OIM351 INDUSTRIAL MANAGEMENT

UNIT I	INTRODUCTION
Technology Management - Definition - Functions - Evolution of Modern Management - Scientific Management Development of Management Thought. Approaches to the study of Management, Forms of Organization -Individual Ownership - Partnership - Joint Stock Companies - Co-operative Enterprises - Public Sector Undertakings, Corporate Frame Work- Share Holders - Board of Directors - Committees - Chief Executive Line and Functional Managers,-Financial-Legal-Trade Union	

1.1 TECHNOLOGY MANAGEMENT

Technology management is a set of management disciplines that allows organizations in managing their technological fundamentals to create customer advantage. Typical concepts used in technology management are:

- **Technology strategy** (a logic or role of technology in organization),
- **Technology forecasting** (identification of possible relevant technologies for the organization, possibly through technology scouting),
- **Technology roadmap** (mapping technologies to business and market needs), and
- **Technology project portfolio** (a set of projects under development) and technology portfolio (a set of technologies in use).

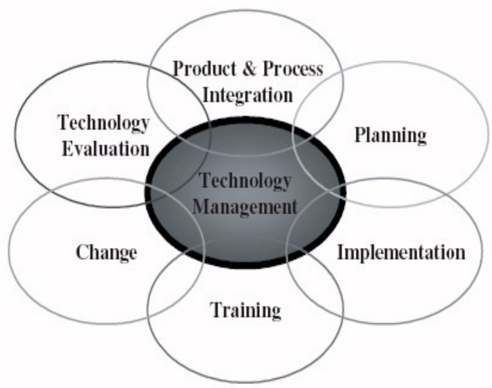


Fig. 1. The six facets of technology management [Source: Kearns, *et al.* (2005)].

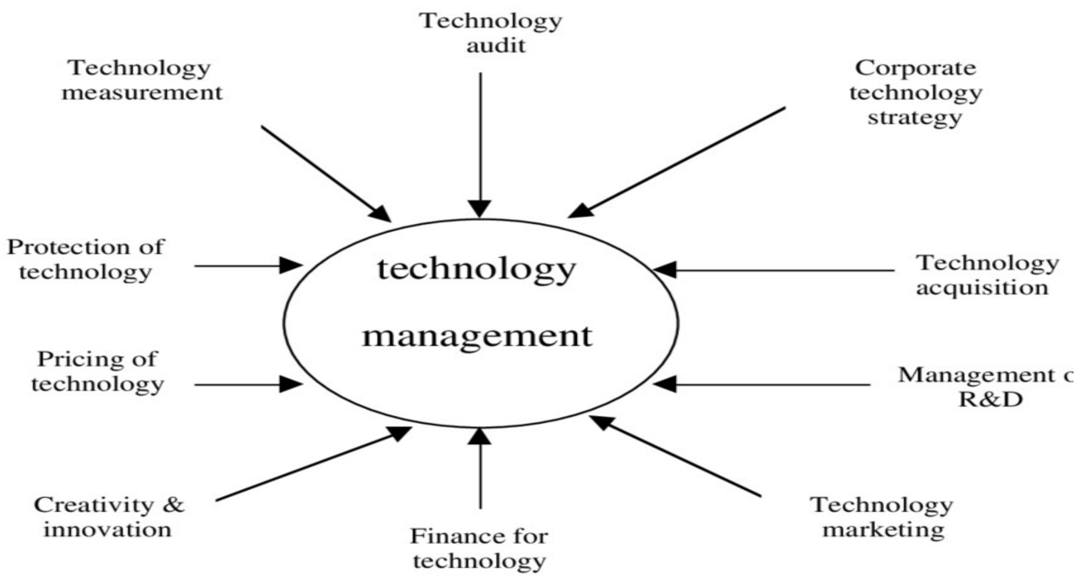
The role of the technology management function in an organization is to understand the value of certain technology for the organization. Continuous development of technology is valuable as long as there is a value for the customer and therefore the technology management function in an organization should be able to argue when to invest on technology development and when to withdraw.

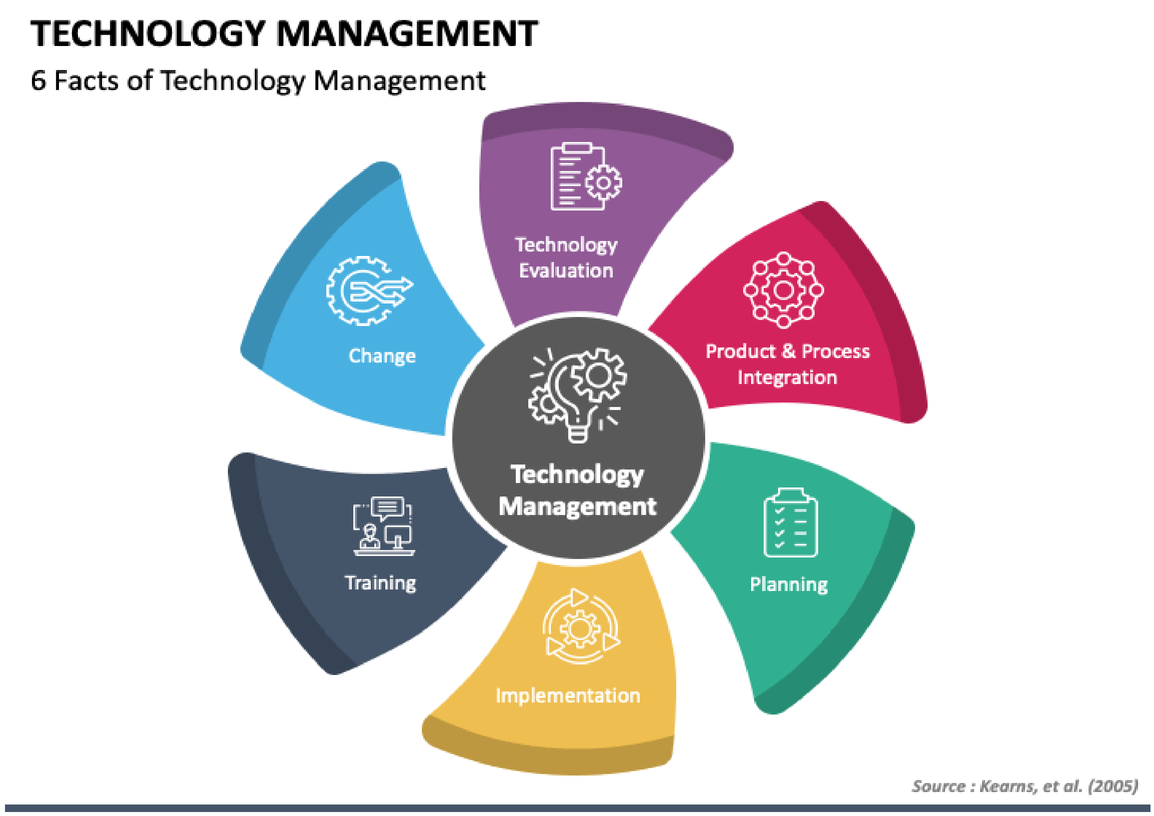
DEFINITION

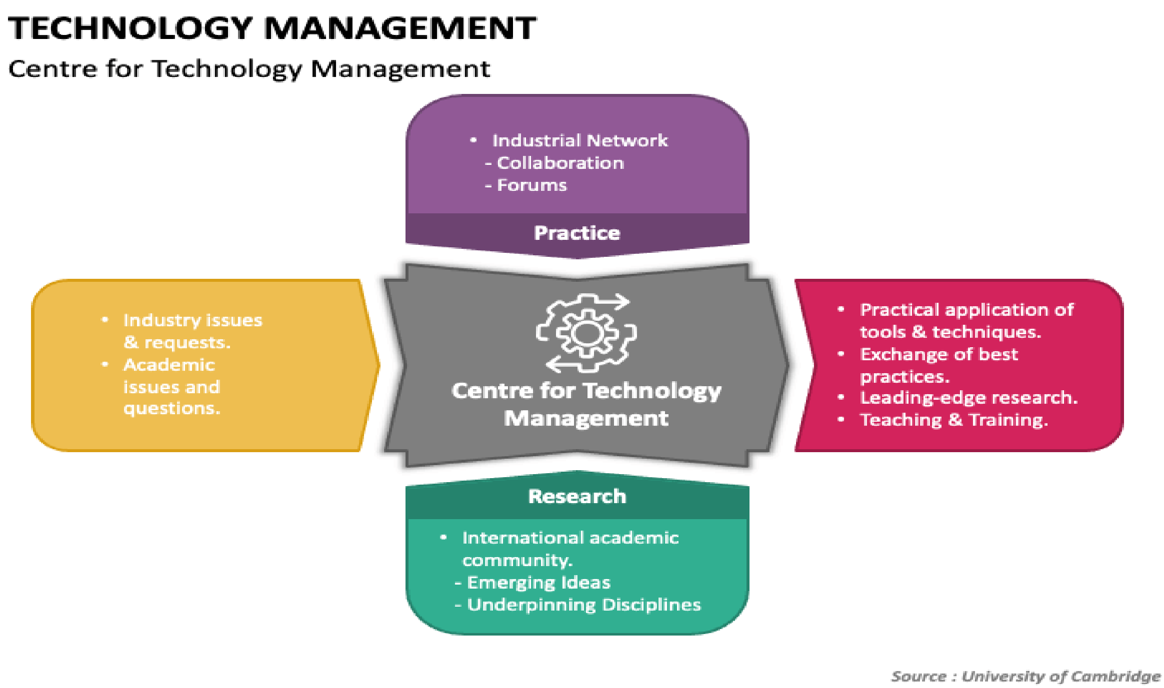
Technology management can also be defined as the integrated planning, design, optimization, operation and control of technological products, processes and services, a better definition would be the management of the use of technology for human advantage.

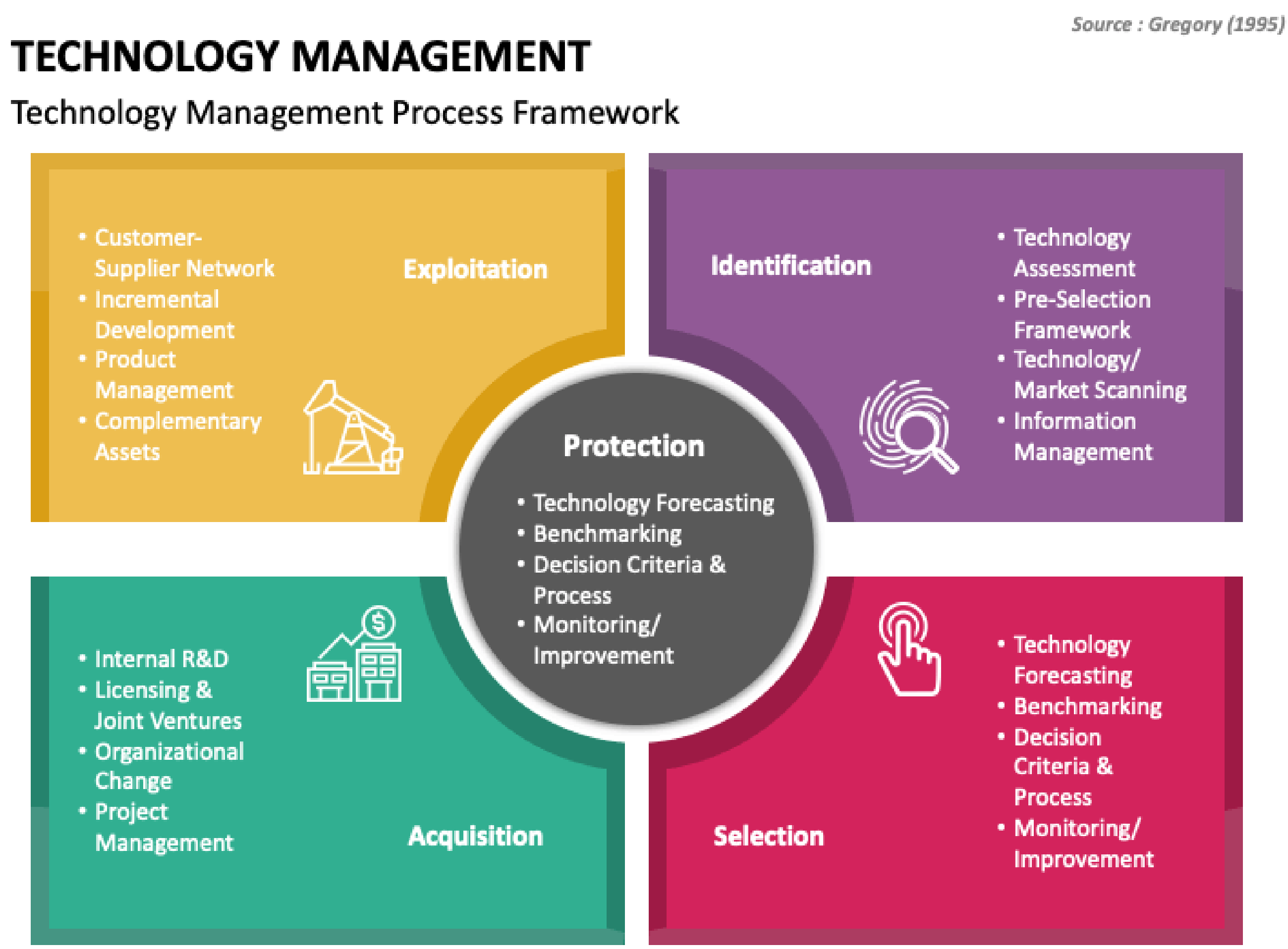
Technology Management was deemed an emerging field of study by the Department of Education and received a new Classification of Instructional Program (CIP) code in 2020. Technology Management education is defined as a program that prepares individuals to develop science, technical, and business skills required for management of people and systems in technology-based industries, government agencies, and non-profit organizations. Includes instruction in computer applications, general management principles, production and operations management, project management, quality control, safety and health issues, and statistics.

FUNCTIONS









1.2 EVOLUTION OF MODERN MANAGEMENT- SCIENTIFIC MANAGEMENT DEVELOPMENT OF MANAGEMENT THOUGHT - APPROACHES TO THE STUDY OF MANAGEMENT

What are Management Theories?

Management theories are concepts surrounding recommended management strategies, which may include tools such as frameworks and guidelines that can be implemented in modern organizations. Generally, professionals will not rely solely on one management theory alone, but instead, introduce several concepts from different management theories that best suit their workforce and company culture.

At a Glance

Until the day that machines are able to think, talk, and experience emotions, humans will remain the most complicated beings to manage. Humans can never achieve the kind of error-free performance that machines provide. On the upside, there are tons of things that machines aren't capable of doing, making humans indispensable assets. For such reason, proper management is one of the most crucial things for an organization.

For a long time, theorists have been researching the most suitable forms of management for different work settings. This is where management theories come into play. Although some of these theories were developed centuries ago, they still provide stable frameworks for running businesses.

Popular Management Theories

1. Scientific Management Theory

American mechanical engineer Frederick Taylor, who was one of the earliest management theorists, pioneered the scientific management theory. He and his associates were among the first individuals to study work performance scientifically. Taylor's philosophy emphasized the fact that forcing people to work hard wasn't the best way to optimize results. Instead, Taylor recommended simplifying tasks so as to increase productivity.

The strategy was a bit different from how businesses were conducted beforehand. Initially, a factory executive enjoyed minimal, if any, contact with his employees. There was absolutely no way of standardizing workplace rules and the only motivation of the employees was job security.

According to Taylor, money was the key incentive for working, which is why he developed the "fair day's wages for a fair day's work" concept. Since then, the scientific management theory has been practiced worldwide. The resulting collaboration between employees and employers evolved into the teamwork that people now enjoy.

2. Systems Management Theory

Systems management offers an alternative approach to the planning and management of organizations. The systems management theory proposes that businesses, like the human body, consists of multiple components that work harmoniously so that the larger system can function optimally. According to the theory, the success of an organization depends on several key elements: synergy, interdependence, and interrelations between various subsystems.

Employees are one of the most important components of a company. Other elements crucial to the success of a business are departments, workgroups, and business units. In practice, managers are required to evaluate patterns and events in their companies so as to determine the best management approach. This way, they are able to collaborate on different programs so that they can work as a collective whole rather than as isolated units.

3. Contingency Management Theory

The main concept behind the contingency management theory is that no one management approach suits every organization. There are several external and internal factors that will ultimately affect the chosen management approach. The contingency theory identifies three variables that are likely to influence an organization's structure: the size of an organization, technology being employed, and style of leadership.

Fred Fiedler is the theorist behind the contingency management theory. Fiedler proposed that the traits of a leader were directly related to how effectively he led. According to Fiedler's theory, there's a set of leadership traits handy for every kind of situation. It means that a leader must be flexible enough to adapt to the changing environment. The contingency management theory can be summed up as follows:

- There is no one specific technique for managing an organization.
- A leader should be quick to identify the particular management style suitable for a particular situation.
- The primary component of Fiedler's contingency theory is LPC – the least preferred co-worker scale. LPC is used to assess how well oriented a manager is.

4. Theory X and Theory Y

Do you believe that every individual gets maximum satisfaction from the work they do? Or are you of the opinion that some view work as a burden and only do it for the money? Such assumptions influence how an organization is run. The assumptions also form the basis of Theory X and Theory Y. Douglas McGregor is the theorist credited with developing these two contrasting concepts. More specifically, these theories refer to two management styles: the authoritarian (Theory X) and participative (Theory Y).

In an organization where team members show little passion for their work, leaders are likely to employ the authoritarian style of management. But if employees demonstrate a willingness to learn and are enthusiastic about what they do, their leader is likely to use participative management. The management style that a manager adopts will influence just how well he can keep his team members motivated.

Theory X holds a pessimistic view of employees in the sense that they cannot work in the absence of incentives. Theory Y, on the other hand, holds an optimistic opinion of employees. The latter theory proposes that employees and managers can achieve a collaborative and trust-based relationship.

Still, there are a couple of instances where Theory X can be applied. For instance, large corporations that hire thousands of employees for routine work may find adopting this form of management ideal.

Why Study Management Theories?

1. Increasing Productivity

One of the reasons why managers should be interested in learning management theories is because it helps in maximizing their productivity. Ideally, the theories teach leaders how to make the most of the human assets at their disposal. So, rather than purchase new equipment or invest in a new marketing strategy, business owners need to invest in their employees through training.

It can be seen in Taylor's scientific management theory. As mentioned earlier, Taylor proposed that the best way to boost workers' productivity was by first observing their work processes and then creating the best policies.

2. Simplifying Decision Making

Another area where management theories have proven to be useful is in the decision-making process. Max Weber proposed that hierarchical systems encourage informed decision-making. A report written by the Institute for Employment Studies suggests that flattening the hierarchy paves the way for local innovation while speeding up the decision-making process. Flattening out entails getting rid of job titles and senior positions so as to inspire a cohesive work environment.

3. Encouraging Staff Participation

Management theories developed in the 1900s, aimed at encouraging interpersonal relationships in the workplace. One such theory that encouraged a collaborative environment is the human relations approach. According to this theory, business owners needed to give their employees more power in making decisions.

1.3 FORM OF ORGANIZATION

WHAT ARE THE DIFFERENT TYPES OF ORGANIZATIONS?

This article on the different types of organizations explores the various categories that organizational structures can fall into. Organizational structures can be tall, meaning that there are multiple tiers between the entry-level workers and top managers of the company. They can also be fairly flat, which means that there are very few levels between employees and management.

At a Glance

In the same way that no two people can ever be the same, no two companies are identical. Although they may come across as having similar organizational structures within an industry, there will always be differences between firms.

The main reason for adopting a structure is to outline a clear hierarchy of the different company positions. In such a manner, every subordinate knows who to report to. Considering how vital an organizational structure is to the different facets of the business, managers should take their time determining the type of structure to take on. This article highlights the main types of organizations that currently exist.

Flat Organization

A flat organization is exactly as its name suggests. While individuals may hold an expertise, hierarchy and job titles are not stressed among general employees, senior managers, and executives. In a purely flat organization, everyone is equal.

Flat organizations are also described as self-managed. The idea behind this organizational structure is to reduce bureaucracy and empower employees to make decisions, become creative problem solvers, and take responsibility for their actions. Since there are minimal or no levels of middle management, a company that adopts this structure can end up being more productive by speeding up the decision-making processes.

Apart from increased productivity, firms with flat organizations have leaner budgets, since they don't involve any pricey middle-management salaries. The only thing to keep in mind is that this structure typically works best for small to medium-sized companies. This way, a firm can decentralize decision-making while still maintaining its corporate integrity.

Functional Organization

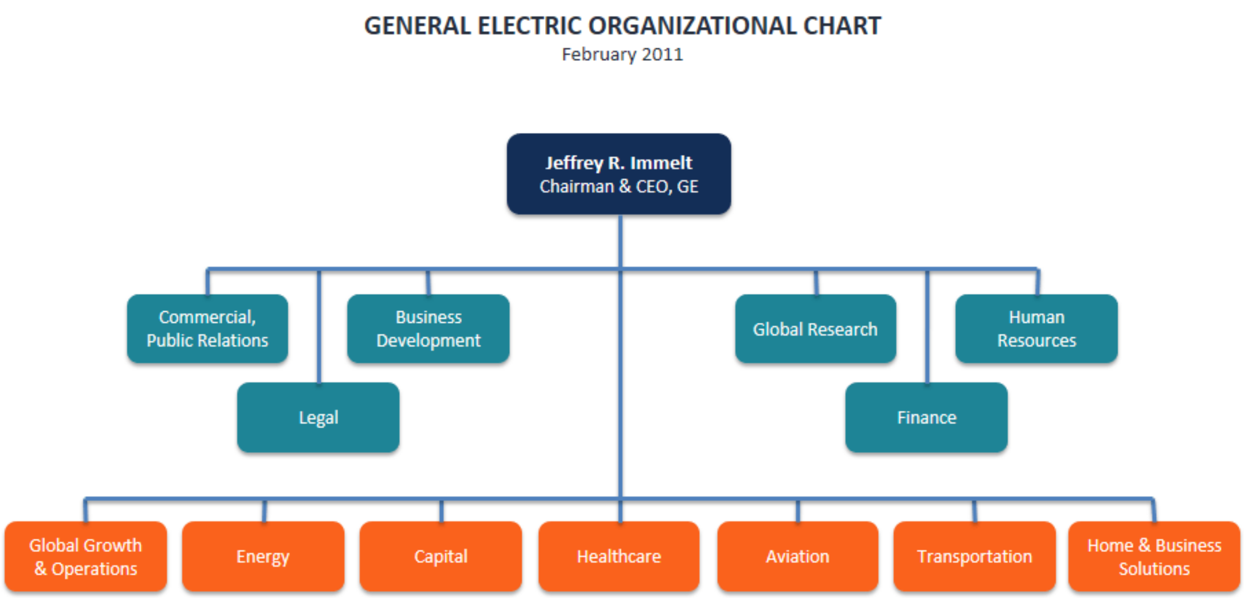
Also referred to as a bureaucratic structure, a functional organization is one that divides a firm's operations based on specialties. Ideally, there's an individual in charge of a particular function. It's like any typical business that consists of a sales department, human relations, and a marketing department. It means that every employee receives tasks and is accountable to a particular superior.

A functional organization confers several benefits. For one, there's a total specialization of work. Secondly, work is performed more efficiently since each manager is responsible for a single function.

The only drawback to adopting a functional organization is the fact that there's a delay in decision-making. All the functional managers must be consulted when making major decisions, which can take time.

Divisional Organization

A divisional organization structures its activities around a market, product, or specific group of consumers. For instance, a firm can operate in the United States or Europe, or sell products focused on a specific group of customers. Gap Inc. is the perfect case in point. It runs three different retailers – Banana Republic, Gap, and Old Navy. Although each one operates as a separate entity that caters to different consumer segments, they are all under the company Gap Inc. brand.
General Electric is another ideal example; it owns numerous firms, brands, and assets across different industries. Although GE is the umbrella corporation, each division works as an individual firm. The diagram below will give you an idea of what a divisional organization looks like.



Matrix Organization

A matrix organizational structure is a bit more complex, in that there's more than one line of reporting managers. It simply means that the employees are accountable to more than one boss. Most firms that take on this organizational structure often have two chains of command – functional and project managers. This type of organization works best for companies with large-scale projects.
A matrix organization offers several benefits. They include a clear articulation of the company's mission and objectives, effective use of limited resources, and improved retention of professionals throughout the life of a company. Additionally, a matrix structure provides a practical way of integrating the firm's objectives with operations.

How to Choose from Different Types of Organizations

A type of organization serves as a framework that a firm can use to establish communication structures and authority among employees. However, it is crucial that a company chooses a type that suits its needs best.

1. Size

Size is a major determining factor when deciding which type of organization to adopt. A small to medium-sized business does not require a vast and highly-detailed organizational structure. On the other hand, larger companies require more intense frameworks to ensure that operations run smoothly. Such firms employ more staff and, therefore, require more managers. For such companies, a matrix organization is the most suitable.

2. Life Cycle

A firm's life cycle is another essential factor to consider when setting up a company's organization. Business owners who are trying to grow and expand their operations should choose a structure that allows for flexibility and smooth expansion.

3. Business Environment

Another factor that comes into play when determining the type of organization is the external business environment. A dynamic business setting where the consumers' needs change constantly requires a stable and sound organizational structure that can weather the storm of a rapidly-changing marketplace.

The Importance of Adopting Proper Types of Organizations

1. Better Communication

Keeping open channels of communication is crucial to the success of every organization. As such, an organization needs to be designed in such a way that individuals and departments are able to coordinate their efforts.

2. Set Organizational Priorities

A sound organizational structure is essential for setting priorities. In a tall hierarchical structure, the managers and executives determine the most crucial objectives that need to be met first. The heads of departments can then determine how to allocate different resources and the specific tasks to designate first.

3. Better Employee Performance

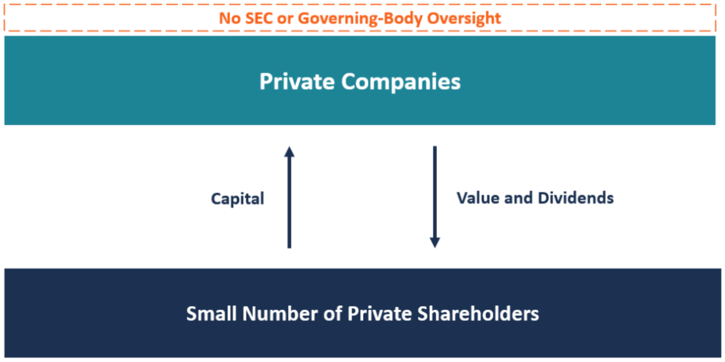
If a company isn't well organized, the employees won't know which tasks to perform or who to report to. Defining the organizational structure makes the company objectives clear to every stakeholder. In such a way, every employee knows what he or she needs to do.

Depending on the type of organization, senior managers and executives are also able to establish their roles. They can determine whether they need to actively support their employees or simply assign tasks and await results.

1.4 INDIVIDUAL OWNERSHIP

WHAT IS A PRIVATE COMPANY?

A private company is owned by either a small number of shareholders, company members, or a non-governmental organization, and it does not offer its stocks for sale to the general public. Instead, its stock is offered, owned, or exchanged privately among a small number of shareholders – or even held by a single individual. Private companies are also referred to as privately-held companies, limited companies, limited liability companies, or private corporations, depending on the country they're incorporated and how they are structured.



Private companies may include family-owned businesses, sole proprietorships, partnerships, and small to medium-sized enterprises (SME). Since such companies lack access to the public exchange market, they can only raise funds through private investments, company profits, or loans from lenders.

Summary

- A private company is formed by a small number of shareholders who come together for a social cause or profit motive.
- The shares of a private company are not traded on a public stock exchange.
- The common types of private companies include sole proprietorships, partnerships, and limited liability companies.

Types of Private Companies

1. Sole proprietorship

A sole proprietorship is a business owned and managed by one person, and the owner bears unlimited personal liability on the debts incurred by the business. All of its assets, liabilities, and obligations are the responsibility of the business owner.

If the business goes into debt, the owner may be required to sell personal assets to settle the debt. The owner can decide to either run the business on their own or employ other people to help run the business.

2. Partnership

A partnership has a lot of similarities to a sole proprietorship, except the partnership is owned and managed by two or more people who come together with the goal of making a profit. The partners bear unlimited personal liabilities on any debts incurred by the business. The main types of partnerships include general partnerships, limited partnerships, and limited liability partnerships.

3. Corporation

A corporation is a for-profit or not-for-profit business entity that exists as a separate legal entity from its owners. A corporation possesses the rights and privileges of an individual, as it can enter into contracts, sue or be sued, own assets, and pay taxes. Corporations are owned by shareholders or individual investors who provide capital to the business through the purchase of the corporation's stock.

The shareholders are required to elect a board of directors, which is required to oversee the overall operation of the business. The board appoints the managerial officers, such as the chief executive officer (CEO), who supervise, direct, and manage the core business activities of the corporation.

Why Do Private Companies Stay Private?

1. **To avoid regulatory and government scrutiny**

Public companies are under high scrutiny from their shareholders, regulators, and the government, and they are required to publicly release their financial statements by filing the quarterly reports, annual reports, and other major events with the Securities and Exchange Commission in the United States, or with a similar government entity in other countries.

In contrast, private companies can choose to keep their financial status and operations to themselves, avoiding government scrutiny and all the regulations that apply to publicly traded companies. There are no legal obligations for private companies to make their financial statements public. However, privately held companies must keep their accounting records in order and make financial statements available to their shareholders.

2. **To keep ownership within the family**

Companies sometimes opt to stay private to retain their family ownership. Some of the biggest US companies are family-owned, and they've been passed on from one generation to another. Going public would mean that the company would be answerable to a large number of shareholders and might be required to choose different members for the board of directors other than the members of the founding family.

Remaining private means that the company alone can decide who sits on the board of directors, and it is only answerable to a small number of shareholders or private investors. Private companies self-finance their projects and acquisitions without selling large equity stakes to investors through an Initial Public Offering (IPO).

Changing from a Private Company to a Public Company

A majority of public companies start as private entities, either as a family-owned business, partnership, or limited liability company with a few shareholders and advisors. As the business expands, it typically requires additional funds to finance its operations, expansion, or acquisition of other smaller companies beyond what it can raise from internal revenue sources and a small circle of investors.

Transitioning from a private to a public company gives the company access to a large pool of funds in the public exchange market. The process of becoming a public company involves offering stock to the investing public through an IPO.

The private company planning to go public is required to select an underwriter, usually an investment bank, to provide guidance on the IPO process. The underwriter acts as a broker between the issuing company and the public and is responsible for conducting due diligence and helping the issuer navigate all government regulatory requirements for public companies.

When the company goes public, all the privately-held shares are converted to public ownership, and existing shares are assigned a new value equivalent to the public trading price. The original shareholders can choose to hold on to their shares when the company goes public or sell them to new investors for a profit.

1.5 PARTNERSHIP

What is a Partnership?

An unincorporated business structure that two or more parties form and own together is called a partnership. These parties, called partners, may be individuals, corporations, other partnerships, or other legal entities.

Partners may contribute capital, labor, skills, and experience to the business. They may have unlimited legal liability for the actions of the partnership and its partners.

The most common type of partner is a general partner, who actively manages and exercises control over the business operations. Limited partners have limited legal liability. This type of partner cannot manage or exercise control over the business.

Among the most common types of partnerships are general partnerships (GP), limited partnerships (LP), and limited liability partnerships (LLP).

A partnership can even start without an oral or written contract. Where there is a written contract between the partners, it is called a partnership agreement. The partners agree on the purpose of the partnership and their rights and responsibilities.

A partnership splits its profit or loss among its partners. They are responsible for filing and paying taxes for their portion of the partnership profit.This form of business is similar to a joint venture. A joint venture is where two parties (typically corporations) carry on a business together, though not necessarily for profit

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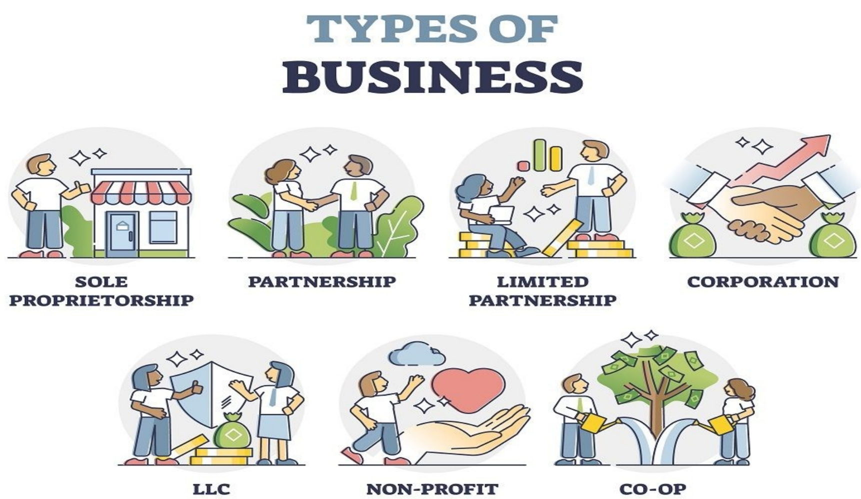


Key Highlights

- Partnerships are unincorporated businesses with two or more owners (partners) who contribute in various ways (capital, labor, etc.) and may have legal liabilities.
- A written agreement should outline the partners' roles, rights, and responsibilities. It can provide clarity on capital interests, profit splitting, and business continuity in case a partner departs.
- Partnership profits and losses flow to the partners, who file and pay taxes on their portion.

Types of Partners

General Partner:

- May contribute capital and expertise to the partnership.
- Actively manage and exercise control over the business operations.
- Have unlimited legal liability for the acts and obligations of the partnership. Their assets are subject to any legal claims made against the partnership.

- Can be a party to any legal claims made by the partnership or any claims made against the partnership and its partners.

Limited Partner:

- May only contribute capital (assets, cash, etc.) to the partnership.
- Do not manage and cannot exercise control over the business operations.
- Have limited legal liability for the acts and obligations of the partnership. Only their contributions to the partnership, not their assets, are subject to any legal claims against the partnership.
- Cannot be a party to any legal claims made by the partnership or any claims made against the partnership and its general partner(s).

Types of Partnerships

General Partnership: General partnerships (GP) are the easiest and cheapest type of partnership to form. Two or more general partners own it, with joint and several legal liabilities for all debts and obligations. They jointly manage and control the business.
A general partnership can immediately start when partners decide to conduct business together, even without an oral or written contract. This ease contrasts with potentially costly disputes that may arise between partners if they cannot resolve them amicably.
This type of partnership is simple to dissolve. For example, the partnership dissolves if any partners leave, go into bankruptcy, or pass away. Partnership rules differ worldwide. Some jurisdictions may offer alternatives for the remaining partners who wish to continue with the business.
Except for registering a business name, there are few government requirements specific to this type of partnership. Ongoing government requirements are also limited. For example, holding an annual general meeting like a corporation or other kinds of business structures is unnecessary. The partnership and its partners must regularly report and pay taxes on the partnership income. Taxes are paid by the partners rather than by the partnership.
A partnership agreement is valuable for many general partnerships. For example, it can describe a process to value and compensate a departed partner for their business interest. The transfer of interest may be more attractive to the remaining partners instead of dissolving the business altogether.

Limited Partnership: A limited partnership (LP) is a type of partnership that limits the legal liability of some partners for debts and obligations. At least one limited partner is a passive contributor of cash and assets.
An LP gives contributors a way to invest without incurring legal liability. In some jurisdictions, this business structure is considered a separate legal entity that can enter into contracts and take on obligations.There is at least one general partner with unlimited legal liability. The general partner manages and controls the business.
When starting or dissolving this partnership, the LP must register and report to the local authorities. It is more expensive and complex than forming a general partnership.
To start, an LP must register the limited partnership's name and the general partners' details with the local authorities. To dissolve, an LP typically files a document, sometimes called a "Statement of Dissolution" or "Statement of Cancellation."
A written contract is an essential component when forming this type of partnership[4]. A partnership agreement between partners covers their rights and responsibilities while protecting the limited partner's contributions.
There may be ongoing government requirements. For example, some jurisdictions need LPs to regularly file information reports to local authorities responsible for businesses in the area. However, holding an annual general meeting is not mandatory unless stated in the partnership agreement, unlike a corporation or some other kind of business structure.

The partnership and its partners must regularly report and pay taxes on the partnership income. The partners' portion is outlined in the partnership agreement. Taxes are paid by the partners rather than by the partnership.

Limited Liability Partnership: A limited liability partnership (LLP) is an extension of a general partnership that limits the legal liability of all partners. General partners in this type of partnership have protection from the wrongful acts of the other partners, such as negligence, misbehavior, and other unprofessional conduct.
In jurisdictions where this business structure is available, it is considered a separate legal entity that can enter into contracts and take on obligations.
Local authorities may restrict the structure to eligible businesses in knowledge-based industries, for example, legal and accounting professionals. Authorities may require proof of permission from the professional governing body before partners may form an LLP.
The partners manage and control the business.
When starting or dissolving this partnership, an LLP must register and report to the local authorities. It is more expensive and complex than forming a general partnership.
To start, an LLP must register the limited liability partnership's name and the number of partners with the local authorities. To dissolve, an LLP typically files a document, sometimes called a "Statement of Dissolution" or "Statement of Cancellation."
A written contract is an essential component when forming this type of partnership[4]. A partnership agreement between partners covers their rights and responsibilities while protecting the partner's contributions.
There are ongoing government requirements. For example, an LLP must regularly file information reports to local authorities responsible for businesses in the area. However, holding an annual general meeting is not mandatory unless stated in the partnership agreement, unlike a corporation or other kinds of business structure.
The partnership and its partners must regularly report and pay taxes on the partnership income. The partners' portion is outlined in the partnership agreement. Taxes are paid by the partners rather than by the partnership.

Partnership Agreement
In business, a partnership agreement is a contract stating the terms of a partnership – what it does, how it works, and how the partners can work together. The rights and responsibilities of the partners are a vital component.
An agreement can provide a way to handle capital interests if a partner departs. A sudden need to reorganize capital investment disrupts the business if a contract is not in place.
At the minimum, the departing partner (or their estate) expects to recover their contributions, assuming the partnership has been profitable. It may not be feasible if neither the partnership nor the remaining partners have enough liquid assets to return the contributions.
An agreement can describe other options, such as the process of valuing and transferring the departing partner's interest to the remaining partners, rather than dissolving the business entirely.
Attracting new partners can also be challenging if the partnership needs to expand beyond the partners' existing capacity. An agreement can set the rules for adding partners. The structure can attract prospective partners who do not have prior experience working together.
As partners jointly make decisions, disputes can occur. Any decision and dispute resolution process built into the agreement can provide a path forward. This process can save time, money, and effort. A partnership agreement can reduce uncertainty when the partners need to finalize any decisions or resolve a dispute.

1.6 JOINT-STOCK COMPANY

WHAT IS A JOINT-STOCK COMPANY?

A joint-stock company is a business that is owned by its investors. The shareholders buy and sell shares and own a portion of the company. The percentage of ownership is based on the number of shares that each individual owns. Shareholders can buy and sell shares and transfer shares between one another, without putting the continued existence of the company in jeopardy.

Joint-stock companies are generally formed to enable a company to thrive. If only a few shareholders participated, the company wouldn't be able to fund itself. But by banding together, the individuals make it possible to build a thriving business, with each shareholder then expecting to profit from the company's success. Each member gives and each member takes.

Summary:

- Joint-stock companies are businesses that combine the structure of a corporation with the flexibility and freedoms of a partnership/limited liability company.
- Joint-stock companies are built to benefit all shareholders; each investor owns a piece of the company – in accordance with the amount they've invested – and takes a percentage of the company's profits.
- Shareholders get multiple voting rights, electing a board of directors to manage the company on their behalf, while still having a say in every part of how the company is run.

Benefits of Joint-Stock Companies

Joint-stock companies allow a solid business to form and thrive with many working together. Each shareholder invests in the company and is able to benefit from the business. Every shareholder owns a piece of the company, up to the amount that they've invested.

Ownership comes with additional privileges. Shareholders have a say in everything that happens with a joint-stock company, without actually having to run the company. Shareholders elect a board of directors to manage the company on their behalf. Positions are usually filled – through elections – once a year, though the specifics may be different for each company.

Shareholders not only vote for the board of directors, but also vote to approve or deny annual reports, budgets, and how accounts are set up. In some instances, specific shareholders may be asked to step into a role if the role is not filled or becomes unoccupied. The practice isn't common, but, when it does happen, individuals are usually chosen by consensus among those filling the other positions and the rest of the company's shareholders.

Limited Liability Companies (LLCs)

Today's corporate law usually makes joint-stock companies synonymous with limited liability companies (LLCs). What does this mean? LLCs are private companies. They are a sort of hybrid; they combine a pass-through taxation partnership with all the benefits of a corporation.

The best part of an LLC is the fact that it's incredibly flexible and beneficial to all members. Each party involved in the company (each shareholder) is liable for the debts of the company but only equivalent to the amount that they've invested in the entity. It falls in line with the idea discussed above – that each shareholder owns and is responsible/liable for the percentage of shares they hold in the joint-stock company.

COOPERATIVES ENTERPRISES WHAT ARE COOPERATIVES?

Cooperatives are associations or organizations whose goals are to satisfy their members' social, economic, and cultural needs. Each member enjoys equal voting rights in a cooperative regardless of the number of shares they own. Different regions around the world offer a variety of legal structures for cooperatives.

Informal associations have fewer members with particular needs, for example, community or amateur sporting associations. These cooperatives are typically unincorporated, forming a partnership amongst the members.

As the membership grows along with their combined needs, such organizations become larger and more formal. Cooperatives under such circumstances may incorporate to gain a separate legal identity and better satisfy the more significant requirements of their membership base.

Key Highlights

- A cooperative is a member-owned entity that seeks to meet its members' social, economic, and cultural needs.
- Each cooperative member has equal voting rights, regardless of the number of shares they own or their role in the organization.
- A cooperative is a separate legal entity from the members, directors, and employees. These parties are not liable for the entity's debts.

Cooperatives & Participatory Governance

An incorporated cooperative operates independently and can enter into contracts as a separate legal entity in many parts of the world, similar to corporations.

Unincorporated cooperatives are typically partnerships without a separate legal identity. Such cooperatives rely on their members to enter contracts when needed.

Cooperative members and employees are not liable for the entity's obligations and debts, and only in rare circumstances are their directors liable for its debts.

Cooperatives value the principle of participatory governance; their structure encourages the sharing of resources among members and a democratic management style.

Cooperatives vs Corporations

Cooperatives may serve their members by offering products, services, and even the sharing of labor and production. Members who use the cooperative's products or services may receive a share of the profits.

The distribution of profits is usually known as a patronage dividend. Financial institutions can finance cooperatives similar to how they would finance other types of corporations.

Through membership fees, direct lending, and other means, cooperative members may supply equity financing, similar to shareholders in a traditional corporation.

The following are some similarities and differences between cooperatives and regular corporations.

1. **Ownership**
    - Cooperatives generally issue par value shares whose value will not increase. Share redemption is handled by the cooperative rather than via any negotiations between members.
    - Corporations issue shares that may fluctuate in value. Any sale will depend on demand and the exchange value agreed to between the selling and the purchasing parties.

2. **Directors**

- For both cooperatives and corporations, directors are elected by the shareholders or members based on the rules set out by the cooperatives' articles. They have to discharge their duties in good faith and with prudent care.
- Depending on the jurisdiction, cooperatives may have a minimum number of directors. As forming a cooperative for one member acting to benefit themselves is nonsensical; the minimum number of directors for a cooperative is usually 2 or 3.
- Corporations must have one or more directors. The minimum is higher for publicly-traded corporations.

3. Voting

- Cooperative members have equal voting rights no matter how many shares they hold. Many jurisdictions do not give members an option to have someone else vote on their behalf, i.e., proxy voting. In place of this rule, members may sometimes elect or appoint delegates to represent them if the cooperative bylaws provide such an option.
- Corporation shareholders have proportional voting rights equal to the number of shares owned. While shareholders cannot elect a delegate for their votes, proxy voting is available and valuable when shareholders wish to exercise their collective voting power jointly.

4. **Capital Surplus**

- Cooperatives may have limits around payments on their share capital. For example, non-profit cooperatives do not distribute surpluses. Where payments are made, they are based on the members' engagement with the cooperative activities.
- Corporations have no limits on distributions of their share capital.

Types of Cooperatives

There are many ways to categorize cooperatives. Common types include:

1. Consumer and Purchasing cooperatives

Consumer and purchasing cooperatives are businesses owned and managed by their customers. These cooperatives aim to provide goods and services to their members.

The consumers of the products or services offered by the cooperative are also the providers of capital used to finance the entity. These cooperatives may be in various industries, such as retailing, grocery, healthcare, and utilities.

A purchasing cooperative for retail members is a way of sharing marketing expenses and using their economy of scale to negotiate concessions and discounts from manufacturers.

2. Financial cooperatives

Financial cooperatives provide financial and insurance services to their members. Credit unions are popular financial cooperatives owned and managed by members with a common need for financial services, such as deposits and loans. Credit unions range from small community-owned banks to large entities across the world. For example, Navy Federal Credit Union is the largest cooperative for financial services in the U.S., with over 11 million members.

In the U.S., Federal and State Chartered credit unions are tax-exempt organizations[1] due to their history as not-for-profit organizations meeting the needs of members with limited means. Since a credit union must attract sufficient deposits to finance its loan portfolio, it sometimes offers members higher interest rates on deposits than those paid by commercial banks.

Profits may be distributed to members or used to advance the cooperative's goals. Some goals may include philanthropic efforts such as paid time off for employees to volunteer in the community, free financial counseling, and education on financial topics (e.g., Biz Kid$[2]).

3. Producer and Processing cooperatives

Producers and processing co-ops produce, process, and market the goods and services of their members. They aim to realize economies of scale by gathering together to market and supply value-added products and services. Many are in the agricultural industry as individual producers or processors may find certain costs too prohibitive.

Still, others are in the creative and artisan sectors. For example, through MarketPlace: Handwork of India, artisan cooperatives[3] offer a variety of unique craft products designed and produced by their artisans to customers beyond their local markets.

4. Housing cooperatives

Housing cooperatives own real estate properties comprising one or more residential buildings. Housing cooperatives usually emerge in areas where the cost of housing is high.

Unlike other kinds of real estate ownership, such as condominiums where individual buyers acquire stratified units in common properties, housing cooperatives are member-based. Interested individuals can become members by purchasing shares in the housing cooperative. They share the ownership of the whole property and do not have an ownership right over an individual unit.

Each member has the right to occupy one housing unit in a property developed by the cooperative. Shareholders pool their financial resources together. It leverages their buying power, allowing them to reduce the cost of services and products associated with a specific property. The elected representatives are responsible for screening and selecting members who get to occupy housing units in each property developed by the cooperative.

5. Worker cooperatives

Worker cooperatives exist to provide job opportunities and employment for their members. Many small and medium enterprises operate as cooperatives in various industries, including food, construction, manufacturing, education, and home care industries, among others.

For example, Swann-Morton is a world-leading manufacturer of surgical blades, scalpels, and handles in the United Kingdom. Employees participate in profit sharing via their ownership of half the company. A charitable trust owns the other half of the company and supports local hospitals.

How Cooperatives are Structured

Cooperatives are set up to give decision-making and democratic control to members of the organization. There are common elements among the different types of cooperatives, including:

1.Membership

New members' admittance must be in accordance with the criteria agreed upon during the entity's formation. Usually, cooperatives are organized according to a profession, business activity, or member community. New members who join must share a common need with other members.

For example, military-affiliated cooperatives mainly admit members who are current or past officers of the military, as well as their spouses or relatives. The members must agree to abide by the rules and make timely contributions.

Each member is entitled to one equal vote during the annual general meeting (AGM) or any special general meeting called to vote for specific organizational changes or proposals.

2. Governing bylaws

Each cooperative is governed by its bylaws, which are rules of engagement that specify the procedure of carrying out different functions and activities.

Some of the rules the bylaws of a cooperative specify include:

- How to elect members to the board of directors.
- How and when to hold the AGM and other special meetings.
- How to compensate the officers and board of directors.
- When to dissolve the cooperative.

The cooperative's bylaws bind all decisions made by the executive officers and the board of directors.

3. Board of directors

The board of directors serves as the decision-making organ of the cooperative. Board members are voted into office for a specific term by members.

The cooperative's bylaws govern the functions and powers of the board of directors. The board should consist of an odd number of members so there can be a clear majority when voting on closely-contested decisions.

1.7 PUBLIC SECTOR UNDERTAKINGS

1. NTPC limited

NTPC is the largest power generating company in India. NTPC was incorporated on 07.11.1975 with the objective to accelerate the integrated development of power sector in the country. Acknowledging contribution of NTPC to the entire power industry, NTPC was conferred the status of Navratna Company in 1997.

NTPC became a listed Company in 2004. In 2005, the company was renamed as 'NTPC Limited' in line with the changes taking place in the business portfolio of the company, transforming the company from a thermal power generator to an integrated power company with presence across entire energy value chain through diversification and backward & forward integration. NTPC has made foray into hydro power, renewable energy,coal mining, power trading, energy services, etc.

On 19.05.2010, NTPC was granted the coveted status of 'Maharatna Company' by the Government of India to make it a global giant.

NTPC envisions to be the world's leading power company, energizing India's growth. NTPC plans to become a 130 GW company by 2032 and envisages to add 60 GW of RE capacity by 2032. NTPC, in its journey towards energy transition,is also looking for opportunities in nuclear power, carbon capture and green chemicals.

NTPC has an authorized share capital of Rs. 16,600 Crores, while the paid-up capital is Rs. 9,696.67Crores.

NTPC's installed capacity, as on 28.02.2023 is 71,594 MW including 12,615 MW under Joint Ventures/Subsidiaries, comprising 58,154 MW from coal based power plants at thirty-four locations, 6511 MW from combined cycle gas/ naphtha based power plants at eleven locations, 3725 MW from hydro power plants at nine locations and 3204 MW from renewably energy based power plants at thirty-one locations

As of 28.02.2023, NTPC's share in the total installed capacity of the country is ~ 17% (including JVs/ Subsidiaries), while it is contributing around one-fourth (including JVs/ Subsidiaries) of the total power generation in the country.

NTPC has been allocated 7 coal blocks having total peak rated capacity of over 71 MMTPA. Out of these, 4 coal blocks are operational and 3 are under development.

2. National Hydroelectric Power Corporation (NHPC)

National Hydroelectric Power Corporation Ltd. (NHPC) was incorporated in 1975 under Companies Act, 1956. The mission of NHPC is to harness the vast hydro, tidal and wind potential of the country to produce cheap/ pollution-free and inexhaustible power. NHPC would play a significant role in the integrated and efficient development of hydroelectric, tidal and wind power in the Central sector covering all aspects such as investigation, planning, designs, construction, operation and maintenance of hydroelectric, tidal and wind power projects. NHPC is a schedule A enterprise of the Government of India with an authorized share capital of Rs. 5,000 crores. With an investment base of over Rs. 10,000 crores, NHPC is among the top ten companies in the country in terms of investment.

3. Rural Electrification Corporation (REC)

Rural Electrification Corporation (REC) was set up in 1969 with the primary objective of providing financial assistance for rural electrification in the country. REC was declared a Public Financial Institution under Section 4-A of the Companies Act in 1992. In February 1998. the Corporation was registered as a Non-Banking Financial Company under Section 45-1A of the RBI Act, 1934. The authorized share capital of the Corporation is Rs. 800 crores. During the year 1998-99 Government of India has contributed Rs. 50 crores towards the share capital of the Corporation increasing its paid up capital to Rs. 680.60 crores as on 30.11.1998.

Rural Electrification Programmes financed by the Corporation cover electrification of villages, including tribal villages and Dalit Bastis, energisation of pump sets, provision of power for small, agro-based and rural industries, lighting of rural households and street lighting. The Corporation has also been providing assistance to the State Electricity Boards for taking up system improvement projects for strengthening and improving sub-transmission and distribution system and small generation projects like wind energy and hydel projects. In addition, under Kutir Jyoti programme in 1988-89 by the Govt. of India, one time initial cost of internal wiring and service connection charges up to a maximum limit of Rs. 1000.00 per connection with installation of meter or Rs. 800 per connection without meter is provided to rural households below poverty line as grant through the State Govts./ SEBs.

4. North Eastern Electric Power Corporation (NEEPCO)

North Eastern Electric Power Corporation Ltd. (NEEPCO) was constituted in 1976 under the Companies Act 1956 with the objective of developing the large power potential of the North Eastern Region of the country. Over the years, NEEPCO has grown into one of the pioneer public sector enterprise with an authorized share capital of Rs 5000.00 crores. NEEPCO was upgraded to Schedule 'A' Enterprise in 2008 and later conferred with Mini-Ratna Category – I status in 2013. Since March 2020, the Company has become a wholly owned subsidiary of NTPC.

The North Eastern Region of the country is blessed with highest hydro power potential of the country which is estimated at 55,930 MW (above 25 MW) constituting about 42% of the total reserves of the country (1,33,410 MW).

The main objective of the North Eastern Electric Power Corporation Ltd. is to add to the power generating capacity in the country by installing hydro, thermal and other RE power plants. At present, out of a total installed capacity of 5052 MW in North Eastern Region, NEEPCO is contributing 2057 MW comprising of 8 (eight) hydro power stations with combined capacity of 1525 MW, 3 (three) gas-based thermal power stations with combined capacity of 527 MW and 1 (one) solar power station of 5 MW capacity.

NEEPCO has signed MoAs on 12th August 2023 with the Govt. of Arunachal Pradesh for development of five hydro projects in the State having an aggregate capacity of 2626 MW. The projects are Tato – II HEP (700 MW), Tato – I HEP (186 MW), Heo HEP (240 MW), Naying HEP (1000 MW) and Hirong HEP (500 MW). Earlier, NEEPCO had signed MoAs for development of Nafra HEP (120 MW), Kurung HEP (330 MW) & New Melling HEP (180 MW) in the state of Arunachal Pradesh and WahUmiam St – III HEP (85 MW), WahUmiam St – I HEP (50 MW) &WahUmiam St – II HEP (100 MW) in the state of Meghalaya.

For the development of Pumped Storage projects, 660 MW Panyor PSP has been identified at the existing 405 MW Panyor Lower HPS in Arunachal Pradesh and 320 MW Kopili PSP has been identified at the existing 275 MW Kopili Hydro Power Station in Assam. Pre-Feasibility Report (PFR) for both the projects have been completed and are under examination.

In regards to the Solar RE Projects, PFR for 40 MW Floating Solar Project (FSP) at Kopili HPS has been completed. Possibilities of setting up of Solar Projects in other parts of the country are also being explored.

With the proposed upcoming projects of NEEPCO in the pipeline, the Corporation is likely to become a 6000+ MW company in the next 10 years.

5. Power Finance Corporation (PFC)

The Power Finance Corporation Ltd. (PFC) was incorporated on 16th July, 1986 under the Companies Act, 1956. The mission of PFC is to function as the prime development financial institution dedicated to the growth and overall development of the power sector. The borrower-portfolio of PFC comprises the State Electricity Boards, State Generation Corporations, Municipal run power utilities besides the central and private sector power utilities. The funds provided by the Corporation are in the nature of the additional to Plan Allocation (in respect of SEBs etc.) and based on the merits of the individual projects. As on 30th June, 1999, the Authorized Capital and the paid-up (equity) capital of the Corporation stood at Rs. 2000 crores and Rs. 1030 crores respectively. The Power Finance Corporation is a schedule 'A' organization.

6. Power Grid Corporation of India (POWER GRID)

POWER GRID was established in October 23, 1989 with the mandate to "establish and operate Regional and National Power Grids to facilitate transfer of power within and across the Regions with reliability, security and economy on sound commercial principles" as its mission. POWER Grid's persistent efforts to accord the deserved priority to the transmission sector, which has so far eluded this vital sector of India has been recognized and POWER GRID has been statutorily acknowledged as Central National Transmission Utility of the country.

During the last 7 years, the company has added around 13,000 ckt. Kms. EHV transmission lines to the national network. Asset base of the company grew from Rs. 3521 crores in 1992-93 to Rs. 8096 crores in 1997-98 and turnover from a modest Rs. 634 crores in 1992-93 to rs. 1434.68 crores in 1997-98. Power Grid operates over 31,000 ckt kms of transmission lines comprising 400 KV, 220 KV, 132 KV AC transmission lines and HVDC transmission system with a total installed transformation capacity of around 28,000 MVA distributed over 55 substations and maintained at a persistent level of over 98% of the availability.

7. SJVN – A Mini Ratna Company

SJVN Limited, a Mini Ratna& Schedule 'A' CPSU under Ministry of Power, Govt. of India, is a joint venture between the Government of India &Governmentof Himachal Pradesh. SJVN was incorporated onMay 24, 1988 to plan, promote, develop all forms of power and all ancillary activities related thereto, in India and abroad.
SJVN was conferred with the prestigious ‘Mini Ratna’ status in May 2008 and is a listed company since 2010. Present equity share holding of GoI, GoHP and Public is 59.92%, 26.85% and 13.23% respectively. SJVN has authorized capital of Rs 7000 crore and paid up capital of Rs 3930 crore. Beginning with construction of India’s largest 1500 MW NathpaJhakri HPS, today the company has commissioned seven generation power projects totalling 2092 MW installed capacity. SJVN is presently implementing power projects in Himachal Pradesh, Uttarakhand, Bihar, Maharashtra, Gujarat, Rajasthan, Uttar Pradesh, Madhya Pradesh, Punjab, Assam, Mizoram, Odisha and Arunachal Pradesh in India besides neighbouring country- Nepal.
SJVN’s present portfolio (December, 2022), comprises ofsixty seven power projects having 44378 MW total capacity and three transmission lines of 340 km length under various stages of development. SJVN has diversified in to generating all forms of power – hydro, wind, solar, thermal and is also in to transmission line and power trading businesses.

8. THDC India Limited

THDC India Limited is a leading profit making Public Sector Enterprise registered in July’1988 under the Companies Act, 1956. THDCIL was conferred ‘Mini Ratna–Category-I status in Oct’2009 and up-graded to Schedule ‘A’ PSU in July’2010 by the Govt. of India.
The Equity of company was earlier shared between Govt. of India and GoUP in the ratio of 75:25. Pursuant to Strategic Sale, the Share Purchase Agreement was executed between NTPC Limited and

President of India on 25th March'2020 for acquisition of legal and beneficial ownership of equity held by the President of India in THDC India Limited. After Strategic Sale, The equity in THDC India Limited is shared between NTPC Limited and Government of UP in a ratio of 74.496% and 25.504%. The Authorized Share Capital of the Company is ₹ 4000 Cr and paid-up capital as on 31st Aug'2023 is ₹3665.88 Cr.
THDCIL was constituted with the sole objective to develop, operate & maintain the 2400 MW Tehri Hydro Power Complex (Tehri HPP-1000 MW, Tehri PSP-1000 MW and Koteshwar HEP-400 MW) and other Hydro projects. THDCIL has expanded its horizons and fully diversified in all types of conventional and non-conventional forms of energy. The Corporation has grown into a Multi-Project Organization, with Projects spread over various States as well as neighbouring country, Bhutan.
Presently, THDCIL has a portfolio of Hydro, Thermal, Wind & Solar Power Projects, with a total capacity of 4516 MW. This, includes 1587 MW operational Projects (Tehri HPP-1000 MW, Koteshwar HEP-400 MW, Dhukwan SHP-24 MW, Patan Wind Farm-50 MW, DevbhumiDwarka Wind Farm-63 MW and Kasaragod Solar Power Plant -50 MW), and 2764 MW under Construction Projects (Tehri PSP- 1000 MW, VPHEP 444 MW and Khurja STPP 1320 MW with Amelia Coal Mine) and 165 MW Bokang Bailing HEP is under DPR stage.
Further with the focus on clean and green energy, THDCIL is developing 2000 MW Solar Power Parks in State of Uttar Pradesh, Jhansi (600 MW), Lalitpur (600 MW) and Chitrakoot (800 MW)] through a Joint Venture Company namely 'TUSCO Ltd' (incorporated in Sep'2020) between 'THDCIL' and 'UPNEDA' (a Unit/Agency of Govt. of U.P). Subsequently, another JV Company named 'TREDCO Rajasthan Ltd.' between THDCIL and RRECL (Rajasthan Renewable Energy Corporation Limited) has also been incorporatedfor development of 10,000 MW Ultra Mega Renewable Energy Parks in the Rajasthan state.
THDCIL is also exploring possibilities of development of Hydro projects in Uttarakhand. THDCIL and Uttarakhand Jal Vidyut Nigam Limited (UJVNL) has entered into the Memorandum of Understanding (MoU) in Mar'2023 to harness the untapped potential of Hydro Power Projects in Uttarakhand.

9. Power System Operation Corporation Limited (POSOCO)

Power System Operation Corporation Limited (POSOCO) is a wholly owned Government Company under Ministry of Power. POSOCO is operating National Load Despatch Centre (NLDC), located at New Delhi, and five Regional Load Despatch Centers (RLDCs) located at Kolkata, Shillong, New Delhi, Mumbai and Bangaluru. As per the mandate of the Electricity Act 2003, RLDCs and NLDC are the apex bodies for real time integrated operation of National Grid.

POSOCO facilitates transfer of electric power within and across the regions and trans-national exchange of power and also performs various other functions assigned by the Govt. of India, from time to time. Further, POSOCO observes compliance of the Rules, Guidelines and Standards to be followed by various power sector agencies.

In addition to ensuring reliability & security, with economy through effective System Operation and Market Operation activities, POSOCO has been entrusted with the responsibilities of implementation of Renewable Energy Certificate (REC) Mechanism, Registry of Energy Saving Certificates (ESCerts), Implementing Agency for the Point of Connection (PoC) based transmission charges, power supply regulation, etc.

1.8 CORPORATE FRAMEWORK

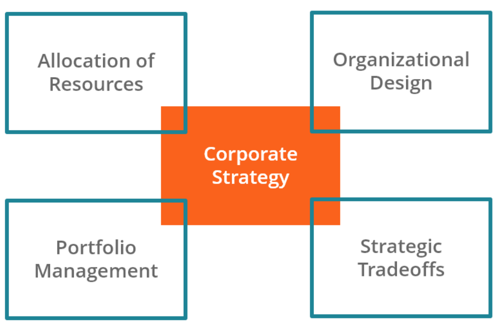
What is Corporate Strategy?

Corporate Strategy takes a portfolio approach to strategic decision making by looking across all of a firm's businesses to determine how to create the most value. In order to develop a corporate strategy, firms must look at how the various business they own fit together, how they impact each other, and how the parent company is structured, in order to optimize human capital, processes, and governance. Corporate Strategy builds on top of business strategy, which is concerned with the strategic decision making for an individual business.

<u>What are the Components of Corporate Strategy?</u>

There are several important components of corporate strategy that leaders of organizations focus on. The main tasks of corporate strategy are:

1. Allocation of resources
2. Organizational design
3. Portfolio management
4. Strategic tradeoffs



<u>1.Allocation of Resources</u>

The allocation of resources at a firm focuses mostly on two resources: people and capital. In an effort to maximize the value of the entire firm, leaders must determine how to allocate these resources to the various businesses or business units to make the whole greater than the sum of the parts.

Key factors related to the allocation of resources are:

1. **People**
   a. Identifying core competencies and ensuring they are well distributed across the firm
   b. Moving leaders to the places they are needed most and add the most value (changes over time, based on priorities)
   c. Ensuring an appropriate supply of talent is available to all businesses

2. **Capital**
   a. Allocating capital across businesses so it earns the highest risk-adjusted return

   b. Analyzing external opportunities (mergers and acquisitions) and allocating capital between internal (projects) and external opportunities

2. Organizational Design

Organizational design involves ensuring the firm has the necessary corporate structure and related systems in place to create the maximum amount of value. Factors that leaders must consider are the role of the corporate head office (centralized vs decentralized approach) and the reporting structure of individuals and business units – vertical hierarchy, matrix reporting, etc.

Key factors related to organizational design are:

1. **Head office (centralized vs decentralized)**
   a. Determining how much autonomy to give business units
   b. Deciding whether decisions are made top-down or bottom-up
   c. Influence on the strategy of business units
2. **Organizational structure (reporting)**
   a. Determine how large initiatives and commitments will be divided into smaller projects
   b. Integrating business units and business functions such that there are no redundancies
   c. Allowing for the balance between risk and return to exist by separating responsibilities
   d. Developing centers of excellence
   e. Determining the appropriate delegation of authority
   f. Setting governance structures
   g. Setting reporting structures (military / top-down, matrix reporting)

3.Portfolio Management

Portfolio management looks at the way business units complement each other, their correlations, and decides where the firm will "play" (i.e. what businesses it will or won't enter).

Corporate Strategy related to portfolio management includes:

- Deciding what business to be in or to be out of
- Determining the extent of vertical integration the firm should have
- Managing risk through diversification and reducing the correlation of results across businesses
- Creating strategic options by seeding new opportunities that could be heavily invested in if appropriate
- Monitoring the competitive landscape and ensuring the portfolio is well balanced relative to trends in the market

4.Strategic Tradeoffs

One of the most challenging aspects of corporate strategy is balancing the tradeoffs between risk and return across the firm. It's important to have a holistic view of all the businesses combined and ensure that the desired levels of risk management and return generation are being pursued.

Below are the main factors to consider for strategic tradeoffs:

1. **Managing risk**
   a. Firm-wide risk is largely depending on the strategies it chooses to pursue
   b. True product differentiation, for example, is a very high-risk strategy that could result in a market leadership position or total ruin
   c. Many companies adopt a copycat strategy by looking at what other risk-takers have done and modifying it slightly
   d. It's important to be fully aware of strategies and associated risks across the firm
   e. Some areas might require true differentiation (or cost leadership) but other areas might be better suited to copycat strategies that rely on incremental improvements
   f. The degree of autonomy business units have is important in managing this risk
2. **Generating returns**
   a. Higher risk strategies create the possibility of higher rates of return. The examples above of true product differentiation or cost leadership could provide the most return in the long run if they are well executed.

   b. Swinging for the fences will lead to more home runs and more strikeouts, so it's important to have the appropriate number of options in the portfolio. These options can later turn into big bets as the strategy develops.

3. **Incentives**
   a. Incentive structures will play a big role in how much risk and how much return managers seek
   b. It may be necessary to separate the responsibilities of risk management and return generation so that each can be pursued to the desired level
   c. It may further help to manage multiple overlapping timelines, ranging from short-term risk/return to long-term risk/return and ensuring there is appropriate dispersion

1.9 SHAREHOLDERS

WHAT IS A SHAREHOLDER?

A shareholder can be a person, company, or organization that holds stock(s) in a given company. A shareholder must own a minimum of one share in a company's stock or mutual fund to make them a partial owner. Shareholders typically receive declared dividends if the company does well and succeeds.

Also called a stockholder, they have the right to vote on certain matters with regard to the company and to be elected to a seat on the board of directors.

Roles of a Shareholder

Being a shareholder isn't all just about receiving profits, as it also includes other responsibilities. Let's look at some of these responsibilities.

- Brainstorming and deciding the powers they will bestow upon the company's directors, including appointing and removing them from office
- Deciding on how much the directors receive for their salary. The practice is very tricky because stockholders must make sure that the amount they will give will compensate for the expenses and cost of living in the city where the director lives, without compromising the company's coffers.
- Making decisions on instances the directors have no power over, including making changes to the company's constitution
- Checking and making approvals of the financial statements of the company

Types of Shareholders

There are basically two types of shareholders: the common shareholders and the preferred shareholders.

Common shareholders are those that own a company's common stock. They are the more prevalent type of stockholders and they have the right to vote on matters concerning the company. As they have control over how the company is managed, they have the right to file a class-action lawsuit against the company for any wrongdoing that can potentially harm the organization.

Preferred shareholders, on the other hand, are more rare. Unlike common shareholders, they own a share of the company's preferred stock and have no voting rights or any say in the way the company is managed. Instead, they are entitled to a fixed amount of annual dividend, which they will receive before the common shareholders are paid their part.

Though both common stock and preferred stock see their value increase with the positive performance of the company, it is the former that experiences higher capital gains or losses.

Can the Shareholder be a Director?

The shareholder and director are two different entities, though a shareholder can be a director at the same time.

The shareholder, as already mentioned, is a part-owner of the company and is entitled to privileges such as receiving profits and exercising control over the management of the company. A director, on the other hand, is the person hired by the shareholders to perform responsibilities that are related to the company's daily operations with the intent of improving its status.

Shareholder vs. Stakeholder

Shareholder and Stakeholder are often used interchangeably, with many people thinking that they are one and the same. However, the two terms don't mean the same thing. A shareholder is an owner of a company as determined by the number of shares they own. A stakeholder does not own part of the company but does have some interest in the performance of a company just like the shareholders. However, their interest may or may not involve money.

For example, a chain of hotels in the US that employs 3,000 people has several stakeholders, including its employees because they rely on the company for their job. Other stakeholders include the local and national governments because of the taxes the company must pay annually.

Shareholder vs. Subscriber

Before a company becomes public, it starts out first as a private limited company that is run, formed, and organized by a group of people called "subscribers." The subscribers are considered the first members of the company whose names are listed in the memorandum of association. Once the company goes public, their names continue to be written in the public register and they remain as such even after their departure from the company.

1.10 BOARD OF DIRECTORS

What Is a Board of Directors?

A board of directors (BofD) is the governing body of a company, whose members are elected by shareholders (in the case of public companies) to set strategy, oversee management, and protect the interests of shareholders and stakeholders.Every public company must have a board of directors. Some private companies and nonprofit organizations also have a board of directors.

KEY TAKE A WAYS

- The board of directors of a public company is elected by shareholders.
- The board makes key decisions on issues such as mergers and dividends, hires senior managers, and sets their pay.
- Board of directors candidates can be nominated by the company's nominations committee or by outsiders seeking change.
- Public companies must have a board of directors.
- The New York Stock Exchange and the Nasdaq require that the majority of members on the boards of listed companies be outside, or independent, directors.

How a Board of Directors Works

The structure and powers of a board are determined by a company's articles of incorporation and its corporate bylaws. Bylaws can set the number of board members, how the board is elected (e.g., by a shareholder vote at an annual meeting), and how often the board meets. The board typically meets at regular intervals.

The board makes decisions as a fiduciary on behalf of the company and its shareholders. Broadly speaking, it provides insight, advice, and leadership for important objectives such as:

Protecting the interests of shareholders–A board will promote efforts and activities that maximize the value that shareholders receive for their investment. In addition to ensuring an efficiently run and profitable operation, it makes certain that shareholders receive properly reported financial data and any other important information that could impact their holdings.

Managing risk–A board will establish policies that allow a company to identify, evaluate, and respond to financial, security, and legal risks, as well as to mitigate actual loss. Facilitating ongoing risk monitoring is an essential responsibility of a board.

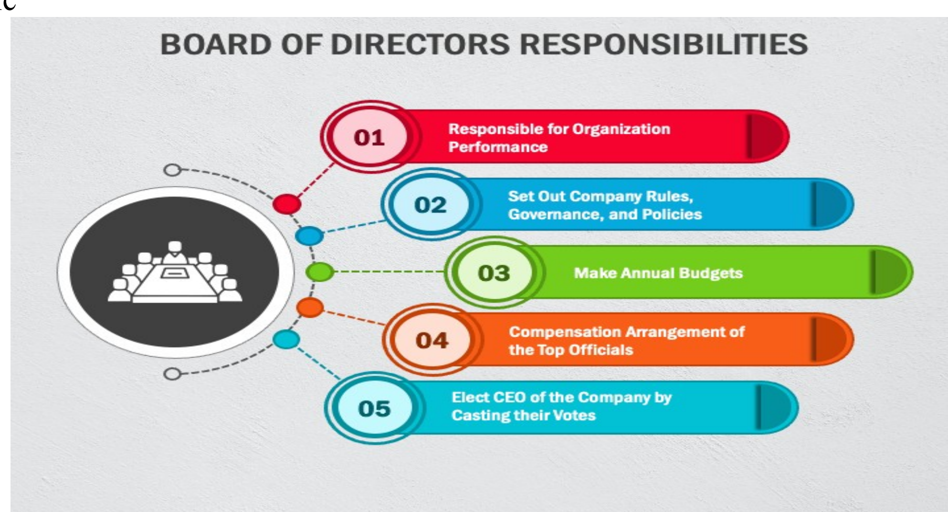
Engaging with stakeholders–A board will communicate with individuals and firms with vested interests in the company so that it understands those interests, can address concerns, pursue necessary changes in corporate behavior, and make a positive impact that strengthens these relationships.

What A Board of Directors Does

A board of directors is responsible for overseeing and advising a company so that it functions as effectively as possible. The board ensures that an organization operates lawfully and in the interests of the company's shareholders and other stakeholders (such as its employees). It operates independently of company management and day-to-day operations.

A board of directors considers important issues relating to the company, its shareholders, its employees, and the public. It's involved in:

- Helping a company to define objectives, establish major goals, and stay focused on its direction over time
- The hiring and dismissal of senior executives and upper management
- Determining executive compensation
- Defining a process and schedule for its interactions with the company's CEO
- Establishing an overarching yet flexible company policy for employees
- Advising executives in their planning and decision-making
- Overseeing budgets and ensuring proper funding when important resources are required
- Monitoring, and making necessary changes to, financial and accounting activities to safeguard corporate finances and assets
- Establishing a company's dividend policies
- Declaring dividends and payouts
- Instituting policies for stock options
- Directing mergers, acquisitions, and the divesting of assets
- Leading crises management efforts
- Building and maintaining a strong, lasting, and positive brand identity for the company and the public



The New York Stock Exchange and the Nasdaq require listed companies to have boards with a majority of independent directors, and to include independent directors on key board committees such as the audit committee.1

How a Board of Directors Is Chosen

While no set number of members is required for a corporate board, many pursuing diversity as well as cohesion settle on a range of 8 to 12 directors. Some boards require an uneven number of members to prevent votes from ending in a tie. Boards often stagger the terms of directors to avoid a full slate of yearly elections.

Election

For publicly listed companies in the U.S., members of the board of directors are elected by shareholders at the annual meeting. Board candidates can be nominated by the board's nomination committee, or by investors seeking to change a board's membership and policies.

For private companies, a board of directors can be chosen in a manner that abides by a company's bylaws or articles of incorporation. Directors may also be chosen by shareholders via simple agreement on whom to appoint. Dismissal Directors may be removed in elections or otherwise in instances of fiduciary duty violations. In addition, some corporate boards have fitness-to-serve rules that may lead to the removal of a director if broken.

For example, some rules are intended to prevent abuse of board power, director conduct that indicates a conflict of interest, using insider information for financial gain, selling one's votes for personal gain to outside interests, or attempting to sway other directors' votes to benefit an outside business.

Types of Boards

Different boards of directors can have different, broad mandates. For example:

Executive Board

The role of this board is to take on the role of a chief executive officer (where there is none) and manage a company's operations effectively and profitably. It acts to ensure that a company has and maintains a mission and a purpose, and meets its goals on an ongoing basis.

Governing Board

This board's purpose is to offer a company owner specific guidance related to the company's business mandate so that it can operate effectively and achieve its future goals.

Advisory Board

Like the governing board, this board brings insight to a company's top executive. It offers different perspectives and experience that can help the company meet specific goals, such as growing a network, achieving community brand recognition and connection, and building a new customer segment.

Fundraising Board

This board is focused on attracting funds that can help an organization meet its goals. Board members organize various opportunities, such as campaigns, special events, galas, tournaments, auctions, and more to raise money. They use their positions in the business community and personal relationships to help an organization financially.

Types of Board Members
The board of directors typically is formed from inside and outside directors. An inside director is most commonly defined as a company employee, though the category sometimes also covers significant shareholders.
Outside, or independent, directors are only involved with the company through their board membership. As a result, independent directors face fewer conflicts of interest than company insiders in discharging their fiduciary obligations.
In addition, they bring to the board different points of view and expertise related to different kinds of business. Outside directors can be invaluable to a board in helping it carry out its responsibilities effectively.
The board usually will include the company's chief executive officer (who is often the board's chairperson) and sometimes other senior officers or managers.
Directors may have specific roles and titles. For example:
Chairperson or President: This individual leads and manages the board of directors. They are responsible for setting agendas, running successful board meetings, establishing committees, and other duties. They normally represent the company at public events.
Vice chair or Vice president: The vice chair works closely with the chairperson or president in support of their responsibilities. They also help to facilitate directives and may address potential conflicts of interest of board members. The vice chair normally fulfills the chairperson's duties when the latter is unavailable.
Secretary: The secretary manages the board's administrative tasks. They take the board meeting minutes and maintain accurate corporate records.
Treasurer: The treasurer focuses on a company's budget, financial policies and accounting, investments, and other financial issues. They work with other professionals concerned with the company's financial well-being.

What Makes a Successful Board of Directors?
How effective a board of directors is ultimately depends on the quality and conduct of its members, and their ability to properly oversee and guide a company so that it can achieve its goals of building profitability and shareholder value.
Each member should bring to the table different expertise and skills that relate to the company's focus. They must be able to work together harmoniously and constructively to achieve common objectives and fulfill fiduciary responsibilities.
Their motivation should be the company's advancement rather than their own and therefore they must recognize and handle conflicts of interest that may arise.
Additionally, an effective board of directors maintains transparency of its oversight and decision-making, thus ensuring the accountability of its independent and ethical standards and conduct.

1.11 COMMITTEES

WHAT ARE BOARD COMMITTEES?

- Board committees are smaller groups of people who advise the board on a specific area of operations.
- Board committees represent an essential part of the corporate governance process and should have clear reporting procedures and scope.
- Board committees must have more than simply vague objectives, and committee meetings should be well managed by an effective chairperson.

What are board committees?
The board can appoint committees based on what it wants to achieve for the year.
These committees then help the board achieve its objectives.

Keep in mind, the number of committees and who sits on them should be reviewed regularly to make sure there are no overlapping responsibilities.
There can be standing committees, which operate on a more permanent basis, and ad-hoc committees, which are in place for a particular time frame and can then be disbanded once an objective has been achieved.
Ad-hoc committees could also be called task forces.
Committee chairs should provide leadership to the committee and help translate the board's goals into an agenda for committee meetings.
Some examples of the types of committees that are often set up include:

- finance committees,
- communications committees,
- audit committees,
- governance committees (that focus on recruitment and board management),
- and membership committees.

Why have board committees?

The board can accomplish a lot of its work through committees, and they are an effective way to delegate work.
Committees can focus specifically on areas such as governance, internal affairs, or external affairs.
A committee's size will depend on the board's needs, and it is helpful to recognise that the more committees you set up, the more meetings will need to take place.
Committee members should be selected based on their experience and skills.
Each board member should serve on at least one committee, but preferably no more than two.
Essentially, a committee provides expert advice and counselling to the board.
However, the committee's suggestions still need to be approved by the board (they are not obligated to go with a committee's advice).

What does an effective committee look like?

The main characteristics of an effective board committee should be that it:

- Has a clear purpose and goals
- Has a chairperson
- Is aligned with the board, and its members understand the time commitment involved
- Understands its role is an advisory one and that it doesn't make decisions
- Has an evaluation process

Some organisations operate a zero-based committee structure which means that each year is started with a clean slate, and new committees are created only as needed.
This avoids stagnation and ensures that unnecessary committees are dissolved.
Some boards may find that no committees are necessary and that tasks can be effectively delegated to individual board members; however, this would take a lot of commitment from every board member.

What are the main benefits of having board committees?

Today, one of the most sensitive issues involves directors' remuneration, and a committee focusing on this area would be considered an essential element of good governance.
In general, committees bring in different opinions and viewpoints, improve communication, and reduce the workload of the board.

1.12 CHIEF EXECUTIVE LINE AND FUNCTIONAL MANAGERS

What is a CEO (Chief Executive Officer)?

A CEO (Chief Executive Officer) is the top-ranking individual employee within an organization. They are an employee in the sense that they work for the firm (as opposed to being elected by shareholders), but he or she is not a run-of-the-mill staff member; they have considerable responsibility and influence within the firm.

Having said that, in organizations with a healthy corporate governance function, the Chief Executive Officer is also not an all-powerful leader with unchecked power and decision-making authority. The CEO reports directly to, and is ultimately accountable to, the firm's Board of Directors (the members of which *are* elected by shareholders).

Specific responsibilities of a CEO may vary slightly from one company to another, but, in general, this individual is responsible for the ultimate success or failure of the organization.

Key Highlights

- The CEO is the highest-ranking employee within any organization; they report to the Board of Directors.
- Core responsibilities include setting and executing the organization's strategy, allocating capital, and building and overseeing the executive team.
- CEOs must possess strong communication skills, great leadership acumen, and unrivaled passion for the organization and its people.
- CEOs also sometimes serve as the Chair of the Board of Directors, but this can pose a potential conflict of interest.

Responsibilities of the CEO

A CEO can (theoretically) take on any tasks or responsibilities they wish; indeed, some CEOs, particularly within smaller organizations, tend to be pretty hands-on with some corporate functions.

CEOs may gravitate towards certain functions like marketing or finance, depending on their professional background and expertise. The stage of the company lifecycle matters, too; for example, CEOs at earlier stage ventures may spend a larger proportion of their time fundraising than counterparts at more mature firms.

In practice, however, a CEO's time and expertise are best spent focusing on a handful of really high-impact, core responsibilities. These include:

1. Setting and Executing Organizational Strategy

Decisions about new product lines, generating (and/or maintaining) competitive advantages, potential new markets, and mitigating risks or seizing on opportunities (among others) all fall under the purview of the CEO.

As with anything in an organization, they will rely on considerable data and input from senior leaders as well as direction and insight from the Board of Directors, but the CEO is the individual that has operational control over strategy and execution.

2. Building the Senior Leadership Team

Effective CEOs are able to attract top talent to their organizations. While they aren't responsible for hiring or terminating every individual employee, they *are* responsible for building and overseeing the executive leadership team who, in turn, hire and oversee upper and middle management within their divisions.

The executive leadership team includes the CFO (Chief Financial Officer), the COO (Chief Operating Officer), and, depending on the nature of the organization, all the other C-suite roles that may exist (Chief Risk Officer, Chief Technology Officer, Chief Strategy Officer, Chief Investment Officer, etc.)

In many organizations, the Board will have final (formal) authority on hiring decisions at the C-level, but, in most instances, the board actually defers to the recommendation(s) of the CEO.

3. Making Capital Allocation Decisions

While division and departmental managers may be responsible for managing their respective budgets, the responsibility for setting and managing the organization's overall budget in order to effectively execute strategic initiatives ultimately falls upon the CEO.

Furthermore, the CEO will also weigh in on when (and how) to raise funds, as well as how to make the best use of surplus capital. Strategies include repaying debt, distributing capital by way of dividends or share repurchases, or reinvesting in the business.

4. Setting Vision, Values, and Corporate Culture

Corporate culture has many elements that are organic in nature, but the mission, vision, and values designed and implemented by the CEO will ultimately steer that culture in any number of different directions.

The CEO must be very aware of their tenor, their behavior, and every single action they take (or don't take) – the entire organization is watching. Even decisions around what they wear or how they choose to present themselves and engage with other members of the firm will set the tone for the rest of the organization.

5. Communicating Effectively with All Stakeholders

The CEO is the face of the organization. They may be representing the firm in front of the general public, the press, lawmakers or other regulators, employees, customers, suppliers, or any number of other parties interested in company operations.

Relaying core elements of vision, values, and mission is important, but actually living these values is even more critical. The CEO is never really "off duty" – there is always someone watching or listening.

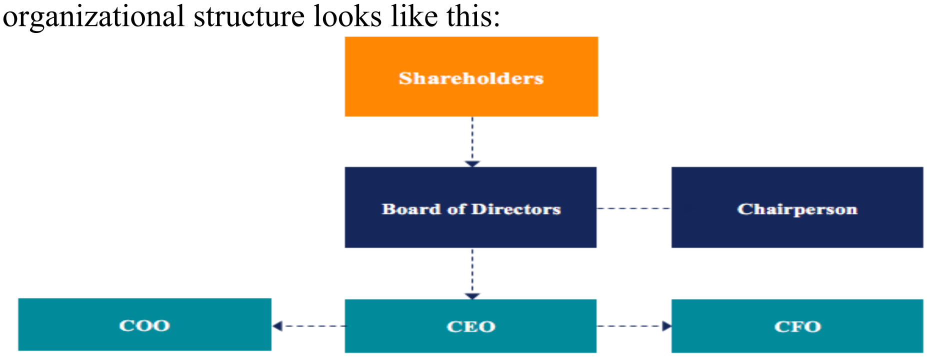
Characteristics of a Successful CEO

As with anything, there is no one-size-fits-all formula. But successful CEOs generally have (or exhibit) many of the following characteristics:

- Extraordinary passion. It takes a special kind of leader to be able to handle the pressure and the scrutiny that comes with such a high-profile position.
- Clear vision. Developing a business strategy requires that a CEO be many steps ahead of the general public in seeing and understanding how trends may evolve.
- Strong leadership. Even with unmatched passion and foresight, the business can't get there without the right people in place to make things happen. CEOs must be able to attract talented human capital that will support the company's mission and vision.
- Effective communication skills. A CEO is always under scrutiny and must constantly deliver and reinforce the organization's message. It's rare to see a CEO that isn't comfortable in front of an audience or a television camera.

Corporate Governance

A typical organizational structure looks like this:



The CEO is the top operational decision-maker within an organization, but they report to the Board of Directors (BOD).

All appointments to (or removals from) the BOD are voted on by shareholders of the company. Conceptually, this is what creates a Corporate Governance function within an organization.

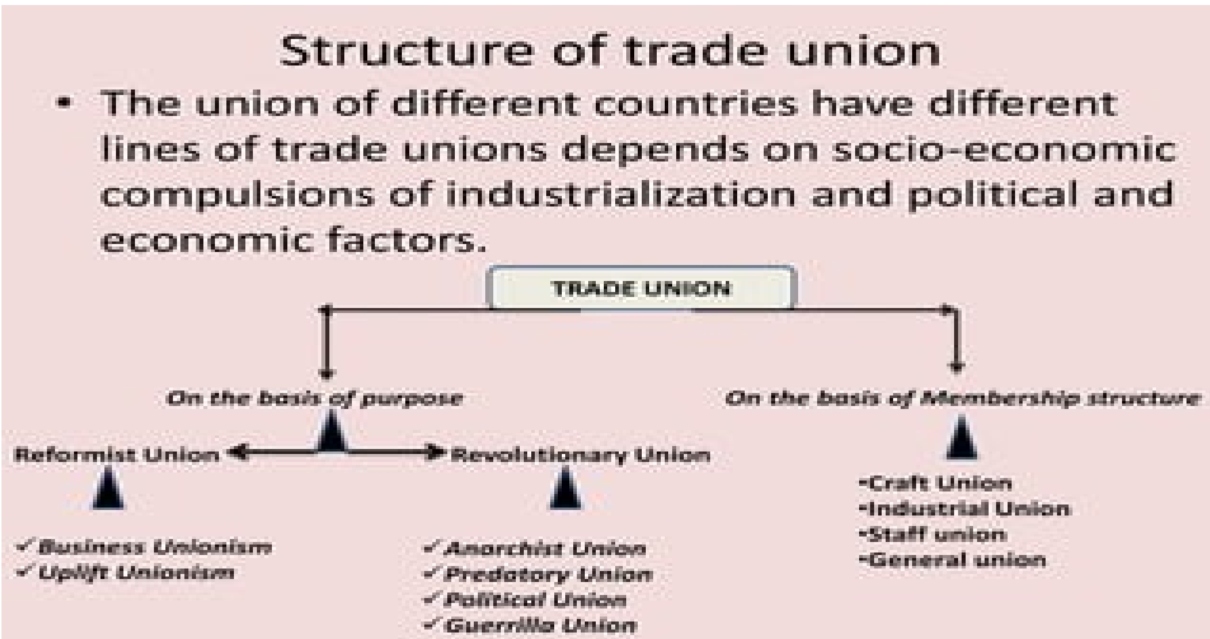
The BOD is a safeguard that provides a layer of protection for (and to generally look out for) the rights and interests of stakeholders. This ensures that the CEO – while a highly-coveted title – does not have complete dictatorial control over the entire firm.

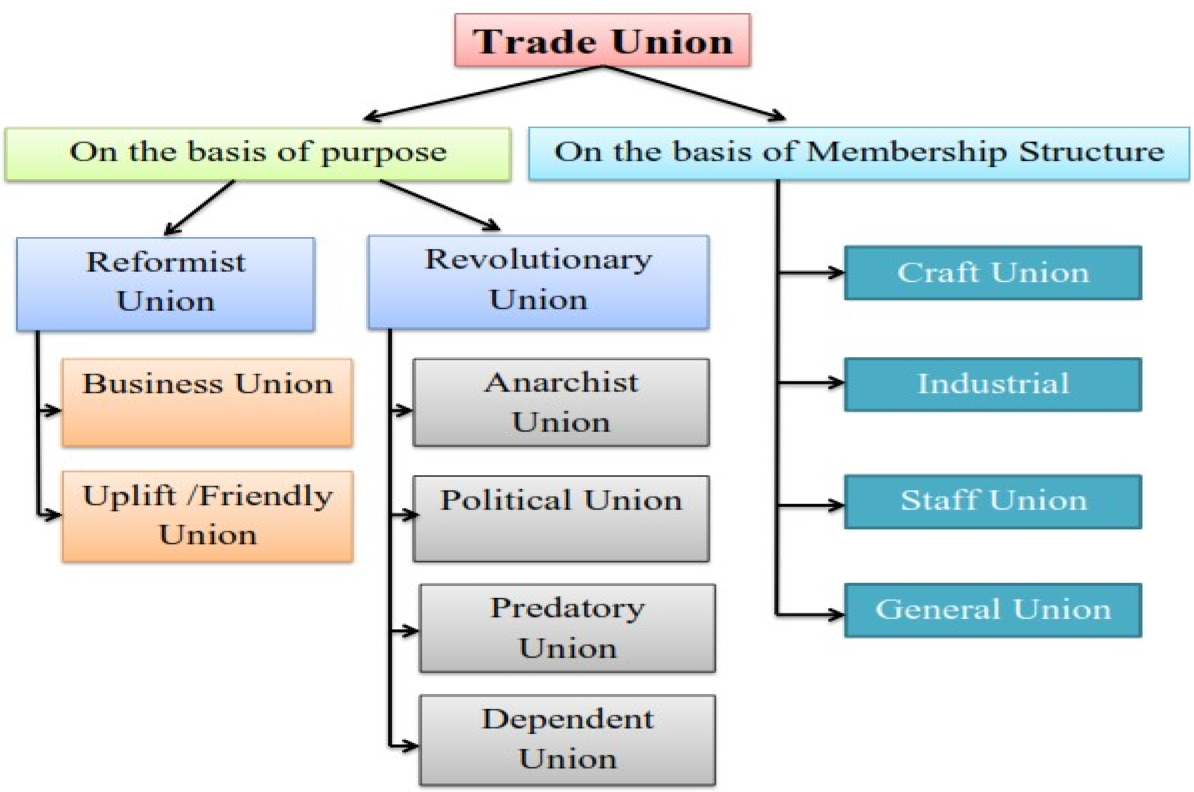
Driven in large part by the emergence of ESG (Environmental, Social & Governance), the nature of board oversight has evolved. While historically, their sole responsibility was looking out for shareholders (often called shareholder primacy), increasingly, boards are being expected to look out for all stakeholders more broadly, including consumers, employees, suppliers, and the general public.

CEO vs. Chair of the Board

The CEO is the top operator in the organization; in other words, they're in charge of the *company*. The Chair of the Board, on the other hand, is in charge of the *Board*.
The CEO is, technically, subordinate to the Chair of the Board.
In some instances, the CEO also serves as the Chair. However, as scrutiny around corporate governance practices continues to grow, many firms are moving away from that model.
Since the Board is responsible for evaluating the performance of the CEO, including voting on his or her compensation (and even their dismissal, if warranted), it's obvious that a potential conflict of interest exists when the CEO *is* the Chair.

FINANCIAL –LEGAL-TRADE UNION





Trade Union

Definition: Trade Union is also referred as Labour Union, indicating an organized union, i.e. association of the labours, employed in a trade, industry, business or factory, etc who come together to achieve common goals, i.e. improving bargaining power on wages and working conditions. Basically, trade unions are the legal representatives of the group of wage earners. They operate at the plant level, firm-level, industry level, regional level or national level.

Objectives of Trade Union

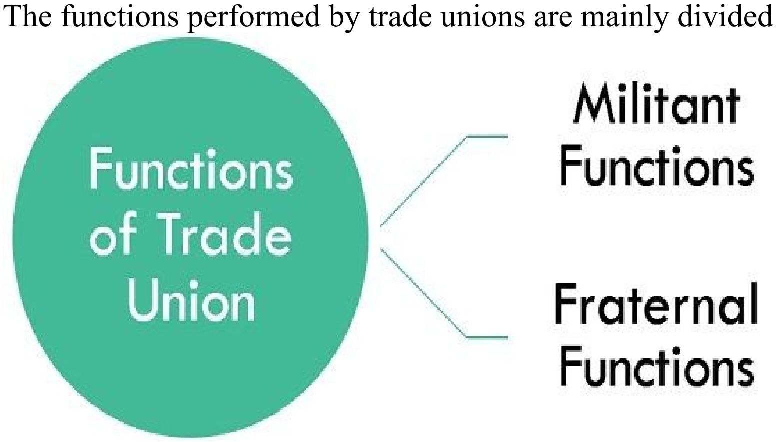
On behalf of the workers, it is the Trade Union which by way of its leadership, bargains and negotiates labour contracts with the employers. The objectives of the Labour/Trade Union are:

- To represent the individual workers, when they face a problem at work.
- To negotiate with the management about the issues which affect the workmen of the organization. The trade union also work for reducing the difference in opinion amidst management and union members.
- To safeguard the interest of the workers, by intervening in the improper implementation of the personnel policies which can directly or indirectly affect the workmen, such as layoff, retrenchment, promotion or transfer.
- To provide a range of services to the employees such as education and training, legal assistance, financial discounts and welfare benefits.
- To protect the health of the workmen, by demanding proper working conditions like lighting and ventilation, minimum working hours, paid leaves, drinking water, refreshments, sanitation, restrooms, social security benefits, safety equipment while discharging hazardous duty.
- To maintain harmonious relations between employee and employer.

The union is set up by the workers of the concerned field, which works for promoting the interest of all the members (workers). Its aim is to protect the right of the working class, as well as to stop their exploitation by large corporates.
The union deals with the basic problems encountered by the workers at their workplace such as fair pay, overtime, discrimination, working hours, unfair labour practices, holidays, so on and so forth.

Functions of Trade Union

The functions performed by trade unions are mainly divided into two groups:



Militant Functions

As the name suggests, these are aggressive functions. And so trade unions undertake those activities which result in the upliftment of the position of the workers with respect to the employment. The main objective of such activities is – Adequate wages, Improved working conditions and fair and right treatment.
So, if the union fail to achieve these objectives, using methods like collective bargaining or negotiation, then they take recourse of another approach and raise their voice against management by

using other techniques such as go-slow tactics, strike, boycott, gherao, and so on. Hence the militant functions involve:

- Achieving higher wages and good working conditions
- Raising the worker's status
- Protecting labours against exploitation and injustice.

Fraternal Functions

Fraternal functions involve friendly activities undertaken by the trade unions with an aim of providing help to its member, whenever they need and improving their level of efficiency. The trade unions work for cultivating a spirit of cooperation in members and encourage healthy industrial relations.

Further, they also work for spreading education among the members. Fraternal functions rely primarily on the availability of funds. Funds are generated by subscription from members and donations. So, these functions involve:

- Taking up welfare activities to boost the morale of labours
- Developing self-confidence in workers.
- Promoting sincerity, cooperation and discipline among workers.

The function of such unions is to ascertain the grievances of the workforce and collectively represent them before the company's management. In this way, the trade union, works as a bridge between workers and management, for communication. Not just this, the unions are also accountable for maintaining discipline and unity among workers.

The presence of trade unions is also important for maintaining good relations between workers and management. They also take necessary actions on the misconduct or disobedience of workers, which disturbs the peace and harmony.

OIM351 INDUSTRIAL MANAGEMENT

UNIT II	FUNCTIONS OF MANAGEMENT	9
Planning - Nature and Purpose - Objectives - Strategies – Policies and Planning Premises - Decision Making - Organizing - Nature and Process - Premises - Departmentalization - Line and staff - Decentralization -Organizational culture, Staffing - selection and training .Placement - Performance appraisal - Career Strategy – Organizational Development. Leading - Managing human factor - Leadership .Communication, Controlling - Process of Controlling - Controlling techniques, productivity and operations management - Preventive control, Industrial Safety.		

2.1 Planning: Meaning, Features, Importance and Limitations

[redacted]

What is Planning?

Planning is a blueprint of the course of action to be followed in the future. It is also a mental exercise that requires imagination, foresight, and sound judgment. It is thinking before doing. It is a preparatory step and refers to detailed programs regarding the future course of action. Simply put, planning is the basic management function that involves forecasting, laying down objectives, analyzing the different courses of action, and deciding the best alternative to perform different managerial functions to achieve pre-determined goals. Thus, it is a continuous process that involves decision-making; i.e., deciding the course of action for framing and achieving objectives.
"Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen." -Koontz and O'Donnell

Key Takeaways:

- *Planning is required by all individuals, businesses, and non-business organizations and is practised at all types of organizations, including small, medium, and large.*
- *It is a continuous process; i.e., once a plan is accomplished, a new plan if formed for the future course of action.*
- *Planning provides direction to the organisations by helping them make clear and specific goals.*
- *However, planning may not work in dynamic environment; therefore, it is essential to accurately forecast changes.*
- *Planning gives a standard to the organisation against which they can evaluate their actual performance.*

Features of Planning

By analyzing the above meaning and definition, we can reveal the following features of planning:

1. Planning Focuses on Achieving Objectives: Planning is a goal-oriented work because its purpose is to achieve organizational objectives quickly and economically. These objectives are purposeful, as they provide basic guidelines for planning activities by identifying the actions which lead to desired results.

2. Planning is a Primary Function of Management: Planning is the primary function of management as it serves as a base for all other management functions because it provides the basic framework within which all other management functions are performed. We consider it to be a blueprint, as it provides the foundation for managerial actions.

3. Planning is Pervasive: It is pervasive as it is required at all levels of management and in all types of organizations. However, the scope of planning varies from one level to another, while supervisors at the lowest level formulate day-to-day operational programs and middle-level managers prepare departmental plans, and the top management plans for the organization as a whole.

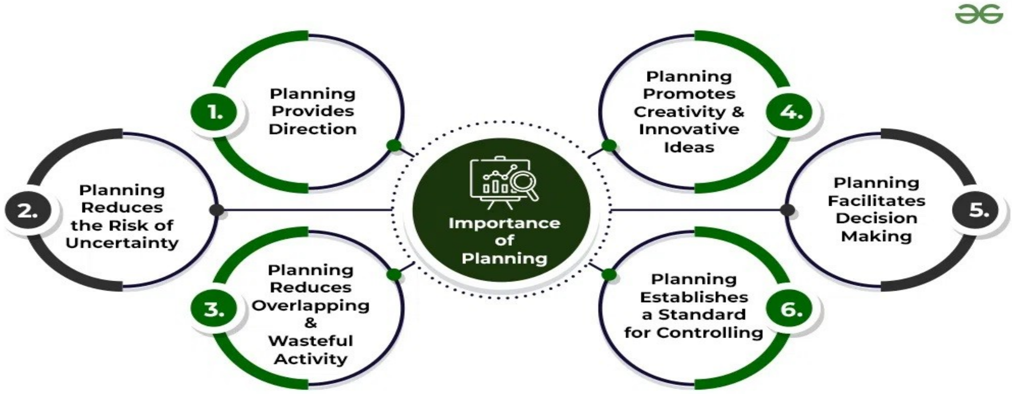
4. Planning is a Continuous Process: Planning is an ongoing process. Plans are prepared for a specific period and at the end of that period, there is a need for a new plan based on the new situation. Since the future is uncertain, there are various assumptions about the future that may change. Therefore, the original plan may have to be revised in light of changing conditions.

5. Planning is Futuristic: Planning involves looking into the future, and it predicts the best advantage of an organization. Managers plan to manage future events to the best of their capacity. Planning also involves thinking about the future for doing in the present. It essentially involves scientific anticipation of future events; i.e., forecasting.

6. Planning involves Decision-Making: Planning is the process of making choices from various alternatives to achieve the specified objectives. The need for planning arises only when alternatives are available, and in actual practice, planning presupposes the existence of alternatives. Thus, decision-making is an integral part of planning, as it involves a choice from various alternative courses of action. But, if there is only one alternative, then there is no need for planning.

7. Planning is a Mental Exercise: Planning is an intellectual process that is related to thinking before doing involving imagination and creativity. It is an activity of thinking based on logical reasoning rather than guessing and doing work. The success of planning depends on the performance of a planner. So, a planner must have intelligent imagination and sound judgment capacity.

Importance of Planning



1. Planning Provides Direction: Planning is involved in deciding the future course of action. Fixing goals and objectives is the priority of any organization. By stating the objective in advance, planning provides unity of direction. Proper planning makes goals clear and specific. It helps the manager to focus on the purpose for which various activities are to be undertaken. It means planning reduces aimless activity and makes actions more meaningful.

2. Planning Reduces the Risk of Uncertainty: Every business enterprise has to operate in an uncertain environment. Planning helps a firm to survive in this uncertain environment by eliminating unnecessary action. It also helps to anticipate the future, and prepare for the risk by making necessary provisions.

3. Planning Reduces Overlapping and Wasteful Activity: Plans are formulated after keeping in mind the objective of the organization. An effective plan integrates the activity of all the departments. In this way, planning reduces overlapping and wasteful activities.

4. Planning Promotes Creativity and Innovative Ideas: Planning encourages creativity, and helps the organization in various ways. Managers develop new ideas and apply the same to create new products and services leading to overall growth and expansion of the business. Therefore, it is rightly said that a good planning process will promote more individual participation by throwing up various new ideas and encouraging managers to think differently.

5. Planning Facilitates Decision-Making: Decision-making means searching for various alternatives and selecting the best one. Planning helps the manager to look into the future, and choose among various alternative forces of action. Planning provides guidelines for sound and effective decision-making.

6. Planning Establishes a Standard for Controlling: Planning lays down the standards against which actual performance can be evaluated and measured. Comparison between the actual performance and pre-determined standards help to point out the deviation, and take corrective actions to ensure that events confront plans. In case of any deviation, the management can take remedial measures to improve the results.

Limitations of Planning

Following are the limitations of planning:

1. Rigidity: Planning brings rigidity to work as employees are required to strictly follow pre-determined policies. There is a tendency that by strictly following these predetermined policies, people become more concerned about complying with these plans rather than achieving the goals.

Sometimes planning discourages individual initiative and creativity. It restricts their freedom and new opportunities are ignored.

2. Planning may not Work in a Dynamic Environment: Planning has to operate in an external environment, such as government policies, technology, etc., which is beyond the control of the organization. In any situation, changes in the environment make the plan inoperative and ineffective. So planning does not provide a positive result when such changes are not accurately forecasted.

3. Planning Reduces Creativity: Planning involves the determination of policies and procedures in advance. Employees are required to strictly follow them, and deviations are considered to be highly undesirable. As a result, employees do not show their skills, and it reduces their initiative and creativity.

4. Planning Involves Huge Costs: Planning is an expensive process because a lot of money is spent on gathering and analyzing information. It also involves the cost of experts, as experts are paid for planning. Efforts should be made to benefit from the analysis and ensure that benefits derived from planning should be more than their cost. If the cost of planning does not justify the benefit, then planning should be avoided.

5. Planning is Time-Consuming: It takes a lot of time in collecting, analyzing, and interpreting information relevant to planning. This causes a delay in decision making. Therefore during crises and emergencies, which call for an immediate decision, planning does not work. Sometimes, advance planning may lead to a delay in actions making, which may result in the loss of profitable opportunities.

6. Planning does not Guarantee Success: Planning may create a false sense of security in the organization. Managers tend to adopt previously tested plans, but it is not necessary that a plan which has worked before will work again in this competitive environment. So, we cannot say that planning guarantees success.

7. Resistance to Change: The employee becomes familiar with the method of doing work. So they resist change and do not want to adopt a new method of doing work. Such unwillingness may lead to the failure of the plan.

2.2 Strategies

[redacted]

Strategy refers to a comprehensive plan or set of actions designed to achieve an organization's long-term goals and objectives. It involves determining the best path to navigate the competitive landscape, allocate resources effectively, and maximize the organization's strengths while minimizing its weaknesses.

Types of Strategies

1. Corporate Strategy

Corporate Strategy is a high-level plan formulated by a company's top management to direct and guide the organization's overall direction. It encompasses decisions related to the overall scope and direction of the company, including which markets to enter or exit, resource allocation, and the pursuit of growth through various means such as mergers, acquisitions, or partnerships. The goal of corporate strategy is to achieve sustainable competitive advantage and long-term profitability.

Features

1. Broad Scope: Corporate Strategy encompasses the entire organization, including all its business units and functions. It addresses high-level decisions that impact the overall direction and long-term success of the company.
2. Resource Allocation: It involves strategic decisions about how to distribute resources (such as capital, personnel, and technology) across various parts of the organization to maximize efficiency and effectiveness.
3. Synergy Creation: Corporate Strategy aims to create synergies by leveraging the strengths and capabilities of different business units, leading to greater overall value than if the units operated independently.

Advantages

- Clear Direction: A well-defined corporate strategy provides a clear direction for the entire organization, aligning all business units and employees with the same long-term goals and objectives.
- Competitive Advantage: By carefully analyzing the competitive environment and making strategic decisions, an organization can achieve and sustain a competitive advantage in its markets.
- Optimal Resource Use: Effective corporate strategy ensures that resources are allocated efficiently, reducing waste and improving the overall performance and profitability of the organization.

Disadvantages

- Complexity: Developing and implementing a corporate strategy can be highly complex, requiring extensive analysis and coordination across multiple business units and functions.
- Risk of Misalignment: If not communicated and executed properly, there is a risk that the corporate strategy may not be aligned with the day-to-day operations and goals of individual business units, leading to inefficiencies and conflicts.
- Inflexibility: A rigid corporate strategy may limit an organization's ability to respond quickly to changes in the market or competitive landscape, potentially leading to missed opportunities or threats.

Example

The Walt Disney Company is a prime example of successful corporate strategy. Disney's corporate strategy involves diversification across various entertainment sectors, including theme parks, movies, television networks, and streaming services. By leveraging its strong brand and creating synergies across its different business units, Disney has been able to maintain a competitive advantage and achieve sustained growth. For instance, characters and stories from Disney movies are integrated into its theme parks and merchandise, creating a cohesive and powerful brand presence across multiple platforms.

2. Business Strategy

Business Strategy refers to a company's plan for achieving its long-term goals and sustaining competitive advantage. It encompasses the decisions and actions that guide the overall direction of the business, including how it will compete in the market, satisfy customer needs, and achieve financial and operational objectives.

Features

- Long-Term Focus: Business Strategy is oriented towards achieving goals over an extended period, typically spanning several years, rather than focusing solely on short-term gains.
- Alignment with Goals: It involves aligning every aspect of the business, including operations, marketing, and finance, with the overarching goals and objectives of the company.
- Adaptability: A good business strategy is flexible and adaptable, allowing for adjustments in response to changes in the market, technology, or other external factors.

Advantages

- Competitive Advantage: A well-defined business strategy can help a company gain a competitive edge by leveraging its strengths and exploiting opportunities in the market.
- Resource Optimization: By prioritizing initiatives and allocating resources effectively, a business strategy enables companies to maximize their return on investment and minimize waste.
- **Risk Management**: Business Strategy involves careful analysis of risks and uncertainties, allowing companies to anticipate potential challenges and develop contingency plans to mitigate them.

Disadvantages

- Complexity: Developing and implementing a comprehensive business strategy can be complex and time-consuming, requiring input from various stakeholders and extensive planning.
- Uncertainty: Despite careful planning, business strategies are subject to uncertainties in the market, technology, and regulatory environment, which can impact their effectiveness.
- **Resistance to Change**: Employees and stakeholders may resist changes associated with a new business strategy, leading to implementation challenges and delays.

Example

Apple's strategy includes a focus on innovation, premium pricing, and a seamless ecosystem of products and services. This strategy has helped Apple establish itself as a leader in the consumer electronics industry, with a loyal customer base and strong financial performance.

3. Functional Strategy

A functional strategy refers to the detailed, action-oriented plans developed by various functional areas within an organization, such as marketing, finance, human resources, and operations. These strategies are designed to support and achieve the overall business strategy and corporate objectives.

Features

- Alignment with Business Goals: Functional Strategies are designed to support and contribute to the achievement of the organization's broader objectives.
- Specialization: Each functional area develops its own strategies tailored to its unique requirements and challenges.
- **Coordination**: Functional Strategies must be coordinated across different departments to ensure coherence and synergy in overall organizational performance.

Advantages

- Efficiency: By focusing on specific areas, functional strategies enable organizations to allocate resources effectively and streamline operations for better efficiency.

- Expertise Utilization: Functional Strategies allow organizations to leverage the specialized knowledge and skills of employees within each department, leading to optimized performance.
- Flexibility: With separate strategies for different functions, organizations can adapt more easily to changes in the business environment or market conditions.

Disadvantages

- Silos and Tunnel Vision: Functional Strategies may lead to siloed thinking, where departments prioritize their own goals over the organization's broader objectives, hindering collaboration and innovation.
- Coordination Challenges: Ensuring alignment and coordination among different functional strategies can be complex and may result in conflicts or inefficiencies.
- Lack of Holistic View: Functional Strategies may overlook the interconnectedness of different business functions, potentially leading to suboptimal decision-making and missed opportunities.

Example

Apple Inc. exemplifies functional strategy through its well-known focus on innovation, marketing, and design. The company's marketing strategy, for instance, emphasizes product differentiation and customer experience, aligning with its broader goal of maintaining a premium brand image. This approach is supported by specialized functional teams dedicated to research and development, marketing, and design, which work collaboratively to create and promote innovative products like the iPhone and MacBook. However, this functional strategy has also faced criticism for occasionally leading to product feature prioritization over addressing broader market trends or consumer needs.

4. Pricing Strategy

A pricing strategy is a method used by a company to set the prices for its products or services. It aims to maximize profits, attract customers, and maintain a competitive edge in the market. Pricing Strategies take into account various factors such as production costs, market demand, competitor pricing, and perceived value.

Features

- Market-Based Pricing: This feature involves setting prices based on the prevailing market conditions and competitor prices. It ensures the company remains competitive while appealing to the target market.
- Value Perception: This involves setting prices based on the perceived value of the product or service to the customer rather than just the cost of production. It aims to align the price with the customer's willingness to pay.
- Dynamic Pricing: This feature allows for flexible pricing that can change in response to market demand, inventory levels, and other factors. It helps maximize revenue by adjusting prices in real-time or periodically.

Advantages

- Maximizes Profits: An effective pricing strategy can help a company maximize its profits by setting optimal prices that attract customers while covering costs and generating a healthy margin.
- Competitive Advantage: By carefully setting prices, a company can gain a competitive edge over its rivals, attracting more customers and increasing market share.
- Customer Satisfaction: A well-designed pricing strategy can enhance customer satisfaction by offering perceived value for money, which can lead to increased loyalty and repeat business.

Disadvantages

- Complexity: Developing and maintaining an effective pricing strategy can be complex and time-consuming, requiring constant analysis and adjustments based on market changes.
- Risk of Price Wars: Aggressive pricing strategies may lead to price wars with competitors, which can erode profit margins and harm the overall market.
- Customer Perception: Incorrect pricing can negatively impact customer perception, with prices that are too high deterring potential buyers and prices that are too low suggesting inferior quality.

Example

Apple Inc. employs a premium pricing strategy, which sets its products at a higher price point compared to competitors. This strategy is based on the high perceived value of Apple's brand, innovative technology, and quality design. By maintaining premium prices, Apple reinforces its brand image as a leader in the tech industry and attracts customers willing to pay more for superior products and unique experiences.

5. Operational Strategy

Operational Strategy refers to the plan and actions a company uses to achieve its business goals and objectives through the efficient use of resources and processes. It involves designing, controlling, and improving the production and delivery of the company's products or services.

Features

- Resource Allocation: Operational Strategy involves allocating resources such as labor, technology, and capital to different departments or projects to maximize efficiency and productivity.
- Process Optimization: It focuses on optimizing processes to reduce waste, improve quality, and speed up production. This can include adopting new technologies or refining existing workflows.
- Performance Measurement: It includes setting Key Performance Indicators (KPIs) and regularly measuring performance against these metrics to ensure the company is on track to meet its operational goals.

Advantages

- Increased Efficiency: An effective operational strategy can streamline processes, reduce waste, and lower costs, leading to higher productivity and profitability.
- Improved Quality: By focusing on process optimization and performance measurement, companies can enhance the quality of their products or services, leading to greater customer satisfaction.
- Better Resource Utilization: Efficient resource allocation ensures that all resources are used optimally, which can reduce unnecessary expenses and improve overall operational effectiveness.

Disadvantages

- High Implementation Costs: Developing and implementing a comprehensive operational strategy can require significant investment in technology, training, and process changes.
- Resistance to Change: Employees may resist changes in processes or technology, leading to potential disruptions and a decline in morale.
- Complexity: Managing and coordinating various aspects of operational strategy can be complex and time-consuming, potentially diverting attention from other important business activities.

Example

Toyota is a prime example of a company with a strong operational strategy. Toyota's operational strategy, often referred to as the Toyota Production System (TPS), focuses on continuous improvement (Kaizen), just-in-time production, and respect for people. This strategy has allowed Toyota to maintain high efficiency, reduce waste, and produce high-quality vehicles, establishing it as a leader in the automotive industry.

2.3 Decision Making

What is Decision Making?

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Decision-making is a fundamental aspect of our daily lives, influencing everything from the everyday choices of what to eat for breakfast to the complex deliberations that shape our careers and personal relationships. Whether it's an individual pondering a personal decision or an organization strategizing its next move, making a decision is universal and vital.

In this article, we will discuss what decision-making is, what are the 7 steps of a decision-making process, and more.

What is Decision Making?

Decision-making is an integral part of everyday life and a crucial component of management in organizations. It involves selecting the best action from various options by considering resources, outcomes, and personal preferences. This process includes identifying a situation, gathering and analyzing information, evaluating the pros and cons, and choosing a path forward. Decisions, whether made through rational analysis or instinct, significantly affect all involved parties.

Effective decision-making, which entails evaluating all possible outcomes and choosing the most beneficial one, is essential for personal, professional, and organizational success. Conversely, poor decisions can lead to losses and tarnish reputations. Thus, developing a structured approach to decision-making is vital for achieving favorable outcomes.

"Decision-making is the selection based on some criteria from two or more possible alternatives." – George R. Terry

"A decision is an act of choice, wherein an executive form a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from several possible alternatives." – D.E. Mc. Farland

7 Effective Steps of Decision-Making

1. Identifying the Decision

The initial step in decision-making is identifying the precise issue that needs resolution or the query that demands an answer. It's essential to accurately define the decision at hand. Incorrectly identifying the problem or choosing an overly broad issue can derail your decision-making efforts from the get-go. For goals associated with the decision, ensure they are quantifiable and bound by time.

2. Collecting Relevant Information

Once the decision has been indetified, the next phase involves collecting relevant information to that decision. This includes an internal review to understand past successes and failures within your organization that relate to your decision. Additionally, acquiring information from external sources, such as academic research, market analysis, or possibly feedback from consulting services, is crucial. However, be wary of information overload, as it can overwhelm and complicate the decision-making process.

3. Exploring Possible Alternatives

Armed with the relevant data, it's now time to outline potential solutions to your problem. Typically, there are several avenues to consider for achieving a goal. For instance, if the aim is to boost social media engagement, alternatives could range from investing in paid social ads, tweaking your organic social media tactics, or employing a blend of both strategies.

4. Evaluating the Alternatives

Having pinpointed several potential solutions, the next step involves assessing the merits and demerits of these alternatives. Review past instances of success within similar contexts, and analyze your organization's past achievements and setbacks. Evaluate the risks associated with each option against the potential benefits.

5. Making a Choice

This stage is where the actual decision is made. Ideally, by this point, you've clearly identified the decision to be made, gathered all necessary information, and considered various possible directions. Now, you're equipped to make an informed choice.

6. Implementing the Decision

With the decision made, it's time to act. Formulate a plan to bring your decision to fruition. Create a detailed project plan based on your decision, assigning specific tasks to members of your team to execute the plan effectively.

7. Evaluating the Outcome

After a set period, which was determined in the first step, revisit your decision to evaluate its effectiveness. Did it address the problem? Did it achieve the intended goal? If the answer is yes, document the successful strategies for future reference. If not, take this as a learning opportunity to refine your decision-making process for future endeavors.

Nature of Decision-making

The nature of decision-making can be characterized by several key factors, including:

1. Goal-oriented: Effective decision-making hinges on setting clear goals and selecting strategies to achieve them, while remaining unbiased and avoiding personal prejudices that may affect judgment.
2. Dynamic Process: Decision-making is a dynamic process as it involves a time dimension and time lag. The techniques used for choice vary with the type of problem involved and the time available.
3. Continuous or ongoing process: It is a continuous and ongoing process as managers have to take a series of decisions.
4. Intellectual or Rational process: As decisions are products of reasoning, deliberation and evaluation, decision-making is an intellectual and rational process.
5. Set of Alternatives: Decision-making implies a set of alternatives as a decision problem arises only when there are two or more alternatives. No decision is to be made if there is only one alternative.

Thus, decision-making is generally a complex and dynamic process that requires taking decisions that give the best-desired outcomes and involves analyzing possibilities, taking risks into account, acquiring information, and working with others.

Role of Decision-making

Making decisions plays a key part in the life of an individual and any organization. The accomplishment of personal and organizational objectives, enhanced performance, risk minimization, and success maintenance all depend on effective decision-making. Here are some

key roles of decision-making:

1. Strategic planning: Decision-making is an important element of strategic planning. It provides a framework for taking decisions that determine the goals or objectives of the organization.
2. Problem-solving: Decision-making helps individuals or organizations to identify all the possible solutions and decide the best course of action. It comprises evaluating the current situation, identifying the cause of the issue, balancing them, and selecting the best course of action.
3. Opportunity identification: Making decisions enables one to recognize and take advantage of opportunities. It allows for identifying potential advantages and determining if they are consistent with the objectives of the person or organization.
4. Resource allocation: Decision-making is essential for allocating resources effectively, whether it is the allocation of budget, time, or personnel. It requires evaluating the available resources, determining the priorities, and allocating resources to the situation and goals of the organization.
5. Risk management: Decision-making is also important in managing risks. Decision makers must analyze the potential risks and benefits of different options and make decisions based on the analysis done.
6. Goal achievement: Effective decision-making is an important tool for achieving personal and organizational goals. It involves setting goals, determining courses of action to achieve those goals, and evaluating progress along the way.
7. Continuous improvement: Good decision-making requires continuous improvement. Organizations must evaluate their performance, determine where they can make improvements, and then decide what adjustments will best improve their functioning.

Therefore, the general purpose of decision-making is to give people and organizations direction and advice so they may succeed by making decisions that are in line with their priorities.

Relationship between Planning and Decision-making

Making decisions and planning are closely interrelated activities. Making decisions is frequently seen as the most important step in the planning process. This is because planning enables establishing objectives, choosing practicable courses of action, and evaluating potential outcomes, all of which are essential processes for making effective decisions.

Following are some ways in which planning and decision-making are related:

1. Planning acts as a foundation for decision-making: Planning is the process of setting goals, determining resources, and creating a strategy that helps in the accomplishment of an organization's goals. A plan acts as a framework for how to achieve the set objectives.
2. Decision-making is necessary for effective planning: Making decisions is essential to the planning process to choose the appropriate course of action for achieving the goals. Making choices regarding resources, priorities, deadlines, and other aspects is essential in creating a thorough and successful plan.
3. Planning and decision-making are a constant process: Planning and decision-making are ongoing processes that require constant evaluation and revision. Decisions made during the planning

phase may need to be revised as new information arises, and thus, planning may need to be adjusted based on the results of previous decisions.

4. Planning provides a framework for decision-making during implementation: Making decisions is required to successfully carry out a strategy once it has been created. The plan offers a framework for choosing how to allocate resources and handle other problems.
5. Both require collaboration and communication: Effective planning and decision-making also require a certain level of collaboration and communication. Planning often involves working together with managers, stakeholders, executives, etc. Similarly, decision-making also demands multiple opinions and perspectives be taken into account before choosing any course of action.

Overall, planning and decision-making are repetitive processes that demand constant review and modification. To make sure that objectives are met, and resources are used efficiently, planning and decision-making must adapt according to the changing conditions and information.

Conclusion

In conclusion, the art of decision making is a critical skill that influences every facet of our lives, from personal choices to professional strategies. Mastering decision making involves understanding the balance between intuition and analysis, recognizing the impact of biases, and applying a structured approach to navigate through options.

Thus, cultivating strong decision-making skills is indispensable for anyone looking to navigate the challenges of the modern world with confidence and understanding.

Types of Decision-making

[redacted]

Decision-making is the process of selecting the best course of action from a set of alternative options to achieve a desired goal or objective. It involves four interrelated phases: explorative (searching for potential alternatives), speculative (identifying the factors that influence the decision problem), evaluative (analyzing and comparing the alternative courses of action), and selective (making the final choice of the best course of action).

The ultimate aim of decision-making is to find the option that is believed to fulfil the objective of the decision problem most satisfactorily compared to other alternatives.

Types of Decision-making

Managerial decisions may be classified into the following categories:

1. Programmed and Non-programmed Decisions

According to Herbert Simon, programmed decisions are related to routine and repetitive problems. Information about these problems is readily available and can be processed using pre-established methods. These decisions have a short-term impact and are relatively simple, typically made at lower management levels. Decision rules and procedures are in place to streamline the decision-making process and save time. Little thought and judgment are required, as the decision-maker follows predetermined solutions. For instance, dealing with a consistently late employee can be addressed through established procedures.

On the other hand, non-programmed decisions tackle unique or unusual problems that demand a high level of executive judgment and consideration. There are no ready-made solutions for such problems, as they require creative and thoughtful approaches. Examples of non-programmed decisions include introducing a new product or determining the location of a plant. These decisions are usually made by higher-level managers.

2. Routine and Strategic Decisions

There are two types of decisions in an organization: routine (or operating) decisions and strategic (or policy) decisions. Routine Decisions are repetitive in nature and have a short-term impact, mainly concerning day-to-day operations. They are typically made at lower levels of management, using established procedures to ensure quick and efficient handling. For example, a supervisor may make routine decisions regarding employee overtime pay.

On the other hand, strategic decisions involve long-term commitments and significant investments, influencing the entire organisation's future. These decisions require careful deliberation and judgment and are usually made at higher levels of management. Examples of strategic decisions include launching a new product, selecting the location for a new plant, or implementing major organisational changes.

3. Organisational and Personal Decisions

Organisational Decisions are made by officials in their capacity as resource allocators for the organisation. These decisions rely on sound judgment and experience and can be delegated to other individuals within the organisation. Organisational decisions have a direct impact on the functioning of the organisation and its outcomes.

On the other hand, personal decisions are made by managers as individuals and cannot be delegated. These decisions pertain to matters that directly affect their personal lives, such as decisions to marry or enroll children in a boarding school. While personal decisions may have implications for the individual manager, they may also indirectly affect the organisation. For instance, the decision of a chief executive to retire early could have a direct effect on the company's future.

4. Individual and Group Decisions

Individual Decisions are made by an individual based on the information available to them. These decisions may involve analyzing various variables, but they are often straightforward. However, in certain situations, significant decisions may be made collectively by a group.

Group Decisions are taken by a team of individuals formed for this purpose, such as the decisions made by a Board of Directors or a committee. These decisions are typically crucial for the organisation. Group decision-making often leads to more realistic and well-balanced outcomes, as different perspectives are considered. Encouraging participative decision-making can be a positive organisational approach, but it may result in delays and can make fixing responsibility for such decisions more complex.

5. Tactical and Operational Decisions

Tactical Decisions focus on how things will be done to achieve strategic goals. They are short-term and usually involve specific actions that help meet the broader objectives set by higher management. For example, a company deciding on a marketing campaign to boost sales in the next quarter is making a tactical decision. These decisions are usually made by middle managers and are meant to ensure that day-to-day operations align with the overall strategy.

On the other hand, operational decisions deal with the routine activities necessary for running an organization. They are very short-term, often made on a daily or weekly basis, and involve specific processes and procedures. For example, a manager deciding on the daily work schedule for employees or handling customer complaints is making operational decisions. These decisions are typically made by lower-level managers or supervisors who ensure that everything runs smoothly and efficiently on a daily basis.

6. Major and Minor Decisions:

Major Decisions are significant choices that can have a long-lasting impact on our lives. For example, deciding on a career path, choosing a life partner, or buying a house are major decisions. These decisions often require careful thought, research, and sometimes advice from others because they can affect our future in profound ways.

On the other hand, minor decisions are smaller choices that we make more frequently and with less deliberation. Examples include what to eat for dinner, which clothes to wear, or what movie to watch. These decisions usually have a short-term impact and can often be changed without much consequence.

Importance of decision making

[redacted]

When we talk about decision making, so you actually don't realize that you are making decisions every day in your day to day life. Right from waking up and leaving at the back of the comfortable mattress in the morning till we retire for the day, the selections we make are what hold us thriving. It is estimated that a common human makes around 35, 000 selections a day. The key to high-quality decision making is to decide the feasible outcomes, consider them to get to the excellent one. With the upward thrust of AI, we are tending closer to it for most of our rational selections be it discovering the shortest route to attain work or making complicated commercial enterprise choices. The use of AI/ML strategies for decision making permits us to discover the most beneficial answer by means of making an attempt out a range of feasible consequences for the trouble in hand.

It is already a known truth that every day we generate greater than 2.5 quintillion bytes of important data & information which is solely rising every passing day. So, it is secure to conclude that there is no scarcity of information for the "data-driven" companies. However, due to the fact most of this information is unstructured, a need arises for it to be mined, cleaned, and cleansed in order to be capable to extract beneficial information from the stated data.

The success of any commercial enterprise lies inside the route they take to attain out to their clients and how thrilled the clients are with their meant products. The use of AI and ML strategies is essential for the commercial enterprise to apprehend their market and to hold the proper foot ahead in the direction of innovation and advantageous use of accessible resources.

These strategies act as a bridge to acquire leverage over the records and make use of them for complicated decision making, enabling the enterprise to have a deeper, personal perception of their clients ensuing in a more desirable bond between them and better commercial enterprise possibilities to explore.

Advantages of Decision Making in ML:

- Discovering More Options: With a lot of information comes a lot of chances to discover and extract beneficial insights from them. While this assignment can be tedious to humans, machines can assist us to attain this. On the course of carrying out the best decision, information is analyzed, studied for more than one option to discover options to the unresolved questions.
- Understanding Consumers and their needs: Retaining the buyers is as essential as a mission as acquiring them. The commercial enterprise can make use of the information they get on their buyers and can work around their current strategy and determine what's fine for both in order to be positive that their buyers are no longer going away any time soon.
- Saves Time: With the boom of the digital platform, we meet results as quickly as possible, i.e. it is the need of the moment to get rapid outcomes and this is feasible with the involvement of efficient and skilled machines that applies complicated arithmetic guidelines to provide us with

the satisfactory output. With the developments and improvement in technology in the area of neural networks and supercomputers, these complicated algorithms are now carried out in a count of seconds to hours as an alternative than days altogether which ultimately helps in saving timing.

- More Efficiency and Accuracy: In addition to saving our time, AI and ML systems supply us with correct outcomes for our problems. This is made feasible by means of the hundreds of computing devices acceptable information we feed into these systems and as the time progresses with the historical records collected the selections interpreted get higher and better.

<u>2.4 Departmentation:</u>

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<u>What is Departmentation ?</u>

Departmentation refers to the process of grouping related activities or functions into specialized units or departments within an organization. It is derived from the word *'department'*, which signifies an organization's distinct area or division responsible for specific tasks or functions. Departmentation involves organizing and dividing the organization's workload into smaller, manageable units, allowing employees to focus on their specific areas of expertise. As a result, departmentation streamlines the functioning of an organization and helps in achieving its objectives more efficiently.

<u>Need of Departmentation</u>

The need for departmentation arises due to various reasons that contribute to an organization's overall success and efficiency. Some of the key reasons include:

- **<u>Specialization:</u>** Departmentation enables organizations to leverage the benefits of specialization. By dividing work based on expertise, employees can focus on their areas of proficiency, leading to increased productivity and higher-quality output.
- **<u>Coordination:</u>** Departmentation facilitates improved coordination between different departments, ensuring a smooth workflow. It also helps reduce communication barriers, as each department knows its specific roles and responsibilities.
- **<u>Control:</u>** Departmentation simplifies the process of monitoring and controlling the activities of various departments. By setting departmental goals and performance standards, managers can evaluate each department's progress and implement corrective actions when necessary.
- **<u>Accountability:</u>** Departmentation fosters a sense of responsibility among employees by clearly defining their roles and responsibilities. This clear demarcation helps employees understand their contribution to the organization and encourages them to take ownership of their work.
- **<u>Growth and Expansion:</u>** As organizations grow, the need for departmentation becomes increasingly critical. A well-structured departmental framework allows organizations to expand their operations and handle increased workloads more efficiently.
- **<u>Resource Utilization:</u>** Departmentation promotes the effective utilization of resources, including human capital, by ensuring that employees with specific skills are assigned to relevant tasks. This leads to better productivity and reduces the wastage of time and resources.

<u>Importance of Departmentation</u>

Departmentation holds a significant position in the overall operations and achievements of an organization. Let's discuss the various aspects that underline the importance of departmentation:

- **Optimal Use of Resources:** Departmentation ensures that employees with particular skill sets are allocated to suitable tasks. This approach leads to increased productivity and minimizes the unnecessary expenditure of time and resources.
- **Streamlined Decision Making:** Departmentation simplifies the decision-making process within an organization. Managers can make well-informed decisions by consulting with expert department heads who possess a deep understanding of their respective areas.
- **Better Communication**: Departmentation boosts communication within an organization by creating transparent communication channels between different departments. This structure results in the rapid exchange of information, ultimately enhancing overall performance.
- **Increased Employee Motivation:** Departmentation permits employees to work in their areas of expertise, allowing them to take pride in their work and experience a sense of achievement. This atmosphere leads to heightened job satisfaction and motivation, which, in turn, contributes to the organization's success.
- **Adaptability and Flexibility:** Departmentation equips organizations with the ability to adjust to shifting market conditions or customer demands. By having specialized departments, organizations can respond swiftly to new challenges and opportunities.
- **Efficient Control and Oversight:** Departmentation simplifies management's task of monitoring and controlling the activities of various departments. By setting departmental goals, gauging performance, and applying corrective actions when needed, the organization remains on track to fulfil its objectives.

Choosing basis for Departmentation

Selecting the right way to organize departments is essential for creating an effective organizational structure. The approach for dividing departments can be chosen based on the organization's needs and goals. Here are some common ways to organize departments:

- **Function:** Grouping departments by the tasks they do, like finance, marketing, human resources, or production, is a popular method. It helps organizations use the skills of their employees efficiently and makes sure each department works well together.
- **Product:** Departments can be organized based on the products they make or the services they provide. This approach helps with managing different products, understanding customer needs, and focusing on developing specific products or services.
- **Location:** If an organization operates in multiple areas or countries, it's helpful to organize departments based on their location. This method makes it easier to manage local resources, follow regional rules, and understand local markets and customers.
- **Customer:** Organizing departments based on different customer groups, like individual people, businesses, or governments, helps organizations meet the unique needs of each group. This approach improves customer satisfaction and allows organizations to adjust their products or services for specific customers.
- **Process:** Departments can be grouped based on the processes they handle, like manufacturing, assembly, or packaging. This way of organizing helps improve processes, makes operations smoother and ensures better control over quality and production schedules.
- **Project:** Sometimes, departments can be organized based on specific projects or tasks. This method works well for organizations that focus on projects, like construction, software development, or consulting companies. Organizing by project helps allocate resources better, manage projects efficiently, and hold people accountable.

Thus, the best way to organize departments depends on the organization's unique needs, goals, and strategies. Analyzing the organization's work, industry, and outside factors can help choose the right approach. Sometimes, organizations might use a mix of these methods to create a department structure that fits their needs best.

Types of Departmentation

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Departmentation is a valuable tool in organizational management that involves dividing an organization's workload into smaller, more manageable units known as departments. This approach provides a range of benefits, including increased specialization and efficiency in the organization's operations, as employees can focus on their areas of expertise. Additionally, departmentation helps the organization allocate resources more effectively by identifying the resources needed for each task and allocating them accordingly. Clear communication and coordination between employees are also facilitated by grouping similar tasks. Departmentation further provides a transparent hierarchy of authority and responsibility, which enhances decision-making and goal achievement. In conclusion, departmentation is a vital strategy that supports the smooth running of an organization and its successful attainment of objectives.

Bases and Types of Departmentation

Under bases and types of departmentation, there could be the following categories:

1. Functional Departmentation

Functional departmentation is a widely used organizational structure that groups employees based on their specialized knowledge and skills. Each major or basic function, such as production, sales, finance, and personnel, is organized as a separate department, which allows for efficient and effective collaboration among employees with similar expertise. This approach promotes specialization, simplifies decision-making, and provides employees with clear career paths and development opportunities. However, it may also create silos, where departments focus solely on their function, leading to slower decision-making when addressing complex issues spanning multiple functional areas. Despite these potential drawbacks, functional departmentation remains a popular organizational approach, allowing organizations to capitalize on economies of scale and promoting efficiency, coordination, and specialization within each department.

Advantages:

- Grouping employees with similar skills and expertise together allows for increased efficiency and effectiveness, as they can share knowledge and experience to complete their tasks.
- Functional departmentation allows for better communication and a more streamlined workflow within each department.
- Functional departmentation promotes specialization, leading to increased productivity and better quality output.
- Managers can consult with functional experts when needed, simplifying the decision-making process.
- Functional departmentation provides clear career paths and development opportunities for employees within each department.

Disadvantages:

- Departments may become silos, focusing solely on their functions, leading to a lack of collaboration and coordination between departments.
- Functional departmentation can lead to slower decision-making as decisions often require input from multiple functional areas.

- It can be challenging to address complex issues that span multiple functional areas using a functional departmentation structure.
- Functional departmentation can create inter-departmental conflict as departments may prioritize their interests over the organization's goals.
- There may be duplication of effort, as each department may have its own resources, leading to a waste of resources and inefficiency.

2. Product Departmentation

Product departmentation is an effective organizational structure that groups employees based on the specific products or product lines they work on. Under this approach, each product or product line is treated as a separate department, allowing organizations to focus on specific products and tailor their activities and resources accordingly. This can lead to increased efficiency and effectiveness as employees specialize in their specific product area, enabling them to respond quickly to changes in customer demand and market trends. It is essential to be aware of the potential drawbacks of product departmentation. It can create duplication of effort and resources, as each department may have its own marketing, design, and production resources, which can lead to inefficiency. Additionally, coordinating activities and decision-making between product departments may be challenging, leading to potential conflicts and slower decision-making

Advantages:

- Product departmentation allows for a high degree of specialization, with each department focusing on a specific product or product line, leading to increased efficiency and effectiveness.
- Since each department is focused on a specific product or product line, decision-making is faster and more efficient, leading to quicker response times to changes in customer demand or market trends.
- Each product department has clear accountability for the performance of its specific product or product line, leading to a higher level of responsibility among employees.
- Since each department is focused on a specific product or product line, they can be more innovative and creative in developing new products and solutions.
- By having departments focus on specific products or product lines, organizations can improve their customer focus and provide better customer service.

Disadvantages:

- Product departmentation can lead to duplication of effort and resources as each department may have its own marketing, design, and production resources.
- Coordinating activities and decision-making between product departments can be challenging, leading to potential conflicts and slower decision-making.
- Each department may become siloed and not communicate or collaborate effectively with other departments, leading to a lack of coordination and slower decision-making.
- Product departmentation can create competition and conflicts between departments, leading to a lack of cooperation and teamwork.
- It can be challenging to find managers with the necessary expertise to lead each product department effectively, leading to potential leadership and management issues.

3. Territorial (Geographical) Departmentation

Territorial departmentation is an organizational structure where employees are grouped based on their geographical location or territory. For example, a company may divide its operations into different regions, such as North America, Europe, and Asia, with each region being a separate department. This approach allows companies to tailor their operations and strategies according to the needs of each specific location. For instance, different regions may have different customer needs, preferences, or regulations, and by grouping employees based on their geographical location, companies can better address these differences. Territorial departmentation enables better coordination and communication between employees in the same geographic location leading to improved teamwork and collaboration. It also allows for better control and monitoring of operations, as managers can closely oversee and manage employees in each location.

Advantages:

- Territorial departmentation enables organizations to customize their operations and strategies according to local needs and preferences leading to improved customer satisfaction and organizational performance.
- By grouping employees based on their geographic location, territorial departmentation can enhance communication and coordination between employees in the same region, resulting in better teamwork and collaboration.
- Territorial departmentation allows managers to closely supervise and manage employees in each location, leading to better control and monitoring of operations.
- By having employees located in different regions, territorial departmentation can respond faster to changes in customer demand or market trends.
- Each territorial department has clear accountability for the performance of its geographic area, leading to higher levels of responsibility among employees.

Disadvantages:

- Territorial departmentation can lead to duplication of effort and resources as each department may have its own marketing, design, and production resources.
- Territorial departmentation can create competition and conflicts between departments, resulting in a lack of cooperation and teamwork.
- Coordinating activities and decision-making between territorial departments may be difficult, leading to potential conflicts and slower decision-making.
- Territorial departmentation can result in higher costs as each department may require its resources and infrastructure.
- Territorial departmentation may not be suitable for organizations that need to quickly adapt to changes in market conditions or customer needs, as changes may be slower to implement across different geographic locations.

4. Customer Departmentation

Customer departmentation is an organizational structure that groups employees based on specific customer groups or segments. This approach enables organizations to focus on the unique needs and preferences of each customer group, which can enhance customer satisfaction and improve performance. By grouping employees based on customer segments, companies can better understand the needs of each customer group and tailor their products, services, and marketing efforts accordingly. It can also foster increased customer loyalty, as customers may feel that their needs are being addressed in a personalized manner. Moreover, it can facilitate better communication and coordination among employees in the same customer segment leading to improved teamwork and collaboration.

Advantages:

- Customer departmentation enables organizations to focus on specific customer segments, leading to a better understanding of customer needs and preferences, and enabling companies to tailor their products, services, and marketing efforts to meet those needs.

- By focusing on specific customer groups, companies can provide more personalized and tailored services leading to increased customer satisfaction and loyalty.
- By grouping employees based on customer segments, customer departmentation can lead to better communication and coordination among employees in the same customer segment, resulting in improved teamwork and collaboration.
- Customer departmentation can lead to faster and more effective decision-making, as employees are better equipped to make decisions based on the specific needs and preferences of each customer segment.
- Customer departmentation provides clear accountability for each department's performance in serving its specific customer group, leading to a higher level of responsibility and motivation among employees.

Disadvantages:

- Customer departmentation can lead to duplication of effort and resources as each department may have its own marketing, design, and production resources.
- Customer departmentation can create competition and conflicts between departments, leading to a lack of cooperation and teamwork.
- It may be challenging to coordinate activities and decision-making between customer departments, leading to potential conflicts and slower decision-making.
- Customer departmentation may not be suitable for organizations that need to quickly adapt to changes in market conditions or customer needs, as changes may be slower to implement across different customer segments.
- Customer departmentation can result in higher costs as each department may require its own resources and infrastructure

5. Process or Equipment Departmentation

Process or equipment departmentation is a type of organizational structure that groups employees based on the equipment or technology they use or the specific processes they perform. For example, a manufacturing company may organize its operations into departments based on the types of equipment, such as milling machines, lathes, or welding machines. This structure allows organizations to capitalize on specialized equipment and technology and group employees with the expertise and skills required to operate and maintain specific equipment or perform particular processes. The approach promotes efficiency and effectiveness since employees with similar skills and knowledge work together to complete specific tasks. Process or equipment departmentation can streamline decision-making, improve coordination, and enhance communication among employees in the same department, resulting in better teamwork and collaboration. This structure can also facilitate better monitoring and control of processes and equipment, leading to higher-quality output and more efficient use of resources.

Advantages:

- Process or equipment departmentation allows for a high level of specialization, resulting in better quality output and more efficient use of resources.
- By grouping employees with similar skills and expertise, process or equipment departmentation can streamline decision-making and reduce the time and effort needed for communication and coordination.
- Process or equipment departmentation can facilitate better monitoring and control of processes and equipment, leading to higher-quality output and more efficient resource utilization.
- Each department is accountable for its specific equipment or process, leading to a higher level of responsibility and motivation among employees.

- Process or equipment departmentation provides clear career paths and development opportunities for employees within each department.

Disadvantages:
- Process or equipment departmentation can result in silos, with employees focusing solely on their specific equipment or processes, leading to a lack of collaboration and communication across departments.
- Process or equipment departmentation may limit cross-functional knowledge and skills among employees, reducing flexibility and adaptability.
- Process or equipment departmentation can lead to duplication of effort and resources as each department may have its own marketing, design, and production resources.
- It may be challenging to coordinate activities and decision-making between departments, leading to potential conflicts and slower decision-making.
- Process or equipment departmentation can result in higher costs as each department may require its own resources and infrastructure.

6. Time Departmentation

Time departmentation is an organizational structure in which employees are grouped based on the time of day or week that they work. This approach enables companies to manage their workforce more efficiently and ensure that operations run smoothly without interruptions. For example, a manufacturing company may organize its operations into departments based on different shifts, such as day shift, night shift or weekend shift. Grouping employees based on their availability and work schedules can ensure that the organization has the necessary resources available at the right time to meet business demands. This approach can also increase productivity, as employees may be more focused and efficient during specific hours of the day or week. Additionally, time departmentation can promote a better work-life balance for employees, as they have more flexibility in choosing their work schedules. This can lead to higher job satisfaction and employee retention.

Advantages:
- Time departmentation enables organizations to manage their workforce more efficiently and ensure that operations are continuously running without interruptions.
- Grouping employees based on their availability and work schedules can increase productivity as employees may be more focused and efficient during specific hours of the day or week.
- Time departmentation can promote a better work-life balance for employees, allowing them more flexibility in choosing their work schedules and leading to higher job satisfaction and employee retention.
- Time departmentation can ensure that the organization has the necessary resources available at the right time to meet business demands, leading to better resource allocation and improved operational efficiency.
- Time departmentation can enable the organization to provide better customer service by ensuring that there are employees available to meet customer needs during specific hours of the day or week.

Disadvantages:
- Time departmentation may lead to limited communication and collaboration between employees in different shifts, leading to silos and reduced cooperation.
- It may be challenging to coordinate activities and decision-making across different shifts, leading to potential conflicts and slower decision-making.

- Time departmentation may reduce flexibility in terms of employee work schedules, which may be challenging for employees with personal or family commitments.
- Time departmentation may require the organization to pay employees a premium for working during non-standard hours, leading to higher labor costs.
- Time departmentation may result in limited knowledge and skill sharing across different shifts, leading to reduced cross-functional knowledge and skills among employees.

7. Combined Departmentation

Combined departmentation is an organizational structure that incorporates two or more types of departmentation. It allows companies to leverage the benefits of different departmentation methods to improve their operational efficiency and effectiveness. For instance, a company can use a combination of functional and product departmentation by organizing its operations into departments based on both functions and products. This approach groups employees with similar skills and expertise in each department while also grouping employees based on the specific products they produce or manage. Combined departmentation can promote better communication and coordination across different departments, leading to enhanced teamwork and collaboration. Furthermore, it allows companies to specialize in different areas and meet the needs of different customer segments effectively.

Advantages:

- Combined departmentation can promote better coordination and communication across different departments, leading to enhanced teamwork and collaboration.
- By leveraging multiple departmentation methods, companies can enhance their operational efficiency and effectiveness.
- Combined departmentation allows companies to specialize in different areas and meet the needs of different customer segments more effectively.
- Each department is accountable for its specific function or product, leading to a higher level of responsibility and motivation among employees.
- Combined departmentation allows companies to be more strategically flexible by adjusting their departmentation methods to meet changing business needs.

Disadvantages:

- Combined departmentation can result in a more complex organizational structure, making it more challenging to coordinate activities and decision-making.
- Implementing multiple departmentation methods may require more resources and infrastructure, resulting in higher costs.
- Multiple departmentation methods may result in a greater potential for conflict and competition between departments.
- There may be limited communication and collaboration between employees in different departments leading to silos and reduced cooperation.
- Combined departmentation may reduce flexibility in terms of employee work schedules and the ability to adapt to changing business needs.

2.5 Line and Staff Organisation:

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What is Line and Staff Organisation?

Line and staff organisation is a way for businesses and organisations to structure themselves. It has two main parts: the line structure and the staff structure. The line structure is all about the chain of command. It includes the managers who make decisions and oversee the day-to-day work. The employees report directly to these managers and do the tasks. The staff structure is about having specialised people who support the line managers and employees. These specialised staff members know a lot about specific things like finance, HR, marketing, or legal matters. They give advice, guidance, and specialised help to managers to make good decisions and solve problems. The line and staff organisation helps make things run smoothly and efficiently by using everyone's skills and knowledge effectively.

Features of Line and Staff Organisation

A Line and Staff Organisation has some unique parts that make it stand out:

1. **Mix of Doers and Advisors:** This setup combines the doers, who are the line managers, and the advisors, who are in the staff positions. It's a team where everyone has a specific role.

2. **Clarity on Who's in Charge:** In this setup, the line managers are in charge. They're the ones responsible for getting the company's main goals done.

3. **Staff are Helpers:** The staff's roles are to help and give advice. They don't call the shots, but they're important because of their expert knowledge.

4. **Expert Help:** Staff positions provide expert help in specific areas like money matters, hiring people, legal stuff, and technical work. This means that the line managers can get expert advice when needed.

5. **Flexible Setup:** This kind of organisation is flexible because you can add or remove staff roles based on what the company needs.

6. **Better Decision-Making:** When the line managers' practical know-how is combined with the staff's expert knowledge, one can get the best of both worlds. This can lead to better decisions.

7. **Chance of Conflicts:** There can be some clashes between line and staff roles because of the two types of authority. This is especially true if it's not clear who's supposed to do what or if communication isn't good.

8. Reliance on Staff Advice: The line managers often need to rely on the advice of the staff. This means that the staff roles are really important for the company to work well.

Suitability of Line and Staff Organisation

The suitability of a line and staff organisation depends on various factors and needs to be carefully considered. While it offers advantages, it may not be the best fit for every organisation.

1. Size and Complexity: The line and staff structure works best for larger organisations with complex operations. It provides the necessary support and expertise to handle various functions.

2. Expertise and Support Needs: If an organisation requires specialised knowledge in areas like finance, HR, or marketing, the line and staff structure can be helpful. Staff members with expertise in these areas can offer valuable support and guidance.

3. Clear Role Differentiation: For the line and staff organisation to work effectively, there should be a clear distinction between line managers and staff experts. Line managers should be comfortable delegating tasks and seeking advice, while staff members need to provide support without overstepping their boundaries.

4. Effective Communication and Collaboration: Success in a line and staff organisation relies on good communication and collaboration between line managers and staff members. If the organisation fosters open communication, respect, and a willingness to work together, this structure can be successful.

5. Organisational Culture: The suitability of a line and staff organisation depends on the organisation's culture. If the organisation values teamwork and shared decision-making, and appreciates the expertise of staff members, this structure can fit well.

6. Flexibility and Adaptability: Organisations that need to be flexible and adaptable to changing circumstances may find the line and staff structure suitable. Staff experts can provide specialised knowledge and skills as needed, allowing the organisation to adjust quickly.

7. Organisational Goals and Strategy: It's important to align the line and staff structure with the organisation's goals and strategy. If including staff experts helps achieve strategic objectives and improves overall performance, then this structure is a good choice.

Advantages of Line and Staff Organisation

The Line and Staff Organisation structure carries several advantages, such as:

1. Clear Chain of Command: It has a clear and direct chain of command. This helps in decision-making, task delegation, and accountability.

2. Specialised Expertise: It includes specialised staff members with expertise in areas like finance, HR, marketing, or law. They offer valuable advice and support to managers, helping them make better decisions.

3. Efficiency and Productivity: With specialised staff, the organisation becomes more efficient and productive. Staff members handle research, analysis, planning, and coordination, allowing managers to focus on their main responsibilities.

4. Better Decision-Making: Staff experts contribute to better decision-making. They provide insights, alternative perspectives, and expert advice, leading to improved evaluation, risk management, and identification of opportunities.

5. Flexibility and Adaptability: The line and staff organisation is flexible and adaptable to changing circumstances. Staff members can be added or removed based on the organisation's needs, adjusting expertise and resources quickly.

6. Career Development: Staff positions offer career growth opportunities. Staff members can specialise, acquire knowledge and skills, and progress without transitioning into management roles.

7. Focus on Core Competencies: Employees can focus on their strengths. Managers oversee operations and goals, while staff members provide specialised support and services.

8. Improved Organisational Control: It enhances control and coordination. Managers make decisions, and staff members assist in executing policies, procedures, and strategies effectively.

9. Enhanced Communication: It promotes effective communication within the organisation. Managers and staff collaborate, exchange information, and share knowledge for better coordination, problem-solving, and innovation.

Disadvantages of Line and Staff Organisation

While a Line and Staff Organisation structure has its benefits, it also comes with certain disadvantages:

1. Communication Challenges: The line and staff structure can create communication problems. Line managers and staff members may struggle to share information effectively, leading to misunderstandings and delays in decision-making.

2. Potential Conflict: Differences in perspectives, authority, and priorities can cause conflicts between line managers and staff members. Line managers may feel undermined, while staff members may feel ignored. This conflict can hinder collaboration and overall organisational effectiveness.

3. Power Struggles: The presence of staff specialists can sometimes lead to power struggles. Line managers may resist taking advice from staff members, creating an imbalance in decision-making authority and resistance to change.

4. Over-emphasis on Staff Roles: Organisations may place too much focus on staff roles, which can lead to inefficient allocation of resources. Staff members may become too involved in day-to-day operations instead of focusing on their specialised areas.

5. Lack of Accountability: The inclusion of staff positions can create confusion regarding accountability. It may be difficult to determine who is ultimately responsible for decisions and their outcomes.

6. Complexity and Bureaucracy: The line and staff organisation can introduce complexity and bureaucracy. Decision-making processes may become slower, and the organisation may become less agile if multiple layers of approval or coordination are required.

7. Potential Resistance to Change: Implementing a line and staff structure may face resistance from line managers and employees who perceive it as a threat to their authority or job roles. Resistance to change can hinder the successful adoption of the new structure.

8. Difficulty in Staff Integration: Integrating staff members into the organisation's culture and promoting collaboration between line and staff functions can be challenging. It requires effective communication, respect, and a supportive work environment.

2.6 Decentralization

What is Decentralization?

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Decentralization is known as the distribution of functions among several units. It is an interconnected system where no single entity has complete authority. It is the architecture in which the workloads, both hardware, and software, are distributed among several workstations.

The functions are distributed among several machines in a decentralized system instead of relying on a single server. They have multiple central owners. The owners can store the resources so that each user can have access. The system can be imagined in a graphical manner. Each user's machine can be visualized as nodes that are connected to one another. Each node has a copy of another node's data and the multiple owners have copies of all the nodes as well so as to reduce the access time. So whenever an update or change is made in a node's data, the changes are reflected in the copies as well. Let us illustrate with the help of examples: Bitcoin is the latest technology and a prime example of a decentralized system. It is a blockchain where no central authority exists. Anyone and everyone can become a part of the network get involved in transactions and take part in voting. The decision is taken on the majority of votes. Dogecoin is a cryptocurrency that is decentralized and peer-to-peer that allows us to do transactions.

We must have a clear concept of decentralization, centralization, and distributed networks. In a centralized network, there is a central network authority who takes the decisions. In a decentralized system, there are multiple owners. Distributed systems are a further extension of decentralization. Here there is no concept of owners. All users are owners and all have equal rights.

Importance of Decentralization

Decentralization is very important because of the following reasons:

- Optimization of Resources: Each user does not have to have all resources. The decentralized setup allows the user to share his burden with others at a lower level.
- Greater output: Since all users have the same authority, therefore each and every user work with greater efficiency so as to enhance the maximum productivity.
- Flexibility: Users can share their own views as there are no restrictions imposed by any central authority. They also have the flexibility to change their decisions.

Working of Decentralization

In a decentralized network, a user wants to share some data. The user doesn't have to take permission so has the full authority to publish something. In the network, each user is connected to one another. So when the user shares the data, the data is shared among the other peers with the help of protocols. Peers approve the data. When the data is approved the protocols update the database. A database is maintained so as to keep track of all information.

Need of Decentralization

Nowadays, technology is advancing day by day and the number of users is also increasing. For the administration of the system, the centralized system is failing to meet all the criteria. So Decentralized system is becoming very useful day by day. It creates an efficient, secured, and reliable administration. It improves peer-to-peer networks. It ensures the right of each user. Each individual has the right to decision-making. Users also have access to the database. The biggest advantage of decentralization is if a part of the network crashes, the whole network will work uninterrupted. The main reason why decentralization is better than centralization is the flexibility and data to adapt to market demands quickly.

Is Decentralization secured?

Decentralization is highly secured. Since there is no central authority, there is no central server. Each user's server act as a central server. Therefore there are multiple servers. Hacking all the servers is not a feasible option. Therefore many organizations are now switching to a decentralized network. The prime example is Google. The products of Google from online search to mobile Android are given the freedom to work independently.

Benefits of Decentralization

- The main benefit is if some nodes fail or the main node fails, the whole system doesn't crash.
- The decision-making process is done on the basis of voting.
- They are usually open development platforms and there is less censorship.
- More machines can be added to the network.

2.7 Organisational Culture :

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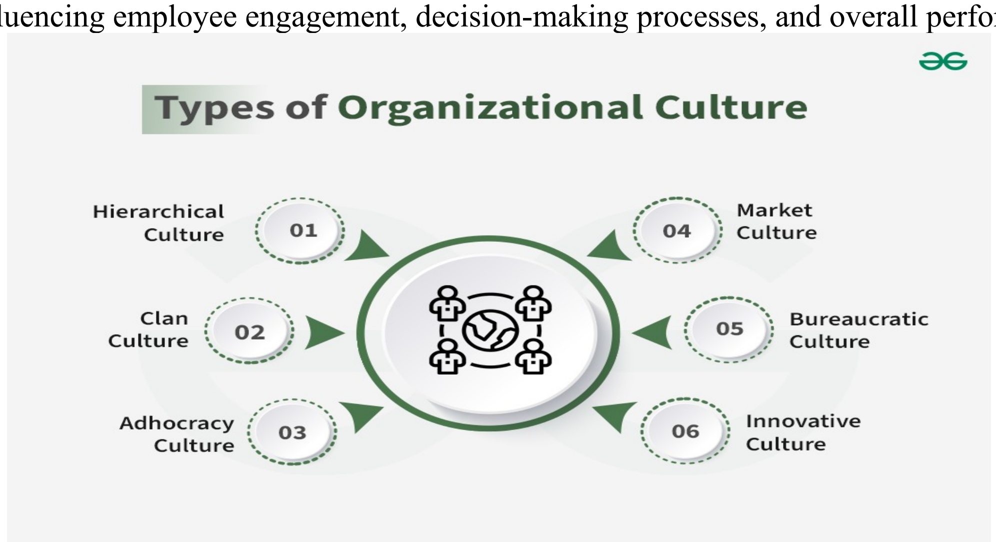
What is Organizational Culture?

Organizational Culture refers to the shared values, beliefs, attitudes, and behaviors that characterize a company or institution. It encompasses the norms and practices that shape how individuals within the organization interact with each other, approach their work, and perceive the organization's mission and objectives. Organizational Culture is often considered the *personality* of a company, influencing employee engagement, decision-making processes, and overall performance.



Geeky Takeaways:

- Organizational Culture encompasses shared values, beliefs, and behaviors within a company.

- It influences how employees interact, make decisions, and perceive the organization.
- A positive culture fosters employee engagement, productivity, and satisfaction.
- Culture impacts organizational performance, innovation, and ability to adapt to change.
- Investing in understanding, nurturing, and evolving organizational culture is crucial for long-term success and resilience.

Importance of Organizational Culture

1. Employee Engagement: A positive organizational culture fosters a sense of belonging and purpose among employees. When employees feel valued, supported, and aligned with the company's values and goals, they are more likely to be engaged and committed to their work.

2. Performance and Productivity: A strong organizational culture can enhance employee motivation, morale, and productivity. When employees are motivated by shared values and a sense of camaraderie, they are more likely to collaborate effectively, communicate openly, and strive for excellence in their roles. This contributes to higher levels of performance and overall organizational success.

3. Innovation and Adaptability: Organizational Culture plays a crucial role in fostering innovation and adaptability. A culture that encourages creativity, risk-taking, and continuous learning empowers employees to experiment with new ideas, challenge the existing situation, and adapt to changing market conditions. This enables the organization to stay competitive and agile in an ever-evolving business environment.

4. Decision-Making and Problem-Solving: Decision-making and problem-solving are vital for achieving organizational success. A conducive work environment fosters open communication, allowing individuals to express their thoughts and ideas freely without reservation. Ultimately, promoting an open work culture enhances the quality of decision-making by allowing for the input of various alternative solutions, thereby increasing efficiency and ensuring the implementation of the most effective one.

5. Customer Satisfaction: A customer-centric culture affects the level of customer satisfaction positively. By motivating employees to provide excellent service and creating a work environment that shows them value and interest, it contributes to a higher level of satisfaction and loyalty, as employees provide excellent service. Moreover, it also allows businesses to remain up to date with customers' changing needs.

Characteristics of Organizational Culture

1. Shared Values: These are the basic assumptions and operational norms that an organization employs to guide its members. The primary objective of these values is to unite individuals by regulating their actions, to direct and support its operations, and to enable people to trust each other.

2. Norms and Expectations: These are the unwritten guidelines that let employees understand how they need to behave and interact with other employees. Some of the most common elements of these norms include communication style, ethics, and collaboration model. They are essential for the organization as they create unity and consistency while helping to remind the employees of the goal the organization is trying to achieve.

3. Communication Style: It relates to how information is transferred among employees of a company and the organizational hierarchy. It denotes both the frequency and the means of communication, as well as the tone and language used. It can vary from more open and transparent to more hierarchical and formal.

4. Leadership Style: It is the way in which the managers interact with their team members and the manner in which decisions are made. There are several approaches to this notion, such as autocratic, democratic, transformational, or laissez-faire. The leadership style adopted with the organization is likely to affect its organizational culture.

5. Work Environment: Work Environment refers to the physical, social, and psychological atmosphere, in which employees carry out their tasks. Therefore, it includes the layout and design of the office, the facilities provided for the staff, the extent to which interpersonal relationships are encouraged on the premises, and the overall “vibe”.

6. Rituals and Traditions: These are defined as recurring symbolic practices, either formal or informal, through which the company articulates and stabilizes its values and identity. They improve connection and create an affiliation between employees. Traditions also allow determining continuity shifts and the possibility of building relationships with others.

Types of Organizational Culture

1. Hierarchical Culture: Hierarchical Culture can be characterized by the rigid organizational structure where decision-making is centralized, communication goes from the top down, and strict adherence to the prescribed procedure is encouraged. The power is concentrated in the hands of the most senior leaders. This can provide the stability and efficiency needed to compete in some markets, but it can be very inflexible.

2. Clan Culture: A clan culture involves the organization functioning as an extended family. A clan culture is one in which employees work together as they support one another with a touch of a feeling of belongingness. The leaders work as coaches as they promote the spirit of open communication and trust. Members of the culture are motivated as they feel that they are being appreciated by their leaders.

3. Adhocracy Culture: Adhocracy Culture is a kind of corporate culture that focuses on innovation, flexibility, and creativity. It is a dynamic and entrepreneurial culture, typical for organizations that operate in a stable environment with little hierarchy. Adhocracy Culture is characterized by a dynamic and entrepreneurial place where employees are encouraged to take risks for the benefit of the organization. This culture is focused on external flexibility, with employees encouraged to challenge the prevailing situation and innovate .

4. Market Culture: A market culture is associated with the organization’s focus on competitiveness, results, and goal achievement. In a market culture, organizations have a strong external orientation and are actively focused on meeting needs and exceeding competitors. Employees are motivated by metrics, goals, and market share, and a strong emphasis is put on their accountability.

5. Bureaucratic Culture: Bureaucratic Culture is a term that is used to refer to a type of organizational culture that is characterized by formalized procedures or rules, hierarchical structures and adherence to rules and regulations. In a bureaucratic culture, the one who has the power to make decisions is the management and the lower employees are bound up by the protocol and the process set.

6. Innovative Culture: Innovative Culture is a work environment designed to promote creativity, experimentation, and the provision of new ideas. This type of culture allows employees to think outside the box, take risks, and deviate from the existing conditions. It is focused on the development of collaborative practices and an open-minded approach to multiple views.

How to Improve Organizational Culture?

1. Define Core Values: Core Values are the principles and beliefs behind one's behavior and decision-making. Moreover, these values are the company's identity, defining the culture and philosophy of the organization. In other words, core values are the main tool for guiding the staff in making the right decisions and carrying out their communication with customers, partners, and each other.

2. Foster Open Communication: Fostering Open Communication entails creating an environment where employees feel comfortable in expressing their ideas, concerns, and feedback without fear of judgment or rejection. This involves establishing channels for two-way communication, such as regular team meetings, suggestion boxes, anonymous feedback mechanisms, and open-door policies. Effective communication enables employees to share information, collaborate on projects, resolve conflicts, and contribute to organizational goals more effectively.

3. Promote Collaboration: Collaboration is a principle of encouraging teamwork, and cooperation among workers aimed at attaining common goals and objectives. This practice can be encouraged through a number of strategies such as team building, cross-functional, or departmental projects, collaborative tools among others. Organizations should encourage a culture where individual employees take the credit to share the ideas, knowledge, or resources they have.

4. Provide Training and Development: To enhance organizational culture, it is essential to provide training and development opportunities. This means giving employees opportunities to improve their skills and knowledge. The organizations' support for personal growth encourages their workers and raises a continuous improvement culture.

5. Encourage Work-Life Balance: It involves creating an environment that allows employees to keep up with work duties while ensuring their personal and family wellness. This is often done via flexible schedules and friendly policies. The advantages of work life balance are decreased levels of stress, higher morale and productivity and retention.

Qualities of a Great Organizational Culture

1. Clear Mission and Values: A well-defined mission and values in an organization articulate its purpose, aspirations, direction, and guiding principles. When clearly defined and well communicated, these have the ability to set a tone and provide a sense of purpose, alignment and direction for the group of individuals committed to serving the organization in pursuit of certain objectives.

2. **Transparency:** Open communication is essential for fostering trust, collaboration, and accountability within the organization. A great culture encourages transparent communication at all levels, allowing employees to voice their opinions, share feedback, and contribute to the organization's success.

3. Collaboration and Teamwork: Collaboration in organizational culture is the practice of promoting an environment where employees work as a team to achieve common goals. It includes sharing knowledge and resources and helping each other to succeed at the workplace. This system also fosters an optimistic and efficient working atmosphere that increases team members' productivity and performance.

4. Employee Development: A great culture values learning and development as essential components of personal and professional growth. Opportunities for training, skill-building, and career advancement are provided to employees, enabling them to enhance their capabilities and reach their full potential.

5. Recognition and Appreciation: Recognition and appreciation in the workplace revolve around acknowledging and rewarding employees for their contributions and pace of work. They are essential for boosting employees' morale, motivating them and maintaining positive behaviors and values in the organization.

Challenges to a Good Organizational Culture

1. Leadership Alignment: Ensuring that leaders at all levels of the organization are aligned with and actively promote the desired culture can be challenging. Misalignment or inconsistent messaging from leadership can undermine efforts to cultivate a positive culture.

2. Diversity and Inclusion: Creating an inclusive culture that values diversity and fosters a sense of belonging for all employees requires ongoing effort and commitment. Challenges may arise in addressing unconscious bias, promoting equitable opportunities, and ensuring that diverse voices are heard and valued.

3. Work-Life Balance: Balancing the demands of work with personal responsibilities and well-being is essential for maintaining a healthy organizational culture. Long hours, burnout, and excessive workload can undermine employee morale, engagement, and overall satisfaction.

4. Communication Breakdowns: Poor communication can hinder efforts to cultivate a positive culture by fostering misunderstandings, rumors, and lack of clarity. Clear, transparent communication channels and regular feedback mechanisms are essential for fostering trust and alignment.

5. Resistance to Change: Employees may resist changes to the organizational culture, particularly if they perceive it as a departure from familiar norms or values. Overcoming resistance to change requires effective change in management strategies, communication, and involvement of stakeholders.

Factors that Shape an Organization's Culture

1. Leadership: Leadership within an organization typically consists of guiding, motivating, and influencing others to accomplish shared goals. An effective leader will also define roles and responsibilities, set clear goals, make decisions that enhance the strategic direction of the organization, and create a positive work environment. Organizational culture is thus directly influenced by leaders through their guidance and example.

2. Values and Beliefs: The values and beliefs in an organization are the guiding principles and ideals that are essential to the behavior and decisions made. They define the organization's culture by establishing what is important and acceptable, and guide norms and priorities. Furthermore, they are in line with the organization's mission and vision to promote unity and purpose among the employees.

3. Communication: Employee communication in an organization indicates the process of information, opinions, and feedback exchange among the staff, teams, and managers. Effective communication is one of the key elements encouraging transparency, clarity, and understanding; open communication and sharing of information provides employees with opportunities for effective collaboration and decision-making.

4. Employee Behavior: Employee Behavior comprises actions or attitudes demonstrated by workers of a certain company or employer. While positive employee behavior includes all the forms of professionalism and cooperation between coworkers and management, negative factors are absenteeism or interpersonal conflict.

How to Identify Your Organizational Culture?

1. Observe Behaviors: Pay attention to how employees interact with each other, how decisions are made, and how conflicts are resolved. These observable behaviors provide clues about the underlying culture.

2. Analyze Symbols and Artifacts: Examine the physical environment, such as office layout, decor, and symbols used in branding or communication. These can reflect the values and priorities of the organization.

3. Listen to Stories and Language: Pay attention to the stories employees tell about their experiences within the organization. Listen to the language they use, including commonly used phrases or expressions. This can reveal cultural norms and attitudes.

4. Assess Organizational Structure and Processes: Evaluate the formal structure of the organization, including reporting lines, decision-making processes, and performance evaluation systems. This can shed light on the organization's priorities and values.

5. Review Mission, Vision, and Values Statements: Examine the official statements that articulate the organization's mission, vision, and values. Compare these with the actual behaviors and practices within the organization to identify any discrepancies.

6. Conduct Surveys and Interviews: Gather feedback from employees through surveys or interviews to understand their perceptions of the organizational culture. Ask questions about what they believe is valued within the organization and how they experience the culture in their day-to-day work.

2.8 Staffing Process

Last Updated : 18 Jan, 2024

[redacted]

Staffing is the art of acquiring, developing, and maintaining a satisfactory and satisfied workforce. Staffing is that function by which a manager builds an organization through the recruitment, selection, and development of the individual, which also includes a series of activities. It ensures that the organization has the right number of people at the right places, at the right time, and performing the right thing.

As we know, the prime concern of the staffing function in the management process is in the fulfilment of the manpower requirements within an organization. These requirements may arise in the case of starting a new enterprise or expanding the existing one. It may also arise as the need for replacing those who quit, retire, transfer, or are promoted from the job. In any case, the need for 'the right person for the right job, at the right time' needs an emphasis.

Staffing Process

The process of staffing consists of several interrelated activities, such as planning for human resources requirements, recruitment, selection, training development, remuneration, and so on. These activities together make the staffing process. Therefore, these are called elements or steps of the staffing process.

1. Manpower Planning

Human resource management is a process of determining the number and type of personnel required for filling the vacant job in an organization. Manpower requirements involve two kinds of analysis, i.e., workload analysis and workforce analysis. Workload analysis involves determining the number and type of employees required to perform various jobs and achieve organizational objectives. Workforce analysis shows the number and type of human resources available with an organization. The difference between workload and workforce is calculated to determine shortage and surplus of manpower. Excess workload indicates understaffing, i.e., the need of appointing more people and excess workforce indicates overstaffing, i.e., need to remove or transfer some employees to other places.

2. Recruitment

After estimating manpower requirements, the second step in the process of staffing is recruitment. Recruitment refers to a process of searching for prospective employees and encouraging them to apply for jobs in the organization. It involves identifying various resources of human force and attracting them to apply for the job. The main purpose of a requirement is to create a pool of applicants by a large number of qualified candidates. Recruitment can be done by both internal and external sources of recruitment. Internal sources may be used to a limited extent, and to get fresh talent and a wider choice, external sources can be used.

3. Selection

Selection is the process of choosing and appointing the right candidates for various job positions in the organization. It is treated as a negative process because it involves the rejection of some candidates. There are many steps involved in the process of employee selection. These steps include preliminary screening, filling-in application, written test, interviews, medical examination, checking references, and issuing a letter of appointment to the candidates. The most suitable candidates who meet the requirement of the vacant job are selected. The process of selection serves two important purposes, firstly, it ensures that the organization gets the best among the available candidates, and secondly, it boosts ups the self-esteem and prestige of the candidates.

4. **Placement and Orientation**
After selection, an appropriate job is assigned to each selected person. Placement is the process of matching the candidates with the jobs in the organization. Under this process, every selected candidate is assigned a job most suitable for him. The purpose of placement is to fit the right person to the right job so that the efficiency of work is high and the employees get personal satisfaction. Correct placement helps to reduce labour turnover and absenteeism. Here, orientation means introducing new employees to the organization. It is the process of introducing and familiarizing newly appointed candidates with their job, work groups and the organization so that they may feel at home in the new environment.

5. Training and Development
People are in search of careers and not jobs. Every individual must be given a chance to rise to the top. The most favourable way for this to happen is to promote employee learning. For this, organizations either provide training themselves within the organization or through external institutions. This is beneficial for the organization as well. If the employees are motivated enough, it will increase their competence and will be able to perform even better for the organization with greater efficiency and productivity. By providing such opportunities to its employees for career advancement, the organization captivates the interest and holds on of its talented employees. The majority of the organization has a distinct department for this purpose, that is, the Human Resource Department. Though in small organizations, the line manager has to do all the managerial functions viz, planning, organizing, staffing, controlling, and directing. The process of staffing further involves three more stages.

6. Performance appraisal
After training the employees and having them on the job for some time, there should be an evaluation done on their performance. Every organization has its means of appraisal whether formal or informal. Appraisal refers to the evaluation of the employees of the organization based on their past or present performance by some pre-decided standards. The employee should be well aware of his standards and his superior is responsible for proving feedback on his performance. The process of performance appraisal, thus includes specifying the job, performing appraisal performance, and providing feedback.

7. Promotion and Career planning
It has now become important for all organizations to deal with career-related issues and promotional routes for employees. The managers should take care of the activities that serve the long-term interests of the employees. They should be encouraged from time to time, which will help the employees to grow and find their true potential. Promotions are an essential part of any employee's career. Promotion refers to the transferring of employees from their current positions to a higher level increasing their responsibilities, authority and pay.

8. Compensation
Every organization needs to set up plans for the salary and wages of the employees. There are several ways to develop payment plans for the employees depending upon the significance of the job. The worth of the job needs to be decided. Therefore, all kinds of payments or rewards provided

to the employees is referred to as compensation. The compensation may be in the form of direct financial payments, such as salary, wages, bonuses, etc., or indirect payments like insurance or vacations provided to the employee.

Direct financial payments are of two kinds, that is, performance-based and time-based. In a time-based payment plan, the salary or wages are paid daily, weekly, monthly, or annually, whereas, the performance-based payment plan is the payment of salary or wages according to the set task. There are many ways in which the compensation of the employee based on their performance can be calculated. There are also plans, which are a combination of both time-based and performance-based. There are a few factors that affect the payment plan, such as legal, company policy, union, and equity. Thus, staffing is the process that includes possession, retention, promotion, and compensation of the human capital, that is, the most important resource of the organization. There are several factors such as the supply and demand of specific skills in the labour market, legal and political considerations, the company's image, policy, unemployment rate, human resource planning cost, labour market conditions, technological developments, general economic environment, etc., that may affect the execution of recruitment, selection, and training.

Aspects or Components of Staffing

There are three aspects or components of staffing, namely, recruitment, selection, and training. They are defined below:

- **Recruitment:** It is the process of finding potential candidates for a particular job in an organization. The process of recruitment involves persuading people to apply for the available positions in the organization.
- **Selection:** It is the process of recognizing potential and hiring the best people out of several possible candidates. This is done by shortlisting and choosing the deserving and eliminating those who are not suitable for the job.
- **Training:** It is the process that involves providing the employees with an idea of the type of work they are supposed to do and how it is to be done. It is a way of keeping the employees updated on the way of work in an organization and the new and advanced technologies.

2.9 Performance Appraisals:

[redacted]

What are Performance Appraisals?

Performance Appraisals, also known as performance reviews, are a process of assessing and evaluating an employee's job performance systematically and formally. The primary purpose of performance appraisals is to provide feedback to employees about their work performance, identify strengths and weaknesses, set goals for improvement, and provide a basis for making decisions about promotions, raises, and other job-related matters. Performance appraisals typically involve a structured evaluation of an employee's performance over a specified period with a focus on specific job-related competencies, skills, and behaviours. The process may involve the use of standardized rating scales, self-assessments, and feedback from supervisors, peers, and subordinates. The results of performance appraisals are used to inform decisions about career development, training, compensation, and other personnel actions.

Significance of Performance Appraisals

Performance appraisals are significant in a variety of ways for both employees and organizations. Here are some of the key reasons why performance appraisals are important:

- **Feedback and development:** Performance appraisals provide employees with feedback about their job performance, identifying areas where they are excelling and areas where they need to improve. This feedback can help employees to develop their skills and improve their performance, which can increase their job satisfaction and motivation.
- **Goal setting:** Performance appraisals often involve setting goals for the upcoming year or performance period. This gives employees a clear understanding of what is expected of them and provides a roadmap for their development.
- **Performance-based decisions**: Performance appraisals are often used as a basis for making decisions about promotions, salary increases, and other job-related matters. By providing an objective evaluation of an employee's performance, performance appraisals help to ensure that decisions are based on merit rather than favouritism or personal biases.
- **Communication and collaboration:** Performance appraisals provide an opportunity for managers and employees to have a conversation about the employee's job performance. This can help to build trust and improve communication and collaboration between employee and their manager.
- **Legal compliance:** In some industries and jurisdictions, performance appraisals are required by law or regulation. By conducting regular performance appraisals, organizations can ensure that they comply with legal requirements.
- **Alignment with organizational goals:** Performance appraisals help to align employee goals and performance with the overall goals of the organization. By providing feedback on how an employee's performance supports the organization's mission and objectives, performance appraisals can help to ensure that everyone is working towards the same goals.
- **Recognition and rewards**: Performance appraisals can be used to recognize and reward employees who are performing well. This can include bonuses, promotions, or other forms of recognition that can help to boost employee morale and motivation.
- **Identification of training needs**: Performance appraisals can help to identify areas where employees may need additional training or development. This can help organizations to provide targeted training that addresses specific skills or knowledge gaps.

Objectives of Performance Appraisals

The primary objectives of performance appraisals are to evaluate and assess employee performance, provide feedback on areas of strengths and areas for improvement, set performance goals, and make decisions regarding employee development and career growth. Here are some specific objectives of performance appraisals:

- **Evaluate employee performance**: One of the main objectives of performance appraisals is to evaluate employee performance objectively and systematically. This involves assessing employee performance against specific job-related criteria, such as job duties, performance goals, and key performance indicators.
- **Provide feedback**: Performance appraisals provide employees with feedback on their job performance, highlighting areas where they are doing well and areas where they need to improve. Feedback can be constructive and positive way, focusing on specific actions and behaviours that can be improved.
- **Set performance goals**: Performance appraisals help to set performance goals that are aligned with the organization's goals and objectives. These goals can be used to motivate employees and provide a clear path for career development.
- **Identify training and development needs**: Performance appraisals can help to identify areas where employees may need additional training or development to improve their job performance. This can help employees to develop new skills and knowledge and improve their overall performance.
- **Determine compensation and rewards**: Performance appraisals are often used to determine compensation and rewards for employees based on their job performance. This can include bonuses, salary increases, promotions, and other forms of recognition.
- **Support performance management:** Performance appraisals are an important tool for performance management, which involves setting expectations, measuring performance, and providing feedback and coaching to employees to improve their performance.
- **Identify potential for career growth**: Performance appraisals can help to identify employee yees who have the potential for career growth and development. This can include identifying employees who have the skills and experience to take on new responsibilities or roles within the organization.

So, the objectives of performance appraisals are to evaluate employee performance, provide feedback, set performance goals, identify training and development needs, determine compensation and rewards, support performance management, and identify the potential for career growth.

Types of Performance Appraisals

There are several different types of performance appraisals that organizations may use to evaluate employee performance. Here are some of the most common types of performance appraisals:

- **Graphic rating scales**: This is one of the most common types of performance appraisal. It involves using a predetermined set of criteria to evaluate an employee's performance, with ratings assigned on a scale (e.g., 1-5) for each criterion.
- **Behaviour-based appraisals**: This type of appraisal focuses on the specific behaviours that employees exhibit on the job. It evaluates the extent to which employees exhibit desired behaviours and actions and may use examples of specific instances to illustrate their performance.
- **360-degree feedback**: This type of appraisal involves soliciting feedback from multiple sources, including the employee being evaluated, their manager, peers, and subordinates. This allows for a more well-rounded view of an employee's performance and can help identify blind spots or areas for improvement.
- **Management by objectives**: This type of appraisal involves setting specific performance objectives for employees and evaluating their performance based on how well they meet those objectives. This can help to align individual employee goals with the overall goals of the organization.

- **Critical incidents method**: This type of appraisal focuses on specific critical incidents, or examples of particularly good or poor performance, that are recorded over some time. These incidents are then used to evaluate an employee's overall performance.
- **Self-assessment:** This type of appraisal involves having employees evaluate their performance. This can help to encourage self-reflection and self-improvement and provide valuable insights into an employee's strengths and weaknesses.
- **Essay evaluations:** This type of appraisal involves providing a written evaluation of an employee's performance, typically in the form of a narrative or essay. This allows for a more detailed evaluation of an employee's performance but may be more time-consuming for managers to complete.

The type of performance appraisal that is used will depend on the goals of the organization and the specific needs of the employees being evaluated. Some organizations may use a combination of different types of performance appraisals to provide a more comprehensive evaluation of employee performance.

Criticisms of Performance Appraisals

While performance appraisals can be useful in evaluating employee performance and providing feedback, there are also some criticisms of the process. Here are some of the main criticisms of performance appraisals:

- **Subjectivity:** Performance appraisals can be subjective, and different evaluators may have different opinions on an employee's performance. This can lead to inconsistencies in the evaluation process and may result in unfair evaluations.
- **Bias:** Evaluators may have biases that can influence their evaluations, such as personal preferences, stereotypes, or prejudices. This can lead to unfair evaluations and may contribute to discrimination in the workplace.
- **Lack of reliability**: Performance appraisals may lack reliability if they are not based on objective criteria or if evaluators do not have a clear understanding of the criteria they are using to evaluate performance.
- **Lack of validity**: Performance appraisals may lack validity if they do not accurately measure what they are intended to measure. For example, if the appraisal criteria are not directly related to job performance, the appraisal may not accurately reflect an employee's performance.
- **Negative impact on morale**: Performance appraisals can sometimes have a negative impact on employee morale, particularly if employees perceive the evaluation process as unfair or if they receive negative feedback without adequate support or guidance for improvement.
- **Focus on individual performance**: Performance appraisals may focus too much on individual performance and may not take into account the contributions of teams or the broader context of the organization.

Overall, while performance appraisals can be a useful tool for evaluating employee performance, it is important to be aware of these criticisms and to work to address them in the evaluation process. This may involve implementing objective criteria, providing training for evaluators, and ensuring that employees receive constructive feedback and support for improvement.

2.10 Career

place in the labour market, favouring employees. In the current competitive job market, more than merely providing a satisfactory work environment is required to attract and retain talented employees. Businesses must enable employees to assume responsibility for their work environment. This can be achieved by providing customised career paths that correspond to each employee's professional goals and complement the business objectives. In doing so, corporations can attract the most qualified staff and enhance retention rates. Moreover, a personalised career path can increase job satisfaction as employees invest in their professional development.

What is Career Pathing?

Career Pathing refers to a comprehensive, organised, and goal-oriented development program for the workforce that will help them reach their full potential as workforce members.

The plan evaluates the employee's background, objectives, capabilities, and limitations for each new position so that they can be prepared accordingly. In simpler terms, it helps individuals prepare for their careers by identifying and pursuing both horizontal and vertical developmental opportunities. After receiving the necessary training, these workers can take on bigger roles and responsibilities to foster growth and involvement across many departments.

Career pathing provides a broader perspective than the traditional career ladder, which simply, lays out "rungs" or levels for climbing. In addition to promotions, a thorough career path may also include job rotations, lateral movements, and training programs that are intended to help staff members develop particular abilities. Employees who perceive a route for growth inside their company are not only less likely to quit but also more likely to constantly put up their best efforts. Thus, to boost engagement, clear performance benchmarks and advancement possibilities are essential.

Importance of Career Paths

Employees can identify internal opportunities based on their interests, preferences, competence, and experience if career pathing models are well-designed and performed. This will not only help the team but also the human resources and the organisation.

1. Retention of Personnel:

High-performing employees often leave their existing positions due to a lack of prospects for advancement. It would be impossible for employees to acquire new skills and take on new responsibilities in smaller businesses. As a result, giving career training opportunities regularly can help enhance a company's retention rate.

Today employees of a company are largely made up of millennials, who are hungry to learn and succeed. As previously noted, the professional path offers individuals opportunities to get there and provides insight into their chances for progress. If all of this is done properly, it will considerably help with reduced absenteeism, positive client and customer relations, reduced employee theft, and a low turnover rate.

2. Employee Involvement:

As employees constantly search for better pay and opportunities for professional and personal growth, an HR professional works to keep them engaged in the company. Companies can conduct appraisals to evaluate employee engagement and provide present and future employees opportunities for development in terms of growth, competencies, gaps, and resources to fill them. Employees perform accordingly because they are aware of where they stand in terms of career growth.

3. Keeps the Workforce Youthful:

Employees of the younger age are more motivated to advance themselves, select a valuable career, and earn more money than those of the older generation. Therefore, businesses can retain them on hand to keep on recharging the team with new concepts, tenacity, and inventive techniques to achieve their business goals. They can pursue interests related to transition in a supportive work environment if employers treat them fairly.

4. Succession Planning:

To close the gap between the company's and employees' career goals, the HR department engages in succession planning. Career pathing reduces and gives essential resources to prepare for the future by identifying capabilities and training possibilities. The knowledge prevents several employees from competing for the same position and attracts new hires.

5. Higher Return on Investment:

The management has to make significant effort, time, and money spent on finding and training new personnel. However, the more time an individual spends working for the firm, the more value they will add and the more growth the business will see altogether. Even while they might not always be with the employee, they will be provided with the knowledge to keep improving their work.

6. Increased Loyalty and Security:

Employees are attracted to careers that are stable, long-lasting, engaging, and constantly challenging. The HR team collaborates with the employer and employee to achieve shared business objectives while maintaining engagement and loyalty. Because of this, the employees pick a company above its competitors if it offers unbeatable career chances because they want to succeed in the long run.

Kinds of Career Pathing

In general, there are four different types of career paths: *jobs*, *business*, *knowledge-based jobs*, and *skill-based jobs*. The two primary career paths are *employment*; i.e., joining other businesses, and *entrepreneurship*, or running your own business. In addition, a job can be divided into two main categories: *knowledge-oriented jobs* and *skill-oriented jobs*. Following are the main categories of career paths:

1. Knowledge Professionals:

A career that requires knowledge, such as those in management, engineering, accounting, finance, and the law, belongs to the category that is knowledge-oriented. These are all examples of career paths that emphasise knowledge. When it comes to problem-solving, giving advice, or developing soft products (software), knowledge professionals are individuals who make a positive impact on the companies they serve through their expertise and accessibility.

For instance, Architects, Computer Scientists, Web Developers, Data Scientists, Management Consultants, IT Specialists, and Marketing Specialists.

2. Skilled Professionals:

The professions that emphasise skills come next on the list of career paths. These are more physically demanding skills including mechanics, welding, plumbing, and labour. Careers that are skill-related need to be hands-on, offer a service or physical product and are often paid hourly. They require a certain skill and can be compensated as freelance work or on a job-by-job basis for odd jobs.

For instance, Chefs, Sportsmen, Repair Workers, Gardeners, Carpenters or Plumbers, Artists, Performers and Workers in construction.

In addition, skills and knowledge are interlinked. Several jobs or career paths require both ability and knowledge. For instance, it is questionable whether coding is a skill-based or knowledge-based career path. However, in general, positions requiring physical labour are classified as skill-oriented jobs; whereas, the others are knowledge-oriented jobs. Even more practical jobs like plumbing and welding still require some knowledge. Following are some instances of occupations that use knowledge and skills almost equally; Lawyers, Salesmen, and Interior designers.

3. Entrepreneurship or Business:

The following job paths include running your own company, becoming your boss, or starting your venture or business. A business is something that provides value to the customer using trading or the sale of a new good or service. Hence, following this path, will require funding as well as the ability to produce a good or service to launch your business. Also, one will require a broad range of abilities, such as the ability to build a customer or supply chain or to hire diverse people who will make up the team. There are several types of entrepreneurship, including starting a small business and purchasing products to resell with added value. Entrepreneurs usually combine their expertise and abilities to grow their businesses.

For instance, in Shark Tank, different entrepreneurs with unique ideas and the ability to bring some change are encouraged and financed. The entrepreneur who has complete knowledge of the industry and has uniqueness in the product gets the funding. With this, they can become their own boss and provide employment to people.

4. Self-employed Freelancers:

Selling a service or a skill is an additional type of business. In this career path, one has foundational knowledge of this but gains independence as a freelancer. To become a freelancer, the person must not be employed by an organisation. These professionals include chartered accountants, photographers, web developers, and artists. In essence, anyone who is self-employed and not bound to an organisation is considered a freelancer.

For instance, in GeeksforGeeks several independent content writers are hired to write articles in different fields. The content writers can write at their convenience and submit their articles. Thus, it includes using their foundation knowledge to write an article.

Examples of Career Pathing

An example of a possible career path for an employee in human resources is shown in the above diagram. An individual can advance in his career from the position of HR Assistant to that of HR Specialist, then Assistant Director of HR, and ultimately Director of HR. The positions in the future would depend on the career path he/she chooses today.

An example of a possible career path for an employee in marketing is shown in the above diagram. An individual can advance in his career from the position of Public Relations Assistant to Public Relations Representative, then Assistant Director of PR, and ultimately Director of Communications.

2.11 Organisation Development

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Organisational Development is a process that helps organisations improve their performance and achieve their goals. It involves various methods and techniques to adapt to changing circumstances and enhance effectiveness. It focuses on making the workplace more collaborative, supportive, and productive by improving communication, processes, and relationships among employees, managers, and stakeholders. This enables organizations to respond quickly and efficiently to changes in the market, customer needs, and technology. Some examples of organizational development interventions include assessing the organization, developing leaders, building teams, improving processes, and changing the culture. These interventions can help build better structures, foster a more positive work culture, and increase employee satisfaction and engagement. Ultimately, OD can help organisations achieve greater success over the long term.

Features of Organisation Development

Organizational Development (OD) is a management practice that helps organizations improve their performance and adapt to changes in their environment. Some of the key features of OD include:

- **Collaborative approach:** It involves working together with employees, managers, and other stakeholders to identify problems, develop solutions, and implement changes. This ensures that everyone has a voice in the change process and is committed to making it a success.
- **Focus on people and processes**: OD recognizes that organizations are made up of people and that processes and systems should support and empower them. This means that management practices should be designed to support employees, rather than the other way around.
- **Systemic perspective**: It takes a systemic perspective that views organizations as complex systems. Changes in one area can have far-reaching effects throughout the organization. So, it is essential to consider the broader impacts of changes before implementing them.
- **Continuous improvement**: OD emphasizes that change is an ongoing process, rather than a one-time event. Organizations should continually assess and improve their processes, systems, and practices to stay ahead of the curve.
- **Data-driven:** Its interventions are based on objective data and analysis, rather than assumptions or personal biases. This ensures that changes are evidence-based and have a higher likelihood of success.
- **Participatory:** OD encourages everyone in the organization to take an active role in the change process. By involving all stakeholders, there is greater ownership and commitment to making change happen.
- **Empowering:** It empowers employees and builds their capacity to take on new challenges and opportunities. This means that management practices should enable employees to take more responsibility and make decisions that benefit the organization.

Organisation Development and Management Development

Organizational Development (OD) and Management Development (MD) are two important concepts that are used to improve the performance of organizations and their leaders.

OD involves making changes to the structure, culture, and processes of an organization to enhance its overall effectiveness. The aim is to improve the organization’s ability to achieve its goals and adapt to changes in its environment. OD interventions may include team-building, leadership development, process improvement, and cultural change initiatives. MD, on the other hand, focuses on developing the skills and abilities of individual managers and leaders within an organization. The goal is to enhance key personnel's management and leadership capabilities so that they can effectively lead and manage teams, departments, and the organization as a whole. MD interventions may include coaching, training, mentoring, and leadership development programs.

While OD and MD are different concepts, they are closely related. OD initiatives often require changes in the roles and responsibilities of managers and leaders, and therefore, MD may be a crucial component of OD. For example, new structures, processes, and systems may require new management and leadership skills. In this case, MD interventions can help managers and leaders develop the necessary skills to implement these changes effectively. So, OD focuses on improving the overall effectiveness of an organization, while MD focuses on developing the skills and abilities of individual managers and leaders. By combining OD and MD interventions, organizations can achieve their goals, adapt to changes in their environment, and enhance their performance.

Objectives of Organisation Development

The objectives of Organisational Development (OD) are focused on improving the overall effectiveness of an organisation. These are some of the key objectives of OD:

- **Enhancing organizational performance**: It interventions aim to improve the performance of an organization by enhancing productivity, quality, and efficiency. This can help organizations achieve their goals more effectively and efficiently.
- **Encouraging collaboration:** OD interventions encourage teamwork and collaboration among employees, managers, and stakeholders. This can lead to better communication, problem-solving, and decision-making, which can improve the organization's overall effectiveness.
- **Developing leadership capabilities**: It interventions can help develop the leadership capabilities of managers and leaders within the organization. By improving their leadership skills, managers and leaders can better motivate, engage, and lead their teams to achieve organizational goals.
- **Improving organizational culture**: OD interventions aim to improve the organizational culture by creating a more positive work environment that fosters innovation, creativity, and continuous learning. This can enhance employee engagement, job satisfaction, and retention.
- **Building change management capabilities**: OD interventions can help organizations build their change management capabilities so that they can adapt quickly to changing circumstances. This can help organizations stay ahead of the curve and respond effectively to market trends and customer needs.
- **Enhancing employee development and growth**: OD interventions can help employees develop new skills, knowledge, and abilities that enhance their performance and career growth within the organization. This can lead to greater employee satisfaction, engagement, and retention.

Roles of Organisation Development

Organisational Development is a process that aims to improve the effectiveness of organisations. OD professionals play several important roles in helping organizations achieve their goals. Some of them are:

- **Change agent:** Its professionals serve as change agents within an organization. They help leaders, managers, and employees initiate and manage change initiatives that improve the organization's performance.
- **Facilitator:** OD professionals facilitate group processes such as team building, problem-solving, and decision-making. They create a more collaborative and supportive work environment by fostering open communication and mutual respect, which leads to better teamwork and more effective problem-solving.

- **Consultant:** Its professionals provide consulting services to organizations. They identify areas for improvement and recommend solutions based on their analysis of data and assessment of organizational systems, processes, and practices.
- **Trainer:** Professionals design and deliver training programs that help employees develop new skills, knowledge, and abilities. They work with managers and leaders to develop and implement leadership development programs that build management capabilities, which can improve organizational performance.
- **Coach:** OD professionals provide coaching services to managers and leaders to help them develop their leadership skills and overcome obstacles that may be hindering their performance. This can lead to better employee engagement, motivation, and performance.
- **Advocate:** Professionals serve as advocates for employees by promoting a positive and supportive work environment. They help to build an inclusive culture that values diversity and promotes equal opportunity for all employees, which can enhance employee engagement, job satisfaction, and retention.

2.12 Personnel Management:

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What is Personnel Management?

Personnel Management, also known as Human Resource Management, is the effective process of managing the workforce of the organization, including recruitment, training, evaluation of employees' performance, remuneration and benefit administration, labor relations, and compliance with labor laws and regulations. It involves the complex tasks and responsibilities associated with the human resources that need to be established inside an organization. Personnel management aims to attract, develop, motivate, and retain competent and devoted workers to meet the needs and goals of the organization and contribute to its success.

Geeky Takeaways:

- Personnel Management focuses on developing and managing the human resources within an organization including recruitment, training, performance evaluation, and career development.
- Ensuring a safe and healthy work environment is essential to protect employees from workplace hazards and promote their well-being.
- There are three types of Personnel Management; viz., Strategic, Tactical, and Operational.
- Personnel Management plays a key role in managing organizational change effectively, including restructuring, mergers and acquisitions, etc., while minimizing disruption and maintaining employee morale.

Types of Personnel Management

1. Strategic: Strategic Personnel Management means setting up and controlling the people within a company to meet its long-term goals. This is not only about handling routine assignments but also planning for the future and ensuring that the right people are allocated to the right jobs. Specifically, it means finding and employing gifted experts, competently implementing their tasks, and preparing them to take on leadership roles in the future. This strategy can enable organizations to adjust easily to emerging changes, make logical judgements by using their employees' data, and deploy their talented team members to outperform the competition.

2. Tactical: Planning for administration is a part of tactical personnel management. Choosing how to schedule current employees is part of this. It also entails projecting how many employees will be needed in the near and long run to fill open positions. Hiring the best applicants via a certain selection procedure is the main goal of tactical personnel management. Onboarding and training of new hires are also handled by this kind of management. Staff resources are sometimes divided into three categories: technical, functional, and organic.

3. Operational: Operational Personnel Management can be defined as a type of management, which focuses on the regulation of numerous processes regarding personnel administration. Unlike strategic personnel management, which is responsible for adjusting human resource practices to long-term perspectives, operational personnel management deals with the respective needs of the workforce. The tasks of the given process ranges from recruitment processes and hiring new people to supervise the employees' schedules and their performance, calculating payrolls, and resolving conflicts in the workplace. In other words, operational personnel management is all about organizing company employees and keeping them in line with the policies of the company and regulatory standards to help a firm run on a daily basis.

Elements of Personnel Management

1. Recruitment and Selection: Human Resource Management involves attraction, identification as well as hiring of qualified employees to fill the job vacancies. It includes activities such as editing the job analysis and requirements for a position, publishing the job post, reviewing application forms, conducting interviews, and making job offers.

2. Training and Development: It aims to provide staff members the tools they need to do their jobs better and support the success of the company. It includes more opportunities for professional and personal growth as well as methodical methods created to instruct staff members on particular job-related duties, practices, and competences.

3. Performance Management: Performance standards, performance feedback, and performance assessment of the employees are the three major elements of performance management. Performance Management is an important aspect of personnel management that ensures employers optimize their outcomes and the performance of their employees. It is a disciplined method for regularly assessing and fostering employee performance that is in line with the goals and objectives of the firm.

4. Compensation and Benefits: One of the key functions of personnel management is the design and management of pay and benefit schemes that are competitive. It involves analysis of job positions, remuneration, compensations, salary incentivization, legal compliance, and communicating appropriately with the employees. Organizations can improve their employees' well-being and increase the competitiveness of their business through compensation packages that not only are attractive but comprise adequate benefits and equitable employment conditions.

5. Employee Relations: With the objective of establishing a strong relationship between workers and the firm, employee relations is a vital part of people management. Through advocating open communication, resolving conflicts, encouraging employees, ensuring a good work-life balance, embracing diversity and inclusion, and following labor laws, organizations can focus on employee relations and create a pleasant and productive work setting that will help people and businesses be their best.

<u>6. Legal Compliance</u>: Legal Compliance is another critical element of people management that relates to the protection of the company from legal violations. It consists of several correlates such as realizing, implementing, and stressing the fulfillment of various legal requirements associated with employee-employer relationships, compensation, benefits, work conditions, working rights, and workplace safety.

<u>Benefits of Personnel Management</u>

<u>1. Employee Development:</u> Employee Development stands for that action, which is undertaken through offering employees with new skills, experience and knowledge, such that they will be able to improve their performance at the work place and reach their maximum potential. It involves special training of employees, educational programs for them, as well as different professional development activities which aids professional progression.

<u>2. Performance Improvement</u>: Inducing effectiveness of employee performance through managing staff has a number of benefits, which includes increasing productivity or efficiency of employees by monitoring goals, feedback and development opportunities. Through nurturing an environment of support and identifying performance gaps, controlling personal affairs will allow employees to be more productive and effective as individuals who contribute ultimately to organizational success.

<u>3. Employee Engagement:</u> Employee Engagement is characterized by workers' emotional commitment and active contribution to their work and team. Effective human resource systems create employee engagement through open communication, recognition, and development opportunities. Hence, it yields higher productivity, job satisfaction, retention, customer satisfaction, innovation and a positive organizational culture.

<u>4. Retention and Loyalty:</u> Retention and loyalty, that are the most important aims of personnel management, make it possible for an organization to retain its personnel and to cultivate its commitment towards it. Through the efforts aimed at the development opportunities, recognition, work-life balance and fair renumeration, the organizations will manage their human capital so that the employees will be retained in long run because the will feel integral part of the organization and highly motivated. This stability enables a high level of creative output, better organizational results and improved employee morale.

<u>5. Talent Acquisition:</u> Talent Acquisition that comes along with personnel management is the capability to attract and hire people who match business requirements and possess the necessary skill sets. Effective personnel management strategies allow organizations to tap into the best available talent so that they remain competitive, maximize productivity, are an inclusive environment, enhance employer brand, and retain their top employees.

<u>6. Compliance and Risk Management:</u> The regulations and risk management in the area of workforce management involve the fulfillment of the legal as well as the regulatory obligations while simultaneously controlling the workplace-related risks. It covers formulating the internal regulations, educating staff, following up of compliance, exact record-keeping and using the tools to assess the effects of the dangerous exposures. Implementing the policy which enhances compliance and risk management enables the company to avoid legal liabilities, harm reputation and financial problems, contributing to creation of the safe and fair working place.

Objectives of Personnel Management

1. Achievement of Organizational Goal: The main function of personnel management is to get the employees in harmony with the organizational goals, aesthetically combine the staff and have skilled individuals recruited and groomed to fulfill their personal roles. This can be done through a carefully developed policy of recruitment, training, and placement.

2. Personnel Objectives: The role of personnel management is to make sure that workers in the organization are contented both mentally and physically. It can be achieved by ensuring that employees receive their jobs along with favorable work environment and job satisfaction. The workplace must be tidy and well-ventilated, with proper lighting and airflow. Besides, employees' recognition in terms of remuneration, job security, and promotion will enhance job satisfaction.

3. Social Objectives: One of the objectives of the personnel management is to ensure the welfare and development of the whole community. An enterprise carries a social obligation towards the wider society. It provides service to society by opening more employment opportunities and offering quality products at cheap prices.

4. HR Information Systems: The major goal of HR Information Systems (HRIS) in personnel management is to develop an efficient and technically competent approach to HR processes that aid employee data management and decision-making. Since centralized data, workflow automation, analytics and reporting, compliance management, employee self-service facilities and strategic planning are provided through the HRIS, the HR operations are enhanced and enable the achievement of organizational objectives through the human capital management approach.

5. **Health and Safety:** Becoming part of personnel management, health and safety fosters the aim of having safe environment and healthy people at work. It involves providing employers with guidelines for workplace safety, complying with regulations, ensuring staff is trained and educated, creating a safety-oriented culture, preventing injuries and illnesses, and planning for emergencies.

Role of Personnel Manager

1. Human Relations Role: The personnel manager is supposed to be an expert on human relations in order to increase productivity by targeting workers' economic, social and psychological needs and aspirations. In addition, they not only have to deal with the requirements of industrial society which is rapidly developing but also have to face the demands and challenges of post-industrial society.

2. Advisory Role: The personnel manager is the link between the personnel department and the managers throughout the organization and helps formulate, advocate, and implement departmental policies as well as specific advice in many aspects of HR management. They function as a mediator by carrying the workers' concerns all the way up to the higher management. Its efficiency depends on clever ideas and assistance without any pressure being applied to managers.

3. Counselling Role: The personnel manager acts as a counsellor for the workers as well. They outline the different personal problems of the employees such as work, career, colleagues, health, family, financial and social; and proposes the ways to deal with the issues.

4. Mediator's Role: The human resources manager frequently serves as a mediator within the organization. In cases of conflict between two employees, two employee groups, superiors and subordinates, or employees and management, the human resources manager is responsible for mediating to preserve industrial harmony.

5. Legal Role: The personnel manager fulfills the crucial responsibility of managing grievances, resolving disputes, overseeing disciplinary matters, negotiating collective agreements, engaging in joint consultation, interpreting and enforcing labor laws, liaising with legal professionals for court cases, and representing the company in labor courts, industrial tribunals, civil courts, and similar forums.

Functions of Personnel Management

1. Procurement of Manpower: Organizational procurement involves securing talent from the labor market, ensuring the best fit for each position. It entails planning, recruiting, selecting, appointing, and orienting employees and employing strategic methods for maximum effectiveness. Training and development should also be utilized to enhance skills and capabilities and prepare employees to perform high-level jobs and cope with future difficulties.

2. Compensation Payment and Reward to Manpower Employed: Compensation payment and rewards management is a critical component of personnel management. It encompasses the structuring of fair and competitive pay and benefits packages. It also includes the creation of performance-oriented pay distribution systems and reward programs to maintain staff motivated to stay with the company. Moreover, it encompasses other critical aspects such as fairness, adherence to the law, and open communication. It attracts, encourages, and maintains talented workers who will help the firm expand to its full potential.

3. Maintenance of Manpower: Manpower Maintenance is another vital function of personnel management that focuses on keeping and upholding workers in the firm. It is linked to fostering a working environment, responding to workers' issues, as well as ensuring job satisfaction. Some of the activities performed under this function include managing employee relations, communication, and dealing with complaints and job satisfaction . Developing a motivated workforce, enhancing productivity, and reducing worker turnover are the ultimate objectives.

4. Provision of Welfare Facilities: Welfare facilities provision is one of the critical roles of personnel management which targets improving the quality of life and the welfare of the employees. It entails the implementation of different programs and services such as health insurance, well-being programs, childcare facilities, and recreational amenities. Such a focus helps increase the overall satisfaction, morale, and retention level of the employees which promotes the overall success of the organization.

5. Training and Development: Training and Development, a fundamental aspect of personnel management, is focused on improving employee skills and knowledge to enhance job performance and foster career advancement. This includes identifying training requirements, creating programs, and enabling ongoing learning opportunities. Through prioritizing employee development, personnel management improves organizational effectiveness, adaptability, and employee satisfaction.

Approaches of Personnel Management

1. Traditional Approach: The traditional approach to personnel management is a conventional method of treatment of processes related to employees within the company. Such an approach implies that the staff's data and records are collected by the HR or managerial department, while HR may be more focused on hiring and training individuals. Generally, in such a system, both parties involved; employers and individuals in the workforce, treat their activities as formal. The decisions are always made from a higher hierarchical level of employees; thus, any workforce involvement in a decision-making process is initiated and regulated. Overall, the traditional approach to personnel management represents a rational way of handling workforce tasks.

2. Human Resource Approach: The Human Resource Approach to personnel management is oriented to the priority of employees' human needs. The HRM method is aligned with the organization's orientation, engages in the development and activity of employees, and creates an organizational culture. HR professionals implement staffing, control personnel, form ties with business and implement a full range of HRM works. HR benefits are employment, skill development, and salary, which people receive and are interested in continuing to work as intended. The HR approach takes into account the orientation to the use of human capital and seeks to manage employees effectively.

3. Human Relation Approach: The Human Relation Approach in personnel management concerns itself with positive interpersonal relationship and communication and employees' mental health in order to increase the general output and development of the organization. The major purpose of the approach is to enable one to understand social and psychological effects of workers. By promoting efficient communication and proper relationships, organizations are able to achieve better results as well as cut down the labor turnover.

4. Systems Approach: The Systems Approach in personnel management is based on the assumption that every organisation is a complex and interconnected system, where any changes may turn to be relevant to the whole structure. Thus, this approach aspires to improve and optimize interactions between people, processes, technology, and the environment. In other words, this systematic approach is important for maximized efficiency, effectiveness, and adaptability, as it considers the HR area as part of the whole system.

5. Contingency Approach: The conventional method of personnel management takes into account the specific setting in which employees are managed. It recognizes that various circumstances could call for various responses and highlights how crucial it is for HR procedures to be flexible and adaptive in order to account for these variances.

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2.13 Leadership

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The process of influencing the behaviour of people towards achievement of organisational goals is known as Leadership. It indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute to achieving organisational objectives. An individual who has the attributes of leadership is known as a leader.

"Leadership is the activity of influencing people to strive willingly for group objectives". – George Terry

"Leadership is the art or process of influencing people so that they will strive willingly and enthusiastically towards achievement of group goals". – Koontz and Weihrich
"Leadership is a set of interpersonal behaviour designed to influence employees to cooperate in the achievement of objectives". – Glueck

Features of Leadership

The features of Leadership are as follows:

- It is the ability of an individual to influence others. It is an influence process, whereby a leader directs the behaviour of members towards the achievement of objectives.
- Leadership does not flourish in a vacuum. Leadership exists when there are two or more people. It is a relationship between two or more people.
- It aims to bring change in the behaviour of others, as it is a process of influence, which is exercised by the leaders.
- Interpersonal relations between leaders and followers are indicated because of leadership.
- It is exercised to achieve the common goals of the organisation.
- It is a continuous process.
- It is highly situational because leaders have to act according to the situation.
- It is an authority-based process, i.e., a leader needs adequate power in order to influence the behaviour of followers.

Importance of Leadership

The importance of leadership are as follows:

- **Inspires Employees:** The behaviour of individuals is influenced and a strong urge to improve their performance is created amongst the employees by effective leadership. Effective leadership inspires the employees to positively contribute their energies for the benefit of the organisation. Good leadership leads to the achievement of goals effectively and efficiently.
- **Psychological Support**: Psychological support is provided by a leader. He maintains personal relations with the followers and satisfies their aspirations and personal needs. He also acts as a friend and provides confidence, support and encouragement to employees.
- **Helps in implementing Changes**: Any change in the organisation is introduced by the leaders. As changes are resisted by the employees, he persuades, clarifies, and inspires them to accept the changes. He takes employees into confidence and cooperates with them to implement the changes smoothly.
- **Handles Conflicts Effectively**: Conflicts arising in an organisation are resolved by a leader. He explains the common goals of the members and integrates their efforts for the achievement of the organisational goals. Effective leadership plays a very important role in sharing the feelings of the employees and sorting out their disagreements by providing clarifications.
- **Development of Individuals:** Overall growth and development of employees is achieved because of effective leadership. Training is provided to employees by leaders and their knowledge and skills are enhanced and updated. A good leader also trains his followers for the smooth succession process.

Types of Leadership Styles

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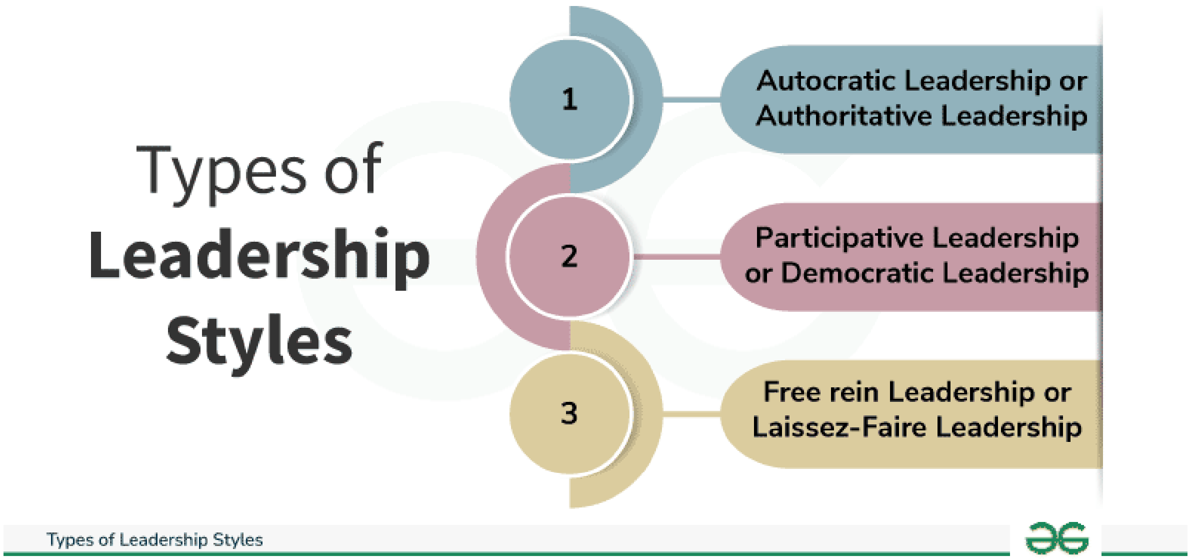
The process of influencing the behaviour of people towards the achievement of organisational goals is known as Leadership. It indicates the ability of an individual to maintain good interpersonal

relations with followers and motivate them to contribute to achieving organisational objectives. An individual who has the attributes of leadership is known as a leader.
The behaviour pattern which is reflected by a leader in his role is known as the Leadership style. It is the result of the philosophy, personality, experience, and value system of a leader. The type of followers and the atmosphere prevailing in the organisation also affect leadership styles.



<u>Types of Leadership Styles</u>

1. Autocratic Leadership or Authoritative Leadership
2. Participative Leadership or Democratic Leadership
3. Free rein Leadership or Laissez-Faire Leadership

All the above-mentioned styles of leadership are used by a leader over a period of time. However, one style tends to predominate as his normal style of using power.

<u>1. Autocratic Leadership or Authoritative Leadership</u>

The leadership style under which a leader centralises all decision-making powers and exercises full control over his subordinates is known as Autocratic or Authoritative leadership. The leader here gives orders and makes sure that they are obeyed.
For example, if Sam assigns work and gives orders to complete the work as per his discretion without consulting his subordinates, then Sam is an Autocratic Leader.

- Policies and plans are made by the autocratic leader without consulting subordinates. The employees are also not given information about future plans.
- Orders are given and tasks are assigned, and subordinates are not given the freedom to influence the decision of the leader. This situation is similar to "bossing people around".
- In such a leadership style, there is little or no concern for the welfare of the employees. Subordinates are compelled by the leaders to follow orders under the threat of penalties and punishments.
- Because of lack of freedom and threats of penalties and punishments, subordinates suffer from frustration and low morale. Subordinates avoid responsibility, lack initiative and become 'Yes Men'.
- This leadership style should be used on rare occasions.
- Such leadership styles are used in the Military.
- This style is also known as the 'Directive style of leadership'.

<u>2. Participative Leadership or Democratic Leadership</u>

The leadership style under which a leader consults subordinates in the decision-making process and encourages them to give suggestions in setting goals and implementing decisions. In this, the subordinates are allowed to participate in the decision-making process and their suggestions are welcomed by the leader.
For example, if Satyam is discussing the work and taking suggestions to complete the work, then he is a Participative or Democratic Leader.

- Under the Participative leadership style, orders are given only after consulting the subordinates, and any plan or policies is carried forwards only after the acceptance of the subordinates.
- This style wins greater confidence, cooperation, loyalty and initiative of the group. The morale of the employees is also boosted.
- Here, the subordinates are never asked to do things without working out long-term plans.
- The subordinates become part of the team and help the leader in making better decisions. Thus, it is a style of mutual benefit.

3. Free rein Leadership or Laissez-Faire Leadership

The leadership style under which a leader gives complete freedom to the subordinates is known as Free rein or Laissez-Faire.
For example, Sitaraman gives the responsibility of setting goals and devising plans to the subordinates, then here Sitaraman is practising free rein leadership.

- The leader depends on the group for setting goals and devising plans to achieve such goals.
- It can be said that this style is more of a non-leadership style than a leadership style, as the leader acts as an umpire and delegates the entire authority of decision-making to subordinates.
- Group members work as per their choice and competence. The leader acts as a contact man with the outsiders and collects information and resources required by the group to achieve the goals.
- This style is also known as "laissez-faire", which means no interference from others. "Laissez-faire" is a french phrase, which means "let them do".

10 Qualities of a Good Leader

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Leaders are individuals who possess attributes of leadership. They focus on satisfying the behavior of each member of the group and the realization of group goals. A leader inspires employees, provides psychological support, helps in implementing changes, handles conflicts effectively, and works towards the development of individuals in an organisation.
10 Qualities of a Good Leader
A Good leader should possess certain qualities and skills in order to lead, guide, and influence the actions of the people in a group or organisation. Some of the qualities that are needed to make a good leader are as follows:

Physical Features
The personality of an individual is an important factor in determining the success of leadership. The personality of an individual is determined by physical features like height, weight, energy, health, appearance, etc. A person who is physically fit is likely to appeal as a leader and attract people.

Knowledge
A leader must be knowledgeable and competent. He should possess a thorough knowledge of all the subjects, principles, procedures and operations of his field. Intelligent and knowledgeable leaders are taken seriously by the group and they are able to instruct and influence people in the workplace.

Integrity
Every leader should have a high degree of integrity and honesty. His way of working will influence his image amongst his followers. High moral standards should be maintained to act as a role model.

Vision
A good leader should have vision. He should be able to see the big picture of where the organisation or team they are working within is headed, what it's capable of, and what it will take to get there.

Initiative
A leader should take initiative to grab the opportunities. He should be creative and capable of evolving new ideas and methods of doing things. He should be able to lead the group and show them the correct path to achieve team and organisational goals.

Communication Skills
Communication skills play a very important part in influencing people. So, a leader should be good at communicating his ideas, feelings and decisions. He should be able to persuade and direct subordinates. In order to be an effective leader, an individual should not only be a good speaker, but also a good listener.

Motivation Skills
A leader should be an effective motivator, as he has to influence the actions and intentions of people through motivation. A good leader should understand the needs of people and motivate them by satisfying their needs.

Self-Confidence
A good leader should be confident. Self-confidence is essential to motivate and boost the morale of the followers. A confident leader is able to create confidence among others.

Decisiveness
A good leader should be able to take decisions according to the need of the circumstances. Decisions should be taken at the right time after the analysis of the alternatives available. Once decisions are taken, they should not be changed frequently in order to maintain stability.
Social Skills
A good leader must be friendly and sociable with his followers. He should recognize the problems of followers and should help them in every possible way. He must possess the ability to win the confidence and loyalty of his subordinates.
A leader may not necessarily possess all the qualities of a good leader. But, an understanding of these qualities will help him to acquire the missing qualities through training, effort and practice. The above mentioned qualities will help them to bond better with their team and help them to keep their team motivated and work as a team.

2.14 Communication

[redacted]

Communication is the process of sharing information between two or more people. Communication involves the transfer or exchange of information between individuals or groups. Essentially, it's about sharing ideas or information through speaking, writing, listening, or reading. This interaction, at its core, connects two or more people in an exchange of thoughts or messages.
In this article, we will explore the different types of communication, the importance of effective communication, and strategies for improving communication skills. Whether you're communicating with colleagues, friends, or family, understanding the basics of communication can help you build stronger relationships and achieve your goals.

What is Communication?
There is a sender, a message, and a receiver in the communication process. The sender is the individual or organization that starts the conversation by encrypting a message and transmitting it to the recipient. The information or concept being communicated is known as the message, which can be done either verbally or by nonverbal clues. Nonverbal cues include facial expressions, body language, and tone of voice, while verbal clues include spoken language.
The individual or group that gets the message, decodes it and interprets its meaning is the receiver. To confirm that the communication has been received and understood, the recipient may also give feedback to the sender. Feedback can come in the form of questions, remarks, or other cues and can be verbal or nonverbal.
Communication Meaning

Defining Communication means, it is the process of two or more people or groups exchanging information, ideas, thoughts, and feelings. It is a basic human activity that enables individuals to communicate with one another and exchange ideas, feelings, and experiences.
Importance of Communication
Good communication is crucial in personal relationships, professional settings, and societal interactions, as it promotes empathy, reduces misunderstanding, and fosters a sense of connection. In business, effective communication enhances productivity, teamwork, and customer relations. Overall, communication is the cornerstone of human interaction, playing a pivotal role in the success of individuals, organizations, and societies. Some of the importance of communication is discussed below:

- The ability to communicate is essential for human contact and is important in many facets of life.
- It enables people to communicate their thoughts, ideas, and feelings to others and also makes it easier for them to decipher and comprehend the messages of others.
- Building and maintaining connections, both personal and professional, depends on effective communication.
- It enables people to connect and develop a relationship based on trust and understanding.
- The accomplishment of organizational goals and objectives in a professional setting depends on effective communication.
- It promotes teamwork, dispute resolution, and coordination of efforts. Decision-making also heavily depends on effective communication.
- It makes it possible for people to gather and evaluate data, express their viewpoints, and come to agreements.
- Effective communication is crucial in a corporate setting for marketing, sales, and customer service. It promotes client happiness and brand loyalty.

Types of Communication

There are a various Categories of Communication. The types are explained below:

1. Verbal Communication

Words, whether spoken or written, are used in this sort of communication to communicate a message. It falls into two categories: written and oral. Face-to-face interactions, phone calls, and presentations all fall under the category of oral communication. Emails, letters, and text messages are all examples of written communication.

2. Nonverbal Communication

Body language, facial emotions, and other nonverbal indicators are used in this style of communication to communicate a message. Examples include body language, posture, and vocal tone. Even more so than verbal communication, nonverbal communication has the potential to be strong and successfully convey a message.

3. Communication Across Cultures

People from many cultural backgrounds exchange information and ideas through this style of communication. It can involve both verbal and nonverbal communication, and because of the varied languages, traditions, and values of other cultures, it can be difficult. In order to foster mutual understanding and cooperation between many cultures, intercultural communication is crucial.

4. Visual Communication

To transmit a message, this style of communication makes use of visual components including pictures, videos, and graphics. There are several ways to employ visual communication, including in charts, info-graphics, and advertising. It is frequently employed to simplify and enliven difficult information.

5. Interpersonal Communication

Information and ideas are exchanged between two or more persons during this style of conversation. It can take the shape of written messages, phone calls, or face-to-face interactions and can be formal or informal. Building and maintaining partnerships depend on interpersonal communication.

6. Mass Communications

In order to reach a big audience, this style of communication uses mass media, including television, radio, newspapers, and the internet. Information that needs to be widely disseminated is frequently done so through mass communication, such as news updates, ads, and PSAs.

7. Electronic communication

Digital technology, including the internet, social media, and mobile devices, are used in this sort of communication to spread a message. In recent years, digital communication has proliferated more widely, changing the way individuals communicate and exchange information.

Barriers to Communication

1. Physical Barriers

Any form of restriction or obstacle that restricts or impedes good communication is referred to as a physical barrier. These could include intrusive sounds, dim illumination, or a lack of personal space. For instance, it will be challenging for two people to hear and comprehend each other if they are trying to hold a conversation in a noisy, busy environment.

2. Language Barriers

When persons speak various languages or have varying degrees of fluency in a language, linguistic barriers may develop. This may make it challenging for individuals to communicate effectively and may result in misunderstandings. A non-native speaker could find it challenging to comprehend a person who exclusively speaks English, for instance, if they try to talk.

3. Cultural Barriers

People from diverse cultural backgrounds and perspectives can encounter cultural obstacles. These may consist of various traditions, convictions, and ideals. For instance, cultural differences may make it difficult for two people from different cultures to understand one another when they are trying to communicate.

4. Emotional Barriers

When people are worried or feeling emotionally raw, emotional barriers might develop. As a result, individuals could find it challenging to communicate clearly because they might be focused on their own feelings. A person could find it difficult to speak calmly and rationally with others if they are angry or disturbed, for instance.

5. Cognitive Barriers

When individuals have varying degrees of comprehension or understanding, cognitive barriers may develop. Things like a lack of information or attention are examples of this. For instance, if a person is trying to interact with someone who has a cognitive impairment, the cognitive barriers may make it difficult for them to comprehend one another.

6. Perceptual Barriers

People with various perspectives or perceptions may encounter perceptual hurdles. This can involve things like a loss of focus or comprehension. For instance, perceptual obstacles may make it difficult for two people to comprehend one another if they are trying to speak with someone who has a perceptual impairment.

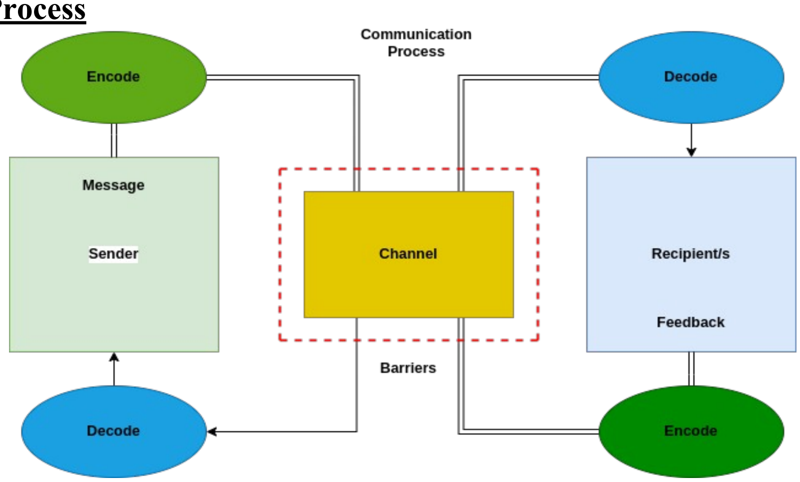
7. Technological Barriers

Technological obstacles can arise when people have varying degrees of access to or expertise with technology. This can include problems like not having access to the internet or not knowing how to use specific technology. For instance, if a person is trying to interact with someone who is unfamiliar with a certain technology, they could find it challenging to comprehend one another because of the obstacles posed by technology.

8. Noise Barriers

Noise barriers to communication refer to any external or internal factors that can interfere with or disrupt the flow of information between people. These barriers can be physical, psychological, or cultural in nature, and can impede effective communication, leading to misunderstandings, confusion, and frustration.

Communication Process



Communication Process

- Transmission of Messages: A sender dispatches a message to one or several recipients through a specific communication channel.
- Encoding and Decoding: The sender encodes the information into a format suitable for the channel, which the receiver(s) then decode to understand its meaning and importance.
- Risk of Misunderstanding: Misinterpretations can occur at any stage of the communication process.

Effective Communication Strategies:

- Minimizing potential misunderstandings.
- Overcoming communication barriers at each stage of the process.

Role of an Effective Communicator:

- Understanding the audience.
- Choosing an appropriate communication channel.
- Tailoring the message to fit the channel and reduce misunderstandings.
- Seeking feedback to gauge how the message is received and addressing any confusion promptly.

Receiver's Techniques:

- Employing methods like Clarification and Reflection to ensure accurate understanding of the message.

Effective Communication

The practice of clearly and meaningfully conveying information and ideas between two or more people or groups is known as effective communication. It includes a number of crucial components, such as:

- **Active listening:** This refers to giving verbal or nonverbal indicators that show you are interested and paying attention, as well as actively listening to the speaker and comprehending their message.
- **Clarity and conciseness:** Using simple language and being direct and to the point are essential components of effective communication. This makes it easier to communicate clearly and ensures that the message is understood as intended.
- **Empathy and understanding:** Understanding the viewpoint of the person you are interacting with, demonstrating empathy, and being conscious of their needs and feelings are other components of effective communication. This fosters trust and fosters an environment that is conducive to effective communication.
- **Feedback and response:** Giving comments on the message heard and reacting in a way that is appropriate and respectful are further components of effective communication. This makes it easier to make sure the message is understood and that any misconceptions are promptly resolved.

Communication Channels

- **Definition of Communication Channels**: Refers to the methods used for sending and receiving messages.
- **Types of Communication Channels:** Includes face-to-face interactions, phone calls, texts, emails, online platforms (like Facebook and Twitter), radio, TV, and traditional methods like letters, brochures, and reports.
- **Importance of Channel Selection**: Choosing the right channel is crucial for effective communication, as each has unique advantages and limitations.
- **Strengths and Weaknesses:** For instance, a written letter can clearly communicate to a few individuals but isn't efficient for large audiences. Conversely, printed materials are preferable for detailed, technical data, allowing recipients to process the information at their own pace.
- **Utility of Written Communication**: It serves as a reliable record of discussions, such as meeting minutes.

Mode Of Communication

Formal Communication

- This type of communication occurs within the official pathways of an organization. It typically happens among employees of similar ranks or between different levels of hierarchy, such as between managers and staff. This communication can be either oral or written, with a comprehensive record maintained within the organization.

Casual Communication

- Casual communication happens outside the formal, established channels. Often likened to a 'vine,' it flows freely across the organization, cutting across various levels of authority without any constraints.

Communication Skills

Communication skills refer to the ability to convey information, thoughts, or feelings effectively and efficiently. These skills are crucial in various aspects of life, including personal relationships, professional settings, and social interactions. Strong communication skills enable individuals to express themselves clearly, listen actively, and understand the messages conveyed by others.

The Key Components of Communication Skills are – Verbal Communication, Nonverbal Communication, Listening Skills, Written Communication, Interpersonal Skills, Presentation Skills, Adaptability.

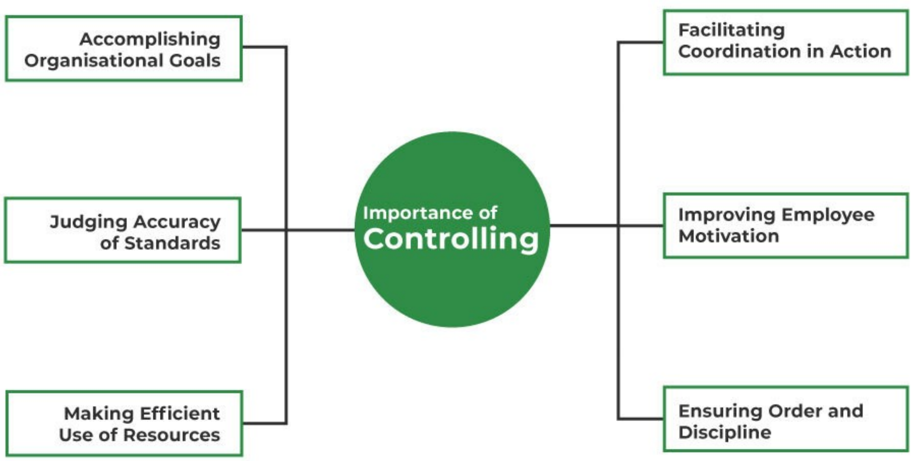
2.15 Controlling in Management:

[redacted]

What is Controlling in Management?

Every organisation aims at achieving some goals from its business activities and it is essential to ensure whether or not the firm is performing activities according to the pre-determined goals. The controlling function of management helps an organisation in ensuring the same.

Hence, Controlling means comparing the actual performance of an organisation with the planned performance and taking corrective actions if the actual performance does not match the planned performance. Controlling cannot prevent the deviation in actual and planned performance; however, it can minimise the deviations by taking corrective actions and decisions that can reduce their recurrence.



Definitions of Controlling:

- "Managerial Control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans." – Koontz and O' Donnell
- "Control is the process of bringing about conformity of performance with planned action." – Dale Henning

Nature of Controlling

1. Controlling is a goal-oriented function of management. It aims at ensuring that the resources of the organisation are used effectively and efficiently for the achievement of pre-determined organisational goals.
2. Controlling is a continuous process. It means that once the actual performance and standard performance of a business are compared and corrective actions are taken, the controlling process does not end. Instead, the firms have to continuously review the performance and revise the standards.

3. Controlling is all-pervasive. It means that the controlling function is exercised by the firms at all levels of management. The extent of control and nature of the function may vary at every level. Also, a controlling process is required in both non-business and business organisations.
4. Controlling process is both a forward-looking and backward-looking function. As a forward-looking function, it aims at improving the future performance of an organisation on the basis of its past experiences. However, as a backward-looking function, it measures and compares the actual performance and planned performance (fixed in past) of the organisation.

Importance of Controlling

Controlling function is important for every organisation due to the following reasons:

1. Accomplishing Organisational Goals

Controlling is a goal-oriented process as it aims at determining whether the pre-determined plans are being performed accordingly and whether required progress is made towards the achievement of the objectives. With the help of controlling, an organisation can keep the business activities on the right track and can achieve the organisational goals effectively and efficiently, and take the necessary corrective actions if required.

2. Judging Accuracy of Standards

An effective controlling process can help an organisation in verifying whether or not the firm has set the standards accurate. It also helps in keeping a check on the changes taking place in the business environment and making required changes in the standards whenever it is necessary.

3. Making Efficient Use of Resources

Controlling helps an organisation in reducing wastage of resources, as it aims at ensuring that every activity of the firm is performed according to the pre-determined goals.

4. Improving Employee Motivation

As controlling process includes comparing the pre-determined goals of an organisation with its actual performance, it properly communicates the role of employees in advance. It means that the employees know in advance on what standards their performance will be measured, compared, and appraised. This set of pre-determined goals motivates them to give a better performance.

5. Ensuring Order and Discipline

An efficient control system in an organisation can help its managers in creating an atmosphere of discipline and order in the firm. Besides, controlling also helps in keeping a continuous check on the employees so they can minimise undesirable activities, such as theft, corruption, fraud, etc.

6. Facilitating Coordination in Action

Controlling process also helps an organisation in facilitating coordination between different divisions and departments by providing the employees with unity of direction. In other words, every employee and department of the organisation is governed by a pre-determined set of goals. It also motivates employees in achieving these common goals through coordination to avoid duplication of efforts.

Features of a Good Control System

1. ***Suitable:*** *A good control system should be suitable for the needs and nature of the organisation.*
2. ***Simple:*** *A good controlling system should be easy to operate and understand.*
3. ***Economical:*** *The cost of setting, implementing, and maintaining a control system should not be more than the benefits gained from it.*
4. ***Flexible:*** *A good control system should have the ability to adjust according to the changing business environment and internal conditions.*
5. ***Forward Looking****: A good control system should move in a forward direction so that the managers can easily determine the deviations before they actually happen in the organisation.*
6. ***Objective:*** *The standards of the organisation, its measurement of performance, and corrective actions should be impersonal and objective.*
7. ***Management by exception****: A good control system should focus its attention on the significant deviations which are crucial for the organisation, instead of looking for the deviation which does not have much impact on the business.*

Limitations of Controlling

1. Difficulty in Setting Quantitative Standards

When an organisation cannot define its standards in quantitative terms, the controlling system becomes less effective. For example, it is difficult to measure the human behaviour of employees in quantitative terms, which makes it difficult for the firm to measure their performance from the standards.

2. Little Control on External Factors

The controlling system of an organisation can effectively control the internal factors; however, it is not easy to control the external factors of an organisation. For example, a firm can check and control any change in its production (internal factor), but cannot keep a check on the changing technological advancement, government policies, etc. (external factors).

3. Resistance from employees

The effectiveness of the controlling system highly depends on whether or not the employees have accepted the process. It means that if the employees think of the control system as a restriction on their freedom, they will resist the system. For example, the employees of an organisation might object when they are kept under various restrictions making them feel their freedom is being taken.

4. Costly Affair

Controlling is an expensive process, which means that every employee's performance has to be measured and reported to the higher authorities, which requires a lot of costs, time, and effort. Because of this reason, it becomes difficult for small business firms to afford such an expensive system. Besides, a controlling system is effective only when the benefits gained from it exceed the expenses made on them.

2.16 Productivity Improvement:

[redacted]

In this cutting-edge fast-paced era, productivity development is essential for private and professional fulfillment. Whether an individual is striving for day-to-day obligations or gaining lengthy-term dreams, improving overall productivity could make an extensive distinction. There are many productivity improvement tips, individuals generally follow to promote efficient and effective productivity.

Forms of Productivity Improvement

I. Labour Productivity

Labour productiveness measures how efficiently the group of workers generates output. It is a vital metric for assessing the effectiveness of human assets. Numerous techniques can be followed to improve work, some of them are:

1. Training and Skill Development: Investing in worker schooling and talent improvement programs enhances their skills. However, this technique is no longer proven to be one of the best techniques to improve labour productivity, but it boosts labours' confidence and satisfaction.

2. Task Automation: Repetitions of time-consuming obligations can unfasten personnel. The usage of software programs, robotics, or AI to deal with ordinary operations can make labourers invest their time in more important tasks.

3. Effective Time Management: Teaching personnel a way to manage their time effectively can enhance productivity. Techniques like prioritisation, time blocking, and setting clear goals can help individuals make the maximum of their time.

4. Performance Metrics: Implementing overall performance metrics and Key Performance Indicators (KPIs) helps personnel recognise their desires and music their progress. Regular feedback and performance critiques can inspire them to carry out the operations more effectively.

II. Total Factor Productivity (TFP)

Total Factor Productivity (TFP) evaluates the performance of all inputs in generating output, encompassing hard work, capital, substances, and extra. Enhancing TFP regularly requires a broader organisational perspective.

1. Technological Advancements: Embracing new technologies and innovation can result in huge TFP profits. Investments in modern software programs, equipment, and structures can automate strategies and improve usual performance.

2. Process Optimisation: Streamlining workflows and strategies can assist organisations in performing better. This includes identifying bottlenecks, putting off redundancies, and adopting excellent practices.

3. Resource Allocation: Efficient allocation of various resources like personnel, money, and bodily belongings, is vital for enhancing TFP. Smart resource management ensures that investments yield ideal returns.
4. Cross-purposeful Collaboration: Encouraging collaboration among exclusive corporate departments and teams can decorate TFP. Cross-practical teams regularly cause higher problem-solving and innovation.

III. Capital Productivity

Capital productiveness evaluates the efficiency of capital investments, including machinery, gadgets, and infrastructure. Some of the ways that can be implemented to enhance capital productivity include,
1. Asset Management: Effective asset management practices, along with preventive protection, can lessen downtime and increase the lifespan of capital assets. This ensures that investments keep generating costs through the years.
2. Technology Adoption: Capital investments in the era, strategically chosen and nicely carried out, can substantially enhance productiveness. This includes upgrading hardware and software programs to keep pace with advancements.
3. Optimising Equipment Usage: Ensuring that capital assets are used to their maximum capacity to enhance capital productivity. This includes scheduling protection, dealing with capacity, and reducing idle time.

IV. Material Productivity

Material productivity focuses on optimising the use of raw materials and sources in production, with an emphasis on sustainability.
1. Waste Reduction: Minimising waste in manufacturing procedures is a key thing for better productivity. Strategies consist of recycling, reusing substances, and reducing overproduction.
2. Sustainable Sourcing: Sourcing materials responsibly from sustainable suppliers not handiest reduces environmental impact, however, also ensures a solid supply chain.
3. Environmental Efficiency: Implementing eco-friendly practices, consisting of electricity-green procedures and decreasing emissions, not handiest improves material productiveness but additionally aligns with corporate social obligation dreams.

Productivity Improvement Tips

1. Prioritise Tasks: Starting the day by prioritising responsibilities is critical for effective time management. It entails listing all of the obligations that need to be finished. Tasks can be assigned based on urgency and importance.

- **Urgency:** Tasks that are time-touchy or have approaching closing deadlines should be done on priority.
- **Importance:** Consider which duties are essential in lengthy-term dreams or have a sizable effect on work or lifestyles.

2. **Set SMART Goals**: SMART dreams are described as Specific, Measurable, Achievable, Relevant, and Time-certain. SMART desires to offer clarity, a route, and a clean roadmap in your efforts.

- **Specific:** Defining the intention in clear and unique terms. Avoid indistinct goals.
- **Measurable:** Establish criteria to measure the progress and determine whilst the aim is carried out.
- **Achievable:** Ensure that the goal is achievable and that the resources and constraints are practical.
- **Relevant**: Make sure the aim is relevant to the general targets and aspirations.
- **Time-sure:** Set a closing date for accomplishing the goal. This provides a feeling of urgency and helps progress.

3. **Break Tasks into Smaller Steps**: Large and complex initiatives may be overwhelming. Breaking them into smaller, workable responsibilities makes the project more approachable.

- **Task Decomposition**: Divide the task into smaller steps or milestones that an individual can tackle one by one.
- **Sense of Accomplishment:** Completing every smaller venture presents an experience of achievement and motivation.

4. **Eliminate Distractions**: Identifying and minimising distractions is important for maintaining focus and productivity.

- **Dedicated Workspace:** Create a committed workspace that is free from distractions and conducive to work.
- **Website Blockers:** Use internet site blockers or apps to restrict admission to distracting websites or social media during painting hours.

5. **Time Blocking:** Time blocking activity refers to dividing the whole time of the day into small blocks and assigning different tasks to different time blocks.

- **Focused Work:** Due to time blocking, the personnel will avoid multitasking and will focus on individual tasks effectively and efficiently.
- **Structured Day**: Time blocking presents structure in the day, making sure to allocate time to various obligations.

6. **Use the Pomodoro Technique:** The Pomodoro Technique involves running in intervals, typically 25 mins of centred work observed via a 5-minute rest/break.

- **Sustained Concentration:** These periods sell sustained awareness and assist in saving you from burnout.
- **Regular Breaks**: Short breaks allow for quick relaxation, which could re-energies the mind.

7. **Regular Breaks:** Taking brief breaks at some point in the workday is important for maintaining intellectual and bodily well-being. Breaks provide for stretching, walking around, practising mindfulness, and re-energising for work.

8. **Review and Reflect:** Periodically reviewing accomplishments and setbacks facilitates redefining of productiveness strategies. Reflecting on what worked properly and what needs improvement, permits continuous studying and refinement.

9. **Learn to Say ‘No’:** Overcommitting can result in burnout and reduced productivity. It is critical to courteously decline extra tasks or projects when the timetable is already full. Saying ‘no’ while necessary helps you manipulate it slowly and commit more efficiently.

10. **Continuous Learning:** Dedicate time each week to mastering and skill improvement. Investing in yourself by way of obtaining new skills or know-how can lead to personal development. Continuous getting to know can pay off ultimately by making you extra versatile and adaptable to endeavours.

Conclusion

Productivity improvement is a multifaceted journey, encompassing various strategies. By studying time management, setting clean dreams, reducing distractions, and adopting suggestions, you may decorate your productiveness considerably. Remember that productiveness development is an ongoing procedure, and adapting these strategies for your precise occasions will help you obtain more efficiency and success in all factors of your existence.

2.17 Operations Management

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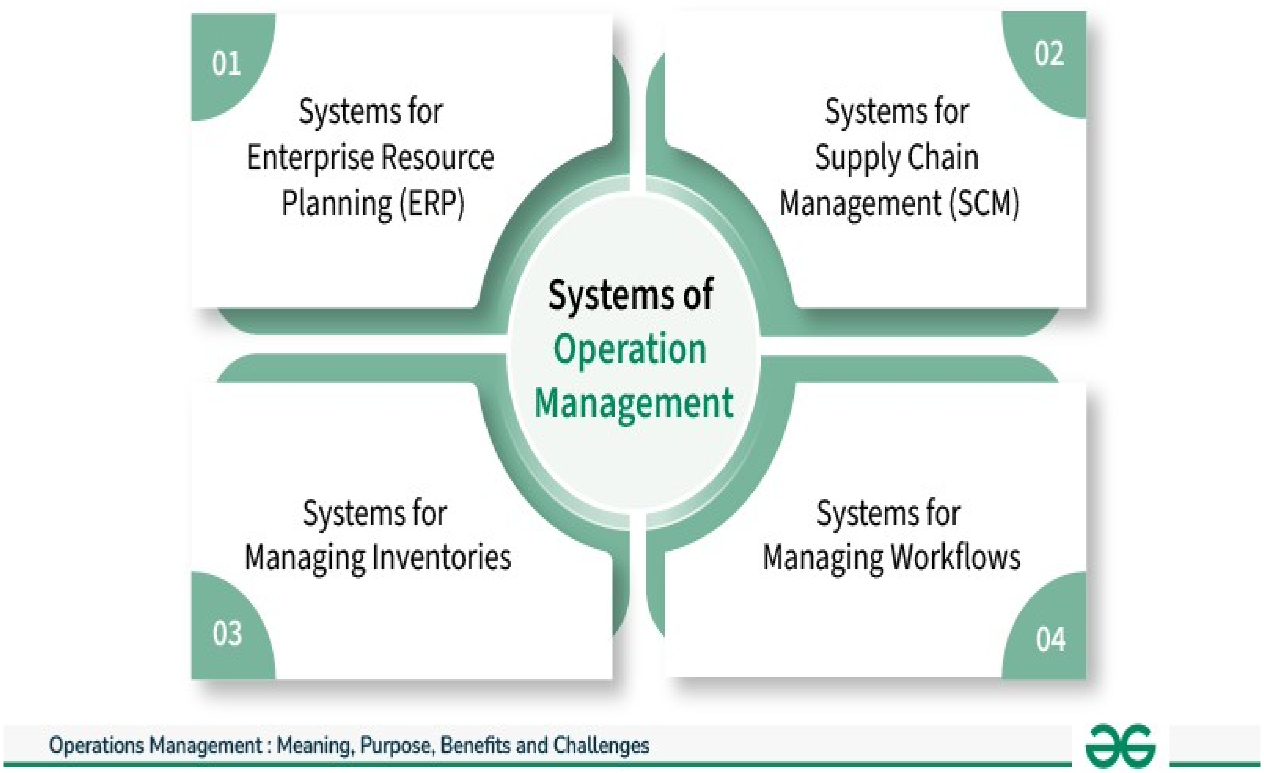
Operations Management is a vital component of any business, encompassing the practices, techniques, and tools that organizations use to produce and deliver goods and services efficiently and effectively. Whether in manufacturing or service industries, operations management plays a crucial role in building a competitive edge and driving long-term success.

In this article, we will talk about What Operations Management is, the benefits of Operation Management, how to become an Operation Manager and More.



What is Operations Management?

The creation, supervision, and control of the systems and procedures that businesses utilize to generate commodities and provide services are the main objectives of the management field known as Operations Management. To guarantee the effective and efficient production of goods or the provision of services, it involves the planning, organizing, and optimization of resources, processes, and activities. In several sectors, including manufacturing, healthcare, retail, transportation, and services, operations management is essential leading to enhanced customer happiness, cost savings, and efficiency.

Geeky Takeaways:

- *Operations Management is a business practice to create the highest level of efficiency that is possible within an organization.*
- *Operations Management is concerned with converting materials and labor into goods and services maintaining the efficiency level.*
- *Operations Management professionals try to balance costs with revenue to maximize net operating profit.*

Importance of Operations Management

Operations form the backbone of any company, focussing its approach to managing the supply chain and logistics intricacies. The financial health of a business is deeply tied to its ability to maintain lean and effective operational strategies. Inadequate operational practices pose a significant risk to a company's longevity, highlighting the necessity for process optimization.

Employing proficient staff, ensuring operations are ethical and safe, and choosing strategic locations are important for maintaining operational excellence. This not only enhances efficiency but also supports the organization's commitment to ethical practices and safety standards, crucial for sustainable growth and customer trust.

Purpose of Operations Management

- **Increase Productivity:** The goal of operations management is to increase productivity through process simplification, the adoption of best practices, and the use of technology. Increasing productivity helps cut costs and make better use of available resources.
- **Improve Quality:** Operations management ensures quality control, aiming to meet or exceed customer expectations through implementing quality standards, conducting inspections, and continually improving processes.
- **Maximize the Expenses**: Cost optimization heavily relies on operations management. Through effective resource management, waste reduction, and manufacturing process optimization, businesses can save costs and stay competitive in the marketplace.
- **Control the Supply Chain**: Operations management oversees the entire supply chain, managing logistics, supplier communication, and the flow of information and materials from suppliers to manufacturers and customers.

What does an Operations Manager do?

Here are some of the tasks done by Operations Manager:

1. **Improvement of Process:** It finds areas where efficiency can be increased and the process is optimized. It puts initiatives for continuous improvement into practice, frequently with the help of Lean Six Sigma techniques.
2. **Management of Resources:** It monitors and distributes resources, such as workers, tools, and supplies, to fulfill operational objectives. It maximizes the use of available resources to raise output and cut expenses.
3. **Cost Control and Budgeting**: It creates and oversees operating activity budgets. To make sure that financial goals are reached, it keeps an eye on and manages operating expenses.
4. **Quality Assurance:** It carries out and oversees quality control procedures to guarantee that goods and services fulfill requirements. To address and fix quality-related problems, it works with teams that control quality assurance.

How to Become an Operations Manager?

In order to become an Operations Manager, the below listed qualifications are required:

1. **Educational Background**: A bachelor's degree in business administration, engineering, supply chain management, operations management, or a similar discipline is often held by operations managers. A master's or MBA may be pursued by some people to advance in their careers.
2. **Acquire Useful Work Experience:** Get practical experience in operations management-related fields. A basis for understanding operational procedures can be obtained through entry-level positions in industries such as production, logistics, or quality control.
3. **Develop your Technical Abilities:** Get technical expertise in areas related to operations management. Proficiency with enterprise resource planning (ERP) systems, data analysis software, project management tools, and other operational technology may be required.
4. **Developing your Communication and Leadership Skills**: Managers of operations often supervise teams and work with different departments. Success in operations management is largely dependent on effective leadership and communication.
5. **Attain Expert Certifications**: Think about earning the necessary credentials. You can improve your credentials with certifications like Project Management Professional (PMP), Certified Supply Chain Professional (CSCP) or Certified in Production and Inventory Management (CPIM).
6. **Show Off your Problem-Solving Skills:** Display your ability to solve problems. The difficulties and inefficiencies in operational procedures must be addressed by operations managers. In your past employment, highlight the times you detected and resolved problems effectively.
7. **Seek Guidance**: Seek guidance from seasoned operations managers or other business experts. As you advance in your job, a mentor can offer direction, wisdom, and counsel.

Skills Required to Become Operational Manager

The skills required from an Operations Manager are:

- **Strategic Leadership**: Guiding teams with vision and direction.
- **Effective Organization**: Streamlining operations and resources.
- **Strong Interpersonal Abilities**: Building and maintaining relationships.
- **Creative Problem-Solving**: Identifying and resolving issues efficiently.
- **Continuous Process Enhancement**: Seeking ways to improve efficiency.
- **Proficient Project Coordination**: Overseeing projects from conception to completion.
- **Insightful Financial Evaluation**: Analyzing financial data to inform decisions.
- **Sharp Business Insight**: Understanding market trends and business strategies.

Career Paths in Operations Management

Here are some of the Career Paths in Operations Management:

- **Production Supervisor**: The manufacturing or production process is managed by production managers. To reach production goals, they must manage resources, assure quality standards, and maximize efficiency.
- **Manager of the Supply Chain:** From purchasing to distribution, supply chain managers are responsible for organizing and streamlining the whole supply chain. They labor to guarantee the efficient and timely flow of goods and commodities.
- **Manager of Logistics**: Moving, storing, and transporting products are within the purview of logistics management. To effectively meet client requests, they coordinate distribution, shipping, and warehouse activities.

- **Manager of Facilities**: Physical maintenance of buildings and smooth operation fall under the responsibility of facilities management. To meet the demands of the organization, they oversee scheduling, space planning, and resource management.

Systems of Operation Management

The Systems on which Operation Managers work are:

1. **Systems for Enterprise Resource Planning (ERP):** ERP systems combine several corporate operations, such as supply chain management, manufacturing, finance, and human resources. To support real-time information sharing and decision-making throughout the company, they offer a centralized database and a suite of applications.
2. **Systems for Supply Chain Management (SCM**): From the acquisition of raw materials to the delivery of completed goods, supply chain management (SCM) systems assist businesses in managing the whole supply chain. These technologies increase overall logistics and distribution efficiency, optimize inventory levels, and strengthen supplier relationships.
3. **Systems for Managing Inventories**: By giving businesses real-time visibility into stock levels, demand projections, and order fulfillment, these technologies assist businesses in optimizing their inventory levels. Their objectives are to lower holding costs, avoid stockouts, and boost overall inventory effectiveness.
4. **Systems for Managing Workflows:** Systems for managing workflows make it easier for different operations and activities to be automated and coordinated inside a company. They ensure that tasks are carried out methodically and effectively, help to streamline procedures, and minimize the need for manual intervention.

Challenges of Operations Management

Here are some the challenges faced by Operation Managers:

1. **Globalization and Complex Supply Networks:** The complexity and interconnectivity of supply chains have increased with the globalization of business. Coordination, communication, and cultural variations become obstacles when managing suppliers, logistics, and production processes across borders and time zones.
2. **Demand Variability and Forecasting**: Demand can be difficult to predict accurately, and changes in consumer demand might result in overstock or stockouts. To adapt to shifting demand patterns, operations managers need to create flexible production procedures and efficient forecasting models.
3. **Skill Shortages and Talent Management**: One of the ongoing challenges in operations management is finding, developing, and keeping competent employees. Technology's constant evolution combined with greater rivalry for talent may result in a lack of skilled workers, which will reduce operational efficiency.
4. **Assurance and Control of Quality**: It is difficult to consistently provide high-quality goods or services. Vigilant monitoring and ongoing improvement initiatives are necessary due to variations in supplier quality, production process variability, and adherence to quality standards.

Benefits of Operations Management

Here are some of the Benefits of Operations Management:

1. **Improved Productivity**: Increasing productivity through process and workflow optimization is the main goal of operations management. Organizations can create more with the same or fewer resources by removing bottlenecks and inefficiencies.
2. **Improved Quality**: Higher-quality goods and services are the outcome of strict quality control procedures carried out by operations management. Increased customer satisfaction, improved brand reputation, and lower warranty or rework costs are the results of this.

3. **Faster Time-to-Market:** Product development and delivery can happen more quickly when operations management is done well. Reducing the time it takes to launch goods or services into the market is made possible by efficient project management, streamlined procedures, and improved supply chain operations.
4. **Idealized Supply Levels**: Effective inventory control guarantees that companies keep the right amount of goods on hand, saving holding expenses and averting instances where there is an excess of inventory. Better cash flow and increased profitability follow from this.

Examples of Operations Management

Some Examples of Operations Management are:

1. **Planning and Optimizing Processes**: Manufacturing processes are designed and optimized by operations managers. This involves selecting the right equipment, designing the assembly line layout for maximum efficiency, and setting up quality control checkpoints throughout the production process.
2. **Planning for Capacity**: Operations managers determine how much demand there is for automobiles and then schedule production to meet that demand, figuring out the ideal quantity to make in a certain amount of time, taking seasonal fluctuations and market demand into account.
3. **Management of Workforce**: Workforce planning is the responsibility of operations managers, who make sure that there is an adequate supply of trained labor at every stage of the manufacturing process. This includes planning, educational initiatives, and upholding a secure workplace.

2.18 Occupational Safety :

[redacted]

People spend about half of their time in their workplace. So, workplace safety is very necessary. Proper rules and policies are required to maintain it. It not only protects employees of any organisation but also saves people living in the nearby environment.

What is Occupational Safety?

Occupational Safety means designing some rules and protocols that aim to reduce work-related injuries, illnesses, and deaths that are associated with their job responsibilities. The main purpose of environmental safety is to secure employees from physical, biological, chemical, psychological, and Ergonomic hazards and improve the quality of life of workers.

- Physical biohazards like machinery, fire, electricity, noise, etc.
- Chemical biohazards like dust, gases, fumes, etc.
- Biological biohazards like insects, bacteria, viruses, etc.
- Ergonomic biohazards like stress, bad posture, manual handling, etc.
- Psychological biohazards like bullying, discrimination, violence, etc.

Purpose of Occupational Safety

1. Protection of Workers: The primary purpose of occupational safety is to protect the workers by setting some basic rules and regulations. These safety standards help in preventing accidents, injuries, illnesses, and deaths in the workplace.

2. Minimise Loss: In the case of any senior official getting injured due to bad safety standards then it will be a big loss for the company. But good occupational safety prevents accidents or injuries. In this way, it minimises loss for the company.

3. Talent Retention: It will also help in retaining good talents because skilled and educated people want to work in a safe environment rather than an unhealthy or unsafe workplace.

4. Reputation Building: Prioritising good safety standards helps build a good reputation for the company. Because it creates a positive and cooperative safety culture and climate in the organisation. Companies with robust safety practices are viewed favourably by everyone.
5. Employer's Well-being: It will enhance the morale, satisfaction, and motivation of employees if they know that they are safe in their workplace which will lead to an increase in productivity, efficiency, and quality of work and services.
6. Legal and Ethical Obligations: There are legal requirements according to laws like the Occupational Safety Act and labour laws that the workplace should follow the safety standards set in these acts. If any organisation doesn't follow them, then they can have legal and ethical problems.

Importance of Occupational Safety
1. Reducing Accidents and Injuries: A well-developed occupational safety program first identifies the areas of risk where accidents or injuries occur and then finds ways to prevent them. It not only protects employees but minimises the financial and operational impact on the organisation.
2. Legal Compliance: Following all the safety regulations is a good practice because it will save you from all legal consequences like fines or sanctions. But if the company fails to follow safety standards it will not only have legal problems but it will also affect the health of employees.
3. Enhancing Productivity: If the employees feel secure in the workplace they are more like to **work perfectly without any kind of distraction thus it will promote their productivity.**
4. Boosting Employee Morale: When the employees know that their safety is the priority of the company, it will boost their confidence and morale towards work. It will also contribute to a sense of loyalty and job satisfaction among workers.

Main Parts of OHS (Occupational Health and Safety)

I. Occupational Safety

This part of occupational safety focuses mainly on keeping the employees safe from accidents, injuries, chemical hazards etc.

- **Hazard Identification and Risk Assessment**: This includes understanding the potential risks and hazards in the workplace and finding ways to prevent and reduce them to create a safe environment.
- **Safety Training:** It means providing safety training which may include providing knowledge about safety measures, and safe ways to use equipment, to enhance their ability to work safely.
- **Emergency Preparedness**: Developing and practising serious emergency plans like fire burnout or chemical spills so employees can protect themselves in any situation.

II. Occupational Health

It works on maintaining good physical and mental health of employees in their workplace for their well-being.

- **Medical Screening**: It includes, conducting medical examinations in organisations to assess fitness for specific job roles and identify potential health risks.
- **Health Promotion**: Implementing programs to enhance overall health, including wellness initiatives, ergonomic improvements, and stress management.

III. Occupational Hygiene

It includes assessment of workplace factors such as cleanliness, and structure which may affect the health and well-being of workers.

- **Exposure Monitoring**: This means monitoring the workers during their exposure to various physical and chemical agents, such as noise, dust, or toxic substances.
- **Control Measures**: Implementing measures to control and reduce exposure, including ventilation systems, personal protective equipment, and engineering controls.

IV. Occupational Medicine

It refers to offering, free medical consultation, preventing and dealing with treatment of work-related diseases and injuries.

- Medical Consultation: It includes providing medical professionals to employers and employees to provide medical advice and consultation regarding any health issues which are caused in the workplace.
- Injury Management: It means proper management of work-related injuries, knowing reasons taking preventive measures, providing treatment and facilitating return to work programs.

Components of Occupational Safety

1. Planning: The first task is to properly plan. Planning is process of setting a goal and making a path to achieving it. You can plan how can you reduce injuries, promote hygienic places, good utilisation of resources while following the standards and laws of the OHS Act. It is an act made to ensure the safety of workers.

2. Incident Reporting: It involves recording and reporting an accident if occurs unfortunately, accidents like injuries, illnesses, near misses, hazards, or complaints. It is important to provide information to the company about, and incident so that they can they corrective or preventive measures to avoid it.

3. User Friendly Interface: The design of the OHS system should be user friendly, so that everyone accessing it, whether it is employee, employer or stakeholder easily understand it. Its design and functionality should be simple, whether on paper or software based.

4. Training: It involves providing education and training to the employees about the rules and regulations of the OHS system. With proper education, they will understand the importance of rules and follow them. Training can be given through various methods like classrooms, workshops or compulsory online courses etc.

5. Certification: It involves getting a verification check of OHS standards and measures of your workplace from external body and receiving a certificate related to OHS standards. This certificate proves that your workplace meets the requirements of safety standards. It is not must, but it is good because it increases the trust of employees on the organisation and they will feel more safe working in risk free organisation.

6. Adaptation and Convenient System: OHS system should be made adaptable according to needs because in future, new technology and devices can be used. So it should be designed in way, that it can adapt with time to expectations of organisation and regulations. A convenient OHS system should also be efficient and cost-effective, saving time and resources for the organisation.

OIM351 INDUSTRIAL MANAGEMENT

UNIT III	ORGANIZATIONAL BEHAVIOUR
Definition - Organization - Managerial Role and functions -Organizational approaches, Individual behaviour - causes - Environmental Effect - Behaviour and Performance, Perception - Organizational Implications. Personality - Contributing factors - Dimension – Need Theories - Process Theories - Job Satisfaction, Learning and Behaviour-Learning Curves, Work Design and approaches.	

3.1 Organisational Behaviour (OB)

Organisational Behaviour (OB) is like peeking behind the curtain of a workplace drama. It is all about understanding how people, teams, and the overall structure influence the way we work together. Think of it as the playbook for creating a positive and productive work environment. From how we talk to each other to the secrets of good leadership, it is the guide to making work not just a place to clock in but a stage for success!

"Organisational behaviour is a subset of management activities concerned with understanding, predicting and influencing individual behaviour in an organisational setting." – Callahan, Fleenor and Kudson.

Benefits of Studying Organisational Behaviour

- Studying OB helps in understanding the behaviour of employees.
- Studying OB enhances leadership skills.
- Studying OB helps in improving communication.
- Studying OB leads to teamwork and collaboration.
- Studying OB leads to enhanced problem-solving.
- Studying OB optimises performance.
- Studying OB improves conflict resolution.
- Studying OB helps in effective decision-making.

What will you do as an OB Professional?

1. Conduct Organisational Assessments: OB professional would analyse and evaluate organisational structures, cultures, and processes to identify areas for improvement and recommend strategies to enhance overall effectiveness.

2. Implement Employee Training Programs: OB professionals will be developing and delivering training programs focused on interpersonal skills, communication, leadership, and conflict resolution to improve individual and team performance within the organisation.

3. Facilitate Change Management: OB professional collaborates with leaders to plan and execute organisational changes, ensuring smooth communication by addressing employee concerns, managing resistance, and promoting a positive culture.

4. Resolve Workplace Conflicts: OB professional acts as a mediator to identify and address interpersonal conflicts, promoting healthy working relationships and contributing to a positive and productive work environment.

5. Conduct Employee Surveys and Feedback Sessions: OB professionals gather feedback from employees through surveys and discussions to assess job satisfaction, engagement levels, and overall well-being.

6. Advise on Leadership Development: OB professionals guide organisational leaders on effective leadership practices, helping them develop a positive leadership style that promotes employee motivation, teamwork, and organisational success.

Organisational Behaviour Careers

1. Human Resources Specialist:

- Specialises in employee relations and talent acquisition.
- Applies OB principles to introduce a positive workplace culture and ensure effective personnel management.

2. Organisational Development Consultant:

- Focuses on implementing strategies for organisational change.
- Enhances OB expertise to enhance efficiency, employee engagement, and overall effectiveness.

3. Training and Development Specialist:

- Designs and delivers training programs.
- Utilises OB concepts to improve interpersonal skills, leadership development, and team collaboration within the organisation.

4. Employee Relations Manager:

- Handles workplace conflicts and employee grievances.
- Applies OB knowledge to maintain positive employee relations and contribute to a healthy organisational culture.

5. Corporate Trainer:

- Develops and delivers training sessions on communication, leadership, and teamwork.
- Uses OB principles to enhance individual and team performance.

6. Change Management Consultant:

- Specialises in guiding organisations through transition.
- Utilises OB strategies to manage resistance.
- Ensures successful change implementation.

7. Industrial-Organisational Psychologist:

- Applies psychological principles to the workplace.
- Conducts assessments and interventions to improve organisational structures, leadership effectiveness, and employee well-being.

8. Diversity Specialist:

- Promotes diversity within the workplace.
- Employed OB insights to create inclusive policies, foster cultural awareness, and enhance organisational diversity.

9. Performance Analyst:

- Evaluates and optimises organisational performance.
- Utilises OB concepts to identify areas for improvement, enhance team dynamics, and ensure goal alignment.

10. Leadership Development Coach:

- Provides coaching and guidance to leaders.
- Uses OB theories to enhance leadership skills, foster effective communication, and promote positive organisational outcomes.

Organisational Behaviour – Concept, Nature and Role

Organizational behaviour (OB) refers to the examination of individual and group dynamics within a corporate environment. While each enterprise is distinct and varies across sectors, the common aspiration among them is to foster an organizational culture that harmonizes productivity with employee contentment. Executives frequently employ insights from OB to decipher team functionalities and individual contributions and behaviours within the office space. This discourse delves into the essence of organizational behaviour, scrutinizes its merits and demerits, illustrates instances, and demystifies the elements influencing OB.

<u>What is Organizational Behavior?</u>

Organizational behaviour (OB) is an interdisciplinary field that examines the interactions among employees and the processes within an organization to build a harmonious and effective work environment. OB sheds light on individual conduct within a company, the collaboration of teams, and the interconnected effects of these elements. It encompasses the study of behavioural relationships among staff and groups within a business context. Notably, OB takes into account cultural dimensions, including gender, ethnicity, and the social dynamics of the workplace. Implementing OB principles can assist workers in defining their own objectives and comprehending the influences on them. Organizational behaviour can be explored both in practice and theory, drawing from disciplines such as psychology, anthropology, and management science. These academic perspectives enable organizations to devise strategies and frameworks to innovate and enhance the occupational atmosphere. The study of OB typically includes topics like negotiation, stereotyping, and decision-making, which collectively provide insights into an organization's ethos and forecast employee conduct.

<u>Concept of Organisational Behaviour</u>

Organisational Behaviour is based on several fundamental principles that relate to the nature of people and organizations. The fundamental principles of OB include:

1. **<u>Individual Uniqueness:</u>** Stemming from psychological principles, this concept acknowledges that from birth, each person is distinct, shaped by unique experiences that further differentiate them from others. Individuals vary across multiple dimensions, including intelligence, physical attributes, personality, learning abilities, and communication skills. It is the individual who bears responsibility and makes decisions, while a group's power is latent until its members act in concert.
2. **<u>The Entirety of a Person:</u>** This notion suggests that an organization hires not merely the skills of an individual but also their preferences, biases, and personal history. One's domestic life is intertwined with their professional existence, necessitating that organizations provide a conducive work environment that promotes both professional and personal growth and fulfillment.
3. **<u>Causality in Behavior:</u>** Unseemly behaviour in an individual often has underlying causes, which could range from domestic issues to challenges in punctuality. When such behaviour surfaces, it is incumbent upon managers to discern the root cause and address it effectively.
4. **<u>Respect for Individual Dignity</u>**: Every person, irrespective of their position, deserves to be treated with respect and dignity. This principle emphasizes the importance of recognizing and valuing each job, thereby fostering the improvement of individual aspirations and capabilities. It stands in opposition to the notion of treating employees merely as economic instruments.
5. **<u>The organization as a social entity</u>**: Organizations function as complex social systems, a concept derived from sociological studies. These systems are subject to both social and psychological norms that dictate organizational activities. Within an organization, there exists a blend of formal and informal social structures, emphasizing the organization's capacity for dynamic evolution over maintaining rigid relationships. Each component within this system relies on the others for its function.
6. **<u>Shared interests among organizational participants</u>**: The principle of mutual interest underscores the symbiotic relationship between individuals and organizations. Organizations come into existence and persist through a shared interest among their members. Individuals join organizations to fulfill their personal ambitions, while organizations depend on individuals to achieve their collective goals. A lack of shared interest can lead to disarray within the group.

Conversely, a unified purpose galvanizes members to collaboratively address organizational challenges rather than casting blame.

7. **Holistic concept:** The holistic approach to organizational behaviour synthesizes the aforementioned six principles into a comprehensive framework. This perspective examines the interplay between individuals and organizations, considering the full spectrum of personal, group, organizational, and societal dimensions. It involves taking into account the diverse viewpoints within an organization to grasp the factors shaping behaviour. Rather than isolating specific incidents or issues, this approach evaluates them within the broader context that they influence and are influenced by.

Nature of Organisational Behaviour

1. **Diversity:** Organizational behaviour recognizes the unique differences among individuals, valuing diversity in backgrounds, skills, and perspectives as a source of strength and innovation within a company.
2. **Adaptability**: It emphasizes the need for organizations to be adaptable, allowing them to respond effectively to changes in the market, technology, and workforce dynamics.
3. **Motivation**: Understanding what motivates employees is crucial in Organisational Behaviour, as it directly influences productivity, job satisfaction, and retention rates within an organization.
4. **Leadership**: Effective leadership is a cornerstone of Organisational Behaviour, as leaders shape the culture, set the vision, and guide employees towards achieving organizational goals.
5. **Communication**: Clear and open communication channels are vital for the smooth operation of an organization, facilitating collaboration and minimizing misunderstandings.
6. **Productivity**: Organisational Behaviour aims to enhance productivity by optimizing the work environment, ensuring that employees have the resources and support they need to perform at their best.
7. **Well-being**: Employee well-being is a focus area in Organizational Behaviour, with the understanding that a healthy work-life balance contributes to better performance and lower turnover.
8. **Innovation:** Encouraging innovation is part of Organizational Behaviour, as it drives growth and keeps organizations competitive in their respective industries.
9. **Ethics:** Organizational Behaviour upholds ethical standards and practices, ensuring that organizations operate with integrity and respect for all stakeholders.

Role of Organizational Behaviour

The Role of organizational behaviour is multifaceted and crucial for the success of any organization. Here are some key points highlighting its importance:

1. **Performance Improvement**: Organizational Behaviour helps in identifying ways to increase productivity and efficiency, leading to better performance outcomes for both individuals and the organization.
2. **Employee Satisfaction:** By understanding the needs and motivations of employees, Organizational Behaviour contributes to creating a work environment that enhances job satisfaction and employee retention.
3. **Leadership Development:** Organizational Behaviour provides insights into effective leadership styles and practices, enabling the development of leaders who can inspire and guide their teams.
4. **Change Management:** It equips organizations with the tools to manage and adapt to change, ensuring resilience and flexibility in a dynamic business landscape.
5. **Conflict Resolution:** OB offers strategies for resolving interpersonal and group conflicts, fostering a harmonious workplace.

6. **Organizational Culture**: It plays a significant role in shaping and maintaining a positive organizational culture, which is essential for long-term success.
7. **Team Dynamics**: Organizational Behaviour studies how teams work and interact, which is vital for building strong, collaborative teams that can achieve collective goals.
8. **Communication Enhancement**: It improves communication within an organization, ensuring that information flows effectively between different levels and departments.
9. **Decision-Making**: OB aids in the decision-making process by providing a better understanding of human behaviour and organizational dynamics.
10. **Innovation Encouragement**: It encourages innovation by creating an environment where new ideas are valued and employees feel empowered to share their creativity.

Conclusion

In conclusion, organizational behaviour (OB) is an essential discipline that provides valuable insights into the complex dynamics of workplaces. It encompasses the study of individual behaviours, group interactions, and organizational structures, offering a comprehensive understanding of how people function within professional settings. OB is instrumental in enhancing performance, fostering employee satisfaction, and promoting effective leadership. It also plays a critical role in managing change, resolving conflicts, and shaping a positive organizational culture. By applying the principles of OB, organizations can create environments that support innovation, collaboration, and ethical practices, ultimately leading to sustained success and growth. OB is not just about observing and understanding behaviour; it's about applying this knowledge to improve the workplace for everyone involved.

Types of Models of Organisational Behaviour

What are Organisational Behaviour Models?

Organisational Behaviour Models are defined as the structural models that describe the relationship between the employees at different levels in the organisation. Organisational models reflect the overall behaviour of management and people altogether. The behaviour of employees is analysed into three levels in the organisational model. These three levels are individual level, group level and organisational level. Cognitive, behavioural and social learning frameworks are the three theoretical approaches considered in the organisational behaviour model. This study describes how organisations are influenced by human behaviours and how the conduct of people is affected by the organisations. Below are models of organisational behaviour that describe how organisations behave to optimise their productivity.

Types of Models of Organisational Behaviour

1. Feudal Model

Feudal model is defined as a type of model that considers the employees working in an organisation as an inferior element of the organisation. The working employees were given less value in the feudal model. For various decisions and actions in the company, the desires and values of people were not considered. This model was majorly called Theory X, in which the procedures, actions, policies and rules were considered with higher priority and superior to human beings. For building the motivation among employees money and retrenchment approach was used. The model entirely concentrated only on formal organisation rather than human and social values.

2. Autocratic Model

The autocratic Model is defined as a type of organisational model that depends upon power, strength and formal authority. This model majorly depends on power. The working employees need to follow the orders. The lower-level employees have less control over the assigned duties as compared to upper-level authorities. Major decisions are made by the higher-level authorities only. The basic principle that is followed in the autocratic model is that owners of the company or higher managerial authorities have higher expertise in business, whereas lower-level employees have fewer skills and experience.

3. Custodial Model

Custodial Model is defined as a type of model where economic resources are considered as the root level. In this model, the employees and working professionals of the company are adapted to the benefits and security provided by the company as every employee considers security as the major parameter while working. The firms with more resources majorly adapt this model as the model is dependent upon the availability of high economic resources. The custodial model is based on rewards. It overcomes the limitations of the autocratic model. In most companies, more benefits such as healthcare benefits and corporate cars are also being provided along with security.

4. Supportive Model

As the name itself suggests, the supportive model is defined as a type of model that considers leadership as its root level. In this model, the employees are oriented towards their participation and job performance. This model helps employees to improve their overall performance and enhance learning. Public sector organisations majorly follow a supportive model because it is based on leadership. In this model more importance is given to job satisfaction, friendly relationships between superiors and subordinates, and psychological needs of the employees. The role of the higher manager is to get the work done by helping their employees.

5. Collegial Model

The collegial model is a further extension of the supportive model. The word collegial means bodies of different individuals working towards a common goal. The partnership is the root level of the collegial model the approach adopted is the teamwork approach. The workers in the collegial model are satisfied in their job roles and are committed towards the overall growth of the organisation. It is the responsibility of the manager to create a healthy and positive workplace for his employees. The collegial model works more effectively in finding new approaches such as research and development, marketing teams, technologies and software, etc.

6. Human Value Model

The human value model is defined as a model that gives more importance to human values. This model is opposite to that of the feudal model. The human values of the employees were more appreciated than the economic values. The employees working in an organisation work to fulfil their social and psychological needs rather than focusing only on economic needs. This model is for human dignity.

7. Contingency Model

Contingency Model is defined as a complex model. The contingency Model of organisational behaviour assumes the complex variables that consist of the behaviour of individuals, groups and structure. Therefore, this model meets all the challenges for the growth of the organisation. To demonstrate the contingency model Theory Z is being developed. Contingency Model is also known as a hybrid model. The contingency Model guarantees the promotion and long-term employment opportunities for the employees working in the organisation.

Behavioural Approach to Management

The behavioural approach, also known as the behavioural science approach, focuses on studying human behaviour within organisations and aims to establish scientifically verifiable propositions for understanding this behaviour. It heavily draws concepts from psychology and sociology to analyze various aspects of organisational behaviour. The core elements of the behavioural science approach include motivation, leadership, communication, group dynamics, and participative management. These aspects are considered crucial in understanding and managing human behaviour within organisations.

The approach proposes several basic propositions:

1. **An organization is a socio-technical system:** This recognizes that organisations consist of both social (human) and technical (tools, processes) elements that interact and influence behaviour.
2. **Interpersonal and group behaviour is influenced by a wide range of factors**: The behaviour of individuals and groups in an organisation is affected by numerous factors, including social, psychological, and organisational aspects.
3. **Fusion between organizational goals and needs**: There should be a harmonious alignment between the goals and needs of individuals and the organisation for optimal performance and effectiveness.
4. **Differences in attitudes, perceptions, and values:** Employees possess different attitudes, perceptions, and values that influence their behaviour and performance within the organisation.
5. **Inevitability and desirability of conflict**: Some degree of conflict is seen as inevitable and even beneficial in organisations, as it can lead to improved decision-making and innovation.

The behavioural approach has contributed significantly to the development of management thought. It highlights the importance of recognizing the human element within organisations and emphasizes the role of leadership, individual psychology, and group behaviour in achieving organisational effectiveness. It corrects the limitations of the purely mechanistic and technological nature of the classical approach.

Features of Behavioural Approach to Management

The following are features of Behavioural Approach:

1. **Focus on individuals:** The behavioural approach emphasizes the individuals who perform jobs within an organisation rather than solely focusing on the job itself.
2. **Influence of social and psychological factors:** The Hawthorne Experiments conducted by Elton Mayo revealed the significant impact of social and psychological factors on employee morale and productivity. This finding highlighted the importance of considering these factors in management.
3. **Human relations movement**: The pioneers of the behavioural approach, associated with the human relations movement, emphasized that management involves working with and through people. Interpersonal relations and understanding individual socio-psychological motives were considered crucial.
4. **Neglect of group behaviour:** While the human relations movement concentrated on the individual, it tended to neglect the behavioural patterns of groups within an organisation.
5. **Development of organisational behaviour:** Due to the neglect of group behaviour, the field of organisational behaviour emerged. It focuses on the study of attitudes, behaviour, and performance of both individuals and groups within an organisational setting.
6. **Multidimensional and interdisciplinary nature**: The behavioural approach is multidimensional and interdisciplinary. It draws knowledge from various behavioural sciences such as psychology,

sociology, and anthropology to explain and predict human behaviour. Therefore, it is also known as the behavioural science approach.

7. **Contributions from sociologists and psychologists**: Several notable sociologists and psychologists have made lasting contributions to the development of the behavioural approach, including E.J. Roethlisberger, Abraham H. Maslow, Douglas McGregor, Frederick Herzberg, Rensis Likert, Kurt Lewin, Keith Davis, Chris Argyris, Dubin Selznik, L.R. Sayles, and George Homans.

Uses and Limitations of Behavioural Approach to Management

Some of the uses of Behavioural Approach are given below:

1. **Development of management thought:** The behavioural approach has significantly contributed to the development of management thought by highlighting the crucial role of the human element in organisations. It recognizes that managers primarily deal with human beings and their success depends on effectively managing the human element.
2. **Correcting distortions of the classical approach:** The behavioural approach rectifies the limitations of the purely mechanistic and technological nature of the classical approach. It emphasizes the importance of understanding individual psychology and group behaviour in achieving organisational effectiveness.
3. **Recognition of leadership:** The behavioural approach acknowledges leadership as a critical factor in management success. It recognizes the quality of leadership and its influence on employee behaviour and performance.

The following are the limitations of Behavioural Approach to Management:

1. **Overemphasis on social and industrial psychology:** One limitation is that the behavioural approach tends to almost equate management with the study of social and industrial psychology. It may neglect other important dimensions of management that are not solely related to psychology.
2. **Discounting theory and lacking scientific validity:** The conclusions drawn from the behavioural approach may discount theoretical foundations and rely heavily on radical empiricism. This approach may exhibit a clinical bias and lack scientific validity in some cases.
3. **Neglect of the economic dimension of work satisfaction**: The behavioural approach may overlook the economic dimension of work satisfaction. It might not adequately consider the impact of financial incentives and rewards on employee motivation and behaviour.
4. **Short-sighted perspective on conflict:** The text suggests that the behavioural approach fails to recognize the creative role of conflict and takes a short-sighted perspective. It may focus more on group-oriented approaches and be anti-individualistic in its analysis of organisational dynamics.

Disciplines Contributing to Organisational Behaviour (OB)

Organisational Behaviour (OB) is an interdisciplinary field that studies human behaviour within organisations. It seeks to understand, predict, and manage human behaviour in the workplace to improve organisational effectiveness. Various disciplines contribute to the OB field to provide insights into how individuals, groups, and organisations function and interact.

Disciplines Contributing to Organisational Behaviour (OB)

1. Psychology

Psychology is the scientific study of human behaviour and mental processes. In OB, psychology helps analyse individual behaviour within organisations, including motivation, perception, decision-making, and stress management. Organisational behaviour uses psychological principles to design effective training programs, assess employee satisfaction, and develop strategies for enhancing employee well-being.

2. Social Psychology

Social psychology focuses on how individuals' thoughts, feelings, and behaviours are influenced by the presence and actions of others. It explores topics such as group dynamics, social influence, and leadership. In organisational behaviour, social psychology sheds light on issues, like team dynamics, communication, conflict resolution, and leadership effectiveness. It helps organisations create harmonious work environments.

3. Sociology

Sociology examines the structure and functioning of societies and social groups. In OB, sociology is concerned with the organisational structure, culture, and the impact of social norms and values on behaviour. Sociological insights help organisations understand the effects of culture on employee behaviour, diversity and inclusion, and the role of institutions and systems in shaping organisational practices.

4. Anthropology

Anthropology studies human societies, cultures, and behaviours across time and space. In OB, anthropology explores the cultural aspects of organisations, including norms, rituals, and symbols. Anthropological perspectives assist organisations in managing cultural diversity, developing cross-cultural communication strategies, and adapting to global markets.

5. Economics

Economics analyses the allocation of resources and the behaviour of individuals and firms in economic systems. In OB, economics helps understand how incentives, rewards, and decision-making processes affect employee behaviour and performance. Economic principles are used in OB to design compensation systems, incentive plans, and cost-effective HR policies.

6. Political Science

Political Science is the study of government, politics, and the exercise of power in society. Political science is relevant in the context of organisational behaviour (OB) because it helps us understand the distribution and dynamics of power within organisations, the influence of individuals and groups in decision-making, and the political strategies employed to shape organisational policies and actions. By applying political science concepts, OB professionals can navigate and manage power relations, conflicts, and the broader political context that affects organisational behaviour and effectiveness.

Absolutes in Organisational Behaviour (OB)

In the field of OB, several fundamental concepts and principles are considered absolutes, as they consistently hold and guide organizational practices:

1. **Individual Differences:** People in organisations differ in terms of abilities, personalities, and values. Recognising and respecting these differences is essential for effective management.
2. **Motivation and Engagement:** Motivated and engaged employees are more productive. Understanding what motivates individuals and how to keep them engaged is a cornerstone of OB.
3. **Leadership**: Effective leadership is crucial for organisational success. Different leadership styles and approaches can have varying impacts on employee performance and satisfaction.
4. **Communication:** Effective communication is essential for teamwork, conflict resolution, and information flow within organisations.
5. **Organisational Culture:** Culture shapes employee behaviour and influences the organisation's overall effectiveness. A positive and supportive culture can lead to better performance and employee retention.
6. **Conflict Resolution**: Conflict is inevitable in organisations. Understanding and managing conflicts constructively is a key skill in OB.

7. **Change Management:** Organisations must adapt to changing environments. Managing change, whether related to technology, strategy, or culture is a significant focus in OB.
8. **Ethical Behavior**: Ethical behaviour and decision-making are critical to maintaining trust and reputation in organisations. Unethical behaviour can have severe consequences.
In conclusion, the field of Organisational Behaviour draws from a diverse set of disciplines to study and improve human behaviour in the workplace. Understanding psychology, social psychology, sociology, anthropology, and economics, along with recognising certain absolutes, helps organisations create better working environments and enhance their overall performance.

Organisational Behaviour Modification: Meaning, Steps, Contribution and Criticism

Organizational Behavior Modification (OB Mod) is a systematic application of behavioral principles to improve individual and organizational performance. It focuses on manipulating the antecedents and consequences to change employee behavior in the workplace. Organizational Behavior Modification seeks to increase productivity and efficiency and enhance organizational performance by understanding the basic variables influencing behavior.
In this article, we will delve into the key steps in Organizational Behavior Modification along with some criticism it faces.

Key Takeaways:

- *OB Mod is based on the principles of behaviorism, particularly operant conditioning by B.F. Skinner.*
- *It involves identifying, measuring, and modifying behaviors within an organization to improve performance and productivity.*
- *The OB Mod sets clear objectives and goals for behavior modification.*
- *OB Mod helps in building a culture of continuous improvement and accountability.*
- *It utilizes interventions such as reinforcement and punishment to shape behaviors.*

What is Organizational Behavior Modification?

Organisational Behaviour Modification (OB Mod) is a systematic approach to improving employee performance and productivity by applying principles of behavioral psychology. The concept, grounded in principles of psychology, specifically behaviourism, focuses on using rewards and punishments to reinforce desired behaviours and reduce undesired ones. Through the identification of target behaviors, setting exact objectives, and using appropriate interventions, OBM aims to improve job satisfaction, productivity, and overall organizational performance.

Steps in Organizational Behavior Modification

1. Identify Critical Behaviors: The first step is to identify the specific behaviors that are critical to the performance and success of the organization. These behaviors should be observable, measurable, and directly related to the organization's goals. For example, in a sales organization, critical behaviors might include the number of customer calls made or the quality of customer interactions.
2. Measure the Baseline Frequency: Once the critical behaviors have been identified, the next step is to measure how often these behaviors currently occur. This baseline measurement provides a reference point against which future changes in behavior can be compared. Techniques such as observation, self-reporting, and performance data analysis can be used to gather this information.
3. Analyze the Antecedents and Consequences: Behavior is influenced by its antecedents (what happens before the behavior) and its consequences (what happens after the behavior). In this step, the antecedents and consequences associated with the critical behaviors are analyzed to understand what triggers the behaviors and what reinforces or discourages them. This analysis helps in designing interventions that can modify the behavior.

4. Develop and Implement an Intervention Strategy: Based on the analysis of antecedents and consequences, an intervention strategy is developed to modify the critical behaviors. This strategy typically involves changing the antecedents to make the desired behavior more likely, and altering the consequences to reinforce the desired behavior and discourage undesired behavior. Common interventions include positive reinforcement (e.g., rewards), negative reinforcement (e.g., removal of an unpleasant consequence), punishment (e.g., reprimands), and extinction (e.g., removing the reinforcement that maintains an undesired behavior).

5. Evaluate and Monitor the Results: After implementing the intervention, it is crucial to evaluate its effectiveness. This involves measuring the frequency of the critical behaviors again and comparing them to the baseline measurements. Continuous monitoring helps in assessing whether the intervention is producing the desired change in behavior and whether further adjustments are needed.

6. Maintain and Generalize the Behavior Change: The final step is to ensure that the behavior change is maintained over time and generalized to other relevant situations. This may involve providing ongoing reinforcement, gradually reducing the frequency of reinforcement to ensure the behavior persists without constant rewards, and applying the same principles to other behaviors or settings within the organization.

Contributions in Organizational Behavior Modification

1. Foundational Theories and Models

- B.F. Skinner’s Operant Conditioning: Skinner’s work laid the groundwork for OBM by explaining how behavior can be shaped by its consequences through reinforcement and punishment.
- Aubrey Daniels: Often considered the father of OBM, Daniels extended Skinner’s principles to the workplace, emphasizing the use of positive reinforcement to enhance employee performance.

2. Behavioral Analysis and Measurement

- Behavioral Observation and Feedback: OBM emphasizes systematic observation and measurement of behavior. Techniques like baseline measurement, monitoring, and feedback mechanisms are crucial.
- Performance Management: It incorporates setting clear performance expectations, measuring outcomes, and providing feedback, which has been shown to significantly improve job performance.

3. Reinforcement Strategies

- Positive Reinforcement: Using rewards to increase desirable behavior is a cornerstone of OBM. Studies show that positive reinforcement is more effective in sustaining long-term behavioral change than punishment.
- Token Economies: Implementing token systems where employees earn tokens for desired behaviors, which can later be exchanged for rewards, has been used to motivate and reinforce positive behavior.

4. Applications and Interventions

- Behavioral Safety Programs: OBM has been effectively applied in industrial safety, reducing accident rates by reinforcing safe behaviors.
- Employee Productivity: Techniques such as goal setting, performance feedback, and reinforcement have been used to enhance productivity and efficiency in various organizational settings.

5. Research and Case Studies

- Luthans and Kreitner’s Studies: Their research demonstrated that OBM interventions could lead to significant improvements in performance and reduction in absenteeism.

- Meta-Analyses: Comprehensive reviews of OBM interventions across different industries show consistent positive impacts on performance, demonstrating the robustness of OBM principles.

6. Integration with Other Management Practices

- Combining OBM with TQM: Integrating OBM with Total Quality Management (TQM) principles has shown to enhance both quality and performance by focusing on continuous improvement and reinforcement of quality-related behaviors.
- Leadership and OBM: Effective leaders use OBM techniques to reinforce desirable behaviors, build a positive organizational culture, and drive performance.

7. Technological Advances

- Digital Feedback Systems: Modern technology allows for real-time monitoring and feedback, making OBM interventions more efficient and timely.
- Behavioral Analytics: Advanced data analytics help in identifying patterns in behavior and tailoring reinforcement strategies accordingly.

Criticisms of Organizational Behavior Modification

1. Reductionism: OB Mod tends to reduce complex human behaviors and motivations to simple cause-and-effect relationships. Critics argue that it overlooks the complexity of human nature, including intrinsic motivations, emotions, and cognitive processes. By focusing primarily on observable behavior, OB Mod might neglect the underlying psychological factors that influence employee actions.

2. Ethical Concerns: The use of reinforcement and punishment to control behavior can raise ethical questions. Critics contend that OB Mod can be manipulative, treating employees more like programmable entities rather than autonomous individuals with free will. This can lead to a paternalistic approach where management makes decisions for employees rather than involving them in the decision-making process.

3. Intrinsic Motivation: OB Mod often relies on external rewards to shape behavior, which can undermine intrinsic motivation. Over-reliance on extrinsic rewards may lead to a scenario where employees perform tasks only for the rewards, rather than finding personal satisfaction or intrinsic value in their work. This can reduce overall job satisfaction and long-term motivation.

4. Sustainability of Behavior Change: The sustainability of behavior change achieved through OB Mod is questioned by some critics. If the reinforcement or punishment is removed or altered, the behavior might revert to its original state. This dependency on continuous reinforcement can make the behavior change less durable and more difficult to maintain over time.

5. Individual Differences: OB Mod can be criticized for not adequately accounting for individual differences among employees. What serves as a positive reinforcement for one person might not be effective for another. A one-size-fits-all approach can fail to address the diverse needs and preferences of a varied workforce.

6. Overemphasis on Short-term Gains: The focus on immediate and observable behavior change might lead to short-term thinking. Managers might prioritize quick fixes over long-term development and growth of employees, potentially neglecting the broader developmental needs of their workforce.

7. Creativity and Innovation: By emphasizing compliance and adherence to desired behaviors, OB Mod may stifle creativity and innovation. Employees might be less likely to take risks or think outside the box if they are primarily focused on meeting the specific behaviors that are rewarded or avoiding those that are punished.

8. Implementation Challenges: Implementing OB Mod can be resource-intensive and complex. It requires continuous monitoring, assessment, and adjustment of reinforcement strategies. This can be challenging for organizations to sustain, especially if they lack the necessary expertise or resources.

Example of Organizational Behavior Modification

1. Walmart:

Walmart, one of the largest retail corporations in the world, utilizes OB Mod to improve employee performance and enhance customer service. It does so by implementing positive reinforcement, behavioral feedback, training programs, and incentive programs.

- Positive Reinforcement: Walmart rewards employees for meeting performance targets and demonstrating positive behaviors such as excellent customer service and teamwork. This can include bonuses, recognition programs, and opportunities for career advancement.
- Behavioral Feedback: Managers at Walmart provide regular feedback to employees, highlighting what behaviors are working well and which need improvement. This continuous feedback loop helps employees adjust their behaviors to meet organizational standards.
- Training Programs: Walmart invests in extensive training programs that reinforce desired behaviors, such as effective communication, problem-solving, and customer service skills. These programs often include role-playing scenarios where employees can practice and receive immediate feedback.
- Incentive Programs: Walmart has implemented various incentive programs to motivate employees. For example, the company's "Associate of the Month" program recognizes and rewards employees who demonstrate exceptional performance and adherence to company values.

Outcome:

- Increased employee engagement and motivation.
- Improved customer satisfaction due to better service.
- Enhanced overall performance and productivity at the store level.

2. The Boeing Company:

Boeing, a leading aerospace company, applies OB Mod principles to improve workplace safety and ensure compliance with industry regulations. It has implemented safety rewards program, behavioral observations, training and education programs, and peer recognition.

- Safety Rewards Program: Boeing has established a safety rewards program that provides incentives for employees who follow safety protocols and contribute to a safer work environment. Rewards can include financial bonuses, extra time off, and public recognition.
- Behavioral Observations: Managers and safety officers at Boeing conduct regular behavioral observations to identify both safe and unsafe practices. Employees are given immediate feedback and coaching to reinforce safe behaviors and correct unsafe ones.
- Training and Education: Boeing emphasizes ongoing training and education to keep employees updated on the latest safety standards and procedures. This includes mandatory safety training sessions and workshops that incorporate interactive and hands-on learning techniques.
- Peer Recognition: Employees at Boeing are encouraged to recognize their peers for safe behaviors through a peer recognition program. This helps to build a culture of safety and mutual accountability among the workforce.

Outcome:

- Reduction in workplace accidents and incidents.
- Enhanced compliance with safety regulations.
- Stronger safety culture within the organization, leading to overall improved performance and employee well-being.

3.2 Organizational Behavior - Perception

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.

It can be divided into six types −

- Of sound − The ability to receive sound by identifying vibrations.
- Of speech − The competence of interpreting and understanding the sounds of language heard.
- Touch − Identifying objects through patterns of its surface by touching it.
- Taste − The ability to receive flavor of substances by tasting it through sensory organs known as taste buds.
- Other senses − They approve perception through body, like balance, acceleration, pain, time, sensation felt in throat and lungs etc.
- Of the social world − It permits people to understand other individuals and groups of their social world. Example − Priya goes to a restaurant and likes their customer service, so she will perceive that it is a good place to hang out and will recommend it to her friends, who may or may not like it. Priya's perception about the restaurant is good.

Perceptual Process

Perceptual process are the different stages of perception we go through. The different stages are −

- Receiving
- Selecting
- Organizing
- Interpreting

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.

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.

- External factors − The factors that influence the perception of an individual externally are intensity, size, contrast, movement, repetition, familiarity, and novelty.
- Internal factors − The factors that influence the perception of an individual internally are psychological requirements, learning, background, experience, self-acceptance, and interest.

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.

We can organize the data by −

- Grouping them on the basis of their similarity, proximity, closure, continuity.
- Establishing a figure ground is the basic process in perception. Here by figure we mean what is kept as main focus and by ground we mean background stimuli, which are not given attention.
- Perceptual constancy that is the tendency to stabilize perception so that contextual changes don't affect them.

Interpreting
Finally, we have the process of interpreting which means forming an idea about a particular object depending upon the need or interest. Interpretation means that the information we have 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
We need to understand what the role of perception in an organization is. It is very important in establishing different role of perceptions like −

- Understanding the tasks to be performed.
- Understanding associated importance of tasks allotted.
- Understanding preferred behavior to complete respective tasks.
- Clarifying role perceptions.

For example, every member in a group has to be clear regarding the role allotted to them. Programmer writes the code, tester checks it, etc.

3.3 Personality

What is Personality?
Personality can be described as a rich tapestry of inner psychological characteristics that both mould and mirror an individual's thoughts and behaviours within their surroundings. These inner traits encompass a diverse array of qualities, attributes, traits, factors, and mannerisms that set one person apart from another. Personalities wield substantial influence over a person's choices, whether it be in selecting products or choosing where to shop. Moreover, they significantly shape how consumers respond to a company's communication efforts.
The term "personality" traces its origins to the Greek word *"persona",* meaning "to speak through." Personality represents the amalgamation of characteristics and qualities that constitute a person's distinctive identity. It signifies the role an individual assumes in public life. Every person possesses a unique, personal character that serves as a primary driver of their behaviour, defining their personality.
In the realm of Organizational Behavior, an individual's personality plays an exceptionally pivotal role in assessing their conduct within an organisation. When a person in a senior organisational role exhibits an incompatible personality, it can have detrimental effects on relationships and potentially lead to unrest in the workplace.

Determinants of Personality
The determinants of personality are the various factors and influences that shape an individual's unique pattern of thoughts, emotions, and behaviors. These determinants help explain why individuals differ in their personalities and why they respond differently to various situations. The key determinants of personality include Hereditary factors, Environmental factors, Situational factors, Cultural factors, Social factors, etc.

I. Hereditary Factors
Heredity, also known as genetics, refers to the influence of genetic factors and biological inheritance on an individual's personality. It involves the transmission of traits and characteristics from parents to their offspring. Various aspects are considered regarding heredity when it comes to the study of personality, some of them are:

1. Genetic Inheritance: The genetic makeup of an individual is a critical determinant of their personality. Specific genes and combinations of genes can predispose individuals to certain traits and behaviours. For example, genes may contribute to temperament, intelligence, and susceptibility to mental health conditions.

2. Twin and Family Studies: Research on identical and fraternal twins, as well as family studies, has provided substantial evidence for the hereditary basis of personality. These studies have demonstrated that certain personality traits, such as introversion-extroversion and neuroticism, tend to have a genetic component.

3. Gene-Environment Interplay: It is important to note that genetics interact with environmental factors. Genes can influence how individuals respond to their surroundings and the experiences they encounter. This interaction is known as gene-environment interplay and plays a crucial role in shaping personality.

II. Environmental Factors

Environmental factors encompass the external influences and experiences that individuals encounter throughout their lives. These factors can significantly shape and mold an individual's personality. Here are key aspects of environmental determinants:

1. Family Environment: The family is often the primary socialising agent in a person's life. The way parents raise their children, including their parenting style and family dynamics, can profoundly influence personality development. For example, a nurturing and supportive family environment can foster self-confidence and a positive self-concept.

2. Cultural and Societal Influences: Cultural norms, values, and societal expectations impact how individuals perceive themselves and others. Cultural factors, including cultural values and social norms, shape personality traits and behaviours. For instance, collectivist cultures may emphasisze conformity and interdependence, while individualist cultures may promote autonomy and self-expression.

3. Peer Groups and Socialisation: Peer groups, friends, and social interactions outside the family environment play a pivotal role in personality development. Peer influence can shape attitudes, values, and behaviours, particularly during adolescence when peer acceptance is highly valued.

III. Situational Factors

Situational factors refer to the immediate context or circumstances an individual encounters. While personality is generally considered relatively stable, situations can temporarily influence behavior and expression.

1. Stress and Coping Mechanisms: High-stress situations, such as academic exams, job interviews, or personal crises, can evoke different aspects of an individual's personality. People may exhibit resilience, adaptability, or anxiety depending on the situation and their coping mechanisms.

2. Role and Context: The roles individuals assume in various situations can lead to role-specific behaviors. For example, someone may exhibit assertiveness and leadership traits in a work environment but be more passive in social settings.

3. Mood and Emotional State: An individual's mood and emotional state at a given moment can affect their behaviour and expression. For instance, someone in a cheerful mood may exhibit extroverted traits, while someone feeling anxious may display introverted tendencies.

IV. Cultural Factors

Cultural factors encompass the societal and cultural environment in which an individual is immersed. These factors shape an individual's values, beliefs, and behaviours. Key aspects of cultural factors include:

1. Cultural Values: Each culture has its unique set of values and beliefs that influence an individual's worldview. These values can encompass concepts like collectivism versus individualism, egalitarianism, and the importance of tradition.
2. Social Norms: Cultural norms dictate acceptable behaviour within a specific society or community. These norms impact an individual's choices and actions in various social contexts, including family, work, and social interactions.

V. Social Factors
Social factors encompass the broader societal context and interpersonal relationships that an individual experiences throughout their life. These factors include:
1. Peer Influence: The influence of friends and peer groups can significantly shape an individual's personality, values, and behaviours. Peer pressure, social acceptance, and the desire for social belonging can impact decision-making.
2. Social Support: The quality and nature of an individual's social relationships, including friendships and support networks, have a profound effect on emotional well-being and can influence personality traits like resilience and self-esteem.

3.4 Dimensions of Business Environment

What is Business Environment?

Business Environment means the total of all individuals, institutions, and other forces that are outside the control of a business enterprise, but that may affect its performance. In other words, a business environment can be defined as all those conditions and forces under which a business is operated. These forces affect the working of business and it has to deal effectively with them. It encompasses the climate or the set of conditions: economic, social, political, or institutional, in which business operations are conducted.

Dimensions of Business Environment

Dimension of the business environment involves the 'Micro and Macro' environment. Micro environment means small or pertaining to one item in the environment. It refers to those internal and external factors, which exercise a direct influence on the working and performance of an individual business organization. A micro environment is also called a *Direct Section Environment or Task Environment.* Micro environment may be classified into two broad categories: internal and external factors.
Whereas Macro environment refers to the general environment or remote environment under which a business enterprise and forces in its micro environment operate. The macro environment is not interacted with regularly or directly by any enterprise. The forces of micro environment create

opportunities for the organization and pose threats to the company. The micro environment forces are less controllable than the micro forces. The macro environment consists of the following components- economic, social, technological, political, and legal environments. We will be studying all these components in detail.

1. Economic Environment

It refers to all these forces that have an economic impact on business activities. We know that business is an economic organization. Therefore, its survival and growth are dependent on economic factors. The economic environment includes various factors, such as inflammation, interest rate, price level, money supply in the market, etc. These factors serve a business as an opportunity or as a threat to a business. Therefore, management always remains active to grab the opportunity and tries to change threats into opportunities.

For example, the rise in interest rate increases the production cost due to an increase in the price of raw materials and wages.

2. Social Environment

The social environment of a business involves customs, cultures, and traditions that have lasted for many years. Any change in the social environment will affect the demand for a product, supply of labour, and capital. Business is a part of the society in which it operates, and cooperation between business enterprises and society will see a boom and will help in the growth of the enterprise. Whereas any confrontation between them may lead to a disaster, resulting in dissatisfaction amongst its customers and rejection of its products. If the business enterprise failed to adapt to the changes, then its survival becomes difficult. They have to take care of the various forms of society and all economic activities must be focused on the scheme of social responsibility, like the same basis of wage payment for male and female workers, reservation of jobs for minorities, differently-abled people, and women.

For example, in India, various festive occasions, like Holi, Diwali, Eid, Christmas, New year, etc., provide lots of opportunities for manufacturing greeting cards and sweets, producing garments, and many other businesses and services. Social trends usually provide various opportunities and also threats to business enterprises, like at present there has been a health-conscious and fitness trend, especially amongst urban people that has brought in lots of change in this system.

3. Technological Environment

The technological environment of a business refers to the broad features of science and technology in which a business enterprise operates. It includes forces relating to innovation and scientific development, which provides a newer base for producing goods and services, and also effective methods and techniques for operating a business enterprise. Now, it is very common to see that retailers have a direct link with the suppliers who update their stocks when needed. By using the internet, people can look for flight timings, destinations, and fairs and book tickets online. Technological development has made it possible to book railways tickets from home or office at a convenient time instead of standing in queues at the railway booking counters, and today almost all commercial banks have started internet banking services whereby account holders can view their account at any point in time. Technological advance creates new methods of production and production techniques. Therefore, a business enterprise must be adaptable to new technology for its survival.

For example, LED replace CRT monitors, and computers with multiple word processors replace single word processors. Digital watches have killed the business of traditional watches.

4. Political Environment

It refers to the broad features of the political system in which a business enterprise operates, including political conditions such as general stability and peace in the country, and specific attitudes that the elected government representatives hold towards the business enterprise. These forces significantly affect the day-to-day functioning of the business enterprise. Whenever there is political stability, it increases the confidence of businessmen towards the political parties as they function within the framework of the political environment. The business managers are required to understand the changes in the political environment and also respect the orders of the judiciary system that it gives from time to time. All business firms are affected by the policy and practices of the government. Therefore, the business firm must study and analyze the political environment to adjust it as per changes.

For example, after opening up the economies in the 90s, the government of India allowed MNCs to boost the various types of industries, namely food processing industries like Pepsi Coca. IT companies have found Hyderabad, Bangalore, Chennai, Pune, Noida, Kolkata, etc., to be the most suitable locations primarily due to the supportive political environment in these cities.

5. Legal Environment

It refers to the broad features of the legislature in which a business enterprise operates, including various legislations, which are placed and passed by the government in the parliament or state legislature. It also involves administrative orders issued by the government authorities, and courts, and also on recommendations made by the various committees. It is imperative for the management of all business enterprises to obey the law of the land for proper and smooth functioning. Non-compliance with the law will attract punishment as per the statutory provisions. Therefore, business managers must have adequate knowledge of various rules and regulations. In fact, such awareness and knowledge are pre-requisite for better business coordination and performance.

For example, the Companies Act, Consumer Protection Act, Trademark Act, Trade Union Act, etc. These acts have been passed by the parliament, which have to be followed by all organizations.

3.5 JOB SATISFACTION

What is job satisfaction?

Job satisfaction explains how much an employee is self-motivated, content, and satisfied with his or her job. Job satisfaction happens when employees feel like they have a stable job, room to grow in their career, and a good mix between work and personal life. This means that the employee is happy at work because the work meets the person's standards.

The environment, attitude, and quality of work that a company can provide to its employees can also greatly impact employee job satisfaction. It may or may not be able to be measured, but research methods can be used to compare employees' satisfaction levels in the same company or industry based on the same questions or parameters.

Job satisfaction refers to employees' overall feelings about their jobs. It is the state of well-being and happiness of a person concerning performance in the workspace and its environment. It can be an excellent determinant of productivity within a company.

Employee job satisfaction is essential for organizations. Employee satisfaction can stimulate positive energy, creativity, and increased motivation to succeed. Some factors that intervene are a collaborator's attitude at work, with leaders and colleagues, and employee expectations.

Factors of job satisfaction

Job satisfaction factors refer to an employee's general attitude because of many specific attitudes. There are various factors that affect how satisfied you are with your job. Important ones are addressed below:

1. **Personal factors**
   They include things like a worker's gender, education level, age, marriage status, personal traits, family history, socioeconomic background, and other similar things.
2. **Factors inherent in the job**
   Recent research has shown that these factors are important when choosing workers. Instead of being told what to do by their coworkers and bosses, skilled workers would rather be led by their own desire to choose jobs based on "what they have to do." Some of these factors are the work itself, the conditions, the effects of the internal and external surroundings on the job that management can't change, and so on.
3. **Factors controlled by the management**
   Management has control over the type of supervision, job security, type of workgroup, pay rate, chances for promotions and transfers, length of work, and sense of responsibility. All of these things have a big effect on the people. These things give the workers a sense of motivation and job happiness.

Job satisfaction components

The recipe for achieving higher job satisfaction will change from person to person. However, some components are the same for all companies, such as the following:

1. **Pay and benefits**
   One of the most important factors of job satisfaction is salary and benefits. Employees with good salaries and incentives will likely turn down a higher salary if they like their company and feel it adds value beyond a paycheck to their role. Companies should provide their employees the accurate pay and benefits for their expertise, experience, and other valuable assets.
   An employee that perceives their salary and benefits as fair and reasonable is more likely to experience a positive employee experience, resulting in better health and a live-work balance, which translates into better productivity for the company in the long run. In other terms, employee recognition translates directly into benefits for the company. And it is that a recognized and happy employee is a loyal employee.

2. **Job Security**
   Having good job security makes people happier in their jobs. No one likes to be worried about what the near future holds. A satisfied employee can work towards long-term goals and feel a greater sense of community and purpose within the company.
   One of the biggest problems for many companies is excessive employee turnover: workers simply leave as soon as they find something better, as they feel no particular loyalty to their company or job security.
   This ends up resulting in a waste of time and money. Time because a new employee takes months to be fully integrated into the company, learn the processes, and perform at their best. And money because training new employees is an investment for the company.
   Keeping current employees is much more profitable than recruiting new ones. And one of the best ways to retain talent is to recognize people through job security. If their efforts count, they will feel at ease and much less inclined to leave.

3. **Recognition**
   Anyone can feel if they are respected and recognized in their workplace. Rewarding workers for their hard work encourages them to continue giving their best for themselves and the company.
   Group happiness comes directly from the happiness of individuals. Therefore, the recognition of workers ends up resulting in more harmony, well-being, and a better brand reputation.
   In addition, a company with a good reputation among its employees is a company where employees enjoy collaborating with colleagues and departments. Team dynamics are not an obligation but a way to get to know each other better and catch up on how everyone is doing. And so, each person can give their best to achieve excellent results.

4. **Career development**
   Not all people are satisfied with their work forever. Some will always seek development and progression in their careers. Career development is about setting goals and acquiring the skills to achieve those goals through a person's career within the company. Achieving life goals often begins with a straightforward step: believing you can do it. And this also applies to employees.

   Spending years sitting in an office doing more of the same is deadly for any employee. To improve as employees and people, we must face new challenges. A good company realizes this reality and recognizes its employees' natural talents and preferences to present them with their following career challenges.

5. **Engagement**
   Employee engagement usually goes hand in hand with job satisfaction. By satisfying specific basic emotional needs, the outcome improves when there is no engagement with the tasks at work, and satisfaction decreases, making this component a must for a better job experience.
   Engaging employees in company activities make them feel valued, that their efforts count, and that they feel more involved. These positive dynamics spread throughout the office, creating a more pleasant work environment. And in turn, the workers developed a feeling of belonging.
   In addition, an engaged team improves the work environment. It is estimated that engaged employees are, on average, 12% more productive. In other words, not only the employees win, but also the companies.

6. **Respect**
   Bonding with employees respectfully to show employee appreciation for their work duties increases job satisfaction considerably. Genuine displays of respect translate into genuine respect for work in general. Most employees report that respect from their immediate bosses is essential for belonging to a job.
   Respect in the workplace creates an environment of safety and cordiality. It allows accepting the limitations of others and recognizing their virtues; it avoids offenses and ironies and does

not let violence or abuse become the means to impose criteria.
One of the most essential values human beings can have is respect among themselves and as part of a work team. This allows them to appreciate what makes the other different, understand, tolerate, and improve as a team.

3.6 Organizational Behavior - Learning

Learning can be defined as the permanent change in behavior due to direct and indirect experience. It means change in behavior, attitude due to education and training, practice and experience. It is completed by acquisition of knowledge and skills, which are relatively permanent.

Nature of Learning

Nature of learning means the characteristic features of learning. Learning involves change; it may or may not guarantee improvement. It should be permanent in nature, that is learning is for lifelong. The change in behavior is the result of experience, practice and training. Learning is reflected through behavior.

Factors Affecting Learning

Learning is based upon some key factors that decide what changes will be caused by this experience. The key elements or the major factors that affect learning are motivation, practice, environment, and mental group.
Coming back to these factors let us have a look on these factors −

- **Motivation** − The encouragement, the support one gets to complete a task, to achieve a goal is known as motivation. It is a very important aspect of learning as it acts gives us a positive energy to complete a task. Example − The coach motivated the players to win the match.
- **Practice** − We all know that "Practice makes us perfect". In order to be a perfectionist or at least complete the task, it is very important to practice what we have learnt. Example − We can be a programmer only when we execute the codes we have written.
- **Environment** − We learn from our surroundings, we learn from the people around us. They are of two types of environment – internal and external. Example − A child when at home learns from the family which is an internal environment, but when sent to school it is an external environment.
- **Mental group** − It describes our thinking by the group of people we chose to hang out with. In simple words, we make a group of those people with whom we connect. It can be for a social cause where people with the same mentality work in the same direction. Example − A group of readers, travelers, etc.

How Learning Occurs?

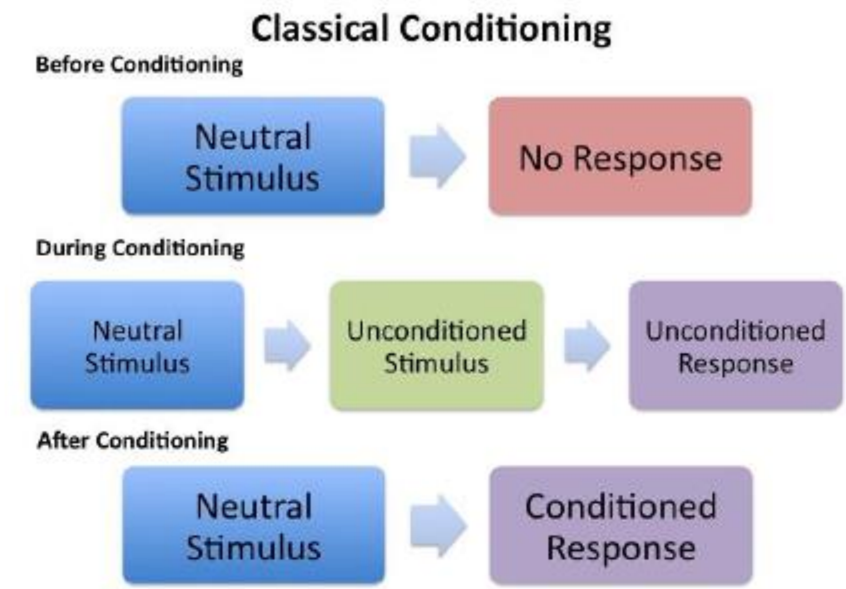
Learning can be understood clearly with the help of some theories that will explain our behavior. Some of the remarkable theories are −

- Classical Conditioning Theory
- Operant Conditioning Theory
- Social Learning Theory
- Cognitive Learning Theory

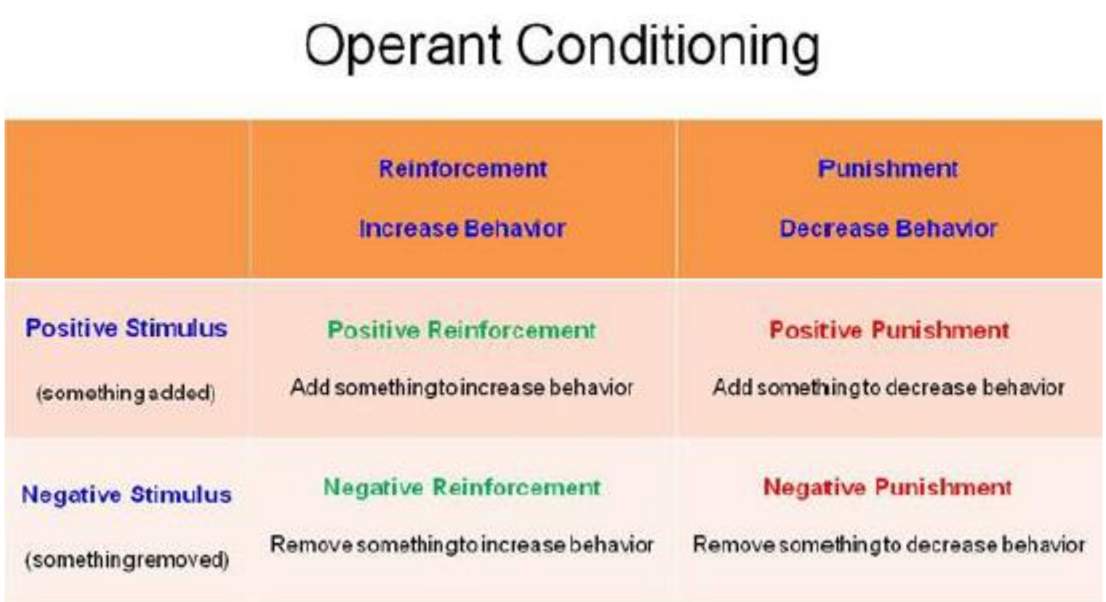
Classical Conditioning Theory

The classical conditioning occurs when a conditioned stimulus is coupled with an unconditioned stimulus. Usually, the conditioned stimulus (CS) is an impartial stimulus like the sound of a tuning fork, the unconditioned stimulus (US) is biologically effective like the taste of food and the unconditioned response (UR) to the unconditioned stimulus is an unlearned reflex response like salivation or sweating.

After this coupling process is repeated (for example, some learning may already occur after a single coupling), an individual shows a conditioned response (CR) to the conditioned stimulus, when the conditioned stimulus is presented alone. The conditioned response is mostly similar to the unconditioned response, but unlike the unconditioned response, it must be acquired through experience and is nearly impermanent.



<u>Operant Conditioning Theory</u>



Operant Conditioning

	Reinforcement Increase Behavior	Punishment Decrease Behavior
Positive Stimulus (something added)	Positive Reinforcement Add something to increase behavior	Positive Punishment Add something to decrease behavior
Negative Stimulus (something removed)	Negative Reinforcement Remove something to increase behavior	Negative Punishment Remove something to decrease behavior

Operant conditioning theory is also known as instrumental conditioning. This theory is a learning process in which behavior is sensitive to, or controlled by its outcomes.

Let's take an example of a child. A child may learn to open a box to get the candy inside, or learn to avoid touching a hot stove. In comparison, the classical conditioning develops a relationship between a stimulus and a behavior. The example can be further elaborated as the child may learn to salivate at the sight of candy, or to tremble at the sight of an angry parent.

In the 20th century, the study of animal learning was commanded by the analysis of these two sorts of learning, and they are still at the core of behavior analysis.

Social Learning Theory

The key assumptions of social learning theory are as follows −

- Learning is not exactly behavioral, instead it is a cognitive process that takes place in a social context.
- Learning can occur by observing a behavior and by observing the outcomes of the behavior (known as vicarious reinforcement).
- Learning includes observation, extraction of information from those observations, and making decisions regarding the performance of the behavior (known as observational learning or modeling). Thus, learning can occur beyond an observable change in behavior.
- Reinforcement plays an important role in learning but is not completely responsible for learning.
- The learner is not a passive receiver of information. Understanding, environment, and behavior all mutually influence each other.

Cognitive Learning Theory

Cognition defines a person's ideas, thoughts, knowledge, interpretation, understanding about himself and environment.

This theory considers learning as the outcome of deliberate thinking on a problem or situation based upon known facts and responding in an objective and more oriented manner. It perceives that a person learns the meaning of various objects and events and also learns the response depending upon the meaning assigned to the stimuli.

This theory debates that the learner forms a cognitive structure in memory which stores organized information about the various events that occurs.

Learning & Organizational Behavior

An individual's behavior in an organization is directly or indirectly affected by learning.

Example − Employee skill, manager's attitude are all learned.

Behavior can be improved by following the listed tips −

- Reducing absenteeism by rewarding employees for their fair attendance.
- Improving employee discipline by dealing with employee's undesirable behavior, drinking at workplace, stealing, coming late, etc. by taking appropriate actions like oral reprimands, written warnings and suspension.
- Developing training programs more often so as to grab the trainees' attention, provide required motivational properties etc.

3.7 Theories of Personality

A theory is a simple model of reality that helps us understand, explain, predict and deal with reality.

We have some theories that explain an individual's personality.

Sigmund Freud's Psychoanalytic Theory

This theory is based on the belief that man is encouraged more by unforeseen forces than the conscious and logical thought. Freud believed that most of the things in life are not present at the conscious level but they are present at an unconscious level.

The features of Freud's theory include three attributes − Id, Ego, and Superego.

- **Id** − It defines the innate component of personality. It is the impulsive and unconscious part of mind that seeks immediate satisfaction. Example − A hungry baby cries till he/she is fed.
- **Ego** − It is derived from Id and assists in dealing with the external world. It also helps in translating the inner needs into expressions. It deals with practical and rational thinking process. Example − We have a fight with our friend and expect the friend to talk first, even though both of us want to talk.
- **Superego** − It is different from ego and is partially unconscious. It includes the traditional values of society as interpreted by our parents. It also helps in the integral vision of punishment. Example − Ram came late today so he is grounded for a week.

Erikson's Theory

This theory states that personality is groomed throughout lifetime. He presents eight distinct stages each with two possible outcomes. Successful completion of each stage leads to a healthy personality. These stages are −

- **Infancy** − It is the period between 0-1 years of age. In this stage, children learn the ability to trust others depending on their caregivers. Unsuccessful completion in this stage results in anxiety and insecurity. Example − Children of this age are more comfortable with those faces they see more often and not with strangers.
- **Early Childhood** − It is the period between 1-3 years of age. In this stage, children learn to be independent. If given support, they become more confident else they become dependent over others. Example − Children in this age are taught how to walk, how to talk etc.
- **Play Age** − It is the period between 3-6 years of age. In this stage, children assert themselves frequently. The failure leads to development of a sense of guilt among them. Example − Children in this age group, need to be taught how to behave and should be taught to be focused.
- **School Age** − It is the period between 6 years of age till puberty. In this stage, children become more innovative. They feel confident and want to achieve their goals. If not encouraged they may feel inferior. Example − Teenagers should be protected and parents need to understand them and should handle them patiently.
- **Adolescence −** This stage is a transformation from childhood to adulthood. Here children find their own identity and should be guided and supported in order to help them choose the right direction. Example − Decision such as which stream to choose science or commerce etc. happens during this stage.
- **Young Childhood** − This stage is also known as young adulthood. Here, they begin to open up and become more intimate with others. Example − Making close friends.
- **Adulthood** − In this stage, they focus on establishing career and settling down with relationships that are important. Example − Applying for jobs.
- **Mature Adulthood** − In this stage, a person is old and thus in this stage the productivity slows down. Example − Taking care of the family.

Sheldon's Physiognomy Theory

This theory was proposed by William Sheldon. He presents personalities by classifying individuals into convenient categories based on their body shapes. They are −

- Endomorphs
- Mesomorphs
- Ectomorphs

Endomorphs

In this category, the body is soft and spherical. People with this kind of personality love comfort, eat a lot, like to be around people and desire affection. Some common endomorph features are large amount of fat accumulation, insatiable appetite, larger frame etc.
Some endomorph personalities are John Goodman, Jack Black etc.

Mesomorphs

In this category, the body is hard and rectangular physique. People with this kind of personality like to take risk, are courageous and have power. Some common mesomorph features are wide shoulders, small waist, low body fat.
Some mesomorph personalities are Jennifer Garner, Tina Turner etc.

Ectomorphs

In this category, the body is fragile, flat chest and delicate body. People with this kind of personality are anxious, ambitious and dedicated. Some common ectomorph features are narrow frame, low body fat, etc.
Some notable ectomorph personalities are Brad Pitt, Bruce Lee etc.

3.8 Job Design

What is Job Design?

Job Design is defined as a process of deciding on a job's duties and responsibilities, as well as the techniques, systems, and procedures that will be used to carry out the job. The job design also lays down the relationships that are required between the job holder and his superiors, subordinates, and coworkers. The practice of job designing included simplifying the tasks to make the employment highly specialised. The process of establishing a job that helps the organisation accomplish its objectives while inspiring and rewarding the employee is known as Job design. This indicates that a well-designed job increases output and quality, as well as job satisfaction, decreases absence rates, as well as the chance of employee turnover. Various Job design techniques are used in the organisation to make the overall work of employees effective and efficient. Techniques, like Job Simplification, Job Rotation, Job Enlargement, and Job Enrichment are widely famous.

Characteristics of Job Design

1. **Task Variation:** Task Variation changes the required actions so that a single employee can switch between jobs at different times. This enables employees to shift to various job verticals, and these changes differ in both their mental activity and their physical well-being. Moving from one vertical job to another (job to job) causes changes in brain activity, and changing body postures for different kinds of jobs causes variations in physical well-being.
2. **Task Identity**: Wherever possible, tasks should fit together to form a full job, as this offers the employee the sensation of accomplishing a complete job from start to finish, with a visible output. One of the most significant advantages of task identity is that it makes it easier for employees to link their performance to the organisation's broader objectives and target success. Employees might develop a sense of belonging and begin to recognise that they are partners in the organisation's progress.
3. **Task importance:** By determining task importance, organisations can give employees a feeling that they have accomplished something significant while working. They become more significant as a result, which raises their self-esteem.
4. **Autonomy:** To promote autonomy in job design, organisations should, if possible, provide input to their employees on how their jobs should be done—the order of tasks, the speed of work, and so

on. After that, these employees should be given more freedom by lessening the level of supervision and control so that they can begin to understand that they are in charge of their work and that they are the ones who own the position.

5. **Feedback**: The provision for feedback is the last aspect of job design. Employees get the chance to learn about their strengths and limitations through feedback, which helps them grow and attain higher excellence in their future work projects. Automated feedback systems are widely available in organisations so that employees can assess their level of performance.

Job Design Techniques

I. Job Simplification

With the help of job simplification, a job can be simplified by being divided into smaller tasks. Then, each task is allocated to a worker who consistently does the same task. This enables the employee to become more skilled and fit while performing the repetitious task. This results in an increase in worker productivity, which ultimately leads to a rise in profits. Since these simplified duties only demand a very minimal degree of skill, the training expenditures are almost negligible or eliminated. It also seeks to increase job speed by facilitating the execution of several minor jobs continuously and quickly. Time and motion studies are commonly used to apply this technique. However, labourers become tired of their monotonous jobs. They frequently choose to stay away. In addition, boredom contributes to errors and mishaps. Overall, it negatively impacts the output quantity and quality.

Advantages of Job Simplification

- Small work requires little training, hence the cost of training is negligible.
- It allows employees to learn jobs quickly and achieve mastery in simpler or less difficult job units.
- It increases job speed by breaking down a major task into several smaller ones.
- It covers a shorter work cycle that is simple for workers with low pay and skill levels to complete.

Disadvantages of Job Simplification

- It creates tension and boredom in the minds of employees.
- It leads to low job satisfaction for employees.
- It results in demotivation and alienation.
- It leads to decreased output and higher costs.

II. Job Enlargement

Job enlargement is the process of adding additional tasks to a job. This is a horizontal growth within a position. Job expansion broadens the work’s scope by adding more tasks, and it gives the job holder a wider range of tasks. For instance, the duties of a mail sorter could be expanded to include physically delivering mail to the various organisational departments. In other words, job enlargement aims to add comparable responsibilities or activities to their current work profiles to make employees’ jobs more exciting. Moreover, the new tasks or responsibilities can be carried out with the same abilities and efforts as before and do not require new expertise. For instance, by adding the same responsibilities to their current job description, a clerk’s position within an organisation can be expanded. Job enlargement is said to reduce monotony and improve employee engagement. However, in actuality, the same is not supported. Even with job enlargement, the job may eventually grow dull to the employee, especially if the job is already boring.

Advantages of Job Enlargement

- It increases the range of duties to decrease monotony and boredom in the current job by increasing the number of tasks.

- It increases job satisfaction by giving employees the chance to grow and acquire new skills.
- It maximises the use of employees' mental and physical strengths while also making them feel satisfied.
- It gives employees the freedom to change the pace and sequence of their work at their own pace to enjoy their job.

Disadvantages of Job Enlargement

- It increases the cost of training.
- It causes a decline in productivity as employees get used to the new system over time.
- It leads to conflict with trade unions because they want higher salaries as the workload increases.
- It is difficult to eliminate monotony and boredom from various jobs as another set of monotonous work is added to the present set of boring tasks.

III. Job Rotation

Job rotation refers to the systematic moving of employees between jobs. Job rotation involves transferring people from one job to another to promote diversity and reduce boredom. The person would be transferred to another job at the same level with comparable skill requirements if the task stopped being demanding. It involves changing up the activities of the employees, reducing monotony and a lack of interest. The management has more flexibility in scheduling tasks, adjusting to change, and filling vacancies when there are employees with a wider variety of skills. Job rotation is a management strategy for a development program in which a person is rotated through a schedule of responsibilities. It is also intended to give skilled and talented workers a deeper understanding of the various business processes. Job rotation provides job variety, which reduces monotony and increases job satisfaction.

On the positive side, it enhances the intrinsic reward potential of a job due to the various talents and abilities required for performing it. In this, employees learn new skills, become more knowledgeable about a variety of jobs, and grow personally. The employee also becomes more valuable to the company. On the downside, it could not be as energetic or as efficient. Furthermore, occupations may not improve the link between tasks if activities and objectives remain the same. It can also demotivate educated and ambitious trainees who are seeking specific responsibility in their chosen specialisations and increase the costs of additional training.

Advantages of Job Rotation

- It reduces monotony and boredom.
- It decreases employee lack of interest and encourages the development of new ideas.
- It increases job holders' overall work experience.
- It turns the experts into generalists.
- It prepares employees to take on higher responsibilities.

Disadvantages of Job Rotation

- It promotes the price of training and development
- It reduces productivity as workers are transferred to new roles before reaching their full potential.
- Under this method, ambitious and talented trainees who demand specific tasks in their areas of interest are demotivated and degraded.
- It disrupts the job since it takes time for rotated employees to become used to the new setup and the environment.

IV. Job Enrichment

Job enrichment is creating a job that gives people more freedom in terms of planning, making decisions, and regulating. The potential for success, adulation, accountability, and advancement is what drives employees the most. Herzberg is credited with creating the idea of job enrichment. In his two-factor theory of motivation, he placed a higher focus on job enrichment. Job enrichment refers to adding to a job's responsibilities to make it more satisfying for the employees. When a work includes characteristics of excitement, challenge, and creativity, it is said to be enriched. It enhances job depth, which is the amount of control people have over their work. It can also raise productivity levels, employee satisfaction, and employee motivation.

Advantages of Job Enlargement

- It increases employee interest in their work.
- It increases a sense of responsibility, self-control, and self-esteem by granting more autonomy in the duties.
- It encourages employees to work hard by giving them chances to develop and progress.
- It promotes job satisfaction among employees.
- It helps employees to acquire new skills
- It helps in carrying out task reinforcement
- It lowers the attrition and absence rates.

Disadvantages of Job Enlargement

1. It has a higher implementation cost.
2. It lacks long-term financial commitment.
3. It is difficult to maintain a balance between their usual jobs and their new responsibilities.

OIM351 INDUSTRIAL MANAGEMENT

UNIT IV	GROUP DYNAMICS	6
Group Behaviour - Groups - Contributing factors - Group Norms, Communication - Process - Barriers to communication - Effective communication, leadership - formal and informal characteristics – Managerial Grid - Leadership styles - Group Decision Making - Leadership Role in Group Decision, Group Conflicts - Types -Causes - Conflict Resolution -Inter group relations and conflict, Organization centralization and decentralization - Formal and informal - Organizational Structures Organizational Change and Development -Change Process – Resistance to Change - Culture and Ethics.		

4.1 Group Dynamics

1. Meaning of Group Dynamics

Groups are important for organisational life. Managers spend substantial time in managing groups and teams so that groups contribute to organisational and group goals. How effectively a manager plans, organises, staffs, leads and controls depends upon how effectively he manages the groups. A group means "two or more people who interact with one another, are psychologically aware of one another, perceive themselves to be members of the group, and work towards a common goal." Group dynamics studies the nature, formation and reasons for forming the groups. It studies how groups affect the behaviour and attitude of members and the organisation. It is a process by which people interact with each other. If groups are effectively managed, they contribute a lot to organisational goals.

2. Features of Group

Group has the following features :

1. It consists of two or more persons who interact with each other.
2. Group members have reciprocal influence on each other. Each member influences and is influenced by others in the group.
3. People develop mutual perceptions and emotions. They perceive and recognise each other as members of the group.
4. Every group has formal leader elected by group members, and informal leader "who engages in leadership activities but whose right to do so has not been formally recognised by the organisation or group."
5. Each individual performs specific role which influences expectations of group members from each other. Role structure is "the set of defined roles and inter-relationships among those roles that the group or team members define and accept."
6. Every group has group norms. "Norm is a standard of behaviour that the group accepts and expects of its members. It represents standards of work to promote group activity."
7. It maintains stability through group cohesiveness. Members develop liking for each other, develop sense of identification with each other, and remain attached to each other.
8. Members work for common interests and goals.

3. Group and Collection of People

Group is a collection of people to achieve a common goal. Can a collection of people, therefore, sitting in the library or cinema hall or bus stop be called a group? No. This is mere aggregation of people. Interaction, power to influence and dependence on each other makes aggregation be called a group.

Aggregation of people is called a group when people;

- Interact with each other.

- Influence the behaviour of each other.
- Are mutually dependant on each other.

People share views on the common subject, interact with one another, get influenced by others and arrive at consensus of opinion. Thus, group is an aggregation of people who interact with one another and influence interdependence of individuals. Study of groups and group behaviour is known as 'Group Dynamics'. It is an important aspect of organising.

4. Types of Groups

Groups can be of the following types :

I. Formal and informal groups
II. Primary and secondary groups
III. Small and large groups

I. Formal and informal groups

Formal groups

Formal groups are deliberately created to carry out specific tasks. They have clearly defined authority-responsibility relationships, communication channels, rules and regulations that govern the behaviour of members. Committees, task forces and work teams are the formal groups.

Formal Groups can be :

(*i*) Permanent Formal Groups [Command groups and permanent committees]
(*ii*) Temporary Formal Groups [Task forces and project groups]

(*i*) Permanent formal groups are formally represented on the organisation chart. They are also known as command groups and have both managers and subordinates. functional or product departments are the command groups.

(*ii*) Temporary formal groups deal with specific problems. They dissolve once the problem is solved. Task groups, project groups or *ad hoc* committees are temporary formal groups. They are created to respond to the changing environment and include people from different command groups.

Types of Committees : Committees (formal groups) can be of the following types :

(*i*) Line and Staff Committees : The basis of forming line and staff committees is *authority.* committee which has authority to make decisions is line committee and committee which does not make decisions but only assists, advices and counsels the superiors is staff committee. It helps line managers to perform the managerial functions

(*ii*) Ad hoc and Standing Committee : The basis for forming *ad hoc* and standing committees is *time frame.* Committees which are formed for a specific purpose and dissolve once the purpose is achieved are *ad hoc* or temporary committees. For example, if company wants to conduct market survey for a new product, committee shall be formed for this purpose which shall function till the survey is completed. Once done and the product launched, the committee gets dissolved. committee which lasts for long duration is standing or permanent committee. These committees provide advisory functions to the chief executives.

(*iii*) Formal and Informal Committees : The basis of forming formal and informal committees is their *position* on the organisation chart. Committees formed according to formal procedures and

assigned duties, power and authority to discharge those duties are formal committees. They are formally shown on organisation charts and are permanent committees.
Informal committees are groups of individuals which are not officially set up by the organisation. They work for a given purpose without officially defined rules or guidelines.
***(iv)* Plural Executive Committee and Advisory Committee :** committee which carries out managerial functions (planning through controlling), makes and implements decisions is a plural executive committee. The most common example of this committee is the **board of directors** which takes important managerial decisions and orders for their implementation. The advisory committee does not make decisions but only performs advisory or recommendatory functions.

Informal Groups

Meaning : These groups are not created by managers but spontaneously grow out of interaction amongst members of formal groups. They are created by choice for promoting the group goals. members even subordinate individual goals to group goals. These groups may oppose or support the formal objectives. They are informal committees not shown on the organisation chart. They form out of common thinking of people. They are temporary and assist top executives on specific matters.

Types of Informal Groups : These are also called ‘overlays’. They are classified into five categories by *Pfiffner* and *Sherwood.*

***(i)* Social overlays :** These groups form because of social needs of people, that is, need to interact.

***(ii)* Functional overlays :** People of one department assist people of other departments. Workers of production department can go to supervisors of sales department for help. groups formed through inter-departmental interactions are called functional overlays.

***(iii)* Decision overlays :** Some people excel in decision-making because of their ability to judge, analyse and scan the information. People often approach them from different departments for consultation. This forms decision overlays.

***(iv)* Power overlays :** Power is different from authority. While authority is *authority of position, power is the authority of individual.* Managers can acquire power through experience, education, and factors like religion, politics, nationality etc. Interaction based on such factors forms power overlays.

***(v)* Communication overlays :** People using common equipments and machines, recreational halls, canteens, club facilities etc. interact informally and form communication overlays.

Functions of Informal Groups : Major functions of informal groups are as follows:

***(i)* Group values and life-style :** Within formal structure of organisation, informal groups arise on the basis of social values and life-styles of individuals. However, as these groups strengthen, they develop tendency to resist change.

***(ii)* Social satisfaction :** Interaction at the work place, sharing common thoughts, sitting and eating together satisfy employees’ social needs.

***(iii)* Operate communication systems :** Informal system of communication operates along the formal channel of communication and works even faster than the formal communication channel. Messages are transmitted at much faster speed though rumours may also spread along with formal messages.

(*iv*) Maintain social control : Informal groups influence behaviour of people inside and outside the group. Influencing behaviour inside the group is called internal control and of those outside the groups is called external control. A particular kind of behaviour not acceptable to group serves as internal control. External control is exercised on people outside the group such as, trade unions.

Merits of Informal Groups : These are similar to merits of informal organisation.
Limitations of Informal Groups : These are similar to limitations of informal organisation.

II. Primary and secondary groups

Primary groups promote common goals. Members share values and behaviour. These groups are small and largely affect inter-personal behaviour. Friendship and social needs are the basis of these groups.
Secondary groups have loose inter-personal relationships and no common goals to share. Their members do not actively interact with each other. Professional bodies, business organisations are the common forms of secondary groups.

III. Small and large groups

Small groups have few members who closely interact with each other. Large groups have large number of members with weak inter-personal interaction. They do not actively communicate with each other.

5. Reasons for Joining Informal Groups

People join informal groups for two reasons :
I. Internal Reasons
II. External Reasons
I. Internal Reasons
Groups satisfy needs in the following ways :

1. Interpersonal attraction : There is basic need in human beings for care, help and be useful to others. When people have similar attitudes, personality, economic status, values and beliefs, they become part of the same group. They like to enjoy interact with others. Frequent interaction is rewarding as it promotes similar values and beliefs.

2. Group activities : A person may join a group because he is attracted by group activities, like religious and charitable activities. Though group activities attract membership, interpersonal attraction is also necessary. A person may choose to forgo the activity than join a group with low interpersonal attraction.

3. Group goals : People join groups because they are motivated by group goals, for example, upliftment of the poor.

4. Group norms : Group norms have strong influence on behaviour of members. Norms are the standards accepted by the group. They are implicitly binding on group members. They are not written rules of behaviour but evolve informally. Members implicitly agree to these standards. Group norms influence behaviour a great deal and are binding on members of the group.

5. Higher pay-off : Generally, people behave according to perceived reward for the behaviour. If one type of behaviour has higher pay-off (is rewarded more), they repeat that behaviour. Researchers have shown that when pay-off is high, people tend to collaborate more, particularly those who are interested in others. Conceptually, achievement motivation (concern for individual excellence and competition) is supposed to have high correlation with competitive behaviour. But findings did not bear this result. A person with high achievement motivation is interested in results. If he perceives that by collaborating he can get better results, he is likely to collaborate. Similarly, if a person perceives that results are better (pay-off is higher) from competition, he is likely to compete against others.

Not only those who have tendency to collaborate but also those who have tendency to compete collaborate if collaborative behaviour has higher pay-off.

For instance, political parties who compete with each other often collaborate when it comes to winning an election compaign.

6. Need satisfaction : People join groups to satisfy their affiliation, achievement, power, social and esteem needs. New residents in a locality, for example, join the local club to satisfy their individual needs.

Even at work place, informal groups provide mental rest and release official tensions.

II. External Reasons

People join groups because group membership satisfies their needs by forces that lie outside the group. It provides benefits other than those provided by the group:

1. Interaction : Professionally qualified students become members of groups which have contacts with firms for job market. Their interaction with companies is not direct but through groups.

2. Personal goals : Group membership helps to achieve personal goals which are different from group goals. People join *Lions Club* or *Rotary Club* not because these clubs meet their personal goals (club goals may be different from personal goals) but because other members of the club help to establish contacts (business or otherwise) which satisfy their personal goals.

3. Superordinate goals : These goals are important to all the parties and cannot be achieved by any party alone.

Experimental conflict and competition were first created in two groups of adolescents who were taken out camping for several days. Later, situations were created in which problems could not be solved independently by either group (superordinate goal). It was found that perception of superordinate goals by both the groups, which were hitherto involved in conflict and competition with each other, changed their behaviour and they engaged in maximum possible collaboration.

Several factors contribute to development of superordinate goal.

a) The goal should be attractive and desirable to all the members.
b) The goal should be seen as shareable so that all individuals (or groups) share it.
c) If the situation is seen as something in which the goal cannot be achieved by single individual or group without working with other(s), then it becomes a superordinate goal.

In traditional sports, members of a team competing with other teams have superordinate goal of getting higher score. Within the team itself, members play collaborative game because they perceive the superordinate goal. The goal of victory is attractive to all members, they see this as shareable goal, and each one knows it cannot be achieved single-handedly, that each has to work with others to achieve this goal.

When people see a goal as having all these three elements, it becomes a superordinate goal.

4. Perceived power : Another condition which contributes to collaboration in group is the perception of power. It can be power to reward and power to punish. Punishment may be in the form of depriving a person of the reward which he or she is likely to get. This may be done by holding back information or misleading the other person. Even the person at the lowest level in organisation can use negative power to create annoying situations: delaying matters, holding back information, giving information which creates misunderstandings, etc.
If people in the system perceive clearly that they have power which is positive in nature, that they may be able to contribute to and use their influence for the attainment of certain goals, this is perception of positive power. At the same time, it is important that they realise that others involved in the situation also have power, both positive and negative.

5. Mutual trust : Along with perception of each other's power, it is important that parties do not use power against each other. Some amount of mutual trust is likely to lead to co-operation. Trust indicates high probability that power of the concerned party or individual will not be used in a *mala fide* way. Combination of perceived power and trust leads to co-operation.

6. Communication : communication amongst parties involved in the situation also contributes to collaboration. Several experiments have demonstrated that when representatives of the groups communicate with each other, the chances of collaboration increase.
Communication opens possibility of discussing the consequences of behaviour. It also helps the groups to discuss their perception of each other's power and see that power turns into positive force for the benefit of all concerned. When people communicate as representatives of a group, it is important that the groups they represent trust them and representatives are sure that the commitment they make to other groups will be honoured by them.

7. Fait accompli : If groups or individuals live together and share certain norms, they begin to see good points in each other and collaboration begins to emerge. As long as individuals or groups do not work or live together, they may be prejudiced about each other. Poor communication or indifference can lead to prejudice.
For example, till representatives of the management and the union do not communicate with each other, management may think Union has no empathy for them. The realisation that they have to live or work together contributes to collaboration. Through sharing of experiences, they evolve common understanding and norms. Sharing a space may help each party to 'experience' and 'see' the other party's strengths and good points.

6. Management of Informal Groups

Informal groups (or informal organisations) cannot be avoided. Managers should view them as pillars of support to formal structures. Many problems can be solved by informal groups if they are formally accepted. They speed up transmission of information and provide feedback on how people respond to policies and procedures. They provide useful tips on matters which cannot be officially deal with. They also promote team spirit which reduces the need for close control and supervision. Informal groups are a strong support and supplement to formal structures. Managers should, therefore, merge group goals with organisational goals. Following measures help to achieve this objective :

1. Managers view informal groups as support to formal structures.
2. They use these groups to obtain quick feedback on how people respond to plans, policies and procedures.

3. They view them as important supplement to formal groups.
4. They involve group members in group decision-making.
5. They integrate group goals with organisational goals and avoid inter-group conflicts.
6. They merge informal goals with positive attitude towards formal organisation structure.
7. They increase group cohesiveness by promoting inter-group competition, inter-personal attraction, consensus on group goals etc.

How do Groups Influence Member Behaviour

Groups satisfy needs of members in the following ways:

1. Members of informal groups have common values (social and cultural) which perpetuate group goals.
2. They fulfil needs of interaction, recognition and acceptance by others. Members derive individuality as part of informal groups.
3. They solve work-related problems in a friendly and supportive way.
4. They promote skills of communication, leadership and direction.
5. They promote cordial environment in the organisation.
6. They provide opportunities for personal growth.
7. They overcome stress and frustration of members through friendship, love and support.

Negative Aspects of Group Influence

Groups may prove to be counter-productive in the following cases:

1. Excessive conformity to norms hinders creativity if group norms (or goals) are different from organisational norms. Members are reluctant to act differently as they fear to lose group approval.
2. Negative attitude of group leaders promotes vested interest at the cost of organisational interest.
3. If group goals are different from organisational goals, members pursue group goals. There is conflict between formal and informal roles.
4. Since informal groups do not follow official channels of communication, they may spread false information or rumours. This is counter-productive for organisational activities.
5. If group norms and values are carried too far, they become resistant to change. Groups become overprotective about group values. People do not deviate from values or norms.

Group Processes and Functions

Groups perform the following processes and functions :

1. Assign Roles : Role is a set of expected behaviour attributed to someone who occupies a given position in a social unit. In formal groups, these roles are defined by job titles and positions. In informal groups, they are defined by their expectations and perceptions of other managers. Group members perform the following roles:

(*i*) Task-oriented roles : Members perform organisational tasks and keep other members focused on work.

(*ii*) Relations-oriented roles : They offer ideas and support other people's ideas.

(*iii*) Self-oriented roles : These roles define personal expectations of members. They may or may not support the formal, task-oriented roles.

Members perform these roles in different degrees. High clarity in roles leads to high performance of the group.

2. <u>Group Norms and Conformity :</u> Group norms are acceptable standards or expectations shared by group members. They relate to output levels, absenteeism, promptness, dress, loyalty, etc. Norms have powerful influence on performance. Members perform according to group norms.

Purpose of Group Norms

Group norms serve the following purposes :

1. They define acceptable standards of behaviour.
2. They promote group cohesiveness.
3. They promote consistent, uniform and predictable behaviour.
4. They promote group discipline.
5. They promote group culture as members interact with each other.
6. They provide order by restraining discretionary powers of members.
7. They ensure group effectiveness and survival.

Enforcement of Group Norms

Group norms can be enforced in the following ways :

1. Members conform to norms as they want to be accepted by groups.
2. Members perceive rewards like esteem, recognition, appreciation, acceptance and social satisfaction through group norms.
3. Conformity to group norms strengthens group membership.
4. Penalties for non-conformance (disapproval, social boycott, loss of membership etc.) also promotes conformity to group norms.

<u>3. Group Cohesiveness :</u> Group cohesiveness is the degree to which members are attracted to the group and share the group goals. It is "the degree to which members are attracted to a group, are motivated to remain in the group, and are mutually influenced by one another."

<u>Group cohesiveness has the following merits :</u>

1. It strengthens group goals and group norms.
2. Cohesive groups perceive management as supportive to group goals. They perform better than less cohesive groups.
3. Members communicate freely and better understand the feelings, emotions and behaviour of others.
4. Members collectively engage in decision-making. This provides higher satisfaction than less cohesive groups.
5. Mutual trust and confidence develop strong inter-personal relationships.
6. Membership of cohesive groups is stable. Members accept innovations and change.
7. High compatibility between group goals and organisational goals motivates to perform better than less cohesive groups.
8. Members achieve higher job satisfaction than members of less cohesive groups.
9. Groups that perform similar activities do not depend on others to get the work done.

Group cohesiveness leads to positive consequences when members accept change in organisational policies. Group norms are high, resistance to change is low and people subordinate group goals in favour of organisational goals.

4. <u>Group Decision-Making</u> : Group decision-making is more effective as decisions are based on extensive information. Groups spend substantial time on finding problems, solutions and their implementation. Group decisions involve superiors and subordinates which develop diverse, open and new ideas.

5. Group Communication : Groups communicate through informal channels. Messages are clearly understood by members. There is effective feedback from group members which corrects misunderstanding. It is an important supplement to formal communication. Information gaps in formal communication are filled by informal channels. It promotes healthy inter-personal relationships and speeds up the flow of information.
Though rumours spread through informal channels, judicious use of this channel avoids gossips and rumours. Informal channels help to attain group goals, solve group problems, improve group performance, increase group cohesiveness and resolve group conflicts.

6. Informal leadership : Though formal leaders lead the group, informal leaders emerge by common consent of group members. They direct group activities. They are confident and assertive to perform :
(*i*) Task role : They help members to achieve the formal goals. They provide unity of action to group efforts. Sales manager, for example, assigns territories to sales people and supervises the new sales force members.
(*ii*) Group building and maintenance role : Leaders provide emotional, psychological and social support to group members. They build group image and strengthen their solidarity. They settle non-work related disputes and keep members attached to the group.
It is often difficult for the same person to perform both these roles. Different members, therefore, become leaders for different roles.

10. Factors Affecting Group Processes and Functions
Functions and processes performed by groups are affected by the following factors :
1. Group size : Group size affects functions of the group. *Smaller groups* complete tasks faster than larger ones. They are more productive than large groups. Large groups, on the other hand, generate more facts, collect diverse and open viewpoints, generate more solutions to problems.
However, with increase in size of the group, contribution of individual member tends to decline. Responsibility for group goals gets dispersed amongst larger number of members. Relationship between individual input and group output cannot be maintained as group results cannot be attributed to single person. This reduces efficiency of the group. Large groups develop sub-groups, restrict participation by members, take time in making decisions, promote dominance by few etc.

What, then, is the optimum group size? It should be large enough to develop diverse viewpoints and small enough to fix responsibility and promote inter-personal interaction. Following points affect the optimum group size:

1. Groups should have odd number of members. It eliminates ties when decisions are taken by vote. Odd number facilitates decision-making.
2. Usually five or seven makes the optimum size. It is neither too large nor too small. It allows diverse inputs and avoids negative outcomes of large groups.

2. Group composition : It represents the kind of individuals that make a group and affect its performance. Groups can be heterogeneous or homogeneous.

a) **Heterogeneous groups** have dissimilar individuals, in terms of age, gender, education, experience, skills, culture etc.
b) **Homogeneous groups** have similar individuals.

Heterogeneous groups are generally more effective as they have people with diverse skills and backgrounds. There may be conflicting opinions but they perform better than homogeneous groups.

3. **<u>Group goals and tasks :</u>** Groups are formed for some goals and perform tasks to achieve those goals. These goals promote cooperation and also result in role conflict. The tasks also vary in their skills, complexity, competence, etc.

These factors affect group performance in the following ways :

a) Group size affects unity in group activities, formation of sub-groups, interaction amongst group members etc.
b) Group composition assignes roles to group members, affects quality of group leadership, group satisfaction etc.
c) Groups goals and tasks affect group decision-making, group communication, group cohesiveness etc.

11. Group Behaviour

Group behaviour defines the way people behave with each other. It explains the roles performed by members of the group. It reflects unity and commitment of members towards group and organisational goals. Group members empathise and actively interact with each other. Though groups expect the members to obey group norms, some difference in roles is evident. Differences develop novel and creative ideas.

George Homans describes three elements of group behaviour : activities, sentiments and interaction. *Activities* are the tasks performed by group members. Members perform activities that achieve goals of the organisation.

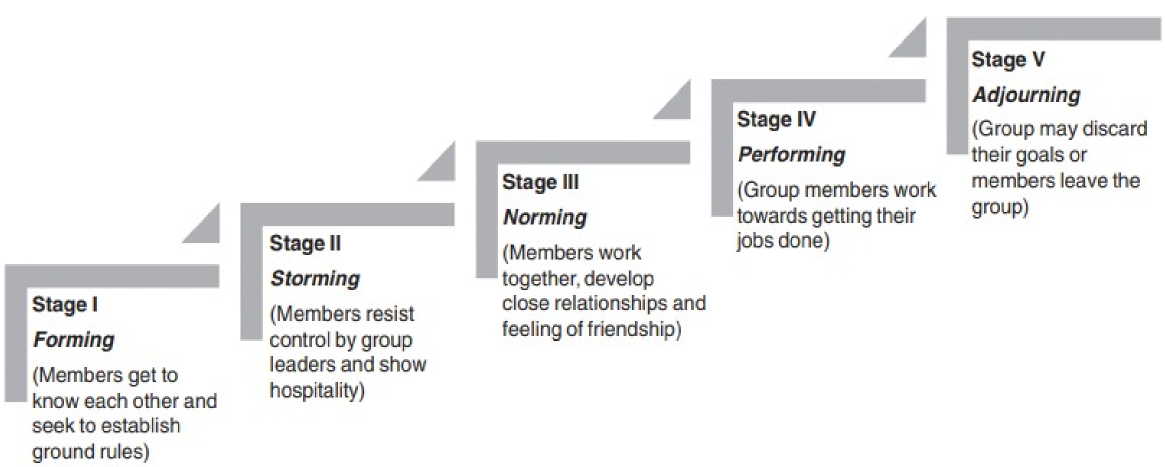
While performing formal activities, members form small informal groups on the basis of *sentiments.* The *sentiments* develop *interaction* for social satisfaction.

This interplay of activities, sentiments and interaction results in group behaviour which is different from formal behaviour. It defines group behaviour which is more inclined towards need satisfaction than formal goals of the organisation.

Members reinforce their attitudes and sentiments and tend to do tasks different from those defined by formal organisation.

12. Stages in Group Development

The model of group development was first proposed by *Bruce Tuckman* in 1965. He presented a model of five stages of group development: Forming, Storming, Norming, Performing and Adjourning.



All these phases are necessary and inevitable for the team to grow, face challenges, find solutions, plan work, and deliver results.

A team cannot be expected to perform right when it is formed. Forming a team is just like maintaining a relationship. It takes time, patience, support and efforts to go through recognisable stages as members move from collection of strangers to a united group with common goals. These stages are explained below:

1. Forming Stage (Orientation)

The first stage of group development is the forming stage. At this stage,the group just starts to come together and is described with anxiety and uncertainty.

A person's behaviour is driven by his desire to be accepted by other members of the group. Conflict, controversy, misunderstanding and personal opinions are avoided even though members have just begun to form impressions of each other and understand what the group will do together.

At the forming stage, members understand group purpose, determine how the team is going to be organised and who will be responsible for what. They discuss major phases of group goal that include rough project schedule, outlining general group rules regarding when they will meet and discover what resources will be available for the group to use.

At this stage, group members learn what to do, how the group will operate, what is expected, and what is acceptable.

2. Storming Stage (Power Struggle)

The second stage of group development is the storming stage. At this stage, disputes and competition are high because members have understand the work and a general feel of belongingness towards the group prevails.

The dominating group members emerge, while less confrontational members stay in their comfort zone.

Issues like leadership, authority, rules, policies, norms, responsibilities, structure, evaluation criteria and reward systems arise during this stage. They help the group move to the next stage.

3. Norming Stage (Cooperation and Integration)

At this stage, it becomes enjoyable for the members to work together. Group interaction becomes easier, cooperative and productive. There is mutual give and take, open communication, bonding, and mutual respect.

Disputes or conflicts are comparatively easy to be resolved and the group gets back on track.

Though group leadership is important, the facilitator usually steps back a little and lets the group members take initiative to move forward together.

4. Performing Stage (Synergy)

Now the group is clear about its needs. It moves forward to work for the goals for which it is formed. The group becomes really united to perform.

At this stage, the morale of group members is high as they actively acknowledge the talent, skills and experience that each member brings to the group. A sense of belongingness prevails and group remains focused on its purpose and goal.

Members are flexible, interdependent, and trust each other. Leadership is distributive and members willingly adapt to needs of the group.

5. Adjourning Stage (Closure)

This stage of group is usually reached when the task has been successfully completed. The project is close to end and team members look forward to move in different directions.

This stage looks at the well-being of the team rather than handling the team through the original four stages of team growth.

13. Group Cohesiveness

Group cohesiveness is the attraction, loyalty and commitment of members to group goals. It is "the degree to which members are attracted to a group, are motivated to remain in the group, and are mutually influenced by one another."

Determinants of Group Cohesiveness

The following factors affect group cohesiveness :
I. Factors that Increase Cohesiveness
II. Factors that Decrease Cohesiveness

I. Factors that Increase Cohesiveness

Members of a cohesive group share common goals, remain attached to one another, conform to group standards and unitedly work to achieve the goals. The following factors increase group cohesiveness :

1. Similar attitudes, values, beliefs and interests increase group cohesiveness, facilitate communication and develop understanding amongst group members.
2. Inter-group competition increases cohesiveness of each group as the goal is same. A basketball championship, for example, increases cohesiveness of each team to win the match.
3. Liking and attraction for each other increases group cohesiveness.
4. Success in group goals promotes group cohesiveness.
5. Size of the group also determines its cohesiveness. Small groups are generally more cohesive than big groups.
6. Consensus on group goals increases cohesiveness.
7. Dependence of members on each other to achieve group goals increases group cohesiveness.

II. Factors that Decrease Cohesiveness

When members are not strongly bonded to work, it declines group cohesiveness. The following factors decrease group cohesiveness :

1. Increase in size of the group decreases cohesiveness.
2. When members have conflicting opinions, group cohesiveness declines.
3. While inter-group competition increases cohesiveness, intra-group competition decreases cohesiveness. Intra-group competition (competition amongst members of the same group) promotes individual goals at the cost of group goals.
4. If less dominant members surrender to the views of dominant members, this declines group cohesiveness.
5. Unpleasant group interaction, dissimilarity amongst attitudes, beliefs and values decrease cohesiveness.
6. Involvement in activities outside the group and competition amongst members for resources within the group reduces group cohesiveness.
7. Heterogeneous groups with members from different age groups, job responsibilities, qualification and status decease cohesiveness.

4.3 Leadership

What are Leadership Styles?

Leadership styles refer to the behavioral approach employed by leaders to influence, motivate, and direct their followers. A leadership style determines how leaders implement plans and strategies to accomplish given objectives while accounting for stakeholder expectations and the wellbeing and soundness of their team.

Leadership styles have been studied in various fora to establish the appropriate or most effective leadership style that motivates and influences others to accomplish set goals. The major tenet of effective leadership style is the degree to which it builds follower trust.

Studies carried out indicate that followers who trust in their leader are more likely to follow through with the leader's instructions over and above the expected. In turn, they will accomplish set goals while being allowed to speak freely to air their ideas and suggestions on the direction of the projects at hand.

The leadership styles discussed in this article are based on studies and findings by several accomplished leadership researchers, which include Robert K. Greenleaf, Karl Lewis, Daniel Goleman, Bruce Avolio, and Bernard M. Bass.

Why Do Leadership Styles Matter?

A leadership style adopted by any leader is usually a combination of their personality, life experiences, level of emotional intelligence, family dynamics, and way of thinking. Thus, leaders should be able to understand their leadership style in relation to a combination of traits listed above and determine how best they can be more effective.

Effective leadership has more to do with leadership style. Hence, a leader's ability to take charge and know whether a situation requires an executive decision or a more consultative one is vital.

Furthermore, a leader needs to have the ability to know the most effective leadership style that is suitable for an organization or situation to succeed. Understanding one's leadership style allows a leader to take ownership, control, and responsibility for the size and scope of the tasks ahead.

A study by Daniel Coleman in a Harvard Business Review article, *Leadership That Gets Results*, reviewed and analyzed more than 3,000 middle-level managers to find out specific leadership behaviors and their effect on profitability. The results revealed that a manager's leadership style was responsible for 30% of the company's bottom-line profitability.

An understanding of one's leadership style and the ability to be flexible based on changing circumstances will likely result in the additional benefits below:

- Improvement in communication and collaboration
- Increase in employee engagement
- Strengthening of team effectiveness
- Leadership effectiveness becomes conspicuous in the organization leading to recognition

Below are the most common leadership styles.

Common Leadership Styles

1. Democratic Leadership

A democratic leadership style is where a leader makes decisions based on the input received from team members. It is a collaborative and consultative leadership style where each team member has an opportunity to contribute to the direction of ongoing projects. However, the leader holds the final responsibility to make the decision.

Democratic leadership is one of the most popular and effective leadership styles because of its ability to provide lower-level employees a voice making it equally important in the organization. It is a style that resembles how decisions are made in company boardrooms. Democratic leadership can culminate in a vote to make decisions.

Democratic leadership also involves the delegation of authority to other people who determine work assignments. It utilizes the skills and experiences of team members in carrying out tasks.

The democratic leadership style encourages creativity and engagement of team members, which often leads to high job satisfaction and high productivity. However, establishing a consensus among team members can be time-consuming and costly, especially in cases where decisions need to be made swiftly.

2. Autocratic Leadership

Autocratic leadership is the direct opposite of democratic leadership. In this case, the leader makes all decisions on behalf of the team without taking any input or suggestions from them. The leader holds all authority and responsibility. They have absolute power and dictate all tasks to be undertaken. There is no consultation with employees before a decision is made. After the decision is made, everyone is expected to support the decision made by the leader. There is often some level of fear of the leader by the team.

The autocratic type of leadership style can be very retrogressive as it fuels employee disgruntlement since most decisions would not be in the employees' interests. An example can be a unilateral increase in working hours or a change in other working conditions unfavorable to employees but made by leadership to increase production. Without employee consultation, the manager may not be fully aware of why production is not increasing, thereby resorting to a forced increase in working hours. It can lead to persistent absenteeism and high employee turnover.

However, autocratic leadership can be an effective approach in cases where the leader is experienced and knowledgeable about the circumstances surrounding the decision in question and where the decision needs to be made swiftly. There are other instances where it is also ideal such as when a decision does not require team input or an agreement to ensure a successful outcome.

3. Laissez-Faire Leadership

Laissez-faire leadership is accurately defined as a hands-off or passive approach to leadership. Instead, leaders provide their team members with the necessary tools, information, and resources to carry out their work tasks. The "let them be" style of leadership entails that a leader steps back and lets team members work without supervision and free to plan, organize, make decisions, tackle problems, and complete the assigned projects.

The laissez-faire leadership approach is empowering to employees who are creative, skilled, and self-motivated. The level of trust and independence given to the team can prove to be uplifting and productive and can lead to job satisfaction.

At the same time, it is important to keep such a type of leadership in check as chaos and confusion can quickly ensue if the team is not organized. The team can end up doing completely different things contrary to what the leader expects.

According to research, laissez-faire leadership is the least satisfying and least effective.

4. Transformational Leadership

Transformational leadership is all about transforming the business or groups by inspiring team members to keep increasing their bar and achieve what they never thought they were capable of. Transformational leaders expect the best out of their team and push them consistently until their work, lives, and businesses go through a transformation or considerable improvement.

Transformational leadership is about cultivating change in organizations and people. The transformation is done by motivating team members to go beyond their comfort zone and achieve much more than their perceived capabilities. To be effective, transformational leaders should possess high levels of integrity, emotional intelligence, a shared vision of the future, empathy, and good communication skills.

Such a style of leadership is often associated with high growth-oriented organizations that push boundaries in innovation and productivity. Practically, such leaders tend to give employees tasks that grow in difficulty and deadlines that keep getting tighter as time progresses.

However, transformational leaders risk losing track of individual learning curves as some team members may not receive appropriate coaching and guidance to get through challenging tasks. At the same time, transformational leaders can lead to high productivity and engagement through shared trust and vision between the leader and employees.

5. Transactional Leadership

Transactional leadership is more short-term and can best be described as a “give and take” kind of transaction. Team members agree to follow their leader on job acceptance; therefore, it’s a transaction involving payment for services rendered. Employees are rewarded for exactly the work they would’ve performed. If you meet a certain target, you receive the bonus that you’ve been promised. It is especially so in sales and marketing jobs.

Transactional leadership establishes roles and responsibilities for each team member and encourages the work to be completed as scheduled. There are instances where incentive programs can be employed over and above regular pay. In addition to incentives, there are penalties imposed to regulate how work should be done.

Transactional leadership is a more direct way of leadership that eliminates confusion between leader and subordinate, and tasks are clearly spelled out by the leader. However, due to its rigid environment and direct expectations, it may curb creativity and innovation. It can also lead to lower job satisfaction and high employee turnover.

6. Bureaucratic Leadership

Bureaucratic leadership is a “go by the book” type of leadership. Processes and regulations are followed according to policy with no room for flexibility. Rules are set on how work should be done, and bureaucratic leaders ensure that team members follow these procedures meticulously. Input from employees is considered by the leader; however, it is rejected if it does not conform to organizational policy. New ideas flow in a trickle, and a lot of red tape is present. Another characteristic is a hierarchical authority structure implying that power flows from top to bottom and is assigned to formal titles.

Bureaucratic leadership is often associated with large, “century-old” organizations where success has come through the employment of traditional practices. Hence, proposing a new strategy at these organizations is met with fierce resistance, especially if it is new and innovative. New ideas are viewed as wasteful and ineffective, or even downright risky.

Although there is less control and more freedom than an autocratic leadership style, there is still no motivation to be innovative or go the extra mile. It is, therefore, not suitable for young, ambitious organizations on a growth path.
Bureaucratic leadership is suitable for jobs involving safety risks or managing valuable items such as large amounts of money or gold. It is also ideal for managing employees who perform routine work.

7. Servant Leadership
Servant leadership involves a leader being a servant to the team first before being a leader. A servant leader strives to serve the needs of their team above their own. It is also a form of leading by example. Servant leaders try to find ways to develop, elevate and inspire people following their lead to achieve the best results.
Servant leadership requires leaders with high integrity and munificence. It creates a positive organizational culture and high morale among team members. It also creates an ethical environment characterized by strong values and ideals.
However, other scholars believe servant leadership may not be suitable for competitive situations where other leaders compete with servant leaders. Servant leaders can easily fall behind more ambitious leaders. The servant leadership style is also criticized for not being agile enough to respond to tight deadlines and high-velocity organizations or situations.

Other Leadership Styles

1. Coach-style Leadership
Coach-style leadership involves identifying and nurturing individual strengths and formulating strategies for the team to blend and work well together, cohesively and successfully.

2. Charismatic Leadership
Charismatic leadership employs charisma to motivate and inspire followers. Leaders use eloquent communication skills to unite a team towards a shared vision. However, due to the charismatic leaders' overwhelming disposition, they can see themselves as bigger than the team and lose track of the important tasks.

3. Strategic Leadership
Strategic leadership leads the company's main operations and coordinates its growth opportunities. The leader can support multiple employee layers at the same time.

Which Leadership Style is the Best?
No one leadership style fits all organizations or situations. In addition, there is no one right way to lead, and there may be a need to switch between different leadership styles. It is therefore important to know all leadership styles and their pros and cons. The right leadership approach is often determined by the following factors:

- The type of organization, i.e., mature or growth-oriented
- The type of work involved, i.e., routine or creative
- The level of experience and skill of the team
- The personality of the leader

A consideration of the above factors will likely determine the appropriate leadership style to adopt or an appropriate combination of certain leadership styles.

4.4 Group decision-making

Group decision-making commonly known as collaborative decision-making is a situation faced when individuals collectively make a choice from the alternatives before them.
The decision is then no longer attributable to any individual group member as all the individuals and social group processes like social influence contribute to the decision outcome.
The decisions made by groups are mostly different from those made by individuals. For example, groups tend to make decisions that are more extreme than those made by individual members, as individuals tend to be biased.

Advantages of Group Decision Making

Group decision making has two advantages over individual decision making.

Synergy

It is the idea that the whole is greater than the aggregate of its parts. When a group makes a decision collectively, its judgment can be powerful than that of any of its members. Through discussing, questioning, and collaborative approach, group members can identify more complete and robust solutions and recommendations.

Sharing of information

Group decisions take into account a wider scope of information as each group member may contribute distinct information and expertise. Sharing information increases understanding, clarifies issues, and facilitates movement towards a collective decision.

Disadvantages of Group Decision Making

The major disadvantages of group decision making are as follows −

Diffusion of Responsibility

Group decision making results in distribution of responsibility that results in lack of accountability for outcomes. In this way, everyone is responsible for a decision, and no one really is. Moreover, group decisions can make it easier for members to refuse personal responsibilities and blame others for bad decisions.

Lower Efficiency

Group decisions can sometimes be less efficient than individual decisions. It takes additional time because there is a need of active participation, discussion, and coordination among group members.

Without good facilitation and structure, meetings can get eliminated in trivial details that may matter a lot to one person but not to the others.

Groupthink

One of the biggest disadvantage of effective group decision making is groupthink. It is a psychological phenomenon that occurs within a group of people in which the wish for harmony or conformity results in an illogical or dysfunctional decision-making outcome.

By refraining themselves from outside influences and actively suppressing opposing viewpoints in the interest of minimizing conflict, group members reach a consensus decision without critical evaluation of substitute viewpoints.

Groupthink sometimes produces dehumanizing actions against the out-group.

Group Decision-Making Techniques

In order to eliminate group think and group shift from a group, we can use four different techniques that will help us make a collaborative decision that is best for the group. These techniques are −

- Brainstorming
- Nominal group thinking
- Didactic technique
- Delphi technique

Brainstorming

This technique includes a group of people, mostly between five and ten in number, sitting around a table, producing ideas in the form of free association. The main focus is on generation of ideas and not on evaluation of these ideas.

If more ideas can be originated, then it is likely that there will be a unique and creative idea among them. All these ideas are written on the blackboard with a piece of chalk so that all the team members can see every idea and try to improvise these ideas.

Brainstorming technique is very effective when the problem is comparatively precise and can be simply defined. A complex problem can be divided into parts and each part can be dealt with separately at a time.

Nominal Group Thinking

This technique is similar to brainstorming except that this approach is more structured. It motivates individual creativity. Members form the group for namesake and operate independently, originate ideas for solving the problem on their own, in silence and in writing. Members do not communicate well with each other so that strong personality domination is evaded.

The group coordinator either collects the written ideas or writes them on a large blackboard so that each member of the group can see what the ideas are. These ideas are further discussed one by one in turn and each participant is motivated to comment on these ideas in order to clarify and improve them. After all these ideas have been discussed, they are evaluated for their merits and drawbacks and each actively participating member is needed to vote on each idea and allot it a rank on the basis of priority of each alternative solution.

The idea with the highest cumulative ranking is selected as the final solution to the problem.

Didactic Interaction

This technique is applicable only in certain situations, but is an excellent method when a situation actually demands it. The type of problem should be such that it generates output in the form of yes or no. Say for example, a decision is to be made whether to buy or not to buy a product, to merge or not to merge, to expand or not to expand and so on. These types of decision requires an extensive and exhaustive discussion and investigation since a wrong decision can have serious consequences.
There are many advantages as well as disadvantages of this type of situation. The group that makes the decision is divided into two sub-groups, one in favor of the "go" decision and the opposing in favor of "no go" decision.
The first group enlists all the "pros" of the problem solution and the second group lists all the "cons". These groups meet and discuss their discoveries and their reasons.
After tiring discussions, the groups switch sides and try to find weaknesses in their own original standpoints. This interchange of ideas and understanding of various viewpoints results in mutual acceptance of the facts as they exist so that a solution can be put together around these facts and ultimately a final decision is reached.

Delphi Technique

This technique is the improvised version of the nominal group technique, except that it involves obtaining the opinions of experts physically distant from each other and unknown to each other. This isolates group members from the undue influence of others. Basically, the types of problems sorted by this technique are not specific in nature or related to a particular situation at a given time. For example, the technique could be used to explain the problems that could be created in the event of a war. The Delphi technique includes the following steps −

- The problem is first identified and a panel of experts are selected. These experts are asked to provide potential solutions through a series of thoughtfully designed questionnaires.
- Each expert concludes and returns the initial questionnaire.
- The results of the questionnaire are composed at a central location and the central coordinator prepares a second set of questionnaire based on the previous answers.
- Each member receives a copy of the results accompanied by the second questionnaire.
- Members are required to review the results and respond to the second questionnaire. The results typically trigger new solutions or motivate changes in the original ideas.
- The process is repeated until a general agreement is obtained.

4.5 Group conflicts

Organisational Conflicts: Consequences and Types

[redacted]

Conflict is a common occurrence in organisations and can take various forms, such as disagreements, hostility, contradictions, or incompatibilities among individuals or groups. It can arise due to differences in values, goals, policies, or the scarcity of resources. According to Robbins, conflict is a deliberate process where one person or unit purposely obstructs another, resulting in frustration and hindrance to the achievement of their goals or advancement of their interests.

Consequences of Organisational Conflicts

Conflicts can have both positive and negative consequences for an organisation:

Positive Consequences of Conflict:

1. Stimulating Change: Conflict acts as a catalyst for change in organisations. It brings attention to problems and highlights the need for change. Conflict forces individuals and groups to understand the issues better and find solutions.
2. Encouraging Creativity and Innovation: When faced with conflict, group members become creative in finding different ways to address the problem. Conflict stimulates their thinking process and can even lead to innovative ideas for improving policies and procedures.
3. Strengthening Group Cohesion: Inter-group conflict can bring groups closer together. When faced with internal conflicts, groups tend to unite and cooperate more. This solidarity helps them face the challenges posed by conflict.
4. Releasing Tension: Conflict provides a healthy outlet for releasing pent-up tensions and frustrations. It allows individuals to express their feelings and negotiate without harming the organisation's functioning.
5. Testing Abilities: Conflict serves as a test of individuals' learning and growth. Successfully managing conflict can boost satisfaction and motivation.

Negative Consequences of Conflict:

1. Upsetting Balance: Conflict disrupts the balance within an organisation. The energy spent on conflict can create imbalances between contributions and rewards. It can also create hostility between groups.
2. Increased Tension and Stress: Conflict generates tension and stress, affecting the well-being of individuals. It leads to feelings of anxiety, guilt, and frustration. Cooperation becomes difficult due to suspicion and lack of trust. Conflict can also leave the losing party dissatisfied.
3. Diversion of Energy: Conflict diverts attention away from organisational goals. Individuals may focus more on personal agendas and tactics to win the conflict rather than working towards common objectives. In extreme cases, conflict can lead to destructive actions.
4. Rigidity: Conflict can result in stricter authority and responsibility relationships, making the organisational structure more inflexible. Groups become more focused on tasks, and leadership becomes more directive.

Types of Organisational Conflicts

Conflict within an organisation can occur at the individual level or between multiple individuals. It can arise from divergent goals and the various roles individuals are expected to fulfil. Organisational conflicts can be broadly classified into the following categories:

- Intra-personal conflict
- Inter-personal conflict
- Inter-group conflict
- Inter-organisational conflict

Intra-personal Conflict

This conflict arises within an individual or between two or more individuals. It occurs when an individual faces difficulty in choosing between alternative courses of action. Intra-personal conflict can be caused by divergent goals and multiple roles expected from the individual.

1. Goal Conflict: This type of conflict occurs within an individual. It occurs when an individual faces difficulty in choosing between alternative courses of action. One common form of intra-personal conflict is goal conflict, where an individual must choose among competing goals. There are three subtypes of goal conflict:

- Approach-approach Conflict: This conflict arises when a person must choose between two or more equally appealing goals. Selecting one goal means giving up the others, leading to a challenging decision and for instance, deciding between two equally lucrative job offers.
- Approach-avoidance Conflict: In this conflict, an individual is presented with an alternative that has both positive and negative aspects. They are attracted to the positive aspects while being repelled by the negative aspects. For example, being offered a well-paid job in a location they dislike, creates a dilemma.
- Avoidance-avoidance Conflict: This conflict occurs when a person must choose between two undesirable goals, both of which have negative aspects. It's a situation where neither option seems appealing. For instance, disliking a current job but finding the alternative of resigning and searching for a new job equally unattractive.

2. Role Conflict: Role conflict arises when there are conflicting expectations placed on an individual in a specific position. It occurs when the expectations of a role are materially different or contradictory, making it challenging to fulfil one expectation without neglecting others. Role ambiguity, which arises from unclear duties and responsibilities, can also contribute to role conflict. Here are the different forms of role conflict:

- Person-role Conflict: This conflict occurs when a person is asked to perform a job that goes against their values. For example, being asked to engage in unethical practices that contradict one's values.
- Inter-role Conflict: Inter-role conflict arises when an individual is confronted with multiple and conflicting roles. For instance, having to make a decision that is unfavourable to workers while serving as a member of a works committee.
- Intra-sender Role Conflict: This conflict occurs when a person is assigned a job for which they lack the necessary capability or when there is insufficient time and resources to complete the task.
- Inter-sender Role Conflict: Inter-sender role conflict arises when different sources provide conflicting role expectations. For example, being asked to follow accounting practices that differ from the professional standards set by the relevant institute.

Inter-personal Conflict

Inter-personal conflict occurs between individuals or groups within an organisation. It arises when there are differences in opinions, values, or interests among individuals. This type of conflict can be between peers, supervisors and subordinates, or among team members.

1. Personality Differences: Some individuals may find it challenging to establish cooperative relations with others due to differences in their personalities.
2. Perceptions: Conflicts can arise when individuals from diverse socio-cultural backgrounds hold different perceptions, leading to disagreements, especially regarding task-related matters.
3. Clash of Values and Interests: Differences in personal values and interests can create misunderstandings and conflicts between individuals. Varied perspectives on ethical considerations or strategic decisions may contribute to such conflicts.
4. Power and Status Differences: When there is an unequal distribution of power and status within a group or organisation, conflicts may arise. Individuals with higher positions may exert control or give orders that conflict with the opinions or interests of those with lower positions.
5. Scarcity of Resources: Interpersonal conflicts can emerge when individuals compete for limited resources, such as budget allocations, promotion opportunities, or access to essential tools or equipment.

Inter-group Conflicts

Inter-group conflict refers to conflicts that arise between different groups within an organisation. It occurs when there are competing goals, limited resources, or differences in power and authority between groups. This type of conflict can be detrimental to collaboration and coordination within the organisation.

1. Divergent Goals and Interests: Conflict arises when the goals and interests of two or more groups are incompatible. For instance, conflicts often arise between labour and management when labour demands higher wages, potentially impacting the profitability desired by management. Additionally, unclear boundaries and reward systems based on group performance can further exacerbate goal incompatibility.
2. Task Interdependence: Conflict potential increases when groups rely on each other for resources or information. If one group's work is dependent on another group's completion, conflicts may emerge if the dependent group fails to meet expectations.
3. Limited Resources: When multiple groups compete for limited resources like funds, personnel, information, or power, conflicts arise as each group strives to secure a larger share of the available resources.
4. Collaborative Decision-making: Conflicts can arise during joint decision-making processes when groups have access to different information sources, communication channels suffer from leaks or blockages, or groups employ varying techniques for processing information.
5. Dealing with Uncertainty: Interactions between organisations and their environments often entail uncertainties. Conflicts may arise when one group establishes rules or guidelines that contradict the expectations or preferences of other groups, such as when the accounting department enforces travel expense rules that clash with the marketing department's expectations.
6. Attitudinal Differences: Conflicts can stem from attitudes of distrust, secrecy, or closed communication held by members of different groups. These attitudinal disparities can give rise to aggressive behaviours or strained relationships.
7. Organisational Ambiguity: Conflict can result from competition between groups for new responsibilities or when there is a lack of clarity regarding job roles and communication issues like noise, distortion, omission, or overload.
8. Managing Change: Introducing organisational changes, such as mergers, can trigger inter-group conflicts due to power struggles and differences in organisational culture and practices.
9. Communication Challenges: Each group may develop its own specialized vocabulary or jargon, hindering effective communication and mutual understanding between groups.

Inter-organisational conflict

Inter-organisational conflict refers to conflicts that arise between different organisations or entities. These conflicts occur when there are disagreements, tensions, or competition between organisations that can impact their relationship and interactions. Inter-organisational conflicts can arise due to various reasons, including:

1. Competition for Resources: Organisations often find themselves in competition for limited resources such as funding, customers, market share, or skilled personnel. This competition can lead to conflicts as organisations strive to gain an edge over one another.
2. Conflicting Interests: When organisations have divergent goals, objectives, or interests, conflicts can emerge. For instance, two organisations operating in the same industry may have different strategies or business models, resulting in competition and conflicts.
3. Power Dynamics: Imbalances in power and influence among organisations can give rise to conflicts. Larger or more influential organisations may exert control or dominance over smaller counterparts, leading to tensions and disputes.
4. Contractual or Agreement Disputes: Organisations frequently enter into contracts or agreements with one another for various purposes, such as partnerships, joint ventures, or supply chain

relationships. Conflicts may arise when there are disagreements or breaches of these contractual arrangements.

5. Differences in Organisational Culture: Each organisation possesses its own set of values, norms, and ways of operating. Conflicts can arise when organisations with contrasting cultures collaborate or interact, as differences in communication styles, decision-making processes, or work approaches come to the forefront.
6. Misaligned Interests or Strategies: Organisations may have differing priorities, strategies, or approaches to conducting business. When these differences are not effectively managed or aligned, conflicts can emerge, impeding cooperation and collaboration.
7. External Factors: Changes in the external environment, such as shifts in market conditions, regulatory requirements, or technological advancements, can create conflicts between organisations as they navigate new circumstances or vie for opportunities.

4.6 Organization Centralization and Decentralization

[redacted]

As far as we are concerned with different business organizations, *Centralization* and *Decentralization* are two relative terms. Centralization focuses all the decision-making functions at the top of the management hierarchy. Such a situation would get rid of the need for a management hierarchy. In other words, the decision-making authority lies with the higher management. Decentralization implies assigning all the decision-making functions to the lower level of the hierarchy, and that would remove the need for higher management, i.e., the decision-making authority is divided between all the levels of the hierarchy. Both of these situations are unrealistic, and therefore both centralization and decentralization are needed in the working of an organization.

Interdependence between Centralization and Decentralization

An organization is both centralized as well as decentralized. In many organizations, all the major decisions are taken by the top level, while in some organizations that power is vested in the lower organizations. The organization whose decisions are taken by the top management are known as centralization, whereas the organizations whose decision-making responsibilities are distributed between the lower levels are termed decentralization. It is more likely for an organization to make decentralized decisions because of its constant growth and complexity. In larger organizations, the employees who are at the lower levels are usually more involved in different kinds of operations and tend to have more knowledge and understanding about the working of the organization. Therefore, there is a need for both forces in an organization. Thus, there should be a balance between centralization and decentralization in every organization.

Delegation is more important than Decentralization

Delegation means the downward flow of responsibility and authority from top management or superior to lower levels of management or subordinate. Delegation helps the organization to work efficiently by enabling the manager to use his time to focus on other important tasks. It also gives the subordinates some kind of recognition and also provides them with opportunities to help them develop.

Delegation helps the manager to extend his work as he can distribute his responsibility and work on other areas otherwise his responsibilities would be restricted to only what the manager might be capable of doing. This does not mean that he will not be accountable for the tasks performed. The

authority delegated to the subordinate can be taken back or transferred. But irrespective of the delegation, the manager will still be responsible for the assigned tasks.
Delegation is much more important than decentralization. This is because in decentralization only the decision and authority are passed on between different levels of management whereas in delegation the manager transfers some of his authority and responsibility to his subordinates.
Delegation is required in almost every field whether big or small. An organization cannot work without delegation. While on the other hand decentralization is only a part of mostly bigger organizations. It is not mandatory.

Decentralization is an extension of Delegation
When in delegation, the management of an organization is evenly assigned to the lower levels, which eventually leads to decentralization. In delegation, the managers assign some of their tasks to their subordinates, and they have to work accordingly. In delegation, the authority is just transferred by the manager to the subordinates, whereas in decentralization, it is passed on to the subordinates of different levels of management. Thus, in decentralization, the authority passed on by the manager to subordinates is multiplied from a single level of management to several different management levels. Therefore, we can say that delegation is an extension of decentralization.

Importance of Decentralization
Decentralization is not only the passing of authority onto the lower levels of management, but it also involves the selective distribution of authority to the lower levels because of the belief that they are resourceful, knowledgeable, and efficient. Decentralization is an important step, and it can be understood by the following points:

- Develops initiative among subordinates: Since the lower levels of management have to make decisions on their own and perform the tasks with the help of their capabilities, they become more confident and self-reliant. It also enables them to stay focused and find the answers to solve all the different kinds of problems they might have to face. Decentralization is helpful for the subordinates to develop and identify themselves, and also to find their potential to become strong leaders.
- Develops managerial talent for the future: The experience that a subordinate gain from handling different kinds of tasks and situations is equally important that one receives from the training based on skills and talent. Decentralization gives the subordinates a purpose to prove themselves and helps them build their potential to qualify for a more ambitious position through promotion. It is also a means to identify those persons who are not ready and need more training and development. Thus, it is an opportunity for the subordinates to implement their training in real-life situations.
- Quick decision making: In centralization, the decisions are taken by the top level of management, which has to be transferred down to the lower levels. This transfer of information has to go through several levels, which could slow down the response and hence the decision-making. However, in decentralization, the decisions are taken even at the lower levels, so they are already updated, and therefore, there is no need for the information to travel through long channels for their approval. This makes communication quick and easy and also saves up a lot of time for the organization. Besides this, the information is more accurate, as there is no need for it to pass through all the levels of management.
- Relief to the Top management: Decentralization reduces direct management of the subordinates at the hands of the superiors, as the subordinates are free to act and manage the given activities by the restriction set by the top management. The top management can focus better on the policy decisions, i.e., future decisions, rather than being concerned with both policy and operational decisions. They can invest their time in thinking and planning for the future of the organization

without being worried about daily activities. Thus, decentralization is helpful as the superiors do not have to check up on all the decisions made by the lower levels every single time.

- Facilitates growth: Decentralization makes the lower levels as well as the top management or departmental heads self-reliant. This allows them to make better decisions concerning their departments. Decentralization also creates a competitive environment for different departments, which enables them to compete and excel with each other. This competition promotes productivity and allows the different departments to generate greater returns to help expand their business.
- Better control: Decentralization makes it possible for the top management to manage and control each level based on their performance. Also, their department will be held responsible for their actions alone. The result accomplished by the organization and the contribution of each department in achieving those objectives can be determined through decentralization. Reports received from each level help the organization understand and improve its performance of the organization. This encourages the organizations to improve and develop an innovative system of management.

4.7 Organizational Structures Organizational Change and Development

What is Organizational Change Management?

IT introduced that Organizational change involves making significant adjustments to a company's culture, technology, or internal processes. Effectively navigating this transformation involves three key phases: preparation, implementation, and follow-through. It's about guiding the transformation to a positive outcome.

1. Organizational Change Management involves a systematic approach to navigating organizational change successfully.
2. Organizational Change Management ensures that leaders are aligned with and actively support the change is crucial for its success, as their influence plays a pivotal role in organizational transitions.
3. OCM emphasizes the development of effective communication plans to keep stakeholders informed and engaged throughout the change process.

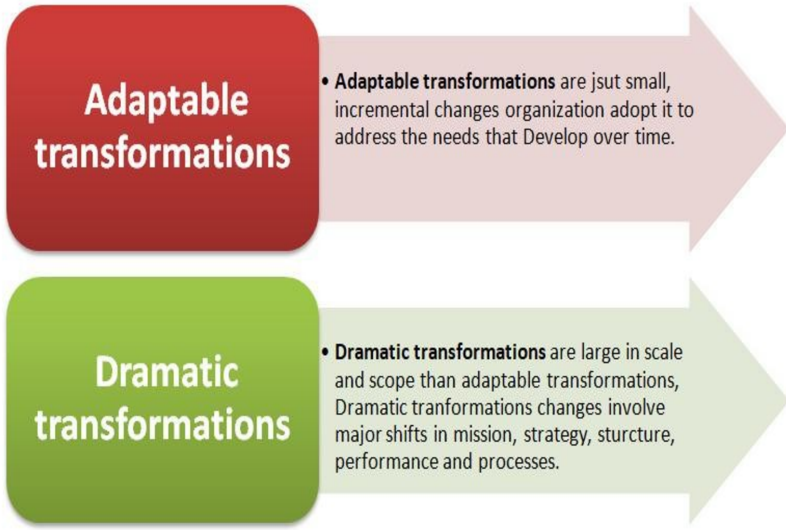
What are Organizational Change Factors?

Many factors make the organizational change necessary. Some of the most common faced by managers are as follows:

1. Leadership Transition: The arrival of new leaders at the organizational or departmental level triggers strategic shifts and cultural changes.
2. Shifted Team Structures: Changes in organizational team structures, especially those involving shifts or restructuring, require adjustments in roles and responsibilities.
3. Technology Implementations: The introduction of new technologies necessitates an organizational change to integrate and optimize workflows, often impacting processes and skill requirements.
4. Adoption of New Business Models: Embracing novel business models demands organizational flexibility to align structures, processes, and strategies with evolving market dynamics.

What are the Forms of Organizational Change?

There are major two types of Organizational Change as follows:



1. Adaptable Transformations

Organizations often embrace adaptive changes, subtle adjustments made by managers to meet evolving needs. These tweaks, part of executing business strategies, involve refining processes. For instance, an organization upgrading from Windows 8 to Windows 10 exemplifies a typical adaptive change.

- These changes are often evolutionary, emphasizing flexibility and responsiveness to ongoing challenges.
- Implementing agile methodologies in project management to enhance adaptability without disrupting the entire organizational framework.

2. Dramatic Transformations

Dramatic TransformationsDramatic, broader in scale, encompasses shifts in mission, strategy, structure, and processes. Fueled by external factors, like emerging competitors, they demand time and energy. An example is adopting CRM software, which requires universal departmental proficiency. Managers must recognize the unique nuances of each change.

- Dramatic transformations entail significant, revolutionary changes that may impact various aspects of the organization simultaneously.
- These changes are often disruptive, involving substantial shifts in culture, processes, or business models.

Why is Effective Management of Organizational Change important?

For the success and growth of the companies, Organizational change is necessary. Facilitating change management is instrumental for the successful adoption and change usage within the business. It also helps to allow employees to commit and understand the shift and work throughout the process.

1. Changes In Vitality: Accepting the change is crucial to the success and growth of the company, nurturing and ability among employees.
2. Leading Through Change: Navigating change effectively involves ensuring that transitions are welcomed seamlessly, promoting fruitful collaboration amid transformations.
3. Challenges Arising from Insufficient Change Management: The drawbacks of inadequate change management are palpable. When not addressed adeptly, it brings about a degree of unpredictability, demanding substantial time and resources.

4. Impact on Stakeholder Perceptions: The way a company navigates through changes significantly influences how stakeholders perceive it, including investors, suppliers, and potential employees.
5. Adaptation Of Strategy: It is a very crucial part. Without effective change management, there's a risk of organizational failure, emphasizing the significance of strategic adaptation.

<u>Advantages of Organizational Change</u>

Effective Change Management provides several advantages that help organizations achieve Employee Confidence, Competitive advantage, Growth, and a Dynamic culture in, the ever-changing world. They have stated that these benefits include but are not limited to the following:

1. Adapting to Customer Needs: To effectively manage change, organizations can promptly respond to evolving customer demands, fostering adaptability and customer-centricity.
2. Leadership Insight: Leadership throughout the organization gains a profound understanding of the transformation's significance and the potential benefits it brings when executed with precision.
3. Effortless Problem Spotting: Identifying organizational problems requiring change becomes more seamless, facilitating the recognition and resolution of issues demanding a change plan.
4. Seamless Integration of Change: Implementing changes without disrupting daily organizational activities ensures a smooth transition, minimizing disruptions and optimizing operational continuity.

<u>What is the Manager's Role In Organizational Changes?</u>

Every company has a unique role in shaping the process of change. While many staff members may complete heavily detailed work, senior-level executives with longer tenure might have different goals. Inside the organizations, the managers and the leaders managers from many different roles.

1. Leaders: Leaders exhibit courage by embracing risks, conveying a high-level vision for change, and inspiring support. Success requires insightful leadership in assigning the right individuals to implement change.
2. Managers: Project Managers focus on the practical aspects, orchestrating the steps of change, allocating resources, and defining success criteria. While leaders ideally embody both roles, effective change design and execution are central to managerial responsibilities.

<u>Skills needed to manage Organizational Change</u>

There are the following skills that we need to manage the organizational changes.

1. Navigating Change: Throughout your managerial journey, experiencing organizational change is common; mastering skills to anticipate and address challenges is crucial.
2. Educational Avenues: Equip yourself with the necessary skills and knowledge by considering avenues like online courses, such as Management Essentials.
3. Practical Strategies: Online management courses offer practical skills, teaching valuable business strategies applicable to real-world scenarios.
4. Enhanced Abilities: Enhancing your organizational change management abilities through courses prepares you to navigate and overcome various transitional challenges.
5. Proactive Preparation: Taking proactive steps to improve skills ensures you are well-prepared to manage organizational changes effectively in your career.

<u>Conclusion</u>

Organizational Change Management is a structured approach crucial for navigating transitions within a company, addressing challenges, and fostering successful adaptation. In conclusion, it plays an important role in ensuring the seamless integration of changes, optimizing organizational efficiency, and sustaining long-term success.

4.8 Organizational Culture

What is Organizational Culture?

Organizational Culture refers to the shared values, beliefs, attitudes, and behaviors that characterize a company or institution. It encompasses the norms and practices that shape how individuals within the organization interact with each other, approach their work, and perceive the organization's mission and objectives. Organizational Culture is often considered the *personality* of a company, influencing employee engagement, decision-making processes, and overall performance.

Geeky Takeaways:

- Organizational Culture encompasses shared values, beliefs, and behaviors within a company.
- It influences how employees interact, make decisions, and perceive the organization.
- A positive culture fosters employee engagement, productivity, and satisfaction.
- Culture impacts organizational performance, innovation, and ability to adapt to change.
- Investing in understanding, nurturing, and evolving organizational culture is crucial for long-term success and resilience.

Importance of Organizational Culture

1. Employee Engagement: A positive organizational culture fosters a sense of belonging and purpose among employees. When employees feel valued, supported, and aligned with the company's values and goals, they are more likely to be engaged and committed to their work.

2. Performance and Productivity: A strong organizational culture can enhance employee motivation, morale, and productivity. When employees are motivated by shared values and a sense of camaraderie, they are more likely to collaborate effectively, communicate openly, and strive for excellence in their roles. This contributes to higher levels of performance and overall organizational success.

3. Innovation and Adaptability: Organizational Culture plays a crucial role in fostering innovation and adaptability. A culture that encourages creativity, risk-taking, and continuous learning empowers employees to experiment with new ideas, challenge the existing situation, and adapt to changing market conditions. This enables the organization to stay competitive and agile in an ever-evolving business environment.

4. Decision-Making and Problem-Solving: Decision-making and problem-solving are vital for achieving organizational success. A conducive work environment fosters open communication, allowing individuals to express their thoughts and ideas freely without reservation. Ultimately, promoting an open work culture enhances the quality of decision-making by allowing for the input of various alternative solutions, thereby increasing efficiency and ensuring the implementation of the most effective one.

5. Customer Satisfaction: A customer-centric culture affects the level of customer satisfaction positively. By motivating employees to provide excellent service and creating a work environment that shows them value and interest, it contributes to a higher level of satisfaction and loyalty, as employees provide excellent service. Moreover, it also allows businesses to remain up to date with customers' changing needs.

Characteristics of Organizational Culture

1. Shared Values: These are the basic assumptions and operational norms that an organization employs to guide its members. The primary objective of these values is to unite individuals by regulating their actions, to direct and support its operations, and to enable people to trust each other.

2. Norms and Expectations: These are the unwritten guidelines that let employees understand how they need to behave and interact with other employees. Some of the most common elements of these norms include communication style, ethics, and collaboration model. They are essential for the organization as they create unity and consistency while helping to remind the employees of the goal the organization is trying to achieve.

3. Communication Style: It relates to how information is transferred among employees of a company and the organizational hierarchy. It denotes both the frequency and the means of communication, as well as the tone and language used. It can vary from more open and transparent to more hierarchical and formal.

4. Leadership Style: It is the way in which the managers interact with their team members and the manner in which decisions are made. There are several approaches to this notion, such as autocratic, democratic, transformational, or laissez-faire. The leadership style adopted with the organization is likely to affect its organizational culture.

5. Work Environment: Work Environment refers to the physical, social, and psychological atmosphere, in which employees carry out their tasks. Therefore, it includes the layout and design of the office, the facilities provided for the staff, the extent to which interpersonal relationships are encouraged on the premises, and the overall "vibe".

6. Rituals and Traditions: These are defined as recurring symbolic practices, either formal or informal, through which the company articulates and stabilizes its values and identity. They improve connection and create an affiliation between employees. Traditions also allow determining continuity shifts and the possibility of building relationships with others.

Types of Organizational Culture

1. Hierarchical Culture: Hierarchical Culture can be characterized by the rigid organizational structure where decision-making is centralized, communication goes from the top down, and strict adherence to the prescribed procedure is encouraged. The power is concentrated in the hands of the most senior leaders. This can provide the stability and efficiency needed to compete in some markets, but it can be very inflexible.

2. Clan Culture: A clan culture involves the organization functioning as an extended family. A clan culture is one in which employees work together as they support one another with a touch of a feeling of belongingness. The leaders work as coaches as they promote the spirit of open communication and trust. Members of the culture are motivated as they feel that they are being appreciated by their leaders.

3. Adhocracy Culture: Adhocracy Culture is a kind of corporate culture that focuses on innovation, flexibility, and creativity. It is a dynamic and entrepreneurial culture, typical for organizations that operate in a stable environment with little hierarchy. Adhocracy Culture is characterized by a dynamic and entrepreneurial place where employees are encouraged to take risks for the benefit of the organization. This culture is focused on external flexibility, with employees encouraged to challenge the prevailing situation and innovate .

4. Market Culture: A market culture is associated with the organization's focus on competitiveness, results, and goal achievement. In a market culture, organizations have a strong external orientation and are actively focused on meeting needs and exceeding competitors. Employees are motivated by metrics, goals, and market share, and a strong emphasis is put on their accountability.

5. Bureaucratic Culture: Bureaucratic Culture is a term that is used to refer to a type of organizational culture that is characterized by formalized procedures or rules, hierarchical structures and adherence to rules and regulations. In a bureaucratic culture, the one who has the power to make decisions is the management and the lower employees are bound up by the protocol and the process set.

6. Innovative Culture: Innovative Culture is a work environment designed to promote creativity, experimentation, and the provision of new ideas. This type of culture allows employees to think outside the box, take risks, and deviate from the existing conditions. It is focused on the development of collaborative practices and an open-minded approach to multiple views.

How to Improve Organizational Culture?

1. Define Core Values: Core Values are the principles and beliefs behind one's behavior and decision-making. Moreover, these values are the company's identity, defining the culture and philosophy of the organization. In other words, core values are the main tool for guiding the staff in making the right decisions and carrying out their communication with customers, partners, and each other.

2. Foster Open Communication: Fostering Open Communication entails creating an environment where employees feel comfortable in expressing their ideas, concerns, and feedback without fear of judgment or rejection. This involves establishing channels for two-way communication, such as regular team meetings, suggestion boxes, anonymous feedback mechanisms, and open-door policies. Effective communication enables employees to share information, collaborate on projects, resolve conflicts, and contribute to organizational goals more effectively.

3. Promote Collaboration: Collaboration is a principle of encouraging teamwork, and cooperation among workers aimed at attaining common goals and objectives. This practice can be encouraged through a number of strategies such as team building, cross-functional, or departmental projects, collaborative tools among others. Organizations should encourage a culture where individual employees take the credit to share the ideas, knowledge, or resources they have.

4. Provide Training and Development: To enhance organizational culture, it is essential to provide training and development opportunities. This means giving employees opportunities to improve their skills and knowledge. The organizations' support for personal growth encourages their workers and raises a continuous improvement culture.

5. Encourage Work-Life Balance: It involves creating an environment that allows employees to keep up with work duties while ensuring their personal and family wellness. This is often done via flexible schedules and friendly policies. The advantages of work life balance are decreased levels of stress, higher morale and productivity and retention.

Qualities of a Great Organizational Culture

1. Clear Mission and Values: A well-defined mission and values in an organization articulate its purpose, aspirations, direction, and guiding principles. When clearly defined and well communicated, these have the ability to set a tone and provide a sense of purpose, alignment and direction for the group of individuals committed to serving the organization in pursuit of certain objectives.

2. Transparency: Open communication is essential for fostering trust, collaboration, and accountability within the organization. A great culture encourages transparent communication at all levels, allowing employees to voice their opinions, share feedback, and contribute to the organization's success.

3. Collaboration and Teamwork: Collaboration in organizational culture is the practice of promoting an environment where employees work as a team to achieve common goals. It includes sharing knowledge and resources and helping each other to succeed at the workplace. This system also fosters an optimistic and efficient working atmosphere that increases team members' productivity and performance.

4. Employee Development: A great culture values learning and development as essential components of personal and professional growth. Opportunities for training, skill-building, and career advancement are provided to employees, enabling them to enhance their capabilities and reach their full potential.

5. Recognition and Appreciation: Recognition and appreciation in the workplace revolve around acknowledging and rewarding employees for their contributions and pace of work. They are essential for boosting employees' morale, motivating them and maintaining positive behaviors and values in the organization.

Challenges to a Good Organizational Culture

1. Leadership Alignment: Ensuring that leaders at all levels of the organization are aligned with and actively promote the desired culture can be challenging. Misalignment or inconsistent messaging from leadership can undermine efforts to cultivate a positive culture.

2. Diversity and Inclusion: Creating an inclusive culture that values diversity and fosters a sense of belonging for all employees requires ongoing effort and commitment. Challenges may arise in addressing unconscious bias, promoting equitable opportunities, and ensuring that diverse voices are heard and valued.

3. Work-Life Balance: Balancing the demands of work with personal responsibilities and well-being is essential for maintaining a healthy organizational culture. Long hours, burnout, and excessive workload can undermine employee morale, engagement, and overall satisfaction.

4. Communication Breakdowns: Poor communication can hinder efforts to cultivate a positive culture by fostering misunderstandings, rumors, and lack of clarity. Clear, transparent communication channels and regular feedback mechanisms are essential for fostering trust and alignment.

5. Resistance to Change: Employees may resist changes to the organizational culture, particularly if they perceive it as a departure from familiar norms or values. Overcoming resistance to change requires effective change in management strategies, communication, and involvement of stakeholders.

Factors that Shape an Organization's Culture

1. Leadership: Leadership within an organization typically consists of guiding, motivating, and influencing others to accomplish shared goals. An effective leader will also define roles and responsibilities, set clear goals, make decisions that enhance the strategic direction of the organization, and create a positive work environment. Organizational culture is thus directly influenced by leaders through their guidance and example.

2. Values and Beliefs: The values and beliefs in an organization are the guiding principles and ideals that are essential to the behavior and decisions made. They define the organization's culture by establishing what is important and acceptable, and guide norms and priorities. Furthermore, they are in line with the organization's mission and vision to promote unity and purpose among the employees.

3. Communication: Employee communication in an organization indicates the process of information, opinions, and feedback exchange among the staff, teams, and managers. Effective communication is one of the key elements encouraging transparency, clarity, and understanding; open communication and sharing of information provides employees with opportunities for effective collaboration and decision-making.

4. Employee Behavior: Employee Behavior comprises actions or attitudes demonstrated by workers of a certain company or employer. While positive employee behavior includes all the forms of professionalism and cooperation between coworkers and management, negative factors are absenteeism or interpersonal conflict.

How to Identify Your Organizational Culture?

1. Observe Behaviors: Pay attention to how employees interact with each other, how decisions are made, and how conflicts are resolved. These observable behaviors provide clues about the underlying culture.

2. Analyze Symbols and Artifacts: Examine the physical environment, such as office layout, decor, and symbols used in branding or communication. These can reflect the values and priorities of the organization.

3. Listen to Stories and Language: Pay attention to the stories employees tell about their experiences within the organization. Listen to the language they use, including commonly used phrases or expressions. This can reveal cultural norms and attitudes.

4. Assess Organizational Structure and Processes: Evaluate the formal structure of the organization, including reporting lines, decision-making processes, and performance evaluation systems. This can shed light on the organization's priorities and values.

5. Review Mission, Vision, and Values Statements: Examine the official statements that articulate the organization's mission, vision, and values. Compare these with the actual behaviors and practices within the organization to identify any discrepancies.

6. Conduct Surveys and Interviews: Gather feedback from employees through surveys or interviews to understand their perceptions of the organizational culture. Ask questions about what they believe is valued within the organization and how they experience the culture in their day-to-day work.

4.9 Ethics

What is Ethics?

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The term Ethics can be defined as moral principles or values that govern the conduct of an individual or group.
Ethics are standards of behavior that make up an individual's or society's code of conduct. The word, Ethics comes from the Greek terms Ethos and Ethikos, which relate to character, custom, and habit respectively.
Ethics is a part of Philosophy that is mainly concerned with "Defending, Systematising, and recommending concepts of right and wrong behavior".

What is Ethics in Short?

Ethics is the branch of philosophy that deals with moral principles.
These principles are often divided into three categories:

1. what we should do?
2. what we should not do?
3. what we ought to do?

For example:

It would be unethical for a lawyer to lie on the witness stand in court because lawyers have an ethical obligation, to tell the truth under oath.

On the other hand, a doctor who tells his patient that he has a terminal illness when he does not is being unethical. It would be unethical for the doctor to break this news if it were true but he can only hurt his patient if it's false.

The argument could also be made that it is unethical for the doctor to withhold any information about his prognosis from his patient even if there is no cure for their disease.

History of Ethics

Ethics is derived from the Greek word ethos, which means character. It's the values and beliefs that guide people in their daily lives, as well as how they make decisions.

There are two major schools of thought on what ethics should be: Utilitarianism or Kantianism.

The utilitarian approach to ethics holds that any action is good if it produces more happiness than unhappiness for all those affected by it; this includes consequences not only for oneself but also for others.

On the other hand, Kantianism focuses on intentions rather than consequences. For example, a person cannot tell a lie with good intent. For an act to be considered ethical, there must be no violation of duty towards one's self or others and one's intentions must be pure.

Dimensions of Ethics

When discussing ethics, it is important to consider all of its various dimensions. Ethics encompass the behavior and values of individuals in the context of the larger society.

These values are often based on a moral code, which is a set of principles or values that guide how people should behave. Additionally, ethical decisions are not always easy, as they often involve weighing competing interests.

At its most basic level, ethics can be divided into two broad categories: descriptive ethics and prescriptive ethics.

Descriptive ethics refers to understanding and describing moral behavior that is accepted by society. This includes understanding what behavior is considered good or bad, and why?.

Meanwhile, prescriptive ethics is about defining the principles and rules that govern how people should behave in order to do what is morally right.

In addition to these two primary dimensions, there are several other aspects of ethics worth considering. One of the most important of these is the notion of moral relativism, which states that ethical beliefs vary from culture to culture and even between individuals.

Another dimension is utilitarianism, which argues that actions should be judged by their ability to produce the greatest good for the greatest number of people.

Lastly, deontological ethics focuses on people's duties and obligations and stresses the importance of personal responsibility. It is important to remember that ethics are not static; they are constantly evolving as society progresses. As such, it is important to understand the different dimensions of ethics in order to make informed decisions that are consistent with our values and beliefs.

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Types of Ethics:

Ethics is a branch of philosophy, there are many types of ethics based on different approaches and situation. Let's understand these types briefly:

1. Normative Ethics

One way of understanding ethics is by looking at the norms, or rules, in society. Normative Ethics looks at what the right and wrong things to do are in a specific situation.

These two words can be contrasted with other aspects of ethics such as Meta-Ethics which looks at how people come up with morality and ought beliefs.
The three main types of normative ethical systems are Utilitarianism, Kantianism, and Virtue Theory.

2. Applied Ethics
An example of applied ethics would be the ethics of recycling. This can be applied to our personal lives by ensuring we recycle as much as possible and teaching our children to do the same.
It also applies to more global issues, such as the impact that deforestation has on endangered species' habitats, which would cause a loss in biodiversity.

3. Meta-Ethics
Meta-ethics asks the question of what it means to do ethics?. In other words, meta-ethics questions how we can justify ethical judgments, or how we can prove that one ethical theory is better than another.
For example, if I claim that utilitarianism is a good moral system, then meta-ethics would ask: How do you know?
The answer lies in the realm of normative ethics and something is morally wrong because society does not agree with it.

4. Virtue Ethics
Ethics are about the virtues that a person should adopt to be a good person. Virtue ethics often focus on what we should do and not do in various situations, rather than on right and wrong.
For example, it might tell us that if you don't want to steal something, then you shouldn't even try it because you know you will fail.
The goal of virtue ethics is to teach people how they can become better people, which makes them more likely to behave ethically.

Principles of Ethics
The principles of ethics are made up of three different categories: deontology, virtue, and consequentialism.
- Deontology focuses on the action and how it should be done.
- Virtue focuses on the character or intent of the person performing the act.
- Consequentialism focuses on the outcome of an act.

With these three categories, we can see that a right act would not need to be good to be right and a wrong act would not need to result in harm to be wrong.
These ethical theories guide us to do the right thing when we don't know what the best thing to do is or if there are other options.

Ethical Standards and Decision Making
When it comes to defining ethics, there is no one-size-fits-all answer. Everyone has their own set of beliefs and values that shape their ethical decision-making process.
However, there are some common elements that many people consider when determining what is right or wrong. These elements include religion, culture, law, individual morals, and personal experience.
Religion plays an important role in determining ethics. Different religious traditions have distinct sets of beliefs and values that are used to guide ethical decisions. For instance, the Bible is often seen as the ultimate source of morality for Christians, while Islamic tradition emphasizes certain values from the Quran.

Culture can also play a role in defining ethics. Different cultures have different norms and expectations regarding acceptable behavior. For instance, many cultures frown upon lying and cheating, while other cultures may not find such behaviors as serious offenses.

The law is another important factor in determining ethics. Laws provide guidance about acceptable behavior in society, so individuals are expected to follow these laws and abide by them. Violations of these laws can lead to legal repercussions, so it's important to be aware of the laws in your area.

Individual morals are also key determinants of ethics. Everyone has their own set of values and beliefs that they use to make ethical decisions. What is right or wrong will depend on the individual's set of morals and values.

Personal experience also shapes a person's view of ethics. Past experiences can influence a person's outlook on ethical behavior, and those experiences may be either positive or negative. For example, if someone was raised in an environment where cheating was the norm, they may not consider it to be an ethical violation.

Ultimately, the concept of ethics is highly subjective and there is no universal answer as to what constitutes ethical behavior. Every individual must decide for themselves what is right and wrong based on their own set of beliefs and values. Religion, culture, law, individual morals, and personal experience all play a significant role in shaping ethical behavior.

Importance of Ethics

Let's now see why is ethics important for proper functioning of a society? Ethical people create good and happy society whereas no one is happy in unethical society. Let's look at some reasons why we would be more ethical:

1. Ethics build trust in people. When people work ethically they gain trust of others and their cooperation.
2. It also helps in decision making, people can question themselves before making any decisions.
3. It prevents humans from intentionally harming people, and increases welfare work.
4. It also helps you in condition where you face moral dilemnas, you can take better decision which is ethically right.
5. It is also beneficial for personal and organizational growth. People working ethically will get genuine results.

Ethics in Different Fields

Ethics is needed in every aspect of life but let's discuss ethics in different fields like technology, business, healthcare etc.

1. Ethics in Technology:

There are some ethical standards that should be fulfilled in technology advancements. When a new technology is launched in market, it should make necessary decisions that ensures it's ethics. Some of the ethical practices include:

- Privacy
- Data Protection
- Cyber Security
- Regulation and compliance
- Unbiased nature
- Productive use

2. Ethics in Business

Ethical practices are most required in business as it includes monetary transactions and trust building. Many people practice unethical actions to make more profit. Here are some ethical practices you must incorporate in your business:

- Taking responsibility
- Transparency in work
- Respecting employee
- Good work culture
- Integrity in financial reports
- consumer protection

3. Ethics in Real Life

Now let's discuss how to live ethical life?. Living a ethical life is most important and it can encompass all fields of ethics. If you are ethical in real-life you will be ethical in every field. Some ethical behavior in real life are:

- Maintaing Professional Integrity
- Good behavior
- Healthy decision making
- Environmental Responsibility
- Online ethics

Ethics vs Morals

When discussing ethical behavior, it is important to understand the differences between ethics and morals. Ethics are a set of rules that govern behavior based on principles of right and wrong. Morals, on the other hand, refer to a person's personal beliefs and values.

The distinction between ethics and morals is an important one, as each can influence decision making in different ways. It's important to recognize that ethical behavior does not always reflect a person's personal moral code.

For instance, a person may have personal moral beliefs that do not align with accepted ethical practices in their workplace. In such cases, it is expected that the person will adhere to the workplace ethics and not their own personal moral code.

Ultimately, the main difference between ethics and morals comes down to the level of social acceptance. Ethics are generally more broadly accepted than morals, as they tend to be based on values that are shared by the majority of society. Conversely, morals are more subjective and personal, and may not be shared by everyone.

By understanding the distinctions between ethics and morals, we can make better decisions when it comes to our own behaviors. Knowing how to differentiate between the two can help us act responsibly and adhere to a moral code that is consistent with our own personal beliefs, while also understanding the rules and standards of behavior expected by our communities.

OIM351 INDUSTRIAL MANAGEMENT

UNIT V	MODERN CONCEPTS	9
Management by Objectives (MBO) - Management by Exception (MBE),Strategic Management - Planning for Future direction - SWOT Analysis -Evolving development strategies, information technology in management Decisions support system-Management Games Business Process Reengineering(BPR) –Enterprises Resource Planning (ERP) - Supply Chain Management (SCM) - Activity Based Management (AM) - Global Perspective - Principles and Steps Advantages and disadvantage		

5.1 Management by Objectives (MBO)

What is Management by Objectives (MBO)?

Management by Objectives (MBO) is a strategic approach to enhance the performance of an organization. It is a process where the goals of the organization are defined and conveyed by the management to the members of the organization with the intention to achieve each objective.

An important step in the MBO approach is the monitoring and evaluation of the performance and progress of each employee against the established objectives. Ideally, if the employees themselves are involved in setting goals and deciding their course of action, they are more likely to fulfill their obligations.

Steps in Management by Objectives Process

1. **Define organization goals**

Setting objectives is not only critical to the success of any company, but it also serves a variety of purposes. It needs to include several different types of managers in setting goals. The objectives set by the supervisors are provisional, based on an interpretation and evaluation of what the company can and should achieve within a specified time.

2**. Define employee objectives**

Once the employees are briefed about the general objectives, plan, and the strategies to follow, the managers can start working with their subordinates on establishing their personal objectives. This will be a one-on-one discussion where the subordinates will let the managers know about their targets and which goals they can accomplish within a specific time and with what resources. They can then share some tentative thoughts about which goals the organization or department can find feasible.

3. **Continuous monitoring performance and progress**

Though the management by objectives approach is necessary for increasing the effectiveness of managers, it is equally essential for monitoring the performance and progress of each employee in the organization.

4. Performance evaluation

Within the MBO framework, the performance review is achieved by the participation of the managers concerned.

5. **Providing feedback**

In the management by objectives approach, the most essential step is the continuous feedback on the results and objectives, as it enables the employees to track and make corrections to their actions. The ongoing feedback is complemented by frequent formal evaluation meetings in which superiors and subordinates may discuss progress towards objectives, leading to more feedback.

6. **Performance appraisal**

Performance reviews are a routine review of the success of employees within MBO organizations.

Benefits of Management by Objectives

- Management by objectives helps employees appreciate their on-the-job roles and responsibilities.
- The Key Result Areas (KRAs) planned are specific to each employee, depending on their interest, educational qualification, and specialization.
- The MBO approach usually results in better teamwork and communication.
- It provides the employees with a clear understanding of what is expected of them. The supervisors set goals for every member of the team, and every employee is provided with a list of unique tasks.
- Every employee is assigned unique goals. Hence, each employee feels indispensable to the organization and eventually develops a sense of loyalty to the organization.
- Managers help ensure that subordinates' goals are related to the objectives of the organization.

Limitations of Management by Objectives

- Management by objectives often ignores the organization's existing ethos and working conditions.
- More emphasis is given on goals and targets. The managers put constant pressure on the employees to accomplish their goals and forget about the use of MBO for involvement, willingness to contribute, and growth of management.
- The managers sometimes over-emphasize the target setting, as compared to operational issues, as a generator of success.
- The MBO approach does not emphasize the significance of the context wherein the goals are set. The context encompasses everything from resource availability and efficiency to relative buy-in from the leadership and stakeholders.

- Finally, there is a tendency for many managers to see management by objectives as a total system that can handle all management issues once installed. The overdependence may impose problems on the MBO system that it is not prepared to tackle, and that frustrates any potentially positive effects on the issues it is supposed to deal with.

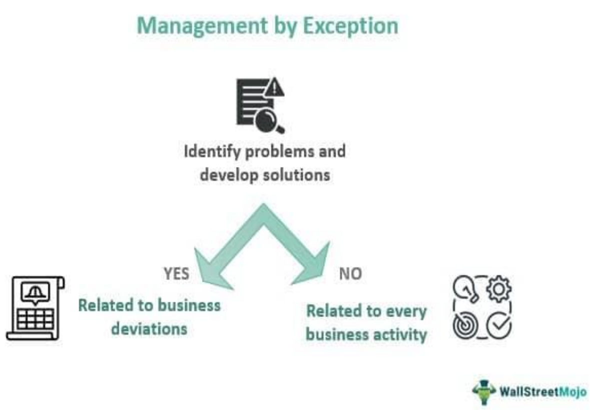
Key Takeaways

- Management by Objectives (MBO) is an approach adopted by managers to control their employees by implementing a series of concrete goals that both the employee and the organization aim to accomplish in the immediate future and work accordingly to achieve.
- The MBO approach is implemented to ensure that the employees get a clear understanding of their roles and responsibilities, along with expectations, so that they can understand the relation of their activities to the overall success of the organization.
- If the management by objectives strategy is not adequately set, decided upon, and controlled by organizations, self-centered workers can be likely to misinterpret results, wrongly portraying the achievement of short-term, narrow-minded goals.

5.2 Management By Exception

What Is Management By Exception?

Management by exception is a business management strategy that states that managers and supervisors should examine, investigate and develop solutions for only those issues where there is a deviation from set standards, norms, business practices, or any other financial goals like profits deviation, quality issues, infrastructure issues, etc. instead of examining and dealing with each routine business activities.

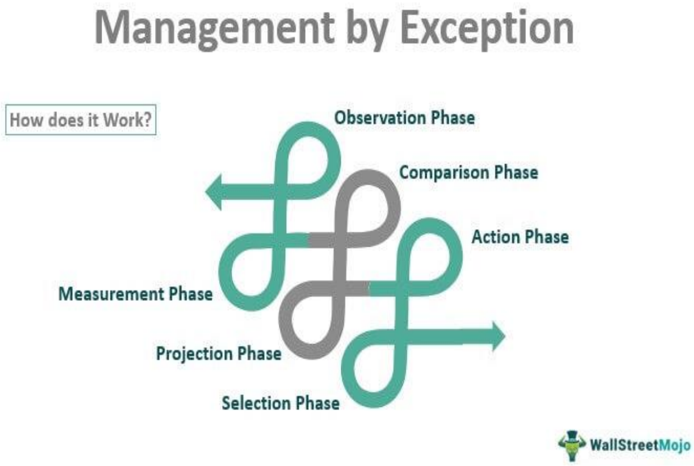


Management By Exception Explained

Management by exception leadership, is the system of spotting and reporting a situation to management only when there is an actual requirement of a manager-level staff. The basic purpose is to utilize management time in the most efficient and best possible manner by involving them only when there is an important deviation from the routine or normal business results.

As a result, they will have more time to look into an important matter involving major variances and can give their best in fine-tuning the problem. In contrast, lower-level staff may handle other minor matters directly. In this system, management is provided with a concise, unvaried comparative full detailed report covering all major aspects of the issue. It helps management detect and clear the hurdles that need decision-making and take the best suitable actions.

Management by exception is a management strategy that requires management to ensure its engagement only when there are recorded deviations from the set standard, norms, and benchmarks. It also indirectly helps boost employee morale as they become part of decision-making and problem-solving, which would otherwise have been dealt with by manager-level staff, indirectly giving employees a sense of authority and responsibility.



Characteristics: Management by exception works in the following phases-

1. Measurement Phase

Under this first step of management by exception leadership, data regarding business operations are accumulated and evaluated, which includes measuring the performance of all the available inputs ranging from efforts used to achieve goals for the business, its optimization,, cash flow, how financial resources are being used to provide services or manufacturing goods for profit, use and wastage of raw materials and its economy through buying, processing and storing till the delivery of finished goods.

This information involves almost all factors used for quantifiable measurements, such as applying time standards, stock data, balance sheet data, finished goods inspection results, stock available for sales, machinery utilization data, current assets, etc.

2.Projection Phase

This phase in the process of management by exception examines the measurements used that are useful for achieving business objectives. Based on historical data, projections are prepared by applying statistical knowledge such as significance, probability, confidence, standard deviation, sample size, and correlation. After this, plans are developed according to the forecast. In the current scenario, a complete forecast strategy is extensively checked from all possible outcomes like procedures and existing policies, capability and adequacy of equipment and staff, organization structure, etc. If required, plans may be amended.

3.Selection Phase

Under this phase, after thoroughly screening all the plans, the best one is selected and implemented. Accordingly, the system is adopted, which the management thinks is best for achieving business objectives.

4.Observation Phase

Under this phase, the selected process, strategy progress, and performance are monitored periodically. The system must possess qualities like it must be automatic, reliability, and adequate. Adequacy here means data must be precise, neither too big nor too small; it must be up to the mark carrying all relevant information required.

5. Comparison Phase

Under this phase, work progress is evaluated and compared with a predesigned roadmap to identify deviations, if any. Depending on the nature of deviation, it is categorized as major, minor, or any other class of deviation.

6.Action Phase

Further action points are developed based on the deviation identified under the comparison phase. Strategies are implemented to bring the capacity and performance to the desired level or to make any forecast change to ensure optimal performance.

Principles

Some of the important principles related to the concept of the process of management by exception are given below.

- Delegation of authority – The concept is based on the approach of authority delegation to a certain level of employees so that they can handle them independently and take their own decisions. This leads to division of responsibility and increase accountability.
- Systematic approach – The method or approach followed in the process should be based on certain steps and there must be methods to keep track of deviations. The persons responsible to take decisions should be able to identify problems and devise solutions for the same.
- Professionalism – For the purpose of delegation of work suitable training is provided to the concerned people so that they are able to handle the problems efficiently. This ensures increase in productivity and professional enhancement. This also leads to setting higher standards with increased potential to achieve them.
- Sense of leadership – This kind of workplace practice promotes a sense of leadership and responsibility towards the organization. The higher level professionals can concentrate of complex business issues while others can concentrate of achieving daily objectives.
- Teamwork – It also helps in teamwork and partnership, where the employees of all levels learn to adjust with each other while solving problems. This increases the professional standards and promotes peace and cooperation.
- Analysis – Since the process requires the decision makers to analyse and identify problems and devise solutions, it requires skill, experience and knowledge to do so. The capability to do such nalysis is extremely important to achieve the objective of the business.
- Thus the above are some important principles that form the basis of such a practice management by exception in management and at the workplace.

Examples

Let us understand the concept with the help of a suitable example.

Financial Example: The chief financial controller (CFC) of Henry Inc. is heavily engaged with varied works, meetings, and other engagements. To reduce the burden of his work, management has once, after thorough analysis, developed the following defined limits beyond which matter needs to be reported to CFC and require its prior approval: –

Sr. No.	Nature of Item	Deviation from Annual Business plan (ABP)
1	Revenue	50% of ABP or falls below $ 5,00,000 whichever is lower
2	Expenses	40% of ABP or exceeds $ 2,50,000 whichever is lower

ABP Sales and expenses were $8,00,000 and $6,00,000 whereas actual sales and expenses were $ 6,00,000 and 3,00,000. Determine whether the matter needs to be reported to CFC?

Solution:

1. **Revenue**: Actual revenue is $6,00,000 which is more than 50% of ABP ($8,00,000 x 50% i.e. $ 4,00,000) Also more than $5,00,000. Therefore, this mater will not be reported to CFC as conditions are not met.
2. **Expenses**: Actual expenses are $3,00,000, which is more than 40% of ABP ($6,00,000 x 40%, i.e., 2,40,000) and had also exceeded the $2,50,000 limit, here matter becomes crucial and needs to be reported to CFC for further analysis and decision making for correction and matching with set standards.

The above example clearly shows a perfect scenario of management by exception in management where it is to be decided whether the matter has to be escalated to higher authority of can be handled by the lower-level management. It points out certain criterias that may help to determine who should have the authority to take decisions in such cases.

Advantages

It is necessary to understand the advantages and disadvantages of the concept of management by exception in detail so that it can be implemented at the proper time and place to achieve suitable objective. Let us study the advantages first.

- It helps in the best possible time utilization as managers are asked to resolve problems only at crucial levels.
- As managers are free from routine work, they can apply their full energy with concentrated efforts on critical problems.
- Due to the limited workload, managers can undergo an in-detailed analysis of the work.
- Management activities and control are increased by management by exception.
- It helps in accessing past trends and old work easily.
- It predicts the management opportunities and problems that may arise in future.
- Both qualitative and quantitative efforts are involved in this process.
- It lowers the amount of financial and operational results viewed by the management.
- It helps the lower and subordinate staff to implement their ideas to achieve the desired target.

Disadvantages

The disadvantages of the concept are given below:

- It is based on past results with which current data is compared. Accordingly, if the past data is improper, there may be problems in current decision-making.
- It needs a detailed study, observation, and reporting system, so it requires a financial analyst who makes summaries and reports and presents them to the management, hence requiring an additional workforce.
- The system will not warn until the problem occurs, i.e., it acts as corrective instead of preventive.·
- It cannot measure human behavior. Therefore, sometimes it is difficult to implement.

Active Management By Exception Vs Passive Management By Exception

Active management by exception is where the management is active in advance to deal with the situations, assisting in problems, has real-time participation in all activities, and keeps an eye on what his staff is doing to overcome mistakes.

The second one is passive management by exception, where management interrupts only when the desired goals are not met, the change in planning needs to be done, and corrective actions are required. This method usually comes into action only in case an unusual event happens. Each method is important, and one can choose either based on business requirements.

A passive approach is useful for businesses with a relaxed environment and staff understanding their roles and responsibilities. It may help to encourage staff morale and be independent. While an active approach can be used by less attentive, new employees with lower staff, more stringent organizations as they need step by step guidance to complete their work.

5.3 STRATEGIC MANAGEMENT

What is Strategic Management?

Strategic management is the formulation and implementation of major objectives and projects, by an organization's management on behalf of its shareholders (or owners).

Typically, the formulation process starts with an assessment of available resources, an industry analysis to assess the competitive environment in which the company operates, and an internal operations assessment.

From this overall assessment, a strategy is then created to achieve the desired goals. Implementation of the formulated strategy seeks to steer and align the company with its main objectives.

Components of Strategic Management

1.Formulation

Formulation includes an assessment of the environment in which the organization operates and then creating a strategy on how the organization will operate and compete. This is similar to the first step of the budgeting process.

2.Implementation

Implementation includes the deployment of an organization's resources to meet the desired objectives.

Frameworks for Strategic Management

1. Competitive Advantage

An organization may achieve either lower cost of production or product differentiation as an advantage against its rivals. It is important to look at the market positioning of the brand and company and also to pinpoint all the competitive advantages the company has over its competitors.

2. Corporate Strategy and Portfolio Theory

The Modern Portfolio Theory provides a framework for allocating assets so that, for a given level of risk, the expected return is maximized. Portfolio Theory allows corporations to perform a cost-benefit analysis on the deployment of resources and view the merit of individual resource placement to the company in its totality.

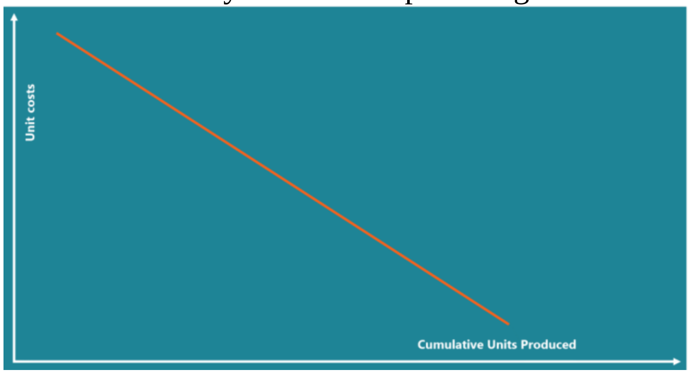
The Growth-Share Matrix, developed by the Boston Consulting Group, helps corporations analyze the value of their individual business units by plotting the business on an axis. The two parameters of judgment are market share – a measure of a business unit's competitive position in regards to its peers – and industry growth rate – a measure of the prospects of the particular industry in which the unit operates.

3. Core Competence

Businesses should seek to develop expertise in areas of relative excellence and eliminate or outsource the remainder of its business activities. By being able to do this, an organization can provide a unique and unparalleled product, service, or perspective to the market and consumers.

4. Experience Curve

The experience curve expresses the proposition that whenever the output produced doubles, the value-added costs decline by a consistent percentage.



Generic Competitive Strategies

Companies should concentrate their strategy on either cost leadership, focus, or differentiation. According to famed business strategist Michael Porter, if a company does not place focus on a singular factor, it risks wasting its resources. Such a strategy places emphasis on either specializing in a product or service by creating a unique selling proposition or creating economies of scale to achieve low costs of production.

Industry Structure and Profitability

The Competitive Forces Model (Porters 5 Forces) is a framework used to assess the competitiveness of the industry.

1. Threat of new entrants

In a competitive industry, the threat of new entrants will be high. Assuming an industry or sector is highly profitable, it will be considered as an attractive business prospect by many. Some deterrents to ease of entry into a market include patents, high capital requirements, customer loyalty to established brands, and existing economies of scale.

2. Threat of substitutes

If a product or experience can be easily duplicated with a similar alternative, the demand for that product is said to be diluted. If consumers can find similar alternative products, the industry or sector is deemed to be competitive.

3. Bargaining power of customers

Customers will enjoy high bargaining power in a competitive market. Sellers will not be able to exert pricing pressure that will favor their profitability.

4. Bargaining power of suppliers

When several suppliers are present to source raw or intermediary materials, they are not able to influence the final price in an unjustifiable way.

5. Competitive rivalries

Competitive industries enjoy a high degree of innovation and evolved competitive and marketing strategies.

SWOT Analysis

SWOT is an acronym for Strengths, Weaknesses, Opportunities, Threats. This framework is employed to assess internal strengths and weaknesses, to explore the external scope of opportunities available for the business to exploit, and to confront threats presented by opponents or policies.

Value Chain

The value chain consists of a list of processes or activities that a company performs to bring a product or service into the market. The activities are divided into two functions:

1. Primary activities

These include functions that go directly into creating a good or service. They consist of functions such as inbound and outbound logistics, operations, marketing and sales, and servicing the product.

2. Support activities

These include functions that facilitate the production of the good or service. They consist of functions such as human resources, technology, procurement, and infrastructure.

According to Porter, aligning activities can improve the operational efficiency of an organization and ultimately create a competitive advantage for it.

5.4 SWOT Analysis

What is SWOT Analysis?

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis is a framework to help assess and understand the internal and external forces that may create opportunities or risks for an organization.

Strengths and weaknesses are internal factors. They are characteristics of a business that give it a relative advantage (or disadvantage, respectively) over its competition.

Opportunities and threats, on the other hand, are external factors. Opportunities are elements of the external environment that management can seize upon to improve business performance (like revenue growth or improved margins).

Threats are elements of the external environment that may endanger a firm's competitive advantage(s), or even its ability to operate as a going concern (think regulatory issues or technological disruption).

Key Highlights

- SWOT is used to help assess the internal and external factors that contribute to a company's relative advantages and disadvantages.
- A SWOT analysis is generally used in conjunction with other assessment frameworks, like PESTEL and Porter's 5-Forces.
- Findings from a SWOT analysis will help inform model assumptions for the analyst community.

Examples

Strengths

Strengths may be any number of areas or characteristics where a company excels and has a competitive *advantage* over its peers. Advantages may be more qualitative in nature and therefore difficult to measure (like a great corporate culture, strong brand recognition, proprietary technology, etc.), or they may be more quantitative (like best-in-class margins, above-average inventory turnover, category-leading return on equity, etc.).

Weaknesses

Weaknesses are areas or characteristics where a business is at a competitive *disadvantage* relative to its peers. Like strengths, these can also be more qualitative or quantitative. Examples include inexperienced management, high employee turnover, low (or declining) margins, and high (or excessive) use of debt as a funding source.

Opportunities

The "Opportunities" section should highlight external factors that represent potential growth or improvement areas for a business. Consider opportunities like a growing total addressable market (TAM), technological advancements that might help improve efficiency, or changes in social norms that are creating new markets or new sub-segments of existing markets.

Threats

Threats are external forces that represent *risks* to a business and its ability to operate. The categories tend to be similar to the "Opportunities" section, but directionally opposite. Consider examples like an industry in decline (which is the same as a decreasing TAM), technological innovation that could disrupt the existing business and its operations, or evolving social norms that make existing product offerings *less* attractive to a growing number of consumers.

<u>How to Conduct a SWOT Analysis</u>

A SWOT analysis is rarely completed in isolation; it generally makes up one part of a broader business analysis. And while it is itself an assessment framework, a SWOT analysis is also an effective tool to help summarize *other* findings.

For example, an analyst can't really assess a company's strengths and weaknesses without first understanding the business and its industry. They may wish to leverage other tools and frameworks in order to accomplish this, including:

- Hax's Delta Model – This will help to understand competitive positioning.
- Ansoff's Matrix – This will help visualize the relative risk of a management team's growth strategies.
- Financial ratio analysis – This will help identify trends (year-over-year), as well as a firm's relative performance (using benchmarking data).

The same is true for external factors – opportunities and threats. It's nearly impossible to understand these without first considering:

- The industry life cycle – Does the business operate in a growing, mature, or declining industry? This itself informs both opportunities and threats.
- An analysis of the broader business environment or the industry itself – Think frameworks like PESTEL or Porter's 5 Forces.

<u>What is a SWOT Analysis Used For?</u>

A SWOT analysis is used differently by different stakeholders.

For example, a management team will use the framework to support strategic planning and risk management. SWOT helps them visualize the firm's relative advantages and disadvantages in order to better understand where and how the organization should allocate resources, either towards growth or risk reduction initiatives.

The analyst community, on the other hand, may seek to understand (and quantify) strengths, weaknesses, opportunities, and threats in order to assess the business more completely.

Consider that findings from a SWOT analysis may help inform model assumptions among analysts. It could be an equity researcher trying to estimate the fair market value of a company's shares, or a credit analyst looking to better understand a borrower's creditworthiness.

In general, the SWOT framework is considered by many to be one of the most useful tools available for strategic planning and business analysis.

<u>5.5 Decision Support System (DSS)</u>

<u>What is a Decision Support System (DSS)?</u>

A decision support system (DSS) is an information system that aids a business in decision-making activities that require judgment, determination, and a sequence of actions.

The information system assists the mid- and high-level management of an organization by analyzing huge volumes of unstructured data and accumulating information that can help solve problems and help in decision-making. A DSS is either human-powered, automated, or a combination of both.

Purpose of a Decision Support System

A decision support system produces detailed information reports by gathering and analyzing data. Hence, a DSS is different from a normal operations application, whose goal is to collect data and not analyze it.

In an organization, a DSS is used by the planning departments – such as the operations department – which collects data and creates a report that can be used by managers for decision-making. Mainly, a DSS is used in sales projection, for inventory and operations-related data, and to present information to customers in an easy-to-understand manner.

Theoretically, a DSS can be employed in various knowledge domains from an organization to forest management and the medical field. One of the main applications of a DSS in an organization is real-time reporting. It can be very helpful for organizations that take part in just-in-time (JIT) inventory management.

In a JIT inventory system, the organization requires real-time data of their inventory levels to place orders "just in time" to prevent delays in production and cause a negative domino effect. Therefore, a DSS is more tailored to the individual or organization making the decision than a traditional system.

Components of a Decision Support System

The three main components of a DSS framework are:

1. Model Management System

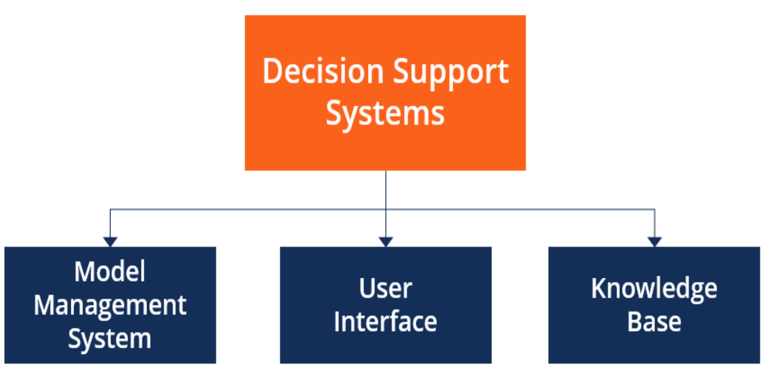
The model management system S=stores models that managers can use in their decision-making. The models are used in decision-making regarding the financial health of the organization and forecasting demand for a good or service.

2. User Interface

The user interface includes tools that help the end-user of a DSS to navigate through the system.

3. Knowledge Base

The knowledge base includes information from internal sources (information collected in a transaction process system) and external sources (newspapers and online databases).



Types of Decision Support Systems

- Communication-driven: Allows companies to support tasks that require more than one person to work on the task. It includes integrated tools such as Microsoft SharePoint Workspace and Google Docs.
- Model-driven: Allows access to and the management of financial, organizational, and statistical models. Data is collected, and parameters are determined using the information

provided by users. The information is created into a decision-making model to analyze situations. An example of a model-driven DSS is Dicodess – an open-source model-driven DSS.
- Knowledge-driven: Provides factual and specialized solutions to situations using stored facts, procedures, rules, or interactive decision-making structures like flowcharts.
- Document-driven: Manages unstructured information in different electronic formats.
- Data-driven: Helps companies to store and analyze internal and external data.

Advantages of a Decision Support System
- A decision support system increases the speed and efficiency of decision-making activities. It is possible, as a DSS can collect and analyze real-time data.
- It promotes training within the organization, as specific skills must be developed to implement and run a DSS within an organization.
- It automates monotonous managerial processes, which means more of the manager's time can be spent on decision-making.
- It improves interpersonal communication within the organization.

Disadvantages of a Decision Support System
- The cost to develop and implement a DSS is a huge capital investment, which makes it less accessible to smaller organizations.
- A company can develop a dependence on a DSS, as it is integrated into daily decision-making processes to improve efficiency and speed. However, managers tend to rely on the system too much, which takes away the subjectivity aspect of decision-making.
- A DSS may lead to information overload because an information system tends to consider all aspects of a problem. It creates a dilemma for end-users, as they are left with multiple choices.
- Implementation of a DSS can cause fear and backlash from lower-level employees. Many of them are not comfortable with new technology and are afraid of losing their jobs to technology.

5.6 Business Process Re-engineering

Introduction to Business Process Re-engineering
Business Process Re-engineering (BPR) is a management strategy aimed at improving organizational performance by re-designing and optimizing business processes. BPR is a systematic and radical approach to change, focused on transforming and streamlining core business processes to achieve dramatic improvements in quality, efficiency, and customer satisfaction.

BPR involves a comprehensive analysis of existing business processes, identifying inefficiencies, bottlenecks, and waste, and then developing new and improved processes that align with the organization's strategic objectives. The objective is to eliminate unnecessary steps, reduce cycle time, and improve overall efficiency, while maximizing the value delivered to customers.

BPR requires a fundamental shift in the way an organization thinks about its business processes, emphasizing a customer-centric approach to process design and management. It involves a collaborative and cross-functional approach, involving stakeholders from across the organization to ensure that process improvements are aligned with the organization's strategic objectives.

The benefits of BPR can include reduced costs, increased productivity, improved quality, faster time-to-market, and greater customer satisfaction. However, implementing BPR can also be a complex and challenging process, requiring significant investment in resources, time, and expertise.

Overall, BPR is a powerful tool for organizations seeking to transform their business processes to meet changing market demands and improve performance. It involves a commitment to continuous improvement and a willingness to challenge existing assumptions and ways of doing things, with the goal of achieving significant and sustainable improvements in business performance.
According to Dr. Michael Hammer,
"Business Process Re-engineering is the fundamental rethinking and radical design of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed."
Business process re-engineering is not just a change, but actually it is a dramatic change and dramatic improvements. This is only achieved through overhaul the organization structures, job descriptions, performance management, training and the most importantly, the use of IT i.e. Information Technology.

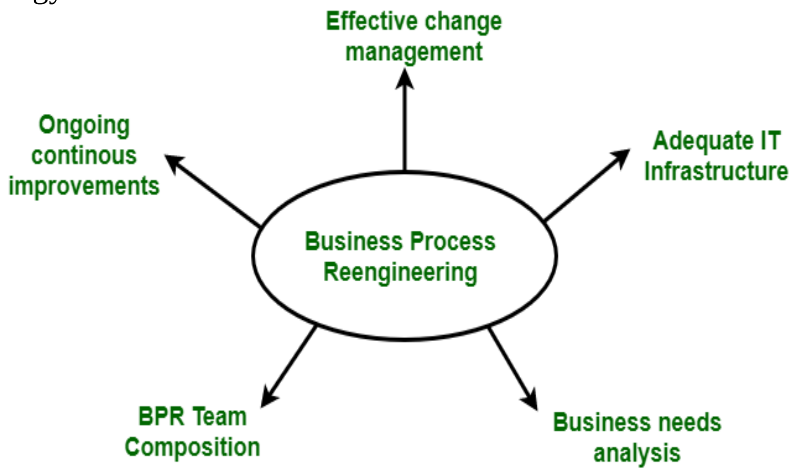


Figure : Business Process Re-engineering

BPR projects have failed sometimes to meet high expectations. Many unsuccessful BPR attempts are due to the confusion surrounding BPR and how it should be performed. It becomes the process of trial and error. Phases of BPR : According to Peter F. Drucker, " Re-engineering is new, and it has to be done." There are 7 different phases for BPR. All the projects for BPR begin with the most critical requirement i.e. communication throughout the organization.

1. Begin organizational change.
2. Build the re-engineering organization.
3. Identify BPR opportunities.
4. Understand the existing process.
5. Reengineer the process
6. Blueprint the new business system.
7. Perform the transformation.

Objectives of BPR : Following are the objectives of the BPR :

1. To dramatically reduce cost.
2. To reduce time requirements.
3. To improve customer services dramatically.
4. To reinvent the basic rules of the business e.g. The airline industry.
5. Customer satisfaction.
6. Organizational learning.

Challenges faced by BPR process : All the BPR processes are not as successful as described. The companies that have start the use of BPR projects face many of the following challenges :

1. Resistance
2. Tradition
3. Time requirements
4. Cost
5. Job losses

Advantages of BPR : Following are the advantages of BPR :

1. BPR offers tight integration among different modules.
2. It offers same views for the business i.e. same database, consistent reporting and analysis.
3. It offers process orientation facility i.e. streamline processes.
4. It offers rich functionality like templates and reference models.
5. It is flexible.
6. It is scalable.
7. It is expandable.

Disadvantages of BPR : Following are the Disadvantages of BPR :

1. It depends on various factors like size and availability of resources. So, it will not fit for every business.
2. It is not capable of providing an immediate resolution.
3. While Business Process Re-engineering (BPR) can have many potential benefits, there are also several disadvantages that organizations should consider before embarking on a BPR initiative. Some of the key disadvantages of BPR include:
4. High costs: Implementing BPR can be a costly and time-consuming process, requiring significant investment in resources, including technology, training, and consulting fees. This can be a significant barrier for small or cash-strapped organizations.
5. Resistance to change: Implementing BPR can be a difficult and complex process that requires significant changes to an organization's culture, processes, and people. Employees may resist the changes, especially if they feel their job security is at risk, leading to decreased morale and increased turnover.
6. Risk of failure: BPR is a high-risk strategy that can fail if not implemented properly. The failure to gain employee support, lack of a clear strategy, or poor planning can all lead to a BPR initiative's failure.
7. Disruption to operations: Implementing BPR can disrupt the day-to-day operations of the organization, leading to decreased productivity, customer dissatisfaction, and revenue loss.

5.7 Enterprise Resource Planning (ERP)

What is Enterprise Resource Planning (ERP)?

Enterprise resource planning – more commonly referred to as ERP – is a software system used to manage and maintain the functions of a business. The tasks are typically done in real-time.

Summary

- Enterprise resource planning (ERP) is software designed to help companies store, manage, and use data regarding their daily and regular processes.
- ERP keeps track of a wealth of information, including payroll, raw materials, business commitments, purchase orders, and capacity for production.

- ERP software is part of the IT sector, and because of its usefulness and success, it is now considered a multi-billion-dollar industry.

Components of ERP Software

ERP programs are commonly known as business management software. They involve a host of applications that work together to:

- Gather data
- Store it for future reference
- Manage and sort the information for easier access
- Interpret the data for use by the business

Primary Functions of ERP

ERP provides a host of services for companies trying to improve how efficiently they operate. The systems are constantly being updated by the proprietors to offer the speediest and most reliable services.

As the name suggests, ERP's primary goal is to manage the various resources within the company to make sure they are being utilized in a cost-effective way. It is also designed to make sure that all resources are being used efficiently.

ERP works particularly well for tracking and managing things such as a company's capacity for production, cash levels, raw materials at its disposal, payroll information, and purchase orders.

Flow of Information

ERP software covers a lot of different areas within a company – accounting, sales, purchasing, manufacturing. One of the most important needs it addresses is the need to communicate all pertinent information to the many departments that may require the data.

The software, being continuously updated and watched in real-time, ensures needed information is accessible by each appropriate department. It is also designed to pass information between departments. For example, manufacturing may need to know about purchase orders on deck. Or, accounting may need to know the status of payroll and business commitments that are lined up to keep the company's cash flow up to date.

ERP software can also pass the information along to outside stakeholders. Their investment in the company is dependent, typically, on how efficiently a company is running and how financially strong it is. The data within an ERP system reveals the relevant information to all stakeholders to keep them abreast of the company's capacity to function and generate revenue.

Enterprise Resource Planning in the IT Industry

ERP systems and software are an industry unto themselves, located at the heart of the technology space. Because of ERP systems efficiency, success – and therefore, desirability – it is an industry worth several billions of dollars today.

Investments in information technology boast the distinction of being the category responsible for the largest expenditures within the U.S. Within the past decade specifically, ERP systems skyrocketed in terms of use and, therefore, began to dominate the IT sector. Though the earliest ERP systems were designed specifically for use by large enterprises, they can now be found in a growing number of smaller companies because of their usefulness.

5.8 Supply chain

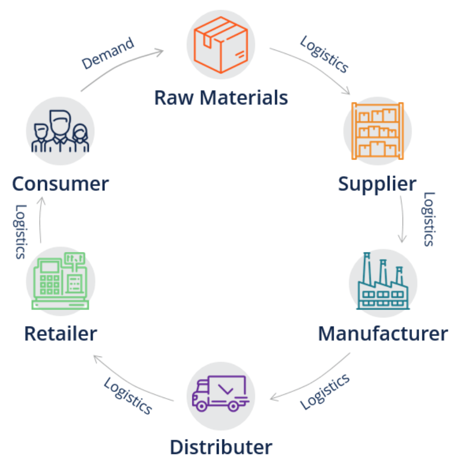
What is a Supply Chain?

A supply chain is an entire system of producing and delivering a product or service, from the very beginning stage of sourcing the raw materials to the final delivery of the product or service to end-users.
The supply chain lays out all aspects of the production process, including the activities involved at each stage, information that is being communicated, natural resources that are transformed into useful materials, human resources, and other components that go into the finished product or service.

Why Should A Company Understand Its Supply Chain?
Mapping out a supply chain is one of the critical steps in performing an external analysis in a strategic planning process. The importance of clearly laying out the supply chain is that it helps a company define its own market and decide where it wants to be in the future. In developing corporate-level strategies, a company often needs to make decisions on whether to operate a single line of business or enter into other related or unrelated industries.
Each stage of a supply chain is essentially a different industry, for example, raw material extraction and manufacturing. The supply chain enables a company to understand others that are involved in each of the stages, and thereby provides some insights on the attractiveness or competitiveness in industries the company might want to enter in the future.

Supply Chain Examples
Let's look at two different examples of a supply chain.

Generic Supply Chain
The generic supply chain begins with the sourcing and extraction of raw materials. The raw materials are then taken by a logistics provider to a supplier, which acts as the wholesaler. The materials are taken to a manufacturer, or probably to various manufacturers that refine and process them into a finished product.
Afterward, it goes to a distributor that wholesales the finished product, which is next delivered to a retailer. The retailer sells the product in a store to consumers. Once the consumer buys it, this completes the cycle, but it's the demand that then goes back and drives the production of more raw materials, and the cycle continues.



Supply Chain for an e-Commerce Company
In this example, the e-commerce company operates a website, and that website sells various products. When a customer places an order for a product, the product order is being processed by technology such as a checkout cart, an order system, or a third-party product such as Shopify. The

payment processors then come in and deal with payment transactions for the order, which actually opens up a new supply chain.

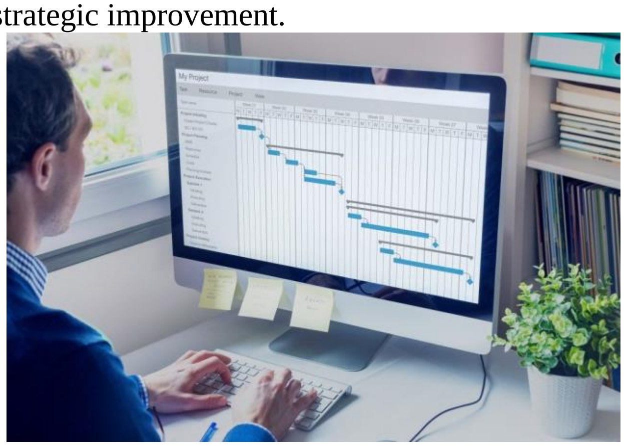
The payment processors use their own systems but, in most cases, third parties such as PayPal and Stripe are employed, and they involve banks and other providers. When a product order is placed, the warehouse receives the order and ensures the product is ready for delivery. The warehousing company can be either in-house or a third-party logistics provider.

The order then goes from the warehouse to the shipping company. Once again, the shipping may be in-house or a third-party shipping company. After shipping, the package arrives at the customer's door and the customer receives it.

5.9 Activity-Based Management

What is Activity-Based Management?

Activity-Based Management (ABM) is a way of analyzing and evaluating a company's business activities through activity-based costing and value-chain analysis. In other words, the ABM method is used to analyze the cost of an activity in relation to the value added by the activity, with the goal of operational and/or strategic improvement.



ABM – How it Works

1. Identification and Analysis

Identification refers to finding and listing a company's significant business activities – especially since companies are typically involved in hundreds of activities on a daily basis. Identifying activities that have the most impact on finances is an important step in activity-based management. The next step involves identifying cost drivers for each activity, based on the costs incurred during the activity. Cost drivers are the factors that cause the cost of an activity to vary.
For example, if the activity is setting up new machines, the cost driver is the number of machines set up – because that is what determines all the associated indirect costs of labor, equipment, and the machinery itself.

2. Evaluation and Value-Chain Analysis
The manager also needs to calculate the cost of each activity by appropriating all the indirect and direct costs related to the activity. This is known as activity-based costing and is a method used to assign the costs of each activity according to actual consumption, based on overhead expenses incurred during the activity.
For instance, if a cloth manufacturer runs sewing machines all day for most of the year, that will be considered a significant activity. The cost calculation of this activity will include the cost of labor, electricity, and space required to run the machines.
Along with activity-based costing, the value generated by each activity must also be quantified so that it can be compared to the cost and allow for an evaluation of the activity. This is called value-chain analysis, which is an analysis of the value added by a particular activity.
For example, in the case of running sewing machines, the value generated will be in terms of the value of clothes the machines generate over a certain period. Then, the value added by running the machines can be weighed against the cost of running the machines, and allow the company to identify whether the activity is profitable or problematic.

3. Identifying Opportunities to Improve
The information analyzed and collected through activity-based costing (ABC), and value-chain analysis can be used to identify and implement processes that can improve the company's operations and/or strategies. This divides ABM into two potential sub-categories:

Operational ABM
Operational ABM involves scrutinizing the cost of each activity and increasing operational efficiency by enhancing value-generating activities and eliminating unnecessary costs and non-value-generating activities. It allows managers to identify anomalies in the costing process and investigate accordingly.
Activities that do not generate adequate value can be ceased, and resources can be allocated to other activities – leading to higher efficiency.

Strategic ABM
Strategic ABM uses activity-based costing to analyze the profitability of an activity – which may even be the unrolling of a new product or acquiring a new customer. It allows the company to obtain a strategic picture of which products and customers to develop and/or pursue in order to boost sales and profitability.
Strategic ABM is used for strategic decision-making when it comes to advertising through a certain channel, launching a new product, or targeting a certain demographic group of customers.

ABM – Advantages and Disadvantages
As listed above, activity-based management offers several advantages related to improving the economic efficiency of operations, as well as the strategic decision-making process of a company.

By allowing managers to enhance value-generating activities, it also offers the potential to improve the experience of a customer, increasing profitability in the long run. Furthermore, the costing information from activity-based costing can be used to forecast and determine crucial financial information for future fiscal years, enabling the company to plan a more accurate budget for upcoming years.

However, one of the primary risks associated with using the ABM method is that it ignores the intrinsic value of activities and focuses only on the quantifiable and financial aspects of each activity.

For example, suppose a manager holds a lot of meetings with the company's primary supplier to establish a healthy relationship, and this builds up to make a significant portion of weekly expenses due to transport costs. It may be seen as a non-value generating activity simply due to the high costs, but the value of the relationship being built between the company and the supplier is not accounted for.

Therefore, although activity-based management comes with a few advantages, it is important to also examine the non-quantifiable side of activities while using the ABM approach to make operational and strategic changes.

5.10 Global Perspective

What is a Global Perspective?

A global perspective is seeing and understanding how any situation impacts or relates to people around the world.

As a generation that gets to see the internet come to life, we get access to entertainment and information from people all over the world. It is a massive breakthrough. If we want to preserve it and play a role in it, having this global perspective is non-negotiable.

Aside from the Metaverse, thinking globally prepares us to lead and stay ahead of changes that may come. It will speak multitudes if you are able to perceive economics, politics, sociology and any other fields from a global perspective.

Here are some examples of how global perspectives have helped humanity progress forward:

- International trade and supply chains;
- The establishment of United Nations;
- Scientific and medical discoveries;
- Translations of books and media;
- Study and work abroad opportunities;
- Tourism and culture;
- The Olympics;
- The popularisation of yoga from India to Western regions; and more.

Importance of Global Perspectives

So, how does adopting a global perspective help you as an individual?

1. It inspires creativity.

A study from Scientific American titled "How Diversity Makes Us Smarter" found that socially diverse groups are more innovative than homogenous groups. That means, in anything at all, people from all walks of life will yield more unique solutions and positive results. So, thinking globally and seeking solutions from other races or nations is better than relying on one resource.

2. It makes you an agent of change.

The phrase "Think globally, act locally" perfectly sums up why we need a global perspective. It may seem like the grass is always greener on the other side, but who says it can't be the same here? You can be an agent of change, whether you're a student, intern, employee, or entrepreneur. It won't be easy, but you will need to see what's already been done and adapt it to serve your community.

3. It increases your hiring potential.

According to Forbes, the number one skill sought by employers is creativity. This is still true today, and thinking globally means you are able to look beyond what's in front of you. Being able to accept diverse viewpoints also strengthens your collaboration skills. It will look great on your resume and make a strong first impression. Plus points if you have experience working abroad or with an international team!

How to Develop a Global Perspective

Certain curricula make it a point to integrate global education in school, with values like interdependence and globalisation, identity and cultural diversity, social justice and human rights, peace and conflict, and sustainable futures.

If you didn't get to learn with global education, you can still be a part of the conversation. Here are some ways you can develop a global perspective:

1. Read the news.

The news (and we don't mean celebrity gossip) is a foolproof way to stay updated on what's going on around the world. You will never get bored with a wide range of topics from sports to politics. Reading the news increases your general knowledge, enhances your communications, and cultivates empathy for people beyond your social circles.

2. Explore entertainment from various cultures.

You can also step up your game by taking in foreign music, movies, and literature. With media platforms like Netflix, YouTube, Spotify, and podcasts, there is an endless stream of information available for you. These international forms of media are culturally embedded and will help you understand how things work in foreign countries across different eras.

3. Do an internship abroad.

Our role here at Capital Placement is to connect you to internships around the world that enrich your student experience. Our range of part-time, full-time, and remote internships offers immersive experiences in Singapore, London, New York, and India. There are many benefits you gain from an international internship, but the main one is that it activates your international-mindedness.

If you want to make the most out of your international internship, we recommend that you build a global and professional network while you are there. You should also learn about your industry at an international level and compare your experiences abroad with the reality back home. This will definitely spark some food for thought.