MBA - I YEAR
DKR11 : MANAGEMENT PROCESS AND BEHAVIOUR
SYLLABUS

Unit – I

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Unit – V

Organisational Dynamics – Organisational culture – Organisational change – Organisation Development (OD) interventions – Business Ethics and Social Responsibility – Corporate governance.

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UNIT I
CHAPTER 1
INTRODUCTION TO MANAGEMENT

Manager: A manager is someone who coordinates and oversees the work of other people so that organizational goals can be accomplished. And Management is the art of getting things done through people. It involves coordinating and overseeing the work/activities of others so that their activities are completed efficiently and effectively. Management is also seen as the process of realizing organizational goals by the people who manage an organization (people, process and resources). It is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims

Management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts. According to George R. Terry, Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources. As a process, management consists of three aspects:

1. **Management is a social process:** Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.

2. **Management is an integrating process:** Management undertakes the job of bringing together human, physical and financial resources so as to achieve organizational purpose.

3. **Management is a continuous process:** It is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process.

Management involves coordinating and overseeing the work activities of others so that their activities are completed efficiently (doing things right) and effectively (doing the right things).

Nature of Management: Management is an activity concerned with guiding human and physical resources such that organizational goals can be achieved. Its nature is as follows

1. **Management is Goal-Oriented:** Management is a purposeful activity. The success of any management activity is assessed by its achievement of the predetermined goals or objective. It is a tool which helps use of human & physical resources to fulfil the pre-determined goals.

2. **Management integrates Resources:** In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources.

3. **Management is Continuous:** Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it.

4. **Management is all Pervasive:** Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Management is required everywhere irrespective of size or type of activity.

5. **Management is a Group Activity:** Management is very much less concerned with individual's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management.

Importance of Management

1. **It helps in Achieving Group Goals:** Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

2. **Optimum Utilization of Resources:** Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses by making use of experts and professional services.

3. **Reduces Costs:** It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. This helps in cost reduction.

4. **Establishes Sound Organization:** Management establishes sound organizational structure, that establishes effective authority & responsibility, it also fills up various positions with right persons, having right skills, training and qualification.

5. **Establishes Equilibrium:** It keeps in touch with the changing environment and enables the organization to survive in changing environment.

6. **Essentials for Prosperity of Society:** Efficient management leads to better economical production that increases the profit which is beneficial to business and society this in turn helps to increase the welfare of people by improving their standard of living.

Levels of Management: Levels of Management refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. Top level / Administrative level
2. Middle level / Executory
3. Low level / Supervisory / Operative / First-line managers

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

LEVELS OF MANAGEMENT

1. **Top Level of Management:** The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions. The role of the top management can be summarized as follows

   a. Top management lays down the objectives, broad policies of the enterprise, issues necessary instructions for preparation of department budgets, procedures, schedules etc.

   b. It prepares strategic plans, ppoints the executive for middle level i.e. departmental managers.

   c. It provides guidance, direction, controls & coordinates the activities of all the departments.

   d. It is also responsible for maintaining a contact with the outside world and also responsible towards the shareholders for the performance of the enterprise.

2. **Middle Level of Management:** The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time for organizational and directional functions. In small organization, there is only one layer of middle level of

management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

    a. They make plans for the sub-units (division or department) of the organization and execute the plans of the organization in accordance with the policies and directives of the top management.

    b. They participate in employment & training of lower level management.

    c. They interpret and explain policies from top level management to lower level.

    d. It also sends important reports and other important data to top level management.

    e. They are also responsible for inspiring lower level managers towards better performance and evaluate their performance.

3. **Lower Level of Management:** Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. They are concerned with direction and controlling function of management. Their activities include

    a. Assigning of jobs and tasks to various workers and guide them for day to day activities.

    b. They are responsible for the quality as well as quantity of production and are entrusted with the responsibility of maintaining good relation in the organization.

    c. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.

    d. They are responsible for providing training to the workers and help to solve the grievances of the workers.

    e. They arrange necessary materials, machines, tools etc for getting the things done.

    f. They prepare periodical reports about the performance of the workers.

    g. They motivate workers and ensure discipline in the enterprise.

h. They are the image builders of the enterprise because they are in direct contact with the workers.

Approach to Management: There are six major approaches to management. They are explained as follows

1. **Scientific management Approach:** Scientific management is defined as the use of the scientific method to determine the "one best way" for a job to be done. The most important contributor in this field was Frederick W. Taylor who is known as the "father" of scientific management. Frank and Lillian Gilbreth followed Taylor's and developed their own methods of scientific management. They devised a classification scheme to label 17 basic hand motions called THERBLIGS in order to eliminate wasteful motions. Elements of scientific management still used include:
   a. Using time and motion studies
   b. Hiring best qualified workers
   c. Designing incentive systems based on output

2. **General administrative Approach**: Henri Fayol and Max Weber were the two most prominent proponents of the general administrative approach. Fayol focused on activities common to all managers. He described the practice of management as distinct 14 principles of management which are Division of Work, Authority, Discipline, Unity of Command, Unity of Direction, Subordination of individual interest to group interest, Remuneration, Centralization, Scalar Chain, Order, Equity, Stability, Initiative and Espirit de corps. Max Weber a German sociologist developed a theory of authority structures and described organizational activity based on authority relations. He described the ideal form of organization as a bureaucracy marked by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships. Some bureaucratic mechanisms are necessary in highly innovative organizations to ensure that resources are used efficiently and effectively.

3. **Quantitative approach to management**: The quantitative approach to management, is known as operations research or management science, uses quantitative techniques to improve decision making. This approach includes applications of statistics,

optimization models, information models, and computer simulations. The quantitative approach originated during World War II as mathematical and statistical solutions to military problems were developed for wartime use. The availability of sophisticated computer software programs has made the use of quantitative techniques more feasible for managers.

4. **Behavioural approach:** The early advocates of OB approach were Robert Owen, Hugo Munsterberg, Mary Parker Follett, and Chester Barnard. Their ideas served as the foundation for employee selection procedures, motivation programs, work teams, and organization-environment management techniques. The Hawthorne Studies a series of experiments conducted from 1924 to the early 1930s at Western Electric Company's were the most important contribution to the development of this approach. Hawthorne Studies stimulated interest in human behaviour in organizational settings. This approach assists managers in designing jobs that motivate workers, in working with employee teams and in facilitating the flow of communication within organizations. The behavioural approach provides the foundation for current theories of motivation, leadership, and group behaviour and development.

5. **The systems approach**: During the 1960s researchers began to analyze organizations from a systems perspective based on the physical sciences. A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. The two basic types of systems are open and closed. A closed system is not influenced by and does not interact with its environment. An open system interacts with its environment. Using the systems approach, managers envision an organization as a body with many interdependent parts, each of which is important to the well-being of the organization as a whole. The systems approach recognizes that organizations are affected by factors in their environment.

6. **Intuitive Approach**: This approach addresses the use of intuition as an approach to management. Intuition can be defined as alleged wisdom or acknowledged cognition attained without rational thought and inference. Since there is ample evidence to believe that formal education, coupled with the narrow-minded concept called rationality is not a yardstick for organizational effectiveness. Organizational effectiveness therefore calls for a blend of clear-headed logic and powerful intuition.

Intuition involves the ability to arrive at reasonable but tentative formulations, prior to actual formal analysis. It can also be called an 'educated guess'. Intuitive judgment is particularly important when conceptual and logical arguments are fuzzy or when immediate action is required without waiting for long rational analysis. Intuitive ability is not just available as it is in other abilities. The manager's upbringing, heredity, and circumstances that surround his developmental stage enhance the development of his intuitive capabilities.

7. **The contingency approach**: The contingency approach recognizes that different organizations require different ways of managing. The contingency approach to management is a view that the organization recognizes and responds to situational variables as they arise. Managerial practices at the workplace are contingent to the following situational forces:

   a. Forces in the leader in terms of the degree of his knowledge, skills and competencies.
   b. Forces in the task to be performed
   c. Forces in the subordinates and
   d. Forces in the environment

Evolution of Management

Management thinking and practice have evolved over the last century as a result of increased understanding of human and organisational behaviour, the economic climate and historical context and the changes in generations over time.

One of the first schools of management thought, the **classical management theory,** developed during the Industrial Revolution when new problems related to the factory system began to appear. Managers were unsure of how to train employees or deal with increased labour dissatisfaction, so they began to test solutions. As a result, the classical management theory developed from efforts to find the "one best way" to perform and manage tasks. This school of thought is made up of two branches: classical scientific and classical administrative, described in the following sections.

The **classical scientific branch** arose because of the need to increase productivity and efficiency. The emphasis was on trying to find the best way to get the most work done by examining how the work process was actually accomplished and by scrutinizing the skills of the workforce. The classical scientific school owes its roots to several major contributors, including Frederick Taylor, Henry Gantt, and Frank and Lillian Gilbreth.

Frederick Taylor the father of scientific management believed that organizations should study tasks and develop precise procedures. As a result Taylor was able to increase the length of work time and therefore decrease the number of people. He developed an incentive system that paid workers more money for meeting the new standard.

Henry Gantt, an associate of Taylor's, developed the Gantt chart, a bar graph that measures planned and completed work along each stage of production. Based on time instead of quantity, volume, or weight, this visual display chart has been a widely used planning and control tool since its development in 1910.

Frank and Lillian Gilbreth, a husband- and- wife team, studied job motions. Frank isolated the basic movements necessary to do the job and eliminated unnecessary motions. This was the first **motion study** designed to isolate the best possible method of performing a given job. Later, Frank and his wife Lillian studied job motions using a motion- picture camera and a split- second clock. When her husband died at the age of 56, Lillian continued their work.

Thanks to these contributors and others, the basic ideas regarding scientific management developed. They include the following:

- Developing new standard methods for doing each job
- Selecting, training, and developing workers instead of allowing them to choose their own tasks and train themselves
- Developing a spirit of cooperation between workers and management to ensure that work is carried out in accordance with devised procedures
- Dividing work between workers and management in almost equal shares, with each group taking over the work for which it is best fitted

The **classical administrative approach** concentrates on the total organization. The emphasis is on the development of managerial principles rather than work methods. Contributors to this school of thought include Max Weber, Henri Fayol, Mary Parker Follett, and Chester I. Barnard. These theorists studied the flow of information within an organization and emphasized the importance of understanding how an organization operated.

In the late 1800s, **Max Weber** believed that organizations should be managed impersonally and that a formal organizational structure, where specific rules were followed, was important. This non-personal, objective form of organization was called a bureaucracy**.** Weber believed that bureaucracies have the following characteristics:

1. A well- defined hierarchy.
2. Division of labour and specialization.
3. Rules and regulations.
4. Impersonal relationships between managers and employees.
5. Competence. .
6. Records.

Henri Fayol, a French mining engineer, developed 14 principles of management based on his management experiences. These principles provide modern- day managers with general guidelines on how a supervisor should organize her department and manage her staff. They are

1. **Division of work:** Division of work and specialization produces more and better work with the same effort.
2. **Authority and responsibility:** Authority is the right to give orders and the power to exact obedience. Authority creates responsibility.
3. **Discipline:** Obedience and respect within an organization are absolutely essential. A manager requires to apply sanctions whenever violations become apparent.
4. **Unity of command:** An employee should receive orders from only one superior.
5. **Unity of direction:** Organizational activities must have one central authority and one plan of action.

6. **Subordination of individual interest to general interest:** The interests of one employee or group of employees are subordinate to the interests and goals of the organization.

7. **Remuneration of personnel:** Salaries the price of services rendered by employees should be fair and provide satisfaction both to the employee and employer.

8. **Centralization:** The objective of centralization is the best utilization of personnel. The degree of centralization varies according to the dynamics of each organization.

9. **Scalar chain:** A chain of authority exists from the highest organizational authority to the lowest ranks.

10. **Order:** Organizational order for materials and personnel is essential. The right materials and the right employees are necessary for each organizational function and activity.

11. **Equity:** Equity is a combination of kindliness and justice. Both equity and equality of treatment should be considered when dealing with employees.

12. **Stability of tenure of personnel:** To attain the maximum productivity of personnel, a stable work force is needed.

13. **Initiative:** Thinking out a plan and ensuring its success is an extremely strong motivator. Zeal, energy, and initiative are desired at all levels of the organizational ladder.

14. **Esprit de corps:** Teamwork is fundamentally important to an organization. Work teams and extensive face- to- face verbal communication encourages teamwork.

Fayol also developed certain functions which he felt are essential to managers in carrying administrative practices and principles of management. They are: Planning, Organizing, Directing, Coordinating and controlling.

Mary Parker Follett stressed the importance of an organization establishing common goals for its employees. She discarded command- style hierarchical organizations where employees were treated like robots. She talked about ethics, power, and leadership and encouraged managers to allow employees to participate in decision making. She stressed the importance of people rather than techniques a concept very much before her time.

Chester Barnard, who was president of New Jersey Bell Telephone Company, introduced the idea of the **informal organization** that naturally forms within a company. He felt that these informal organizations provided necessary and vital communication functions for the overall organization and that they could help the organization accomplish its goals. He developed the **acceptance theory of management,** which emphasizes the willingness of employees to accept that managers have legitimate authority to act. Barnard felt that four factors affected the willingness of employees to accept authority

1. The employees must understand the communication.
2. The employees accept the communication as being consistent with the organization's purposes.
3. The employees feel that their actions will be consistent with the needs and desires of the other employees.
4. The employees feel that they are mentally and physically able to carry out the

The National Research Council of America from 1924-1927 made an almost futile study in conjunction with the western electric plant in Hawthorne USA to determine the effect of illumination and other conditions on workers and productivity, this was the work of Elton Mayo. It brought the behavioural school to limelight. Elton Mayo and his co-researchers found out that changing illumination for the test group at Hawthorne, modifying rest period by shortening work days and varying piece-rate incentives did not actually account for changes in productivity. The amount of work carried out by a worker is not determined by his physical capacity but his social capacity. Non-economic rewards play a central role in determining the motivation of workers, this is called the **Hawthorne effect**.

Other authors who contributed to the functions of management were Luther and Urwick (1937), here they described the functions of management using the acronym POSDCORB- Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting. McGregors theory X and Theory Y, Abraham Maslow's Hierarchy of Needs, Fedrick Herzbergs Two Factor Theory and Contemporary school of thought such as Systems approach, Political approach emerged later. Analytical approach or operations research

started at the pre-world war era to the world war era an then the post-world war era which seeks to determine how best to design and operate a system usually under conditions requiring the allocation of scarce resources. Some analytical tools used by Operation Researchers are Decision-Making Models, Determination Models, Dynamic Models, Inventory and Queuing Models and Simulation Models.

Questions for discussion:

1. Define management. Explain its features and the level of management.
2. What are the different approaches to management?
3. Describe the evolution of Management

CHAPTER 2
PLANNING IN MANAGEMENT

Planning: Planning is a detailed programme regarding future courses of action. It means looking ahead and chalking out future courses of action to be followed. It is a preparatory step or a systematic activity which determines when, how and who is going to perform a specific job. It is rightly said **Well plan is half done**. Planning takes into consideration the available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

According to Urwick, Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses. Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.

According to Koontz & O' Donell, Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur.

Importance of planning in management: Planning is the first and most important function of management. It is needed at every level of management. In the absence of planning all the business activities of the organisation will become meaningless. The following facts show the importance for a business organisation

1. **Planning Provides Direction:** Under the process of planning the objectives of the organisation are defined in simple and clear words. The obvious outcome of this is that all the employees get a direction and all their efforts are focused towards a particular end. The attention of all the managers will get focused on the attainment of their objectives.

2. **Planning Reduces Risks of Uncertainty:** Planning is always done for future and future is uncertain. With the help of planning possible changes in future are anticipated and various activities are planned in the best possible way. The risk of future uncertainties can be minimised.

3. **Planning Reduces Overlapping and Wasteful Activities:** Future activities are planned in order to achieve objectives. Consequently, the problems of when, where, what and why are almost decided. This puts an end to disorder and establishes coordination among different activities and departments. It puts an end to overlapping and wasteful activities. Consequently, wastages moves towards nil, efficiency increases and costs get to the lowest level.

4. **Planning Promotes Innovative Ideas:** It is clear that planning selects the best alternative out of the many available. All these alternatives do not come to the

manager on their own, but they have to be discovered. Many new ideas emerge and they are studied intensively in order to determine the best out of them.

5. **Planning Facilitates Decision Making:** Decision making means the process of taking decisions. Under this, a variety of alternatives are discovered and the best alternative is chosen. The planning sets the target for decision making. It also lays down the criteria for evaluating courses of action.

6. **Planning Establishes Standards for Controlling:** By determining the objectives, the departments are informed about 'when', 'what' and 'how' to do things. Standards are laid down about their work, time and cost, etc. At the time of completion the actual work done is compared with the standard work and deviations are found out. This facilitates the process of controlling.

Nature of Planning:
1. Planning is goal-oriented.
2. Planning is looking ahead.
3. Planning is an intellectual process.
4. Planning involves choice & decision making.
5. Planning is the primary function of management / Primacy of Planning.
6. Planning is a Continuous Process.
7. Planning is all Pervasive.
8. Planning is designed for efficiency.
9. Planning is Flexible.

Steps in Planning Function: Planning function of management involves following steps

1. **Establishment of objectives:** Planning starts with the setting of goals and objectives to be achieved. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts. Moreover objectives focus the attention of managers on the end results to be achieved.

2. **Establishment of Planning Premises:** Planning premises are the assumptions about the lively shape of events in future. They serve as a basis of planning. It is concerned with determining where one tends to deviate from the actual plans and causes of such deviations. Establishment of planning premises is concerned to take such steps that avoid these obstacles to a great extent. Planning premises may be internal or external.

Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.

3. **Choice of alternative course of action:** A number of alternative course of actions have to be considered. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made. After objective and scientific evaluation, the best alternative is chosen.

4. **Formulation of derivative plans:** Derivative plans are the sub plans or secondary plans which help in the achievement of main plan. Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc.

5. **Securing Co-operation:** Once the plans have been determined, it is necessary to take subordinates or those who have to implement these plans into confidence. Subordinates may feel motivated since they are involved in decision making process.

6. **Follow up/Appraisal of plans:** After the selected plan is implemented, it is important to appraise its effectiveness. This is done on the basis of feedback or information received from departments or persons concerned. This enables the management to correct deviations or modify the plan.

Management by Objective: The process of setting objectives in the organization to give a sense of direction to the employees is called as Management by Objectives. It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace. Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization. The phenomenon guides the employees to deliver their level best and achieve the targets within the stipulated time frame.

Need for Management by Objectives (MBO)

1. The Management by Objectives process helps the employees to understand their duties at the workplace.

2. KRAs are designed for each employee as per their interest, specialization and educational qualification.

3. The employees are clear as to what is expected out of them.

4. Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.

5. Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. They tend to stick to the organization for a longer span of time and contribute effectively.

6. Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.

7. Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels.

8. The MBO Process leads to highly motivated and committed employees.

9. The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members. Each employee is given a list of specific tasks.

Limitations of Management by objectives Process

1. It sometimes ignores the prevailing culture and working conditions of the organization.

2. More emphasis is being laid on targets and objectives without bothering much about the existing circumstances at the workplace.

3. The MBO process increases comparisons between individuals at the workplace. Employees tend to depend on nasty politics and other unproductive tasks to outshine their fellow workers.

4. Employees do only what their superiors ask them to do. Their work lacks innovation, creativity and sometimes also becomes monotonous.

Strategic planning: Strategic planning is essential for organizational success. Strategic planning is a process undertaken by an organization to develop a plan for achievement of its overall long-term organizational goals. The strategic planning process should include a situational analysis. This consists of understanding and analysing the current external and internal environment in which the organization operates, formulating organizational objectives and strategies based upon the environmental assessment, and developing procedures to implement and evaluate the strategic plan.

Strategic plans for business organizations often cover a three-to-five year period, but if the business or its environment is highly dynamic, a shorter period may be advisable. The strategic planning steps are

1. **Analysis of the current state:** Analysing the organization's external and internal environment. This may include the examination of specific external environmental factors, such as the rivals, the power of suppliers, the power of the buyers or customers have, whether there is a viable threat that major clients or customers can effectively substitute the company's product or service, and whether there are any barriers to entry into a new market. Tools like **SWOT analysis** can be used to examine the organization's strengths, weaknesses, opportunities, and threats.

2. **Defining the future state:** The authorities will be developing its vision and a **mission statement** that describes the future of the organization i.e.where it wants to be, its essential values, and what it wants do. After that is being defined the organization's begin to formulate a detailed strategy to achieve them.

3. **Determination of objectives and strategies:** Once after defining the vision and mission, organisation has to develop a set of objectives that will lead it to the overall strategic goal or vision.

4. **Implementation and evaluation:** The next step is to implement and evaluate the plan. Implementation in large organizations, such as governmental agencies or large corporations, will be done by a different set of organizational members than the members that created the plan. Hence it needs a constant monitoring and assessment on its success i.e. to determine whether the plan is achieving the objectives, that leads to the strategic goal. If not, adjustments to the long-term strategy will be necessary.

Decision making: Decision making, it is a process of choosing one course of action from a few possible alternatives. It is a daily activity for any human being. When it comes to business organizations, decision making is a habit and a process as well. Effective and successful decisions make profit to the company and unsuccessful ones make losses. Therefore, corporate decision making process is the most critical process in any organization. Many tools, techniques and perceptions are used in the process of decision

making. In the event one may make own private decisions or may prefer a collective decision.

Steps of Decision Making Process: Following are the important steps of the decision making process. Each step may be supported by different tools and techniques.

1. Identification of the purpose of the decision
2. Information gathering
3. Principles for judging the alternatives: organizational goals as well as the corporate culture should be taken into consideration.
4. Brainstorm and analyse the different choices
5. Evaluation of alternatives
6. Select the best alternative
7. Execute the decision.
8. Evaluate the results

Decisions should be weighed on the positive and negative business consequences and should favour the positive outcomes. This avoids the possible losses to the organization and keeps the company running with a sustained growth.

Decision Making Models: The decision-making process though a logical one, is a difficult task. All decisions can be categorized into the following three basic models.

1. The Rational/Classical Model.
2. The Administrative or Bounded Rationality Model.
3. The Retrospective Decision-Making Model.

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

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

2. **Bounded Rationality Model or Administrative Man Model:** Decision-making involve the achievement of a goal. Rationality demands that the decision-maker should properly understand the alternative courses of action for reaching the goals. Te person should also have full information and the ability to analyse properly various alternative courses of action in the light of goals sought. There should also be a desire to select the best solutions by selecting the alternative which will satisfy the goal achievement.

3. **Retrospective decision model:** This decision-making model focuses on how decision-makers attempt to rationalise their choices after they have been made and try to justify their decisions. The total process is designed to justify, through the guise of scientific rigor, a decision that has already been made intuitively. By this means, the individual becomes convinced that he or she is acting rationally and taking a logical, reasoned decision on an important topic.

Questions for discussion:

1. What is planning? Explain its importance and steps
2. What is MBO? Explain its need and importance.
3. Explain strategic planning process.
4. Define decision making. Explain the different models of decision making.

CHAPTER 3
ORGANISING IN MANAGEMENT

Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility.

Steps of Organising: The following are the steps that is being followed in organising

1. **Identification of activities:** All the activities which have to be performed in a concern have to be identified.
2. **Departmentally organizing the activities:** In this step, the manager tries to combine and group similar and related activities into units or departments.
3. **Classifying the authority:** Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy.
4. **Co-ordination between authority and responsibility:** Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal.

Importance of Organizing:

1. This division of work is helping in bringing specialization in various activities of concern.
2. This is helping in defining the jobs properly which clarifies the role of every person.
3. Organizational structure helps in clarifying the role positions to every manager. This helps in increasing productivity.
4. Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual co-operation among individuals. This leads to efficient and effective administration.
5. Scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

Classification: Organizations are basically classified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization.

1. **Formal Organization:** This is one which refers to a structure of well-defined jobs each bearing a measure of authority and responsibility.

2. **Informal Organization:** It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions.

For an efficient organization, both formal and informal organizations are required. They are the two phase of a same concern. Formal organization can work independently. But informal organization depends totally upon the formal organization.

Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important.

Organizational structure: Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. A structure depends on the organization's objectives and strategy.

There are three main types of organizational structure: functional, divisional and matrix structure.

1. **Functional Structure:** Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, there may be a marketing department, a sales department and a production department.
2. **Divisional Structure:** Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas.
3. **Matrix Structure:** The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure. Typically used in large multinational companies, the matrix structure allows for the benefits of functional and divisional structures to exist in one organization.

Departmentation: Departmentation refers to grouping of jobs, identified earlier, into work units on some logical basis.

Bases for Departmentation: An organisation can be divided into departments on different bases depending upon its needs. The following are the basis of dividing responsibility within an organisation structure:

1. **Functional Departmentation:** It refers to grouping of the activities in an enterprise on the basis of functions such as production, sales, purchase, finance, personnel, etc.

2. **Product wise Departmentation:** The grouping of activities on the basis of products, it is very popular with large organisations having distinct type of products. Under this method, all activities related to one type of product are put together under one department under the direction of a production manager.

3. **Territorial or Geographical Departmentation:** When several activities of an enterprise are geographically dispersed in different locations, territorial or geographical departmentation may be adopted. Ere all activities relating to a particular area or zone may be grouped together under one zonal manager or head.

4. **Customer wise Departmentation:** A business house may be divided into a number of departments on the basis of customers it serves, viz., large and small customers, industries and ultimate buyers, government and other customers. The advantage of customer wise departmentation is that it ensures full attention to different types of customer and their different needs, tastes and requirements.

5. **Process or Equipment wise Departmentation:** An enterprise where production is carried through different processes may adopt process wise departmentation to enable continuous flow of production. The main advantage of this method is that it avoids duplication of equipment in various activities. Moreover, specialised people can be engaged to work on specialised equipment and departments.

6. **Combined or Composite Form of Departmentation:** An enterprise may have to combine two or more of the methods of departmentation to make best use of all of them. Such a method is known as combined or composite method of departmentation

Delegation of authority: Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results. Delegation of authority is the base of superior-subordinate relationship, it involves following steps

1. **Assignment of Duties -** The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates.
2. **Granting of authority -** Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. The subdivision of powers is very important to get effective results. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors.
3. **Creating Responsibility and Accountability:** Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Accountability arises out of responsibility and responsibility arises out of authority.

Differences between Authority and Responsibility

Authority	Responsibility
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

Importance of Delegation

1. This helps in reducing the work load of the superior so that he/she can work on important areas such as - planning, business analysis etc.
2. An organization functions as the authority flows from top level to bottom. The flow of authority is from top to bottom which is a way of achieving results.
3. Through delegation, the superior-subordinate relationship becomes meaningful.
4. Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill.

Centralisation: Centralization is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Decentralization is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralized concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

Decentralisation and Delegation: Decentralization is not the same as delegation. It is all extension of delegation. Decentralization pattern is wider is scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. Decentralization is complete only when fullest possible delegation has taken place.

Delegation and Decentralization

Basis	Delegation	Decentralization

Meaning	Managers delegate some of their function and authority to their subordinates.	Right to take decisions is shared by top management and other level of management.
Scope	Scope of delegation is limited as superior delegates the powers to the subordinates on individual bases.	Scope is wide as the decision making is shared by the subordinates also.
Responsibility	Responsibility remains with managers and cannot be delegated	Responsibility is also delegated to subordinates.
Freedom of Work	Freedom is not given to the subordinates, they have to work as per instructions of superiors.	Freedom to work can be maintained by subordinates as they are free to take decision and to implement it.
Nature	It is a routine function	It is an important decision of an enterprise.
Need on purpose	Delegation is important in all concerns whether big or small. No enterprises can work without delegation.	Decentralization becomes more important in large concerns and it depends upon the decision made by the enterprise, it is not compulsory.
Grant of Authority	The authority is granted by one individual to another.	It is a systematic act which takes place at all levels and at all functions in a concern.
Grant of Responsibility	Responsibility cannot be delegated	Authority with responsibility is delegated to subordinates.
Degree	Degree of delegation varies from concern to concern and	Decentralization is total by nature. It spreads throughout the organization

	department to department.	i.e. at all levels and all functions
Process	Delegation is a process which explains superior subordinates relationship	It is an outcome which explains relationship between top management and all other departments.
Significance	Delegation is essential for creating the organization	Decentralization is an optional policy at the discretion of top management.
Freedom of Action	Very little freedom to the subordinates	Considerable freedom

Co-ordination: Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is an orderly arrangement of group efforts to provide unity of action in the pursuit of common goals. Co-ordination is an integral element or ingredient of all the managerial functions as below

   a. Co-ordination through Planning
   b. Co-ordination through Organizing
   c. Co-ordination through Staffing
   d. Co-ordination through Directing
   e. Co-ordination through Controlling

The main elements of Coordination are as:

   a. **Integration:** Coordination integrates all diverse interests and efforts of all individuals to achieve common goals of an organisation.
   b. **Balancing:** Coordination provides mutual support to various activities so that goals of different units are in line with one another.
   c. **Timing:** Coordination adjusts the time schedules of different activities so that they can support one another to deliver the final result in time.

The nature of coordination is as under:

   a. Coordination Integrates Group Efforts
   b. Coordination Ensures Unity of Action
   c. Coordination is a Continuous Process
   d. Coordination is all Pervasive Function
   e. Coordination is the Responsibility of all Managers
   f. Coordination is a Deliberate Function

The importance of coordination is as under:

1. **Size of the Organization:** The need of coordination arises when the organization grows in size. Growth here means increase in number of employees.

2. **Functional Differentiation:** The organisation is divided into different departments, sections or divisions. They try to work in isolation and independently. The need of coordination is required to ensue these units remain a part of the organisation and move towards the realization of pre-determined organisation goal.

3. **Specialisation:** In modem organisation, diversification and complexities of technology give rise to specialisation. Coordination is needed to reconcile differences to ensure unity of action achieve organisational objective.

Line and Staff Relationships: Line and staff are the most widely used concepts in organizing, and most of the structures have line-staff structures. Large and complex organizations operating in increasingly dynamic environment need a variety of special abilities, knowledge and skills for supporting the effective and efficient performance. They, therefore, employ a variety of experts for quality control, industrial relation, legal advising, cost accounting, market research, R & D and so forth. These specialists perform the staff functions of rendering expert advice and service to line managers in the performance of their functions.

Line and Staff Organization Structure: Line and staff organization is an organization in which line managers make decisions, and staff personnel provide advice and support. Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and counsel the line executives. Personal Secretary to the Managing Director is a staff official.

Features of Line and Staff Organization

1. There are two types of staff :
    a. **Staff Assistants**: P.A. to Managing Director, Secretary to Marketing Manager.
    b. **Staff Supervisor**: Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern :
    a. Line Authority
    b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counsellor.

Merits of Line and Staff Organization

1. **Relief to line of executives:** The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.

2. **Expert advice:** The staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation is done by the staff specialist and provide necessary advice to line officers.

3. **Benefit of Specialization:** Line and staff officers divide the whole concern into two parts and functional areas. This facilitates every official to concentrate in their own area.

4. **Better Decision Making:** Line and staff organization through specialization is able to provide better decision making due their respective expertise.

5. **Better co-ordination:** This feature helps in bringing co-ordination in work among te various official involved.

6. **Benefits of Research and Development:** Through the advice of specialized staff, the line executives get wide scope to bring innovations in those required areas.

7. **Training:** The expert advice serves as ground for training the line officials.

8. **Balanced decisions:** The factor of specialization helps in bringing co-ordination. This results in balancing the relationship among the officials.

9. **Unity of action:** Unity of action is a result of unified control. Control and its effectivity take place when co-ordination is present in the concern. This serves as effective mechanism for control in the enterprise.

Demerits of Line and Staff Organization

1. **Lack of understanding:** In a line and staff organization, two authorities flow at one time. As a result, the workers would be confused in understanding as to who is their commanding authority.

2. **Lack of sound advice:** The line official get used to the experts staff advice. At times it may also backfire. This can affect the efficient running of the enterprise.

3. **Line and staff conflicts:** Line and staff are two authorities which are flowing at the same time, the validity and reliability of the authority may sometimes lead to arousal of conflict. This leads to minimizing of co-ordination that in turn hampers working.

4. **Costly:** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.

5. **Assumption of authority:** The power of concern is with the line official but the staff dislikes it as they are the one with more mental work.

6. **Staff steals the show:** In a line and staff concern, the higher returns are considered to be a product of staff advice and counselling. The line officials feel dissatisfied and a feeling of distress enters a concern.

Questions for discussion:

1. Explain organising, its importance and classification.
2. Differentiate delegation and decentralisation.
3. Explain in detail the features, merits and demerits of line and staff organisation.

CHAPTER 4
HUMAN RESOURCE IN MANAGEMENT

Staffing: Staffing is one of the most important managerial function which helps in obtaining and fulfilling various positions in the organisation with most suitable and capable persons. In this process the following steps are involved.

1. **Estimating Manpower Requirements:** Before starting the work, the manpower requirement of the organisation is assessed. Two aspects need to be taken into account while determining the requirement of manpower i.e. Type of Employees & Number of Employees. Also the job requirement, desired qualification, relationship between different jobs etc. is clearly drawn out. Manpower planning involves two techniques in estimation viz. Workload analysis, Workforce analysis

   a. Workload analysis would enable an assessment of the number of an types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives. Workload analysis ensures that there is no burden and wastage of resources and work is completed on time.

   b. Workforce analysis would reveal the number and type available to fact such an exercise would reveal whether organisation is understaffed, overstaffed or optimally staffed. Workforce analysis is for the existing employees. It sees manpower employed and number of manpower to be employed.

2. **Recruitment:** Recruitment is the process of searching and motivating a large number of prospective employees for a particular job in an organisation. **It includes the following activities:**

   1. Determining the various sources of supply.

2. Evaluation of the validity of these sources.

3. Selecting the most suitable source or sources.

4. Inviting applications from the candidates for the vacancies.

3. Selection: Under the process of selection, better applicants are selected out of a large number of them. It must be kept in mind that the ability of the applicant & the nature of work must match. It means that right man should be selected for the right job. This will lead to better performance on all fronts i.e. quality, quantity, time, cost etc. **It includes the following steps:**

   1. Preliminary Screening

   2. Selection Test

   3. Employment interview

   4. Reference & Background checks

   5. Selection Decision

   6. Medical Examination

   7. Job Offer

   8. Contract of Employment

4. **Placement and orientation:** Placement involves putting the selected man at the right place considering his aptitude and ability. It is the actual posting of an employee to a particular job for which he/she has been chosen.

   Orientation is also known as induction. It means introducing the newly selected employee i.e. to various facets of the company his job, other jobs, nature of products, policies, rules and existing employees etc. It aims at inducting new employees into the organisation smoothly

5. **Training and Development:** The term training implies a systematic procedure of imparting knowledge and skills for a specific job. It benefits both the enterprise & the employee. Training increases the skills and abilities of employees to perform specific jobs. Training can be given for improving the current job or to prepare the employees for some intended jobs. The enterprise also gets the advantage of training in the form of reduction in the production cost, best usage of tools & machine and improvement in the quality etc.

6. **Performance Appraisal:** At this step, the capability of the employee is judged and for that, his actual work performance is compared with the work assigned to him. If the results are unfavourable, he is again given training and after that also if results are again unfavourable, the employee is put on some other work.

7. **Promotion:** It is a process through which employees get better salary, status, position, more responsibility etc. In this step, employees earn their promotion to higher posts on the basis of their performance.

8. **Compensation:** The organization should have fair salary or wage structure and should give incentives to those who deserve it. This means that jobs must be evaluated and ranked in a manner that contributes to that contribution.

9. **Separation:** It is the last step in the process of staffing. It means separating the employees from their job. This take place in four ways i.e. through retirement, termination, retrenchment or death.

Training: Training constitutes a basic concept in human resource development. It is concerned with developing a particular skill to a desired standard by instruction and practice. Training is the act of increasing the knowledge and skill of an employee for doing a particular job. Training is defined as the organized procedure by which people learn knowledge and/or skill for a definite purpose. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization acquire and apply the knowledge, skills, abilities, and attitudes needed by a particular job and organization.

Need for Training: Every organization should provide training to all the employees irrespective of their qualifications and skills. The need for training arises because of following reasons:

1. **Environmental changes:** Mechanization, computerization, and automation have resulted in many changes that require trained staff possessing enough skills. The organization should train the employees to enrich them with the latest technology and knowledge.

2. **Organizational complexity:** With modern inventions, technological upgradation, and diversification most of the organizations have become very complex. This has

aggravated the problems of coordination. So, in order to cope up with the complexities, training has become mandatory.

3. **Human relations:** Every management has to maintain very good human relations, and this has made training as one of the basic conditions to deal with human problems.

4. **To match employee specifications with the job requirements and organizational needs:** An employee's specification may not exactly suit to the requirements of the job and the organization, irrespective of past experience and skills. There is always a gap between an employee's present specifications and the organization's requirements. For filling this gap training is required.

5. **Change in the job assignment:** Training is also necessary when the existing employee is promoted to the higher level or transferred to another department. Training is also required to equip the old employees with new techniques and technologies.
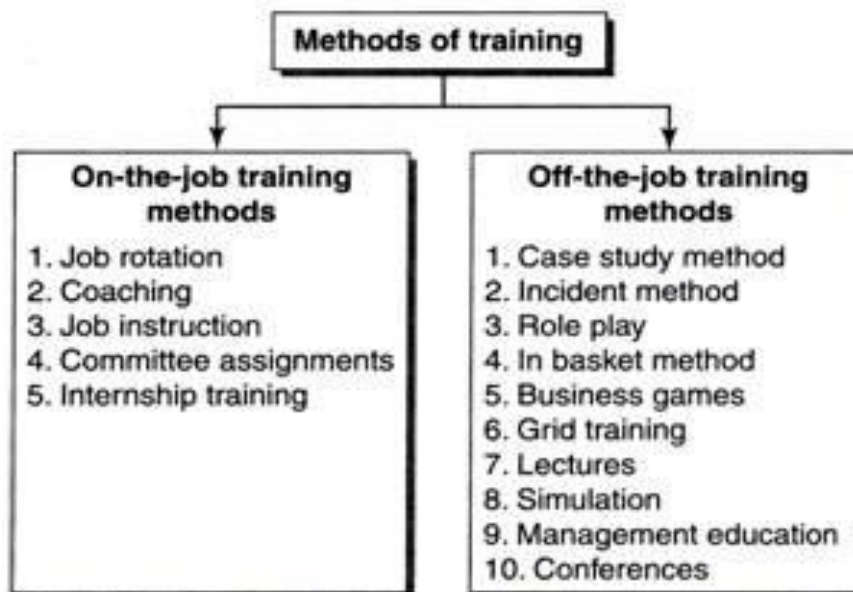
Importance of Training: Training of employees and managers are absolutely essential in this changing environment. It is an important activity of HRD which helps in improving the competency of employees. Training gives a lot of benefits to the employees such as

1. Improvement in efficiency and effectiveness
2. Development of self-confidence and assists everyone in self-management.
3. The stability and progress of the organization always depends on the training imparted to the employees.
4. Training becomes mandatory under each and every step of expansion and diversification.
5. Training can improve the quality and reduce the wastages to the minimum.
6. Training and development is also very essential to adapt according to changing environment.

Types of Training: Various types of training can be given to the employees. Some of the commonly used training programs are listed below:

1. **Induction training:** Also known as orientation training given for the new recruits in order to make them familiarize with the internal environment of an organization. It helps the employees to understand the procedures, code of conduct, policies existing in that organization.

2. **Job instruction training:** This training provides an overview about the job and experienced trainers demonstrates the entire job. Addition training is offered to employees after evaluating their performance if necessary.

3. **Vestibule training:** It is the training on actual work to be done by an employee but conducted away from the work place.

4. **Refresher training:** This type of training is offered in order to incorporate the latest development in a particular field. This training is imparted to upgrade the skills of employees. This training can also be used for promoting an employee.

5. **Apprenticeship training:** Apprentice is a worker who spends a prescribed period of time under a supervisor.

Methods of training

On-the-job training methods	Off-the-job training methods
1. Job rotation	1. Case study method
2. Coaching	2. Incident method
3. Job instruction	3. Role play
4. Committee assignments	4. In basket method
5. Internship training	5. Business games
	6. Grid training
	7. Lectures
	8. Simulation
	9. Management education
	10. Conferences

Development: The training for the top level employees is considered as development, also known as management or executive development. It is an on-going systematic procedure in which managerial staff learns to enhance their conceptual, theoretical knowledge. It helps the individual to bring efficiency and effectiveness in their work performances. The performance of an organization is based on the quality of its employees, and so the greater the quality of

employees, the greater will be their performance. The primary purpose of development is that the second list of managers or executives is prepared for future replacement.

Development is not only limited to a particular task, but it aims to improve their personality and attitude for their all-round growth which will help them to face future challenges. It changes the mindset of the employees and makes them more challenging or competing.

As the technology needs updating, the manpower of the organization also needs to be updated, so the development is a must. Development is an educational process which is unending, as education has no visible end. It involves training a person for higher assignments. It digs out the talents of the managerial staff and helps in applying the new knowledge, which is a requirement of the organization.

Coaching, mentoring, counseling, job-rotation, role playing, case study, conference training, special projects are some of the methods of development.

Differences Between Training and Development: The major differences between training and development are as under:

1. Training is a learning process for new employees in which they get to know about the key skills required for the job. Development is the training process for the existing employees for their all-round development.
2. Training is a short-term process i.e. 3 to 6 months, but development is a continuous process, and so it is for the long term.
3. Training focuses on developing skill and knowledge for the current job. The development focuses on the building knowledge, understanding and competencies for overcoming with future challenges.
4. Training has a limited scope; it is specific job oriented. On the other hand, development is career oriented and hence its scope is comparatively wider than training.
5. In training, the trainees get a trainer who instructs them at the time of training. In contrast to development, in which the manager self-directs himself for the future assignments.

6. Many individuals collectively attend the training program. Development is a self-assessment procedure, and hence, one person himself is responsible for one's development.

Performance Appraisal: Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

Objectives of Performance Appraisal: Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal: Performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in deciding the compensation packages for employees. Merit rating is possible through performance appraisal. Compensation

packages include bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.

4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.

5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

    a. Through performance appraisal, the employers can understand and accept skills of subordinates.

    b. The subordinates can also understand and create a trust and confidence in superiors.

    c. It also helps in maintaining cordial and congenial labour management relationship.

    d. It develops the spirit of work and boosts the morale of employees.

6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

Tools of Performance Appraisals: Following are the tools used by the organizations for appraising performance of their employees.

1. **Ranking:** The ranking system requires the rater to rank his subordinates on overall performance.

2. **Paired Comparison:** Method of evaluation in which each employee and job is compared with each other employee and job.

3. **Forced Distribution:** This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc).

4. **Confidential Report:** It is mostly used in government organizations. It is a descriptive report prepared, generally at the end of every year, by the employee's immediate superior. The report highlights the strengths and weaknesses of the subordinate.

5. **Essay Evaluation:** Under this method, the rater is asked to express the strong as well as weak points of the employee's behaviour. This technique is normally used with a combination of the graphic rating scale because the rater can elaborately present the scale by substantiating an explanation for his rating.

6. **Critical Incident:** Under this method, the manager prepares lists of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees or the job.

7. **Checklists:** In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it.

8. **Graphic Rating Scale:** A variety of traits may be used in these types of rating devices, the most common being the quantity and quality of work.

9. **BARS (Behaviorally Anchored Rating Scale):** It is a combination of the rating scale and critical incident techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions.

10. **Forced Choice Method:** This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker.

11. **MBO (Management By Objectives):** A process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individuals' major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contributions of each of its members

Questions for discussion:

1. What is staffing? Explain the steps in the process.
2. What are the different types of training and development?
3. What is performance appraisal? Explain its objectives and tools of performance appraisal.

UNIT III

CHAPTER 5

DIRECTION, COMUNICATION AND CONTROLLING IN MANAGEMENT

DIRECTING is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals.

Characteristics:

1. **Pervasive Function:** Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.

2. **Continuous Activity:** Direction is a continuous activity as it continuous throughout the life of organization.

3. **Human Factor:** Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.

4. **Creative Activity:** Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.

5. **Executive Function:** Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.

6. **Delegate Function:** Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

Importance: The importance of Direction is as follows

a. It Initiates Actions
b. It Ingrates Efforts
c. Means of Motivation
d. It Provides Stability
e. Coping up with the changes
f. Efficient Utilization of Resources

Communication: Communication is a process of exchanging verbal and non-verbal messages. It is a continuous process. The process of direction happens only with the support of communication.

Process of Communication: Communication process consists of some interrelated steps or parts through which messages are sent form sender to receiver.

Elements of communication process
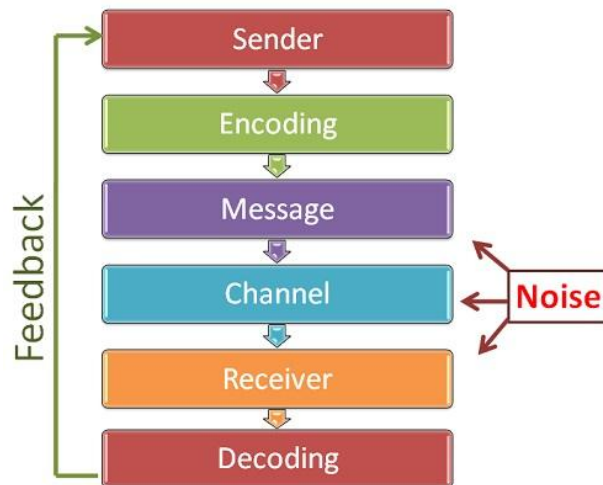
a. **Sender:** The sender or the communicator is the person who initiates the conversation and has conceptualized the idea that he intends to convey it to others.

b. **Encoding:** The sender begins with the encoding process wherein he uses certain words or non-verbal methods such as symbols, signs, body gestures, etc. to translate the information into a message.

c. **Message:** Once the encoding is finished, the sender gets the message that he intends to convey. The message can be written, oral, symbolic or non-verbal such as body gestures, silence, sighs, sounds, etc. or any other signal that triggers the response of a receiver.

d. **Communication Channel:** The Sender chooses the medium through which he wants to convey his message to the recipient. The choice of medium depends on the interpersonal relationships between the sender and the receiver and also on the urgency of the message being sent.

e. **Receiver:** The receiver is the person for whom the message is intended or targeted.

f. **Decoding:** Here, the receiver interprets the sender's message and tries to understand it in the best possible manner.

g. **Feedback:** The Feedback is the final step of the process that ensures the receiver has received the message and interpreted it correctly as it was intended by the sender.

Communication barriers: There are several barriers that affects the flow of communication in an organization. These barriers interrupt the flow of communication from the sender to the reciever, thus making communication ineffective. The main barriers of communication are

a. Perceptual and Language Differences
b. Information Overload
c. Inattention
d. Time Pressures
e. Distraction/Noise
f. Emotions
g. Complexity in Organizational Structure
h. Poor retention

Controlling: Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience that are gained as a contribution to possible future needs. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions. Controlling has got two basic purposes

1. It facilitates co-ordination
2. It helps in planning

Features of Controlling Function: Following are the characteristics of controlling function of management-

1. **Controlling is an end function:** A function which comes once the performances are made in conformities with plans.
2. **Controlling is a pervasive function:** It is performed by managers at all levels and in all type of concerns.
3. **Controlling is forward looking**: Effective control is not possible without past being controlled. Controlling always looks to future so that follow-up can be made whenever required.

4. **Controlling is a dynamic process:** Controlling requires taking reviewal methods, changes have to be made wherever possible.

5. **Controlling is related with planning:** Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. Planning presupposes controlling and controlling succeeds planning.

Process of Controlling: Controlling as a management function involves following steps

1. **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criterions for judging the performance.

2. **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance.

3. **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets.

4. **Taking remedial actions-** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it

Modern Techniques of Controlling

a. **Management audit**: Management audit is a modem technique of controlling; in which the aim is to examine the efficiency of the management's philosophies, policies, techniques etc. in successfully running an enterprise.

b. **Internal Audit (or Operational audit)**: Internal audit is vouching and verification of accounting information by a staff of internal auditors; and is also concerned with examining the overall operational efficiency of the enterprise.

c. **Social audit:** Social audit is concerned with the measurement of social performance of an organization in contrast to it economic performance.

d. **Responsibility accounting:** Responsibility accounting consists in dividing a business organization into responsibility centres, whereby, a distinct manager is assigned responsibility for achieving the predetermined target for his centre; and his success is judged by his ability in controlling the 'controllable costs' of his centre.

e. **Human Resource Accounting (HRA)**: HRA is accounting for people in an organization; which involves a measurement of costs incurred by an enterprise to recruit, select, hire and train human assets and a measurement of the economic value of people to the enterprise.

f. **Management Information System (MIS)**: Management Information system (also known as MIS) is an integrated technique for gathering relevant information from whatever source it originates and transferring it into unusable form for the decision-makers in management. It is a system of communication primarily designed to keep all levels of organizational personnel abreast of the developments in the enterprise that affect them.

Questions for discussion:

1. What is directing? Explain its features.
2. Define communication. Explain its importance and process.
3. What is controlling? Explain the Process and techniques of controlling.

CHAPTER 6

LEADERSHIP AND MOTIVATION FOR MANAGEMENT

Leadership: Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. Leadership is a process by which an executive can direct, guide and influence the behaviour and work of others towards accomplishment of specific goals in a given situation.

Characteristics of Leadership

1. It is an inter-personal process in which a manager is into influencing and guiding workers towards attainment of goals.
2. It denotes a few qualities to be present in a person which includes intelligence, maturity and personality.
3. It is a group process. It involves two or more people interacting with each other.
4. A leader is involved in shaping and moulding the behaviour of the group towards accomplishment of organizational goals.
5. Leadership is situation bound. There is no best style of leadership. It all depends upon tackling with the situations.

Characteristics of Leader: The following are the characteristics of an ideal leader

a. Empathy
b. Consistency
c. Honesty
d. Direction
e. Communication
f. Flexibility
g. Conviction

The main roles of a leader in an organization

a. Representative of the organization
b. Integrates and reconciles the personal goals with organizational goals

c. He solicits support

d. A leader must possess the three dimensional traits such as a friend, philosopher and guide

Leadership styles: All leaders do not possess same attitude or same perspective. Few leaders adopt the carrot approach and a few adopt the stick approach. Thus, all of the leaders do not get the things done in the same manner, their style varies. The leadership style varies with the kind of people the leader interacts and deals with. A perfect/standard leadership style is one which assists a leader in getting the best out of the people who follow him.

Autocratic leadership style: In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the team's or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.

The Laissez Faire Leadership Style: Here, the leader totally trusts their employees/team to perform the job themselves. He just concentrates on the intellectual/rational aspect of his work and does not focus on the management aspect of his work. The team/employees are welcomed to share their views and provide suggestions which are best for organizational interests. This leadership style works only when the employees are skilled, loyal, experienced and intellectual.

Democratic/Participative leadership style: The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied,

motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.

Bureaucratic leadership: Here the leaders strictly adhere to the organizational rules and policies. Also, they make sure that the employees/team also strictly follows the rules and procedures. Promotions take place on the basis of employees' ability to adhere to organizational rules. This leadership style gradually develops over time. This leadership style is more suitable when safe work conditions and quality are required. But this leadership style discourages creativity and does not make employees self-contented.

Motivation: The term motivation is derived from the word 'motive". Motives are forces which induce people to act in a way, so as to ensure the fulfilment of a particular human need at a time. Motivation may be defined as a planned managerial process, which stimulates people to work to the best of their capabilities, by providing them with motives, which are based on their unfulfilled needs.

Features of motivation

   a. **Motivation is a personal and internal feeling:** Motivation is a psychological phenomenon which generates within an individual.

   b. **Motivation is need based:** It is a behavioural concept that directs human behaviour towards certain goals.

   c. **Motivation is a continuous process:** Human wants are unlimited hence motivation is an ongoing process.

   d. **Motivation may be positive or negative:** A positive motivation promotes incentives to people while a negative motivation threatens the enforcement of disincentives.

   e. **Motivation is a planned process:** People differ in their approach, to respond to the process of motivation; as no two individuals could be motivated in an exactly similar manner.

   f. **Motivation is different from job satisfaction:**

Significance of Motivation: Motivation is an integral part of the process of direction

a. **High Efficiency:** A good motivational system releases the immense untapped reservoirs of physical and mental capabilities. Higher the level of motivation, greater is the degree of goal accomplishment.

b. **Better Image:** A firm that provides opportunities for financial and personal advancement has a better image in the employment market. This helps in attracting qualified personnel.

c. **Facilitates Change:** Effective motivation helps to overcome resistance to change and negative attitude on the part of employees.

d. **Human Relations:** Effective motivation creates job satisfaction which results in cordial relations between employer and employees that reduces Industrial disputes, labour absenteeism and turnover.

Theories of Motivation

Classical Theories of Motivation: The motivation concepts were mainly developed around 1950's. Three main theories were made during this period. These theories are building blocks of the contemporary theories developed later. These three classical theories are

a. Maslow's hierarchy of needs theory

b. Herzberg's Two factor theory

c. Theory X and Theory Y

Maslow's hierarchy of needs theory: This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies. These five needs are as follows

a. **Physiological needs:** These are the basic needs of air, water, food, clothing and shelter. In other words, physiological needs are the needs for basic amenities of life.

b. **Safety needs:** Safety needs include physical, environmental and emotional safety and protection like Job security, financial security, protection from animals, family security, health security, etc.

c. **Social needs:** Social needs include the need for love, affection, care, belongingness, and friendship.

d. **Esteem needs:** Esteem needs are of two types: internal esteem needs (self- respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration).

e. **Self-actualization need:** This include the urge to become what you are capable of becoming / what you have the potential to become. It includes the need for growth and self-contentment. It also includes desire for gaining more knowledge, social-service, creativity and being aesthetic.
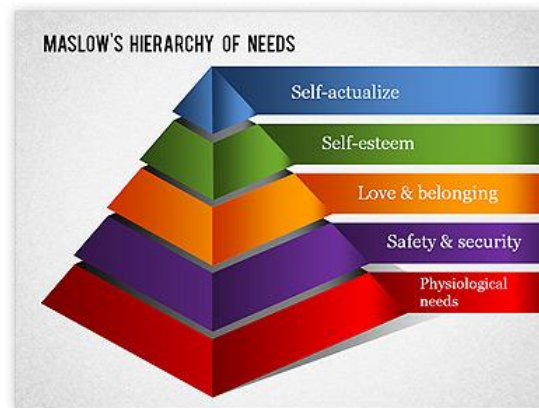
According to Maslow, individuals are motivated by unsatisfied needs. As each of these needs is significantly satisfied, it drives and forces the next need to emerge. Maslow grouped the five needs into two categories **higher-order needs and lower-order needs**. The physiological and the safety and security needs constituted the lower-order needs. These lower-order needs are mainly satisfied externally. The social i.e. love and belonging, Self-esteem, and self-actualization needs constituted the higher-order needs. These higher-order needs are generally satisfied internally, i.e., within an individual.

Limitations of Maslow's Theory

a. It is essential to note that not all employees are governed by same set of needs. Different individuals may be driven by different needs at same point of time. It is always the most powerful unsatisfied need that motivates an individual.

b. The theory is not empirically supported.

c. The theory is not applicable in case of starving artist as even if the artist's basic needs are not satisfied, he will still strive for recognition and achievement.

Herzberg's Two-Factor Theory of Motivation: According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. Herzberg classified these job factors into two categories **Hygiene factors and Motivational factors**

a. **Hygiene factors:** Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent/if these factors are non-existent at workplace, then they lead to dissatisfaction. Hygiene factors are also called as **dissatisfiers or maintenance factors**. Hygiene factors includes Pay, Company Policies and administrative policies, Fringe benefits, Physical Working conditions, Employee Status, Interpersonal relations, Job etc.

b. **Motivational factors:** According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. Motivational factors include Recognition, Sense of achievement, Growth and promotional opportunities, Responsibility, Meaningfulness of the work and the like.

Limitations of Two-Factor Theory: The two factor theory is not free from limitations

1. The two-factor theory overlooks situational variables.
2. Herzberg assumed a correlation between satisfaction and productivity. But the research conducted by Herzberg stressed upon satisfaction and ignored productivity.
3. The theory's reliability is uncertain.
4. No comprehensive measure of satisfaction was used. An employee may find his job acceptable despite the fact that he may hate/object part of his job.
5. The two factor theory is not free from bias as it is based on the natural reaction of employees.
6. The theory ignores blue-collar workers.

Theory X and Theory Y: In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y.

Assumptions of Theory X

1. An average employee intrinsically does not like work and tries to escape it whenever possible.
1. Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
2. Many employees rank job security on top, and they have little or no aspiration/ ambition.
3. Employees generally dislike responsibilities.
4. Employees resist change.
5. An average employee needs formal direction.

Assumptions of Theory Y

1. Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
2. Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
3. If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
4. An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.
5. The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.

Modern Theories of Motivation: Some of the contemporary / modern theories of motivation are explained below

1. ERG Theory
2. McClelland's Theory of Needs
3. Goal Setting Theory
4. Reinforcement Theory
5. Equity Theory of Motivation
6. Expectancy Theory of Motivation

ERG Theory of Motivation: Clayton Alderfer redefined Maslows need theory empirically and is called as ERG theory of motivation.

a. **Existence needs-** These include need for basic material necessities. It includes an individual's physiological and physical safety needs.

b. **Relatedness needs-** These include the aspiration tat individual's have for maintaining significant interpersonal relationships (be it with family, peers or superiors), getting public fame and recognition. Maslow's social needs and external component of esteem needs fall under this class of need.

c. **Growth needs-** These include need for self-development and personal growth and advancement. Maslow's self-actualization needs and intrinsic component of esteem needs fall under this category of need.

McClelland's Theory of Needs: David McClelland and his associates proposed McClelland's theory of Needs / Achievement Motivation Theory. This theory states that human behaviour is affected by three needs - Need for Power, Achievement and Affiliation.

a. Need for achievement is the urge to excel, to accomplish in relation to a set of standards, to struggle to achieve success.

b. Need for power is the desire to influence other individual's behaviour as per your wish. In other words, it is the desire to have control over others and to be influential.

c. Need for affiliation is a need for open and sociable interpersonal relationships. In other words, it is a desire for relationship based on co-operation and mutual understanding.

Goal Setting Theory of Motivation: In 1960's, Edwin Locke put forward the Goal-setting theory of motivation. This theory states that goal setting is essentially linked to task performance. It states that specific and challenging goals along with appropriate feedback contribute to higher and better task performance. In simple words, goals indicate and give direction to an employee about what needs to be done and how much efforts are required to be put in.

Advantages of Goal Setting Theory

a. Goal setting theory is a technique used to raise incentives for employees to complete work quickly and effectively.
b. Goal setting leads to better performance by increasing motivation and efforts, but also through increasing and improving the feedback quality.

Limitations of Goal Setting Theory

a. At times, the organizational goals are in conflict with the managerial goals.
b. Very difficult and complex goals stimulate riskier behaviour.
c. If the employee lacks skills and competencies to perform actions essential for goal, then the goal-setting can fail and lead to undermining of performance.
d. There is no evidence to prove that goal-setting improves job satisfaction.

Reinforcement Theory of Motivation: Reinforcement theory of motivation was proposed by BF Skinner and his associates. It states that individual's behaviour is a function of its consequences. It is based on "law of effect", i.e, individual's behaviour with positive consequences tends to be repeated, but individual's behaviour with negative consequences tends not to be repeated.

a. **Positive Reinforcement-** This implies giving a positive response when an individual shows positive and required behaviour. For example - Immediately praising an employee for coming early for job. This will increase probability of outstanding behaviour occurring again. Reward is a positive reinforce, If and only if the employees' behaviour improves, reward can said to be a positive reinforcer. Positive reinforcement stimulates occurrence of a behaviour. It must be noted that more spontaneous is the giving of reward, the greater reinforcement value it

b. **Negative Reinforcement-** This implies rewarding an employee by removing negative / undesirable consequences. Both positive and negative reinforcement can be used for increasing desirable / required behaviour.

c. **Punishment-** It implies removing positive consequences so as to lower the probability of repeating undesirable behaviour in future. punishment means applying undesirable consequence for showing undesirable behaviour. For instance - Suspending an employee for breaking the organizational rules.

Equity Theory of Motivation: The core of the equity theory is the principle of balance or equity. As per this motivation theory, an individual's motivation level is correlated to his perception of equity, fairness and justice practiced by the management. Higher is individual's perception of fairness, greater is the motivation level and vice versa. While evaluating fairness, employee compares the job input (in terms of contribution) to outcome (in terms of compensation) and also compares the same with that of another peer of equal cadre/category.

Expectancy Theory of Motivation: The expectancy theory was proposed by Victor Vroom of Yale School of Management in 1964. The Expectancy theory states that employee's motivation is an outcome of how much an individual wants a reward (Valence), the assessment that the likelihood that the effort will lead to expected performance (Expectancy) and the belief that the performance will lead to reward (Instrumentality). In short, Valence is the significance associated by an individual about the expected outcome. Expectancy is the faith that better efforts will result in better performance. Instrumentality is the faith that if you perform well, then a valid outcome will be there.

Questions for discussion:

1. Define Leadership. What are the different theories of Leadership?
2. Define motivation. Explain its significance.
3. What are the different theories of motivation?

UNIT IV

CHAPTER 7

INTRODUCTION TO ORGANIZATIONAL BEHAVIOUR

Organizational behaviour (OB) is the study of the way people interact within groups. Normally this study is applied in an attempt to create more efficient business organizations. The central idea of the study of organizational behaviour is that a scientific approach can be applied to the management of workers. Organizational behaviour theories are used for human resource purposes to maximize the output from individual group members.

Organizational behaviour studies the impact individuals, groups, and structures have on human behaviour within organizations. It is an interdisciplinary field that includes sociology, psychology, communication, and management. Organizational behaviour complements organizational theory, which focuses on organizational and intra-organizational topics, and complements human-resource studies, which is more focused on everyday business practices.

Nature of Organizational Behaviour: Organizational behaviour has emerged as a separate field of study. The nature it has acquired is identified as follows

1. **A Separate Field of Study and not a Discipline:** A discipline is an accepted science that is based on a theoretical foundation. O.B. has a multi-interdisciplinary orientation and is, thus, not based on a specific theoretical background. Therefore, it is better to call O.B. a separate field of study rather than a discipline.

2. **An Interdisciplinary Approach:** Organizational behaviour is essentially an interdisciplinary approach to study human behaviour at work. It tries to integrate the relevant knowledge drawn from related disciplines like psychology, sociology and

anthropology to make them applicable for studying and analysing organizational behaviour.

3. **An Applied Science:** The very nature of O.B. is applied. O.B. basically does the application of various researches to solve the organizational problems related to human behaviour. The basic line of difference between pure science and O.B. is that while the former concentrates of fundamental researches, the latter concentrates on applied researches. O.B. involves both applied research and its application in organizational analysis. Hence, O.B. can be called both science as well as art.

4. **A Normative Science:** Organizational Behaviour is a normative science also. While the positive science discusses only cause effect relationship, O.B. prescribes how the findings of applied researches can be applied to socially accepted organizational goals. Thus, O.B. deals with what is accepted by individuals and society engaged in an organization.

5. **A Humanistic and Optimistic Approach:** Organizational Behaviour applies humanistic approach towards people working in the organization. It, deals with the thinking and feeling of human beings. It is based on the belief that people have an innate desire to be independent, creative and productive. It also realizes that people working in the organization can and will actualize these potentials if they are given proper conditions and environment.

6. **A Total System Approach:** The system approach is one that integrates all the variables, affecting organizational functioning. The systems approach has been developed by the behavioural scientists to analyse human behaviour in view of his/her socio-psychological framework.

Scope of Organizational Behaviour: The three internal organizational elements viz., people, technology and structure and the fourth element, i.e., external social systems may be taken as the scope of O.B.

1. **People:** The people constitute the internal social system of the organization. They consist of individuals and groups. Groups may be large or small, formal or informal, official or unofficial. They are dynamic. Human organization changes every day. People are living, thinking and feeling being who created the organization and try to

achieve the objectives and goals. Thus, organizations exist to serve the people and not the people exist to serve the organization.

2. **Structure:** Structure defines the sole relationship of people in an organization. Different people in an organization are given different roles and they have certain relationship with others. It leads to division of labour so that people can perform their duties or work to accomplish the organizational goal. The structure relates to power and duties. One has the authority and others have a duty to obey him.

3. **Technology:** Technology imparts the physical and economic conditions within which people work. The nature of technology depends very much on the nature of the organization and influences the work or working conditions. The technology brings effectiveness and at the same restricts people in various ways.

4. **Social System:** Social system provides external environment which the organization operates. A single organization cannot exist, there are many other organizations. All these organizations influence each other. It influences the attitudes of people, their working conditions and above all provides competition for resources and power.

Models of organisational behaviour: The five models of organisational behaviour are the

1. Autocratic model
2. Custodial model
3. Supportive model
4. Collegial model and
5. System model.

1. **Autocratic model:** Autocratic model is the model that depends upon strength, power and formal authority. In an autocratic organisation, the people (management/owners) who manage the tasks in an organisation have formal authority for controlling the employees who work under them. These lower-level employees have little control over the work function. Their ideas and innovations are not generally welcomed, as the key decisions are made at the top management level.

The guiding principle behind this model is that management/owners have enormous business expertise, and the average employee has relatively low levels of skill and needs to be fully directed and guided. This type of autocratic management system was common in factories in the industrial revolution era.

2. **Custodial model:** The custodial model is based around the concept of providing economic security for employees – through wages and other benefits – that will create employee loyalty and motivation. The underlying theory for the organisation in this model is that they will have a greater skilled workforce, more motivated employees, and have a competitive advantage through employee knowledge and expertise.

3. **Supportive model:** The supportive model is focused around aspiring leadership. It is not based upon control and authority (the autocratic model) or upon incentives (the custodial model), but instead tries to motivate staff through the manager-employee relationship and how employees are treated on a day-to-day basis.

4. **Collegial model:** The collegial model is based around teamwork – everybody working as colleagues (hence the name of the model). The role of the manager is to foster this teamwork and create positive and energetic workplaces. The manager can be considered to be the "coach" of the team. And as coach, the goal is to make the team perform well overall, rather than focus on their own performance, or the performance of key individuals.

5. **System model:** In the system model, the organisation looks at the overall structure and team environment, and considers that individuals have different goals, talents and potential. The intent of the system model is to try and balance the goals of the individual with the goals of the organisation.

Questions for discussion:

1. Explain the nature and scope of OB
2. Explain the different models of OB.

CHAPTER 8
GROUP DYNAMICS

Group Dynamics

Group: A group is a collection of two or more individuals. A group is an aggregation of people. They interact with each other. They are aware of one another. They have a common objective.

Group Dynamics: Group dynamics means the study of forces operating within a group for the social interaction. Group dynamics deals with the attitudes and behavioral patterns of a group. Group dynamics concern how groups are formed, what is their structure and which processes are followed in their functioning.

Characteristics of Group

a. **Two or More Persons:** A single individual cannot form a group. For group formation, at least two persons are must. There is no specific limit on the maximum number of persons to form a group.

b. **Collective Identity:** Each group member knows one another. Each member of the group perceives that he/she is a part of group.

c. **Interaction:** There is an interaction among the members of the group. Each member shares his ideas with others through different communication methods such as face-to-face, in writing, over the telephone and across a computer network.

d. **Common Purpose:** The members of the group work to achieve some common objective or purpose. In fact, it is the common purpose that binds the group members together.

Types of Group: There are mainly two ways of classifying groups. Formal and informal groups. Different kinds of formal and informal groups are listed below

Formal Groups	Informal Groups
Command Group	Friend Group
Task Group	Interest Group
Project Group	Reference Group
Committees	

1. **Formal Group:** Groups established by the organization to achieve organizational goals are called formal groups. In formal groups, the behaviours that a member should exhibit are stipulated by organization and directed towards organizational goals. It is possible to sub-classify formal groups into the following one.

   a. **Command Group:** A command group is composed of a supervisor (manager) and the subordinates who report directly to that supervisor. A command group is determined by the organizational chart.

   b. **Task Group:** A task group comprises of persons working together to complete a common task. However, a task group can cross command relationships.

   c. **Project Group:** Likewise, project groups are formed to complete a specific project. The life of the project group normally coincides with the length of the project.

d. **Committees:** Committees are usually created outside the usual command group structure to solve recurring problems. The life of a committee may be relatively long or short.

2. **Informal groups:** Informal groups arise rapidly on the basis of friendship or some common interest which may or may not be work related. The various kinds of formal groups are

   a. **Friendship Groups:** Friendship groups are associations of people who like each other and who like to be together. Such groups are formed because members have one or more common characteristics, such as age or ethnic heritage, political beliefs, religious values and other bonds of attraction.

   b. **Interest Groups:** Interest groups are composed of individuals who may not be members of the same organization (command or task groups), but they are united by their interest in a common issue.

   c. **Reference Group:** A reference group is a special type of informal group that people use to evaluate themselves. A reference group may not be an actual one that meets together, it can be an imaginary group.

   d. **Cliques** consisting colleagues and associates closely intimated to each other.

Reason for joining Groups: Groups are formed and joined for a variety of reasons. The most popular reasons for forming and joining a group are related to our needs for safety and security, relatedness or belonging, esteem, power and identity.

Stages of Group Development: Group Development is a dynamic process. The process includes the five stages: forming, storming, forming, performing, and adjourning**.**

1. **Forming:** The first stage in the life of a group is concerned with forming a group. This stage is characterized by members seeking either a work assignment (in a formal group) or other benefit, like status, affiliation, power, etc. (in an informal group). Members at this stage either engage in busy type of activity or show apathy.

2. **Storming:** The next stage in this group is marked by the formation of dyads and triads. Members seek out familiar or similar individuals and begin a deeper sharing of self. Continued attention to the subgroup creates a differentiation in the group and

tensions across the dyads / triads may appear. Pairing is a common phenomenon. There will be conflict about controlling the group.

3. **Norming:** The third stage of group development is marked by a more serious concern about task performance. The dyads/triads begin to open up and seek out other members in the group. Efforts are made to establish various norms for task performance. The norming stage is over with the solidification of the group structure and a sense of group identity and camaraderie.

4. **Performing:** This is a stage of a fully functional group where members see themselves as a group and get involved in the task. Each person makes a contribution and the authority figure is also seen as a part of the group. Group norms are followed and collective pressure is exerted to ensure the Process of Group effectiveness of the group.

5. **Adjourning:** In the case of temporary groups, like project team, task force, or any other such group, which have a limited task at hand, also have a fifth stage, This is known as adjourning. The group decides to disband.

Factors Affecting Group Behaviour: The success or failure of a group depends upon so many factors.

1. **Group Member Resources:** The members' knowledge, abilities, skills; and personality characteristics (sociability, self- reliance, and independence) are the resources the group members bring in with them.

2. **Group Size:** Group size can vary from 2 people to a very large number of people. Small groups of two to ten are thought to be more effective because each member has ample opportunity to take part and engage actively in the group. Large groups may waste time by deciding on processes and trying to decide who should participate next. Evidence supports the notion that as the size of the group increases, satisfaction increases up to a certain point. Increasing the size of a group beyond 10-12 members' results in decreased satisfaction.

3. **Group Roles**: In formal groups, roles are always predetermined and assigned to members. Each role shall have specific responsibilities and duties. There are, however, emergent roles that develop naturally to meet the needs of the groups. These

emergent roles will often substitute the assigned roles as individuals begin to express themselves and become more assertive.

Role conflicts arise when there is ambiguity (confusion about delegation and no specific job descriptions) between the sent role and the received role which leads to frustration and dissatisfaction, ultimately leading to turnover.

4. **Group Norms**: Norms define the acceptable standard or boundaries of acceptable and unacceptable behaviour, shared by group members. They are typically created in order to facilitate group survival, make behaviour more predictable, avoid embarrassing situations, and express the values of the group. Each group will create its own norms that might determine from the work performance to dress to making comments in a meeting. Groups exert pressure on members to force them to conform to the group's standards.

5. **Group Cohesiveness**: Cohesiveness refers to the bonding of group members or unity, feelings of attraction for each other and desire to remain part of the group. Many factors influence the amount of group cohesiveness – agreement on group goals, frequency of interaction, personal attractiveness, inter-group competition, favourable evaluation, etc. The more difficult it is to obtain group membership the more cohesive the group will be.

Cohesiveness in work groups has many positive effects, including worker satisfaction, low turnover and absenteeism, and higher productivity. However, highly cohesive groups may be detrimental to organizational performance if their goals are misaligned with organizational goals.

6. **Group Processes:** Decision-making by a group is superior, because group generates more information and knowledge, generates diverse alternatives, increases acceptance of a solution, and increases legitimacy.

Team: A team is a group of individuals, all working together for a common purpose. The individuals comprising a team ideally should have common goals, common objectives and more or less think on the same lines.

Characteristics of a Good/Effective team.

1. A clear, elevating goal
2. A results-driven structure
3. Competent members
4. Unified commitment
5. A collaborative climate
6. Standards of excellence
7. Principled leadership
8. Team goals are clearly understood by all
9. Each team member trusts the judgment of others
10. The team has to be willing to take risks
11. Team decisions are made by using organized as well as logical methods.
12. Teams are given realistic deadlines

Importance of team: Team is important in an organisation for the following reason

1. Tasks are accomplished at a faster pace when it is done by a team rather than an individual.
2. Work never suffers or takes a backseat in a team
3. There is always a healthy competition among the team members
4. Team work is also important to improve the relations among the employees
5. Team members can also gain from each other

Team Models

1. **The Traditional Model:** This is a group of people with a traditional boss.
2. **The Team Spirit Model:** This is a group of people who are working for one boss. In reality this is not really a team. This is because there is one person who calls all the shots. Besides, there is no sharing of authority or responsibility.
3. **The Cutting Edge Model:** This is a group of people who are managing themselves. There is no single person in this group who has the authority to make any such

decisions about the events which will impact the whole group. This is also known as a self-directed work team.

4. **The Task Force Model:** This refers to a group that comes together for a specific time only. This is because it has to work on a special project or a task. Such a group has traditionally been called a task force or a committee.

5. **The Cyber Team:** In such a team model, members see one another rarely or even, not at all. These are also known as "cyber" or "virtual" teams.

Building an effective team

1. Everybody should consider each other's ideas as valuable.
2. Everybody should consider others unspoken feelings.
3. The members should act as a harmonizing influence.
4. Everybody should be clear when communicating.
5. Everybody should encourage trust and cooperation among others on the team.
6. Everybody should encourage team members to share information.
7. The problem-solving tasks should be delegated to the team.
8. Establish team values and goals and evaluate team performance.
9. Use consensus.
10. The ground rules have to be set for the team.
11. Establish a method for arriving at a consensus.
12. Encourage listening and brainstorming.

Questions for discussion:

> 1. Define group. Explain its importance and types.
> 2. Explain the process of group formation.
> 3. What is a team? Explain its characteristics and importance.
> 4. Briefly explain the team models.
> 5. Explain the methods to build an effective team.

CHAPTER 9
INDIVIDUAL BEHAVIOUR

Learning: Learning is defined as "any relatively permanent change in behaviour that occurs as a result of practice and experience". All learning involves activities. These activities involve either physical or mental activities. They may be simple mental activities or complex, involving various muscles, bones, etc.

Theories of Learning: Psychologists have tried to explain how people learn and why they learn. Few of the vital theories are

1. **Trial and Error Learning Theory**: This theory was developed by an American psychologist EL Thorndike (1874-1949). He argues that learning takes place through trial and error method. According to him learning is a gradual process where the individual will make many attempts to learn. The essence of this theory is-as the trials increase, the errors decrease.

2. **Learning by Conditioning:** In literal sense, conditioning means 'getting used' to, or 'adjusted 'to a new situation, or a stimulus. It is a process of substituting the original

stimulus by a new one and connecting the response with it. There are two types of conditioning theories

a. **Classical conditioning:** This method of conditioning got its name from the fact that, it is a kind of learning situation that existed in the early classical experiments of Ivan P Pavlov (1849-1936), Russian physiologist. Pavlov paired the meat powder with various stimuli such as the ringing of a bell. After the meat powder and bell (auditory stimulus) were presented together several times, the bell was used alone. Pavlov's dogs, responded by salivating to the sound of the bell (without the food). The bell began as a neutral stimulus (i.e. the bell itself did not produce the dogs' salivation). The meat powder is considered an unconditioned stimulus (UCS) and the dog's salivation is the unconditioned response (UCR). The bell is a neutral stimulus until the dog learns to associate the bell with food. Then the bell becomes a conditioned stimulus (CS) which produces the conditioned response (CR) of salivation after repeated pairings between the bell and food.

b. **Operant Conditioning:** This method of conditioning was developed by an American psychologist BF Skinner. This theory is also known as 'Instrumental conditioning'. Skinner conducted his famous experiment by placing a hungry rat in a box called after his name 'Skinner box'. This box was containing a lever and a food tray in a corner of the box. The animal was free to move inside the box, but the pressing of the lever would get the animal a pallet of food in the tray as reinforcement. It was found in the beginning that the rat pressed the lever occasionally and used to get food as reinforcement for each pressing. Gradually, as the animal learnt the pressing of lever would give some food, it repeated the responses very rapidly. This rapid increase in pressing the lever is the indication of the animal conditioned to get food. This has given the scope for understanding the phenomenon of Rewarded behaviour is repeated.

3. **Learning by Insight:** Learning by perceiving the relationship in the scene and understanding the situation is insightful learning. This theory was developed by a psychologist known as Wolf gang Kohler, who belonged to Gestalt school of psychology. According to Gestalt theory—perception of a situation as a 'whole' gives better understanding than sum total of its parts.

4. **Learning by Imitation:** It is the simplest method of learning. Many of day-to-day's activities are learnt by imitating others. For example, the way one eat, drink, walk, talk, dress, etc, are all learnt by imitating others. A person observe and watch what and how other people do certain activities and imitate them.

Perception: Perception is the process of recognizing and interpreting sensory stimuli. It can be defined as our recognition and interpretation of sensory information. Perception is an intellectual process of transforming sensory stimuli to meaningful information. It is the process of interpreting something that we see or hear in our mind and use it later to judge and give a verdict on a situation, person, group etc.

Perceptual Process: Perceptual process are the different stages of perception we go through. The different stages are Receiving, Selecting, Organizing and Interpreting

1. **Receiving:** Receiving is the first and most important stage in the process of perception. It is the initial stage in which a person collects all information and receives the information through the sense organs.

2. **Selecting:** Selecting is the second stage in the process. Here a person doesn't receive the data randomly but selectively. A person selects some information out of all in accordance with his interest or needs. The selection of data is dominated by various external and internal factors.

    i. **External factors:** The factors that influence the perception of an individual externally are intensity, size, contrast, movement, repetition, familiarity, and novelty.

    ii. **Internal factors:** The factors that influence the perception of an individual internally are psychological requirements, learning, background, experience, self-acceptance, and interest.

3. **Organizing:** Keeping things in order or say in a synchronized way is organizing. In order to make sense of the data received, it is important to organize them.

4. **Interpreting:** Interpretation means that the information that have been sensed and organized is finally given a meaning by turning it into something that can be categorized. It includes stereotyping, halo effect etc.

Importance of Perception in OB: The role of perception in an organization is very important in establishing different role of perceptions like

1. Understanding the tasks to be performed.
2. Understanding associated importance of tasks allotted.
3. Understanding preferred behavior to complete respective tasks.
4. Clarifying role perceptions.

Principles of Perceptual Organisation

1. **Figure-ground Relationship:** According to this principle any figure can be perceived more meaningfully in a background and that figure cannot be separated from that background. For example, letters written with a white chalk piece are perceived clearly in the background of a blackboard.

From the above figure two faces can be seen in the background of a white colour. So also the white background can be perceived as a vessel in the background of two faces.

2. **Grouping of Stimuli in Perceptual Organisation:** According to gestalt principle, the objects can be perceived meaningfully when they are grouped together. There are some principles which are followed by us in order to make our perception more meaningful. They are as follows:

   a. **Proximity:** Proximity means nearness. The objects which are nearer to each other can be perceived meaningfully by grouping them.

   b. **Similarity:** Stimuli need not be nearer to each other for perception. If there is similarity in these objects, they are grouped together and perceived, even if they are away.
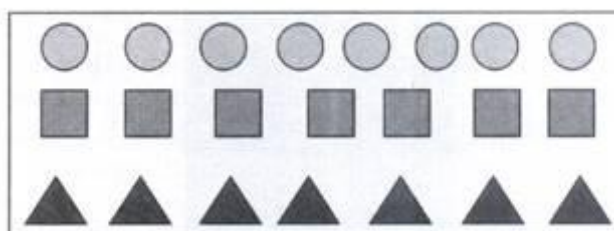
   c. **Continuity:** Any stimulus which extends in the same direction or shape will be perceived as a whole For example, (A) in this figure though the curved line is broken, it is perceived as a continuous line, so also straight line is not seen with semicircles but as a continuous line (B) the dots are perceived as existing in the same line of direction continuously.
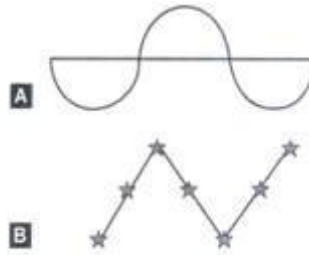
d. **Closure:** When a stimulus is presented with gaps, the human tendency is to perceive that figure as complete one by filling the gaps psychologically. For example, the gaps, in the figure are filled psychologically and perceived as letters M and A, circle and a rectangle.

e. **Symmetry:** Objects which are having symmetrical shape are perceived as groups. For example, the brackets of different shapes shown in the Figure perceived meaningfully, because they are grouped together and perceived as brackets.

3. **Perceptual Constancy:** This refers to stableness in perception. We have a tendency to perceive the objects as relatively stable and unchanging in shape and size, inspite of a change in the image that we receive.

Factors Affecting Perception: There are individual differences in perceptual abilities. Two people may perceive the same stimulus differently. The factors affecting the perceptions of people are

1. **Perceptual learning:** Based on past experiences or any special training that we get, every one of us learns to emphasise some sensory inputs and to ignore others.

2. **Mental set:** Mental set refers to preparedness or readiness to receive some sensory input. Such expectancy keeps the individual prepared with good attention and concentration.

3. **Motives and needs:** Our motives and needs will definitely influence our perception. For example, a hungry person is motivated to recognise only the food items among other articles. His attention cannot be directed towards other things until his motive is satisfied.

4. **Cognitive styles:** People are said to differ in the ways they characteristically process the information. Every individual will have his or her own way of understanding the situation.

Values: The generalised end which has the connotations of rightness, goodness or inherent desirability. A value is a belief that something is good and desirable.

Characteristics:
   a. Values may be specific
   b. Value systems can be different from culture to culture.

Types: Values can be classified into two broad categories:
   a. **Individual values:** The values are related with the development of human personality or individual norms of recognition and protection of the human personality such as honesty, loyalty, veracity and honour.
   b. **Collective values:** Values connected with the solidarity of the community or collective norms of equality, justice, solidarity and sociableness are known as collective values.

Attitude: A predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation. Attitude influences an individual's choice of action, and responses to challenges, incentives, and rewards (together called stimuli).

Characteristics and Properties of Attitudes:

1. Attitudes always imply a subject-object relationship. They are associated with ideas, ways and external objects. It is always related to definite stimulus situations.

2. Attitudes in relation to objects, persons and values may or may not have motivational appeal initially. Gradually individuals through social interaction develop either positive or negative attitude which depend upon their experience and need.

3. Attitudes give a direction to one's behaviour and actions. Because of a particular positive attitude the organism either approaches it or because of a negative attitude avoids it.

4. Attitudes are coloured with motivational and evaluative characteristics. A favourable attitude is considered as having some positive values while a negative attitude is looked upon as having unpalatable and negative implications.

5. Attitudes are not innate but learned, acquired and conditioned. They grow in the society in the minds of men through various modes of training.

6. Attitude is never neutral. It can be either positive or negative, favourable or unfavourable, palatable or unpalatable.

7. Attitudes have affective properties of varying degrees. They are linked with feelings and emotions like pleasant, unpleasant, fear, love.

8. Attitudes are more or less enduring organisations or enduring state of readiness. Thus, attitudes once formed and relatively stable, consistent and permanent can be normally predicted.

9. Attitudes can be changed depending upon the circumstances, experiences and how of information's through various processes of communication or through direct interaction.

10. Attitude is called the evaluative orientation towards the social world which is mostly expressed verbally and, therefore, it can be measured.

Classification of Attitude: Based on the existing relation between the individual of the society different categories of attitudes develop

1. **Reciprocal attitude:** The attitude between employee and the employer, student and teacher is reciprocal. Such attitudes are designated as reciprocal ones.
2. **Common attitude:** When large number of people in the society have similar or uniform attitude towards an organisation, groups or political parties, religion etc. it is known as common attitude.
3. **Private attitude:** The name itself is explanatory. Such attitudes are absolutely the individual's personal attitudes and are not shared by others.

Attitudes can also be classified in the following way into six groups:

1. **Theoretical:** Those who always desire to discover the reasons and truth behind everything come under this category.
2. **Economic:** Guided by utility and practical value of an object economic type persons try to find out the benefit and utility of an object.
3. **Aesthetic:** People having aesthetic attitudes attempt to discover the beauty of an object. It helps in fulfilment and self-realization.
4. **Social:** Persons with social attitude judge the situation from the social standpoint.
5. **Political:** People with political attitude like to dominate and control other people. They are lovers of power. They try to control a situation by self-display.
6. **Religious:** The desire to explore the final secret of nature, mystic aspect of life is found among persons with a religious attitude. Such attitude is qualified by faith and belief and emotion and not coloured by reasoning.

Personality: Personality is defined as a unique set of traits and characteristics, relatively stable over time. Personality is an enduring pattern of thinking, feeling and acting that characterizes a person's response to her or his environment. It is the aggregate conglomeration of memories and incidents in an individual's entire life span.

Determinants of Personality: Following are the factors which help in shaping one's personality:

1. **Heredity -** Heredity refers to factors that are determined once an individual is born. An individual's physique, attractiveness, body type, complexion, body weight depend on his/her parents biological makeup.

2. **Environment -** The environment to which an individual is subjected to during his growing years plays an important role in determining his/her personality. The varied cultures in which we are brought up and our family backgrounds have a crucial role in shaping our personalities.

3. **Situation -** An individual's personality also changes with current circumstances and situations. An individual would behave in a different way when he has enough savings with him and his behavior would automatically change when he is bankrupt.

Personality Theories:

Traits Theory: The traditional approach of understanding personality was to identify and describe personality in terms of traits. In other words, it viewed personality as revolving around attempts to identify and label permanent characteristics that describe an individual's behavior. Popular characteristics or traits include shyness, aggressiveness, submissiveness, laziness, ambition, loyalty, and timidity. This distinctiveness, when they are exhibited in a large number of situations, are called personality traits. The more consistent the characteristic and the more frequently it occurs in diverse situations, the more important that trait is in describing the individual. Broadly there are five parameters which describe an individual's personality called as Big Five Factors, and the model is referred to as Five Factor Model. Following are five personality traits of an individual:

a. **Openness to experience:** Individuals with openness to experience are generally very active, have a tremendous inclination towards creativity and aesthetics and listen to their heart i.e. follow their inner feelings. Such individuals are generally open to new learnings, skill sets and experiences.

b. **Conscientiousness:** As the name suggests, individuals with a Conscientiousness personality trait listen to their conscience and act accordingly. Such individuals are

extremely cautious and self disciplined. They never perform any task in haste but think twice before acting. People with this personality trait are generally methodical and tend to become perfectionists in the long run.

c. **Extraversion and Introversion:**

1. **Extraversion:** Extraversion refers to a state where individuals show more concern towards what is happening outside. Such individuals love interacting with people around and are generally talkative.

2. **Introversion:** Introversion, on the other hand refers to a state when an individual is concerned only with his own life and nothing else. Such individuals do not bother about others and are seldom interested in what is happening around.

d. **Agreeableness**: Agreeableness is a personality trait which teaches individuals to be adjusting in almost all situations. Such individuals do not crib and face changes with a smile. They accommodate themselves to all situations and are friendly and kind hearted.

e. **Neuroticism**: Neuroticism is a trait where individuals are prone to negative thoughts such as anxiety, anger, envy, guilt and so on. Such individuals are often in a state of depression and do not how to enjoy life. They always look at the negative sides of life and find extremely difficult to cope up with stress.

Questions for discussion:

1. Define learning. Explain the theories of learning.
2. What is perception? Explain the perceptual process.
3. Explain the principles of perceptual organisation and the factors that affect perception.
4. Define attitude and explain its classification.
5. Define personality and explain its types.

UNIT V
CHAPTER 10
ORGANISATIONAL DYNAMICS

Organizational dynamics: Organizational dynamics is defined as the process of continuously strengthening resources and enhancing employee performances. It can also be described as how an organization manages and promotes organizational learning, better business practices and strategic management.

Organization culture: Organization culture refers to the beliefs and principles of a particular organization. The culture followed by the organization has a deep impact on the employees and their relationship amongst themselves.

Importance of Organization Culture

a. The culture of an organization represents certain predefined policies which guide the employees and give them a sense of direction at the workplace

b. The work culture creates the brand image of the organization.

c. The work culture unites the employees who are otherwise from different back grounds.

d. The work culture promotes healthy relationship amongst the employees.

e. The organization culture brings all the employees on a common platform.

f. The culture decides the way employees interact at their workplace.

g. The culture of the workplace promotes healthy competition at the workplace

Types of organization culture:

a. **Normative Culture:** In such a culture, the norms and procedures of the organization are predefined and the rules and regulations are set as per the existing guidelines.

b. **Pragmatic Culture:** In a pragmatic culture, more emphasis is placed on the clients and the external parties.

c. **Academy Culture:** Organizations following academy culture hire skilled individuals. The roles and responsibilities are delegated according to the back ground, educational qualification and work experience of the employees.

d. **Baseball team Culture:** A baseball team culture considers the employees as the most treasured possession of the organization. The employees are the true assets of the organization who have a major role in its successful functioning.

e. **Club Culture:** Organizations following a club culture are very particular about the employees they recruit. The individuals are hired as per their specialization, educational qualification and interests. Each one does what he is best at.

f. **Fortress Culture:** There are certain organizations where the employees are not very sure about their career and longevity. Such organizations follow fortress culture

g. **Tough Guy Culture:** In a tough guy culture, feedbacks are essential. The performance of the employees is reviewed from time to time and their work is thoroughly monitored.

h. **Bet your company Culture:** Organizations which follow bet your company culture take decisions which involve a huge amount of risk and the consequences are also unforeseen.

i. **Process Culture:** As the name suggests the employees in such a culture adhere to the processes and procedures of the organization.

Factors which affect the organization culture:

a. The first and the foremost factor affecting culture is the individual working with the organization.

b. The sex of the employee

c. The nature of the business

d. The goals and objectives of the organization

e. The clients and the external parties

f. The management and its style of handling the employees

Threats to organization culture

a. Negative attitude and ego are in fact two biggest threats to organization culture.

b. Favouritism is another big threat to work culture.

c. Lack of communication among employees is another major problem faced by organizations.

Organisation change

Change: Change is defined as an act or process through which something becomes different from what it is or from what it would be if left alone.

Change management: Change management is the discipline that guides how organisations prepare, equip and support individuals to successfully adopt change in order to drive organizational success and outcomes. Change management provides a structured approach for supporting the individuals in an organization to move from their own current states to their own future states.

Importance of Change Management: The change management helps organisation in the following ways

a. Minimize resistance

b. Increase engagement

c. Improve performance

d. Reduce costs

e. Enhance innovation

Levels of change management

a. **Individual Change Management:** Individual change management requires understanding how people experience change and what they need to change successfully. It also help people make a successful transition. The understanding helps to identify the right resource, right timing, right skills to be coached for an individual. Individual change management draws on disciplines like psychology and neuroscience to apply actionable frameworks to individual change.

b. **Organizational Change Management:** Organizational change management involves first identifying the groups and people who will need to change as the result of the project, and in what ways they will need to change. It involves creating a customized plan for ensuring impacted employees receive the awareness, leadership, coaching, and training they need in order to change successfully. Driving successful individual transitions should be the central focus of the activities in organizational change management. Organizational change management ensures that the project's solution is effectively embraced, adopted and used.

c. **Enterprise Change Management Capability:** Enterprise change management is an organizational core competency that provides competitive differentiation and the ability to effectively adapt to the ever-changing world. An enterprise change management capability means effective change management is embedded into the organization's roles, structures, processes, projects and leadership competencies. The end result of an enterprise change management capability is that individuals embrace change more quickly and effectively, and organizations are able to respond quickly to market changes, embrace strategic initiatives, and adopt new technology more quickly and with less productivity impact. This capability requires a strategic approach to embed change management across an organization.

Resistance to Change

Resistance to change is the action taken by individuals and groups when they perceive that a change that is occurring as a threat to them. The threat need not be real or large for

resistance to occur. Resistance is the equivalent of objections and disagreement in general discussions. Resistance may take many forms, including active or passive, overt or covert, individual or organized, aggressive or timid.

Reasons for resistance to change

a. Misunderstanding about the need for change i.e. when the reason for the change is unclear
b. Fear of the unknown
c. Lack of competence
d. Connected to the old way of doing things**.**
e. Low trust on the company or the one who brings in the change
f. Resistance arises when change initiative is seen temporary fad
g. Resistance arises when people are not being consulted
h. Poor communication by the agents to the participants. More the communication more the participation and less the resistance.
i. People bound to be resistance whenever change requires us to do things different from the routines.
j. Too much of change leads to Exhaustion/Saturation and results in lesser motivation.
k. Change in the status quo
l. Benefits and rewards

Strategies in Managing Resistance to Change

a. **Education & Communication**: The best ways to overcome resistance to change is to educate people about the change effort beforehand. Up-front communication and education helps employees see the logic in the change effort. This reduces unfounded and incorrect rumours concerning the effects of change in the organization.
b. **Participation & Involvement**: When employees are involved in the change effort they are more likely to buy into change rather than resist it. This approach is likely to lower resistance more so than merely hoping people will acquiesce to change.

c. **Facilitation & Support**: Managers can head-off potential resistance by being supportive of employees during difficult times. Managerial support helps employees deal with fear and anxiety during a transition period.

d. **Negotiation and Agreement**: Managers can combat resistance by offering incentives to employees not to resist change. This can be done by allowing change resistors to veto elements of change that are threatening, or change resistors can be offered incentives to go elsewhere in the company in order to avoid having to experience the change effort.

e. **Manipulation and Cooptation**: Cooptation involves the patronizing gesture of bringing a person into a change management planning group for the sake of appearances rather than their substantive contribution. This often involves selecting leaders of the resisters to participate in the change effort. These leaders can be given a symbolic role in decision making without threatening the change effort.

f. **Explicit and Implicit Coercion**: Managers can explicitly or implicitly force employees into accepting change by making clear that resisting change can lead to losing jobs, firing, or not promoting employees.

Organization Development (OD)

Organizational Development (OD) is a management discipline designed to improve an organization's effectiveness and productivity. Organization Development refers to the various ways and procedures to increase the productivity and effectiveness of an organization. It includes the various techniques which help the employees as well as the organization adjust to changing circumstances in a better way.

The Need for OD

a. The concept of Organization development enables the organization to achieve the targets and meet the objectives at a much faster rate.

b. The employees as a result of organization development respond better to changes in the work culture.

c. Organization development helps the employees to focus on their jobs and contribute in their best possible way.

d. Management can handle the employees in a better way as a result of organization development.

Implementation of OD: OD activities are implemented basically by two types of activities

1. Action research is a diagnostic component of the OD process. The change agent uses actions plans to intervene in the organization and make changes by the following steps.
   a. Recognition of a problem by key executives
   b. Executives consult with a change agent (a group or individual),
   c. The agent gathers data, provides feedback to the executives, and then helps them determine change objectives.
   d. The agent does new research within the context of the stated OD goals, gives more feedback, devises a plan of action, and then intervenes in the company to effect change.
   e. After (or during) the intervention(s), data is gathered, feedback is supplied, actions are planned and implemented, and the process is repeated.

2. OD interventions are plans or programs comprised of specific activities designed to effect change in some facet of an organization. Numerous interventions have been developed over the years to address different problems or create various results. A few of the more popular interventions are briefly described below.
   a. **Sensitivity Training:** Sensitivity training is a psychological technique in which intensive group discussion and interaction are used to increase individual awareness of self and others; it is practiced in a variety of forms under such names as T-group, encounter group, human relations, and group-dynamics training. The group is usually small and unstructured and chooses its own goals. Sensitivity training often specifically addresses concerns such as gender sensitivity, multicultural sensitivity, and sensitivity toward those who are disabled in some way. The goal in this type of training is more oriented toward growth on an individual level.

b. **Survey Feedback:** Survey feedback is one of the means which is used for assessing the attitudes held by the members of the organizations, identifying discrepancies among member perceptions, and solving these differences. Everyone in an organization can participate in survey feedback. A questionnaire is usually completed by all members in the organization. Organization members may be asked to suggest or may be interviewed to determine what issues are relevant. The questionnaire typically asks members for their perceptions and attitudes on a broad range of topics, including decision making practices, communication effectiveness, coordination between units, and satisfaction with the organization, job, peers, and their immediate supervisor.

The data from this questionnaire are tabulated with data pertaining to an individual's specific 'family' and to the entire organization and distributed to employees. These data then become the springboard for identifying problems and clarifying issues that may be creating difficulties for people.

c. **Process Consultation:** It is the set of activities on the part of the consultant which help the client to perceive, understand, and act upon the process events which occur in the client's environment. Process consultation concentrates on certain specified areas such as communication, functional roles of members, group problem solving and decision making, group norms and growth, leadership and authority and intergroup cooperation and competition.

d. **Team Building:** A team building programme deals with new problems on an ongoing basis. It is an effective technique by which members of an organizational group diagnose how they work together and plan changes that will improve their effectiveness. Team building directly focuses on identification of problems relating to task performance and lays down concrete plans of their elimination. Team building attempts to improve effectiveness of work groups by allowing the group members to concentrate on:

    i. Setting goals or priorities for organizational groups.

    ii. Analysing or allocating the way the work is performed.

    iii. Examining the way the group is working.

iv. Examining the relationships among the people doing the work.

e. **Intergroup Development:** Intergroup interventions are integrated into OD programs to facilitate cooperation and efficiency between different groups within an organization. Departmental interaction often deteriorates in larger organizations as different divisions battle for limited resources or become detached from the needs of other departments. Conflict resolution meetings are one common intergroup intervention. This type of intervention helps to gradually diffuse tension between groups caused by lack of communication and misunderstanding.

Questions for discussion:

1. Define Organisation culture. Explain its importance and types.
2. What do you mean by Organisation change? Explain its importance and level of change.
3. What do you mean by resistance to change? Explain strategies to manage the resistance.
4. Define OD. Explain its need.
5. Explain the different interventions of OD.

GOVERNANCE

Business Ethics and Social Responsibility: Every business enterprise is an integral part of the society. It uses the scarce resources of the society to continue and grow. Hence, it is important that no activity of business is injurious to the long run interests of the society.

Business Ethics: Business ethics is the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities.

Business ethics ensure that a certain required level of trust exists between consumers and various forms of market participants with businesses. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways.

Characteristics of Business Ethics

a. **Code of conduct**: Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.

b. **Based on moral and social values**: Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.

c. **Gives protection to social groups**: Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.

d. **Provides basic framework**: Business ethics provide a basic framework for doing business. It gives the social cultural, economic, legal and other limits of business. Business must be conducted within these limits.

e. **Voluntar** : Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

f. **Requires education and guidance**: Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.

g. **Relative Term**: Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.

Importance of Business Ethics

a. Building on a foundation of ethical behavior helps create long lasting positive effects for a company, including the ability to attract and retain highly talented individuals and building and maintaining a positive reputation within the community.

b. Running a business in an ethical manner from the top down builds a stronger bond between individuals on the management team, further creating stability within the company.

c. Employees make better decisions in less time with business ethics as a guiding principle; this increases productivity and overall employee morale.

d. The ethical operation of a company is directly related to profitability in both the short and long term. The reputation of a business from the surrounding community, other businesses and individual investors is paramount in determining whether a company is a worthwhile investment.

Social Responsibility: Social responsibility of business refers to the obligation of business enterprises to adopt policies and plans of actions that are desirable in terms of the expectation, values and interest of the society. It ensures that the interests of different groups of the public are not adversely affected by the decisions and policies of the business.

Importance of Social Responsibility to business: Social responsibility is a voluntary effort on the part of business to take various steps to satisfy the expectation of the different interest groups such as owners, investors, employees, consumers, government and society or community. The importance of following is as follows

a. **Public Image:** The activities of business towards the welfare of the society earn goodwill and reputation for the business which in turn bring in customers as well as attracts honest and competent employees to work with such employers.

b. **Government Regulation:** To avoid government action business should discharge their duties voluntarily, failing which may ultimately force the firm to close down its business.

c. **Survival and Growth:** Every business is a part of the society. Business utilizes the available resources like power, water, land, roads, etc. of the society. So for its survival and growth, support from the society is very much essential.

d. Employee satisfaction: Besides getting good salary, employee expect a good and healthy atmosphere to work. It is the employers duty to provide the same a employee satisfaction is directly related to productivity.

e. Consumer Awareness: Consumers have become very conscious about their rights. They protest against the supply of inferior and harmful products by forming different groups. This has made it obligatory for businesses to protect the interest of the consumers by providing quality products at the competitive price.

Social Responsibilities towards Different Groups: Responsibilities of the business cannot be limited to the owners. The interest other stakeholders has to be accounted. They are as follows

a. **Responsibility towards the shareholders or owners:** The shareholders or owners are those who invest their money in the business. They should be provided with a fair return on their investment as dividends. It has to be ensured that the rate of dividend is commensurable with the risk involved and the earnings made. Besides dividends, the shareholders also expect an appreciation in the value of shares. This is governed primarily by company's performance.

b. **Responsibility towards the Employees:** A business enterprise must ensure a fair wage or salary to the workers based on the nature of work involved and the prevailing rates in the market. The working conditions must be good in respect of safety, medical facilities, canteen, housing, leave and retirement benefits etc. They should also be paid reasonable amount of bonus based on the business earnings. Preferably, there should also be a provision for their participation in management

c. **Responsibility towards the Consumers:** A business enterprise must supply quality goods and services to the consumers at reasonable prices. It should avoid adulteration, poor packaging, misleading and dishonest advertising, and ensure proper arrangement for attending to customer complaints and grievances.

d. **Responsibility towards the Government:** A business enterprise must follow the guidelines of the government while setting up the business. It should conduct the business in lawful manner. It should not indulge in any corrupt practices or unlawful activities. The various responsibilities of business towards government are

      i. Setting up units as per guidelines of government

ii. Payment of fees, duties and taxes regularly as well as honestly.

iii. Not to indulge in monopolistic and restrictive trade practices.

iv. Conforming to pollution control norms set up by government.

v. Not to indulge in corruption through bribing and other unlawful activities.

e. **Responsibility towards the Community:** Every business is a part and parcel of our community. So it should contribute towards the general welfare of the community. It should preserve and promote social and cultural values, generate employment opportunity and contribute towards the upliftment of weaker sections of the society. It must take every step to protect the physical and ecological environment of the society. It should contribute to the community development programmes like public health care, sports, cultural programmes. Broadly, the corporate social responsibility covers health, safety, environment and education, surrounding its establishments. The business has certain responsibilities towards society, which may be as follows:

i. To help the weaker and backward sections of the society

ii. To preserve and promote social and cultural values

iii. To generate employment

iv. To protect the environment

v. To conserve natural resources and wildlife

vi. To promote sports and culture

vii. To provide assistance in the field of developmental research on education, medical science, technology etc.

f. **Responsibility towards suppliers:** Suppliers are businessmen who supply raw materials and other items required by manufacturers and traders. Certain suppliers, called distributors, supply finished products to the consumers. The responsibilities of business towards these suppliers are:

i. Giving regular orders for purchase of goods.

ii. Dealing on fair terms and conditions.

iii. Availing reasonable credit period.

iv. Timely payment of dues.

g. **Responsibility towards competitors:** Competitors are the other businessmen or organizations involved in a similar type of business. Existence of competition helps

the business in becoming more dynamic and innovative so as to make itself better than its competitors. It also sometimes encourages the business to indulge in negative activities like resorting to unfair trade practices. The responsibilities of business towards its competitors are

    i. Not to offer exceptionally high sales commission to distributers, agents etc.

    ii. Not to offer to customers heavy discounts and /or free products in every sale.

    iii. Not to defame competitors through false or ambiguous advertisements.

Corporate governance: Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. It is an interaction between various participants (shareholders, board of directors, and company's management) in shaping corporation's performance and the way it is moved forward.

Characteristics of Corporate Governance

1. Corporate governance is the way a corporation polices itself.

2. Corporate governance is intended to increase the accountability of your company and to avoid massive disasters before they occur.

3. Corporate Governance deals with the manner the providers of finance guarantee themselves of getting a fair return on their investment.

4. Corporate Governance clearly distinguishes between the owners and the managers.

5. Corporate Governance deals with determining ways to take effective strategic decisions. It gives ultimate authority and complete responsibility to the Board of Directors.

6. Corporate Governance is essential to develop added value to the stakeholders.

7. Corporate Governance ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.

8. Corporate Governance has a broad scope. It includes both social and institutional aspects.

9. Corporate Governance encourages a trustworthy, moral, as well as ethical environment.

Advantages of Corporate Governance

1. Good corporate governance ensures corporate success and economic growth.

2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.

1. It lowers the capital cost.

2. There is a positive impact on the share price.

3. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.

4. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.

5. It helps in brand formation and development.

6. It ensures organization in managed in a manner that fits the best interests of all.

Principles of Corporate Governance:

1. **Shareholder recognition** is key to maintaining a company's stock price. small shareholders are brushed aside to make way for the interests of majority shareholders and the executive board. Good corporate governance seeks to make sure that all shareholders get a voice at general meetings and are allowed to participate.

2. **Stakeholder interests** should also be recognized by corporate governance. In particular, taking the time to address non-shareholder stakeholders can help a company establish a positive relationship with the community and the press.

3. **Board responsibilities must be clearly outlined** to majority shareholders. All board members must share a similar vision for the future of the company.

4. **Ethical behavior** violations in favour of higher profits can cause massive civil and legal problems down the road. A code of conduct regarding ethical decisions should be established for all members of the board.

5. **Business transparency** is the key to promoting shareholder trust. Financial records, earnings reports and forward guidance should all be clearly stated without exaggeration or "creative" accounting. Falsified financial records can cause your company to become a Ponzi scheme, and will be dealt with accordingly.

Question for discussion:

1. What is Business Ethics? Explain its characteristics and importance.
2. Define Social Responsibility. Explain its importance
3. Explain the Social responsibility that a business has towards different groups.
4. What is corporate governance? Explain its importance
5. What are the principles for effective corporate governance.

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