arduous for an individual to maintain their membership in a group while simultaneously,

significantly diverge from the collective standard. Typically, individuals either adhere to the group's standard or choose to leave (or be excluded from) the organization. Prior to undertaking any such drastic measure, the individual in question or the

Various group members endeavor to exert influence on one another through multiple techniques, resulting in diverse instances of conflict.

## 4) Intra-organizational Group Conflict

Understanding intergroup conflicts is crucial, as organizations are often structured with multiple interdependent task-groups. Commonly, chronic conflicts arise inside organizations at several levels, such as between the Union and Management, between

different Unions, between different functional areas (e.g., production and maintenance), and between direct recruits and promotees. The nascent discipline of Organisational Politics has begun to carefully examine various forms of conflict.

### 5) Organizational Conflict

Conflict between organizations is deemed beneficial when confined solely to the economic sphere. The laissez-faire economy is founded upon this principle. Conflict between organizations is believed to foster innovation, drive technical progress, and improve services while reducing costs.

In addition to these five categories of conflict, one may encounter various other forms in contemporary times. For instance, a tourist organization may have conflicts with local authorities or the resident community due to various circumstances or divergent perspectives on local customs, environmental conservation, and other related matters.

Another possible scenario could be a clash between the organization and the government. Nevertheless, we will abstain from addressing conflicts at a broader scale. This Unit will primarily examine interpersonal, intragroup, and intergroup conflicts, as these forms of conflicts have a direct impact on the success of an organization.

In order for a conflict to be present, it is necessary for the involved parties to perceive its existence. If there is no awareness of a conflict, it is commonly accepted that no conflict is there. However, can simply being aware of conflicting objectives, differing opinions, or antagonistic emotions necessarily indicate the presence of a conflict? To enhance your comprehension of conflict, it would be advantageous to perceive it as a dynamic process encompassing antecedent conditions, cognitive states, affective states, and competing behavior.

#### Possible hostility

The initial phase involves the existence of antecedent conditions that give birth to potential for conflict. They can potentially exist without resulting in conflict and may also be present in the absence of conflict. This stage might be referred to as the origin of conflict. Several antecedent variables include limited availability of resources, a diverse membership with varying aims, values, and perceptions, and varying degrees of interdependence amongst organizations. Additionally, inadequate information exchange is another factor.

Understanding the process of cognition and its impact on personalization.

The preceding circumstances may or may not result in conflict. In order for conflict to arise, they must be viewed as menacing. The situation can be disregarded if it is perceived as insignificantly menacing. Additionally, the perception of a dispute does not necessarily imply that it is personalized ("felt conflict"). Nevertheless, when emotions arise, they have a tendency to impact one's view of the dispute. At the felt level, individuals have emotional involvement and parties may feel threatened, hostile, fearful, or mistrustful.

Conflict and Conflict resolution Actions or conduct exhibited by an individual.

Manifest behavior refers to the observable actions that occur as a result of a perceived 50 2

felt conflict. At this stage, one party deliberately endeavors to impede the other party's progress towards achieving their goal. Such behavior can vary from discreet, indirect, and meticulously regulated types of interference to more overt manifestations of hostile behavior.

Conflict-handling behaviors manifest in several forms, such as resignation, disengagement, appeasement, compromise, confrontation, and collaboration. These behaviors are commonly known as conflict management styles and arise from the tactics of either stimulating or resolving conflicts.

#### Consequences

The interaction between various types of explicit conflict behavior and conflict management tactics of provocation or resolution impact the outcomes. These effects, such as the group's performance, satisfaction levels, and quality of relationships among the individuals involved, as well as changes in structure and policies, have an impact on the conditions that come before and the likelihood of future conflicts. Occasionally, the consequences give rise to a new conflict episode, leading to a repetition of the entire process.

According to the four-stage conflict process model, conflict can be defined as a process that starts when one party, A, feels that the other party, B, is deliberately trying to hinder A from pursuing their own interests. Party A and/or B might refer to either an individual or a group, or a combination of both.

#### **Impact of Conflicts in Organizations**

Intergroup conflict can lead to various changes within the groups involved, including:

- 1) The level of unity among the group is enhanced. The group experiences a strengthening of its bond, with its members demonstrating heightened loyalty.
- 2) The group becomes focused on completing tasks. Reorganize the group's atmosphere from casual to focused on achieving objectives in order to address the external danger.
- 3) Leadership adopts a more authoritative approach. As the group gets more focused on completing tasks, the leader assumes a more dictatorial role.
- 4) The organisational structure becomes increasingly inflexible. The relationship of authority and responsibility among members becomes more clearly delineated.
- 5) Emphasis is placed on the cohesion of the group. The group insists on heightened allegiance and adherence to its members.

Prolonged group conflicts result in significant alterations in the dynamics of intergroup relationships.

- 1) Groups develop hostility against each other. Each group perceives the other as a hostile entity that disrupts its purposeful actions.
- 2) Perceptions are altered. Every group forms favorable impressions of its own group and unfavorable impressions of the other group.
- 3) Communication becomes nonexistent. During conflicts, those belonging to one group

tend to refrain from engaging with individuals from the opposing group. When compelled to engage, they typically exhibit animosity and belligerence towards one another.

4) Groups exhibit a tendency to adopt a dual standard. Each faction readily observes the malevolent deeds committed by the opposing party, while remains oblivious to the identical actions carried out by their own faction.

By examining the aforementioned two lists of alterations occurring within and among conflicting groups, one might identify several detrimental consequences. What are the potential advantages of intergroup conflicts? Below is a comprehensive list:

1) Conflict elucidates the genuine matters at hand. When individuals within a collective voice their concerns and articulate their divergences, it serves to refine the core issue at hand in a given dilemma. In the absence of conflict, numerous organizational issues go ignored and persist without resolution.

Conflict fosters invention. Conflict fosters a heightened range of ideas and perspectives. The presence of diverse elements can foster creativity in organizational procedures.

3) Intergroup conflict strengthens the cohesion of the group. When a group encounters an external adversary, its members prefer to collaborate more closely in order to address the situation. A manager can utilize this newfound togetherness to mitigate internal disagreements.

4) Conflict functions as a cathartic experience. Conflict can serve as a means for organizational members to express their emotions without negatively impacting organizational operations.

5) Conflict resolution strengthens the bonds between different groups. Upon effective resolution of group conflict, the links between groups can be consolidated, potentially fostering a sense of closeness among the groups.

### **Sources of Conflicts**

2) Conflicts in an organization are not solely caused by a lack of understanding between individuals. Many potential sources of conflict exist in organizations, along with legitimate reasons for certain conflicts. Some sources are:

1) Competition for scarce resources

Any group exists to achieve goals using available resources. These resources can be real (e.g., men, materials, money) or intangible (e.g., power, status, manager time). No organization can meet all unit needs.

Limited resources lead to competition and disputes among groups.

2) Variety of Goals

As groups in an organization perform diverse functions, they create their own norms and goals. In theory, achieving these goals should align with organizational goals, but in practice, the opposite is commonly observed. Group aims may conflict with those of another. A company that makes electric fans has seasonal demand.

Three departments—marketing, production, and finance—are involved. As product

demand is seasonal, the marketing manager aims to maintain adequate stock. Due to a tight labor market, the production department struggles to hire temporary workers and instead hires permanent employees during the season.

Another issue arises. According to the finance manager, high storage expenses make stock build-up during slow season costly and burdensome for sustaining the manufacturing line. Each department sets its own aims, which may conflict with others, leading to one department pursuing its own purpose at the detriment of another. This is common when rewards are tied to group performance rather than organizational performance.

### 3) Task Interdependence

Groups in an organization work together. They need to collaborate to complete their tasks. Without production and financial support, the sales department cannot sell goods. Thus, organization efficiency requires fluid group interaction. The three types of dependency that can produce intergroup conflict are pooled, sequential, and reciprocal:

- Shared Interdependence occurs when two work groups are influenced by each other's actions, although not directly interacting. Such as when one independent product group

performs poorly, all groups may lose money. This can occur when rewards depend on team performance.

Sequential Interdependence occurs when one group's performance relies on another's past performance. In a construction project, the digging team prepares the foundation before the masons begin building the edifice. Excavators' delays can cause friction between masons and other groups, as they rely on them. Consider travel agency, hotel, or tour businesses as examples.

- Reciprocal Interdependence refers to two or more groups dependant on each other for task completion. In product development and marketing, the marketing, production, and research departments rely on each other to do their tasks.

Another department needs information from another. For instance, research requires market data from marketing, and marketing requires research for customer service. Intergroup conflict occurs when one group cannot meet the expectations of another.

### 4) Values/Perception Differences

Organizational conflicts arise when different groups hold contradictory ideals and view things in a narrow, individualistic way. A prime example is the management-labor conflict. Labour perceives management as exploiting them, as they produce profits without contributing to their economic well-being. Management prefers to allocate profits to cash reserves to entice investors.

### 5) Organisational Ambiguities

Conflict can arise when two organizational units fight for new responsibility.

Disagreement over ongoing work responsibilities is a common cause of intergroup

conflict. Organizations often confuse newcomers with unclear job responsibilities. Few companies regularly update or utilize job descriptions. Rarely do managers or employees study their own job descriptions. Managing and staff jobs are challenging to structure around a job description.

#### 6) Change Introduction

Change can cause intergroup strife. Acquisitions and mergers can lead to intergroup conflict, competitiveness, and stress. Mergers often lead to power struggles between the acquiring and acquired companies. Before consummating an acquisition or merger, power sharing plans are often implemented to minimize dispute.

Acquisitions often include representation on the board of directors of the purchasing company. It's hard to avoid power struggles.

#### 7) Communication Type

A common misconception is that poor communication causes all confrontations. One common belief is that with better communication, we can overcome our differences. This is hardly surprising given the limited time we have to communicate with others. Evidence indicates that communication issues like noise, distortion, omission, and overload can hinder collaboration and cause misunderstandings. Too little or too much communication can lead to conflict. Increased communication is effective up to a degree, but overcommunication can lead to conflict. Both too much and too little information can cause conflict.

#### 8) People Are Aggressive

Personality qualities, which account for individual variances, can also contribute to conflict in an organization. Research indicates that those with authoritarian, arrogant, autocratic, and dogmatic personalities may experience conflict. People naturally seek outlets for their aggression. Occasionally, organizations are used to vent animosity, resulting in conflict.

The topic on conflict causes highlights that organizations cannot be designed to be conflict-free indefinitely. Organizational conflict is unavoidable as some sources will always exist. However, these sources should not be mistaken with conflict reasons. In the end, conflicts arise when people perceive and feel incompatible desires with those of others. Conflict arises when perceived incompatibility and frustration lead to actions.

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## 9.6 CONFLICT MANAGEMENT

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Managers implement various strategies to manage conflicts in organizations. Let us discuss them in detail.

### Conflict avoidance strategies

#### a) Ignoring the Conflict

This method is characterized by inaction. Managers frequently evade addressing dysfunctional parts of conflict. Regrettably, neglecting to investigate the underlying

factors of the conflict typically leads to its persistence or exacerbation over time. While disregarding the disagreement is typically useless in resolving significant policy matters, there are certain situations where it can be considered a legitimate approach to addressing difficulties. One instance where it is fair to ignore the dispute is when the problem appears to be indicative of underlying conflicts that are more fundamental in nature. For instance, there may be a conflict between two organizations regarding the quantity and standard of office space. These confrontations frequently indicate underlying concerns regarding power dynamics and social standing. Addressing the workplace space problem alone would not effectively resolve the main issues at hand. It would be more productive to focus on the more fundamental challenges instead.

#### b) Enforcing a Resolution

This method entails compelling the parties involved in the issue to acquiesce to a resolution formulated by a superior-level manager. Enforcing a solution inhibits the emergence of conflict and restricts the opportunity for parties to express their complaints, thereby rendering it largely useless as a conflict resolution approach. The tranquility it manages to attain is expected to be ephemeral. Due to the lack of resolution of the fundamental problems, the conflict resurfaces in different forms and manifestations in other situations.

Enforcing a resolution can be suitable when prompt and decisive measures are required. In situations where there is disagreement on investment decisions and time is of the essence, it may be advantageous for senior management to enforce a resolution. Similarly, it may be imperative when unfavorable choices must be taken and there is minimal likelihood that the parties involved could ever achieve consensus (Thomas, 1977). An illustration of this scenario arises when an organization is compelled to reduce the financial allocation towards its programs. It is impractical to anticipate that any department would willingly reduce its workforce and expenditures for the sake of the whole, yet, certain difficult and unpleasant choices must finally be made.

### **Conflict Diffusion Strategies**

**Smoothing:** One strategy for managing conflict is to attempt to "downplay" or minimize its magnitude or significance. You can attempt to convince the groups that their opinions are not as divergent as they perceive them to be, highlight the resemblances in their stances, offer support to group members who have been emotionally affected, or downplay the significance of the matter. To mitigate the conflict, one can aim to reduce its intensity and prevent it from escalating into open hostility. Attempting to impose a solution, the act of smoothing is often unproductive as it fails to address the fundamental points of disagreement. Nevertheless, smoothing occasionally functions as a temporary solution to allow individuals to calm down and regain a broader outlook. During intense debates, individuals may make statements that have the potential to intensify the conflict. However, employing the technique of smoothing can help to deescalate the disagreement and restore it to a more manageable state. Smoothing may also be suitable when the conflict pertains to nonwork matters. An example of intergroup conflict often arises between older and younger employees due to their divergent political ideologies and

moral principles. Smoothing can alleviate the tension to prevent the disagreement from affecting important work matters.

**Appealing to Superordinate Goals:** To mitigate disputes, direct attention on the overarching objectives that both parties share or the long-term aspirations that they have in mutual. This serves to diminish the significance of the current difficulty in comparison to the more crucial shared objectives. Nevertheless, identifying overarching objectives that hold significance for both groups is a challenging task. To accomplish these objectives, collaboration among the groups is necessary, hence the incentives for attaining the goals must be substantial. The primary and commonly employed overarching objective that leads to the greatest success is the survival of the organization. In other words, if the smaller units fail to collaborate adequately, the continuous existence of the larger organization will be significantly endangered.

#### **Conflict Containment Strategies:**

**Using Representatives:** Utilizing representatives is a viable strategy for managing and controlling conflict. To resolve a matter, one can convene with delegates from the opposing factions instead of engaging with the groups as a whole. The justification lies in the fact that the representatives possess a deep understanding of the issues at hand and are capable of articulating the perspectives of their respective groups with precision and conviction.

Despite its apparent logicality, the research on employing representatives to resolve intergroup conflict yields predominantly unfavorable results. Representatives are constrained in their ability to participate in compromise due to their loyalty and motivation to win or avoid loss, even if it means sacrificing a solution to the intergroup conflict. If a representative yields to the demands of others, they are likely to be met with skepticism or rejection from the members of the group. Therefore, if a representative realizes that they cannot achieve victory, they will attempt to create a stalemate or at the very least delay their own defeat.

**Structuring the Interactions:** Some managers hold the belief that increasing the level of interaction between groups can be an effective strategy for reducing conflict. The rationale behind this assumption is that if the groups have more opportunities to connect, they will develop a stronger rapport and engage in fewer conflicts. Indeed, heightened engagement might exacerbate the situation, as both groups may actively seek out further evidence to support their existing negative views about one another.

Nevertheless, organizing the interaction among the parties can be efficacious in resolving conflict by establishing a structure for the discussion of several topics and dictating the method in which they are addressed. To establish a framework for the interaction between groups, several highly effective strategies can be employed, such as: - Reducing the level of direct interaction between the groups during the initial phases of resolving conflicts. - Shortening the time intervals between problem-solving meetings. - Diminishing the level of formality when presenting issues. - Restricting the recounting of past events and precedents, and instead emphasizing current issues and objectives. - Engaging the services

of impartial third-party mediators.

**Bargaining:** Bargaining is the act of trading concessions until a mutually agreeable solution is achieved.

Negotiation can facilitate dispute resolution, but typically lacks transparency and substantial problem-solving efforts from the participating parties. Traditionally, during the process of negotiation, both parties commence by asserting higher demands than they anticipate to ultimately achieve. Both parties acknowledge the need for compromises to achieve a resolution, although neither party is willing to initiate the initial concession due to concerns that it may be interpreted as a display of vulnerability. Therefore, each party demonstrates a readiness to be adaptable in trading concessions without explicitly presenting an offer; an implied suggestion can be refuted later if it does not receive a favorable response from the other party.

The process of bargaining persists until a mutually acceptable resolution is achieved, even though this outcome can be attained without much deliberation on the reasons causing the disagreement and without significant endeavor to address the root problems. Consequently, the act of bargaining frequently leads to a mutually agreed settlement that does not effectively address the issue in a logical manner and is not advantageous for either party in the long run.

In order for bargaining to be a viable approach to resolving conflicts, it is necessary for both parties to possess a comparable level of power. Alternatively, one faction will assert its dominance over the other, leaving the less powerful faction without any recourse to secure compromises from the more dominant one. Bargaining is more likely to be successful when there are multiple viable options that both parties are willing to contemplate. Alternatively, if negotiations fail to reach a resolution, it is probable that a stalemate will occur.

### **Conflict Confrontation Strategies**

**Problem-Solving:** Problem-solving refers to the process of finding a resolution that integrates the needs of both parties involved, with a collaborative effort to define the problem and identify mutually agreeable solutions. It involves the open expression of feelings and the exchange of relevant task-related information. Alderfer (1977) outlines key components for successful problem-solving: 1) The problem definition should be a collective effort based on shared facts, avoiding the influence of biased perceptions from either group. 2) Problems should be articulated in concrete terms rather than vague generalities. 3) Areas of agreement in goals and values between both groups should be identified, alongside their differences. 4) Discussions should focus on specific, non-judgmental remarks, with questions designed to gather information rather than criticize the other side. 5) Both groups should collaborate in generating alternative solutions. If this isn't possible, each group should present a variety of acceptable solutions rather than advocating solely for its own preferred outcome while

ignoring others. 6) Solutions should be evaluated based on quality and the mutual acceptability for both parties. When a solution benefits one group but disadvantages the other, additional benefits should be offered to the other group to balance the solution. 7) All agreements on individual issues should remain provisional until all concerns are addressed, as interconnected issues cannot be optimally resolved in isolation. Successful integrative problem-solving requires two key preconditions: first, a basic level of trust between the groups to avoid fears of manipulation and ensure honest communication of preferences; and second, the time required to thoroughly address the issue without the pressure for quick resolutions. Integrative problem-solving is particularly beneficial when merging the diverse perspectives of the groups can improve decision-making for the organization.

**Organizational Re-Design:** Organizational restructuring or redesign can be an effective method for addressing conflicts between different groups within an organization, particularly when the conflict stems from coordinating tasks across various departments or divisions. Unlike other solutions, organizational redesign can either resolve or escalate conflicts. One approach to reorganization involves reducing task interdependence between groups and assigning distinct responsibilities to each group, thus creating self-sufficient work teams aimed at reducing conflict. This strategy works best when tasks can be divided into separate projects. Each group receives its specific tasks and necessary resources to achieve its goals. A potential downside of this approach is the risk of inefficiency and redundancy in resource usage, especially if a group cannot fully utilize its equipment or personnel. Additionally, there may be limited potential for innovation and growth, as no group is responsible for generating new ideas beyond its immediate scope.

Another strategy to resolve conflict through organizational design involves incorporating shared tasks across groups, such as integrator roles. This encourages the coordination of different departments' perspectives and expertise, but may also foster conflict. On the other hand, some projects, like new product development, 20 do not neatly align with any one department and require collaboration across multiple specialized areas. Centralizing such efforts within a single department may reduce conflict but can also compromise the quality of the product. In these cases, it may be better to manage the conflict associated with task sharing while implementing strategies to handle the disagreements more effectively.

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## 9.7 LET US SUM UP

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Organizational Development is a long-term more encompassing process. It is a planned change intervention for solving a problem and developing the organization. OD has five stages-Initiation, **18** Initial Diagnosis, Data Collection, Data Feedback, Planning and designing intervention, Implementation, Evaluation of results, Termination (if results are satisfactory)/re-doing of the process (if results are not satisfactory). Organizations implement changes by means of individuals. Unless individuals are willing to acknowledge the necessity and accountability for implementing organizational modifications, planned changes will never materialize. Furthermore, individuals must have the ability to adjust their attitudes and behavioral patterns to ever-evolving surroundings. The approaches to change management are bottom-up, top-down and contingency.

Managers often need to resolve conflicts at various levels in organizations. They implement various strategies such as avoidance, diffusion, containment, confrontation and organizational redesigning strategies to resolve conflicts.

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## 9.8 UNIT END EXERCISE

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1. Define Organization Development. Discuss various stages of organization development.
2. Explain the concept of change and discuss the need for organizational change.
3. Managers adopt various strategies of change management in organizations. Discuss.
4. What are the causes of conflicts? How does the conflicts manifest in organizations?
5. Enlist and explain various strategies managers adopt for conflict resolution.

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## UNIT 10: LEADING: MANAGING AND THE HUMAN FACTOR

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## Structure

- 10.1 Introduction
- 10.2 Objectives
- 10.3 Organization Development
- 10.4 Managing Change
- 10.5 Organizational Conflicts
- 10.6 Conflict Management
- 10.7 Let us Sum Up
- 10.8 Unit End Exercises
- 10.9 References and Suggested Readings

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### 10.1 INTRODUCTION

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Leadership is the act of an executive directing, guiding, and influencing the behavior and work of others in order to achieve certain goals in a given environment. Leadership is the capacity of a manager to motivate subordinates to work with assurance and enthusiasm. The leadership function is of utmost importance for the survival and advancement of any organization. In fact, the leading role of a manager is the human factor that plays a major role in achieving the organizational effectiveness.

This unit provides a comprehensive explanation of the concept of a leader, along with a thorough discussion of several philosophies of leadership.

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### 10.2 OBJECTIVES

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After going through this **13** unit, you should be able to:

- Define leadership
- Distinguish between a manager and a leader
- Explain significance of leadership in organizations
- List out the qualities of a good leader
- Explain characteristics of leadership
- Discuss leadership functions

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### 10.3 CHARACTERISTICS OF LEADERSHIP

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Leadership is the capacity to exert influence over the actions and conduct of others. It can be described as the ability to exert influence over a group **13** in order to achieve a specific objective. Leaders must cultivate future visions and inspire organizational members to aspire to attain those ambitions.

According to Keith Davis, “Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and

motivates it towards goals.”

Leadership has certain distinctive characteristics as mentioned below.

1. It is an interpersonal process in which a manager engages in influencing and guiding workers towards the achievement of goals.
2. It signifies those certain attributes, such as intelligence, maturity, and personality, should be possessed by an individual.
3. It is a collaborative effort. It entails the engagement of two or more individuals in mutual interaction.
4. A leader actively influences and directs the group's behavior in order to achieve corporate objectives.
5. Leadership is contingent upon the specific circumstances. There is no one style of leadership that may be considered superior to others. The outcome is contingent upon effectively addressing the circumstances.

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#### **10.4 SIGNIFICANCE OF LEADERSHIP**

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Leadership is a crucial aspect of management that plays a significant role in optimizing efficiency and attaining corporate objectives. The significance of leadership in a business is supported by the following points.

1. Initiates action - A leader is a one who commences work by effectively communicating policies and plans to subordinates, so initiating the actual execution of tasks.
2. Motivation - A leader demonstrates the ability to provide incentives that drive the functioning of the organization.  
He incentivizes the staff with both monetary and non-monetary awards, effectively eliciting productivity from his subordinates.
3. Offering direction - A leader must not only oversee, but also assume the responsibility of providing instruction to their subordinates. Guidance in this context refers to providing clear instructions to subordinates on how to carry out their work in a manner that is both effective and efficient.
4. Establishing confidence - Confidence is a crucial element that may be attained by successfully communicating work efforts to subordinates, clearly outlining their roles, and providing them with directions to properly fulfill goals. Additionally, it is crucial to listen to the employees in relation to their grievances and issues.
5. Fostering morale - Morale refers to the voluntary cooperation of employees in their work, establishing trust and gaining their confidence. A leader can enhance morale by fostering complete cooperation among team members, so enabling them to perform at their utmost potential while working towards achieving goals.
6. Fosters a productive work environment - Management effectively motivates and directs employees to accomplish tasks. A productive work atmosphere is essential for achieving consistent and sustainable growth. Hence, a leader should take into consideration human

interactions. It is essential for him to establish interpersonal connections with employees and actively address their concerns and find solutions. He should treat employees with a sense of humanity.

7. Co-ordination- Co-ordination can be accomplished by aligning individual interests with the objectives of the organization. Achieving synchronization can be accomplished by ensuring good and efficient coordination, which should be the primary objective of a leader.

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## 10.5 QUALITIES OF A GOOD LEADER

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A leader possesses a variety of attributes that make them attractive and effective in their behavior. The following are the essential qualities that a good leader must possess:

1. Physical appearance - A leader should possess an aesthetically pleasing appearance. A strong physique and robust health are crucial attributes for an effective leader.

2. Vision and foresight - A leader must have the ability to anticipate future events and trends in order to sustain influence. He must mentally imagine circumstances and then construct logical programs.

3. Intelligence - A leader must possess the intellectual capacity to analyze and navigate complex problems and challenging situations. An individual who possesses analytical skills should carefully evaluate the advantages and disadvantages of a scenario before providing a concise summary. Hence, possessing a positive mindset and a mature perspective is crucial.

4. Effective communication skills are essential for a leader to properly and exactly convey rules and procedures. This can be advantageous in the context of persuasion and excitement.

Objective: A leader must possess an impartial perspective that is devoid of prejudice and does not demonstrate favoritism towards any specific individual. He ought to cultivate his own perspective and should ground his assessment on empirical evidence and rational reasoning.

6. Work expertise - A leader must possess a thorough understanding of the tasks performed by their subordinates in order to gain their trust and confidence.

7. Sense of responsibility - Demonstrating responsibility and accountability towards one's work is crucial for fostering a sense of influence. A leader must possess a strong feeling of responsibility towards corporate goals in order to fully harness the skills of the team. To achieve this, he must internally inspire himself and stimulate a strong desire to perform at his highest level of capability. Only after that can he effectively inspire his subordinates to perform at their highest level.

8. Self-assurance and determination - Having belief in oneself is crucial in gaining the trust and confidence of those under one's leadership. He must possess integrity and have resolute determination in handling various scenarios. (For further information on Self-Confidence, please refer to the article titled "Self Confidence - Tips to Enhance

Confidence and Overcome Apprehensions").

9. The presence of the humanist trait in a leader is crucial since they interact with and have personal touch with human beings. He must delicately and attentively manage the personal issues of his subordinates. Hence, it is imperative to treat human beings with compassion and empathy in order to foster a harmonious atmosphere.

10. Empathy- The concept of understanding and sharing the feelings and perspectives of others. This is crucial as impartiality and objectivity are only achieved under such circumstances. A leader should possess a comprehensive understanding of the issues and grievances expressed by employees, as well as a thorough awareness of their wants and goals. This facilitates the enhancement of interpersonal relationships and personal connections with the workforce.

By examining the aforementioned attributes exhibited by a leader, one can comprehend the extent of leadership and its significance within the realm of business. A leader is incapable of possessing all attributes simultaneously. However, only a small number of them contribute to reaching optimal outcomes.

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## 10.6 FUNCTIONS OF LEADERSHIP

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The leader performs several crucial functions:

1. Establishing Objectives: A leader is responsible for the innovative task of defining goals and policies in order to motivate subordinates to work with enthusiasm and assurance.

2. Organizing: The second responsibility of a leader is to establish and structure the organization based on scientific principles by allocating suitable responsibilities to individuals according to their talents. This is done with the aim of ensuring that all components of the organization work together effectively to achieve the goals of the firm.

3. Taking Action: The subsequent role of a leader is to proactively initiate and execute actions pertaining to the group's interests. He should refrain from relying on others for decision-making and discernment. He should propose innovative ideas and his choices should demonstrate independent and creative thinking.

4. Coordination: A leader must harmonize the interests of individual group members with those of the organization. He must secure willing collaboration from the group in achieving the shared goals.

5. Direction and Motivation: The main responsibility of a leader is to provide guidance and instruction to their group, as well as to inspire and encourage individuals to perform at their highest level in order to reach desired objectives. Additionally, the leader should foster confidence and enthusiasm within the work group.

6. Connection between Management and workforce: A leader serves as an essential intermediary between the management and the workforce. He translates and communicates the management's policies and programs to his subordinates, and advocates for the subordinates' interests with the management. He can demonstrate effectiveness only when he is able to fulfill the role of a genuine protector of the interests of his subordinates.

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## 10.7 LET US SUM UP

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The unit explored the concept of leadership and many perspectives pertaining to it. To lead is to provide guidance, direction, and to be at the forefront. Leadership is the act of exerting influence over the behavior, beliefs, and emotions of individuals within a group. The functions of leadership encompass a broad spectrum of actions, such as coordinating, making decisions, formulating policies, representing groups, exercising control, and arbitrating. Leadership is a complex notion that is influenced by various factors and requires proficiency in multiple abilities, including technical, human, conceptual, design, creative, communication, and decision-making.

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## 10.8 UNIT END EXERCISE

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1. Define leadership and explain the characteristics of leadership.
2. Explain the significance of leadership in organizations.
3. What are the various functions of leadership?
4. Enumerate and explain the qualities of a good leader.

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## 10.10 REFERENCES AND SUGGESTED READINGS

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1. Principles of Management –PC Tripathi, PN Reddy, Tata McGraw Hill
2. Management Fundamentals – Concepts, Application, Skill Development – Robers Lusier – Thomson
3. Druker. Peter F. Management Challenges for the 21st century; Butter worth Heinemann Oxford.
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## UNIT 11: MOTIVATION

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### Structure

- 11.1 Introduction
- 11.2 Objectives
- 11.3 Meaning of Motivation
- 11.4 Scope and Significance of Motivation
- 11.5 Approaches to motivation
- 11.6 Motivation and Performance
- 11.7 Approaches for Improving Motivation
- 11.8 Quality of Work Life

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- 11.9 Let us Sum Up
- 11.10 Unit End Exercises
- 11.11 References and Suggested Readings

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## **11.1 MOTIVATION**

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Have you ever thought of the factors that motivate individuals to engage in labour? What factors contribute to the superior performance of certain individuals compared to others? What is the cause for the variation in behaviour exhibited by an individual in different instances? The determining factor is the leader's motivation **within the organization**. A leader must motivate individuals to take action **in order to** achieve the desired objectives. They must integrate the many abilities and capabilities of the employees into an efficient and productive team. How can we motivate individuals to exceed their typical physical and mental capabilities while simultaneously ensuring their contentment? This is the challenge of fostering motivation.

Motivation is the act of stimulating and maintaining behaviour that is aimed towards achieving specific goals <sup>13</sup>. Motivation is a multifaceted subject **in the field of** organizational behaviour. Leadership **is** the act of exerting influence over a group. Leadership is the capacity of a manager to motivate subordinates to work with assurance and enthusiasm.

## **11.2 OBJECTIVES**

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After studying this unit, you will be able to:

- Provide a definition of motivation.
- Evaluate how human elements influence motivation.
- Describe the essential nature and features of leadership.
- Recognize different styles and approaches to leadership.
- Examine the key skills required for effective leadership.
- Clarify the significance of leadership and explore the major leadership theories.

## **11.3 MEANING OF MOTIVATION**

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According to Gray Starke, motivation results from internal or external processes that ignite enthusiasm and encourage persistence in pursuing a specific course of action.

Stephen P. Robbins describes motivation as the readiness to apply substantial effort toward achieving organizational objectives, influenced by how well this effort meets personal needs. S. Zedeck and M. Blood define motivation as a tendency to behave in a manner that is directed toward a particular goal.

J.W. Atkinson views motivation as the immediate factors that influence the direction, intensity, and persistence of behavior.

S.W. Gellerman explains motivation as the process of directing one's actions toward set goals and dedicating energy to attain them.

M.R. Jones describes motivation <sup>54</sup> as the process by which behavior begins, is energized, maintained, directed, and terminated, along with the individual's internal experience during these stages.

All of these definitions highlight three core aspects of the motivational process:

1. What propels individuals to act?
2. What directs their behavior?
3. What sustains or maintains this behavior over time?

#### **Key Characteristics of Motivation:**

1. **Individual-specific:** Motivation is inherently personal and varies from person to person.
2. **Intentional:** Actions taken by an individual, especially in the workplace, stem from deliberate choices.
3. **Complex in nature:** Motivation is multifaceted and has been explored from various perspectives—such as its initiation, direction, persistence, and cessation.
4. **Predictive capability:** Motivation theories strive to anticipate human actions. It's vital to understand the distinction between motivation (the drive), behavior (the act), and performance (the outcome). Strong motivation leads to purposeful behavior, which, when effective, results in high performance.

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#### **11.4 SCOPE AND SIGNIFICANCE OF MOTIVATION**

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Motivation provides numerous advantages to both the firm and its employees:

- Increased efficacy
- Decrease the rate of employee absence.
- Decreases staff attrition.
- Enhances the reputation of a company.
- Positive interpersonal connections.
- Enhanced team spirit.
- Minimized losses and damages.
- Decreased occurrences of accidents.
- Enables and encourages the development of new ideas and creative solutions.

Motivation is the fundamental mechanism that triggers, guides, and maintains behaviour to fulfill both physical and psychological requirements. Behaviour can be explained as the result of motives, which are needs or desires that provide energy and direction towards a goal.

The magnitude of our motivation, contingent upon the quantity and potency of the incentives at play, directly influences the exertion and tenacity with which we strive towards our objectives.

Occasionally, we engage in an activity only for the pleasure it brings, without any external incentives or rewards. This form of motivation is referred to as intrinsic motivation.

Conversely, when we participate in activities not for the sake of enjoyment, but rather to obtain an external reward or prevent an undesirable outcome, we are driven by extrinsic motivation.

### **Factors of Motivation**

There are several monetary and non-monetary factors that motivate employees to work. These are discussed hereunder.

#### **Monetary Factors**

**Compensation:** An employee's salary or earnings play a vital role in influencing motivation. Ensuring timely and fair payment of wages is essential. While setting compensation levels, organizations should consider the following elements:

- The prevailing cost of living
- The organization's financial health
- Its ability to meet monetary commitments

**Bonuses:** A bonus refers to an additional payment given to employees as a form of extra reward, apart from their regular salary. It is important that the bonus amount is reasonable and meaningful to the employees.

**Incentives:** Organizations may provide additional perks such as medical, education, and housing allowances. Specific rewards might also be offered to individuals in recognition of exceptional contributions, including innovative suggestions or solutions.

#### **Non-Monetary Motivational Factors**

**Job Titles and Designations:** Offering employees higher-ranking positions or designations can enhance motivation, as individuals tend to value and take pride in prestigious job titles.

**Recognition and Appreciation:** It is essential to acknowledge and appreciate employees for their efforts. Recognition should come not only from direct supervisors but also from higher-level management.

**Delegation of Authority:** Granting authority to employees empowers them, fostering dedication and a sense of responsibility. It signals trust and confidence from their superiors.

**Working Conditions:** Improving workplace facilities—such as installing air conditioning, ensuring a clean and efficient layout, providing modern equipment, and maintaining good sanitation—can positively impact employee motivation.

**Job Security:** Assurance of continued employment and freedom from the fear of being dismissed can be a strong motivator. On the other hand, long-term temporary employment can result in dissatisfaction and attrition.

**Job Enrichment:** This involves assigning more challenging and meaningful tasks. For example, an executive responsible for reporting may also be given the responsibility of strategic planning, adding depth and variety to the role.

**Qualities of Supervisors:** Employees generally look up to leaders who demonstrate intelligence, competence, experience, and a positive attitude. A capable superior, whose expertise surpasses that of their team, can act as a motivational figure simply through their presence.

In addition to monetary and non-monetary motivators, several **organizational practices** contribute to motivation, including:

- Organizing employee development and training programs
- Ensuring proper job placement based on skills and fit
- Facilitating fair promotions and transfers
- Conducting objective performance assessments
- Offering adequate employee welfare services
- Providing flexible working hours

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## 11.5 THEORIES OF MOTIVATION

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Two primary theoretical frameworks, Content Theories and Process Theories, have emerged in the study of motivation. These frameworks are relevant for designing motivation programs for employees or channel partners. These theories have numerous practical uses for planners of incentive programs.

Content theories refer to psychological theories that focus on understanding the specific factors that motivate individuals. Content theories centre on the internal variables that activate, guide, maintain, and inhibit behaviour. They examine the particular requirements

that drive individuals. Notable content theorists are Abraham Maslow, Clayton P. Alderfer, Frederick Herzberg, and David C. McClelland. While their theories have contributed to the discourse on motivation, not all of them have been empirically validated.

Process theories Process theories offer a comprehensive explanation and examination of how conduct is motivated, guided, maintained, and terminated. There are four main process theories that are well recognized: reinforcement, expectation, equity, and goal setting.

## Content Theories

### Maslow's Needs Hierarchy

#### Maslow's Hierarchy of Needs Theory

Abraham Maslow proposed this theory, which is predicated on the notion that individuals are driven by a set of five fundamental needs that are universally applicable. These demands are prioritized based on their hierarchical impact on human behavior.

Physiological needs: Physiological needs are considered to be the most basic demands. These demands encompass essential requirements, such as sustenance and hydration. <sup>29</sup> As long as a person's physiological requirements are not met, they continue to serve as a driving or motivating force in their existence. An individual experiencing hunger has a strong and urgent requirement for sustenance. This inherent desire creates both psychological and physical stress, which is then expressed through explicit actions aimed at alleviating those stressors (acquiring sustenance). Once satiated, the hunger diminishes, and the motivation to eat subsides. Assuming that all other physiological requirements are met, the next level of need that drives motivation emerges.

Safety needs: The motivators of human activity include safety needs, which encompass the need for shelter and security. Safety demands encompass a need for assurance, steadiness, reliance, safeguarding, liberation from apprehension and unease, as well as a requirement for organization, arrangement, and regulation. In the workplace, this requirement translates to a necessity for a certain amount of job security, where employees are protected against arbitrary termination and where their continued employment is contingent upon their satisfactory performance and productivity.

Social needs: Social wants encompass the fundamental <sup>51</sup> human desire for connection, belonging, and affection. Typically, humans, being sociable beings, have an inherent desire for social connection and inclusion. In a professional setting, this requirement can be fulfilled by possessing the skill to engage with colleagues and effectively collaborate with them. Once an individual's social needs have been fulfilled, their ego and esteem needs emerge as the primary motivating factors.

Esteem needs: Esteem needs encompass the aspiration for self-respect, self-esteem, and the recognition from others. When directed towards external factors, these desires encompass the aspiration for notoriety, prestige, status, celebrity, glory, dominance, recognition, attention, importance, and appreciation.

Self-actualization needs: The most important requirement in Maslow's hierarchy is self-actualization, which refers to the need for self-realization, ongoing self-improvement, and the journey towards reaching one's full potential.

### Alderfer's ERG Theory

Psychologist Clayton Alderfer devised a novel paradigm to elucidate the concurrent nature of Maslow's five requirements. The theory of motivation, known as the ERG Theory, was initially introduced in a 1969 article titled "An Empirical Test of a New Theory of Human Need."

Alderfer condensed Maslow's hierarchy of needs from five to three in his hypothesis.

Three fundamental aspects of human experience are existence, relatedness, and growth.

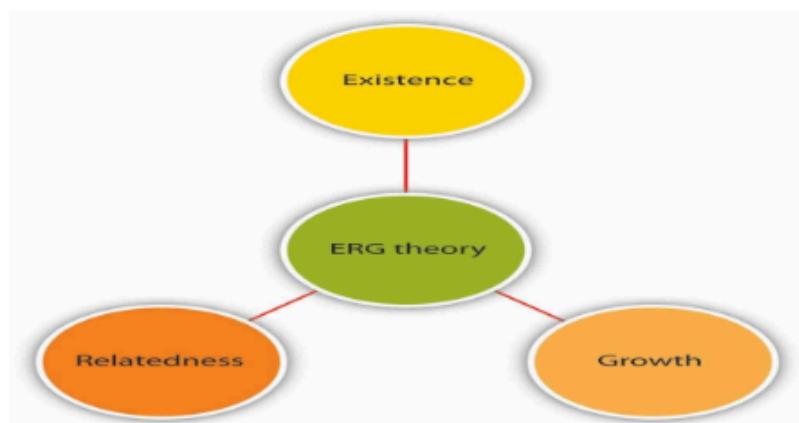


Figure: 11.1

Fundamentally, everyone possess essential demands for living. This map corresponds to Maslow's physiological and safety demands, as depicted in Figure 11.2 below.



Figure 11.2

Following that, we encounter relatedness demands, in which we satisfy our desire for fulfilling interpersonal connections. This level pertains to Maslow's social requirements and the exterior aspect of self-esteem needs. It refers to our sense of self-worth being influenced by the opinions of others.

At last, we have reached the level of growing needs. Our objective is to achieve personal growth and development via the pursuit of high-quality and meaningful employment. This corresponds to the intrinsic aspect of Maslow's self-esteem needs and his self-actualization wants.

However, Alderfer's thesis extends beyond the act of reducing the number of demands and expanding the scope of each need. Although he asserts the existence of a general sequence for pursuing needs, he argues that this sequence is not as rigid as it is in Maslow's hierarchy. While existence needs typically take precedence over relatedness and growth needs, priorities can vary based on individual and situational factors.

The ERG hypothesis differs from Maslow's theory in three significant aspects:

It implies that individuals might be driven by multiple levels of demands simultaneously. There may not be a rigid sequence from one level to another.

It recognizes that the significance of the demands differs for each individual and can alter depending on the circumstances. Certain individuals may prioritize personal improvement over interpersonal relationships during specific periods of their lives.

The element of "frustration-regression" is present. Consequently, if a person's higher-level needs are not fulfilled, they will experience frustration and revert to chasing lower-level desires.

### **Two-Factor Theory: Herzberg's Two-Factor Theory**

Frederick Herzberg, a highly esteemed American, made significant contributions to the field of managerial thinking and workplace motivation. In 1959, he initially presented his thesis in a book titled 'The Motivation to Work', proposing a two-factor content theory commonly known as a two-need system. It is a theory of motivation that explains an individual's motivation by recognizing their needs and desires, determining what meets those needs and desires, and developing the goals they seek to satisfy them.

The Hygiene Theory originated from a research study aimed at examining the notion that individuals possess two distinct sets of needs:

1. Their innate requirements to prevent suffering as living beings
2. Their human need for psychological development

Herzberg categorized these employment characteristics into two distinct categories. Hygiene factors refer to the job aspects that are necessary for

The presence of incentive in the workplace. These do not result in enduring good satisfaction. However, in the absence of these conditions / in the event that these factors do not exist

If workplace conditions are unfavorable, they might result in unhappiness. Hygiene elements refer to the specific factors in a job that, when sufficient or reasonable, appease employees and prevent them from experiencing dissatisfaction. These elements are external to the work. Hygiene factors, also known as dissatisfiers or maintenance factors, are necessary to prevent unhappiness. These elements delineate the job environment or circumstance. The hygiene aspects represented the basic physiological needs that persons desired and anticipated to have satisfied. Hygiene factors encompass:

Factors related to hygiene that can lead to dissatisfaction:

Company policy and supervision.

- Interactions with Supervisor
- Working Environment
- Compensation
- Interactions with Colleagues

Factors that provide motivation- Herzberg argues that the hygiene factors should not be seen as motivators. The motivational variables result in favorable satisfaction. These factors are intrinsic to labor. These characteristics serve as incentives for employees to achieve exceptional performance. These factors are referred to as satisfiers. These are the variables implicated in carrying out the task. Employees derive intrinsic satisfaction from these aspects. The motivators represented the psychological demands that were viewed as an extra advantage. Motivational variables encompass:

Factors that stimulate or drive individuals (resulting in a sense of contentment):

Accomplishment

- Acknowledgement
- The actual tasks or projects

Accountability

Progression

Expansion

### **Limitations of the Two-Factor Theory**

The two-factor theory is not exempt from limitations:

1. The two-factor theory fails to take into account situational circumstances.
2. Herzberg postulated a relationship between satisfaction and productivity. However, Herzberg's research emphasized satisfaction while disregarding production.
3. The theory's dependability is ambiguous. The raters are responsible for conducting the analysis. The raters may compromise the accuracy of the findings by interpreting the same response in several ways.

4. A comprehensive measure of satisfaction was not utilized. An employee may find his employment tolerable despite harbouring antipathy or objection towards certain aspects of his job.

5. The two-factor theory is susceptible to bias since it relies on employees' spontaneous responses when asked about the sources of pleasure and dissatisfaction at work. They will attribute unhappiness to external variables such as compensation structure, corporate policies, and peer relationships. In addition, the employees will attribute the happiness factor at work to themselves.

6. The hypothesis neglects the inclusion of workers in manual labor occupations. Notwithstanding these constraints, Herzberg's Two-Factor hypothesis is widely accepted.

### **Implications of Two-Factor Theory**

The Two-Factor approach suggests that managers should prioritize ensuring the sufficiency of hygienic components in order to prevent employee unhappiness. Additionally, it is imperative for the managers to ensure that the tasks assigned to the employees are intellectually engaging and offer suitable incentives, in order to foster motivation and enhance productivity. This philosophy prioritizes job enrichment as a means to inspire people. The job should fully leverage the employee's talents and competencies. Directing attention on motivational elements can enhance the quality of work.

### **McClelland achievement and acquired needs theory**

David McClelland's acquired-needs theory is elaborated in his 1961 book 'The Achieving Society'. He suggested that an individual's particular requirements are developed gradually and influenced by their life experiences. He delineated three distinct categories of motivating necessity. An individual's motivation and efficacy in specific job roles are impacted by these three demands.

N-ach refers to achievement motivation. An individual with a high need for accomplishment, or n-ach, is driven by the desire to accomplish goals that are both tough and attainable, as well as to progress in their career. 14

There is a significant requirement for feedback regarding one's achievements and progress, as well as a need for a feeling of success. Individuals with a strong desire for accomplishment strive for excellence and so tend to steer clear of both low-risk and high-risk circumstances. Achievers refrain from engaging in low-risk situations as the easily obtained success lacks true merit. In high-risk undertakings, those who excel perceive the results as a result of luck rather than their own exertion. Individuals with a high need for achievement (n-ach) tend to favor tasks that have a moderate likelihood of accomplishment, ideally with a 50% probability. They have a preference for working either independently or alongside other individuals who have a track record of excellent performance.

n-pow - authority/power motivation: The n-pow individual is driven by a desire for authority and power. This driver necessitates the ability to exert influence, achieve effectiveness, and have a significant impact.

There is a significant imperative to take charge and ensure the success of their initiatives. Furthermore, individuals are driven by both motive and necessity to enhance their personal status and prestige.

An individual's desire for power can manifest in two distinct forms - personal and institutional. Individuals who possess a desire for personal power seek to exert control over others, and this inclination is frequently regarded as unfavorable.

Individuals seeking institutional power, often referred to as social power, aim to coordinate the endeavors of others **in order to advance the objectives of the organization**. Managers who possess a strong desire for institutional power generally exhibit more effectiveness compared to those who prioritize personal power.

Affiliation motivation refers to the desire to form and maintain social connections.

The individual with a non-affiliated status is characterized as being "affiliation motivated," demonstrating a strong desire for amicable connections and a drive to engage with others. **43** They require amicable interactions with others and have a need for social acceptance. The affiliation driver generates a sense of motivation and a desire to be well-liked and respected by others. These individuals have strong teamwork skills.

They have a tendency **54** to adhere to the established standards and expectations of their professional collective. **Individuals with high need for affiliation** tend to favor jobs that offer substantial opportunities for human engagement. They excel in customer service and client interaction scenarios.

According to McClelland's acquired needs hypothesis, the majority of individuals possess and demonstrate a blend of these attributes. Certain individuals demonstrate a pronounced inclination towards a specific motivating requirement, which subsequently influences their behavior and approach to work or management.

McClelland's accomplishment motivation hypothesis posits that a manager's impartiality is compromised by a robust n-affil 'affiliation motive' due to their desire to be well-liked. Consequently, **this has a detrimental impact** on a manager's ability to make sound decisions. **14** An individual with a high need for power (n-pow) will exhibit a strong drive to exert authority and motivation. This will result in a dedicated work ethic and a strong dedication to the organization. However, while individuals **with a high need for power** are drawn to leadership positions, they may lack the necessary adaptability and interpersonal skills.

According to McClelland's motivation theory, individuals **with a high need for achievement** (n-ach) are considered **43** to be the most effective leaders. However, there is a risk that these leaders may expect too much from their employees, assuming that everyone shares the same strong drive for achievement and focus on results, which is not the case for most individuals.

McClelland's notion of achievement motivation in the context of work

McClelland's acquired needs are present to different extents in all employees and managers, and this combination of motivational needs defines an individual's or manager's style and

behavior, both in terms of their own motivation and in their management and motivating of others. Individuals with varying requirements are driven by distinct motivations.

Intense desire for success and accomplishment (n-ach): Highly accomplished individuals should be assigned demanding assignments that have attainable objectives. They should receive regular feedback.

Money is not inherently a significant motivation, but rather, it serves as an efficient means of providing feedback.

Intense desire for social connection and belonging (n-affil)

Individuals with a strong connection need tend to excel in a collaborative work setting.

Strong desire for power (n-pow)

Management should offer power-seekers the chance to oversee and lead others.

It is important to understand that McClelland's acquired needs theory enables the adjustment of an individual's demands. Training programs can be utilized to alter a person's need profile.

McClelland's accomplishment motivation theory can be compared and contrasted with other theories in the field. McClelland's concept of achievement motivation is closely associated with Herzberg's motivation-hygiene theory.

Individuals with a strong drive for achievement are typically inclined towards being interested in the intrinsic motivators associated with their work. Individuals with a high need for achievement (n-ach) desire feedback. They desire to ascertain their job performance. In contrast, those with low accomplishment motivation exhibit a greater level of concern towards the environment. Their interest lies on understanding people's perceptions of them rather than evaluating their performance.

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## 11.6 APPROACHES TO MOTIVATION

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There are three basic methodologies for understanding and enhancing the motivational aspects that contribute to worker productivity. The three approaches are the stick approach, the carrot approach, and the combined carrot and stick strategy.

### 1. The Stick or Authoritarian method

This method embodies the traditional or classical perspective that motivates performance through the imposition of consequences for failure. The industrialist exhibited dictatorial tendencies. He held the belief that power determines what is just. The manager exerts control over his subordinates using a stick.

This was fashionable during the era of slavery. Instances of slaves being executed for noncompliance with orders have been documented.

During these periods, labourers were entirely subordinate to their masters, being subjected to capricious overtime, capricious punishment, capricious penalties, and capricious dismissal.

This strategy is still adhered to in jail and military management worldwide. Essentially, the management communicates to the employee, 'Follow my instructions or else I will terminate your employment.'

This approach embodies a pessimistic demeanor. Obtaining a good result is impossible without positive motivation. The prospect of retribution may diminish the morale of the staff.

2. The Carrot or Paternalistic approach refers to a method that involves using incentives or rewards to motivate individuals or groups to achieve desired outcomes.

This method advocates for treating employees in a paternal manner, as if the corporate organization were a family and they were its dependent members. The staff are granted prizes without any conditions.

There is solely a carrot and no stick present. The employers believe that these gifts will foster employee loyalty, gratitude, and diligent work.

This method fails to inspire the workforce. The paternalist manager's expectation of gratitude from ordinary workers is not met. Unconditional incentives will be assimilated by them without any reciprocal behavior.

If one individual is required to assume the position of a compassionate overseer, another one must assume the position of an appreciative subordinate. In order for a man to effectively assume the position of a paternalistic employer, it is necessary for others to fulfill the corresponding roles of submissive employees.

Paternalism refers to the belief that paternal figures possess superior knowledge and should make decisions on behalf of others. The management instructs the employee, stating, 'You must comply with my instructions as I will take care of your requirements.' Due to its inherent character, the paternalistic method is unlikely to be effective with mature adult employees, many of whom do not appreciate having their interests overseen by a paternal figure. They consider themselves more capable of doing so.

This method can be effective in situations where the prevailing socio-cultural framework is favourable to a hierarchical connection between superiors and subordinates, as shown in Japan and India. Additionally, the absence of robust labour organizations that could contest the manager's authority over choices about employee welfare is also crucial.

3. The Carrot and Stick or Exchange approach

This approach refers to a method that involves offering rewards (carrots) and applying punishments (sticks) as a means of motivating or influencing behaviour.

This integrated strategy implies that the management will utilize both punishment and rewards to motivate the worker. By using the stick as a deterrent, the manager will ensure that work is performed, while simultaneously using the carrot as an incentive to encourage the worker to exert greater effort in anticipation of favourable outcomes.

The carrot and stick technique is fundamentally a strategy that combines penalties and rewards. Should the worker demonstrate increased productivity, he will be rewarded with a bonus; conversely, if the worker exhibits decreased productivity, he will be subjected to a penalty.

The carrot technique offers prizes without any conditions, while the carrot and stick strategy combines rewards and penalties that are directly tied to the degree of performance.

Put simply, a high-performing organization is one that has successfully aligned the needs of the organization with the needs of its employees. 24

This strategy can be associated with Taylor's Differential Piece Rate scheme or with the incentive wages scheme used in contemporary times. It is referred regarded as an exchange theory since it suggests the acquisition of both high-quality and large quantities of product.

However, the incentive structure is flawed. The premise of this argument is that the worker's primary and ongoing motivation is driven by economic factors. The Hawthorne studies shown that monetary incentives alone are insufficient.

There is a growing recognition that an employee works to fulfill some fundamental demands inside themselves. Therefore, achieving high employee productivity is possible when the organization offers sufficient possibilities for fulfilling those requirements through the work performed.

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## 11.7 MOTIVATION AND PERFORMANCE

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What motivates employees to deliver exceptional service, effectively promote a company's products, or accomplish their assigned objectives? Providing a response to this inquiry is highly crucial in order to comprehend and regulate the professional conduct of our colleagues, subordinates, and even superiors. To rephrase, what may be the cause if an individual is underperforming?

The equation below, derived from the works of Mitchell (1982) and Porter & Lawler (1968), represents job performance as a function of three factors. As to this equation, employee performance is primarily influenced by motivation, ability, and environment.



Motivation is a key factor that drives performance. Motivation is the inherent drive to attain a specific objective or degree of performance, resulting in purposeful actions towards that goal. When we describe someone as motivated, we are indicating that the individual is exerting significant effort to achieve a specific objective. While motivation is undeniably crucial for high performance, it alone is not enough. Competence, which refers to possessing the necessary abilities and knowledge to carry out a task, is equally crucial and can often be

the decisive factor in determining one's performance. Ultimately, the presence of necessary resources, information, and support plays a crucial role in determining performance, making environmental factors a key determinant. At certain intervals, one of these three components may serve as the pivotal element for achieving exceptional performance. In the case of an employee engaged in the task of sweeping the floor, motivation emerges as the paramount component that governs performance. However, without the requisite expertise in constructing high-quality residences, even the most driven person would be incapable of effectively creating a house. Motivation and high performance are distinct concepts, and motivation alone does not guarantee exceptional performance. However, motivation does exert a significant impact on our level of performance.

### **Process Theories**

#### **The Theory of Reinforcement:**

The work of B.F. Skinner is commonly associated with reinforcement theory. Skinner's approach is based on the premise that behavior is shaped by its outcomes.

The term "operant" is used to describe these outcomes, so this idea is known as "operant conditioning." Behaviour modification refers to the process of teaching an individual via the use of reinforcement. The concepts of operant conditioning are the basis of reinforcement theory.

Positive reinforcement refers to any stimulus or action that enhances the intensity of a response and encourages the repeat of the behaviour that occurred before to the reinforcement, typically involving the addition of something positive.

Negative reinforcement refers to the act of removing a negative reinforcer in order to enhance the frequency of a response, essentially taking something away.

Punishment refers to an unfavourable outcome resulting from a certain behaviour, which might involve either the removal of a positive outcome or the addition of a negative outcome.

Extinction refers to a decrease in the rate of response as a result of not receiving reward, or being ignored.

#### **Vroom's Expectancy Theory of Motivation:**

The theory is commonly referred to as the Valence-Instrumentality-Expectancy Theory. Victor H. Vroom formulated the idea based on his research into the motivational factors influencing decision-making.

Categorization: Theories of cognitive or need-to-know motivation Year: 1964. Porter and Lawler expanded upon the concept in 1968, offering an additional perspective. Advantages: Widely acknowledged theory for elucidating an individual's decision-making process.

Contemporary studies typically validate the decision-making principles put out by the Expectancy Theory of Motivation.

Cons: - Fails to account for the emotional state of the individual.

The outcome of the model is influenced by various aspects, including the individual's personality, abilities, skills, knowledge, and past experiences. The expectation theory of motivation is a paradigm that is based on individuals' perceptions. The manager must ascertain the motivational efficacy (the worth) of a reward for an employee.  Can provide challenges when implemented within a group setting.

The expectation theory of motivation elucidates the factors that influence an individual's decision to engage in a particular behavior instead of an alternative one. This cognitive process assesses the motivational strength (MF) of various behavioral choices by considering the individual's assessment of the likelihood of achieving their desired outcome. Hence, the driving impetus can be succinctly expressed by the subsequent equation:

The formula for calculating motivation (MF) is the product of expectancy, instrumentality, and the sum of valences.

Anticipated outcome (E)

Expectancy pertains to the correlation between effort and performance. Therefore, the individual believes that their exertion will directly lead to achieving the desired outcome. The cognitive evaluation is significantly influenced by an individual's prior experiences, personality traits, level of self-assurance, and emotional condition.

The Instrumentality (I)

Instrumentality is the term used to describe the relationship between performance and rewards. The person assesses the probability that reaching the desired level of performance will lead to obtaining the reward.

Valance (V)

Valence refers to the subjective value that an individual assigns to an outcome or reward. A positive valence signifies that the individual has an inclination towards obtaining the reward, while a negative valence suggests that the individual, based on their perception, has determined that the reward does not fulfill a need or personal objective, and therefore does not assign any value to its acquisition.

The Motivational Force (MF) is determined by multiplying the expectation and instrumentality, and then factoring in the valence. If the perception has a value of zero or the individual feels that "it's not going to happen," the motivational force will be zero.



Figure: 11.3

Discussion:

The expectancy theory of motivation originated from a research program in organizational behavior conducted at the University of Michigan in 1957 by Basil Georgopoulos, Gerald Mahoney, and Nyle Jones. Their research centered on the deliberate and logical components of employee motivation and the factors linked to varying degrees of productivity, whether high or low.

Their study assessed the following three variables:

1. Personal requirements as indicated by the desired objectives. Illustrations of these objectives could include increasing financial earnings or fostering harmonious relationships within the work collective.
2. Individual views of the effectiveness of productivity behavior, whether it is high or low, in achieving desired goals. This refers to the extent to which different levels of productivity are viewed as offering a pathway to a goal.
3. The degree of autonomy the individual have in pursuing their intended course. Supervisory and work group demands, as well as limitations in skill and knowledge, are examples of restricting forces.

The theory posits that if a worker perceives high productivity as a means to achieve one or more of their personal objectives, they <sup>45</sup> are more likely to be a highly productive individual. On the other hand, if he views low productivity as a means to reach his objectives, he will likely have a tendency to produce less.

In the year 1964 Despite the absence of a formal theory of motivation resulting from this effort, Vroom primarily developed the expectancy theory of motivation based on the discoveries of previous studies. Indeed, Vroom extended the concept to encompass the individual's ability to not only possess a preference for a particular objective, but also to cognitively assess and prioritize them based on preference. Therefore, a specific reward has the ability to satisfy numerous objectives, thereby contributing to the overall value.

Hence, the correlation between individuals' exertion of significant effort and exceptional performance does not guarantee company triumph, as their endeavors may be focused on an unattainable objective set by the corporation. Furthermore, contrary to common perception, the expectation theory of motivation offers a model for individual decision-making.

### **Criticism:**

The expectation theory of motivation has faced criticism from several scholars, including Graen (1969), Lawler (1971), and Lawler and Porter (1967 & 1968), since its original presentation by Vroom in 1964. These critics are essentially an expansion of the original notions rather than a departure from them. Mr. Vroom himself acknowledged the need to revise the expectation theory of motivation in light of recent study findings.

A significant critique of the expectation theory of motivation choice model centered upon its inherent simplicity. It fails to elucidate the varying degrees of exertion exhibited by an individual. Additionally, it is assumed that offering a reward will motivate an employee to exert more work in order to attain the prize. However, this overlooks the possibility that the incentive itself could have a detrimental impact on the individual. For instance, a salary raise could potentially move the individual into a higher income tax bracket.

The efficacy of the expectation theory of motivation choice model, as viewed from a managerial standpoint, hinges on the manager's ability to make accurate assessments of the motivational potency of the rewards offered to the employees. Therefore, the utilization of "rewards" must adhere to "The Law of Effect," which states that behaviours that are positively rewarded will tend to increase in frequency.

2. Behaviours that are negatively or neutrally rewarded will tend to decrease in frequency.

The nature of reinforcement and the timing of its delivery will influence the frequency of the behaviour.

### **Adam's Equity Theory**

#### **Employee Inputs and Outputs:**

Adams' Equity Theory emphasizes the importance of maintaining a just equilibrium between the contributions made by an employee (such as effort, expertise, patience, enthusiasm, etc.) and the rewards received by the employee (such as salary, benefits, intangible factors like acknowledgment, etc.).

According to the principle, achieving a fair balance ensures a strong and productive relationship with the employee, resulting in pleased and motivated employees.

#### **Comprehending the Concept**

The Equity Theory, coined by John Stacey Adams, a renowned workplace and behavioral psychologist, was formulated in 1963 as a theory of employment motivation. Similar to other prominent motivation theories like Maslow's Hierarchy of Needs and Herzberg's Two-Factor

Theory, Adams' Equity Theory recognizes that various nuanced factors impact an employee's evaluation and perception of their connection with their job and their employer.

The idea posits that employees experience demotivation when they perceive that their contributions outweigh the rewards they receive, both in terms of their employment and their company.

Employees may respond to this situation in several ways, such as experiencing demotivation, which is typically influenced by the employee's perception of the discrepancy between their inputs and outputs. Other possible responses include decreased effort, becoming unhappy, or, in more severe circumstances, engaging in disruptive behavior.

#### Applying the Adams' Equity Theory: A Step-by-Step Guide

When aiming to enhance an employee's job happiness and motivation, it is crucial to take into account the components outlined in Adams' Equity Theory and determine strategies to foster better levels of **each**.

In order to accomplish this, it is important to assess the equilibrium or lack thereof that presently exists between the contributions and results of your employees, as outlined below:

Inputs commonly encompass effort and loyalty.

- Diligence.
- Dedication.
- Proficiency.
- Aptitude.

Flexibility.

Flexibility.

- Acceptance of differences.
- Resolute willpower.
- Eagerness.
- Have confidence in one's superiors.
- Assistance from coworkers.
- Individual relinquishment.

Typical outputs encompass financial rewards, such as salary, benefits, and perks.

- Abstract assets that commonly encompass
- Acknowledgment.  Esteem.
- Accountability.

- Feeling of accomplishment.
- Commendation.
- Incentive.  Feeling of progress.  Assurance of employment stability.

Although certain aspects cannot be precisely measured and directly compared, the theory suggests that managers should strive to achieve an equitable equilibrium between the contributions made by an employee and the rewards received.

According to the principle, employees should feel satisfied when they sense a balance between these factors.

### **Goal Setting Theory of Motivation**

In the 1960s, Edwin Locke proposed the Goal-setting theory of motivation. According to this idea, there is a fundamental connection between goal formulation and task performance. The statement asserts that setting explicit and demanding objectives, coupled with relevant feedback, enhance work performance to a greater extent and with improved quality.

Goals provide employees with clear guidance on what tasks need to be accomplished and the level of effort required.

The salient characteristics of goal-setting theory are as follows:

The primary source of workplace motivation is the inclination to strive towards the achievement of a goal. Precise, specific, and challenging objectives are more effective in motivating individuals compared to simple, broad, and ambiguous goals.

Well-defined and unambiguous objectives result in increased productivity and enhanced efficiency. Setting explicit, quantifiable, and lucid objectives, along with a specified timeframe for accomplishment, helps prevent any confusion or misinterpretation.

Goals should be attainable and ambitious. Attaining these goals instills a sense of pride and accomplishment in an individual, and prepares them for achieving their next objective. The reward <sup>45</sup> for attaining a tough objective is generally larger, and there is typically a stronger motivation to attain it.

Providing more effective and suitable feedback on results has a greater impact on employee behavior and leads to higher performance compared to not providing any feedback. Feedback serves as a method for acquiring reputation, providing clarifications, and managing challenges related to goals. Enhancing employee engagement fosters increased job satisfaction and greater commitment to work.

Employee engagement in goal setting is not always advantageous.

The act of actively establishing a goal enhances its acceptability and promotes greater engagement.

The goal setting hypothesis entails specific outcomes, including:

a. Self-efficacy - Self-efficacy refers to an individual's belief in their own abilities and potential to successfully complete a task. The individual's level of self-efficacy directly correlates with the amount of effort they will exert when confronted with difficult tasks. As the amount of self-efficacy decreases, individuals will exert less effort or may even give up when faced with challenges.

b. Goal commitment - According to goal setting theory, it is assumed that the individual is dedicated to the goal and will not abandon it. The level of goal commitment is contingent upon the subsequent factors:

- i. Objectives are openly established, disclosed, and disseminated.
- ii. **Individuals should set their own goals** rather than having them assigned.
- iii. The goals of individuals should align with the aims and vision of the company.

Benefits of the Goal Setting Theory:

The goal setting theory is a methodology employed to enhance the motivation of employees to efficiently and expeditiously accomplish their tasks.

Goal setting enhances performance by bolstering motivation and exertion, as well as by elevating and refining the quality of feedback.

Limitations of Goal Setting Theory:

There are occasions when the objectives of the company are at odds with the objectives of the managers. Objective Conflict has a negative impact on performance when it leads to incompatible actions and a loss of focus.

Challenging and intricate objectives encourage more daring behaviour.

If an individual does not possess the necessary skills and competencies to carry out the important actions required to achieve a goal, the goal-setting process might be unsuccessful and result in a decline in performance.

There is insufficient empirical data to substantiate the claim that goal-setting enhances job satisfaction.

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## **11.8 APPROACHES FOR IMPROVING MOTIVATION**

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The environmental factors and other aspects impact the implementation of motivational techniques. Differences in the implementation of motivation can be observed among organizations and people. Even inside the organization, there are discrepancies at various levels in the managerial hierarchy. The following section discusses the regularly employed strategies to incentivize and inspire employees:

The influence of money as a motivator is significant: Money remains a potent incentive even in contemporary society. Money is commonly associated with social status, position, power, prestige, and recognition. Employees that receive higher salaries might lead a lavish lifestyle

and command respect from society. Organizations utilize monetary incentives to stimulate employee motivation. Several financial strategies to incentivize employees include variable pay packages, piece rate plans, performance-based incentives, profit sharing plans, gain sharing schemes, skill-based incentive schemes, knowledge-based financial incentive plans, and flexible benefits.

**Job re-design:** Redesigning jobs is a strategic approach used in organizations to enhance employee motivation. Several job redesign strategies encompass job enlargement, job enrichment, and job rotation. Job enlargement involves the addition of additional tasks and obligations to a job. This allows employees to allocate additional time to their work while maintaining a sense of ease. Job enlargement enhances employee motivation by offering them the opportunity to engage in a diverse range of jobs. The work modules are imbued with significance. Job redesign enables the utilization of one's strengths and facilitates the provision of feedback. Job enrichment involves enhancing job roles by introducing motivators such as ambitious objectives, creativity, and creative approaches, hence increasing excitement and integrating possibilities for personal development inside the job.

This fosters employee motivation and enhances job satisfaction. Job rotation is an additional tactic. It entails the transfer of employees from one position to another.

**Employee involvement:** Participating in management decisions **has been demonstrated to be an effective method of motivating employees.** Participation enables employees to articulate their perspectives. It facilitates the cultivation of enhanced communication between individuals in positions of **authority** and those under their supervision. Employees have a sense of validation when **their suggestions are incorporated into the decision-making process.** It enhances the approval of decisions and serves as a catalyst for motivation. Commonly employed participation schemes include representative participation, quality circles, and employee ownership plans, also referred to as Employee Stock Option Plans or Employee Stock Ownership Plan (ESOP)

**Quality of Work Life (QWL):** The concept of QWL has recently gained attention from managers. It holds varying significance for individuals. As a motivational technique, it encompasses providing sufficient and equitable compensation, ensuring a safe and healthy work environment, consistently investing in employee development, offering opportunities for job growth, preserving self-esteem, fostering a sense of identity, maintaining self-respect, promoting fairness and dignity for employees, and integrating work-life balance.

**Management by Objectives (MBO)** is a technique that involves defining goals through active participation and involvement of managers and subordinates at all levels. This enables individuals to experience a sense of personal accountability and accomplishment.

**Performance Appraisal:** Performance appraisal **is a method used to evaluate and assess the performance of employees** at regular and consistent periods **in order to gauge their abilities.** It aids in evaluating the strengths and weaknesses of employees' performance. This appraisal provides feedback to employees, enabling them to address and improve upon their shortcomings.

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## **11.9 QUALITY OF WORK LIFE**

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### **Meaning of Quality of Work Life (QWL)**

Quality of Work Life pertains to the degree of desirability or undesirability of a job setting for individuals. QWL refers to the cumulative value, encompassing both tangible and intangible aspects, that a worker achieves over the course of their professional life. Quality of work life (QWL) encompasses various dimensions of an individual's work-related experience, including compensation and working hours, the overall work environment, employee perks and services, career advancement opportunities, and interpersonal relationships. These factors are potentially influential in determining worker satisfaction and motivation.

### **Significance of Quality of Work Life**

An organization comprises individuals that possess talents, abilities, and aptitudes that contribute to its competitive advantage. The human resource department is responsible for planning, executing, and controlling many functions of a corporation. Therefore, it is imperative for the business to engage in good human resource management in order to efficiently and successfully accomplish its objectives. Effective human resource management is crucial for creating chances to foster the development of both individuals and organizations. The organization aligns its efforts with the concept of "Quality of work life". In contemporary times, the demanding nature of professions sometimes disrupts the balance between home and work life, primarily owing to job-related stress and conflicting priorities. Therefore, it is imperative for the firm to cultivate a high-quality relationship between its personnel and the working environment.

To effectively recruit and retain people, a firm must cultivate a superior work environment. Organizations, via the implementation of Quality of Work Life (QWL) programs, strive to establish

The work conditions and job opportunities provided for employees are of exceptional quality. Therefore, Quality of Work Life (QWL) aims to establish a work environment in which employees collaborate and actively contribute to the achievement of corporate goals.

The term Quality of Work Life (QWL) was initially introduced by Davis in September 1972 during an international conference held at Arden House, New York. The concept has subsequently evolved into a notion of a 'movement', 'reform', and 'policy' aimed at enhancing productivity inside an organization (Pomonis and Baumgratel 1980). In their study, Nadler and Lawler have demonstrated that the definition of Quality of Work Life (QWL) has evolved throughout time. Originally, it was conceptualized as a "variable", but it eventually evolved into an "approach". By 1975, it was recognized as a "method." By 1980, it evolved into a "movement." Finally, in 1982, it transformed into a worldwide concept encompassing everything.

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## **11.10 LET US SUM UP**

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Motivation is the process of encouraging someone to fully dedicate themselves to a preferred course of action. Motivators are incentives that urge individuals to channel their energy. Comprehending motivation can be challenging due to its intricate nature. Several ideas have been presented to comprehend the motivation. Maslow formulated the idea of motivation known as the hierarchy of needs. He has categorized needs as basic requirements, safety needs, social needs, esteem needs, and self-actualization needs.

He asserts that drive arises from unfulfilled needs. According to Fredrick Herzberg, motivation and pleasure of employees are determined by two elements. He has recognized the importance of cleanliness and motivating elements.

The hygiene factors in the company include policies, administration, supervision, relationships with superiors, work conditions, salary, relationships with peers, personal life, relationships with subordinates, status, and security. <sup>21</sup> On the other hand, the motivators consist of achievement, recognition, the work itself, responsibility, advancement, and growth. According to the notion, hygienic elements serve to minimize unhappiness, while motivators alone are effective in fostering employee motivation.

McGregor developed specific hypotheses on human nature and proposed theory X and theory Y. The theory of X posits that the ordinary human being harbours a distaste for work. Therefore, the individual is motivated by compulsion, financial incentives, and punishments. Instilling a feeling of belongingness and self-discipline can serve as a source of motivation for employees, as theory Y posits that the typical individual is capable of learning to embrace accountability. William Ouchi endeavoured to amalgamate the distinctive attributes of American and Japanese organizations, resulting in the formulation of Z theory. The idea delineated differences between American and Japanese organizations in terms of decision-making, assumption of responsibility, exercise of control, advancement prospects, career trajectories, and concern for personnel. The ERG hypothesis centres on three categories of needs: existence requirements, relatedness needs, and growth needs.

The achievement motivation theory proposed by McClelland is a significant advancement in the field of motivation. The notion posits that achievement motivation is acquirable and teachable. The idea additionally delineated three distinct demands. The three needs are the need for achievement, the need for power, and the need for affiliation. The notion posits that achievement can be augmented by the use of feedback, constructing models, redesigning jobs, altering attitudes, and establishing quantifiable outcomes. According to the theory, managers should motivate their subordinates by strategically influencing the connection between motivation and satisfaction, as well as the connection between performance and satisfaction. The expectancy hypothesis posits that motivation is determined by the combined effects of valence, instrumentality, and anticipation. The Porter and Lawler hypothesis elucidates the intricate interconnections between motivation, performance, and satisfaction.

The methods for motivating employees encompass several approaches such as financial rewards, incentives, adaptable benefits, restructuring job roles, expanding job responsibilities, enhancing job content, rotating job assignments, encouraging employee

engagement, promoting quality of work life, implementing Management by Objectives (MBO), and conducting regular performance evaluations.

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### **11.11 UNIT END EXERCISE**

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1. Non-monetary incentives play a crucial role in motivating individuals. Discuss. What are the constraints or drawbacks of financial incentives?
2. Analyze the necessity hierarchy theory of motivation in a thorough and objective manner. Are Maslow's assumptions considered hypothetical?
3. Differentiate between hygiene factors and motivators. Analyze the suitability of the two-factor theory in the Indian setting.
4. Analyze the commonalities and differences between Maslow and Herzberg's theories of motivation.
5. The assumptions regarding the predispositions of individuals in Theory X and Theory Y are diametrically opposed. Please provide a topic for discussion.
6. What are the attributes of individuals that excel? What are the methods for improving achievement motivation?
7. Assess the necessity of the achievement theory of motivation in a discerning manner.

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### **11.12 REFERENCES AND SUGGESTED READINGS**

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## **UNIT 12: LEADERSHIP**

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### **Structure**

- 12.1 Introduction
- 12.2 Objectives
- 12.3 Definition
- 12.4 Ingredients of Leadership
- 12.5 Approaches to Leadership
- 12.6 Let us Sum Up
- 12.7 Unit End Exercises
- 12.8 References and Suggested Readings

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## 12.1 INTRODUCTION

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Leadership is the act of an executive directing, guiding, and influencing the behaviour and work of others in order to achieve specified goals in a particular context. Leadership is the capacity of a manager to motivate subordinates to work with assurance and enthusiasm.

Leadership is the capacity to exert influence over the behaviour of others. Leadership can be described as the ability to exert influence over a group in order to achieve a specific objective. Leaders must cultivate future visions and inspire organizational members to aspire to attain those ambitions. This unit deals with various elements and approaches to leadership.

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## 12.2 OBJECTIVES

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After going through this <sup>8</sup> unit, you should be able to:

- Define leadership and discuss its characteristics
- Discuss significance of leadership
- Explain various elements of leadership
- Discuss the significance of leadership in organizations
- Explain various approaches to leadership

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## 12.3 DEFINITION

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According to Keith Davis, “Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals.”

### **Characteristics of Leadership:**

1. Leadership is an interpersonal process in which a manager exerts influence and provides guidance to people in order to achieve goals.
2. It signifies certain attributes, such as intelligence, maturity, and personality, should be possessed by an individual.
3. It is a collaborative effort. It entails the engagement of two or more individuals in mutual interaction.
4. A leader actively influences and guides the group's behavior to achieve corporate objectives.
5. Leadership is contingent upon the specific circumstances. There is no one style of leadership that is universally considered the most superior. It all hinges on effectively addressing the circumstances.

### **Significance of Leadership:**

Leadership is a crucial aspect of management that plays a vital role in optimizing efficiency and attaining corporate objectives. The subsequent points substantiate the significance of leadership in a business.

1. Initiates action - A leader is a one who commences work by effectively communicating policies and plans to subordinates, so initiating the actual execution of tasks.

2. Motivation - A leader demonstrates the ability to provide incentives that drive the functioning of the organization.

He incentivizes the staff with both monetary and non-monetary awards, effectively eliciting productivity from his subordinates.

3. Offering direction - A leader must not only oversee, but also fulfill the job of guiding their subordinates. Guidance in this context refers to providing clear instructions to subordinates on how to properly and efficiently carry out their duties.

4. Establishing confidence - Confidence may be cultivated by successfully communicating work efforts to subordinates, clearly defining their roles, and providing them with directions to efficiently fulfill goals. It is crucial to also listen to the employees in relation to their grievances and issues.

5. Fostering morale - Morale refers to the voluntary cooperation of employees in their work, establishing trust and gaining their confidence. A leader can enhance morale by fostering complete cooperation, so enabling individuals to perform at their utmost potential while working towards achieving goals.

6. Fosters a productive work atmosphere - Management effectively motivates employees to accomplish tasks. A productive work atmosphere is conducive to steady and sustainable growth. Hence, a leader should take into consideration human interactions. It is essential for him to establish personal connections with employees and attentively address their concerns in order to find solutions. He should treat employees with a sense of humanity.

7. Co-ordination refers to the process of aligning individual interests with the objectives of the organization. Achieving synchronization can be accomplished by implementing efficient and organized coordination, which should be the primary objective of a leader.

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### 12.3 INGREDIENTS OF LEADERSHIP

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**Influencing:** Leadership encompasses the capacity of an individual to exert influence over the actions and conduct of fellow employees within an organization, with the aim of collectively attaining a shared objective or goal, hence fostering voluntary cooperation among team members.

**Interpersonal process:** It is a dynamic interaction between the leader and the followers. The efficiency and effectiveness of achieving organizational aims depend 8 on the relationship between the leader and the followers.

**Guiding:** The purpose of leadership is to provide guidance to individuals within an organization, enabling them to collectively work towards achieving shared organizational objectives. The leader unifies the individuals and their endeavors to accomplish shared objectives.

Perpetual process: Leadership is an ongoing and unceasing process. A leader must consistently provide guidance to their personnel and closely monitor their progress to ensure that their efforts remain aligned with the established goals and do not go off course.

**Group Process:** Group process refers to the collaborative interaction between two or more individuals. Without supporters, a leader is unable to effectively lead.

The outcome is contingent upon the circumstances at hand, as it hinges on effectively addressing the current conditions. Consequently, there is no singular optimal approach to leadership.

## **12.4 APPROACHES TO LEADERSHIP**

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There are various approaches to leadership that have been propounded over time. Let us discuss them briefly here.

### **Great Man Theory (1840's)**

The Great Man theory emerged during the mid-19th century. Despite the lack of scientific assurance, no specific human feature or combination has been definitively identified as responsible for recognizing outstanding leaders. It was universally acknowledged that, as the term implies, only a man could possess the qualities of a great leader.

The Great Man idea posits that leadership abilities are inherent. This implies that exceptional leaders possess innate qualities and abilities, rather than acquiring them through external influences or training. This notion posits that great leaders are inherently predestined to assume leadership roles from birth. Moreover, it was believed that exceptional leaders will emerge when faced with the suitable circumstances. Thomas Carlyle, a writer and teacher, promoted the theory. Similar to him, the Great Man idea drew inspiration from the examination of influential heroes.

He conducted a comprehensive comparison of many heroes in his book titled "On Heroes, Hero-Worship, and the Heroic in History".

In 1860, Herbert Spencer, an English philosopher, challenged the great man idea by asserting that these exceptional individuals are merely a reflection of the prevailing societal circumstances, and their acts are a consequence of the existing social conditions.

### **Trait Theory (1930's - 1940's)**

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The trait leadership theory posits that individuals possess inherent or acquired abilities that predispose them to flourish in leadership positions. Specific attributes such as intelligence, sense of responsibility, inventiveness, and other virtues are indicative of a person's potential to be a competent leader. Gordon Allport, an American psychologist, discovered about 18,000 English phrases that are significant to personality (Matthews, Deary & Whiteman, 2003, p. 3).

The trait theory of leadership aims to examine the psychological, physical, and social attributes in order to better comprehend the common features or combinations of characteristics seen in leaders.

The trait leadership paradigm had numerous shortcomings. However, Gordon Allport's

work in the psychology of personalities are considered pioneering and have significantly contributed to the behavioral approach in the study of leadership.

Psychometrics was at its nascent stage during the 1930s.

The measurement of personality traits lacked reliability across several research.

The study samples consisted of low-level managers.

No explanations were provided regarding the correlation between each trait and its influence on leadership.

The leader's context was not taken into account.

Several studies have examined the characteristics of current leaders with the aim of identifying the factors that contribute to their leadership ability. Regrettably, the sole discernible attributes observed among these individuals were a modest increase in height and a slight enhancement in intelligence.

### **Behavioural Theories (1940's - 1950's):**

The behavioural theories provide an alternative viewpoint to the trait leadership theory by emphasizing the actions and conduct of leaders rather than their psychological, physical, or social attributes. Therefore, because of advancements in psychometrics, particularly component analysis, researchers have been able to quantify the causal association between distinct human behaviors and leadership. Henceforth, those possessing the appropriate conditioning will be able to join the hitherto exclusive circle of innately talented leaders. Put simply, leaders are not naturally born but rather developed.

The behavioural theories initially classified leaders into two distinct types. Those who were focused on the tasks and those who were focused on the individuals. Various terms are used in the literature to describe these concepts, but their fundamental nature remains the same.

The theories that are associated with behavioural theories are

The Managerial Grid Model/Leadership Grid and Role Theory.

### **Contingency Theories (1960's)**

The Contingency Leadership theory posits that there is no universally effective leadership style, and that the most appropriate approach should be determined by specific circumstances. This implies that certain individuals excel in particular environments, but may underperform when removed from their optimal context.

Contingency leadership theory can be seen as an expansion of the characteristic theory, as it acknowledges the connection between human traits and the specific circumstances in which leaders exert their influence. Contingency theories typically acknowledge that leaders are more inclined to demonstrate their leadership when they believe their followers would be receptive.

Theories that are associated with contingency theory are include Fiedler's contingency

theory, Hersey-Blanchard Situational Leadership Theory, Path-goal theory, Vroom-Yetton-Jago decision-making model of leadership, Cognitive Resource Theory, Strategic Contingencies Theory.

### **Transactional leadership Theories (1970's)**

Transactional theories, or exchange theories of leadership, involve a transaction between the leader and the followers. The philosophy actually emphasizes the importance of a positive and mutually advantageous partnership.

In order for transactional theories to be effective and have motivating value, the leader must establish a method to appropriately reward or punish their followers for completing tasks specified by the leader. Transactional leaders are most effective when they create a mutually reinforcing environment where the individual and organizational goals are aligned.

Transactional theorists claim that people have a fundamental drive to enhance pleasurable experiences while minimizing unpleasurable experiences. Consequently, we like to align ourselves with individuals who enhance our abilities.

A theory that is associated with transactional theory is Leader-member Exchange (LMX) theory.

### **Transformational Leadership Theories (1970s)**

The Transformational Leadership theory posits that this process involves an individual's interaction with others, leading to the establishment of a strong relationship characterized by a high level of trust. Consequently, this relationship fosters enhanced motivation, encompassing both intrinsic and extrinsic factors, for both leaders and followers.

Transformational theories suggest that leaders have the ability to inspire and transform their followers through their charismatic personalities and inspirational nature. Rules and regulations are adaptable, influenced by collective norms. These characteristics foster a feeling of inclusion among the followers, as they can readily relate to the leader and their mission.

Burns transformational leadership theory, Bass transformational leadership theory and Kouzes and Posner's leadership participation inventory are associated with transformational leadership theories.

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### **12.4 LET US SUM UP**

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This chapter explored the notion of leadership and several perspectives pertaining to leadership. To lead entails providing guidance, direction, and taking precedence. Leadership is the act of exerting influence over the behavior, beliefs, and emotions of individuals within a group. The duties of leadership encompass a broad spectrum of activities, including coordination, decision-making, policy-making, group representation, control, arbitration, and more. Leadership is a complex notion that is influenced by various factors and requires proficiency in multiple talents, including technical, human,

conceptual, designing, creative, communicative, and decision-making abilities.

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#### **12.4 UNIT END EXERCISE**

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1. Define leadership and list out the characteristics of leadership.
2. What is the significance of leadership in organizations?
3. What are the qualities a good leader should have?
4. Discuss in detail various approaches to leadership.

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#### **12.5 REFERENCES AND SUGGESTED READINGS**

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1. Principles of Management –PC Tripathi, PN Reddy, Tata McGraw Hill
2. Management Fundamentals – Concepts, Application, Skill Development – Robers Lusier – Thomson
3. Druker. Peter F. Management Challenges for the 21st century; Butterworth Heinemann Oxford.
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### **UNIT 13: COMMUNICATION**

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#### **Structure**

- 13.1 Introduction
- 13.2 Objectives
- 13.3 Definition and Meaning of Communication
- 13.4 Functions of Communication
- 13.5 Significance of Communication
- 13.6 Process of Communication
- 13.7 Barriers to Communication
- 13.8 Techniques to Overcome Communication Barriers
- 13.9 Let us Sum Up
- 13.10 Unit End Exercises
- 13.11 References and Suggested Readings

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### **UNIT 13.1 INTRODUCTION**

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It is crucial to recognize that the effective functioning of all management functions is essential for attaining an organization's goals. In addition to these functions, the successful accomplishment of objectives is heavily reliant on the effective coordination and integration of human activities. Therefore, the individuals involved in the firm carry out various functional activities that are relevant to their roles. It can be asserted that the establishment and upkeep of these relationships can be achieved through communication, which facilitates the interchange of information and the sharing of ideas. Communication

is a crucial component of human relationships as it establishes the basis for human connection. Communication <sup>8</sup> in an organization serves the purpose of communicating information, facts, feelings, and ideas, so facilitating coordinated actions. This unit will cover the definition, importance, and procedure of communication. We shall also discuss the barriers to communication that impede the smooth and efficient exchange of information. You will have a deeper understanding of the interpersonal dynamics involved in communication.

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### **UNIT 13.2 OBJECTIVES**

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After studying this unit, you should be able to:

- analyze the definition and attributes of communication
- discuss the functions and significance of communication
- elucidate the steps involved in the communication process
- recognize the obstacles that impede effective communication
- depict the structure of the communication network
- articulate the importance of communication within an organization
- expound upon the various directions of communication
- examine the fundamental principles of communication
- clarify the strategies for overcoming communication barriers

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### **UNIT 13.3 DEFINITION AND MEANING OF COMMUNICATION**

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Communication is the process of exchanging ideas and fostering mutual understanding between two or more individuals. There are two important aspects of communication. First, it is conveyance of ideas, feelings, facts, and other information. For communication to happen, there must be a recipient. When composing a message, the sender must take into account the recipient's perspective both in terms of technical aspects and in the way it is conveyed. In the absence of considering the recipient, there will either be no answer or there may be an incorrect response. Secondly, it highlights the importance of comprehension in the process of communication. Effective communication may only occur when the recipient of a message comprehends it in the exact manner intended by the sender.

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### **UNIT 13.4 FUNCTIONS OF COMMUNICATION**

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Communication serves three primary purposes inside an organization: (1) conveying information, (2) coordinating endeavours, and (3) exchanging ideas and feelings. Each of these functions is crucial for the success of a business. The ability to transmit information is crucial for an organization to operate effectively. Facilitating collaboration inside the organization enables individuals to together strive towards shared objectives. Expressing

emotions and sentiments fosters a sense of connection and solidarity among teams and individuals throughout moments of both joyous and challenging circumstances. Efficient communication facilitates individuals in comprehending matters, establishing a positive relationship with colleagues, and reaching a mutual agreement. What are the strategies for achieving effective communication? Initially, it is vital to comprehend the intricacies of the communication process.

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### **UNIT 13.5 SIGNIFICANCE OF COMMUNICATION**

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Efficient communication is an essential requirement for achieving organizational objectives. Communication is an essential requirement for the existence of any organization or group. The absence of communication will lead to the organization's collapse as it hinders the coordination of tasks. Cooperation is hindered when individuals are unable to effectively express their wants and emotions to others. Each instance of communication has an impact on the organization, regardless of its kind. A thread is a cohesive element that binds the several interconnected components of an organization.

When it comes to a halt, the functioning of the organization comes to an end. An exceptional concept remains incomplete until it is effectively conveyed and comprehended by others.

Efficient communication fosters enhanced performance and job contentment. Individuals gain a deeper comprehension of their roles and experience a heightened sense of engagement.

An executive achieves successful completion of tasks by employing excellent communication. Hence, a proficient executive must possess expertise in the skill of communication. Furthermore, communication serves as a method via which the employee can be effectively inspired to joyfully carry out company initiatives. It is the mechanism by which behavior is altered, change is implemented, and objectives are accomplished.

The primary executive function is to establish and preserve a proficient communication system. Nerves are sometimes likened to the human organism, whereas communications are likened to an industrial system. Given that management is defined as the process of achieving goals via the efforts of individuals, it is imperative to effectively convey the objectives that management aims to achieve through the different tasks completed by the organization.

Communication is a challenge within management as well. It is the cohesive force that unites the individuals inside an organization. By engaging in effective communication, individuals can establish a shared perspective and collaborate to successfully achieve the goals of the organization. Effective communication requires a bidirectional exchange of information, both from higher authorities to lower levels and vice versa. It can be likened to a formidable river, upon whose banks the foundation of corporate life is constructed.

McGregor perceives communication as a vital element in exerting influence over people. Communication is an inherent component of all social interactions. In organizational communication, there is a reciprocal flow of information where aims, commands, and

policies are conveyed from higher levels to lower levels, while wishes and dissatisfactions are conveyed from lower levels to higher levels. An accomplished executive should possess the capacity to receive, analyze, and convey information. Hence, proficient communication is a crucial aptitude in the realm of administration.

Communication serves as the intermediary connecting knowledge and information. The acquisition of knowledge is futile unless it is transformed into actionable information. Therefore, possessing knowledge alone is insufficient for achieving success in a managerial role; what is necessary is a combination of knowledge and the skill to communicate with precision. The well-known adage 'knowledge is power' should be revised to 'applied knowledge is power', as the application of knowledge necessitates proficient communication.

Within an organization, communication serves to provide instructions for tasks, facilitate the execution of those tasks, procure necessary resources, and promote the advertisement and sale of the product. It is the method employed for hiring, terminating, promoting, commanding, encouraging, criticizing, persuading, and similar actions. Effective communication is crucial in addressing issues related to employer-employee relations, employee productivity, and all other aspects of human interactions. Inadequate communication frequently serves as the underlying factor behind numerous issues. The practice of keeping things secret leads to the spread of rumors, and a culture of secrecy encourages the circulation of damaging rumors. Management should provide staff with all pertinent information to the greatest extent practicable. The personnel of an organization possess a strong inclination to ascertain the company's intentions regarding matters such as computers, bonuses, or DAs. In the absence of information from management, employees may generate information through grapevine rumors, potentially leading to detrimental consequences for the organization. To prevent such issues, it is the responsibility of the management to provide all pertinent information through suitable channels in a timely manner.

Communication extends beyond the scope of personnel. Management is required to engage in communication with its customers, owners, the community, and both potential and current staff. However, our conversation is limited to the realm of interpersonal communication and the process of organizational communication.

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#### **UNIT 13.6 COMMUNICATION PROCESS**

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Communication necessitates the presence of a sender, a recipient, a message, and a conducive environment. The procedure comprises the subsequent stages:

- Clear Understanding of the Idea or Problem: Effective communication requires the communicator to have a clear and accurate understanding of the notion or problem being conveyed. The communicator can determine the appropriate means to transmit the message only through clear thinking.
- Participation of other persons involved: The subsequent action is to ensure the involvement of more individuals in the choice to convey a message. Engaging in

interactive discussions with others can aid in clarifying concepts, generating novel thoughts, and fostering a stimulating environment to elicit good responses to the message.

- **Message Transmission:** Prior to the actual transmission of a message, it is anticipated that decisions will be made on what information to convey, to whom it should be communicated, when it should be communicated, and how it should be communicated. The process of transmission includes the preparation of both the content and the format of communication (referred to as 'encoding' the message), as well as the selection of the appropriate medium or method of communication (oral or written), taking into consideration the characteristics of the individuals or groups being addressed.
- **Encouraging the Recipient of the Message:** The sender cannot rely just on the message itself to elicit a suitable reaction from the receiver. The sender must ensure that the recipient not only comprehends the message accurately but is also willing to take appropriate action based on it. Hence, in addition to the message's clarity, it must also motivate the recipient to act or behave in accordance with the sender's intentions.
- **Evaluation of Communication Effectiveness:** Once the message has been conveyed and acknowledged by the recipient, it is the responsibility of the communicator to determine and evaluate the quality of the communication. This assesses the receiver's level of positive response to the communication.

The elements and the process of communication can be understood through the below figure.

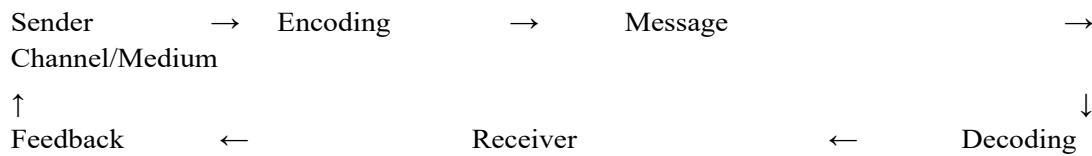


Figure: 13.1

**Sender:** The sender plays a crucial role in the communication process since they are the ones that initiate the message. Communicators encompass individuals such as managers, subordinates, clients, customers, and external entities.

**Encoding:** The process of converting the information to be conveyed into a specific format is the second component. Linguistic preparation is presenting the content of communication (such as ideas, facts, information, etc.) in a proper language.

**Message:** The encoded message must be conveyed using suitable methods of transmission. The communication might take the shape of either spoken or written language, depending on the intended objective.

**Channel/Medium:** The medium of communication serves as the conduit through which the message is transmitted from the sender to the recipient.

Various modes of communication include face-to-face verbal communication, telephone,

inter-com facilities, memoranda, notice, circulars, statements, telegraphs, telex, and more.

In addition, non-verbal forms of communication such as signs and gestures can also be utilized. The selection of a medium is a crucial element in communication, as the appropriate medium directly influences its effectiveness.

**Decoding:** Decoding is the process in which the receiver converts the communication into meaningful terms in order to understand it. Understanding the content and intent of a message is crucial in communication, as it directly influences the receiver's response.

**Receiver:** The recipient of the message plays an equally crucial function as the sender. Effective communication requires a focus on the receiver, since their capacity to decode and understand the information is crucial in eliciting a good reaction.

**Feedback:** Feedback refers to the recipient's real response to a communicated message. Effective communication is crucial as it minimizes the likelihood of misalignment between the sender's intent and the receiver's understanding of the message. For effective two-way communication, it is essential to have feedback on the first message provided. This feedback allows the sender to verify if the recipient has correctly interpreted the message received.

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### **UNIT 13.7 FORMAL AND INFORMAL COMMUNICATION**

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Within an organization, there exist multiple channels or pathways that connect different positions in order to facilitate communication. The collective combination of these channels is known as a communication network. This consists of two interconnected and mutually reliant types of channels, namely official and informal. The presence of these channels is essential for the implementation of organizational communication. Additionally, these channels play a crucial role in determining the efficiency, speed, and accuracy of message transmission inside the organization.

#### Formal Communication

The formal channel refers to an intentionally established and officially prescribed conduit for communication to flow among different positions within the organization. It is a purposeful effort to control the transmission of communication inside an organization in order to establish a systematic structure and guarantee the smooth, accurate, and timely flow of information to the necessary recipients. Additionally, the purpose is to establish guidelines for filtering information to different destinations in order to prevent unnecessary information flow and avoid the problem of overload.

This communication network, which is formally mandated, can be created using either a single channel or several channels. A single channel communication network restricts communication to a single designated path, requiring all communications from a specific point to pass through that line exclusively. Typically, this path represents the chain of command connecting a position to a higher-ranking position. The term often used for this is "through proper channel", which means that all communications to and from a position should follow the line of authority between superiors and subordinates.

The communication channel in this system is indeed limited, but it generally facilitates the transmission of crucial information. In addition, it is simple to upkeep, reinforces the power of those in higher positions, and facilitates direct communication, hence minimizing opportunities for misinterpretation. It facilitates the exertion of authority over subordinates and the assignment of accountability for activities performed by an individual inside the organization.

However, it also has inherent restrictions like as flow bottlenecks, increased organizational distance, higher likelihood of transmission errors, and screening at many filtering sites. These constraints can be overcome by implementing a system of many channels, which would connect one position with various other ones, thereby enabling effective communication. Excessive utilization of this technique may potentially lead to confusion and compromise the authority of the superior.

#### Informal Communication or Grapevine

The informal channel of communication, sometimes referred to as the grapevine, arises from the interplay of social dynamics inside the workplace. The name "grapevine" originated during the period of the U.S. Civil War. During that period, telephone lines were haphazardly connected between trees, resembling a grapevine. As a result, the sent message was frequently distorted. Consequently, any rumor originating from this source was referred to as coming from the grapevine. official communication serves the practical demands of the organization, while informal communication allows people to engage in social activities that are not part of the official structure. Therefore, it exists independently from the official network, while maintaining a constant level of interaction with it. This informal route typically consists of an individual who maintains social connections with multiple individuals employed within the same organization.

This channel effectively fulfills the communication requirements of individuals inside the organization, especially those who engage in casual interactions and depend on informal connections. Informal communication arises as a means to fulfill needs when formal communication is deemed insufficient or lacking. The need for faster communication fosters informal communication as a complement to formal communication. Chester Barnard argues that the communication role of executives is crucial for maintaining informal executive organization. The primary roles of informal executive organization involve transmitting intangible information and making proposals that cannot be conveyed through official channels without compromising dignity and objective authority. In his study, L.M. Prasad discovered that subordinates who communicated negative work performance, work-related issues, and unfavorable attitudes to organizational policies did so predominantly through informal channels, ranging from 50 to 100 percent. The primary rationales for utilizing informal channels for this type of communication were the increased convenience and the fact that the subject matter of upward communication did not necessitate a formal channel.

#### Types of Grapevines

The grapevine can be classified into four categories of informal communication channels: single strand, gossip, likelihood, and cluster.

In a single strand network, individuals communicate with each other through intermediaries.

Within the gossip network, individuals engage in non-selective communication. In a probability network, individuals engage in random communication with other persons based on the principles of probability. Within the cluster network,

The individual exclusively engages in communication with individuals whom he has established confidence with. Among these informal networks, the cluster is the most widely recognized and favoured.

Occasionally, the term "rumour" is mistakenly used interchangeably with informal communication, however there exists a distinction between the two. A rumour is unverified information that is shared without reliable evidence. It represents the imprudent and false aspect of the grapevine. The dissemination of inaccurate information is widely regarded as the most harmful aspect of grapevine communication. Rumour arises from the combination of curiosity and uncertainty in a certain scenario. Due to variations in individuals' sense of interest and ambiguity, rumors tend to vary from one person to another. Each individual modifies the original message through the processes of elaboration and absorption, based on their personal interests.

Conversely, informal communication is subject to specific fundamental constraints. It is both less organized and less stable as well. Occasionally, the messages conveyed through the informal channel are so unpredictable that any decision made based on them could result in a challenging scenario within the organization. The primary problem in this situation is the lack of responsibility exhibited by individuals interacting through the informal route. Due to the elusive nature of identifying the source and trajectory of information, it becomes challenging to attribute accountability for disseminating misleading information or spreading rumors that negatively impact morale. Furthermore, since each individual transmitting the message has the ability to modify, eliminate, or alter the initial message based on their intention, the issues associated with informal communication become more numerous. There is a possibility that during a complex voyage, a communication may become entirely twisted.

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#### **UNIT 13.8 BARRIERS TO EFFECTIVE COMMUNICATION**

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The primary obstacles to effective communication are latency, misrepresentation, and attenuation. The delay is a result of the malfunctioning of the distribution system. Distortion of information or message arises from the eccentricities of the intermediate communicators, the impatient or incorrect listening of the recipient, insufficient vocabulary, and the use of poorly chosen and meaningless words. Psychological hurdles arising from bias, previous notions, lack of trust in the communicator, and misreading of their intentions. The awareness level of managerial workers might lead to distortion and weakening of communication. Sharing information with subordinates is perceived as a reduction in status, as status is associated with having superior knowledge. The dilution of communication occurs when a subordinate, acting as a yes man, tells the boss what they

want to hear instead of providing accurate feedback.

Communication barriers can manifest as personal, physical, or semantic obstacles. Personal barriers stem from individuals' emotions, ideals, and ineffective listening habits. Emotions serve as filters in all of our communications. Our perception of the world is influenced by our emotional disposition, shaping what we observe and hear. Therefore, our personality is inseparable from our ability to communicate. We convey our understanding of the nature of existence rather than the actual existence itself. An inherent obstacle to communication is the egocentric inclination of individuals to perceive all activities from a very personal perspective. Communication is a complex process that goes beyond the mere exchange of words and sentences.

**34** Every individual develops their own set of filters that influence the transmission of communication between people. The sender's filter influences him to express thoughts that are connected to his individual perspective, while the recipient interprets the message based on their own viewpoint.

One further obstacle to effective communication is the inclination to assess and criticize others. This can be attributed to both the sender and the recipient, although the receiver mostly assumes the responsibility of assessing and appraising the sender. The evaluation include not only the communication itself, but also the sender's attire, speech patterns, and physical demeanor. The receiver, instead of attending to the actual transmission, engages in the analysis of other inconsequential details and frequently dismisses the message based on such reasons.

Communication can be impeded by hierarchical structures and social standing. The presence of an excessive hierarchy results in a tangible separation between individuals. Effective communication is present when any individual within the organization is permitted to reach out to anyone who can assist them in resolving their issues. However, the organizational structure imposes limitations on the official routes via which communication can flow. Members are required to communicate with others using official channels. This may result in difficulties. Within the organizational hierarchy, a specific level of importance is associated with a position, which enhances the self-esteem of the person holding that position. Subordinates become cognizant of the presence of such hierarchy in their interactions with their superiors. This has the potential to disrupt the process of upward transmission.

Subordinates refrain from reporting their difficulties and weaknesses due to hierarchical standing, inhibiting their ability to be candid with their superiors.

Communication may be hindered if the possible message content poses a harm to the psychological or economic welfare of the recipient. Individuals selectively perceive information based on their preferences, but when the communication contains unfavorable material, the recipient feigns ignorance. This gap can be eradicated by eliminating fear and distrust.

Many firms employ AVOs (Avoid Verbal Orders) to emphasize the significance of utilizing written communication instead of oral communication in order to mitigate such issues. According to Koontz and O'Donnell, around 30% of the information is lost in each

transfer via oral communication.

Hence, in a vast corporate setting, it is unfeasible to depend on verbal communication for transmitting information between different hierarchical levels.

Finally, semantic obstacles exacerbate the communication divide. Semantics is the study of meaning, in contrast to phonetics, which is the study of sounds. Almost all communication is symbolic, meaning it is accomplished via the use of symbols such as words, pictures, and actions that convey specific meanings. Semantic barriers occur due to constraints in the symbols utilized for communication. Words possess varying interpretations for individuals. It is accurate to state that the significance of words does not reside inside the words themselves, but rather in their application. Whenever feasible, using vocabulary that the recipient can comprehend. Avoid using words with several meanings to prevent confusion.

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### **UNIT 13.9 TECHNIQUES TO OVERCOME COMMUNICATION BARRIERS**

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Given the significance of efficient communication in the smooth operation of commercial organizations, it is imperative for management to overcome these obstacles. While it may not be feasible to completely eliminate these obstacles, appropriate managerial interventions can reduce their impact to the point where sufficient and unbiased information can flow in various ways. The following measures can be implemented to address the barriers.

The user's text is a bullet point. Organizational policy must be unambiguous and explicitly promote effective communication to ensure that individuals at all levels fully comprehend its importance. The organizational policy should be articulated with clarity and precision, emphasizing the organization's commitment to fostering communication inside the organization.

- The policy should additionally delineate the specific content that is to be conveyed. This does not imply that the contents of communication must be strictly limited, but rather that the list should serve as an example and highlight the need of aligning the subject matter of communication with the organization's needs.
- While it is important to have communication through appropriate channels to ensure a smooth flow of information, it should not be mandated in all cases. The system of communication through appropriate channels effectively fulfills its goal, particularly for routine sorts of information. Nevertheless, under specific circumstances, it may be deemed appropriate to disregard the usual protocol and clearly inform the individuals involved that adherence to the established communication channels is not obligatory in every instance.
- Every individual within the organization bears the responsibility for effective communication; yet, those in leadership positions have a distinct and heightened obligation in this regard. Attaining a good communication system necessitates a resolute commitment from senior management. The entity should demonstrate exemplary behavior, explicitly anticipate others to emulate it, and periodically assess for any hindrances.

Organizations should possess sufficient infrastructure to facilitate effective communication. Merely providing these facilities is not enough; instead, it is crucial to focus on their appropriate and efficient utilization.

The examination of these facilities should be conducted diligently, and it is the duty of higher-level managers to promote their utilization by adopting a supportive attitude and behavior, with a focus on emphasizing the necessary requirements.

- Communication is an inter-personal process that requires the establishment of inter-personal relationships founded on mutual respect, trust, and confidence in order to facilitate its advancement. Within huge organizations, there is an excessive focus on rank differentials and class disparities, resulting in interpersonal relationships among executives becoming very impersonal and formal. The organizational climate should be significantly altered to foster a more close-knit and individualized environment. For effective communication to thrive, it is important to bring about a transformation in individuals' attitudes and behaviors. To achieve this objective, it is necessary to arrange an instructional program in communication for managers at every hierarchical level. Managers in this program should receive instruction on the importance of communication and the necessity of cultivating strong personal connections among individuals.
- A continuous program should be implemented to assess the flow of communication in various directions.

This would illuminate issues in this domain, ascertain their origins, and so facilitate the implementation of appropriate remedial measures.

If implemented successfully, the aforementioned recommendations can enhance the effectiveness of communication and yield more desired outcomes.

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#### UNIT 13.10 LET US SUM UP

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Communication is the act of transmitting information and concepts 34 from one individual to another. Successful and effective communication seeks to convey ideas and facilitate mutual understanding.

Effective communication plays a crucial role in contemporary society, and the prosperity of every organization or endeavor hinges on proficient communication. Communication is an essential component of all managerial activities, and managers spend a significant portion of their time engaged in communication. The primary objective of communication is to effectively transmit the intended message, fostering coordination, enhancing management proficiency, and nurturing positive industrial relationships through the implementation of organizational programs and policies.

Communication is achieved by an ongoing and fluid process in which the sender converts a concept into a coded form, which is then communicated across a channel to a receiver who decodes the message and comprehends the originator's notion. The inverse process of feedback likewise adheres to the identical pattern. Throughout the entire process, many stages have been affected by disturbances, such as noise, which might result in

communication distortion.

Communication occurs through either spoken or written means. The communication can be either unidirectional or bidirectional, enabling both the sender and recipient to engage in interaction. Bidirectional communication is highly valued since it facilitates comprehension through the explicitness of the message. Within an organization, communication can occur in various directions, including upward, downward, lateral, and diagonal. Verbal and written words only account for a fraction of communication, with the majority being conveyed through non-verbal gestures. A manager should use caution to ensure that his non-verbal signals do not contradict his vocal message.

Communication inside an organization occurs through either official authority channels or informal channels that emerge spontaneously and cross hierarchical levels. Informal channels can exhibit both advantageous and disadvantageous aspects. The cluster chain network of informal communication enables the swift transmission of information by forming a grapevine. Formal communication is conveyed through various types of networks. The selection of a network will be contingent upon factors such as the intricacy of a task, the swiftness in making decisions to accommodate changes, and the contentment of members.

Communication is hindered by semantic, psychological, and organisational constraints. To attain communication effectiveness, managers should deliberately strive to reduce these impediments. Efficient communication promotes enhanced performance and job contentment. The principles of effective communication emphasize the importance of clarity in the tone, content, and purpose of the message, as well as the need for the communicator to possess strong listening skills. The recent advancements in communication have facilitated closer connections among individuals.

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### **UNIT 13.11 UNIT END EXERCISE**

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1. Communication is the process of exchanging information, ideas, and thoughts between individuals or groups. In an organization, communication is characterized by several notable qualities.

2. Analyze the different stages involved in the communication process.

The primary obstacles to effective communication are referred to as the key barriers. What are the methods for eliminating these obstacles?

4. How can we enhance effective communication within our organization?

Effective communication refers to the skillful and efficient exchange of information, ideas, and thoughts between individuals or groups, resulting in a clear understanding and desired outcomes. Examine the importance of communication inside an organization.

5. Grapevine refers to the informal communication network within an organization or social group. What are the underlying factors that contribute to it? How would you address the issues related to grapevine communication?

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## **UNIT 13.12 REFERENCES AND SUGGESTED READINGS**

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## **UNIT 14: DIRECTING**

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### **Structure**

- 14.1 Introduction
- 14.2 Objectives
- 14.3 Meaning of Directing
- 14.4 Nature and Scope
- 14.5 Direction and Supervision
- 14.6 Let us Sum Up
- 14.7 Unit End Exercises
- 14.8 References and Suggested Readings

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## **UNIT 14.1 INTRODUCTION**

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Directing encompasses the act of effectively communicating and leading subordinates, while also pushing them to utilize their full potential in order to accomplish corporate goals.

This unit will provide you with knowledge about the essence of the guiding role, its significance, concepts, and components.

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## **UNIT 14.2 OBJECTIVES**

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After completing this unit, you will be able to:

- elucidate the significance, essence, and relevance of directing
- enlist the principles of directing
- explicate the definition of supervision and the responsibilities of supervisors
- discuss the importance of the supervisor's role and the characteristics of an effective supervisor
- illustrate the importance of leadership, communication, and motivation in the directing function

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### UNIT 14.3 DEFINITION AND MEANING

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Directing is the act of managing by providing guidance, motivation, leadership, and supervision to subordinates <sup>57</sup> in order to achieve specific objectives. Initiating action is a crucial managerial job. It serves as a nexus that connects and energizes many aspects of management. It is a central process that all performance is centered around. Direction facilitates the mobilization and synthesis of human resources and efforts to achieve the objectives of the organization. Direction is the central aspect of management in action and the fundamental core of operations.

Furthermore, it refers to the act of establishing and executing an internal organizational setting that is extremely favorable for effectively utilizing human resources to achieve organizational goals.

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

Direction encompasses the act of effectively communicating and leading subordinates, as well as pushing people to give their utmost abilities towards achieving organizational goals. It encompasses the range of actions that a manager uses to influence and motivate subordinates in order to achieve the required level of performance. Direction, as an ongoing procedure, involves issuing explicit and comprehensive directions that fall within the ability of subordinates to successfully perform.

- ii) Providing training and guidance to subordinates on how to complete their tasks in the current circumstances.
- iii) Encouraging subordinates to strive to match the manager's objectives; and iv) Enforcing discipline and providing rewards to those who perform effectively.

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### UNIT 14.4 NATURE AND SCOPE OF DIRECTING

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The directing function encompasses the following features:

Function in progress: Direction is an ongoing and ever-changing process. It is the fundamental aspect of managerial practice. The techniques and methods of direction must be adapted to the evolving organizational situations. A manager is responsible for providing guidance to his subordinates in various dynamic circumstances. The individual is required to consistently oversee the implementation of his commands or directives by his subordinates. Simultaneously, he should furnish them with efficient guidance and inspiration.

Offers a hyperlink: Direction operates as a unifying and energizing element that connects all the managerial activities. The organization engages in preparatory functions such as planning, organizing, and staffing, while control is a continual process of monitoring and evaluation. Direction facilitates the coordination of various actions to accomplish

organizational goals.

Focusing on performance is crucial. Direction is a creative process that drives the execution of tasks. It transforms strategies into tangible results. Direction is a task focused on achieving performance and ensuring the ongoing execution of operations. Efficient leadership facilitates the attainment of collective objectives while minimizing expenses.

Ubiquity of direction: Direction is an all-encompassing aspect of management. It is present at all levels, locations, and operations inside an enterprise. For example, the CEO of a corporation interprets the aims and policies of the company and grants authority to departmental managers. The act of directing is an integral aspect of these actions. Every manager, irrespective of the quantity of subordinates, fulfills this role.

He is required to provide instructions to his subordinates, offer guidance, and motivate them in order to accomplish specific objectives.

Includes the human element: Direction entails the supervision and guidance of human conduct. It fosters collaboration and unity among the individuals within a group. The growing understanding among individuals has posed significant challenges in controlling the human component. Hence, in order to effectively manage their subordinates, a manager must possess a comprehensive understanding of their needs, goals, and expectations.

Direction is a crucial aspect of management. In the lack of clear guidance, subordinates may struggle to comprehend the organizational objectives. It is essential to convey to subordinates the organizational objectives, the tasks employees need to perform to accomplish them, and the appropriate methods for carrying out their duties. Furthermore, the concept of direction is intricately linked to human people, necessitating careful execution in order to successfully attain the intended objective. The scope and significance of direction can be enumerated as follows:

1. Direction serves as a link between executive choices and the practical implementation carried out by individuals.
2. It is the implementation phase of management.
3. It serves as the integrating function of management as it efficiently combines the individual goals with the organizational objectives.

<sup>23</sup> Direction plays a crucial role in enabling the implementation of changes within an organization, as individuals often exhibit a natural inclination to oppose change.

5. It facilitates interconnections between all the managerial functions.
6. It serves as the central core that all other management activities revolve around.
7. The many components of directing, such as communication, motivation, leadership, and supervision, play crucial roles in their respective domains. To achieve organizational goals, effective direction necessitates the appropriate synthesis of these four factors.

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#### UNIT 14.5 DIRECTION AND SUPERVISION

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The directing function of management has four sub-functions: supervision, motivation,

leadership, and communication.

In this discussion, we will explore the concept of supervision. The remaining elements have been addressed in distinct sections.

Definition of Supervision:

Supervision plays a crucial role in the execution of the guiding function. It entails the administrative responsibility of monitoring <sup>23</sup> <sup>16</sup> employees while they perform their duties to guarantee adherence to the organization's plans, policies, and timetable. Supervision encompasses assisting subordinates in resolving their work-related issues.

Managers at all levels maintain direct communication with subordinates and supervise their work performance. Top management oversees the activities of middle-level managers, who in turn oversee the first-line managers or supervisors. The top-level supervisors have direct communication with the workers. Therefore, it is typical for all tiers of management to be involved in overseeing the tasks of their direct subordinates. Nevertheless, the major responsibility of first line managers is to oversee the people involved in fundamental activities. First-line managers are referred to as supervisors, as depicted in Figure 14.1 depicts the manager with such responsibilities may be referred to as a supervisor, foreman, charge-man, overseer, section in-charge, or superintendent.

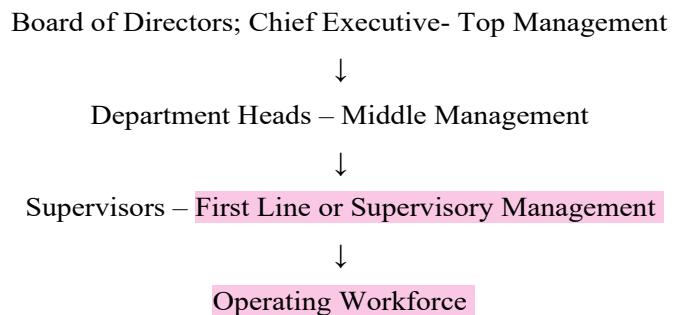


Figure: 15.1 Position of Supervisor in Management Hierarchy

A supervisor is an individual who has the primary responsibility for overseeing a specific department and its staff.

He is accountable for overseeing both the volume and standard of production, ensuring the effective operation of the equipment, and managing the efficiency, training, and morale of his subordinates. A supervisor obtains authority from the departmental manager to ensure that his subordinates do their tasks. He offers commands and directives, overseeing and guiding their actions, while also providing reports to departmental managers regarding their effectiveness.

Supervision involves providing instructions, guidance, and motivation to individuals in order to improve their performance. Efficient oversight relies on suitable guidance, counseling, and communication.

The efficacy of a supervisor's leadership greatly influences the performance of group endeavors. Effective leadership is essential for aligning the individual demands of groups of employees with organizational goals. Supervisors are able to shape the emotions, feelings, and sentiments of employees in order to maintain optimal performance in their work. The provision of guidance, advise, or counseling to individual employees by their supervisor fosters a sense of acknowledgement and appreciation. During this process, they are also regularly updated on any advancements inside the organization. In addition, consistent communication is beneficial for resolving interpersonal issues since it enhances employees' comprehension and acceptance of the work environment. By engaging in conversations with individuals and actively listening to and empathizing with their concerns, the supervisor can effectively sustain a positive and motivated atmosphere inside the working group.

### **Functions of Supervisor**

Supervisors perform the fundamental managerial tasks of planning, organizing, directing, and controlling. They are specifically responsible for ensuring the successful completion of tasks in accordance with performance criteria. In order to fulfill this objective, the supervisors are required to (a) establish specific daily or weekly work schedules; (b) allocate tasks to various workers; (c) provide essential instructions; (d) guarantee satisfactory working conditions; (e) monitor the performance of workers; and (f) take corrective action whenever deemed necessary.

The aforementioned duties of supervisors are their designated obligations that need expertise and proficiency in the technical components of the monitored work. In addition, the supervisor also has certain implicit responsibilities. A supervisor plays a crucial role in facilitating communication within an organization. He serves as an intermediary between the upper echelons of management and the employees. He elucidates company rules and decisions made by the upper echelons of management to the operators. In addition, he is obligated to convey the perspectives, complaints, and issues of the workers to the senior management. This obligation necessitates a combination of intellectual and emotional skills. Additionally, it offers the supervisor the chance to enhance not only their comprehension of human issues but also their ability to anticipate them.

### **1. Significance of Supervisory Role**

The importance of the supervisor's position should be evident based on the nature of their responsibilities. He fulfills a crucial role as a liaison between upper-level management and the workers, maintaining frequent and direct communication with the workers. He serves as an intermediary, interpreting and elucidating management policies to the workers, while facilitating communication between the workforce and top management.

The supervisor has the responsibility of ensuring the completion of tasks at the operational level. The supervisor's impact on the work environment and their empathetic reaction to employee issues can greatly contribute to fostering worker motivation and support.

Otherwise, even the most well-crafted organizational strategies may prove to be futile. Effective supervision is crucial for ensuring that the policies and efforts of senior management are not rendered futile.

The supervisor holds a vital role inside the organization. He serves as a liaison between management and workers, conveying management's ideas, thoughts, and goals to the workers, and relaying workers' attitudes and opinions to top management. Therefore, he is responsible for meeting both the company's and employees' needs.

### Scope of Supervisory Role

The nature of supervisory tasks has undergone significant changes over time. Until the end of the previous century, supervisors possessed extensive influence over their subordinates. They were given responsibility for all personnel concerns pertaining to recruitment, termination, remuneration, and disciplinary actions. Occasionally, they also made choices regarding the training, placement, and advancement of staff. Since the start of the current century, the authority of supervisors in major organizations has diminished as a result of the incorporation <sup>1</sup> of specialists and human management staff. Within contemporary organizations, supervisors serve as line managers, assuming direct responsibility to higher-level management for the achievement of company goals. To ensure effective work execution, supervisors receive essential staff guidance and support from various individuals, including the personnel officer, industrial engineer, cost accountant, production controller, quality control specialist, and others.

### Qualities of a Good Supervisor

In order to effectively fulfill their duties, a supervisor must possess specific attributes like intellect and compassion. In addition to possessing the necessary skills and expertise for overseeing the tasks, the supervisor should also exhibit honesty and integrity. He should have the cognitive agility and capability to make decisions on a daily basis. He should adopt a humanistic attitude when addressing the issues faced by his subordinates. He should treat his subordinates with impartiality and in a manner that is appropriate for his leadership position. He must possess the ability to regulate his emotions and demonstrate patience when confronted with challenging scenarios involving the emotions of workers.

In order to be proficient in their role, supervisors must meet the following criteria:

1 Technical expertise and managerial acumen: Supervisors must possess sufficient technical understanding in order to effectively oversee the activity. In addition, supervisors must also exhibit managerial capabilities in order to adhere to corporate policies and practices in the appropriate environment.

2 Capacity to behave in accordance with one's position and authority: Supervisors are anticipated to conduct themselves in alignment with the position and power they possess. Supervisors possess the appropriate level of authority that matches their roles and obligations. They are required to act in accordance with the provided authority and fulfill their responsibilities within the prescribed limitations of that authority.

Humanistic approach: A supervisor should regard his subordinates as individuals and interact with them in a manner that fosters positive interpersonal relationships. To the greatest extent feasible, he should embrace a supportive demeanor towards his subordinates.

4. Familiarity with rules and regulations: A supervisor should possess knowledge of the

organization's policies as well as the rules and regulations that are established and relevant to their role.

In addition, he should have a proficient understanding of the applicable labor legislation.

Here are five essential leadership attributes: A supervisor is expected to fulfill the role of a genuine leader. As a leader, it is his responsibility to provide guidance to his subordinates and foster a harmonious connection among them.

6 Communication skill: The main responsibility of a supervisor is to provide directives and guidance to their subordinates. Proficiency in communicating is necessary for this. An effective supervisor should possess the ability to communicate clearly and guarantee that commands and instructions are comprehended by the relevant subordinates.

7 Resources utilization and maintenance skills: Every supervisor should possess the ability to effectively utilize and maintain the resources available to them, including personnel, materials, machinery, equipment, and space. He must possess the ability to effectively manage situations characterized by mechanical malfunctions and insufficient supplies. He should be vigilant regarding potential dangers, setbacks, and obstacles that may arise throughout the course of the work.

The number is 8. Sharing non-supervisory duties: Supervisors may be obligated to carry out specific tasks that fall beyond their primary supervisory responsibilities, such as drafting reports and returns, teaching newly hired staff and apprentices, and so on.

These responsibilities frequently require a significant amount of time and energy, which may be better utilized by more efficient supervisors. To remedy this issue, it is recommended to decrease the quantity of returns and reports and hire staff assistance. Additionally, the training of new employees can be delegated to job instructors. Supervisors should strive to focus more by delegating non-supervisory responsibilities to staff helpers.

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#### UNIT 14.6 LET US SUM UP

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Direction involves providing clear instructions and ensuring that individuals carry them out to the best of their capabilities. It is the managerial job of directing, motivating, leading and monitoring the subordinates to reach desired objectives. Direction is a crucial aspect of management. It is the central process that all performance is based on. Indeed, it is an all-encompassing function of management. It is present at all levels, at every location, and in all operations inside the enterprise. Direction allows subordinates to accurately comprehend the organizational objectives and effectively take action to accomplish them. The fundamental tenet of directing involves the synchronization of goals, consolidation of authority, close oversight, efficient communication, and proficient leadership.

The process of guiding function comprises four essential aspects, namely: supervision, motivation, leadership, and communication.

Supervision is a crucial component of the managerial role in guiding operations. It entails monitoring the activities of subordinates to guarantee adherence to plans and timetables, as

well as providing assistance in resolving work-related issues.

The essential attributes of an effective supervisor encompass: proficiency in technical matters and managerial expertise, sufficient authority, a focus on human relations, familiarity with laws and regulations, strong communication abilities, leadership traits, adeptness in decision-making, and the capacity to handle non-supervisory responsibilities.

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#### **UNIT 14.7 UNIT END EXERCISE**

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**23** 1. The directing function of management involves providing guidance and instructions to employees in order to achieve organizational goals and objectives. Examine the components encompassed in the process of directing.

2. Elaborate on the fundamental concepts of direction.

3. Supervision refers to the act of overseeing and managing the activities, performance, and progress of individuals or groups to ensure compliance with established guidelines, standards, and objectives. What are the necessary conditions for effective supervision?

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#### **UNIT 14.8 REFERENCES AND SUGGESTED READINGS**

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### **UNIT 15: CONTROLLING**

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#### **Structure**

- 15.1 Introduction
- 15.2 Objectives
- 15.3 Concept of Controlling
- 15.4 System and Process of Control
- 15.5 Control Techniques and IT
- 15.6 Productivity and Operations Control
- 15.7 Let us Sum Up
- 15.8 Unit End Exercises
- 15.9 References and Suggested Readings

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#### **15.1 INTRODUCTION**

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**57** Controlling is the process of integrating planning, coordinating, and leading operations to maintain control over a situation. Controlling is intricately linked to planning. The control

process assures the appropriate implementation of plans. The management cycle consists of four functions: planning, organizing, directing, and controlling. Planning is the first function that influences all other activities, while controlling is the function that follows and influences the previous functions. It serves as the ultimate component in the sequence of management actions, completing the management process. Therefore, it holds importance in the management process. This unit discusses the concept, process and techniques of controlling.

## 15.2 OBJECTIVES

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After reading this unit, you should be able to:

- Comprehend the definition of control
- Recognize <sup>16</sup> the stages involved in the control process
- Grasp the characteristics and components of control
- Acknowledge the fundamental aspects of an effective control system
- Enumerate the many categories of control
- Comprehend the methodologies of control

## 15.3 CONCEPT OF CONTROLLING

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Control is a crucial aspect of management. Managers adhere to the control process in order to ensure that resources are acquired and utilized efficiently to accomplish the organization's objectives. According to Koontz and O'Donnell, controlling is a process of measuring and correcting the activities of subordinates to ensure that events conform to plans. This definition emphasizes the procedures implemented to manage and rectify any issues by the managers who are responsible for ensuring the organized execution of activities inside the organization.

Henry Fayol incorporated the control function as a significant element of management while emphasizing the principles of management. His viewpoint aligns with Koontz O'Donnell's thinking on the correlation between planning and control. Fayol incorporated managerial directives to his subordinates and the principles developed by managers to ensure efficient control over processes and operations. Fayol defines control as the process of ensuring that all activities are carried out in accordance with the adopted plans, issued orders, and established principles. The objective is to identify vulnerabilities and faults in order to correct them and prevent their recurrence. Therefore, it is recognized as a procedure that assesses present performance and directs it towards the predetermined goals and objectives. The essence of it is to monitor the progress in relation to the plans, establish individual and organizational objectives, and ensure their successful attainment without any mistakes.

### Significance of Controlling

Control is crucial due to its significance and impact in the following ways:

- It detects vulnerabilities and faults in order to correct them and prevent their recurrence.
- The extent of divergence from the original design can be determined.
- It incites activity that will activate all the departments.
- It is a crucial role that empowers the management to make decisive and unambiguous judgments.
- An effectively constructed control system guarantees favourable outcomes.
- Due to its direct correlation with planning, it has the ability to enhance the effectiveness and significance of planning.

### Characteristics and Features of Controlling

Controlling exhibits the following characteristics:

- Controlling operates in a cyclical manner. The management role commences with planning and concludes with controlling, enabling the manager to detect any deviation from the plan and ensure that operations are carried out without any deviations, strictly according to the plan.
- Control is an ongoing and uninterrupted process. Managers consistently review the standards and adjust their plans accordingly. Consequently, the process is ongoing, guaranteeing that there is no deviation between the plan and execution.
- Control is a proactive process in which managers consistently analyze past events and strategize for the future. Managers acquire knowledge from previous errors and implement efficient measures to prevent their repetition in the future.
- Control is a ubiquitous endeavour. <sup>47</sup> It is applicable to all levels of management, although the extent of control may differ between levels.
- Control exhibits a constructive demeanour. It is never a hindrance or obstacle; instead, it assists the manager in effectively managing towards predetermined objectives. The technique is intentionally designed to accurately identify variances and improve performance.

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### **15.4 SYSTEM AND PROCESS OF CONTROL**

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Control is the primary catalyst for the success of the company. The control process comprises five steps as mentioned below.

1. Establishment of Standards
2. Measurement of Actual Performance
3. Comparison of Actual Performance with the Original Standards
4. Taking Corrective Action
5. Feedback

#### Establishment of Standards

A standard is a benchmark by which future outcomes can be evaluated. Standards are established through the formulation of objectives in the planning phase. The process of control commences with the establishment of predetermined benchmarks or criteria. An organization engages in strategic planning, which involves breaking down the plans into objectives at the department, unit, and individual levels. Frequently, standards are typically based on physical attributes and are quantified in terms of units, clock hours, and other measurements. Organizational standards are also defined by financial metrics like as revenue growth, expenses, investments, and other related factors. Certain standards pertaining to individuals also encompass factors such as employee job satisfaction, organizational brand, and organizational ranking. Regardless of the chosen standards, it is important to ensure that they are measurable, practical, attainable, and not excessively challenging. Tangible standards include measurable metrics such as sales volumes and financial performance. Intangible standards, on the other hand, pertain to people-related factors like job happiness and job enrichment. Tangible standards are more readily assessable and manageable in comparison to ethereal standards. Technology and its tools have facilitated the process of measuring and quantifying standards. 3

#### Measurement of Actual Performance

The entire aim of control is to measure actual performance. Monitoring and measurement is an ongoing process that entails gathering data that accurately reflects the anticipated outcomes. This data is used by managers to aid in their control function. If there is clarity and uniformity in creating standards, monitoring the actual performance would be a straightforward endeavor. The speed at which the control information is needed determines the extent of delay in initiating remedial action. Typically, an organization would assess the exertion, efficacy, sufficiency, efficiency, and the methodology employed. 3

#### Comparison of Actual Performance with the Original Standards

After setting the standards and measuring the actual performance, it is necessary to compare it with the initial standards. The outcome could be either conforming to the norms or diverging from them. If the organization fulfills the initial criteria, it can then strategize for more elevated standards. However, if the management detects any deviation, it is necessary to implement corrective measures. Slight variations may be acceptable, but significant variances must be seen as a matter of great concern by the management.

#### Taking Corrective Action

If the manager has noticed any deviations, it is necessary for him to take appropriate measures for corrective action. Assessing performance and comparing it to the initial benchmark should prompt actions to rectify any differences and evaluate the benchmark itself. The promptness and techniques employed in taking action directly influence the future control processes. Corrective action can be implemented through process simplification, utilization of advanced technologies and techniques, organizational restructuring, redefinition of people management practices, and the implementation of effective communication

methods and channels. The remedial action should ensure that the company achieves the planned performance.

#### Feedback

Feedback is a crucial component in the process of control. The manager responsible for oversight will receive extensive information and feedback regarding the actual performance in relation to the predetermined standards. Positive feedback yields favorable outcomes and attains performance benchmarks. Negative feedback, on the other hand, forces the manager to take corrective action in order to motivate the subordinates towards performance and standards.

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## 15.5 CONTROL TECHNIQUES AND IT

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There are several techniques of control that managers utilize. A control technique refers to a particular method or procedure used by management to handle relevant organizational information. This enables the implementation of an appropriate control strategy to evaluate the performance of the organizational activities. The firms often adhere to the basic control techniques, which include the following.

#### Gantt Chart:

A Gantt chart is a tool that assists managers in the planning and control of uncomplicated projects. The management has the ability to graphically represent the status of each operation, including the anticipated duration, and determine if it is on schedule, delayed, or ahead of schedule. Any deviations are readily apparent and may be promptly addressed. Continuous performance comparison enables effective control, allowing the manager or unit head to maintain oversight of the processes.

#### Breakeven Analysis

Breakeven analysis is an effective control technique. It assists management in comprehending the interconnections between fixed cost, variable cost, total cost, price per unit, level of output, and profit/loss.

The management has the ability to alter the value of any of these variables in the event of a divergence during this study. Breakeven analysis investigates the correlation between overall income and total cost at different production levels in order to determine the break-even point. The break-even point signifies the moment at which an organization neither generates profit nor incurs loss, where the total revenue is equal to the total expense. The primary focus is on utilizing the marginal idea as a means of control. The little disparities in the values of variables can be assessed and documented, allowing for the evaluation of the incremental outcomes of managerial decisions. This enables the demonstration of the impact of small changes in volume, pricing, and other factors. Breakeven analysis is only useful to the manager if there are no changes in prices, technology, efficiency levels, machinery utilization, and other relevant factors. Given the ever-changing nature of the world, these parameters also undergo alterations, resulting in the instrument having restricted utility.

### Budgetary Control

The budget is the most widely applicable tool for exercising control. A budget is a formal declaration that presents projected income and expenses for a specific duration. It compels the management to assess and document the efficient use of capital and other resources. Collecting information on the actual cost incurred compared to the anticipated cost is a managerial responsibility. This allows for the correction of deviations and the preparation of measures to prevent substantial deviations from occurring in the future. Budgets serve as regulatory tools in the diverse operations of the firm, including production, marketing, and human resource management.

Managers must handle many types of budgets that are contingent upon the nature of the activity. Organizations typically utilize many sorts of budgets, such as master budgets, materials and utilities budgets, revenue and expense budgets, capital expenditure budgets, sales budgets, production budgets, flexible/variable budgets, and balance sheets. Zero-based budgeting is a budgeting method employed by companies. The budget is formulated using a zero-based approach, seeing it as the initial budget of the company. This budget type offers a more comprehensive rationale for deciding whether to continue or terminate an activity. By dividing the plan into departmental plans, it enables the involvement of all individuals in the activity. The constraints of time and financial resources make this budget type impractical for companies, as it necessitates meticulous examination.

### PERT and CPM

PERT stands for Program Evaluation and Review Technique. It is best suited for managing intricate and singular tasks, such as construction projects, shipbuilding, and airport construction, among others. It serves as both a planning and controlling tool. During its planning phase, it is possible to make an estimation of the entire anticipated duration required to finish a project. Observing deviations can serve as a control activity to estimate the likelihood of reaching project deadlines.

The development of the PERT network necessitates meticulous examination and evaluation of every element within the entire project. The diverse sequence of actions required to achieve the specified objective must be planned and scheduled effectively to ensure timely delivery of the project.

PERT represents the program as a network of events and their interconnectedness. Every element of the program must undergo analysis and evaluation in order to accomplish the objective. In addition, it is essential to ensure that each event and activity is accurately scheduled in order for PERT to produce effective outcomes. Figure-2 displays the events labeled as A, B, C, and D, together with the tasks numbered as 1, 2, 3, and 4, which require a certain amount of time to be finished. The activities are interconnected and organized in a coherent manner. Each activity must be scheduled in a manner that ensures no action begins before the previous one is finished. A must be completed before initiating B. Likewise, C cannot commence prior to the completion of B. This pertains to all the actions enumerated in the PERT. Time estimates are determined for each task based on the most favourable, most probable, and most negative outcomes, depending on the predictions generated. The

assessment and control of a project rely on the events, activities, and time estimations that are determined during the planning phase.

CPM is an acronym that stands for the Critical Path Method. The critical path refers to the longest sequence of activities that determines the total duration of a project. Any delay in the activities on the critical route will result in a corresponding delay in the overall project, including the delivery of the project. A path that is not the critical path is referred to as the subcritical path. It is depicted as shorter than the critical path. The gap in time between the critical path and the subcritical path is called slack time, which allows for flexibility in the subcritical sequence. Hence, PERT and CPM serve as valuable instruments for managers to anticipate the consequences of alterations and implement essential remedial measures.

Furthermore, there are additional measures in the form of internal audits, specialized reports for specific projects, confidential assessments of subordinates' abilities, information control through IT, MIS, and other computer applications to ensure effective control in present circumstances, and personal observation to evaluate performance and adherence to standards. The control tactics encompass the utilization of both budgetary and non-budgetary tools as means of exerting control.

Managers employ Information Technology (IT) in diverse ways to carry out the controlling function in businesses. The controlling role encompasses the activities of monitoring, evaluating, and rectifying work performance in order to ascertain the achievement of organizational objectives. Managers utilize information technology in various ways to achieve efficient control.

1. Performance Monitoring: - Key Performance Indicators (KPIs): Managers utilize information technology systems to systematically monitor and measure key performance indicators that are pertinent to their specific department or project. These metrics aid in evaluating the effectiveness of individuals, teams, and the entire company.

Real-time Dashboards: Information technology systems can deliver up-to-the-minute data via dashboards, enabling managers to oversee performance measures and make prompt decisions based on the most recent information available.

2. Data Analytics: - Predictive Analytics: Managers employ predictive analytics to anticipate forthcoming trends and potential challenges. This aids in preemptively tackling obstacles before they escalate into substantial issues.

Descriptive Analytics: This refers to the process of analyzing data to get insights and understand patterns, trends, and relationships. It involves summarizing and presenting data in a way that is easy to understand and interpret. Examining historical data enables managers to comprehend previous performance, recognize recurring trends, and make well-informed decisions.

3. Budgetary Control: - Financial Management Software: Information technology solutions facilitate budgetary control by the automation of financial procedures, monitoring of

expenditures, and production of reports. Managers can use this feature to make a direct comparison between planned budget amounts and the actual amount spent.

Expense Management methods: Automated methods for tracking expenses aid in cost control and ensure that expenditures are in line with the designated budget.

4. Inventory Control: - Inventory Management Systems: Information technology enables the immediate monitoring of inventory levels, minimizing the possibility of running out of product or having excessive inventory. Managers can utilize these systems to optimize the amounts of inventory and reduce the costs associated with carrying it.

5. Quality Control: - Quality Management Systems (QMS): Information technology systems facilitate the monitoring and assurance of product or service quality. Automated quality control processes facilitate the fast identification and resolution of concerns.

6. Project Management: - Project Tracking Tools: Information technology tools facilitate the monitoring of project progress, timeframes, and resource use. This guarantees that initiatives remain on schedule and achieve their goals.

7. Communication and Collaboration: - Platforms for Collaborative Work: Information technology facilitates effective communication and collaboration among team members. Managers can employ various tools, such as project management software, messaging applications, and collaborative platforms, to enhance the efficiency of communication and coordination.

8. Regulatory Compliance - Systems for Managing Compliance Information Technology (IT) aids managers in staying updated on regulatory developments and guarantees that the firm adheres to industry norms and legal obligations.

9. Security Controls - Access Control Systems IT systems are utilized to enforce access controls, ensuring that only authorized individuals are granted access to confidential data. Ensuring data security and thwarting unwanted actions is of utmost importance.

10. Feedback Mechanisms - Surveys and Feedback Systems Managers can utilize information technology (IT) to get input from employees, customers, and other individuals or groups with a vested interest in the organization. This data aids in assessing performance and implementing requisite modifications.

Managers utilize information technology (IT) to improve their control function by gaining access to up-to-date data, automating procedures, guaranteeing adherence to regulations, and enabling efficient communication and cooperation. These technologies enhance the ability to make well-informed decisions and actively manage organizational performance.

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## **15.6 PRODUCTIVITY AND OPERATIONS CONTROL**

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Productivity and operations control are essential components of organizational management that focus on achieving efficiency, effectiveness, and optimal performance. Below are concise descriptions of each:

1. Productivity Control: Definition: Productivity is the measure of how effectively an organization transforms inputs (such as labor, capital, and resources) into outputs (goods or services). Productivity control entails the surveillance and administration of the effectiveness of these conversion processes.

The user did not provide any text. Essential components:

Output Measurement refers to the evaluation of the amount and excellence of goods or services generated in relation to the input, time, or cost.

Efficiency Enhancement: Identifying and applying tactics to optimize operations, minimize inefficiencies, and boost productivity while maintaining high standards of quality.

Benchmarking involves the process of evaluating productivity levels in relation to industry norms or competitors in order to identify areas that can be improved.

Approaches:

Lean Manufacturing/Service involves the application of lean principles to minimize inefficiencies, enhance the flow of work, and maximize the utilization of resources.

Automation refers to the implementation of technology and automated processes to simplify and expedite repetitive tasks, hence enhancing total productivity.

Training and Development: Allocating resources to improve the competencies and expertise of personnel in order to optimize their productivity.

2. Operations Control: Definition: Operations control encompasses the synchronization and governance of diverse activities inside an organization to guarantee the achievement of its strategic goals and objectives. It involves the daily oversight and control of procedures, assets, and frameworks.

Essential components:

Process Management involves the strategic planning, implementation, and improvement of corporate processes to enhance operational efficiency and effectiveness.

Resource allocation <sup>3</sup> refers to the process of distributing and assigning resources, such as human workforce, equipment, and technology, in a manner that is consistent with the priorities and objectives of an organization.

Quality Management involves the implementation of steps to guarantee that products or services conform to predetermined quality criteria.

Approaches:

Supply Chain Management involves the efficient coordination of the movement of goods and services from suppliers to customers, with the aim of optimizing logistics and minimizing costs.

Inventory control involves the efficient management of inventory levels to prevent both shortages and excess, while also optimizing storage expenses and guaranteeing punctual deliveries.

Capacity Planning involves the strategic management of production or service delivery capacity to ensure optimal usage and prevent bottlenecks or underutilization.

Technology Integration: The process of incorporating information systems and technologies into a business or organization to optimize operations, improve communication, and enable timely decision-making based on up-to-date information.

Efficient management of productivity and operations is essential for firms to maintain competitiveness, adjust to evolving market conditions, and consistently enhance their performance. Organizations can enhance their operational efficiency, optimize resource allocation, and ultimately enhance the quality of their products or services by employing effective control mechanisms.

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### **15.7 LET US SUM UP**

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Control is an essential managerial activity that assesses the present performance and directs it towards predetermined objectives. The fundamental aspect of control is the ability for management to promptly implement corrective measures in response to any deviations from the established plan. It has the ability to enhance the efficiency and significance of planning. Nevertheless, managers must adhere to the control procedure when carrying out their duties. An organization uses both budgetary and non-budgetary control techniques to effectively accomplish its objectives.

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### **15.8 UNIT END EXERCISE**

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1. What is the role of control as a function? What are the characteristics of control?
2. "Planning is rendered futile in the absence of control." Discuss the significance of control in relation to this statement.
3. Identify and emphasize the key attributes of an effective control system.
4. Describe various steps in control process giving suitable examples.
5. Write detailed notes on PERT and CPM. Discuss the circumstances under which a manager can use these techniques.
6. Discuss how managers use IT to carry out controlling function in organizations.
7. Explain in detail productivity and operations control in organizations.

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### **15.9 REFERENCES AND SUGGESTED READINGS**

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## **UNIT 16: CONTROLLING METHODS**

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### **Structure**

- 16.1 Introduction
- 15.1 Objectives
- 15.2 Budgetary and Non-Budgetary Control
- 15.3 Overall and Preventive Control
- 15.4 Let us Sum Up
- 15.5 Unit End Exercises
- 15.6 References and Suggested Readings

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### **16.1 INTRODUCTION**

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In the previous unit, we examined the characteristics, significance, and phases of the control function. Various tactics and methods have been utilized to assist management in this endeavor over time. Some of these strategies are considered conventional as they have been utilized by managers for an extended period. Newer modern approaches have become increasingly utilized in recent years. Despite the introduction of modern approaches, conventional methods are still employed by management for control. This unit will thoroughly examine both classic and new control strategies.

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### **16.2 OBJECTIVES**

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After completion of this unit, you should be able to:

- Describe the features, components, benefits, and constraints of budgetary control
- Explain the benefits and constraints of standard costing
- Define and outline the constraints of break-even analysis
- Explain the significance, benefits, and constraints of PERT (Programme Evaluation and Review Technique)
- Define, enumerate the benefits, and outline the constraints of CPM (Critical Path Method)
- Explain the significance and characteristics of statistical quality control
- Define, list benefits, and outline constraints of management audit.

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### **16.3 BUDGETARY CONTROL**

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In essence, a budget is a strategic blueprint of an organization, articulated in either monetary or tangible terms. It provides financial projections for different programs or activities over a specific timeframe, based on predetermined goals. These estimates are meant to function as benchmarks or criteria for the purpose of managing real performance. In the context of business finance, budgets typically encompass strategies to manufacture and market items at specific costs and prices in order to achieve the intended level of profitability. Budgeting involves the creation of plans for future activities.

It establishes goals and plans of action. Additionally, it offers benchmarks that can be used to gauge deviations from projected accomplishments.

Budgetary Control is a managerial control strategy that involves using budgets to achieve certain objectives. It encompasses the principles, techniques, and practices necessary for this purpose. Therefore, budgetary control encompasses the creation of budgets, establishing the responsibilities of managers in relation to the budgeted activities, and the ongoing comparison of actual outcomes with the budgeted ones. The aim is to ensure the achievement of objectives within the allocated budget and establish a framework for potential revisions, if needed.

A budget is a strategic plan of a business presented in either financial or physical terms. It provides financial projections for different programs or activities over a specific timeframe based on predetermined goals. The estimations are meant to be used as benchmarks for managing real performance. Business firm budgets often outline strategies for manufacturing and selling products at costs and prices that will provide the targeted profit. Budgeting involves creating plans for future activities. It establishes goals and plans of action. It also offers benchmarks to gauge departures from intended accomplishments.

Budgetary Control is a managerial control strategy that involves utilizing principles, procedures, and practices to achieve certain objectives through the use of budgets. Budgetary control includes creating budgets, linking managers' responsibilities to budgeted tasks, and consistently comparing actual results with budgeted ones. It strives to achieve the objectives within the budget and establish a foundation for any revisions.

Significance of Budgeting and Budgetary Control:

Budgeting is a useful tool for management in terms of planning, coordination, and control.

1 Planning: Budgeting entails creating budgets according to clearly outlined plans of action. The budgeting process combines the knowledge, ability, and experience of all managers. Therefore, any issues can be foreseen and resolved by carefully considering different elements. Historical performance, rules, and processes are assessed in the budget creation process. If shortcomings and weaknesses are identified in the organization, appropriate actions can be implemented.

2. Coordination: Budgeting also assists to coordinate the plans and actions of many departments and sectors. It entails the transmission of information and communication among

different units of activity to provide effective coordination of plans and operations. Managers involved in implementing plans also contribute to creating those plans. Disagreements and conflicting interests can be more easily resolved during budget planning.

3. Control: Budgetary control is a method used to manage income, expenses, costs, and profits once the budget has been prepared. It is a tool that allows management to control cash, liquidity, and the capital contributed by owners and leaders. The budgetary control of costs and expenses is particularly significant. Managers must justify their requirements when budgets are created. The budget allocates funds for expenses and establishes the boundaries for spending. Actual spending and performance are periodically compared against budget criteria. Managers must clarify any differences that exist.

qualities of Budgetary Control: Some qualities of 'Budgetary Control' that are apparent from its nature and aim can be outlined as follows:

A budget often pertains to a specific future period, commonly lasting one year, known as the budget period.

ii) It is distinct from aims or policies since it is defined in precise numerical terms.

It relies on practical expectations backed by tangible facts rather than theoretical thinking or a perfect formulation.

iii) A good budget should possess 'flexibility' to accommodate future changes in circumstances. A budget should be flexible enough to be adjusted as the plan changes, as budgeting is closely linked to planning.

iv) It is crucial to ensure full participation from the entire organization in both creating a budget and adhering to it.

As budgeting is essential to the organization, it typically garners the focus and backing of senior management.

Budgeting Process or Components of Budgetary Control:

Four steps are typically necessary in a budgetary control system:

1. Budget policy guidelines: Line managers make performance estimates for a budget period based on several assumptions. These assumptions pertain to several areas such as the economic condition, political developments, government policies, rivals' strategies, organizational strengths, fundamental managerial principles, and more.

2. Budget preparation involves creating statements of expected performance that managers agree to. To ensure managers' commitment, involve them in creating budgets for their budget centers based on their activity. However, it is important to ensure that each department's budget is in total alignment with the budgets of other departments. The marketing department cannot forecast for increased sales if the factory manager decides to shut down the plant for a significant renovation. Departmental budgets must align with the company-wide targets established by top management.

3. Variances must be reported to budget center managers at regular intervals so they can assess their performance relative to their budgets.

4. Review and follow-up are crucial components of any control system, as important as the planning process. The system of budgetary control will not be effective if this final stage is neglected.

There are various types of budgets commonly utilized in organizations as they represent future plans. The following are the most commonly utilized budgets:

- i) The expense budget: This provides estimates of the regular operational expenses for a specific period of a business.
- ii) Revenue budget: It shows the anticipated income from the sale of products produced or purchased for resale.
- iii) Cash budget: A statement detailing expected receipts and payments for a specific period, including the resulting balance.
- iv) Capital budget: This budget details the expected spending on plant, machinery, equipment, and other things of a capital nature. The sales budget is the projection of sales for a specific period.
- v) Production budget: It displays the volume of production to be carried out for a specific period, together with the necessary materials, labor, and machinery needed. Production budgets may include the expected production costs.
- vi) Procurement budget: It outlines the amounts of raw materials and other consumable products that a manufacturing company needs to purchase.

Advantages:

- i) It gives management a method of controlling planned programs.
- ii) Waste is minimized to achieve optimal efficiency.
- iii) Any expenditure above the budgeted amount must have prior approval, allowing for inspection before the actual spending occurs.
- iv) Management by exception is feasible when analyzing the actual and budgeted performance highlights areas requiring management focus.
- v) It serves not only as a tool for planning but also for coordination.
- vi) It offers an efficient method for top management to assign authority and responsibility without compromising overall control.
- vii) Labor budget outlines the required skill sets and quantity of laborers needed within a specific timeframe, together with the standard salary to be paid.
- viii) A master budget is created for the entire organization by consolidating individual departmental budgets, which is then approved and implemented.

Limitations:

- i) Although the benefits of budgetary management are acknowledged, it is important to be aware of several restrictions that may limit its effectiveness.

Budgets are created based on projections and predictions that are vulnerable to future uncertainty. The effectiveness of budgetary control relies on the dependability of forecasts and precision of data utilized for budgeting.

- ii) A significant drawback of budgeting is that it often leads to inflexibility in control. Deviations might result from circumstances outside managers' control. Managers try to play it safe when making judgments to avoid taking blame. If budget rules are not rigorously enforced and deviations are frequently allowed, the control's objective is undermined.
- iii) Interdepartmental rivalry over budget distribution may pose challenges for senior management that are difficult to address.
- iv) Employing extra workers for budgeting can be costly and unaffordable for small businesses.

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#### **16.4 STANDING COSTING**

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Standard costing is a control strategy that utilizes established 'standard costs' for each cost item and product line, whether made or service provided.

Standard cost is a pre-established cost estimate that serves as a benchmark or standard. It indicates the appropriate pricing based on specific circumstances. Standard costs are used for control in standard costing. Actual costs are compared to the standards, differences are analyzed, and appropriate action is taken to address unfavourable trends.

Standard costing can be considered a fundamental tool for cost control.

Standard costing is a crucial component of budgeting and budgetary control. Budgetary control is a comprehensive role. It involves establishing goals and organizing business operations for all areas, establishing cost and expense criteria, and defining sales income targets. Standard costing is used to create expense budgets, specifically for direct material and labour costs.

#### Advantages

The benefits of standard costing as a control tool can be summarized as follows:

- i) Acts as a benchmark: Standard expenses are used as a benchmark to evaluate operational efficiency. Discrepancies between real costs and standards are consistently analyzed, and the underlying causes are investigated. There is ongoing monitoring of the expenses. Therefore, negative trends can be quickly identified, and appropriate actions can be taken.
- ii) Opportunity to assess the expenses: Cost control is enhanced by standard costing, as it involves periodic reviews of cost standards for enhancement. This leads to cost savings and enhances operational efficiency.

#### Control Techniques

- iii) Potential for enhancing the manner of operation: A thorough analysis of all operations is conducted when establishing the standard expenses. This entails delineating the jurisdiction of managers and delegating duties to staff. Inefficiencies are frequently addressed during that process. It could also result in enhanced operational procedures and decreased expenses.

Standard costing is a significant tool for management in developing production plans and

setting prices for items. It eliminates the possibility of high pricing being set because of operational inefficiencies. Standard costing facilitates competitive pricing of items.

#### Limitations

Standard costing is best ideal for industries where the product and its components are standardized, although it can be utilized in any industrial organization. In some instances, it is challenging and costly to implement. The success of standard costing relies on the dependability and precision of standards. Employees frequently object to overly ambitious standards that are hard to achieve. Furthermore, standards may have varying interpretations unless they are well stated and thoroughly understood by the individuals involved.

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### **16.5 NON-BUDGETARY CONTROL – BREAK-EVEN ANALYSIS**

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In addition to classic budgetary control and basic costing approaches, modern times have seen the development of various alternative control strategies. These techniques may also be referred to as non-budgetary techniques. One or more of these strategies can be used in conjunction with budgetary control and standard costing. Let's get into the crucial techniques extensively.

#### Breakeven Analysis

Break-even analysis is a control strategy that involves analyzing expenditures in relation to variations in sales volume and how it affects profit. It primarily focuses on establishing the correlation between cost, sales volume, and profit. One of the primary problems for enterprise management is the effect of sales volume variations on earnings. They are interested in determining the sales volume at which costs are fully covered and profits are realized. Two categories of charges are identified for this purpose. Variable costs include expenses such as direct materials cost and direct pay, whereas fixed costs encompass items like factory and office rent, and managers' salary. When production and sales increase, the variable cost per unit stays the same while the fixed cost per unit decreases. The direct materials cost per unit is Rs. 10, direct wages per unit is Rs. 5, and the fixed cost up to the whole production capacity is Rs. 400. For 100 units manufactured and sold, the variable cost will be Rs. 1500, calculated as  $(10 + 5) \times 100$ . The variable cost for 200 units will be double the amount, totaling Rs. 3000. Fixed cost remains constant. The pricing for 100 units is Rs. 1900 and for 200 units it is Rs. 3400, not Rs. 3800. Therefore, the overall cost increases at a rate lower than the increase in sales income. A drop in the volume of production and sales results in a reversal effect.

For 50 pieces, the total cost will be Rs. 1150, calculated as 15 multiplied by 50 plus 400. The cost will not be 50% of Rs. 1900, which is the total cost of 100 units. Put simply, the overall cost declines at a slower rate than the decrease in sales revenue.

Additionally, let's assume that the selling price of the product per unit is set at Rs. 17. For each unit sold, there will be a profit margin of Rs. 2 after covering the variable cost of Rs. 15. In order to recoup the fixed cost of Rs. 400, the company needs to sell a minimum of 200 units. The total sale price, calculated as 200 multiplied by Rs. 17, will be equivalent to the

total cost of Rs. 3400.

Therefore, selling 200 units for Rs. 3400 results in a break-even point with no profit or loss. This is referred to as the break-even volume. It is the minimum number of units that need to be sold for the business to break even. Every unit sold over the break-even point is anticipated to generate profit. Selling 250 units will result in a profit of Rs. 100 (50 units x Rs. 2). The variable cost will increase by Rs. 15 per unit, while sales income will increase by Rs. 17 per unit. With no change in fixed expenses, there would be a profit margin of Rs. 2 per unit on 50 units.

The selling price minus the variable cost per unit equals the contribution margin. This variance aids to covering fixed expenditures. The break-even volume of sales in units can be estimated by dividing the total fixed cost by the contribution margin. The contribution margin in the given case is Rs. 2 (Rs. 17 - Rs. 15), with fixed costs amounting to Rs. 400. The break-even volume is 200 units at a total cost of Rs. 400 plus 2 times the total expense. The break-even volume can be calculated using the formula provided.

Break-Even Volume = Total Fixed Cost / Contribution Margin per unit

Break-even analysis is commonly conducted using a chart. The chart is referred to as a break-even chart. This is a graph illustrating variable and fixed costs in proportion to the volume of operation. The break-even chart is so named because it indicates the specific volume at which entire costs equal total revenues, resulting in neither profit nor loss.

The diagram illustrates a theoretical break-even chart. The X-axis denotes the production volume in 100-kilogram units, while the Y-axis represents both the total cost and total sale revenues. The line FC represents the total fixed cost, VC stands for variable cost, OS indicates the sale receipts, and N marks the break-even point.

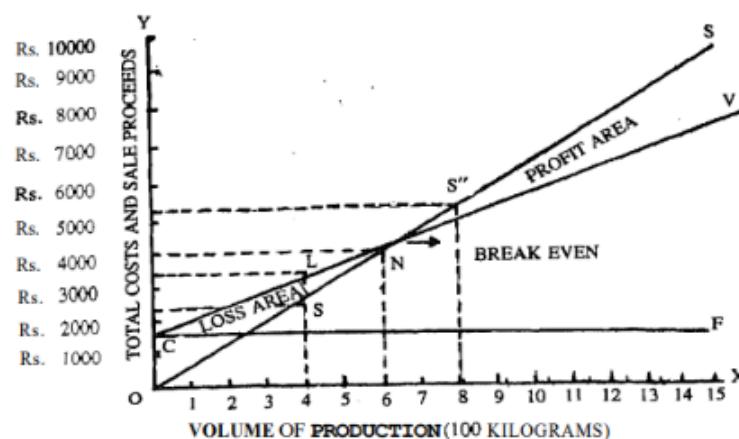


Fig: 16.1 Graphical Representation of BEP

When the production volume is 600 kgs, the overall cost of production is the sum of the total fixed cost and total variable cost, which equals Rs. 1500 + Rs. 2500 = Rs. 4,000. The whole sale revenues are also Rs. 4,000 as shown in line 0s. N represents the point at which total costs are equivalent to sales revenue. When production decreases to 400 kgs, the total cost at point L on the variable cost curve is around Rs. 3,300, but the whole sale proceeds at point S' amount to roughly Rs. 2,600. This signifies a loss of approximately Rs. 700. Conversely, when manufacturing reaches 800 kgs, the total cost is approximately Rs. 5,000, and the total sale revenues at point S on OS amount to around Rs. 5,300. This signifies a profit of Rs. 300. It can be demonstrated that any production beyond 600 kilograms results in profits, whereas any output below this amount incurs losses.

### Advantages

Break-even analysis provides numerous advantages for managerial direction and decision-making:

- 1 Tool for profit forecasting and management: The break-even analysis demonstrates the interplay and mutual relationship among the variables of cost, volume, pricing, and product mix, which significantly impact profit planning and control.
- 2 Budgeting Foundations: Budgeting involves organizing expected expenditures and projected revenues to achieve maximum profitability, whereas break-even analysis reveals the most profitable approach for forecasting budgets.
- 3 Ensuring impartiality in cost management: The break-even analysis introduces objectivity in cost control by showing how to manage costs. Changes in fixed costs impact the break-even point, although it cannot be controlled by managerial actions in the short term.
- 4 Safety margin indication: Break-even analysis identifies the sales level needed for the company to cover expenses and shows how close sales are to reaching that point before they happen. Providing this information about the safety margin alerts management to take corrective steps.

### Limitations

The break-even approach is inflexible because of the restrictive assumptions it includes. The break-even analysis is based on the following assumptions:

1. The corporation either manufactures a single product or handles a set of items with the same volume and contribution margin.
2. Selling prices remain unaffected by the scale of activities, and the overall price level in the industry remains constant.
3. Variable costs increase in proportion to the volume of output and sales, whereas fixed costs remain steady. Variable costs can vary in relation to technological factors, while fixed costs can increase or decrease with time. There is no delay between manufacturing and sales, and all the produce is sold immediately.

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## **16.6 PERT – PROGRAM EVALUATION AND REVIEW TECHNIQUE**

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Most organizations' success hinges on thoroughly analyzing projects or operations to reach an aim within a certain timeframe and budget. Management must identify specific operations and their connections, allocate necessary resources, estimate the time needed to execute tasks according to the schedule, and oversee and manage the project's time and cost.

Network analysis aims to reduce the entire project completion time and overall project expenditures. Network analysis is best suited for non-routine projects that may occur infrequently, such as constructing buildings, dams, research and development, marketing new products, building ships, constructing factories, missile production, etc. PERT and CPM are two widely utilized network analysis techniques in modern management.

PERT is a project management approach that is beneficial for various managerial roles.

1 Planning: Planning a project entails creating a list of tasks that need to be completed to finish the project. During the planning process, requirements for labour, material, and equipment are specified, along with estimated costs and durations for different tasks.

Scheduling involves organizing the project's tasks based on the specific order in which they need to be completed. Manpower and material requirements are calculated for each stage of production, together with the anticipated completion time for each task.

Control begins by comparing schedules with actual performance once the project has started. Examining discrepancies and implementing corrective measures are fundamental aspects of control.

The primary requirement for utilizing PERT is to divide the project into tasks or activities and establish the sequence in which these tasks should be carried out, specifically identifying which tasks must be finished before others can begin.

The next stage is to create a visual representation, such as a graphic or graph, that shows the relationships between tasks by outlining their predecessor and successor connections.

Comprehensive knowledge of the procedures involved in creating the graph is crucial for understanding PERT and CPM.

The topic can be elucidated using an illustration. Suppose that company H is creating a new product. The primary tasks in this job are mentioned below in order.

Activity	Description	Immediately preceding activities	Expected time of completion in weeks
A	Designing the product		6
B	Market Research		
C	Planning	—	2
D	Manufacturing	A	3
E	Prepare the model of product	A	5
F	Prepare marketing handout	A	3
G	Estimate cost	C	2
H	Test the acceptability of the product	D	3
I	Market Survey	B,E	4
J	Pricing and Forecasting of sale	H	2
	Final report	F,G,I	2
		Total	32

Task F, cost estimation, can only start once task C, production, has commenced. Task I, which involves pricing and sales forecasting, cannot begin until Task H, which is the market study, is finished. The activities list includes the anticipated duration for each task. The network of activities can now be formed as depicted in the diagram below:

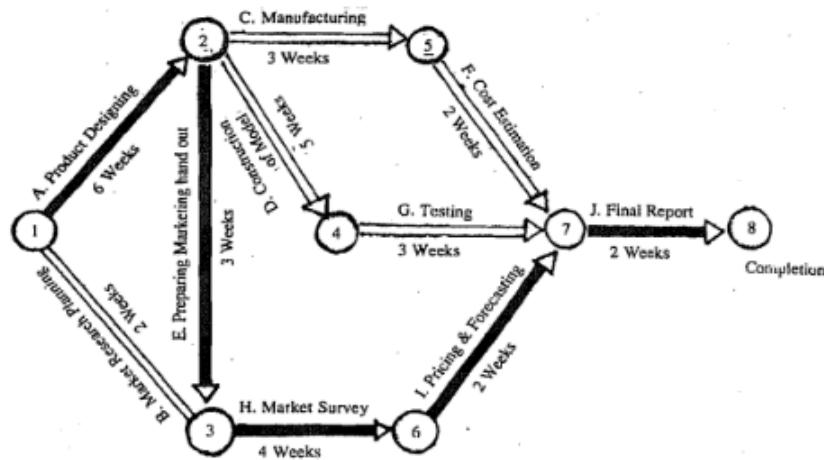


Fig 16.2: Pictorial Representation of PERT and CPM

The network graphic above illustrates tasks that can be executed concurrently and those that are dependent on the completion of preceding tasks. After designing the product, tasks such as creating a model, testing product acceptability, manufacturing, and cost estimation can be carried out simultaneously. The market survey cannot commence unless the market research plan and marketing handout are ready. Arrows in the graph represent the connections between different circles, each circle representing a job. The circles are referred to as 'nodes' and represent occurrences or the fulfillment of specific tasks. The starting point of the arrow is referred to as the 'initial node', while the endpoint is called the 'final node'.

The 'node' where the arrow representing a job stops will serve as the starting point for the arrow representing the next or succeeding job.

Project picturization involves breaking down the project into activities and organizing them in sequential order of execution. The activities are then identified and depicted in the project graph or arrow diagram.

#### Advantages

PERT is a valuable and convenient tool for management, especially for top-level managers overseeing a project. Additionally, it is beneficial for resolving scheduling issues related to one-time initiatives, which are not undertaken often. Its special contribution is as a tool for planning and control.

1. Advance planning is necessary since it requires managers to plan ahead to incorporate key components into a unified entity. Conducting a time-event analysis without prior preparation and assessing how the components align is unfeasible. It also necessitates

planning at lower levels as each manager must plan the operations within their area of responsibility.

2. Systematic planning is required due to the various events and activities occurring at different organizational levels.
3. Focusing attention on critical events is crucial for identifying strategic elements that require correction or modification. Any delay in addressing these critical elements can lead to project delays, unless managers can compensate by shortening future activities.
4. Necessity for proactive control: It involves implementing a system of proactive control to ensure timely completion of sequential events and activities, emphasizing correct actions at the appropriate time and place inside the organization.
5. Comprehensive coordination: It ensures comprehensive coordination by considering the time, amount, and direction aspects of cooperation.

#### Limitations

It also has various limitations, such as:

1. Time estimate: The challenge is in estimating the time required to complete activities due to their non-repetitive character. The precise duration of each activity in a program cannot be definitively predicted.
2. PERT is not recommended for normal planning due to its specialized application in making plans. It is not suitable for recurrent events like mass production.
3. PERT prioritizes time over expenses and disregards cost considerations. Therefore, it is appropriate for programs where time is crucial or where time and expenses are closely linked. In some instances, its application is restricted.

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## **16.7 CRITICAL PATH METHOD**

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CPM was created by Du Pont Company engineers in the 1950s for scheduling work, construction projects, research and development programs, and other circumstances requiring time and performance estimations. It involves breaking down a program or project into its fundamental components in the order of their chronological sequence. The Critical Path Method (CPM) technique is beneficial for analyzing the essential components of a project in order to enhance the design, planning, coordination, and control of the entire project by dividing it into interconnected pieces.

Let's analyze the critical path notion to understand the importance of the critical path approach as a control strategy.

Within a network of activities, many sequences of operations (paths) can be identified from the initial event to the last event of the project. Each sequence consists of several combinations of activities with varying lengths. Studying the duration of different paths in a project helps determine the least time required to execute that project. The longest series of actions determines the shortest time needed to finish the job.

The 'Critical Path' is the longest path in a project, representing the shortest time needed for project completion. The crucial path is named as such because any postponement in the

activities on this path would result in a delay in the entire project. To complete the project on schedule, prioritize the activities on the critical path.

The critical path in the PERT network graph is indicated by bold arrows. Once the path reaches node 2, there are three potential pathways to node 8. The longest route is 2,3,6,7, which represents the essential path with a duration of 9 weeks, the longest timeframe. Additional potential routes are 2,5,7 and 2,4,7, with durations of 5 weeks and 8 weeks, respectively. Paths that are not the critical path are referred to as sub-critical paths. The overall time needed for their completion is shorter than that of the crucial path. Therefore, these activities are also referred to as "slack" activities.

#### Key Characteristics:

The primary characteristics of the critical path method can be summarized as follows:

- i) CPM visually represents a network of events and activities using circles and arrows.
- ii) Each circle symbolizes an event, whereas each arrow symbolizes an activity.
- iii) An event marks the commencement of one action and the conclusion of another.

Events are assigned serial numbers to indicate their sequence and individual identification.

- iv) An activity involves significant time and effort to accomplish a certain event.
- v) The arrowhead indicates the sequential flow of activities, requiring the estimation of time in days or weeks for each action between two events.

The critical path is determined by identifying the strategic events and activities that take the longest time to complete the project and have the least slack time.(Slack time is the time gap between the target time and the actual project completion time.) Put simply, the critical path indicates the shortest estimated time needed to finish the entire project. While emphasis is placed on a particular important path in a network system, there may be multiple paths ranked by significance.

#### CPM Analysis Objectives:

The primary goals of critical route analysis in a network are as follows:

To find the most efficient route between two or more activities that maximizes a certain measure of performance.

- ii) To identify potential hurdles and challenges in carrying out a project.
- iii) To establish the initiation and completion timings for each operation/activity in a network/project.
- iv) Calculate the slack for each non-critical activity.

#### Benefits:

Conducting network analysis with CPM results in several advantages:

- 1. It emphasizes the importance of completing the entire assignment on schedule.
- 2. It leads to the most efficient use of resources and facilities.
- 3. Managers can use it to plan ahead for tasks, recognize strategic events, address potential work flow issues, and prevent undue pressure on other processes.
- 4 It enhances the quality of planning and controlling by focusing on each activity in the project individually rather than the project as a whole, leading to focussed thinking and attention.

It offers a structured method to calculate the shortest time needed to accomplish a job.

Limitations:

Two primary limitations that affect the CPM analysis are:

1. Its utility is restricted to repetitive or routine tasks and recurring projects.
2. Time allocated for various activities may be impractical as it is based on a single time estimate without accounting for potential future challenges and obstacles.

Comparison of PERT and CPM:

When comparing PERT and CPM as planning and control techniques, they exhibit both parallels and contrasts.

Both techniques share similarities in the following aspects:

1. Both CPM and PERT utilize the project network as their foundation.
2. Both notions of critical pathways and activity slack are commonly shared between the two.
3. Both strategies are fundamentally time-based. They are currently utilized for cost management purposes.

The disparities between the two strategies are as follows:

1. PERT is utilized for emerging industries with quickly evolving technology and high uncertainties, whereas CPM is employed for construction projects with minimal uncertainties.
2. CPM focuses on activities, while PERT focuses on events.
3. CPM focuses on prices, while PERT primarily deals with the time aspect.

The effectiveness of PERT and CPM approaches depends significantly on the truth of the following assumptions:

1. A project can be divided into a series of autonomous and foreseeable tasks.
2. The relationships between predecessor and successor actions can be accurately depicted using a non-cyclical network graph, where each activity is explicitly linked to its immediate successor. Often, it is difficult to establish a definitive procedure for the relationship between activities.
3. All actions can be estimated based on their duration. Once again, it is challenging to undertake various things.
4. CPM approach operates <sup>9</sup> under the assumption that the length of an activity decreases as the cost of resources allocated to the activity increases. Estimation is frequently challenging in this scenario.

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## 16.8 STATISTICAL QUALITY CONTROL

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The aim of quality control is to determine if a product or service is maintaining its quality standards or if there are any discrepancies in size, weight, finish, etc. Standard requirements are established in every production process by either the producer or the consumer. A high-quality item meets these characteristics. Nevertheless, fluctuations in product quality are intrinsic to all manufacturing processes because of several causes. It is essential to determine the variation, which might be either quantitative or qualitative. Quantitative qualities are measurable attributes such as weight, height, and diameter that may be observed with precise instruments. Conversely, qualitative properties such as cracks, breaking, and color cannot be

measured directly using quantitative methods. These can be identified through visual examination or by differentiating between faulty and non-faulty goods. Variation in product quality is a natural aspect of the production process, despite all precautions taken. Random disturbances can lead to deviations from the set norms. The disturbances are caused by random factors, such as fluctuations in machine speed due to abrupt changes in temperature or voltage of power supply. These causes exist in the system due to a variety of complex reasons that are challenging to pinpoint and not cost-effective to remove. Other sources of variances may cause the product to differ from defined specifications. These causes are specific and may be cheaply discovered and eradicated. The extent of variation caused by these factors depends on the production process, characteristics of raw materials, and operational behavior. These causes are referred to as assignable causes.

Statistical quality control involves determining if variations in product quality are caused by random factors or specific factors. When the variation is caused by assignable factors, it is identified, and corrective measures are implemented to enhance the product's quality. Control charts are utilized for statistical quality control. The production line is separated into subgroups to generate a control chart. These sub-groups are chosen so that differences in item quality within each sub-group are considered to be random, while differences between sub-groups are considered to be related to specific factors. Analyze the fluctuation of quality characteristics within and between sub-groups using a method to determine if the processes are in control.

Statistical quality control relies on statistical estimate to identify errors or deviations from the average proportion of errors. The process involves defining quality standards and control limits, and then graphing the variations on a control chart. If the lower limit of variation (due to assignable causes) is 5% and the higher limit of variance (due to chance factors) is 10%. The management may permit quality differences ranging from 5% to 10% as acceptable. If the control chart shows variances exceeding 10%, an investigation is conducted into the quality of work accomplished.

Setting the control boundaries for a process assumes system stability and the presence of solely random causes. If assignable causes are present in the system, the quality characteristic will exceed the two control limitations. Below is a standard control chart.

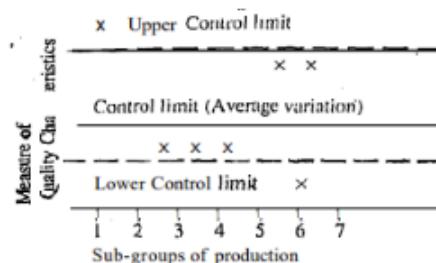


Figure 16.3: Control Chart

Interpretations can be derived from the Control chart.

1. If all points on the chart fall inside the Upper Control Limit (U.C.L.) and Lower Control

Limit (L.C.L.), then the process is said to be in control, suggesting the presence of purely random causes.

2. If most points are located on one side of the center line, it is not advisable to make any conclusions regarding process control.

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## 16.9 MANAGEMENT AUDIT

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A management audit is a methodical and unbiased evaluation, analysis, and assessment of management's complete performance. It involves evaluating management's overall performance by a thorough and unbiased analysis of the organization's structure, objectives, plans, policies, operations, resource use, and operational procedures. Therefore, a 'management audit' refers to a thorough evaluation of the enterprise's management from a comprehensive perspective. It can be conducted by the management or with the assistance of management consultants.

One significant aspect of management audit is its ability to be applied to a specific section of the organization rather than conducting a full audit. Production efficiency and investment appraisal may be the focus of management audit. It can also be utilized to offer direction on the important evaluation of capital budgeting or profit performance.

Advantages:

A management audit enhances the efficiency of overall managing responsibilities. The advantages can be summarized as follows:

1. It serves as protection against self-satisfaction and false beliefs in effective management by managers.
2. It provides management with ongoing valuable information that assesses efficiency and highlights deviations from plans, rules, and procedures.
3. The audit serves as a preventive measure against deviations and blunders by keeping executives on track and promoting carefulness. It functions as a safety valve, watchman, and conscience keeper of the organization.
4. It can evaluate all areas of the organization and guide not just to good performance, but also to optimal performance.
5. It allows management to gain a good perspective and consider future developments.
6. Plans, policies, and operations get thorough examination during management coordination and control audits, which expose their suitability and efficiency inside the organization.

Limitations:

A significant drawback of management audit is that it could dissuade management from taking proactive steps and implementing changes in policies and processes due to perceived risks. Put simply, a management audit may cause executives to be cautious when making crucial decisions. Executives may feel demoralized when their performance is closely evaluated and they are held accountable for shortcomings resulting from external circumstances.

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## 16.10 OVERALL AND PREVENTIVE CONTROL

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### **Overall control:**

Having control over every division of the organization contributes to the overall control of the organization. Special steps are implemented to exert comprehensive control. This is achieved by budgetary control, project profit and loss account, and balance sheet. A master budget is created by consolidating and harmonizing individual budgets from each department. The budget committee examines the budget.

This budget serves as a tool for comprehensive management. Profit and loss account and balance sheet are utilized to assess the total outcomes.

### **Preventive Control:**

Preventive control in management is a control strategy used to avoid issues or deviations from happening initially in an organization. The focus is on detecting possible risks, vulnerabilities, or errors in processes, systems, or activities, and then taking proactive efforts to mitigate or eliminate them before they become big difficulties.

Important aspects of preventive control consist of:

1. Risk Assessment involves identifying potential risks and vulnerabilities that may impede the accomplishment of organizational goals.
2. Proactive Measures: Enforcing strategies and protocols to avoid recognized risks from occurring. This may involve creating policies, guidelines, protocols, and standard operating procedures (SOPs) to direct actions and behaviors.
3. Monitoring and Surveillance involves consistently overseeing processes, systems, and activities to ensure adherence to set controls and promptly identify any deviations or irregularities.
4. Training and teaching: Offering instruction and teaching to personnel to enhance their understanding of potential risks and the significance of following preventive controls.
5. Continuous Improvement: Periodically assessing and revising preventative control methods to accommodate evolving circumstances, growing hazards, or novel problems.

Preventive control prioritizes prevention over reaction, enabling businesses to save time, resources, and effort that would otherwise be used to deal with problems after they have already occurred. It also helps to uphold stability, reliability, and consistency in operations, thereby improving overall organizational effectiveness and performance.

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### **16.11 LET US SUM UP**

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Various tools and strategies have been created and utilized for the goal of management control. Traditional control strategies have shown to be effective over an extended period and are still utilized by organizations. Two strategies mentioned are Budgetary control and

Standard costing.

Budgetary control is utilizing budgets to achieve certain objectives through established principles, methods, and practices. The process includes creating budgets, connecting managers' duties to budget activities, and consistently comparing actual outcomes with budgeted expectations. Budgeting and budgetary control are useful tools for management in planning, coordinating, and controlling.

Various sorts of budgets include expense, income, cash, capital, sales, purchase, labor, and master budgets. Standard costing is a control technique that involves utilizing predefined standard costs for each cost item and product line. Standard costing is a crucial component of budgeting and budgetary control.

In addition to budgetary control and standard costing, various other control techniques have been created in modern times, including Break-even analysis, PERT, CPM, statistical quality control, and management audit. One or more of these strategies are frequently utilized in conjunction with budgetary management and standard costing.

Break-even analysis is a control strategy that involves analyzing expenditures in response to changes in sales volume and how it affects profit. It determines the sales volume at which costs are completely covered and profits <sup>10</sup> start to be generated. The study is frequently conducted with the use of a chart referred to as a break-even chart. This is a graphical depiction illustrating variable and fixed costs in relation to the volume of production and sales. At the break-even point, entire costs match total revenues, resulting in neither profit nor loss.

PERT, which stands for Programme Evaluation and Review Techniques, is a project management technique. The process entails utilizing fundamental network methodology and involves the following steps: 1. Dividing the project into tasks and actions. 2. Determining the sequence in which tasks need to be finished. 3. Creating a visual flowchart showing the relationships between tasks. 4. Providing time and cost estimates for each task's completion. PERT establishes the timetable of work performance based on the chronological sequence of time for execution. Control begins when the project execution starts. An analysis is conducted on the variance between schedules and actual performance, and corrective measures are implemented.

The critical route technique involves breaking down a program or project into its basic components in the order they occur, along with the duration of each path from the project's start to finish. This indicates the shortest amount of time required to execute a specific project. The sequence of activities with the longest duration represents the shortest time needed to complete the project and is referred to as the critical route. To complete the project on schedule, tasks on the critical route must be prioritized.

Statistical quality control focuses on determining if a product or service is maintaining its quality or if there are any variations in defined characteristics like size, weight, or finish. The primary goal of this quality control technique is to ensure that the variation in quality resulting from random causes remains within the control limit. Control is achieved with control charts. Statistical quality control entails setting quality standards and control limits, and then graphing the variance on a control chart. If all data points on the chart fall between the upper and lower control limits, the process is said to be in control, suggesting the

presence of solely random causes. Points outside the control limits are explored for assignable causes.

Management audit is a methodical and unbiased evaluation, analysis, and assessment of the overall effectiveness of management. The analysis involves evaluating the management of a company by thoroughly examining its organizational structure, goals, strategies, operational procedures, control mechanisms, and utilization of resources. Management may conduct it as a self-audit or enlist the assistance of management consultants.

Overall control encompasses overseeing and directing all facets of an organization's operations to ensure they are in line with strategic objectives. It includes different control strategies, such as preventative control, which aims to identify and reduce risks before they become major problems. Preventive control focuses on foreseeing possible issues and taking actions to stop them from happening, therefore protecting organizational performance and efficiency.

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### **16.12 UNIT END EXERCISE**

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1. Define budgetary control. What are the benefits and constraints?
2. Standard costing is a cost accounting method that establishes predetermined costs for materials, labour, and overhead, which are used as a benchmark for evaluating actual costs and performance. How can it assist in cost containment?
3. Define Break-even analysis. Elaborate on its applications in decision-making.
4. Create a Break-even chart to analyze the Break-even point using hypothetical data.
5. Analyze the characteristics, advantages, and constraints of Break-even analysis as a management tool.
6. Describe the significance and use of PERT and CPM as control tools.
7. Define network analysis. Assess PERT/CPM as a planning and control method in project development, execution, and assessment.
8. Elaborate on the significance of statistical quality control. Explain the process of constructing and interpreting a control chart.
9. Define the notion of management audit.
10. Discuss overall control and preventive control concepts in detail.

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### **16.13 REFERENCES AND SUGGESTED READINGS**

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## **UNIT 17: THE QUALITY CONCEPT**

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## Structure

- 17.1 Introduction
- 17.2 Objectives
- 17.3 Concept of Quality
- 17.4 Factors Affecting Quality
- 17.5 Developing a Quality Control System
- 17.6 Total Quality Control
- 17.7 Let us Sum Up
- 17.8 Unit End Exercises
- 17.9 References and Suggested Readings

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### UNIT 17.1 INTRODUCTION

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Quality management is crucial in the current competitive company landscape. It includes strategies, methods, and methodologies designed to ensure that products, services, and processes continually meet or exceed customer expectations. Quality management that is effective not only boosts customer happiness but also results in enhanced operational efficiency, decreased expenses, and higher profitability for enterprises. This unit will explore quality management and its importance in achieving organizational success.

### UNIT 17.2 OBJECTIVES

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**52** After reading this unit, you should be able to:

- Explain the concept of quality
- Discuss the factors affecting quality
- Develop a quality control system
- Explain total quality control

### UNIT 17.3 CONCEPT OF QUALITY

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The Random House Dictionary defines 'Quality' as a characteristic, either innate or acquired, that specifically influences the nature and behavior of a person or thing. Synonyms for 'Quality' include characteristic, character, feature, attribute, property, etc. Generally, most individuals have a limited perspective on the definition of the word 'Quality'. They link low quality with product faults like scratches, cracks, missing pieces, or with negative behavior in general. Conversely, they correlate good quality with the absence of such flaws in things or positive traits in a person. In modern management, the term "quality" encompasses all actions taken by an organization as seen by its clients. Activities that will make clients view an organization as one of the greatest, if not the best, are those that highly satisfy the customers.

'Quality' is a metric that gauges an organization's success in meeting customer satisfaction. An organization fails to satisfy customers if its staff are unpleasant or unhelpful while interacting with customers. This action would be considered as providing substandard service. An organization cannot attain customer satisfaction if the telephone operator is uneducated and inadequate in handling client calls. The consumer would be displeased if they received an invoice with an incorrect amount or if a product they requested was delivered to the wrong location.

The low-quality works would damage the organization's reputation, even though it produces high-quality and flawless items.

From the above discussion, Quality **10** can be defined as the extent to which a product, service, or process meets or exceeds consumer expectations and satisfies stated criteria. It includes multiple aspects such as performance, dependability, durability, attractiveness, and customer service.

#### Quality Perspectives:

Quality can be seen from various viewpoints, such as customer-oriented quality, which aims to meet customer needs and expectations; product-oriented quality, which stresses adherence to specifications and standards; and manufacturing-oriented quality, which highlights process efficiency and defect prevention.

#### Principles of Quality Management:

The principles of quality management encompass customer focus, leadership, employee involvement, process approach, methodical management, continuous improvement, fact-based decision making, and mutually beneficial supplier partnerships.

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### **UNIT 17.4FACTORS AFFECTING QUALITY**

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**Internal Factors:** Internal elements that impact quality include the organizational culture, the level of commitment from leadership, the skills and motivation of employees, the technology and equipment used, and the design of processes and systems.

**External Factors:** External factors that impact quality including market demands and trends, competition, customer expectations and preferences, regulatory requirements and standards, and supplier performance and reliability.

The implications here are that quality should be considered in its entirety, rather than being limited to the quality of production or products, or certain parts of services. These components represent just a fraction of the organization's activity. Customer satisfaction encompasses various elements, including fitness for use, reliability (which pertains to the longevity of quality), and value for money.

The key factors to consider are as follows:

- Post-purchase service and assistance
- Packaging quality
- Provision of customer information and training
- Ease of maintenance
- Range of product options
- Promptness and efficiency of service
- Professional and courteous service at all levels
- Company reputation and customer trust

These characteristics, along with others, collectively create an impression of the organization, whether positive or negative, as seen by a customer. The perception of customers will be shaped by the image of an organization, which will significantly impact the market reputation of its products or services. The organization is equally influenced by the attitudes of employees who interact with clients as it is by its products or services.

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### **UNIT 17.5 DEVELOPING A QUALITY CONTROL SYSTEM**

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Quality planning encompasses the establishment of quality objectives and goals, identification of customer requirements and expectations, determination of the necessary processes to deliver

products and services that meet quality standards, and development of plans to ensure quality across the organization.

**Quality Assurance:** Quality assurance is the practice of ensuring that procedures are planned and carried out in a way that meets quality standards. The process entails setting quality benchmarks, executing quality assurance protocols, carrying out audits and inspections, and delivering training and assistance to staff members.

**Quality control** is the process of monitoring and assessing products, services, and processes to ensure that they fulfill specific quality standards. It encompasses tasks like testing, inspection, measurement, data analysis, and corrective action to rectify deviations or non-conformities.

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## **UNIT 17.6 TOTAL QUALITY CONTROL**

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TQM, short for Total Quality Management, is a complete methodology for managing quality that focuses on continuously improving processes, goods, and services to meet or surpass customer expectations. The strategy highlights a focus on the client, active participation of employees, ongoing enhancement, and a concentration on procedures.

The fundamental tenets of Total Quality control (TQM) encompass a customer-centric approach, unwavering dedication from leadership, active participation and empowerment of employees, ongoing enhancement, meticulous process control, data-driven decision making, and collaborative collaborations with suppliers.

The use of Total Quality Management (TQM) can yield various advantages for firms. These include higher quality of products and services, heightened customer satisfaction, improved employee morale and motivation, decreased expenses and waste, and increased competitiveness in the marketplace.

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## **UNIT 17.7 LET US SUM UP**

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Within this unit, we delved into the notion of quality management and its importance in achieving organizational success. We deliberated on the goals of quality management, the variables that impact quality, the establishment of a quality control system, and the principles and methodologies of Total Quality Management (TQM). Quality management is essential for optimizing the quality of products and services, improving customer happiness, decreasing expenses, and boosting organizational performance. Organizations can attain their strategic goals and sustain a competitive advantage in the market by employing efficient quality management methods.

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## **UNIT 17.8 UNIT END EXERCISE**

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1. Imagine a situation in which a manufacturing company is encountering a significant occurrence of defects in its products. Create a comprehensive quality improvement plan that details the necessary actions to effectively fix the identified issue and enhance the overall quality of the product.
2. Analyze a case study of a corporation that effectively applied Total Quality Management (TQM) principles and procedures. Determine the primary variables that have contributed to its success and extract the valuable insights gained from the implementation process.

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## **UNIT 17.9 REFERENCES AND SUGGESTED READINGS**

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1. Essentials of Management: An International Perspective by Koontz & Weihrich, Tata McGraw Hill Education Private Limited, New Delhi.
2. Management (Text and Cases) by V.S.P. Rao and V Hari Krishna, Excel Books, New Delhi.
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## **UNIT 18: INTERNATIONAL MANAGEMENT**

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### **Structure**

- 18.1 Introduction
- 18.2 Objectives
- 18.3 Globalization and Management
- 18.4 Significance of a Unified Global Management Theory
- 18.5 Dimensions of International Management
- 18.6 Global Management Theory
- 18.7 Challenges and Opportunities in International Management
- 18.8 Let us Sum Up
- 18.9 Unit End Exercises
- 18.10 References and Suggested Readings

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### **UNIT 18.1 INTRODUCTION**

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Globalization has made international management more intricate, necessitating managers to negotiate varied cultural, political, economic, and technological situations. This study examines the necessity of a cohesive worldwide management philosophy to effectively handle the complexities and possibilities of managing in the global marketplace. By incorporating insights from multiple management disciplines and real-life instances, this study analyzes crucial aspects of international management and puts forth guidelines for a comprehensive theory of global management.

International management is essential for the success of multinational companies (MNCs) and organizations functioning globally in today's interconnected business environment. Globalization has resulted in greater connectivity and reliance across economies, cultures, and communities, presenting both difficulties and prospects for firms seeking worldwide expansion. In order to take advantage of global markets and resources, organizations need to efficiently handle a wide range of stakeholders, maneuver through intricate regulatory landscapes, and adjust to shifting market dynamics. This study seeks to examine the notion of international management and argue for the creation of a cohesive, worldwide management theory to tackle the challenges of managing in varied international settings.

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### **UNIT 18.2 OBJECTIVES**

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After studying this unit, you should be able to:

- Comprehend the significance of international management in the current globalized corporate environment.
- Analyze and determine the fundamental aspects and constituents of international management, encompassing cultural, political, economic, and technological elements.
- Examine the development of management theories and their relevance in the field of international management.

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### UNIT 18.3 GLOBALIZATION AND MANAGEMENT

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Globalization is the process by which economies, cultures, and societies around the world become more integrated and interdependent. When firms expand their operations internationally, they encounter numerous problems and opportunities. Globalization has enabled corporations to access new markets, resources, and talent pools, leading to economies of scale and increased competitiveness. Conversely, it has also intensified competitiveness, amplified regulatory intricacies, and subjected enterprises to geopolitical hazards. Managers must overcome these problems by acquiring cross-cultural skills, promoting international collaborations, and embracing innovation and adaptability.

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### UNIT 18.4 SIGNIFICANCE OF A UNIFIED GLOBAL MANAGEMENT THEORY

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Although traditional management theories have offered useful insights into organizational behaviour and decision-making, they may not comprehensively handle the intricacies of international management. Managers must cultivate a comprehensive comprehension of global markets and stakeholders due to the different cultural, political, and economic environments in which organizations operate. An integrated global management theory would offer a comprehensive framework for effectively dealing with the challenges and possibilities of managing in the worldwide economy. By incorporating knowledge from several management fields and practical experiences, this theory can assist managers in making well-informed decisions, adjusting to dynamic circumstances, and achieving organizational success at a global level.

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### UNIT 18.5 DIMENSIONS OF INTERNATIONAL MANAGEMENT

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International management involves a range of factors that impact organizational strategies and operations. The following items are included:

- Cultural diversity has a significant influence on the way people communicate, lead, and make decisions in global firms. Managers need to cultivate cultural intelligence and sensitivity in order to successfully lead diverse teams and handle cross-cultural relationships.
- Political and Legal Systems: The differences in political systems and legal frameworks between countries create difficulties for international corporate operations. Managers are required to adhere to local legislation, manage political risks, and establish relationships with government authorities and regulatory agencies.
- Economic factors, including currency rates, inflation rates, and GDP growth rates, have a

significant impact on market opportunities, investment decisions, and corporate strategies. Managers are required to closely observe economic trends, evaluate market risks, and adjust their strategy accordingly.

- **Technological Advancements:** Technological progress has fundamentally transformed the global corporate landscape by facilitating virtual cooperation, instantaneous communication, and data analysis. Managers should utilize technology to improve efficiency, foster innovation, and promote competitiveness in the global marketplace.

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#### **UNIT 18.6 GLOBAL MANAGEMENT THEORY**

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The development of a comprehensive global management theory necessitates the integration of insights from several management disciplines and practical experiences. The key principles for a comprehensive global management philosophy encompass:

**Adaptability:** Organizations must possess the ability to adjust and adapt to evolving market conditions, shifting consumer tastes, and improvements in technology. Managers should wholeheartedly accept change, promote innovation, and consistently enhance organizational processes and systems.

**Innovation:** Innovation is a crucial factor in promoting long-term growth and gaining a competitive edge in the global market. Managers should cultivate an environment that promotes creativity, experimentation, and risk-taking, thereby motivating people to produce innovative ideas and find answers to intricate problems.

**Sustainability:** Sustainable practices are growing in significance for firms operating on a global scale, as stakeholders are increasingly demanding higher levels of corporate social responsibility and environmental stewardship. Managers are required to include sustainability into their business strategies, products, and operations, in order to guarantee the production of long-term value and the preservation of the environment.

**Ethical Leadership:** Ethical leadership is crucial in international firms as it plays a vital role in establishing trust, promoting honesty, and ensuring stakeholder confidence. Managers are required to exhibit ethical conduct, maintain company values, and advocate for transparency and accountability in all areas of organizational decision-making and operations.

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#### **UNIT 18.7 CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL MANAGEMENT**

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Multinational firms have both difficulties and advantages while operating in the global marketplace. Some of the main difficulties are:

**Cultural Differences:** Cultural disparities can result in communication breakdowns, misinterpretations, and discord among multinational teams. Managers need to cultivate cultural intelligence and sensitivity in order to successfully negotiate cross-cultural relationships and establish harmonious teams.

Regulatory complexities: Variations in legislation between countries present obstacles for worldwide corporate operations, necessitating managers to adhere to local laws, rules, and standards. Managers must be updated on regulatory developments, actively interact with regulatory agencies, and establish strong compliance systems to reduce legal risks.

Political risks refer to the potential disruptions in international corporate operations and investments caused by factors such as political instability, geopolitical conflicts, and government interventions. Managers are need to evaluate political risks, create backup plans, and cultivate connections with government officials and political players in order to minimize geopolitical hazards.

Economic volatility refers to the unpredictable changes in the economy, including swings in currency values and uncertainty in the market. These changes can have an impact on the performance and profitability of businesses. Managers are required to oversee economic trends, spread out risk exposure, and adopt financial hedging methods in order to reduce economic hazards.

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#### **UNIT 18.8LET US SUM UP**

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International management is crucial for the prosperity of multinational corporations functioning in the worldwide market. Through the development of a comprehensive, worldwide management theory, managers can acquire a comprehensive comprehension of international business dynamics and skillfully navigate varied cultural, political, economic, and technological situations. By embracing adaptation, innovation, sustainability, and ethical leadership, multinational firms may flourish in the intricate and ever-changing global business environment, fostering sustainable growth and generating value for all stakeholders.

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#### **UNIT 18.9UNIT END EXERCISE**

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1. Elucidate the notion of globalization and its ramifications on corporate operations. Globalization has significantly altered management practices and presents several main problems for multinational managers. Present concrete instances to elucidate your arguments.
2. Examine the significance of creating a cohesive worldwide management theory in the contemporary international company landscape. What are the constraints of current management theories in effectively dealing with the intricacies of multinational management? A unified framework can assist managers in effectively navigating cultural differences, regulatory difficulties, and geopolitical dangers.
3. Examine and evaluate the fundamental aspects of global management, such as cultural heterogeneity, political and legal frameworks, economic variables, and technology progress. What is the impact of these factors on management decision-making and

organizational strategy in the global marketplace? Present concrete instances from the real world to substantiate your claims.

4. Analyze the challenges and advantages that managers in multinational firms face when functioning in varied foreign environments. The main obstacles related to cultural disparities, linguistic obstacles, legal intricacies, political instability, and economic fluctuations are: Managers can utilize chances, such as gaining entry into new markets, accessing talent pools, and tapping into sources of innovation, in order to propel business growth.
5. Contemplate the fundamental principles and notions that could serve as the foundation for a comprehensive philosophy of global management. How can this theory incorporate perspectives from several management disciplines, such as strategic management, organizational behaviour, and international business? Examine the significance of flexibility, innovation, sustainability, and ethical leadership in the realm of international management, and offer suggestions for individuals seeking to become global managers.

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#### **UNIT 18.10 REFERENCES AND SUGGESTED READINGS**

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