



SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

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SCHOOL OF BIO AND CHEMICAL

DEPARTMENT OF CHEMICAL ENGINEERING

**UNIT 1 – PRINCIPLES OF MANAGEMENT AND
PROFESSIONAL ETHICS - SBA1101**

UNIT – 1 SYLLABUS - MANAGEMENT FUNCTIONS AND STRUCTURE

Management – Definition – Basic Functions – Contributions of Taylor and Fayol. Types of structure – Line, Staff, Line and Staff, Functional, Committee, Project and Matrix Structures. Departmentalization – Centralization – Decentralization – Span of Control – Management by Objectives – Management by Exception.

INTRODUCTION TO MANAGEMENT

Groups of people working in an organization to develop or appraise or attain the common goal of the organization by utilizing the available resources are called Management. In simple terms it means managing the work done by the people. Just as the mind coordinates and regulates the various activities of the person, the management coordinates and regulates the activities of various members of an organization.

Management is the process of Planning, Organizing, Staffing, Directing, Coordinating and Controlling the human, physical, financial, and information resources of the organisation in an effective and efficient manner in order to maintain the common objectives.

DEFINITION

:

- F.W. Taylor -“Art of knowing exactly what you want your men to do and then seeing that it is done the best and cheapest way”.
- Henry Fayol –“To Manage is to forecast, to plan, to organize, to command, to co-ordinate and to control”.
- Peter F. Drucker –”Management is work and as such it has its own skills, its own tools and its own techniques”.
- Mary Parker - “Management is the art of getting things done through and with people”.
- Theo Haiman and William G Scott - Management is a social and technical process which utilized resources influences human action and facilitates changes in order to accomplish organizational goals.
- Koontz and O Donnel - Management is the creation and maintenance of an internal environment in an enterprise where individuals working in groups goals, efficiently and effectively

towards the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups.

RESOURCES – 5 M'S

- 1) Men
- 2) Machine
- 3) Material
- 4) Money
- 5) Methods

FUNCTIONS OF MANAGEMENT

Planning

- Look ahead and chart out future course of operation
- Formulation of Objectives, Policies, Procedure, Rules, Programmes and Budgets

Organizing

- Bringing people together and tying them together in the pursuit of common objectives.
- Enumeration of activities, classification of activities, fitting individuals into functions, assignment of authority for action.

Directing

- Act of guiding, overseeing and leading people.
- Motivation, leadership, decision making.

Controlling

- Laying standards, comparing actuals and correcting deviation-achieve objectives according to plans.

Co-ordination

- Synchronizing and unifying the actions of a group of people.

'POSDCORB' FUNCTIONS OF MANAGEMENT:

- 1) Planning: Planning means forecasting or predicting the future activity in a specific manner or structure. It is the basic function and essential for all the organization.
- 2) Organizing: It is collection or joining of all the resources available within the organizational and outside, in order to achieve the organizational goal with efficiency.

- 3) Staffing: It involves appointing the right man for the right job at the right time. The management is to analyze the human resource, see if he is suitable for the job and accordingly allocate the work in the organization.
- 4) Directing: It is showing the correct path or correct way to achieve the organizational goal within the stipulated time.
- 5) Controlling: Controlling as a function involves regulating the person or examining the person whether he is working in the right way or not. In order to achieve the common goal as efficient as possible.
- 6) Coordinating: It is a type of support function. It involves accumulating the work to achieve the task.
- 7) Budgeting: It means allocation of the resources. It involves financial planning for the future activities.
- 8) Reporting: It is a statement showing the various activities to the top management. It shows the status of the work done.

NATURE/CHARACTERISTICS OF MANAGEMENT

1. **It is a Universal Activity:** Management is relevant in every sphere of activity. It is relevant in army, government, private household work etc. the work can be done in a more systematic manner with the application of the techniques of management. The material and human resources can be effectively handled and the goal can be attained with maximum efficiency. Ex. a student study at random and systematic manner. Later is best one.
2. **It is goal oriented:** Management focuses attention on the attainment of specific objectives. For Ex a business may aim for a particular level of sales. This can be achieved by proper forecast of sales by planning production by fixing the targets.
3. **It is an Intellectual activity:** The practice of management requires application of mind and intelligence. Every work needs to be properly planned and execute work has to be assigned to different individuals and responsible have to be fixed on them. Ex in a manufacturing unit production finance and marketing are the important activities performed. It has to work in proper co-ordination with the other departments. Then only objectives of the firm can be achieved.
4. **It is a process:** It is process consisting of various stages/ functions such as Planning, Organising, Directing, Controlling and Co-ordination. Planning is the starting point of management and control is its last stage.
5. **Management is both Art and Science:** The practice of science needs knowledge of theory and formulae. But the practice of art requires skill management is social science. It

focuses attention on the behavior of individuals and groups. The theoretical knowledge may not help always that time they require skill ex if the workers in a factory demand more pay and threaten to go on strike if their demand is not considered. Here the skill of the manager will help to avert the strike then its theoretical.

6. **It is a Social Process:** Management deals with the behavior of individuals and group. In a work place individuals work as a team. The behavior of an individual is bound to be different while he is part of a group ex: an individual worker may be forced to join a strike program because of the union.

7. **It is an on-going Activity:** It is a continuous process planning, organizing etc have unlimited use. Management will exist as long as there are human activities.

8. **It is Intangible:** It is invisible cannot be seen, but it can be felt.

9. **Management is a Profession:** Like medical, law and engineering, management has also come to be recognized as a profession

MANGEMENT IS AN ART AND SCIENCE

Art:

- Practical know how
- Technical skills
- Concrete results
- Creativity
- Personalized nature

Science:

- Empirically Derived
- Critically tested
- General principles
- Cause and effect relationship
- Universal applicability

'Management as a science provides principles and as an art helps in tackling situations'.

ROLE AND IMPORTANCE OF MANAGEMENT

- Achievement of group goals
- Optimum utilization of resources
- Minimum Cost

- Survival and growth
- Generation of employment
- Development of nation

MANAGEMENT VS ADMINISTRATION

Meaning

Administration as a function is concerned with determination of corporate policies, coordination of the various departments (production, finance, distribution etc.) of the organization under the control of the executives.

Management is concerned with execution of the policy within the limits setup by administration and employment of the organization for the particular objective before it. In other words Management is the doing process and administration is the thinking process.

POINTS	ADMINISTRATION	MANAGEMENT
1. Nature of work	It is concerned about the determination of objectives and major policies of an organization.	It puts into action the policies and plans laid down by the administration.
2. Type of function	Determinative	Executive
3. Scope	Takes major decisions of an enterprise as a whole	Takes decisions within the framework set by the administration.
4. Level of authority	Top-level activity.	A middle level activity.
5. Nature of status	Consists of owners who invest capital in and receive profits from an enterprise.	It is a group of managerial personnel who use their specialized knowledge to fulfill the objectives of an enterprise.
6. Nature of usage	It is popular with government, military, educational, and religious organizations.	It is used in business enterprises.

7. Decision making	Its decisions are influenced by public opinion, government policies, social, and religious factors	Its decisions are influenced by the values, opinions, and beliefs of the managers.
8. Main functions	Planning and organizing	Motivating and controlling
	functions are involved in it	functions are involved in it
9. Abilities	It needs administrative rather	It needs administrative rather
10. Focus	Handles the business aspects	Handles the employers.

LEVELS OF MANAGEMENT

FUNCTIONS OF TOP LEVEL MANAGEMENT

- To provide a basic sense of direction to the activities of the company by setting its long range mission and translating into clear set of objectives
- To design the organization structure of the company in terms of differentiated and integrated activities, role of various positions, authority & responsibility between them.
- Top management must ensure the quality of personnel in terms of their skills, orientations and commitment
- To ensure that the resource conversion and exchange systems are designed and operated efficiently.
- Periodic review of objectives for necessary modifications is a part of this function

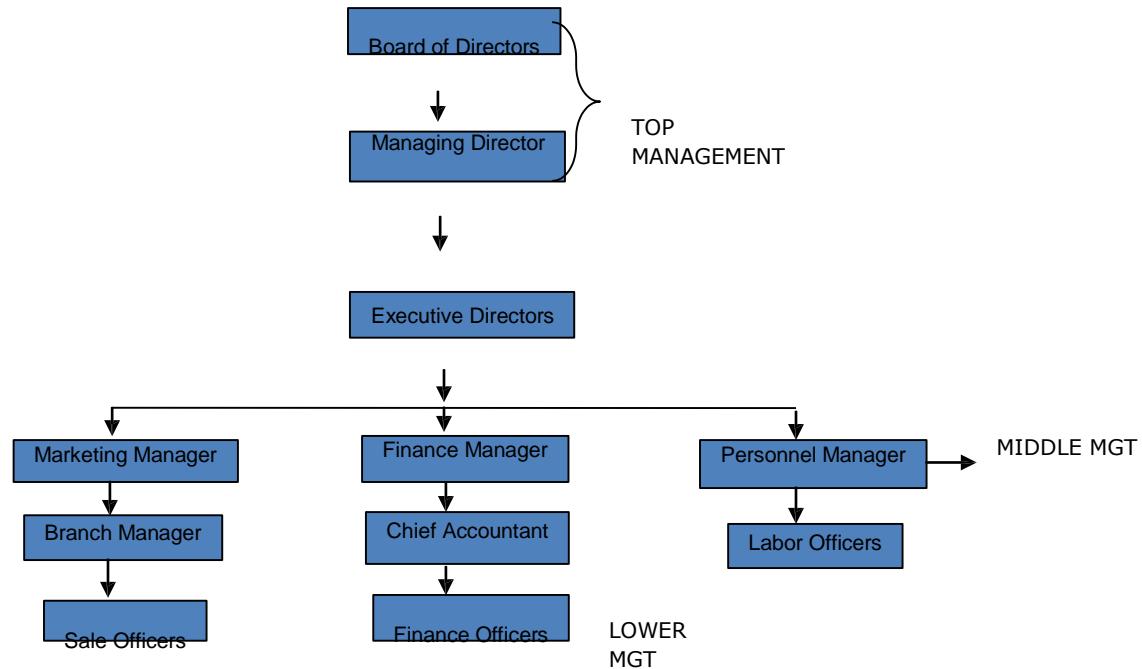
FUNCTIONS OF MIDDLE LEVEL MANAGEMENT

- To interpret and explain the plans and policies formulated by top management
- To monitor & control the operating performance
- To cooperate among themselves so as to integrate the various activities of a department
- To train, motivate and develop supervisory personnel; and
- To lay down rules & regulations to be followed by supervisory personnel.

FUNCTIONS OF LOWER LEVEL MANAGEMENT

- To plan day to day production within the goal laid down by higher authorities
- To assign jobs to workers and to make arrangements for their training and development
- To issue orders & instructions
- To supervise & control workers' operations and to maintain personal contact with them
- To arrange materials and tools and to maintain machinery
- To advise & assist workers by explaining work procedures, solving their problems etc.
- To maintain discipline and good human relations among workers
- To report feedback information and workers' problems to the higher authorities.

THREE LEVELS OF MANAGEMENT



CONTRIBUTIONS OF TAYLOR AND FAYOL

F.W.Taylor's Scientific Management (USA 1856-1915)

He started as an apprentice machinist in Philadelphia, USA. He rose to be the chief engineer at the Midvale Engineering Works and later on served with the Bethlehem Works where he experimented with his ideas and made the contribution to the management theory for which he is so well known. Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasize the need for adopting a scientific approach to the task of managing an enterprise. He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

- (a) Observation
- (b) Measurement

(c) Experimentation and

(d) Inference.

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work.

He conducted the experiments at his work places to find out how human beings could be made efficient by standardizing the work and better method of doing the work. These experiments have provided the following features of scientific management:

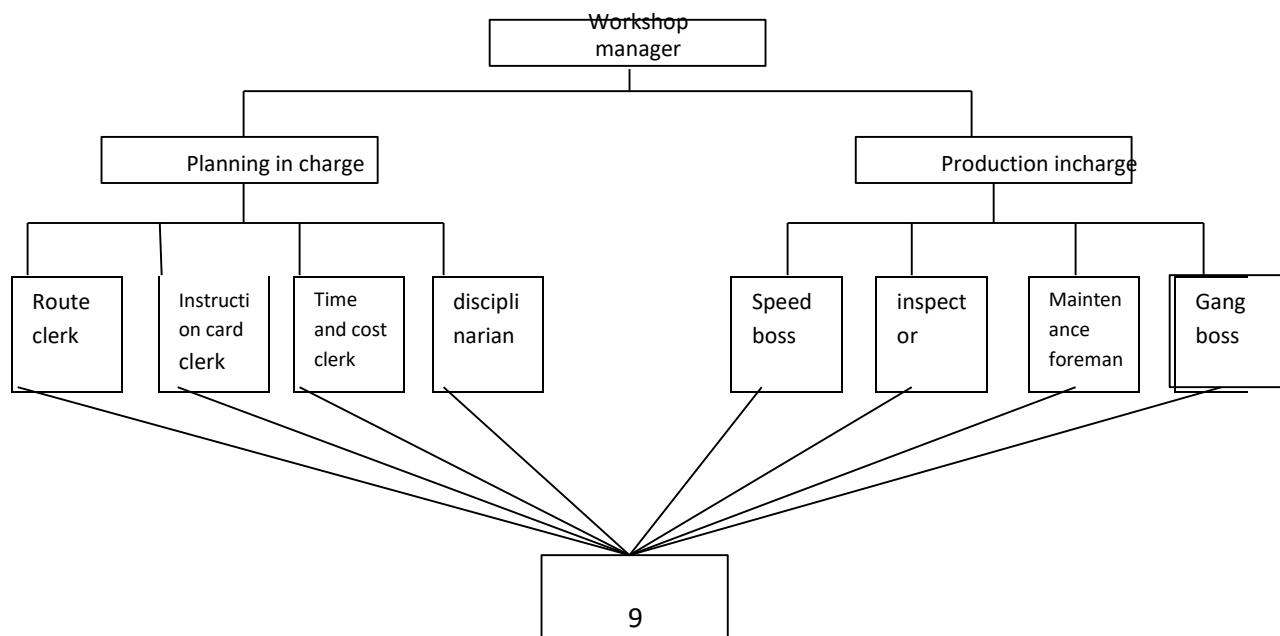
ELEMENTS AND TOOLS OF SCIENTIFIC MANAGEMENT

Taylor conducted various experiments at his work places to find out how human beings could be made efficient by standardizing the work and better method of doing the work. These experiments have provided the following features of scientific management.

1. SEPARATION OF PLANNING AND DOING: Worker was put under the supervision of a supervisor commonly known as gang boss. Thus, supervisor's job was merely to see how the workers were performing. This was creating a lot of problems, and Taylor emphasized that planning should be left to the supervisor and the worker should emphasize only operational work.

2. FUNCTIONAL FOREMANSHIP: Separation of planning from doing resulted into development of supervision system which could take planning work adequately besides keeping supervision on workers.

For this purpose, Taylor evolved the concept of functional foremanship based on specialization of functions.



worker

3. JOB ANALYSIS: Job analysis is undertaken to find out the one best way of doing the thing. The best way of doing a job is one which requires the least movements, consequently less time and cost.

(i) **Time study** involves the determination of time a movement takes to complete. The movement which takes the minimum time is the best one. This helps in fixing the fair work for a period.

(ii) **Motion study** involves the study of movements in parts which are involved in doing a job and thereby eliminating the wasteful movements and performing only necessary movements. This reduces the time taken in performing a work and also the fatigue of workers.

(iii) **Fatigue study** shows the amount and frequency of rest required in completing the work. After a certain period of time, workers feel fatigue and cannot work with full capacity. Therefore, they require rest in between.

4. STANDARDISATION: As far as possible, standardization should be maintained in respect of instruments and tools, period of work, amount of work, working conditions, cost of production, etc. These things should be fixed in advance on the basis of job analysis and various elements of costs that go in performing a work.

5. SCIENTIFIC SELECTION AND TRAINING OF WORKERS: A worker should be given work for which he is physically and technically most suitable like, education, work experience, aptitude, physical strength, etc.

6. FINANCIAL INCENTIVES: Financial incentives can motivate workers to put in their maximum efforts. If provisions exist to earn higher wages by putting in extra effort, workers will be motivated to earn more.

7. ECONOMY: The economy and profit can be achieved by making the resources more productive as well as by eliminating the wastages.

8. MENTAL REVOLUTION: Scientific management depends on the mutual co-operation between management and workers. For this co-operation, there should be mental change in both parties from conflict to co-operation

PRINCIPLES OF SCIENTIFIC MANAGEMENT

Taylor has given certain basic principles of scientific management. The fundamental principles are:

1. REPLACING RULE OF THUMB WITH SCIENCE: Taylor has emphasized that in scientific management, organized knowledge should be applied which will replace rule of thumb. While the use of scientific method denotes precision in determining any aspect of work, rule of thumb emphasizes estimation.

2. HARMONY IN GROUP ACTION: Group harmony suggests that there should be mutual give and take situation and proper understanding so that group as a whole contributes to the maximum.

3. CO-OPERATION: Scientific management involves achieving co-operation rather than chaotic individualism.

4. MAXIMUM OUTPUT: Scientific management involves continuous increase in production and productivity instead of restricted production either by management or by worker.

5. DEVELOPMENT OF WORKERS: In scientific management, all workers should be developed to the fullest extent possible for their own and for the company's highest prosperity.

Benefits of Scientific Management:

Taylor's ideas, research and recommendations brought into focus technological, human and organizational issues in industrial management. Benefits of Taylor's scientific management included wider scope for specialization, accurate planning, timely delivery, standardized methods, better quality, lesser costs, minimum wastage of materials, time and energy and cordial relations between management and workers. According to Gilbreths, the main benefits of scientific management are "conservation and savings, making an adequate use of every one's energy of any type that is expended". The benefits of scientific management are:-

1. Replacement of traditional rule of thumb method by scientific techniques.
2. Proper selection and training of workers.
3. Incentive wages to the workers for higher production.
4. Elimination of wastes and rationalization of system of control.
5. Standardization of tools, equipment, materials and work methods.
6. Detailed instructions and constant guidance of the workers.
7. Establishment of harmonious relationship between the workers.
8. Better utilization of various resources.
9. Satisfaction of the needs of the customers by providing higher quality products at lower prices.

Criticism:

1. Worker's Criticism:

(a) Speeding up of workers: Scientific Management is only a device to speed up the workers without much regard for their health and well-being.

(b) Loss of individual worker's initiative: Scientific Management reduces workers to automatic machine by taking away from them the function of thinking.

(c) Problem of monotony: By separating the function of planning and thinking from that of doing, Scientific Management reduces work to mere routine.

(d) Reduction of Employment: Scientific Management creates unemployment and hits the workers hard.

(e) Weakening of Trade Unions: Under Scientific Management, the important issues of wages and working conditions are decided by the management through scientific investigation and the trade unions may have little say in the matter.

(f) Exploitation of workers: Scientific Management improves productivity through the agency of workers and yet they are given a very small share of the benefit of such improvement.

2. Employer's Criticism: **(a) Heavy Investment:** It requires too heavy an investment. The employer has to meet the extra cost of the planning department though the foreman in this department do not work in the workshop and directly contribute towards higher production.

(b) Loss due to re-organization: The introduction of Scientific Management requires a virtual reorganization of the whole set-up of the industrial unit. Work may have to be suspended to complete such re-organization.

(c) Unsuitable for small scale firms: various measures like the establishment of a separate personnel department and the conducting of time and motion studies are too expensive for a small or modest size industrial unit.

FAYOL

Henry fayol (1841-1925) is generally hailed as the founder of the classical management school – not because he was the first to investigate managerial behavior but because he was the first to systematize it.

Perhaps the real father of modern operational management theory is the French industrialist Henry Fayol. His contributions are generally termed as operational management or administrative management.

“To manage is to forecast and to plan, to organize, to coordinate and to control.”

He found that activities of an industrial organization could be divided into six groups:

1. Technical (relating to production);
2. Commercial (buying, selling and exchange);
3. Financial (search for capital and its optimum use);
4. Security (protection of property and person);
5. Accounting (including statistics) and
6. Managerial (planning, organization, command, coordination, and control).

He has divided his approach of studying management into three parts: (i) managerial qualities and training, (ii) general principles of management, and (iii) elements of management.

MANAGERIAL QUALITIES AND TRAINING

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical (health, vigour, and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);
3. Moral (energy, firmness, initiative, loyalty, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and
6. Experience (arising from the work).

GENERAL PRINCIPLES OF MANAGEMENT (14 principles of Management)

- 1. DIVISION OF WORK:** According to him, " specialization belongs to natural order. The workers always work on the same part, the managers concerned always with the same matters; acquire an ability, sureness, and accuracy which increase their output.
- 2. AUTHORITY AND RESPONSIBILITY:** The authority and responsibility are related, with the latter the corollary of the former and arising from it. Fayol finds authority as a continuation of official and personal factors.
- 3. DISCIPLINE:** Discipline is obedience, application, energy, behavior, and outward mark of respect shown by employees.
- 4. UNITY OF COMMAND:** Unity of command means that a person should get orders and instructions from only one superior..
- 5. UNITY OF DIRECTION:** Unity of direction is different from unity of command in the sense that the former is concerned with functioning of the organization in respect of its grouping of activities or planning. Unity of direction provides better coordination among various activities to be undertaken by an organization.
- 6. SUBORDINATION OF INDIVIDUAL TO GENERAL INTEREST:** Common interest is above the individual interest. Individual interest must be subordinate to general interest when there is conflict between the two.
- 7. REMUNERATION OF PERSONNEL:** Remuneration of employees should be fair and provide maximum possible satisfaction to employees and employers.
- 8. CENTRALISATION:** In small firms, centralization is the natural order, but in large firms, a series of intermediaries is required. Since both absolute and relative values of the managers and employees are constantly changing, it is desirable that the degree of centralization or decentralization may itself vary constantly.
- 9. SCALAR CHAIN:** There should be a scalar chain of authority and of communication ranging from the highest to the lowest. It suggests that each communication going up or coming down must flow through each position in the line of authority. Fayol has suggested 'gang plank' which is used to prevent the scalar chain from bogging down action.

10. ORDER: This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place.

11. EQUITY: Equity is the combination of justice and kindness. Equity in treatment and behavior is liked by everyone and it brings loyalty in the organization

12. STABILITY OF TENURE: No employee should be removed within short time. There should be reasonable security of jobs.

13. INITIATIVE: Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan.

14. ESPIRIT DE CORPS: This is the principle of 'union is strength' and extension of unity of command for establishing team work.

ORGANISATION STRUCTURE

Types of structure

♣ The organisation structure, being abstract, is not visible in the same way as a biological or mechanical structure, though it can be inferred from the actual operations and behavior of the organisation.

♣ To put it in simple words Organizational structure refers to the levels of management and division of responsibilities within an organisation.

♣ In an organization of any size or complexity, employees' responsibilities typically are defined by what they do, who they report to, and for managers, who reports to them. Over time these definitions are assigned to positions in the organization rather than to specific individuals. The relationships among these positions are illustrated graphically in an organizational chart.

Factors in Designing Organisation Structure

A sound organisation requires sound organisation structure. This requires the identification and analysis of activities While designing a structure, the following points should be given adequate consideration.

1. **Departmentation.** Departmentation is the process of arranging work to form positions functions, and other organisational elements. There are several ways of departmentation. However, any base should provide (i) facility in co-ordination (ii) advantages of specialisation, (iii) minimum cost, (iv) emphasise on important activities, (v) consideration of internal and external factors, and external factors, and (vi) development of individuals. Departmentation is not a fixed pattern, it should be checked and analysed from time to time to make necessary adjustment according to changes in internal and external variables.

2. Balancing. Each function should be given its proper emphasis with respect to its basic purpose in the organisation. Each element of the organisation should be seen in the context of total structure because no decision can be taken on a particular element in isolation. Compromise in various elements gives a balanced and workable organisation structure.

3. Focusing of Operating Responsibility. The work assignment creates responsibility. Organisation structure should clearly define the responsibility of all the individuals so that they exactly know what is expected of them. Clearly defined responsibility helps in delegating appropriate authority to various level. Moreover, when responsibility is clearly defined, the persons can be trained accordingly to occupy the positions.

4. Establishing Span. Span of management, supervision, or control refers to the number of people one manager can supervise. There is a limit on this number; however, arbitrary designation of limits on number is misleading. In practice, the span may vary widely because a number of factors determine this. The span should be decided on the basis of its needs at various levels of organisation

5. Facilitating Units. Departmentation and responsibility centres provide as to who will perform the work. The persons heading the responsibility centres need the help of facilitating units which are created in the organisation. These units may be organised in the form of departments, sectors, or committees. In organising these units, factors like co-ordination of operating units, consistent action throughout the organisation, provision for adequate importance and control, and common use of specialised facilities should be considered.

6. Continuity. The structure is determined for future period also. As such, it should be designed in such a way that it helps in achieving the objectives of near future also. For this purpose, the structure should be kept flexible enough so that it can be adjusted to changing conditions.

Three-fold of organisation structure

The basic purpose of designing organisation structure is three-fold

1. All the necessary activities are performed and no unnecessary activity is performed.
2. There is no unnecessary duplication in performing necessary activities.
3. The various activities are performed in a synchronized or co-ordinated way.

Forms of Organisation Structure

Designing of the organisation structure is ordinarily considered to be a matter of choice among a large number of alternatives. There are three traditional forms: line, line and staff, and functional

organisation, and two newer forms-committee and matrix organisations. In fact, no particular form is the best and, in practice, an admixture of all these or of some is found.

1) Line Organisation

This is also known as scalar, military, departmental, or vertical organisation and perhaps is the oldest form. This concept holds that in any organisation or hierarchy derived from a scalar process, there must be a single head who commands it.

It is perhaps the oldest and the simplest organisational structure. In this kind of structure every manager exercises a direct authority over his subordinate who in turn directly reports to their superiors.

- There is a hierarchical arrangement of authority.
- Each department is self-contained and works independently of other departments.
- Lines of authority are vertical i.e. from top to bottom.
- There are no staff specialists.



Advantages

- Simple to establish and operate
- Promotes prompt decision making.
- Easy to control as the managers have direct control over their subordinates.
- Communication is fast and easy as there is only vertical flow of communication.

Disadvantages

- Lack of specialisation
- Managers might get overloaded with too many things to do.

- Failure of one manager to take proper decisions might affect the whole organisation. However, line structures are suitable for small businesses where there are few subordinates organisations where there is largely of routine nature and methods of operations are simple.

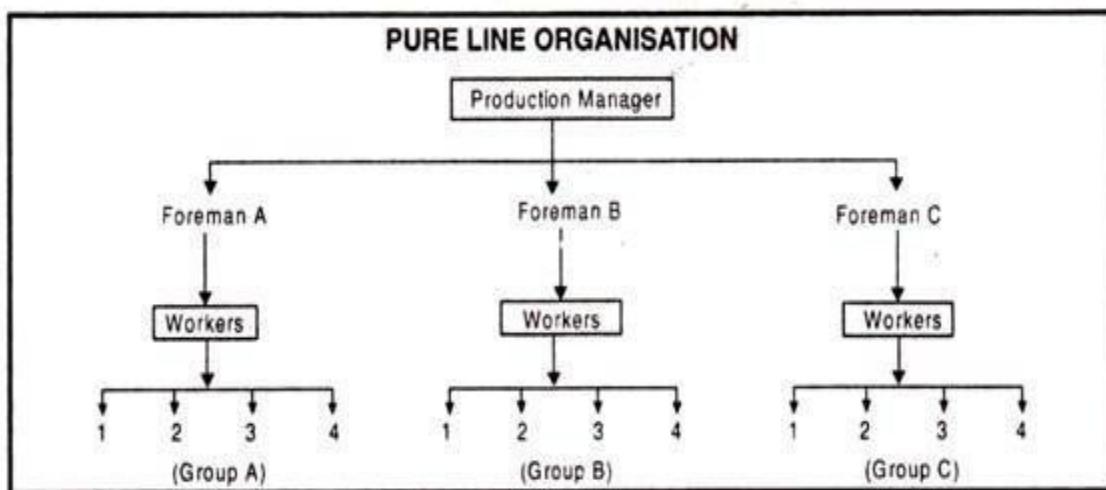
Two ways of designing Line Organisation

Line organisation can be designed in two ways:

- **Pure Line Organisation**
 - **Departmental Line Organisation**
- 1. Pure Line Organisation**

Under this form, similar activities are performed at a particular level. Each group of activities is self-contained unit and is able to perform the assigned activities without the assistance of others.

Pure line organisation may be depicted as follows:

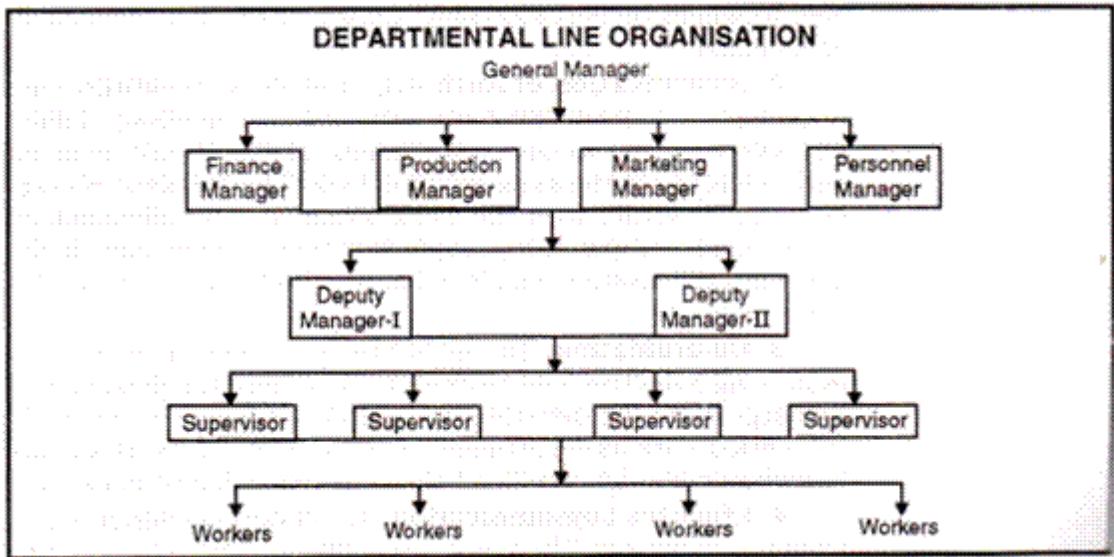


Though, this is simple in organizing but it almost non-existent in the modern world.

- 2. Departmental Line Organisation**

Under this form, entire activities are divided into different departments on the basis of similarity of activities.

Each department is placed under one departmental superintendent. All persons in the department are subject to control by the departmental head. The basic objective of this form is to have uniform control, authority, and responsibility.



2) Line and Staff Organisation

It is a combination of line and functional structures. In this organisation a structure, the authority flows in a vertical line and get the help of staff specialist who are in advisory. When the line executives need advice, information about any specific area, these staff specialists are consulted.

For example Chief accountant has command authority over accountants and clerks in the accounts departments but he has only advisory relationship with other departments like production or sales.

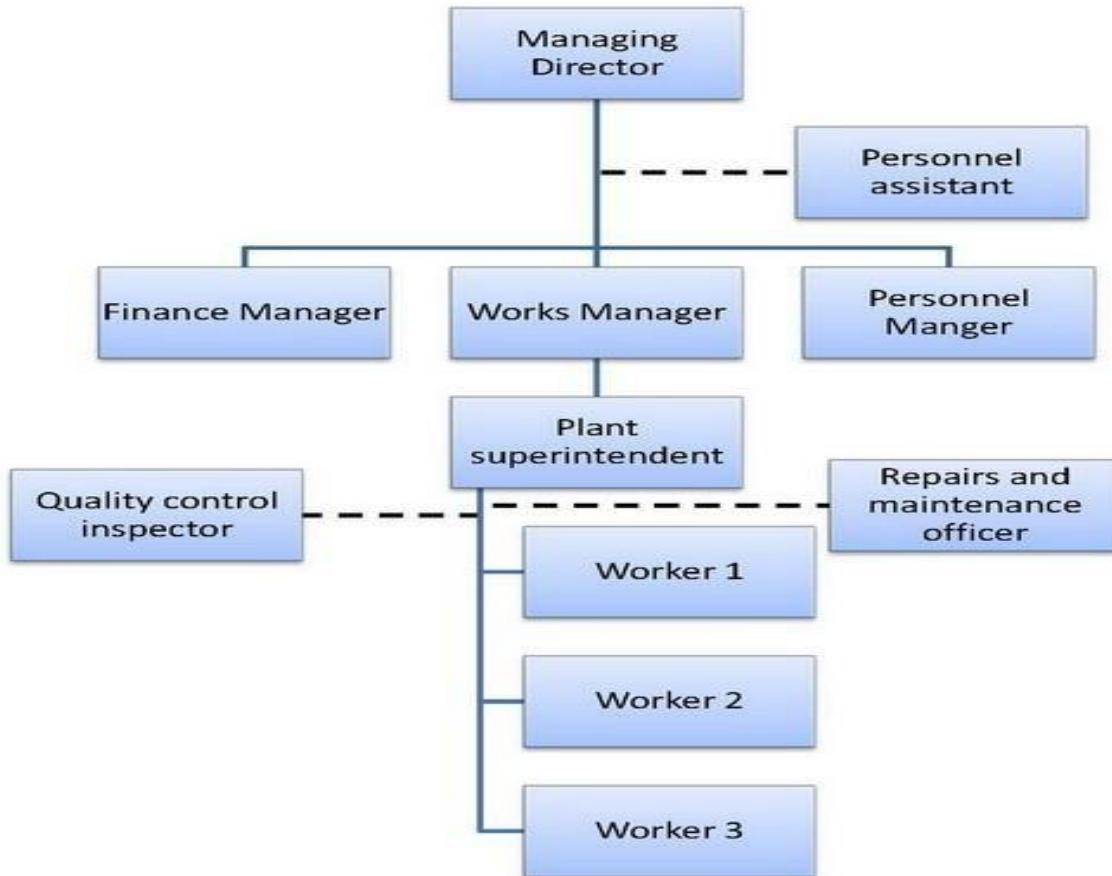


Fig.: Line and Staff Organisation

Advantages

Line managers are provided by expert advice by these specialists.

Staff managers provide specialist advice which can improve quality of decisions in various departments.

Disadvantages

Line managers and staff managers might have conflicts on particular issues.

Line and staff managers might not be clear as to what the actual area of operations is and what is expected of them. Co-ordination may be a problem.

Staff personnel are not accountable for the results and thus may not take tasks seriously.

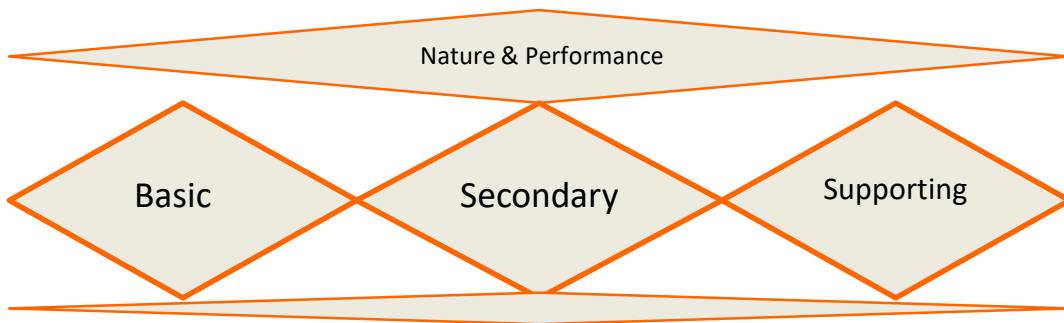
However, Line and staff organisation is very suitable for large organisation.

3) Functional Organisation Structure

Functional organisation structure is where "authority rests with the functional heads; the structure is sectioned by departmental groups." The organisation is divided into a number of functional areas. This organisation has grouping of activities in accordance with the functions of an organisation such as production, marketing, finance, human resource and so on. The specialist in charge of a functional department has the authority over all other employees for his function. It is a kind of Formal Organisation whose structure is based on organising resources to perform specialized tasks or activities in order to attain the goals of organisation.

This structure emerges from the idea that the organisation must perform certain functions in order to carry on its operations.

Functional structure is created by grouping the activities on the basis of functions required for the achievement of organisational objectives. For this purpose all the functions required are classified as shown below:-



Characteristics of Functional Organisation

1. Functional authority relationship
2. Limited span of management
3. Line and staff division
4. Organisation growth through emphasis on sub goals
5. Specialisation on functional areas

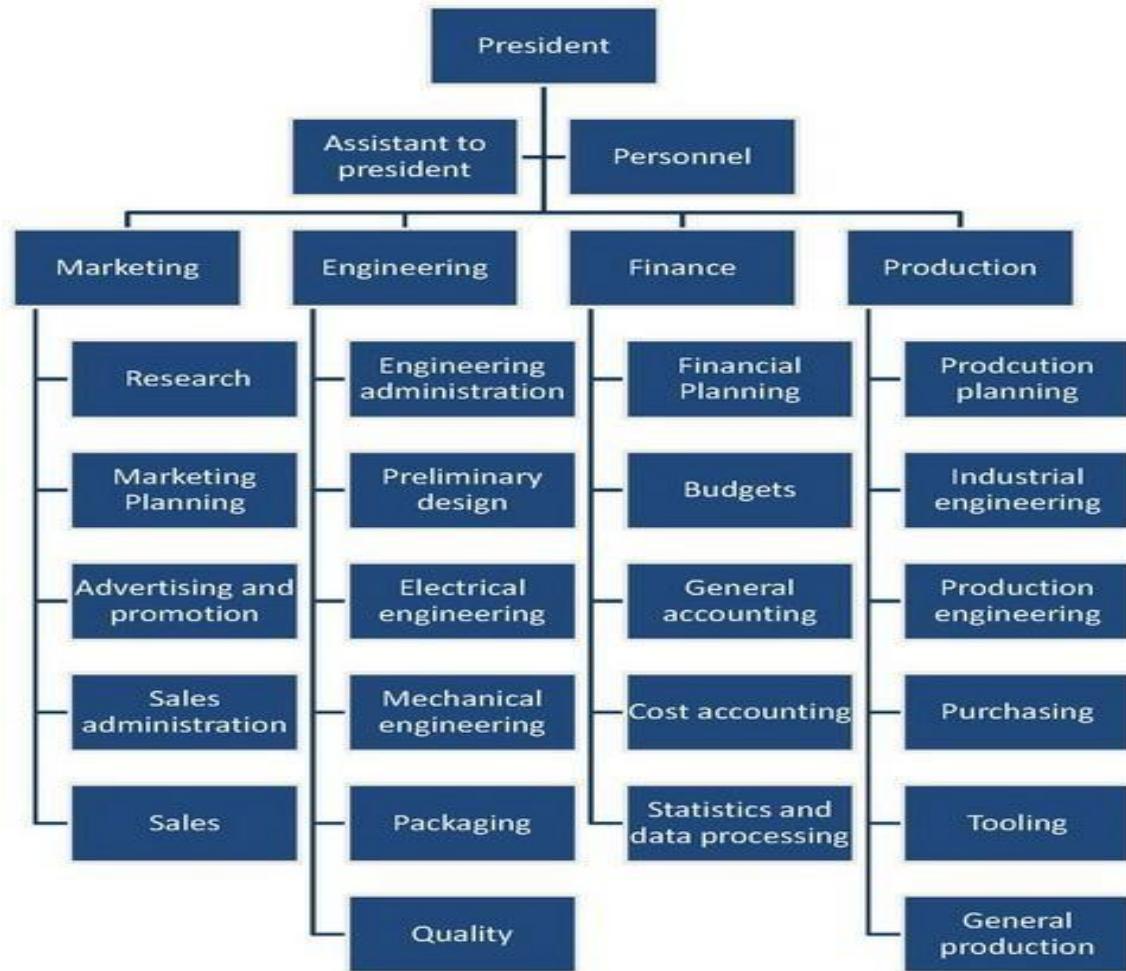


Fig.: Functional Organisation Structure

Advantages

- Is logical and reflection of functions
 - Follows principle of occupation specialisation
 - Simplifies training
 - Better control as the manager in charge of each functional department is usually an specialist.

Disadvantages

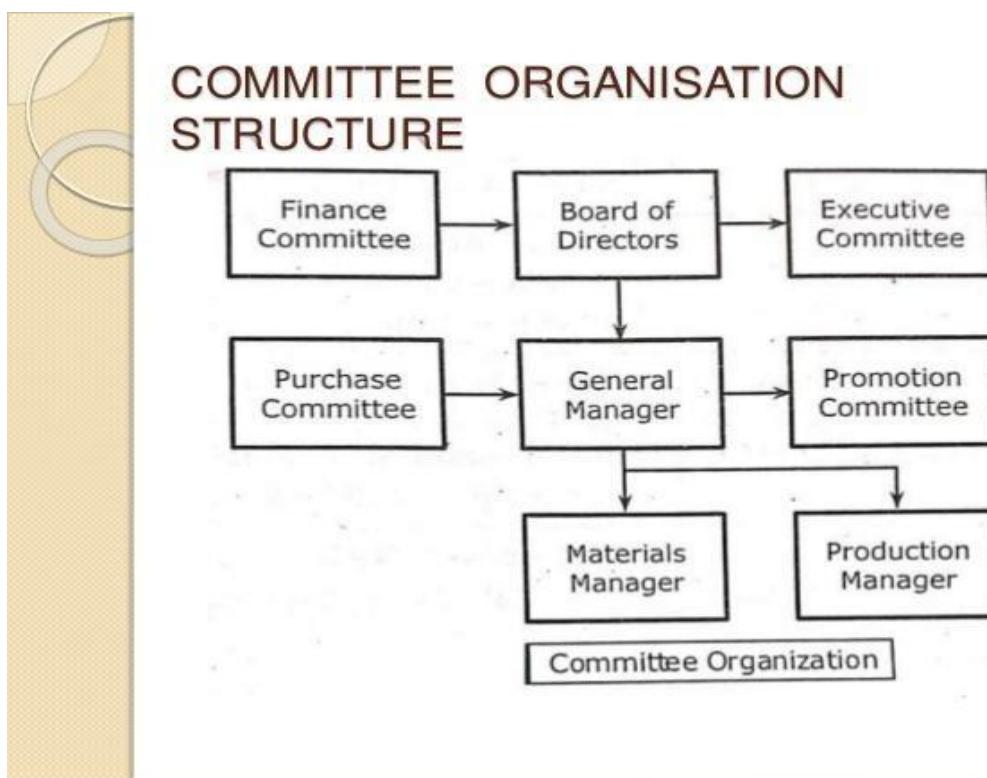
- Overspecialization and narrow viewpoints of key personnel can limit the organisation growth.
 - Reduced coordination between functions.
 - Conflicts between different functions could be detrimental for the organisation as a whole.
 - Difficult for general managers to coordinate different departments.

However, it is much suitable for large organisations where there is ample scope for specialization. Once harmony and proper coordination among different functions is achieved, it could lead to sure success for an organisation.

4) Committee Organisation Structure

Organisation committees are quite popular at different levels for various functions. The board of directors is a committee.

Similarly, there may be executive committee, finance committee, audit committee, bonus committee, planning committee, grievance committee, etc. Exact definition of a committee is difficult because there are many different kinds of committees and the concept of a committee may be defined as a group of persons in an organization to another. However, a committee may be defined as a group of persons in an organization for taking or recommending certain decisions.



Characteristics of committee organisation

On the basis of the definition, following broad characteristics of a committee may be spelled out.

- 1) A committee is a group of persons there should be at least two persons. There is no limitation on the maximum number of persons. However, if number of persons rises above seven, communication tends to become centralized because committee members do not have adequate opportunity to communicate directly with one another.

- 2)** A committee is charged with dealing with specific problems and it cannot go in for actions in all spheres of activities. There are strictly defined jurisdictions within which a committee is expected to justify its existence. Beyond these limited spheres a committee is doomed to fail as an organ of action.
- 3)** Members of the committee have authority to go into details of the problems. This authority usually is expressed in terms of one vote for each member.
- 4)** A committee have the authority either to take a final decision or it may merely decision or it may merely deliberate on problems without authority to decide.
- 5)** A committee may be constituted at any level of organisation. Moreover, the members of a committee may be drawn from various levels. Usually in such a case, all the members of the committee enjoy equal authority.

5) Matrix Organisation Structure

- Matrix organisation combines two structures – functional departmentation and project structure.
- Functional department is a permanent feature of the matrix structure and retains authority for overall operation of the functional units.
- Project teams are created whenever specific projects require a high degree of technical skill and other resources for a temporary period.
- Project team form the horizontal chain and functional departments create a vertical chain of command.
- Members of a particular team are drawn from the functional departments and are placed under the direction of a project manager who has the overall responsibility of a particular project.



Advantage

- Is oriented towards end results.
- Professional identification is maintained
- Pinpoints product-profit responsibility

Disadvantages

- Conflict in organisation authority exists.
- Possibility of disunity of command exists
- Requires manager effective in human relations

Matrix organizations are used in industries with highly complex product systems for example, aerospace industry where project teams are created for specific space or weapon systems.

6) Project Organisation Structure

The project structure consists of a number of horizontal organisational units to complete projects of a long duration. A team of specialists from different areas is created for each project. Usually this team is managed by the project manager. The project staff is separate from and independent of the functional departments.

Advantages

- Special attention can be provided to meet the complex demand of the project.
- It allows maximum use of specialist knowledge thus chances of failure are very less.
- Project staff works as a team towards common goal which results in high motivation level for its members.

Disadvantages

As the project staff consists of personnel from diverse fields, it might be quite challenging for the project manager to coordinate among them.

Departmentation

Departmentation is process of grouping activities and people onto department make it possible to expand organization. After reviewing the plan, usually the first step in the organization process is departmentalization. Once job have been classified through work specialization, they are grouped so those common tasks can be coordinated. Departmentation is the biases on which work or individuals are grouped into manageable units. There are five traditional methods for grouping work activities.

Thus workflow analysis can be used tighten the connection between employees' work and customers' needs. Also it can help to make major performance breakthroughs throughout business process reengineering (BPR).A functional rethinking and radical redesign of business process to achieve dramatic improvements in costs, quality, service, and speed.BPR use workflow analysis to identify jobs that can be eliminated or recombined to improve company.

TYPE OF DEPARTMENTATION:

1. DEPARTMENTATION BY NUMBERS:

Departmentation by number is telling off persons who are to perform the same duties and putting them under the superior of a manager the essential fact is not what these people do, where they work? Or what they work with, it is that the success of the understanding depends only on the number of persons include in it. This method is rapidly applying in army.

DISADVANTAGES OR DECLINES REASONS

There are many reason of decline of departmentation by numbers.

- It has declined due to advance technology and demand of specialized and different skills.
- A second reason is groups composed of specialized personnel are more efficient than those based on number.
- Departmentation by number is useful only at the lowest level of the organization.
- Departmentation by number fails to produce good results

2. DEPARTMENTATION BY TIME

It is grouping activities on the basis of time. It is oldest form of departmentation and it is generally used in low level of departmentation. It is particularly applied in hospitals and steel manufacturing enterprise where continue process of service and manufacturing is used

ADVANTAGES

- It is process of working and services throughout 24 hours.
- It is continuing service process.

- Expensive machinery is used in shifts.
- Students can work evening or at night.

DISADVANTAGES

- There is lacking supervision at night.
- Exhaustion factor.

3. DEPARTMENTATION BY FUNCTION

It is grouping activities on the basis on function of an enterprise. The basic enterprise functions are production, selling, and financing functional departmentation is bases for organizing activities and in organizational structure. It organizes by function to be performed. The function reflects the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialties and people with common skills, knowledge and orientations together in common units

ADVANTAGES

- It is logical reflection of function.
- Maintains power of major functions.
- Simplifies training.

DISADVANTAGES

- De-emphasis of overall company objectives.
- Reduces coordination between function.
- Slow adoption to change in environment.

4. DEPARTMENTATION BY GEOGRAPHY

Departmentation by geography is followed where geographic marked appear to offer advantages. Geographic department most often use in sales and production, it is not use in finance. Departmentalization by geographical regions groups jobs on the basis of territory or geography. For example Merek, a major pharmaceutical company, have its domestic sales departmentalized by regions such as Northeast, Southeast, & Northwest

ADVANTAGES

- It emphasis on local markets and problems.
- Improves coordination in a region.
- Better face to face communication.

DISADVANTAGES

- Increases problem of top management control.

- Requires more persons with general manager abilities.

5. DEPARTMENTATION BY CUSTOMER

Departmentalization by customer groups jobs on the basis of a common set of needs or problems of specific customers. For instance, a plumbing firm may group its work according to whether it is serving private sector, public sector, government, or not- for-profit organizations. A current departmentalization trend is to structure work according to customer, using cross-functional teams. This group is chosen from different functions to work together across various departments to interdependently create new products or services. For example, a cross-functional team consisting of managers from accounting, finance and marketing is created to prepare a technology plan.

There is different difficult decision to be made in separating some type of customer departments from product departments. Business owners and managers arrange activities on the basis of customer requirements. Departmentation by customer can be defined by figure

ADVANTAGES

- Departmentation by customer emphasis on customer needs.
- It develops experience in customer area.

DISADVANTAGES

- It may be difficult to analysis customer demands.
- It requires managers and staff expert in customer problems.
- Customer groups may not always be clearly defined.

6. DEPARTMENTATION BY PROCESS

This type of departmentation is found in production and operative levels. Such type of departmentation can be found in paint or electroplating process. Departmentalization by process groups jobs on the basis of product or customer flow. Each process requires particular skills and offers a basis for homogeneous categorizing of work activities. A patient preparing for an operation would first engage in preliminary diagnostic tests, and then go through the admitting process, undergo a procedure in surgery, receiver post operative care, be discharged and perhaps receive out-patient attention. These services are each administered by different departments.

ADVANTAGES

- It simplifies training.
- Achieve economic advantage.
- Uses specialized technology.

DISADVANTAGES

- Coordination of departments is difficult.
- Responsibility for profit is at the top.

7. DEPARTMENTATION BY PRODUCT

This type of departmentation used in organization where more than one product is producing. In this department all the sources and authority are placed under the control of one manager. Departmentation by product assembles all functions needed to make and market a particular product are placed under one executive. For instance, major department stores are structured around product groups such as home accessories, appliances woman's clothing, men's clothing and children clothing.

ADVANTAGES

- Places attention on production.
- Increase growth of product.
- Places responsibility for profit at division level.

DISADVANTAGES

- Requires more persons with general manager abilities.
- Presents problems of top management control
- **REWARD POWER:** Power arises from ability of some people to grant reward. reward is known as reward power. University Professors have considerable reward. power they made high grade.
- **EXPERT POWER:** Power may also come from the expertness of a person or a group. This power of knowledge. Physician lowers, & university professors may have considerable influence for their special knowledge.
- **REFERENT POWER:** This is the power of admiring high esteemed leader by individuals.
- **DECISION MAKING POWER:** This power arises from the power of positions. When people speak authority in managerial setting, they are usually referring to the decision making power.

CENTRALISATION

Centralisation is the systematic and consistent reservation of authority at central point within the organisation

Benefits of Centralisation

This system results in certain advantages to the organization

1- Facilitating Personal Leadership. Personal leadership can be a potent influence in the success of a small organisation and during its early growth stages. The success and survival of the small, young enterprise in the competitive market depends upon aggressiveness, singleness of purpose, and flexibility. Under a talented and dynamic leader, centralisation in small organisation may result in quick decisions, enterprising and imaginative action, and high mobility

2- Providing Integration. Certain amount of centralisation is necessary to unify and integrate the total operation of the enterprise. Some sort of central direction is required to keep all parts of the organisation moving harmoniously together towards a common objective. Thus, it acts as a binding force on the various parts of the organisation.

3- Uniformity of Action Centralisation brings uniformity in all actions in the organisation. Thus, to the extent that the organisation wishes all its units to do the same thing in the same way or the same time, there must be centralisation of appropriate decisions.

4- Handling Emergencies. When emergency decisions affecting all the units of the organisation are to be taken, centralisation is necessary. The more acute emergency or the more acute competition requires greater centralized decision-making.

5- Other Benefits. Besides, centralisation minimizes duplication of work and wastages require easier control, and makes communication easier.

However, these advantages of centralisation are limited in certain circumstances and particularly in smaller organisations. A stage comes when decentralisation becomes desirable to achieve its advantages and where the limitations of centralisation come in the way of successful organisational functioning.

DECENTRALISATION

Decentralisation has become the prevailing philosophy for organising activities on the part of large organisations.

Benefits of Decentralisation

Many organisations, which were centralized at earlier stages, have been forced to go for decentralisation simply because they could not cope up with the situation under centralized authority. This show the benefits of decentralisation which are as follows:

1. Reducing Burden to Top Executives. Decentralisation is necessary for solving the problems of expanding organisations. It is the means by which the chief executive can extend his leadership over a giant organisation, when the chief executive makes operating decisions and with problems of immediate urgency, he finds it almost impossible to adopt the relaxed and contemplative point of view necessary for planning and thinking ahead. Decentralisation relieves this pressure on the chief executive and provides him time to think for the future and to make plans accordingly.

2. Facilitating Diversification. Decentralisation can facilitate the growth and diversification of product lines. Divisionalization facilitates diversification and former is successful under decentralisation. For under decentralisation, each product line is treated as separate unit and proper emphasis on all important matters such as present position, future prospects, and comparative efficiency, can be given.

3. Ensuring Marketing Innovations. Customers require satisfaction in respect of supply of qualitative products, regularity of supply, and at cheaper rates. Marketing innovations ensure better customer satisfaction. Each organisation has to carry on these marketing innovations for its existence and growth. In decentralized organisation structure, higher level people get much time for the creativity and innovations. The impact of decentralisation on both product and market has proved by the various organisations.

4. Motivating Managers. Various research studies have shown that the organisation structure itself can influence the people within the organisation. The extent to which the organisation facilities participation, communication, delegation, mutual interaction, and interdependence, motivates people for higher productivity. Decentralization tends to emphasise those desirable characteristics in whatever type of structure it is found.

5. Encouraging Development of Managers. Managers are made, not born and decentralisation is one of the best methods of developing managers in the organisations. Other methods of management development have their own contributions in this field. However, giving manager's management jobs to do and to delegate authority for decision-making make them more mature and competent and broad-based. The problem of succession is overcome this way and the future growth and success of the organisation are ensured as most organisations find lack of managerial talent a limiting factor in growth. Perhaps, the necessity of management development is one of the compelling reasons for decentralisation.

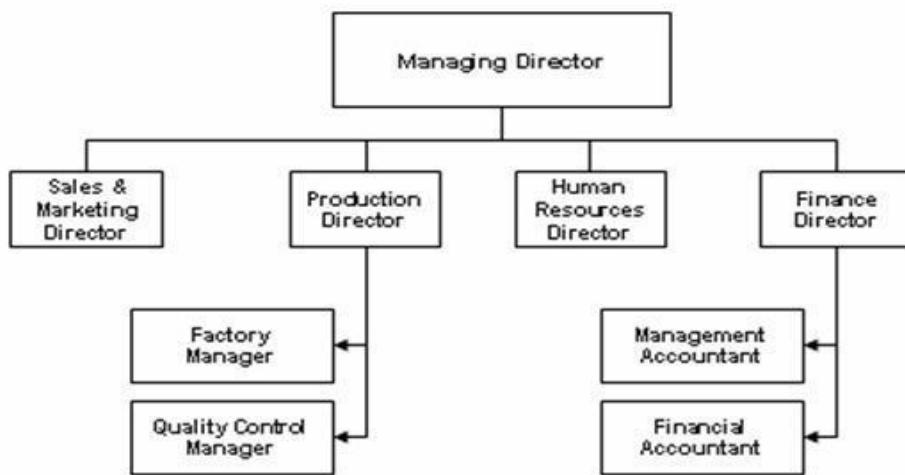
SPAN OF CONTROL

In a business of more than one person, unless the business has equal partners, then there are managers and subordinates. Subordinates are workers controlled by the manager.

A hierarchy describes the structure of the management of the business, from the top of the company – the managing director, through to the shop floor worker, who reports to their foreman, in a manufacturing business.

The hierarchy of a business is usually best understood by drawing an **organisation chart** showing which levels of management and employees report to whom.

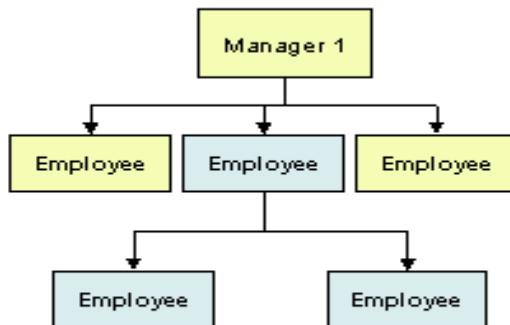
An example of a hierarchy is shown in the diagram below



A span of control is the number of people who report to one manager in a hierarchy. The more people under the control of one manager - the wider the span of control. Less means a narrower span of control.

An example of a narrow span of control is shown in the diagram below:

Example of a Narrow Span of Control

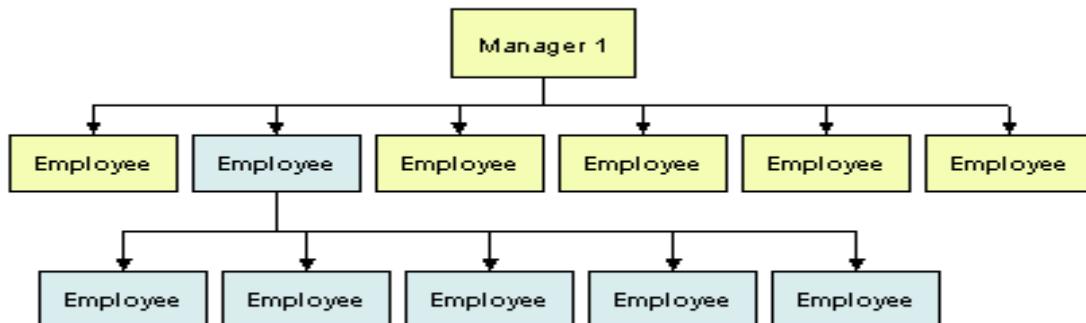


Each employee holding a position of authority is responsible for at least two others – i.e. the span of control is at least 2

The advantages of a narrow span of control are:

- A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily
 - Feedback of ideas from the workers will be more effective.
- It requires a higher level of management skill to control a greater number of employees, so there is less management skill required
- An example of a wide span of control is shown in the diagram below:

Example of a Wide Span of Control



Each employee holding a position of authority is responsible for at least five others – i.e. the span of control is at least 5

The advantages of wide span of control are:

- There are less layers of management to pass a message through, so the message reaches more employees faster
- It costs less money to run a wider span of control because a business does not need to employ as many managers

The width of the span of control depends on:

The type of product being made – products which are easy to make or deliver will need less supervision and so can have a wider span of control

Skills of managers and workers – a more skilful workforce can operate with a wider span of control because they will need less supervision. A more skilful manager can control a greater number of staff

A tall organisation has a larger number of managers with a narrow span of control whilst a flat organisation has few managers with a wide span of control.

A tall organisation can suffer from having too many managers (a huge expense) and decisions can take a long time to reach the bottom of the hierarchy

BUT, a tall organisation can provide good opportunities for promotion and the manager does not have to spend so much time managing the staff

Chain of command is the line on which orders and decisions are passed down from top to bottom of the hierarchy. In a hierarchy the chain of command means that a production manager may be higher up the hierarchy, but will not be able to tell a marketing person what to do. The advantages of hierarchies are:

- Helps create a clear communication line between the top and bottom of the business – this improves co-ordination and motivation since employees know what is expected of them and when.
- Hierarchies create departments and departments form teams. There are motivational advantages of working in teams.

The disadvantages of hierarchies are:

- The formation of departments can mean that:
- - Departments work for themselves and not the greater good of the business.
- - Departments do not see the whole picture in making decisions.
- Hierarchies can be inflexible and difficult to adjust, especially when businesses need to adapt to changing markets – remember employees do not tend to react well to change.

1) Span of control refers to the number of immediate subordinate who report a manager.

(2) Different level of organization level is also called span of control.

FACTORS DETERMINING AN EFFECTIVE SPAN

There are several factors which influence the span of management.

1- TRAINING OF SUBORDINATES

The better training of subordinates increases the necessary superior subordinate's relationship. Well trained subordinates require less time of their managers also they have less contact with their managers. Training programs increase in new and more complex industries.

2-CLARITY OF DELEGATION OF AUTHORITY

Although training enables managers to reduce the frequency of time consuming contact but delegation of authority should be clear. If a manager clearly delegates authority to task with a minimum of the managers time and attention. But if a manager delegate's authority unclearly than subordinate give his maximum.

3-CLARITY OF PLANS

If plans are well defined if they are workable, if the delegation of authority toward plan is clear, if the subordinate understands what expected than little of a supervisor time will be required on the other hand if plan cannot be drawn accurately and subordinates do much of their own planning, they may require considerable guidance.

4- USE OF OBJECTIVE STANDARD

manager must find out, either by personal observation or through the use of objective standards, whether subordinates are following plans. Obviously, good objective standards enable managers to avoid many time consuming contact.

5- RATE OF CHANGE

Certain enter rises change much more rapidly than others. The rate of change is very important in formulating and maintaining policies. It may explain the organization structure of company's railroad, banking and public utility companies.

6- COMMUNICATION TECNIQUES

Communication techniques also influence the span of management. If every plan, instruction, order or direction has to be communicated by personal contact than managers time will be heavily burdened. An ability to communicate plans and instructions clearly and concisely also tends to increase a managers span.

7- AMOUNT OF PERSONAL CONTACT NEEDED

Many instances, face to face meetings are necessary. Many situations cannot be completely policy statements planning documents or other communications that do not involves personal

contact. An executive may and valuable information's by meeting to subordinates and by discussing problems with them. Some problems can be handled only in face to face meeting so the best way of communicating problems, instructor, and subordinates is to spend time in personal contact.

8- VARIATION BY ORGANIZATION LEVEL

Several research projects have found that the size of the most effective span differs by organizational level. For example, it was studied that when a greater number of specialties were supervised, effective spans were narrower at lower and middle levels of organization but were increased at upper levels.

9- COMPETENCY OF MANAGERS

A manager who is competent and well trained can effectively supervise more people than who is not.

10- MATURITY AND MOTIVATION OF SUBORDINATES

The more mature subordinates may delegate more authority, thus widening the span.

MANAGEMENT BY OBJECTIVE (MBO)

Management by objectives (MBO) is now practiced all over the world. Yet, despite its wide applications, it is not always clear what is meant by MBO. Some say that it is an appraisal tool; others see it as a motivational technique; still others consider MBO a planning and control device. In other words, definitions and applications of MBO differ widely. MBO process consists of setting goals at the highest level of the organization, clarifying the rules of responsible persons for achieving the goals. Some still define MBO in a very narrow, limited way.

❖ MANAGEMENT BY OBJECTIVES (MBO):-

A technique used for improving the performance of management. It shapes a clearly structured, generally applicable implementation methodology out of the various concepts and theories of management. It is also called "result management" or "management by results".

STEPS IN MBO OR PROCESS OF MBO:-

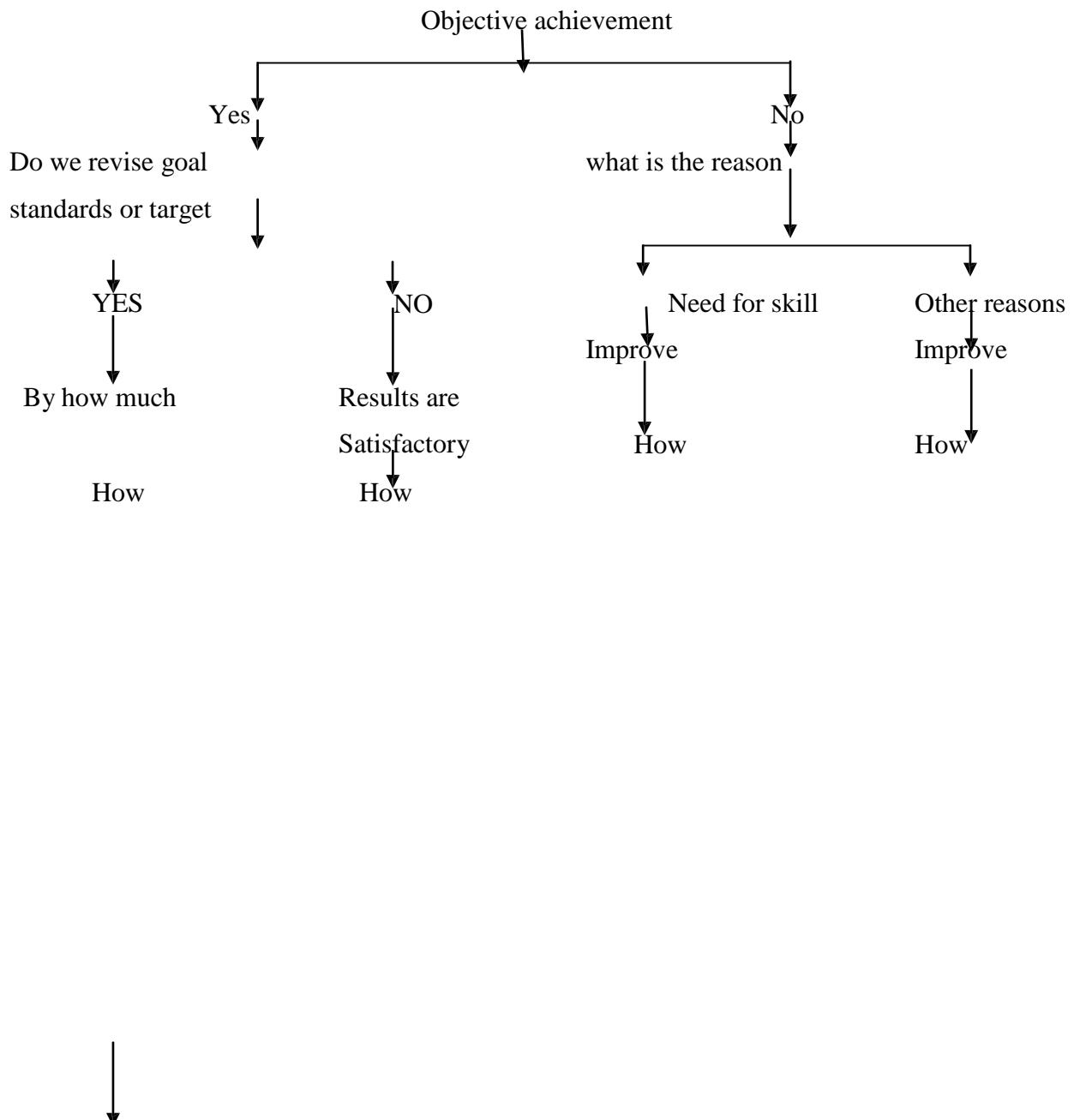
- Setting objectives.
- Developing action plan.
- Appraising annual performance.

PRECAUTIONS FOR MBO PROCESS:-

- Setting clear and well defined objectives.
- Communicating the objectives to achieve results.

- Integration of department objectives with overall organizational objectives.
- Set reasonably attainable objectives.
- Consideration for uncontrollable, factors while fixing the individual factors i.e, objectives.
- Review of objectives periodically and change if necessary.
- Complete participation by all personnel.

FLOW CHART FOR MBO



MBO HAS THREE ELEMENTS

1. Managers (Subordinate manager) should be measured what they accomplish rather than how they spend their time.
2. Manager must be well informed of their objectives. Manager objectives are their duties that they must perform.
3. Manager and their subordinates should jointly set performance objectives.

ADVANTAGES OF MBO:-

- ⇒ Provides a basis for planning.
- ⇒ It provides meaning and direction to people.
- ⇒ Better coordination is possible.
- ⇒ It constitutes standards and so it is a controlling measure.
- ⇒ It is a motivating device.
- ⇒ It shows the path to the management to think ahead.
- ⇒ It makes individuals more aware of the organizational goals.
- ⇒ It makes evaluation process more equitable by focusing on specific accomplishment. It also lets subordinates know their objectives will.

LIMITATIONS:-

- ⇒ Not all objectives can be quantified.
- ⇒ This may cause tension and resentment.
- ⇒ It is difficult for the superiors to help instead of judging the subordinates.
- ⇒ Not all people are capable of participating.

MANAGEMENT BY EXCEPTION (MBE):-

It is a system of identification and communication that signals to the manager when his attention is needed. MBE is a controlling technique.

- ♣ **PROCESS OF MBE**
- ✓ **MEASUREMENT.**
- ✓ **PROJECTION.**
- ✓ **SELECTION.**
- ✓ **OBSERVATION.**
- ✓ **COMPARISION.**
- ✓ **DECISION-MAKING**

❖ **MEASUREMENT:-**

By assigning values to past and present performances, exceptional areas can be identified.❖
PROJECTION:-

All the values that are meaningful to the organizational objectives are to be extended (projected)

to see further or future requirements (whether they can be achieved or not).

❖ **SELECTION:-**

This involves the criteria and method which the management will use to follow the progress path towards organizational objectives.

❖ **OBSERVATION:-**

Current performance are observed and measured so that managers are aware of the current state of affairs in the organization.

❖ **COMPARISON:-**

Involves the evaluation of the actual performance against planned performance, identifying the exceptions that require attention and reporting the variations to the management.

❖ **DECISION MAKING:-**

Involves prescribing the action that must be taken in order to bring performance back into control or to adjust expectations to reflect changing conditions within and outside the organization or to exploit the opportunity.

❖ **DIFFERENCE BETWEEN MBE AND OTHER PRACTICES:-**

- ♣ Superiors attention is drawn only in the case of exceptional differences between planned performance and actual performance.
- ♣ When there is no such large or exception difference, the decisions are taken by subordinate manager.
- ♣ All exceptional work should go through the entire process till normally is established.

❖ **ADVANTAGES:-**

- ✓ Executives are left with more time to tackle bigger and tougher issues as the details of small problems are left to the subordinates.
- ✓ There is better utilization of managerial talent across the organization as even the subordinates get to implement their own decisions and solve problems in their way, however small they may be.

- ✓ It increases the span of management and delegation of authority is improved.
- ✓ It provides great opportunity and thus to increase confidence and motivation.
- ✓ It uses the latest knowledge on trends, history and business data.
- ✓ It forces every manager to be thorough and precise and also up-to-date with all relevant information.
- ✓ It helps to identify problems before they became big.
- ✓ It also prevents last minute rush and panic.
- ✓ Increased chances of better performance and hence improves motivation.
- ✓ Communication is improved between different segments of an organization.
- ✓ Better organizations cohesiveness for the achievement of objectives.

❖ LIMITATIONS/DISADVANTAGES:-

- ✓ Training subordinates to be almost at the level of superiors, but still retaining them at the lower level, often leads to demotivation and stress among individuals.
- ✓ Too much focus on results leads to lack of quality in the process.
- ✓ Newly established organizations and organizations with a dynamic environment cannot adapt this technique.
- ✓ Establishing standards i.e., both qualitative and quantitative takes a lot of time and involves a lot of effort and precision (accuracy).
- ✓ Proper (suitable) and knowledgeable subordinates need to be found, which is a difficult process.
- ✓ Subordinates act out of overconfidence and think they can handle better/bigger problems.
- ✓ Keeping track of all the latest trends is often tedious.
- ✓ Lack of accuracy leads to magnifying even the slightest change in trend and creating problems for the organization and the executive.



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SCHOOL OF BIO AND CHEMICAL

DEPARTMENT OF CHEMICAL ENGINEERING

**UNIT 2 – PRINCIPLES OF MANAGEMENT AND
PROFESSIONAL ETHICS - SBA1101**

UNIT – 2 MANAGEMENT OF ORGANISATION

Forms of Business – Industrial Ownership, Sole Trade, Partnership, Company. Performance Appraisal – Basic principles – Pitfalls – Methods to overcome. Industrial Safety – Causes of accidents – How to minimize accidents. Plant Layout and Maintenance – Need, Types and Managerial Aspects

Business Organisation - Introduction

Business: Business means the state of being busy, in other words those activities which involve production of wealth. A business is an enterprise which means distributes or provides an article or services which other members of the community need and are able and willing to pay for it. Business organisation refers to all necessary arrangements required to conduct a business. It refers to all those steps that need to be undertaken for establishing relationship between men, material, and machinery to carry on business efficiently for earning profits. This may be called the process of organizing. The arrangement which follows this process of organizing is called a business undertaking or organisation. A business undertaking can be better understood by analyzing its characteristics.

Characteristics

1. **Distinct Ownership:** The term ownership refers to the right of an individual or a group of individuals to acquire legal title to assets or properties for the purpose of running the business. A business firm may be owned by one individual or a group of individuals jointly.
2. **Lawful Business:** Every business enterprise must undertake such business which is lawful, that is, the business must not involve activities which are illegal.

3. Separate Status and Management: Every business undertaking is an independent entity. It has its own assets and liabilities. It has its own way of functioning. The profits earned or losses incurred by one firm cannot be accounted for by any other firm.

4. Dealing in goods and services: Every business undertaking is engaged in the production and/or distribution of goods or services in exchange of money.

5. Continuity of business operations: All business enterprise engage in operation on a continuous basis. Any unit having just one single operation or transaction is not a business unit.

6. Risk involvement: Business undertakings are always exposed to risk and uncertainty. Business is influenced by future conditions which are unpredictable and uncertain. This makes business decisions risky, thereby increasing the chances of loss arising out of business.

Forms of Business

The most important forms of business organisation are as follows:

- A. Sole Proprietorship
- B. Partnership
- C. Joint Stock Company
- D. Private Limited Company
- E. Co-operative Society

A. Sole proprietorship

A sole proprietorship is the oldest and the most common form of business. It is a one-man organisation where a single individual owns, manages and controls the business.

Characteristics:

1. Ownership: The business enterprise is owned by one single individual that is the individual has got legal title to the assets and properties of the business. The entire profit arising out of business goes to the sole proprietor. Similarly, he also bears the entire risk or loss of the firm.

2. Management: The owner of the enterprise is generally the manager of the business. He has got absolute right to plan for the business and execute them without any interference from anywhere. He is the sole decision maker.

3. Source of Capital: The entire capital of the business is provided by the owner. In addition to his own capital he may raise more funds from outside through borrowings from close relatives or friends, and through loans from banks or other financial institutions.

4. Legal Status: The proprietor and the business enterprise are one and the same in the eyes of law. There is no difference between the business assets and the private assets of the sole proprietor. The business ceases to exist in the absence of the owner.

5. Liability: The liability of the sole proprietor is unlimited. This means that, in case the sole proprietor fails to pay for the business obligations and debts arising out of business activities, his personal property can be used to meet those liabilities.

6. Stability: The stability and continuity of the firm depend upon the capacity, competence and the life span of the proprietor.

7. Legal Formalities: In the setting up, functioning and dissolution of a sole proprietorship business no legal formalities are necessary. However, a few legal restrictions may be there in setting up a particular type of business. For example, to open a restaurant, the sole proprietor needs a license from the local municipality; to open a chemist shop, the individual must have a license from the government.

Advantages of Sole Proprietorship:

1. Easy Formation: The biggest advantage of a sole tradership business is its easy formation. Anybody wishing to start such a business can do so in many cases without any legal formalities.

2. Better Control: The owner has full control over his business. He plans, organises, co-ordinates the various activities. Since he has all authority, there is always effective control.

3. Prompt Decision Making: As the sole trader takes all the decisions himself the decision making becomes quick, which enables the owner to take care of available opportunities immediately and provide immediate solutions to problems.

4. Flexibility in Operations: One man ownership and control makes it possible for change in operations to be brought about as and when necessary.

5. Retention of Business Secrets: Another important advantage of a sole proprietorship business is that the owner is in a position to maintain absolute secrecy regarding his business activities.

6. Direct Motivation: The owner is directly motivated to put his best efforts as he alone is the beneficiary of the profits earned.

7. Personal Attention to Consumer Needs: In a sole tradership business, one generally finds the proprietor taking personal care of consumer needs as he normally functions within a small geographical area.

8. Creation of Employment: A sole tradership business facilitates self-employment and also employment for many others. It promotes entrepreneurial skill among the individuals.

9. Social Benefits: A sole proprietor is the master of his own business. He has absolute freedom in taking decisions, using his skill and capability. This gives him high self-esteem and dignity in the society and gradually he acquires several social virtues like self-reliance, self-determination, independent thought and action, initiative, hard work etc., Thus, he sets an example for others to follow.

10. Equitable Distribution of Wealth: A sole proprietorship business is generally a small scale business. Hence there is opportunity for many individuals to own and manage small business units. This enables widespread dispersion of economic wealth and diffuses concentration of business in the hands of a few.

Disadvantages of Sole Proprietorship:

1. Unlimited Liability: In sole proprietorship, the liability of business is recovered from the personal assets of the owner. It restricts the sole trader to take more risk and increases the volume of his business.

2. Limited Financial Resources: The ability to raise and borrow money by one individual is always limited. The inadequacy of finance is a major handicap for the growth of sole proprietorship.

3. Limited Capacity of Individual: An individual has limited knowledge and skill. Thus his capacities to undertake responsibilities, his capacity to manage, to take decisions and to bear the risks of business are also limited.

4. Uncertainty of duration: The existence of a sole tradership business is linked with the life of the proprietor. Illness, death or insolvency of the owner brings an end to the business. The continuity of business operation is, therefore, uncertain.

Suitability of Sole Proprietorship Form

From the discussion of the advantages and disadvantages of sole proprietorship above, it is clear that this form of business organization is most suited where:

1. The amount of capital is small
2. The nature of business is simple in character requiring quick decisions to be taken
3. Direct contact with the customer is essential and

4. The size of demand is not very large.

These types of conditions are satisfied by various types of small business such as retail shops, legal or medical or accounting profession, tailoring, service like dry cleaning or vehicle repair etc. hence sole proprietor form of organization is mostly suitable for these lines of businesses. This form of organization also suits those individuals who have a strong drive for independent thinking and highly venturesome in their attitude.

B. Partnership

Meaning

A partnership form of organisation is one where two or more persons are associated to run a business with a view to earn profit. Persons from similar background or persons of different ability and skills, may join together to carry on a business. Each member of such a group is individually known as **'partner'** and collectively the members are known as a **'partnership firm'**. These firms are governed by the Indian Partnership Act, 1932.

Characteristics:

1. **Number of Partners:** A minimum of two persons are required to start a partnership business. The maximum membership limit is 10 in case of banking business and 20 in case of all other types of business.
2. **Contractual Relationship:** The relation between the partners of a partnership firm is created by contract. The partners enter into partnership through an agreement which may be verbal, written or implied. If the agreement is in writing it is known as a **'Partnership Deed'**.
3. **Competence of Partners:** Since individuals have to enter into a contract to become partners, they must be competent enough to do so. Thus, minors, lunatics and insolvent persons are not eligible to become partners.
However, a minor can be admitted to the benefits of partnership i.e. he can have a share in the profits.
4. **Sharing of Profit and Loss:** The partners can share profit in any ratio as agreed. In the absence of an agreement, they share it equally.
5. **Unlimited Liability:** The partners are liable jointly and severally for the debts and obligations of the firm. Creditors can lay claim on the personal properties of any individual partner or all

the partners jointly. The liability of a minor is, however, limited to the extent of his share in the profits, in case of dissolution of a firm.

6. Principal-Agent Relationship: The business in a partnership firm may be carried on by all the partners or any one of them acting for all. This means that every partner is an agent when he is acting on behalf of others and he is a principal when others act on his behalf. It is, therefore, essential that there should be mutual trust and faith among the partners in the interest of the firm.

7. Transfer of Interest: No partner can sell or transfer his interest in the firm to anyone without the consent of other partners.

8. Legal Status: A partnership firm is just a name for the business as a whole. **The firm means partners and the partners mean the firm.** Law does not recognise the firm as a separate entity distinct from the partners.

9. Voluntary Registration: Registration of partnership is not compulsory. But since registration entitles the firm to several benefits, it is considered desirable. For example, if it is registered, any partner can file a case against other partners, or a firm can file a suit against outsiders in case of disputes, claims, disagreements, etc.

10. Dissolution of Partnership: Dissolution of partnership implies not only a complete closure or termination of partnership business, but it also includes any change in the existing agreement among the partners due to a change in the number of partners.

Advantages of Partnership Firm:

1. Easy Formation: A partnership can be formed without many legal formality and expenses. Every partnership firm need not be registered.

2. Larger Resources: As compared to sole proprietorship, a partnership firm can pool larger financial resources. Thus it can enter into bigger operations and can have more credit facilities. It can also have better managerial talent.

3. Flexibility in operation: Flexibility is due to a limited number of partners. These partners can change their operations and amend objectives if necessary by mutual consent.

4. Better Management: Partners take more interest in the affairs of business as there is a direct relationship between ownership, control and profit. They often meet to discuss the affairs of business and can take prompt decision.

5. Sharing of Risk: In partnership, risk of loss is easier to bear by individual partners as it is shared by all the partners.

6. Protection of minority interest: Every partner has an equal say in decision making. A partner can prevent a decision being taken if it adversely affects his interests. In extreme cases a dissenting partner may withdraw from partnership and can dissolve it.

7. Better Public Relations: In a partnership firm the group managing the affairs of the firm is generally small. It facilitates cordial relationship with the public.

Disadvantages of partnership Firm:

1. Instability: A partnership firm does not continue to exist indefinitely. The death, insolvency or lunacy of a partner may bring about an unexpected end to partnership.

2. Unlimited Liability: As the liability of partners is joint and several to an unlimited extent, any one of the partners can be called upon to pay all the debts even from his personal properties. Further, as every partner has a right to take part in the management of the firm, any wrong decision by a single partner may lead to heavy liabilities for others.

3. Lack of Harmony: Since every partner has equal right, there are greater possibilities of friction and quarrel among the partners. Differences of opinion may lead to mistrust and disharmony which may ultimately result in disruption and closure of the firm.

4. Limited Capital: As there is a restriction on the maximum number of partners, the capital which can be raised is limited.

Suitability of Partnership Firm:

In a partnership firm, persons from different walk of life having ability, managerial talent and skill join together to carry on a business. This increases the administrative strength of the organisation, the financial resources, the skill and expertise, and reduces risk. Such firms are most suitable for comparatively small business such as retail and wholesale trade, professional services, medium sized mercantile houses and small manufacturing units. Generally it is seen that many organizations are initially started as partnership firms and later, when it is economically viable and financially attractive for the investors, it is converted into a company.

C. Joint Stock Company/ Public Limited Company:

A public limited company is a voluntary association of members which is incorporated and, therefore has a separate legal existence and the liability of whose members is limited.

Characteristics:

1. **Artificial Person:** A Joint Stock Company is an artificial person in the sense that it is created by law and does not possess physical attributes of a natural person. However, it has a legal status.
2. **Separate Legal Entity:** Being an artificial person, a company has an existence independent of its members. It can own property, enter into contract and conduct any lawful business in its own name. It can sue and can be sued in the court of law. A shareholder cannot be held responsible for the acts of the company.
3. **Common Seal:** Every company has a common seal by which it is represented while dealing with outsiders. Any document with the common seal and duly signed by an officer of the company is binding on the company.
4. **Perpetual Existence:** A company once formed continues to exist as long as it fulfils the requirements of law. It is not affected by the death, lunacy, insolvency or retirement of any of its members.
5. **Limited Liability:** The liability of a member of a Joint Stock Company is limited by guarantee or the shares he owns. In other words, in case of payment of debts by the company, a shareholder is held liable only to the extent of his share.
6. **Transferability of Shares:** The members of a company are free to transfer the shares held by them to anyone else.
7. **Formation:** A company comes into existence only when it has been registered after completing the formalities prescribed under the Indian Companies Act 1956. A company is formed by the initiative of a group of persons known as **promoters**
8. **Membership:** A company having a minimum membership of **two** persons and maximum **fifty** is known as a **Private Limited Company**. But in case of a Public Limited Company, the minimum is **seven** and the maximum membership is **unlimited**.
9. **Management:** Joint Stock Companies have democratic management and control. Even though the shareholders are the owners of the company, all of them cannot participate in the management process. The company is managed by the elected representatives of shareholders known as **Directors**.
10. **Capital:** A Joint Stock Company generally raises a large amount of capital through issue of shares.

Advantages of Joint Stock Company:

1. **Limited Liability:** In a Joint Stock Company the liability of its members is limited to the extent of shares held by them. This attracts a large number of small investors to invest in the company. It helps the company to raise huge capital. Because of limited liability, a company is also able to take larger risks.
2. **Continuity of existence:** A company is an artificial person created by law and possesses independent legal status. It is not affected by the death, insolvency etc. of its members. Thus it has a **perpetual existence**.
3. **Benefits of large scale operation:** It is only the company form of organisation which can provide capital for large scale operations. It results in large scale production consequently leading to increase in efficiency and reduction in the cost of operation. It further opens the scope for expansion.
4. **Professional Management:** Companies, because of complex nature of activities and operations and large volume of business, require professional managers at every level of organisation. And because of their financial strength they can afford to appoint such managers. This leads to efficiency.
5. **Social Benefit:** A joint stock company offers employment to a large number of people. It facilitates promotion of various ancillary industries, trade and auxiliaries to trade. Sometimes it also donates money for education, health, community service and renders help to charitable and social institutions.
6. **Research and Development:** A company generally invests a lot of money on research and development for improved processes of production, designing and innovating new products, improving quality of product, new ways of training its staff, etc.

Disadvantages of Joint Stock Company:

1. **Formation is not easy:** The formation of a company involves compliance with a number of legal formalities under the companies Act and compliance with several other Laws.
2. **Control by a Group:** Companies are controlled by a group of persons known as the **Board of Directors**. This may be due to lack of interest on the part of the shareholders who are widely dispersed; ignorance, indifference and lack of proper and timely information. Thus, the democratic virtues of a company do not really exist in practice.

3. Speculation and Manipulation: The shares of a company are purchased and sold on the stock exchanges. The value or price of a share is determined in terms of the dividend expected and the reputation of the company. These can be manipulated. Besides, there is excessive speculation which is regarded as a social evil.

4. Excessive government control: A company is expected to comply with the provisions of several Acts. Non-compliance of these invites heavy penalty. This affects the smooth functioning of the companies.

5. Delay in Policy Decisions: A company has to fulfill certain procedural formalities before making a policy decision. These formalities are time consuming and, therefore, policy decisions may be delayed.

6. Social abuses: A joint stock company is a large scale business organisation having huge resources. This provides a lot of power to them. Any misuse of such power creates unhealthy conditions in the society e.g. having monopoly of a particular business, industry or product; influencing politicians and government in getting their work done; exploiting workers, consumers and investors.

Suitability of Joint Stock Company:

A joint stock company is suitable where the volume of business is quite large, the area of operation is widespread, the risk involved is heavy and there is a need for huge financial resources and manpower. It is also preferred when there is need for professional management and flexibility of operations. In certain businesses like banking and insurance, business can only be undertaken by joint stock companies.

D. Private Limited Company:

A private limited company is a voluntary association of not less than two and not more than fifty members, whose liability is limited, the transfer of whose shares is limited to its members and who is not allowed to invite the general public to subscribe to its shares or debentures.

A private company is preferred by those who wish to take the advantage of limited liability but at the same time desire to keep control over the business within a limited circle and maintain the privacy of their business.

Advantages

- Limited Liability: It means that if the company experience financial distress because of normal business activity, the personal assets of shareholders will not be at risk of being seized by creditors.
- Continuity of existence: business not affected by the status of the owner.
- Minimum number of shareholders need to start the business are only2.
- More capital can be raised as the maximum number of shareholders allowed is 50.
- Scope of expansion is higher because easy to raise capital from financial institutions and the advantage of limited liability

Disadvantages

- The shares in a private limited company cannot be sold or transferred to anyone else without the agreement of other shareholders (not freely transferable)
- Not allowed to invite public to subscribe to its shares
- Scope for promotional frauds
- Undemocratic control

Difference between Sole Proprietorship and Partnership firm:

Basis	Sole Proprietorship	Partnership
1. Membership	Only one member	Minimum membership is two, maximum membership is ten incase of banking business twenty
2. Functioning	A sole trader manages his business at his	May be managed by all partners or
	free will.	any one on behalf of all others.
3. Formation	Easy and can be formed at any time the	An agreement is required between the
4. Secrecy	Business secrets are not open to anyone	Business secrets are open to every
5. Finance	Scope for raising capital is limited	Scope for raising capital is relatively more.
6. Continuity of business	Comes to an end with the death of the sole	The business of a firm does not come
7. Decision Making	Owner alone takes decision and so it is	All partners must agree to important decisions and so decision making
8. Liability	Unlimited and burden is heavy	Unlimited but less burdensome as it is

Partnership and Joint Stock Company

Basis	Partnership	Joint Stock Company
1. Formation	It is easy to form as registration is not compulsory	It requires many legal formalities to be completed before the company comes into existence
2. Operation	Governed by the Partnership Act, 1932	Governed by the companies Act, 1956
3. Membership	Minimum is two, maximum is 10 in banking business and 20 in other business.	In case of Private Company minimum is 2, maximum is 50; in case of Public company minimum is 7 and maximum unlimited.
4. Legal Status	No separate legal entity	Separate legal entity from that of its members
5. Liability	Joint and several to an unlimited extent	Limited to the value of shares held for limited companies
6. Management	All or any one on behalf of all partners is are entitled	Only the Board of directors authorized
7. Transfer of shares	Consent of all partners required	Shares are freely transferable
8. Existence	Dissolves with the death, retirement or insanity of a partner etc.	Perpetual existence, unaffected by death, retirement, insolvency of the shareholders
9. Finance	Relatively limited scope for raising finance	Vast and unlimited scope for raising finance

Distinction Between A Public Company And a Private Company Following are the main points of difference between a Public Company and a Private Company:

1. Minimum Paid-up Capital: A company to be Incorporated as a Private Company must have a minimum paid-up capital of Rs. 1,00,000, whereas a Public Company must have a minimum paid- up capital of Rs. 5,00,000.
2. Minimum number of members: Minimum number of members required to form a private company is 2, whereas a Public Company requires atleast 7 members.
3. Maximum number of members: Maximum number of members in a Private Company is restricted to 50, there is no restriction of maximum number of members in a Public Company.
4. Transferability of shares: There is complete restriction on the transferability of the shares of a Private Company through its Articles of Association, whereas there is no restriction on the transferability of the shares of a Public company.
5. Issue of Prospectus: A Private Company is prohibited from inviting the public for subscription of its shares, i.e. a Private Company cannot issue Prospectus, whereas a Public Company is free to invite public for subscription i.e., a Public Company can issue a Prospectus.
6. Number of Directors: A Private Company may have 2 directors to manage the affairs of the company, whereas a Public Company must have atleast 3 directors.
7. Consent of the directors: There is no need to give the consent by the directors of a Private Company, whereas the Directors of a Public Company must have file with the Registrar consent to act as Director of the company.
8. Qualification shares: The Directors of a Private Company need not sign an undertaking to acquire the qualification shares, whereas the Directors of a Public Company are required to sign an undertaking to acquire the qualification shares of the public Company.
9. Commencement of Business: A Private Company can commence its business immediately after its incorporation, whereas a Public Company cannot start its business until a Certificate to commencement of business is issued to it.

10. Shares Warrants: A Private Company cannot issue Share Warrants against its fully paid shares, whereas a Public Company can issue Share Warrants against its fully paid up shares.
11. Further issue of shares: A Private Company need not offer the further issue of shares to its existing share holders, whereas a Public Company has to offer the further issue of shares to its existing share holders as right shares. Further issue of shares can only be offered to the general public with the approval of the existing share holders in the general meeting of the share holders only.
12. Statutory meeting: A Private Company has no obligation to call the Statutory Meeting of the member, whereas a Public Company must call its statutory Meeting and file Statutory Report with the Register of Companies.
13. Quorum: The quorum in the case of a Private Company is TWO members present personally, whereas in the case of a Public Company FIVE members must be present personally to constitute quorum. However, the Articles of Association may provide for a number of members more than the required under the Act.
14. Managerial remuneration: Total managerial remuneration in the case of a Public Company cannot exceed 11% of the net profits, and in case of inadequate profits a maximum of Rs. 87,500 can be paid, whereas these restrictions do not apply on a Private Company.
15. Special privileges: A Private Company enjoys some special privileges, which are not available to a Public Company

E. Co-Operatives:

A co-operative society is a voluntary association started with the aim of service of its members. It is a form of business where individuals belonging to the same class join their hands for the promotion of their common goals. These are generally formed by the poor people or weaker section people in the society. It reflects the desire of the poor people to stand on their own legs or own merit. The philosophy of the formation of co-operative society is –all for each and each for all. It is voluntary association of persons for mutual benefit and its aims are accomplished through self help and collective effort.

Advantages:**1. Easy Formation:**

Any ten adult persons can voluntarily form themselves into an association and get it registered with the Registrar of Co-operatives. Formation of a cooperative society also does not involve long and complicated legal formalities.

2. Limited Liability:

Like company form of ownership, the liability of members is limited to the extent of their capital in the cooperative societies.

3. Perpetual Existence:

A cooperative society has a separate legal entity. Hence, the death, insolvency, retirement, lunacy, etc., of the members do not affect the perpetual existence of a cooperative society.

4. Social Service:

The basic philosophy of cooperatives is self-help and mutual help. Thus, cooperatives foster fellow feeling among their members and inculcate moral values in them for a better living.

5. Open Membership:

The membership of cooperative societies is open to all irrespective of caste, colour, creed and economic status. There is no limit on maximum members.

6. Tax Advantage:

A cooperative society is exempted from income-tax and surcharge on its earnings up to a certain limit. Besides, it is also exempted from stamp duty and registration fee.

7. State Assistance:

Government has adopted cooperatives as an effective instrument of socio-economic change. Hence, the Government offers a number of grants, loans and financial assistance to the cooperative societies – to make their working more effective.

8. Democratic Management:

The management of cooperative society is entrusted to the managing committee duly elected by the members on the basis of ‘one-member one -vote’ irrespective of the number of shares held by them. The proxy is not allowed in cooperative societies. Thus, the management in cooperatives is democratic.

Disadvantages:

In spite of its numerous advantages, the cooperative also has some disadvantages which must be seriously considered before opting for this form of business ownership. The important among the disadvantages are:

1. Lack of Secrecy:

A cooperative society has to submit its annual reports and accounts with the Registrar of Cooperative Societies. Hence, it becomes quite difficult for it to maintain secrecy of its business affairs.

2. Lack of Business Acumen:

The members of cooperative societies generally lack business acumen. When such members become the members of the Board of Directors, the affairs of the society are expectedly not conducted efficiently. These also cannot employ the professional managers because it is neither compatible with their avowed ends nor the limited resources allow for the same.

3. Lack of Interest:

The paid office-bearers of cooperative societies do not take interest in the functioning of societies due to the absence of profit motive. Business success requires sustained efforts over a period of time which, however, does not exist in many cooperatives. As a result, the cooperatives become inactive and come to a grinding halt.

4. Corruption:

In a way, lack of profit motive breeds fraud and corruption in management. This is reflected in misappropriations of funds by the officials for their personal gains.

5. Lack of Mutual Interest:

The success of a cooperative society depends upon its members' utmost trust to each other. However, all members are not found imbued with a spirit of co-operation. Absence of such spirit breeds mutual rivalries among the members. Influential members tend to dominate in the society's affairs.

PERFORMANCE APPRAISAL:

Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance. Performance appraisal or merit rating rates the man and not the job as it concerned with assessing

the abilities of an individual. Performance appraisal is the systematic description of an employee's job-relevant strength and weaknesses.

-It is the process of evaluating the performance and qualification of the employees in terms of the requirement of the job for which he is employed, for purposes of administration including placement, selection of promises, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally. - HEYEL

The basic purpose is to find out how well the employee is performing the job and establish a plan of improvement. It is a continuous process and is arranged periodically according to a definite plan. It is to how well someone is doing the assigned job.

NEED FOR PERFORMANCE APPRAISAL:

1. To decide on salary fixation, confirmation, promotion, Transfer and demotions.
2. To counsel subordinates
3. Diagnose deficiency in the employee regarding skill, knowledge, determine training and development needs.
4. To prevent grievances and in disciplinary action.

OBJECTIVES OF PERFORMANCE APPRAISAL:

1. To create and maintain a satisfactory level of performance.
2. To contribute to the employee development through training, self and management development programmes.
3. To help superiors to have a proper understanding about their subordinates.
4. To guide the job changes with the help of continuous ranking.
5. To facilitate fair and equitable compensation based on performance.
6. To decide on layoff, retrenchment etc.

PITFALL / PROBLEMS OF PERFORMANCE APPRAISAL:

Rating biases- problems with subjective measures.

- a. **Halo Effect** Tendency of the raters to depend excessively on the rating of one trait or behavioral consideration.
- b. **Error of central Tendency-[play safe policy]** Rating all the employees around the middle point of the rating scale.

- c. **The leniency and strictness-** The leniency bias crops when some raters have or tendency to be liberal in their rating by assigning higher rates.
- d. **Strictness- Assigning consistently low rates.**
- e. **Personal prejudice-** Dislike any employee or any group may distort the rating purpose.
- f. **The Recency Effect-** The rates generally remembers the recent action of the employee at the time of rating and rate them on the basis of these recent actions, rather than on the whole activities.

Methods of Performance Appraisal:

(i) **Trait Based techniques:** It means performance evaluated by qualities it can be as such as

Job knowledge – having sufficient knowledge in job Leadership – having or acquired leadership

qualities Loyalty - faithfulness(ii) **Graphical scale method:** under this method traits are

broadly classified and put in a graphical form. The graphic rating scale is one of the most popular and simplest techniques for appraising performance. It is also known as linear rating scale. In this method, the printed appraisal form is used to appraise each employee.

The form lists traits (such as quality and reliability) and a range of job performance characteristics (from unsatisfactory to outstanding) for each trait. The rating is done on the basis of points on the continuum. The common practice is to follow five points scale.

The rater rates each appraisee by checking the score that best describes his or her performance for each trait all assigned values for the traits are then totaled. Figure 28-3 shows a typical graphic rating scale.

Fig. 28.3: Sample of Graphic Rating Scale Items and Format

Performance Factor	Performance Rating				
	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometimes superior	<input type="checkbox"/> Consistently superior
<i>Quality of work</i> is the accuracy, skill, and completeness of work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Quantity of work</i> is the volume of work done in a normal workday.	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometimes superior	<input type="checkbox"/> Consistently superior

Performance Factor	Performance Rating				
	<input type="checkbox"/> Poorly informed about work duties	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Can answer most questions about the job	<input type="checkbox"/> Understands all phases of the job	<input type="checkbox"/> Has complete mastery of all phases of the job
<i>Job knowledge</i> is information pertinent to the job that an individual should have for satisfactory job performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Dependability</i> in following directions and company policies without supervision.	<input type="checkbox"/> Required constant supervision	<input type="checkbox"/> Requires occasional follow-up	<input type="checkbox"/> Usually can be counted on	<input type="checkbox"/> Requires very little supervision	<input type="checkbox"/> Requires absolute minimum of supervision

This method is good for measuring various job behaviours of an employee. However, it is also subjected to rater's bias while rating employee's behaviour at job. Occurrence of ambiguity in designing the graphic scale results in bias in appraising employee's performance.

(iii) **Ranking method:** this method is very easy here rank is provided on the basis of certain traits, ranking can be outstanding, good and below average. It is the oldest and simplest formal systematic method of performance appraisal in which employee is compared with all others for the purpose of placing order of worth. The employees are ranked from the highest to the lowest or from the best to the worst. In doing this the employee who is the highest on the characteristic being measured and also the one who is L lowest, are indicated. Then, the next highest and the

next lowest between next highest and lowest until all the employees to be rated have been ranked. Thus, if there are ten employees to be appraised, there will be ten ranks from 1 to 10.

Limitations:

- It does not tell that how much better or worse one is than another,
- The task of ranking individuals is difficult when a large number of employees are rated, and
- It is very difficult to compare one individual with others having varying behavioural traits. To remedy these defects, the paired comparison method of performance appraisal has been evolved. (iv) **Grading:** here categories such as good, very good and excellent are used. In this method, certain categories of worth are established in advance and carefully defined. There can be three categories established for employees: outstanding, satisfactory and unsatisfactory. There can be more than three grades. Employee performance is compared with grade definitions. The employee is, then, allocated to the grade that best describes his or her performance.
- (v) **Group appraisal:** Here a small number of persons are taken and appraisal is done.
- (vi) **MBO (Management By Objectives):** Under this method the superiors and subordinate managers of an organization come and discuss upon the employee whether to promote or not etc.
- (vii) **360 degree appraisal:** Under 360 – degree appraisal, performance information such as employee's skills, abilities and behaviours, is collected –all around an employee, i.e., from his/her supervisors, subordinates, peers and even customers and clients.
In other words, in 360-degree feedback appraisal system, an employee is appraised by his supervisor, subordinates, peers, and customers with whom he interacts in the course of his job performance. All these appraisers provide information or feedback on an employee by completing survey questionnaires designed for this purpose.
All information so gathered is then compiled through the computerized system to prepare individualized reports. These reports are presented to the employees being rated. They then meet the appraiser—be it one's superior, subordinates or peers—and share the information they feel as pertinent and useful for developing a self-improvement plan.

Performance appraisal reporting or steps in effective performance

appraisal: Determining objectives – 2 types

1) To evaluate actual performance (or)

2) To determine the potential of individuals to higher jobs



Establishing standard of performance

To facilitate comparison of persons



Selection of appraiser

1) Generally the immediate superior

2) Committee of representative



Collection of data

Information relating to job and workers.

Different appraisal forms for different types of jobs are designed.



Rating the employee

Rates and evaluate the worth of the employees by applying various methods. Estimating their potential for future development



Consultation

Discusses the situation with supervisor defines the performance level and incorporate the valuable suggestion



Designing the development programme

Appraiser prepares the rating report and submits it to the review

committee and inturn it is submitted to top management / executives who designs the various development programmes.



Follow up
Yearly or half yearly follow up measures

INDUSTRIAL SAFETY

An industrial accident may be defined as "an occurrence which interrupts or interferes with the orderly progress of work in an industrial establishment." According to the Factories Act of 1948, it is "an occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next 48 hours." In other words, it is an unexpected event which is neither anticipated nor designed to occur. It is always sudden for a gradual process does not constitute an accident.

An industrial injury has been defined as "a personal injury to an employee which has been caused by an accident or an occupational disease, and which arises out of, or in the course of, employment, and which would entitle such an employee to compensation under the Workmen's Compensation Act, 1923."

Causes of Accidents

According to safety experts, there are three basic causes/factors that contribute to accidents in organisations. They are Chance of occurrences, unsafe conditions and unsafe acts on the part of employees.

1. Unsafe Conditions (work-related causes): These, of one sort or another, are the biggest cause of accidents. Such causes are associated with defective plants, equipment, tools materials, buildings etc. These can be termed 'technical causes.' They arise when there are improper or inadequate safety guards on machines; when machines break down; when improper personal protection equipment is installed; when mechanical or construction designs are defective and unsafe and when control devices, which have been installed to make the operation of machines safe and accident free are lacking or defective; or when there is an absence of proper maintenance and supervision of these devices. Thus, unsafe conditions include:

- Improperly guarded equipment.
- Defective equipment.
- Hazardous arrangement or procedure in and or around, machines or equipment.
- Unsafe storage; congestion, overloading.

- Inadequate safety devices..
 - Wrong and faulty layout and bad location.
 - Improper illumination — glare, insufficient light.
 - Improper ventilation — insufficient air charge, impure air source.
 - Poor house-keeping.
 - The other work related causes of accidents are:
 - a) The job itself: Some jobs are inherently more dangerous than others, such as the job of crane man in comparison to that of the foreman. Similarly, work in some departments (like personnel) is inherently safer than the work in others (like production department).
 - b) Work schedules, accidents increase late in the day. They do not usually occur during the early hours of the work day. They are more frequent during the night shift. This is due partly to fatigue and partly to the fact that night is the period when one requires rest.
 - c) Psychological climate of the work place also affects the accident rate. Psychological, mental and emotional imbalances are at the root of several accidents.
- 2. Unsafe Acts:** These acts may be the result of lack of knowledge or skill on the part of the employee, certain physical defects and wrong attitudes. These acts include acts like:
- Operating without authority.
 - Failing to secure equipment or warning other employees of possible danger.
 - Failing to use safe attire or personal protective equipment.
 - Throwing materials on the floor carelessly.
 - Operating or working at unsafe levels of speed, either too fast or too slow.
 - Making safety devices inoperative by removing, adjusting, disconnecting them.
 - Using unsafe equipment or using equipment unsafely.
 - Using unsafe procedures in loading, placing, mixing, and combining.
 - Taking unsafe positions, under suspended loads.
 - Lifting improperly.
 - Cleaning, adjusting, oiling, repairing, etc. or moving dangerous equipment.
 - Distracting, teasing, abusing, startling, quarreling, day-dreaming, horseplay.

Personal Characteristics also influence accident behaviours of individuals. For example, characteristics like personality and motivation serve as a basis for certain behaviour tendencies such as tendencies to take risks and undesirable attitudes.

Statutory Provisions for Safety in India Under the Factories Act, 1948

The Factories Act, 1948, >>insists that the following preventive measures must be adopted in industrial establishments:

1. Cleanliness: Every factory should be kept clean and free from effluvia - from drain and privy refuse, and from dirt. It should be whitewashed at least once in 14 months or painted at least once in five years. Floors should be swept and cleaned, at least once every week, with some disinfecting fluid.
2. Disposal of Wastes and Effluents: Effective arrangements should be made for their disposal and/or treatment.
3. Ventilation and Temperature: Provision should be made for the circulation of fresh air, and temperature should be maintained by building walls and roofs of such materials as would keep it within reasonable limits. High temperature may be controlled by whitewashing, spraying and insulating the factory premises and by screening outside walls, roofs and windows.
4. Dust and Fumes: Effective measures should be taken to prevent, or at any rate reduce, the inhalation and accumulation of dust and fumes. Exhaust appliances should be used near the point of the origin of dust and fumes.
5. Lighting: Sufficient and suitable lighting, natural or artificial or both should be made available in the factory premises,
6. Overcrowding: No room should be overcrowded. There should be at least 500 cu. ft. of space for every worker.
7. Drinking Water: A sufficient quantity of cool drinking water should be made available for the employees throughout the year, particularly during the hot summer months.
8. Latrines and Urinals: Adequate latrines and urinals should be separately provided for men and women employees.
9. First Aid Appliances: There should be an adequate number of boxes containing first aid materials, qualified personnel to administer first aid, and an ambulance or at least a room where an injured employee may be given first aid.

Safety Officer: where 500 or more workers employed in factory, there should be safety officer

The role of a safety officer in an organization should be:

- To formulate safety procedure, safety policy, safety requirements and standard of the company.
- To promote schemes to guarantee observance of legal requirements.
- To act as chairman or secretary or, in any other capacity on the works safety committees.
- To promote formation of such committees, where they do not exist.
- To administer safety suggestion schemes.
- To organise safety education, training, publicity at various levels of company's operations.
- To investigate the causes of industrial injuries and the circumstances leading to accidents.
- To prepare and circulate accident statistics.
- To act in close liaison with governmental and non-governmental agencies.
- To co-ordinate the safety effort of the company in every possible way.
- To assess critically the safety performance of the organisation and if necessary, conduct safety training programmes and feedback sessions on an ongoing basis.
- To perform the job of a salesman of safety to the top executives, and as a technician, planner, organiser and stimulator of safety.

Define Accident, Non-Reportable and Reportable Accident:

Accident — Accident can be defined as an unplanned, unexpected, unforeseen event that leads injury to human body or no injury or property damage or loss of property or both. Non-Reportable Accident— When a person avails of first-aid after an accident and returns to work immediately or within 48 hrs, it is called as non-reportable accident Reportable Accident:- When a person, after an accident avails of first-aid and returns after 48 hrs, such an accident is called as Reportable Accident.

Discuss the importance of safety in the industry.

The importance of safety was realized because of following:

- (a) Every year millions of industrial accidents occur which result in death or temporary or permanent disablement. For example, industrial accident occurred in Bhopal i.e. -Bhopal gas tragedy which leads to death of hundreds of peoples.
- (b) Latest estimation of industrial accident cost the country at least 285 million each year.

Which one is big loss to the Indian economy? This economics loss only.

(c) There is the human cost in terms of emotional sufferings to the partners, children, family and workmates of those killed at work.

What are various safety measures in an industry?

To provide safety to an industry, there are some steps which should be followed by All peoples working in an industry. These are the following:-

Safety Policies:

Management should make some safety policies to avoid accidents which should be followed by people working in a plant. Safety policies includes:

- (i) Safety committee
- (ii) Regular inspection
- (iii) Maintenance of plant. (iv) Preventive clothing
- (v) By preventing physiological and physical harassment to workers.

(a) Safety committee: - Safety policy should include one of the major step i.e. safety committee. This committee would include 5-6 members who individual having supervisors and workers. The work of this committee is that they would regularly make some rules and regulations for the safety, some programs to aware the workers about safety. They should also inform the peoples about marks or signs like Fire extinguisher, No open flame, caution high voltage, caution (wear hard hat), etc.

(b) Regular Inspection:- when safety committee established then Regular Inspection of machinery, or whole plant is one of the major part of the safety. For e.g. Inspection of electric wires, motors, inspection of machines, inspection of Electronic circuits, inspection of peoples who did not follow the safety rules and because of them accidents occur.

(c) Maintenance of plant:- Now if you find any fault during inspection then do not ignore it and go for a maintenance of plant or machinery. Plant should be maintained. In manner such that it may provide safety and security to the workers at all costs. Obstructions should be removed from the path of workers where they are working or walking or moving etc.

PLANT LAYOUT Meaning

Plant layout is the physical arrangement of industrial facilities. It involves the allocation of space

& the arrangement of equipment in such a manner that overall operating costs are minimized.

Objectives of plant layout

1. Economies in materials facilitate manufacturing process & handling of semi-finished &finished goods.
2. Proper & efficient utilization of available floor space.
3. To avoid congestion & bottlenecks.
4. Provision of better supervision & control of operations.
5. Careful planning to avoid frequent changes in layout which may result in undue increase in cost of production.
6. To provide adequate safety to the workers from accidents.
7. To meet the quality & capacity requirements in the most economical manner.
8. Provision of medical facilities & cafeteria at suitable & convenient places.
9. To provide efficient material handling system.
10. To suggest the improvements in production process & work methods.

Principles of plant layout

1. Principle of integration (of 5M's)
2. Principle of minimum distance
3. Principle of cubic space utilization (both horizontal & vertical space).
4. Principle of flow(must be forward no backtracking)
5. Principle of maximum flexibility
6. Principle of safety, security & satisfaction
7. Principle of minimum handling.

Factors affecting plant layout

1. **Nature of product-** e.g. some products need air-conditioned plants.
2. **Size of output-**
 - For bulk-product/line layout
 - For small-functional layout
3. **Nature of manufacturing system-**

- For intermittent-functional layout
 - For continuous-product/line layout
4. **Localization of plant-** e.g. there will be different transportation arrangement if site is located near railway line.
5. **Machines or equipment-** e.g. heavy machines need stationary layout
6. Climatic conditions, need of light, temperature also affect design of layout.

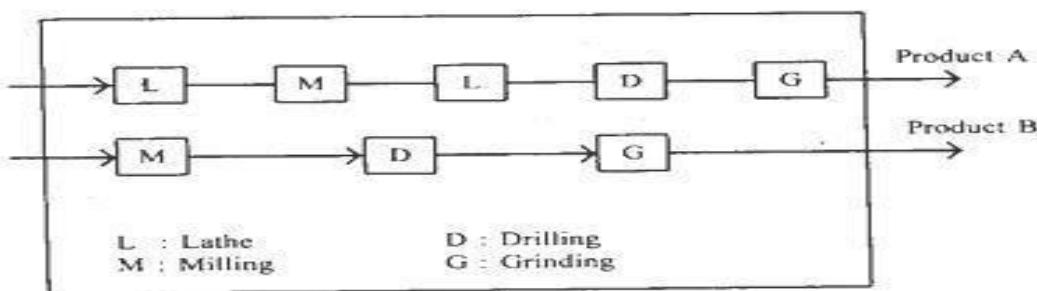
Types of plant layout

- Product layout
- Process layout
- Fixed Position/ Stationary layout
- Cellular or group layout

1. Product layout

A product layout groups different workstations together according to the products they work on. Workstations in a product layout can quickly transfer small batches of semi-finished goods directly to the next station in a production line. Product layouts can be ideal for smaller manufacturing businesses with lower volume than their large corporate competitors.

Layout that uses standardized processing operations to achieve smooth, rapid, high-volume flow. Here machines are arranged according to the needs of product & in the same sequence as the operations are necessary for manufacture. E.g. ‘back office’ of services such as banks and insurance companies.



Advantages of Product Layout

- High rate of output
- Low unit cost
- Labor specialization
- Low material handling cost

- High utilization of labor and equipment
- Established routing and scheduling
- Short processing time

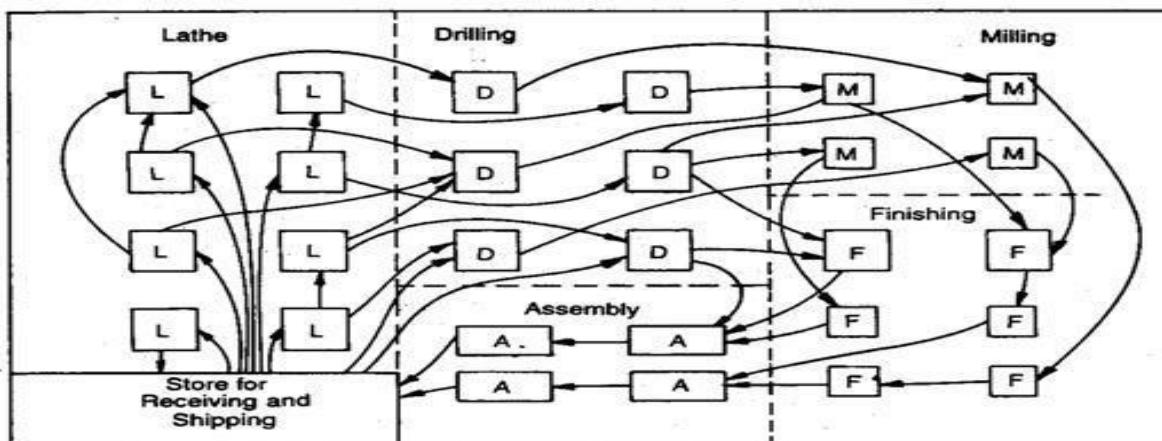
Disadvantages of Product Layout

- Creates dull, repetitive jobs
- Poorly skilled workers may not maintain equipment or quality of output
- Fairly inflexible to changes in volume
- Highly susceptible to shutdowns
- Needs preventive maintenance
- Require large capital investment

2. Process layout

A process layout groups workstations together according to the activities being performed, regardless of which products each workstation is working on. Workstations produce higher volumes of output at a time before sending semi-finished goods in bulk to the next area, which may be located as close as the other end of a building or as far as another facility on the other side of the globe.

Layout that can handle varied processing requirements. Here all machines performing similar type of operations are grouped together at one location in the process layout. Thus here facilities are grouped together acc. To their functions. E.g. all drilling machines are located at one place known as drilling section.



Advantages of Process Layouts

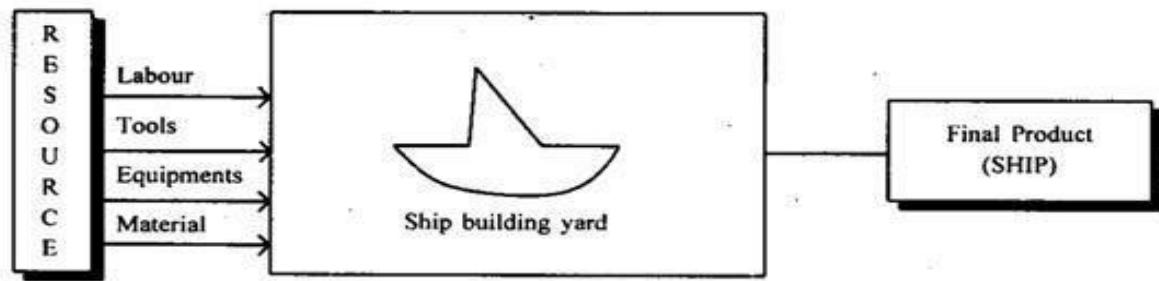
- Can handle a variety of processing requirements
- Machines breakdown doesn't result in shutdown.
- Equipment used is less costly
- Wide flexibility in production facilities.
- Each production unit of system works independently.
- High utilization of facilities
- Variety makes the job interesting.

Disadvantages of Process Layouts

- In-process inventory costs can be high
- Challenging routing and scheduling
- Equipment utilization rates are low
- Material handling is slow and inefficient & is more.
- More space is required
- Longer processing time
- Back tracking may occur.

3. Stationary layout:

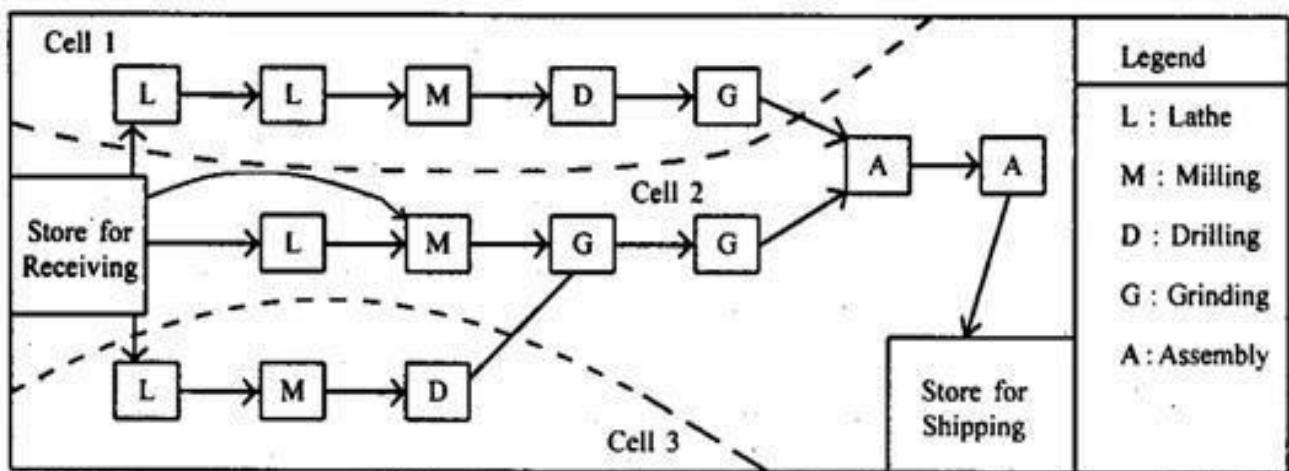
Stationary Layout in which the product or project remains stationary, and workers, materials and equipment are moved as needed. Eg. Construction of DAMS. The product, because of its size and/or weight, remains in one location and processes are brought to it.



4. Cellular or group layout

Cellular layout is based on the group technology (GT) principle. Therefore, it is also called as group layout. This layout is suitable for a manufacturing environment in which large variety of products are needed in small volumes (or batches). The group technology principle suggests that parts, which are similar in design or manufacturing operations, are grouped into one family, called part-family. For each part-family a dedicated Cluster of machines (called machine cell) are identified. Generally, all the processing requirements of a particular part-family are completed in its corresponding machine cell. In other words, the intercell transfer UT part should ideally be zero."

The cellular layout is thus a combination of process and product layout. Therefore, it possesses the features of both. Cellular manufacturing system (CMS) involves decomposition of manufacturing system into subsystems of similar parts/machines. CMS allows batch production to give economical advantages similar to those of mass production with additional advantages of flexibility, normally associated with job shop production systems



MAINTENANCE

Maintenance as – the combination of all technical and administrative actions, including supervision actions, intended to retain an item in, or restore it to, a state in which it can perform a required function.

Need for maintenance:

The main purpose of regular maintenance is to ensure that all equipment required for production is operating at 100% efficiency at all times. Through short daily inspections, cleaning, lubricating, and making minor adjustments, minor problems can be detected and corrected before they become a major problem that can shut down a production line. A good maintenance program requires company-wide participation and support by everyone ranging from the top executive to the shop floor personnel.

The prime aim of maintenance is to preserve a building in its initial stage, as far as practicable, so that it effectively serves its purpose. Some of the main purposes of maintaining buildings are:

1. Retaining value of investment
2. Maintaining the building in a condition in which it continues to fulfill its function, and
3. Presenting a good appearance.

Types of Maintenance

- Breakdown Maintenance
- Scheduled Maintenance
- Preventive Maintenance
- Predictive Maintenance

Maintenance Types

Corrective / Breakdown	Scheduled	Preventative	Predictive
<ul style="list-style-type: none">• Repairs made after the equipment has failed and can not perform its normal function anymore• Justified in small factories where - down times are non-critical : repair costs are less than other type of maintenance : where financial justification for scheduling not felt	<ul style="list-style-type: none">• It is a stitch-in-time procedure and incorporates – inspection, lubrication, repair and overhaul of equipments• If neglected can result in breakdown• Eg. overhaul of machines, change heavy equipment oils etc	<ul style="list-style-type: none">• "Prevention is better than cure"• Locates weak spots on machinery and equipment• Provides periodic/ scheduled inspections and minor repairs to reduce the danger of unanticipated breakdowns• Lower maintenance and repair costs• Increases plant life	<ul style="list-style-type: none">• Machinery conditions are periodically monitored and this enables the maintenance crews to take timely action - machine adjustment, repair or overhaul• It makes use of human sense and other sensitive instruments - gauges, vibration analyser, pressure, temperature etc



7

1. Breakdown maintenance:

The maintenance carried out after a failure has occurred and intended to restore an item to a state in which it can perform its required function is called as breakdown maintenance. Breakdown maintenance is maintenance performed on equipment that has broken down and is unusable. It may be either planned or it can be unplanned. Planned maintenance is -The maintenance organized and carried out with forethought, control and the use of records to a predetermined plan.|| Unplanned maintenance is carried out to no predetermined plan.

2. Scheduled maintenance:

Scheduled maintenance is the one where the preventive maintenance carried out to a predetermined interval of time, number of operations, mileage, etc.

Scheduled maintenance is planned component repair or replacement, often triggered by preventive maintenance inspections, pre-trip and post-trip inspections, regular oil changes and grease jobs, etc., all of which are also scheduled maintenance activities whereas the unscheduled maintenance is work that results from breakdowns, unexpected failures, often triggering road calls and usually causing expensive downtime of labor crews.

3. Preventive Maintenance:

Preventive maintenance can be defined as the Actions performed on a time- or machine-run-based schedule that detect, preclude, or mitigate degradation of a component or system with the aim of sustaining or extending its useful life through controlling degradation to an acceptable level.

The maintenance carried at predetermined intervals or corresponding to prescribed criteria and intended to reduce the probability of failure or the performance degradation of an item is termed as preventive maintenance.

4. Predictive Maintenance:

Predictive maintenance can be defined as follows: Measurements that detect the onset of degradation mechanism, thereby allowing causal stressors to be eliminated or controlled prior to any significant deterioration in the component physical state. Results indicate current and future functional capability.



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**SCHOOL OF BIO AND CHEMICAL
DEPARTMENT OF CHEMICAL ENGINEERING**

**UNIT 3 – PRINCIPLES OF MANAGEMENT AND
PROFESSIONAL ETHICS - SBA1101**

UNIT – III ORGANISATIONAL BEHAVIOUR

OB-Definition-Nature & Scope- Contributing Disciplines-Importance of OB to Managers.
Personality-Definition-Theories-Factors Influencing Personality. **Motivation-Definition-Theories.** **Theory X & Y-Transactional Analysis.** **Morale & Job Satisfaction-Factors Influencing Job Satisfaction**

ORGANISATION:

An organization is a group of people working together in a formally organized way to achieve a common objective. The main objective is profit maximization.

Features of an organization :-

Group of people

Formally organized people/structure Co-ordination among people Rationality

Purposefully created to achieve a common goal

BEHAVIOUR:

It is how a person behaves. It is an observable and measurable activity of human being.

ORGANISATIONAL BEHAVIOUR

organizational behavior -- refers to individual and group dynamics in an organizational setting -- and "macro" organizational theory which studies whole organizations, how they adapt, and the strategies and structures that guide them.

To this distinction, some scholars have added an interest in "meso" -- primarily interested in power, culture, and the networks of individuals and units in organizations -- and "field" level analysis which study how whole populations of organizations interact..

Whenever people interact in organizations, many factors come into play. Organizational studies attempt to understand and model these factors. Like all social sciences, organizational studies seeks to control, predict, and explain. There is some controversy over the ethics of controlling workers' behaviour. As such, organizational behaviour or OB (and its cousin, Industrial psychology) have at times been accused of being the scientific tool of the powerful.[citation needed] Those accusations notwithstanding, OB can play a major role in organizational development and success.

Definition: - Stephen P Robbins

It is a field of study that investigates the impact that individuals, groups , structures have on behaviour within the organization, for the purpose of applying such knowledge towards improving organizational effectiveness”.

Hence based on the definition we can say that

- OB is a field of study
- It studies individuals, groups and structures
- It applies the knowledge to improve organizational effectiveness. There fore Organization Behaviour is concerned with two aspects:-
 - How people behave in an organization?
 - How their behaviour does affect their performance?

“Organizational Behaviour is the study and application of knowledge about how people act with in the organization”. **Definition – Keith Davis**

KEY ELEMENTS OF ORGANISATIONAL BEHAVIOUR

1. People
2. Structure
3. Technology
4. environment

OB studies the following aspects

- People: Individuals & Groups
- Structure: Official Relationship
- Technology: Physical, Economic resources
- Environment: Political, Legal an Natural

NATURE OF OB

1. It is just a field of study and not a discipline:

OB is accepted science with theoretical foundation and it serves as a base of research. It is a recent field of study which has its origin from management. It is broad based and inter disciplinary in nature. Hence it is not a discipline but a field of study.

2. It is interdisciplinary in nature:

It is broad based and inter disciplinary in nature because it has its origin from subjects like psychology, sociology, anthropology, medical sciences, political science etc.,

3. It is normative science and value centered :(cause and effect application):

A positive science analyses only the cause and effect relationship but a normative science analyses the cause and effect and also its application to achieve organizational results.

It is also value centered as it analyses what is acceptable to employees based on the values they have.

4. It is applied science: The principles of OB are proven and can be applied to solve organizational problems.

5. It has humanistic approach: OB considers human feelings , their values and attitudes and considers that human beings are not machines and they too be cared for.

6. It has optimistic approach: It has positive approach and views that the employees well contribute positively to achieve the objectives of the organization.

7. It is directed towards achievement of organizational objectives: Organizational objectives are given more importance then individual objectives.

8. It has rational approach: It believes that there is a reason being every behaviour of man and works on the same formula.

9. It is developmental in nature: It aims at the development of the its employees and help them to attain their goals.

10. It is part of management science: OB is a study that has emerged form the discipline of management .Hence is a part of management science.

11. It is both science and art: OB is both science and art .

It is science because, like science OB is also a systematic body of knowledge, its analyses is also consistent in nature, it can be systematically explained and critically evaluated, the analyses are based on the findings of management theorists.

It s art because it is related to bringing desired result, it is application of skills like leadership skills, managerial skills, training skills etc.,

12. It has total systems approach: It takes all variables in consideration. It studies individuals and groups in formal and informal relations in organizations.

FOUNDATIONS OF OB / BASIC CONCEPT OF OB

1. Individual differences exists: Every individual has a unique personality, which is stable in nature. Hence each person is different from the other based on his physiological, psychological and social characteristics. Three aspects should be taken care while studying human behaviour:

2. Behaviour is caused:

Behaviour is what a person does and it is cause and effect relationship. It means that there is a reason behind every single behaviour of any individual. Hence the cause should be evaluated by the manager in an organization.

3. Behaviour is complex: Though OB believe that behaviour is caused , yet it is very difficult to understand human behaviour.

4. Value of a person: Human value is given importance. It means one should be treated with respect and dignity. Values and attitudes should be considered. Men at workplace should be considered

5. Whole person concept

The concept states that a individual employed by the organization is cannot be separated from his personal life aspects .Though an organization employs a person's skill & brain in his organization, yet it is a fact that an individual cannot be separated from his home life and work life.

6. Role of a person

A role is a pattern of actions expected of a person in activities involving others. Each individual plays different roles in his life time.(Parent, son , Friend , Spouse, team member, supervisor, follower, advisor, consumer, investor etc.,).Hence it becomes necessary for him to understand the role clearly and act accordingly.

7. Difference between individual behaviour and group behaviour:

Individual behaviour may be good but group behaviour may be bad .Group behaviour may be good but Individual behaviour may be bad. As Individual behaviour may vary from group behavior, human behaviour should be studied in both the aspects.

SCOPE OF OB

OB can be studied in three different levels: -

1. Individual-

- Intra Individual- Understanding human behaviour i.e. how and why an individual behaves and to understand the factors affecting human behaviour
- Inter Individual- To understand the working relationships, role analysis and transaction analysis of individual with others.2. Group

- Intra Group – understand the group pressure on individuals , influence of group norms on individuals , communication process in organization.
- Inter Group – Relationship between groups, achievement of group objectives and group objectives.,

3.Organisation:

- Intra- Organization- use of human power in organizations , leadership qualities, communication in organization.
- Inter –Organization- organization change, external relationships, Development standards and concepts for future, Scientific and rational approach to Human Behaviour.

DISCIPLINES CONTRIBUTING TO OB

1. **Psychology:** It is science that focuses directly on understanding and predicting Individual behaviour. Personality, perception attitude opinion, learning and motivation are the aspects of OB contributed by psychology.
2. **Sociology:** It is the study of people in relation to their fellow human beings, The field of sociology has made valuable contributions in the study of group of individuals, group dynamics, formation of groups, communication, formal and informal organizations etc.,
3. **Anthropology :** It is the study of societies to learn about human beings and their activities. It helps us to understand values,attitudes and behaviour between people in different regions and organizations.
4. Economics: It is the science that deals with the production, distribution, and consumption of goods and services, or the material welfare of humankind.
5. History: It is the study of the origin and evolution of man kind. It help us to understand the behaviour of people and their origins
6. Political science: It helps us to study the current political and legal scenario and the role of the study of human behaviour under the current situations.

PERSONALITY

The term personality has been derived from the Latin term person which means to „speak through“. It refers to the mask worn by actors in ancient Greece or Rome in plays which signifies the role which the actor displays to the public. Personality of an individual is unique personal and a major determinant of his behaviour.

Meaning:

Personality is the sum total of ways in which an individual reacts and interacts with others.

Definitions:

Carl Rogers views personality in terms of self, an organized, permanent, subjectively perceived entity.

Gordon Allport defines “Personality is the dynamic organization within the individual of those psychological systems that determine his unique adjustment to his environment.”

It refers to what an individual really is, as an internal „something“ that guides and directs all human activities.

“It is better to consider individual aspects of personality as bricks and total personality as a house made of bricks”..... James

Factors Influencing Individual Behaviour

Implications of Individual Differences:

- Every Individual has his/her own character
- Personality of each individual is unique hence it should be properly diagnosed by a manager.
- Manager should understand the differences and manage employees accordingly.
- He should act differently to different people .
- He should assign job, motivate and lead every employee accordingly.

Foundations of Individual Behaviour

INDIVIDUAL VARIABLES	SITUATIONLA VARIABLES
Physiological Variables 1. Age 2. Gender 3. Physiological Characters 4. Heredity	1. Type of Organization 2. Type of supervision 3. Type of subordinates 4. Type of Co- employees 5. Type of incentives 6. Training 7. Social environment at work place
Psychological Variables 1. Intelligence 2. Learning 3. Personality 4. Attitude 5. Motivation	Physical and Job variables 1. Method of work 2. Design of work 3. Physical working conditions 4. Condition of work equipment
Social Cultural Variables 1. Value systems 2. Cultural Background 3. Traditions	

THEORIES OF PERSONALITY

- 1. PSYCHOANALYTICAL THEORY**
- 2. SOCIO-PSYCHOLOGICAL THEORY:**
- 3. TRAIT THEORY**
- 4. SELF THEORY**

CHOANALYTICAL THEORY

Sigmund Freud and other associates formed this theory. Clinical techniques were used to develop this theory. Patient's behaviour was studied to derive this theory. According to this theory Man is motivated by unforeseen forces than he is controlled by conscious and rational thought. Freud says that personality of a person is determined by a constant interplay of the three parts:

1. The Id,
2. The Ego,
3. The Super Ego.

THEORIES OF PERSONALITY

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Personality is made up of 3 parts:

The Id:

It is the unconscious emotional part . It is a sea of biological urges and drives where different instincts exist. E.g. Hunger, thrust, sex(libido).

It works on the principles of pleasure and pain. Any person seeks to satisfy his raw, animalistic needs and urges, obeys no laws and rules, wants to seek immediate gratification of biological or instinctual needs. It would proceed unchecked to satisfy motives. As an individual matures he learns to control id.

Ego:-

It is the logical and conscious part or the rational practical and factual side . It evaluates on the principle of what is possible and not possible. It works on the principle of right and wrong . It keeps id in check through realities of the environment by intellect and reason.

Super Ego:

It is the ethical moral side. The individual not only cares about right and wrong but also care about the societal norms. Hence it controls the above two parts and directs them constantly.

SOCIO-PSYCHOLOGICAL THEORY:

Human personality depends on his inter-relationship in society. This model suggests that human behaviour results from three predominant- interpersonal orientations.

Based on which Individual can be categorized as:

Aggressive people:

Motivated by the need for power. They want good positions more power. They go for challenging jobs and want to raise high in positions. They are not attached with the society and hence go against the society

Detached people:

These are self sufficient people who are not more attached with the society. They are happy in their solitude. They do not depend on others. They are away from the society.

Complaint people:

These people are more depended on society. They live to be with friends and families. They seldom quit organization. They do not have any lust for position, power and money. They move towards the society.

TRAIT THEORY

Some psychologists have tried to understand personality on the basis of individual's traits. This theory attempts to understand how a set of personality variables exerts on one's behaviour .This theory defines that individual personality is composed of definite predisposition attributes called traits. Traits in an individual define his personality. Traits are stable, traits are common but may vary in absolute quantities in individuals and also traits can be inferred from the measurement of behavioural indicators. The author Catell has developed a set of traits through construction of tests on various individuals. These traits can be classified as surface traits and source traits.The source traits defines the basic trait in individual and the surface traits define the qualities in an individual based on his source trait.

Source traits (Deep inner traits in an individual)

- Affectionthymia Vs Sizothymia

(Meaning: Good nature and trust full ness VS critical and Conspicuous)

- Ego Strength Vs Emotionality
(Meaning: Maturity and realism Vs Immaturity and Evasiveness)
- Dominance Vs Submissiveness
- Cheerfulness and Depression

Surface traits (visible traits in an individual)

Wise foolish

Affectionate – Cold

Sociable-Seclusive

Honest- Dishonest

SELF THEORY

Carl Rogers has developed this theory. This theory is also described as phenomenological which studies individuals subjective experience ,feelings and his concepts of world and self. In this theory the following four factors are included:-

- Self image: what you think you are?**
- Ideal self: What you want to be?**
- Looking glass self-What you think other think of you?**
- Real Self-What you really are?**

Self image :It is the way one sees oneself. Every person has certain beliefs about who he is and these belief form his self image.

Ideal self:It denotes the way one would like to be. Any individual admires personalities (family members or outsiders)in his environment and tries to imitate them. This forms the basis for his ideal image.

Looking glass self:It is a perception about how others are perceiving oneself. It if formed on the basis I of the interactions and conversations of others.

Real Self:There are three stages in which an individual perceives about himself. The self image, ideal self and looking glass self. All the three help the individual to know about himself based on which he get tips to develop his personality, evaluates himself and adjusts his self image with other three.

It is a comprehensive inner behavioural process.

MOTIVATION

Motivation is the willingness to exert high level of the effort towards organisational goals , conditioned by the efforts ability to satisfy same individual needs. Stephen p Robbins.

Need satisfaction process

Unsatisfied Need----tension---drive ---search behaviour--- satisfied need--- reduction in tension

- An unsatisfied needs created tension that stimulates drives within an individual.
- These drives generate an search behaviour to find particular goals and attain them.
- If the goal is attained, the need is satisfied and the tension is reduced.
- Since the organizational goals are important , the individuals must be compatible to the org. goals.
- Motivation is anything that induces a person to act in a desired manner.
- Motivation is what makes a person to work and satisfaction is the resultant happiness. It follows a cause and effect relationship.

THEORIES OF MOTIVATION

1. MASLOW'S NEED HIERARCHY THEORY OF MOTIVATION
2. HERZBERG'S TWO FACTOR THEORY OF MOTIVATION
3. MCGREGOR'S THEORY „X“ AND THEORY „Y“
4. MCLLELAND „S NEED THEORY
5. VROOMS VALENCE EXPECTANCY THEORY
6. PORTER AND LAWLER'S MODEL OF SATISFACTION

MASLOW'S NEED HIERARCHY THEORY OF MOTIVATION:

According to this theory man is motivated based his needs. Any individual has five categories of needs. The need emerges in a hierachal order i.e. from lower order needs to higher order needs. Self actualization

The five levels of needs are

Lower order needs

1. Physiological needs
2. Security needs

3. Social needs

Higher Order Needs

4. Self esteem needs

5. Self actualization needs

Physiological needs:

This needs is considered to be the starting point of motivation . These are needed for the survival and maintenance of human life. Eg: Food, Clothing, Shelter, Air Water and also other necessities of life.

Security needs:

After an individual's physiological need is satisfied, his next level of need for security emerges, i.e. he wants the assurance of maintaining an economic level, in terms of job security of income source, provision for old age, insurance against risk etc.

Social needs:

Man is social being. He is interested in conversation, sociability, exchange of feelings , grievances and ideas . He wants companionship, recognition and belongingness. Simply he needs the comfort of people/society to fulfill this need.

Self esteem need (status):

Egoistic needs take inward or outward orientations. Inward directed ego needs embrace factors like self confidence, independence, achievement, competency, knowledge, success. These needs have to be earned by an individual; through his intelligence and hard work .They want recognition in the society where they live. On the other hand outwardly directed ego needs are concerned with prestige status respect and it could be gained in the form of position and control over economic, social and political power from the society or organization.

Self Actualization needs (self fulfillment needs):

The final or the priority model is the need for self fulfillment or the need is the need to fulfill what a person considers to be his mission in life. After a man's other needs are fulfilled, his desire for personal achievement increases. He wants to do something, which is challenging and gives his full energy to work and win. This need gives him psychological satisfaction if achieved.

Maslow felt that these needs have definite sequence of domination. I.e. second level needs does not dominate until first level need is satisfied and this would continue till the last hierarchy. Hence based on this 5 levels of need Maslow establishes that man is a social animal, he always wants something the other. There is no end to his needs. Hence he can be motivated throughout, condition is known what his need is at that particular point of time, He can be motivated accordingly.

HERZBERG'S TWO FACTOR THEORY OF MOTIVATION

Herzberg and his fellow men conducted a research on zoo engineers and accountants who worked in 11 different firms in Pittsburg area. These men were asked to recall specific incidents in their experience which made them feel good or bad about their jobs. These findings set as a model to derive this theory.

According to this theory Herzberg has defined two distinct factors of motivation

HYGIENE FACTOR	MOTIVATORS
<ol style="list-style-type: none">1. Companies policies2. Companies administration3. Supervision4. Salary5. Relationship with colleagues6. Work environment	<ol style="list-style-type: none">. Work itself2. Recognition3. Responsibility4. Advancement5. Growth

.Hygiene factors

It was found that hygiene factors were those factors, which if provided will not motivate the employees, but if not provided will definitely de-motivate the employees

. Motivators :

They are factors which when not provided the employee will not be aware of it , but if provided the employee gets highly motivated and works effectively.

HERZBERG TWO FACTOR
THEORY

HYGIENE FACTORS

MOTIVATORS

IF GIVEN YOU WILL NOT
KNOW ITS IMPORTANCE
EG; SALARY

IF NOT GIVEN YOU WILL
BE HIGHLY
DEMOTIVATED

IF NOT GIVEN YOU
WILL BE UNAWARE OF
THE MOTIVATOR
EG;

IF GIVEN YOU WILL BE
HIGHLY MOTIVATE

Disadvantages of Herzberg's theory:

- The theory emphasizes on job satisfaction rather than motivation.
- The methodology adopted is limited by the fact that, when things go smooth they take internal credit, but when things go wrong they blame external factors.

The theory has over simplified the complex working condition

Difference between Maslow's theory and Herzberg's theory

Maslow's theory	Herzberg's theory
<ol style="list-style-type: none">1. He has divided the structure into five layers.2. Emphasis is on needs3. Hierarchy is followed4. Pay is a motivation5. It is a descriptive theory6. Relevant to people of all cadre	<ol style="list-style-type: none">1. He has divided the theory into two factors2. Emphasis is on satisfaction3. All need arise at the same time4. Pay comes under the hygiene factor5. It is a prescriptive theory

MCGREGOR'S THEORY „X“ AND THEORY „Y“

The theory is based on assumptions about employees by the manager or employer

- One basically negative- Theory "X"
- One basically positive-Theory „Y“ McGregor has generated two different theories based in Employer's /Boss's assumption on employees. But it is also to be noted that employees tend to become what the boss think about them. McGregor prefers theory „X“ to theory „Y“. It is also concluded that participative decision making, challenging jobs and decentralized form of environment and supportive style of leadership would motivate employees.

According to this theory a Boss holds either positive or negative assumptions about their employees.

THEORY „X“	THEORY „Y“
<ol style="list-style-type: none"> 1. Subordinates dislike work 2. Employees avoid responsibility 3. Employees are incapable and hence have to be guided 4. Employees have to be forced or controlled to make them work. 5. Employees are self centered and they are indifferent to the organization 6. Boss follows a centralized system of work 7. Boss are suspicious 8. Boss follows authoritative style. 9. Boss is task oriented. 	<ol style="list-style-type: none"> 1. Employees always have a natural liking for work. 2. Employees will seek for responsibility and accept them 3. Employees have considerable skills 4. Employees have natural inclination to work and they have self control 5. Employees are not self centered and are concerned about organizational goals. 6. Boss tends to keep the system in decentralized manner. 7. Boss trust employees 8. Boss supports employees 9. Boss are task oriented.

PROCESS THEORIES VROOMS VALENCE EXPECTANCY THEORY

Vroom's expectancy theory assumes that behavior results from conscious choices among alternatives

Vroom realized that an employee's

performance is based on individual factors such as personality, skills, knowledge, experience and abilities. He stated that effort, performance and motivation are linked in a person's motivation. He uses the variables Expectancy, Instrumentality and Valence to account for this. T

his theory was propounded by

Vrooms, and this theory states about the importance of factors which lead to motivation

Expectancy is the belief that increased effort will lead to increased performance i.e. if I work harder then

this will be better. This is affected by such things as:

- Having the right resources available (e.g. raw materials, time)
- Having the right skills to do the job
- Having the necessary support to get the job done (e.g. supervisor support, or correct information on the job)

Instrumentality is the belief that if you perform well that a valued outcome will be received. The degree to which a first level outcome will lead to the second level outcome. i.e. if I do a good job, there is something in it for me. This is affected by such things as:

Clear understanding of the relationship between performance and outcomes – e.g. the rules of the reward 'game'

Trust in the people who will take the decisions on who gets what outcome

Transparency of the process that decides who gets what outcome

Valence is the importance that the individual places upon the expected outcome. For the valence to be positive, the person must prefer attaining the outcome to not attaining it. For example, if someone is mainly motivated by money, he or she might not value offers of additional time off.

The three elements are important behind choosing one element over another because they are clearly defined: effort-performance expectancy ($E>P$ expectancy) and performance-outcome expectancy ($P>O$ expectancy). The theory is based on the formula:

$$\text{Motivation}(F) = \Sigma \text{ Valence} \times \text{Expectancy}$$

Key words: Valence Expectancy, 1st level outcome , 2nd level outcome, Instrumentality

Valence:

It is the strength of individuals preference for a particular outcome. It ranges from -1.....0.....+1.
where when

V is positive(+1) = Individual prefers to attain the outcome.

V is neutral (0)= Individual is indifferent towards the outcome.

V is negative (-1) = Individual does not prefer to attain the outcome.

Expectancy:

It is the probability that a particular outcome will lead to the desired first level outcome.

The probability will range from (0-----1). If the probability is high , the score is high and it is low when the probability is low. Expectancy relates to the effort to the first level outcome.

1st level outcome :It is the efforts put based on the expectations of getting the same, which means performance will be based on the persons expectancy towards perceived reward. i.e. promotion.

2nd level outcome:It is the result acquired out of the expectations and effort. e.g. getting promotion
Instrumentality: It is the belief that the performance is related to rewards.

Probability attached by the individual to each possible performance. It refers to the degree to which the first level outcome leads to second level outcome.

1. Motivated to get a promotion
2. Promotion expectancy = high/moderate/ low
3. Effort - high/moderate/ low or No effort
4. Out come 1- Guaranteed promotion
5. Out come 2- May / May not get a promotion
6. Out come 3- No chances of getting a promotion

Hence the theory states that it is the motivational force in an individual which makes him Believe that he can attain a particular out come, based on this expectancy he performs and he gets the rewards.

PORTR AND LAWLER'S MODEL OF SATISFACTION

Lyman Porter and Edward Lawler came up with a comprehensive theory of motivation, combining the various aspects. Porter and Lawler's model is a more complete model of motivation. The Porter and Lawler theory of motivation is based on the assumption that rewards cause satisfaction and that sometimes performance produces reward. It is a complete model of motivation. The research covered the applicability to managers. They brought about the relationship between job attitude, job performance and job satisfaction. The whole model is designed on the traditional assumption that there is a positive relationship between satisfaction and performance. It is a multivariate model to explain the relationship between satisfaction and performance. In this model of motivation or effort does not directly lead to performance but factors like one's personal traits , role perceptions , the value he has given for a particular rewards and his perception towards his abilities to achieve the reward work together to achieve the reward. Once he has achieved what he has expected to achieve, he is satisfied or else the process continues..This model has been

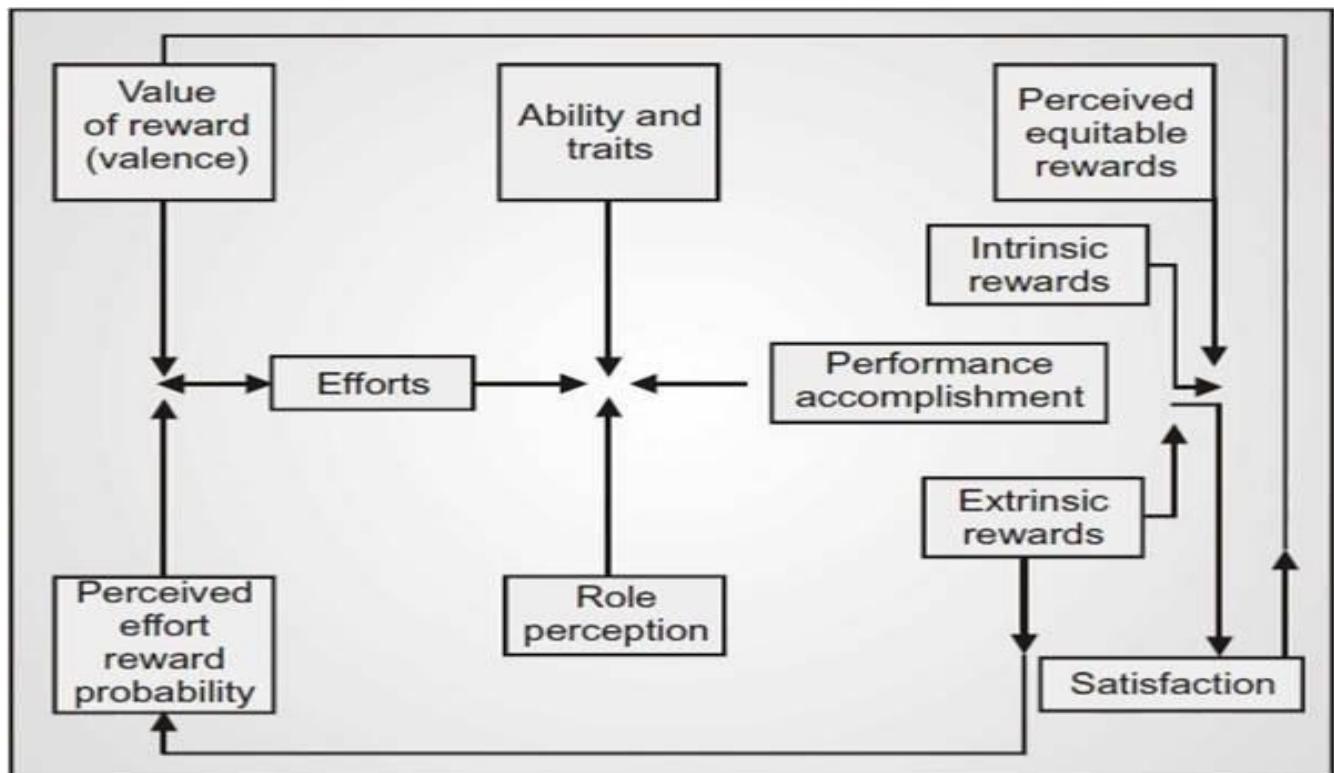
practically applied also in their study of managers. This is a multivariate model which explains the relationship that exists between job attitudes and job performance. This model is based on four basic assumptions about human behaviour :

- As mentioned above, it is a multivariate model. According to this model, individual behaviour is determined by a combination of factors in the individual and in the environment.
- Individuals are assumed to be rational human beings who make conscious decisions about their behaviour in the organizations.
- Individuals have different needs, desires and goals.
- On the basis of their expectations, individuals decide between alternative behaviours and such decided behaviour will lead to a desired outcome.

PORTR AND LAWLER'S MOTIVATIONAL MODEL

The Various Elements of Porter and Lawler Model

1. Effort,
2. Performance and
3. Satisfaction.



Let us briefly discuss the main elements of the model :

1. Effort : Effort refers to the amount of energy an employee exerts on a given task. How much effort an employee will put in a task is determined by two factors: (i) value of reward and (ii) perception of effort-reward probability.
2. Performance : One's effort leads to his/her performance. Both may be equal or may not be. However, the amount of performance is determined by the amount of labour and the ability and role perception of the employee. Thus, if an employee possesses less ability and/or makes wrong role perception, his/her performance may be low in spite of his great efforts.
3. Satisfaction : Performance leads to satisfaction. The level of satisfaction depends upon the amount of rewards achieved. If the amount of actual rewards meet or exceed perceived equitable rewards, the employee will feel satisfied. On the contrary, if actual rewards fall short of perceived ones, he/she will be dissatisfied.
4. Rewards may be of two kinds - intrinsic and extrinsic rewards. Examples of intrinsic rewards are such as a sense of accomplishment and self-actualization. Extrinsic rewards may include working conditions and status. A fair degree of research supports that the intrinsic rewards are much more likely to produce attitudes about satisfaction that are related to performance.

Employees can be motivated by giving incentives

Incentive

s

Man is driven by different types of needs. Any management tries to govern the behaviour of the employees by satisfying their needs. The objects that are perceived to satisfy the human needs are called incentives. The term incentives means an inducement which rouses or stimulates one to action in a desired direction. An incentive has a motivational power. Incentives can be broadly classified in two categories.

Financial
Incentives

And Non Financial Incentives.

Financial Incentives

Money is an important motivator. Common use of money as incentive are in the form of wages and salaries, bonus, retirement benefits, medical reimbursement etc., Management needs to increase these financial incentives making wages and salaries competitive between various organizations so as to

attract and hold force. Money plays an important role in satisfying physiological and security needs. As money is recognized as a basis of status, respect and power, it also helps to satisfy the social needs of the people.

Non Financial incentives

Every employee certainly appreciates more money, but money does not buy happiness, nor does it buy engagement and loyalty. Non-financial incentives inspire and engage employees in ways that money is incapable of doing. Non-financial incentives are the types of rewards that are not a part of an employee's pay. Typically, they cost the company little or no money, yet carry significant weight. Incentives of this nature are particularly effective for workers who are comfortable with their salaries or have been in the position for a long time.

The following non-financial incentives help management to satisfy its employees needs.

FINANCIAL INCENTIVES	NON FINANCIAL INCENTIVES
Wages and Salary, Bonus, Allowance, Retirement benefits (pension- gratuity) , Medical benefits, Co-operative societies, Loans and allowances , Educational facilities (self), Housing facilities, School facilities, sports and recreation facilities, etc	Appreciation of the work done Status Promotions Giving additional responsibility Club memberships Recognition Competition Group incentives Knowledge of the results Workers participation in management Opportunity for growth Job enrichment

TRANSACTIONAL ANALYSIS

Transactional Analysis (TA) is a method of analyzing and understanding interpersonal behaviour.

Transactional Analysis (TA) offers a model of personality and the dynamics of self and its relationship to others that makes possible a clear and meaningful discussion of behaviour. When people interact, there is social transaction in which one person responds to another.

The study of these transactions between people is called Transactional Analysis. TA was developed by Eric Berne for psychotherapy in 1950.

An ego state is a pattern of behaviour that a person develops as he or she grows up, based on his or her accumulated network of feelings and experiences.

There are three ego states. People interact with each other in terms of three psychological positions or behavioral patterns known as ego states. Thus ego states are person's way of thinking, feeling, and behaving at any time.

The parent ego state: it comprises the judgmental, value-laden, rule making, and moralizing component of personality. It is comprised by advice, admonitions, "do's and don'ts".

The adult ego state: It is authentic, direct and reality based. It is rational, fact seeking and problem solving.

The child ego state: it constitutes the emotional, creative, spontaneous and impulsive component of personality.**Note:**

- Ego states are not affected by the chronological age of the persons. Ego states are affected by the behavioural aspects of age.
- An individual is able to move from one ego state to another.
- There is no specific time period for the existence of the ego state.
- This ego state is related to real world behavior and not related to Sigmund Freud's id, ego and super ego.

Parent ego state	Adult ego state	Child ego state
Nurturing parent Caring, securing, understanding, advising	Reasoning, Seeking Providing-Information interacting, Worthy	Natural: affectionate impulsive, sensuous and does things naturally.
Critical parent Threatening, scolding, finding faults etc.	Responsible, Logical Helpful, trustworthy.	Adaptive: submissive, calm, understanding. Rebellious: anger, fear, adamant, frustrated.

Transaction: A transaction is a basic unit of social interaction. It consists of an exchange of words and behaviour between two persons. The heart of transactional analysis is the study and diagramming of the exchanges between two persons. In this analysis, the learner identifies the ego states that both the initiator(stimulus) and the respondent exhibit in the transactions or interaction between them.

Thus when a stimulus from a person is being responded by another person, a transaction is said to occur. The transaction is routed from ego states. Depending on the ego states of the persons involved in transactions, there may be four types of transactions-

Complementary, non complementary ulterior and gallow transactions

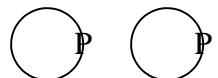
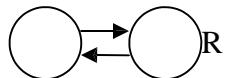
Complementary transaction: When the stimulus and response patterns from one ego state to another is parallel. It means the message by a person (stimulus) gets the predicted response from other person (responder).

There can be nine complementary transaction between two parties. P-PARENT EGO

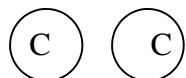
A- ADULT EGO C- CHILD EGO

S- STIMULUS R-RESPONSECOMPLEMENTARY TRANSACTIONS

S



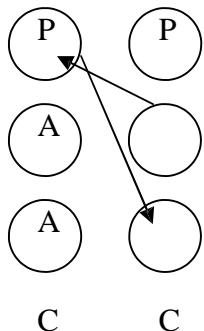
A A



Non complementary transactions: they are also called crossed transactions, they occur when the stimulus and response are not parallel. These transactions occur when the stimulus does not get the

response in the expected manner. For example. The foreman tries deal with the employee in the parent to child bases but the employee response in the adult to parent basis.

Foreman Employee



Ulterior transaction : In this ulterior transaction, the communication has double meaning. At the surface level, there is a clear adult message, where as, there is a hidden message at the psychological level. ,For example, one may show his hospitality on the surface but may pull the leg of the same person in the other form.

Gallow transaction It is signified by inappropriate love or smile in the transaction. A smile in response to a person"s misfortune may serve as gallow transaction.

For
example

A teacher getting amused by the stupid behaviour of her favourite student. A mother laughing of the falling of her child.**MORALE**

Definition:

Flippo has described morale “as a mental condition or attitude of individuals and groups which

determines their willingness to co-

operate. Meaning:

Morale is an overall attitude of an individual or group towards all aspects of their work e.g., the company, the job, the supervisors, fellow workers, working conditions, etc.

- Employee morale is a description of the emotions, attitudes and feelings of employees within their workplace environment. Employees that are happy and show a positive attitude at work are known to have high morale, but employees who don't favor their work environment have low morale.
- A few aspects of a workplace that can influence an employee"s morale include working conditions, support from management and job security. For example, If Jane sits down with her manager and she

is communicated that she is on task with her work, then she'll have a higher likelihood of feeling emotionally at ease and feel less pressure because of receiving a vote of confidence from management.

· Good morale is evidenced by employee enthusiasm, voluntary confirmation with regulations and orders, and a willingness to co-operate with others in the accomplishment of an organization's objectives.

· Poor morale is evidenced by surliness, insubordination, a feeling of discouragement and dislike of the job, company and associates." In the words of Yoder, "morale is a feeling, somewhat related to esprit de corps, enthusiasm or zeal.

· For group of workers, morale, according to a popular usage of the word, refers to the over-all tone, climate or atmosphere of work, perhaps vaguely sensed by the member

Types:

The following are the two types of morale:

1. Individual and Group Morale:

Individual morale is a single person's attitude towards work, environment etc. Whereas group morale reflects the general attitude of a group of persons. Group morale is everybody's concern and may go on changing with the passage of time. Individual and group morale are interested but not necessarily identical. They have an effect on each other. The individual's personal perception of the present conditions may be high but the group's perception may be low or vice-versa.

2. High or Low Morale:

Morale may be referred to high morale or low morale. In the words of McFarland, high morale exists when employee attitudes are favourable to the total situation of a group and to the attainment of its objectives. Low morale exists when attitudes inhibit the willingness and ability of an organization to attain its objectives. The words such as zeal, enthusiasm, loyalty, dependability denote high morale. Low morale may be described by words like lack of interest, laziness, apathy, bickering, jealousy, quarrelsome, pessimism, etc.

Impact of Employee Morale in the work atmosphere

Morale and Motivation:

Morale and motivation are inter related but differ from each other. Morale refers to the attitude of a person towards his work and environment while motivation is a process to inspire people. Motivation is an inner feeling which energizes a person to work more for satisfying his unsatisfied demands.

Motivation revolves round needs and incentives while morale will determine the willingness to co-operate.

Morale is a group phenomenon while motivation is an individual's readiness to work more. Moral is related to the combination of various factors operating at work but motivation concerns to the job only. Motivation helps in mobilizing energy while morale is concerned with the mobilization of sentiments.

Morale and Productivity:

Morale reflects the attitude of employees towards their work, it will be of interest to know if it has any bearing on productivity. A number of research studies reveal that there is no direct relationship between morale and productivity. High morale may lead to higher productivity but in some cases production may go down even. It is generally felt there is a positive relation between morale and productivity but the degree may not be the same. For example, 10 per cent increase in morale may lead to higher productivity but production may not necessarily increase by 10 per cent.

Miller and Form have given four combinations of productivity and morale viz:

- (i) High productivity-high morale
- (ii) Low productivity high morale
- (iii)High productivity-low morale; and
- (ii) (iv)Low productivity-low morale.

The first situation occurs when the individual is satisfied from the job and prevailing environment. He will try to achieve high standards of performance which will lead to higher productivity. In the second situation (low productivity and high morale) the employee may be satisfied from his work and situations prevailing, showing high morale. Lack of proper teaching of the employee, lack of administrative skill of the supervisor, defective materials, out-dated technology may lead to low productivity in-spite of high morale.

In the third-situation, management may use strict supervision, prescribe punishments for low productivity and use better technology for raising productivity in-spite of low morale. The fourth

situation occurs where factors obtained in combination of high productivity high morale are lacking. There is a complexity of relationship between morale and productivity. This relationship cannot always be predicted. It may differ from organization to organization and from one time to another time.

Factors Affecting Morale:

The employee morale is a very complex phenomenon and is influenced by many factors. Different authors like McFarland. Bradshaw and Krugman. Roach and Apple white name given different criterion for the determination of morale.

On the basis of all these classifications, the important factors in the determination of levels of morale are as describe below:

1. The Organization:

The first factor affecting the employee morale is the organization itself. The organization influences the worker's attitudes to their jobs. The public reputation of an organization may build up for better or worse, their attitudes towards it.

2. The Nature of Work:

The nature of the work, the worker is expected to perform also affects his attitude towards the job as well as his morale. If the employee is expected to perform routine or specialized jobs, he will feel bored and alienated. Repetition of the same task again and again makes the working situation worse for the employees. Another factor is the large impersonal organizational structure. Sometimes, if the employee feels that he is just a cog in the machine instead of a person, his morale will become very low. Lack of

understanding of organizational goals may also affect the morale. Another factor which causes low morale is the assembly line operations moving at a constant speed.

3. The Level of Satisfaction:

The level of satisfaction, a worker derives from his job is another determinant of morale. If the job factors and the satisfaction they bring is perceived to be favourable by the employee morale will tend to be higher than if there factors seem to be unfavourable. The job factors include the factors such as opportunities for promotions, job security, steadiness of employment, opportunities to learn the job

and to use his own ideas, pay working conditions, recognition, cooperativeness of co-workers, group relationship etc.

4. The Level of Supervision:

The level of supervision received by an employer has a tremendous influence on his morale. High rate of employee turnover indicates that the leadership is ineffective. On the other hand, if employees are given freedom to do the job, their morale will be high. Nobody likes to be supervised all the time.

5. Concept of Self:

What is the employee's concept of himself? The answer to this question influences the attitudes of the employees to the organizational environment. How an employee perceives himself, is a very important question. The morale of persons who have lots of self confidence or who enjoy good mental and physical health is generally high as compared to those who lack self confidence or suffer from poor physical or mental health

6. Worker's Perception of Rewards System: The worker's perception of past rewards and future opportunities for rewards affect their morale to a substantial extent. If the workers regard the rewards as fair and satisfactory, their morale will tend to be higher than if the perception is in the opposite direction. Moreover, if the rewards and opportunities for the future tend to be bleak, morale will tend to be low as compared to the situation where the worker perceives opportunities for satisfaction and for attainment in the rewards that lie ahead in the future.

7. The Employee's Age:

Studies have reported that age and morale are directly related. Other things being equal, elder employees seem to have higher morale. This is because of the reason that perhaps younger workers are more dissatisfied with higher expectations than their elders. The older employees have more stability which comes with maturity, a serious attitude towards job, more reliability, less absenteeism, proven steady work habits, a sense of responsibility and loyalty and less tendency to be distracted by outside interest as influences.

7. The Employee's Educational Level:

Studies have concluded an inverse relationship in the educational level of the employee and his morale. Higher the educational level lower will be the job satisfaction and vice versa. The higher he thinks he should be the more dissatisfied he will be.

8. The Employee's Occupational Level:

The occupational level of the employee also influences his level of morale. The higher up in organisational hierarchy an employee is higher will be his morale. The morale of the people who are lower in the levels of hierarchy is generally low because they compare their own attainments with those of others.

10. The Off the Job Activities of the Employee:

The relationship of an employer with his family and work group influences his behaviour and attitude while he is on the job. His off the job activities e.g. whether his family life is happy or not, whether he has excessive drinking habits etc. The influences and pressures of a formal and informal group have a significant effect on the morale of workers.

Strategies to improve employee morale

- (i) **Create a cordial work environment** :The success of your organization can be determined based on how your workforce communicates with one another. Therefore, fostering positive behavior within your workplace is crucial to ensure your workplace can manage projects they're working on and interact with clients in a friendly way.
- (iii) **Create employee events that are focused on engagement** such has Happy Hours or gatherings that generate communication from your employees. This will increase the likelihood of earning potential for your business if you see positive feedback from clients and from employees during their performance reviews with their manager.
- (iv) (iii)**Evaluate managerial support and behavior**:Employees who work with clients on a day-to-day basis are brand ambassadors for your organization. Whether if it's sales, marketing or another department, employees may not receive direct feedback from clients about their performance. If you receive feedback from the client about an employee, present feedback in an honest manner, but ensure that you're making them feel like they're doing

well and are taking the necessary steps to better their performance when necessary. Check in with managers monthly to see if they're proceeding in enacting the steps to render employee feedback and what responses they're receiving.

(iv) **Involve employees in decision-making:** Another method of fostering an all-inclusive workplace is to elicit feedback from team members as to areas of growth on a specific strategy or tactic. Giving employees more autonomy when it comes to resource allocation, setting priorities and alignment or organizational and client goals is conducive to the success of your strategy. Also, it empowers employees to execute their tactics with clarity as they were in the same room as their team members who are working towards a common goal.

(v) **Note opportunities for training and advancement:** It's your responsibility to ensure that your workers are receiving the training necessary to perform their tasks. Communicate with your team members individually to see if these tasks are aligned with their career goals and express interest in advancing up the ranks of the organization. Their response should be an indicator of their project status on various tasks besides finding out where they see themselves.

JOB SATISFACTION

Job satisfaction is defined as the level of contentment employees feel with their job. This goes beyond their daily duties to cover satisfaction with team members/managers, satisfaction with organizational policies, and the impact of their job on employees' personal lives.

Job satisfaction, an unquantifiable metric, is defined as a positive emotional response you experience when doing your job or when you are present at work. Leading organizations are now trying to measure this feeling, with job satisfaction surveys becoming a staple at most workplaces.

It's important to remember that job satisfaction varies from employee to employee. In the same workplace under the same conditions, the factors that help one employee feel good about their job may not apply to another employee. For this reason, it is essential to have a multidimensional approach to employee satisfaction, covering the following areas: · The challenging nature of work, pushing employees to new heights

- A level of convenience (short commutes, access to the right digital tools, and flexible hours)
- Regular appreciation by the immediate management and the organization as a whole
- Competitive pay, which employees maintain a good quality of life

- The promise of career progression in sync with employees" personal growth targets

Job Satisfaction:

Job Satisfaction is the favorableness or un-favorableness with which the employee views his work. It expresses the amount of agreement between one"s expectation of the job and the rewards that the job provides. Job Satisfaction is a part of life satisfaction. The nature of one"s environment of job is an important part of life as Job Satisfaction influences one"s general life satisfaction.

Job Satisfaction, thus, is the result of various attitudes possessed by an employee. In a narrow sense, these attitudes are related to the job under condition with such specific factors such as wages. Supervisors of employment, conditions of work, social relation on the job, prompt settlement of grievances and fair treatment by employer.

However, more comprehensive approach requires that many factors are to be included before a complete understanding of job satisfaction can be obtained. Such factors as employee"s age, health temperature, desire and level of aspiration should be considered. Further his family relationship, Social status, recreational outlets, activity in the organizations etc. Contribute ultimately to job satisfaction.

FACTORS INFLUENCING JOB SATISFACTION

The major factors influencing job satisfaction are presented below:

SUPERVISION

To a worker, Supervision is equally a strong contributor to the job satisfaction as well as to the job dissatisfaction. The feelings of workers towards his supervisors are usually similar to his feeling towards the company. The role of supervisor is a focal point for attitude formation. Bad supervision results in absenteeism and labor turnover. Good supervision results in higher production and good industrial relations.

CO-WORKERS

Various studies had traced this factor as a factor of intermediate importance. One"s associates with others had frequently been motivated as a factor in job satisfaction. Certainly, this seems reasonable

because people like to be near their friends. The workers derive satisfaction when the co-workers are helpful, friendly and co-operative.

PAY

Studies also show that most of the workers felt satisfied when they are paid more adequately to the work performed by them. The relative important of pay would probably changing factor in job satisfaction or dissatisfaction.

AGE

Age has also been found to have a direct relationship to level job of satisfaction of employees. In some groups job satisfaction is higher with increasing age, in other groups job satisfaction is lower and in other there is no difference at all.

MARITAL STATUS

Marital status has an important role in deciding the job satisfaction. Most of the studies have revealed that the married person finds dissatisfaction in his job than his unmarried counterpart. The reasons stated to be are that wages were insufficient due to increased cost of living, educations to children etc.

EDUCATION

Studies conducted among various workers revealed that most of workers who had not completed their school education showed higher satisfaction level. However, educated workers felt less satisfied in their job.

WORKING CONDITION

The result of various studies shows that working condition is an important factor. Good working atmosphere and pleasant surroundings help increasing the production of industry. Working conditions are more important to women workers than men workers.

DETERMINANTS OF JOB SATISFACTION:

While analyzing the various determinants of job satisfaction, we have to keep in mind that: all individuals do no derive the same degree of satisfaction though they perform the same job in the same job environment and at the same time. Therefore, it appears that besides the nature of job and job environment, there are individual variables which affect job satisfaction. Thus, all those factors which provide a fit among individual variables, nature of job, and situational variables determine the degree of job satisfaction. Let us see what these factors are.

- (i) **Individual factors:** Individuals have certain expectations from their jobs. If their expectations are met from the jobs, they feel satisfied. These expectations are based on an individual's level of education, age and other factors.
- (ii) **Level of education:** Level of education of an individual is a factor which determines the degree of job satisfaction. For example, several studies have found negative correlation between the level of education, particularly higher level of education, and job satisfaction. The possible reason for this phenomenon may be that highly educated persons have very high expectations from their jobs which remain unsatisfied. In their case, Peter's principle which suggests that every individual tries to reach his level of incompetence, applies more quickly.
- (iii) **Age:** Individuals experience different degree of job satisfaction at different stages of their life. Job satisfaction is high at the initial stage, gets gradually reduced, starts rising upto certain stage, and finally dips to a low degree. The possible reasons for this phenomenon are like this. When individuals join an organization, they may have some unrealistic assumptions about what they are going to drive from their work. These assumptions make them more satisfied. However, when these assumptions fall short of reality, job satisfaction goes down. It starts rising again as the people start to assess the jobs in right perspective and correct their assumptions. At the last, particularly at the fag end of the career, job satisfaction goes down because of fear of retirement and future outcome.
- (iv) **Other factors:** Besides the above two factors, there are other individual factors which affect job satisfaction. If an individual does not have favourable social and family life, he may not feel happy at the workplace. Similarly, other personal problems associated with him may affect his level of job satisfaction. Personal problems associated with him may affect his level of job satisfaction.
- (v) **Nature of job:**
- a. Nature of job determines job satisfaction which is in the form of occupation level and job content. *Occupation level:* Higher level jobs provide more satisfaction as compared to lower levels. This happens because high level jobs carry prestige and status in the society which itself becomes source of satisfaction for the job holders. For example, professionals derive more satisfaction as compared to salaried people: factory workers are least satisfied.
- (vi) **Job content:** Job content refers to the intrinsic value of the job which depends on the requirement of skills for performing it, and the degree of responsibility and growth it offers. A higher content of these factors provides higher satisfaction. For example, a routine and repetitive

lesser satisfaction; the degree of satisfaction progressively increases in job rotation, job enlargement, and job enrichment.

(vii) In the literature export barriers have been operationalized as export obstacles/ inhibitors, problems or impediments. They all refer to, attitudinal, structural, operational and other international operations (Leondidou, 1995). This definition of export barriers includes several factors, which go beyond the marketing domain. Lall (1991, p.139) restricted his definition only to marketing barriers. He defined marketing barriers as “those gaps, which need to be filled before the competitive producer becomes a successful exporter.” Since the focus of this research is on export marketing problems the latter definition is suitable to this study.

PROBLEMS AND KEY CHALLENGES ON THE BASIS OF REVIEW

- (i) **Sales & Marketing:** Heavy dependence on a few customers; Lack of in-house design capability; Complete dependence on customer for design; Multiple iterations during sampling increases overhead costs; Lack of standardisation of specifications.
- (ii) **Production:** Production planning and order fulfilment of large number of articles/styles with reducing lead times; High wastage of leather during production; Low productivity of manual intensive processes.
- (iii) **Material Management:** Availability of leather and accessories as per planned date; Supply order visibility; Inefficient material management.
- (iv) **Finance, HR & Other Processes:** Accounting not integrated to key business processes; Availability and affordability of skilled IT manpower.

Measure satisfaction

Hold individual meetings with your employees periodically to gauge the motivation they have to work their current position. When you get a response from the employee, you have a better idea what their motivations are and how to build on them. Performance reviews also can give the employee an avenue to express their opinions in writing about additional comments they may have about their current role.

- (i) Receive feedback from employees regularly
- (ii) Have a direct communication line with your employees that extends beyond one manager. It's important to have the manager's evaluation of the employees, but establishing an open-door policy

allows for free flowing conversation and opens up the silo between upper and lower-level employees.

- (iii) Give personal recognition
- (iv) Create an Employee of the Month initiative at your business to spotlight an employee's performance. Once the employee of the month is announced, have a meeting with your staff to congratulate them and their contributions to the team.
- (v) Another method is you can implement is to create a cash- or event-based incentive for employees that celebrates their performance from the past week. The more creative an approach is, the higher likelihood an employee will be engaged. For example, give your employees an opportunity to drive your company's CEO car for a week or the chance to leave work early. The more actionable an incentive is, the higher ceiling of fulfillment it has for the employee.
- (vi) Develop workers skills and potential
- (vii) Align training and education methods to your employee's career goals to help them be more productive and inventive in the workplace. Introduce personalized training initiatives for your team and gear it towards a particular skill.
- (viii) Have a sales team listen to a trainee's first cold call allows the trainee to earn hands-on experience right away while their peers cheer them on. After, the trainee can receive tips from management as to work with the scenario the employee had to encounter with the customer. This way, the sales team can take notes about they can improve their situational analysis with customers.



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**SCHOOL OF BIO AND CHEMICAL
DEPARTMENT OF CHEMICAL ENGINEERING**

**UNIT 4 – PRINCIPLES OF MANAGEMENT AND
PROFESSIONAL ETHICS (SBA1101)**

UNIT- IV GROUP DYNAMICS

Group-Definition-Types-Determinants of group cohesiveness. Communication-Process- Barriers-Effective Communication. Leadership Theories-Factors Contributing to effective Leadership. Role of Trade Union in Organizations-Functions of trade Union-Why Trade Union is Required? - Types of Trade Union

GROUP DYNAMICS

Group: A group is a collection of two or more individuals, interacting and interdependent, who have come together to achieve particular objective.

A group is thus an aggregation of people who interact with each other, are aware of one another, have a common objective, perceives themselves to be a group.

Characteristics

1. Two of more people: a single individual cannot form a group. There should be at least two members for group formalization but there is no maximum limit for it.
2. Collective identity; Each group member should know each other. Each member of the group should perceive that he/she is the member of the group.
3. Interaction: There should be interaction among the group members. Each member shares his ideas through different communication channels.
4. Common purpose : The members of the group to achieve some common objective or purpose.

It should be mostly the goal of the organization.

Need for group formation

Safety and security needs : Groups provide protection to their members from outside pressures. That is why workers join trade unions to feel safe and secure.

Relatedness and belongingness needs: People being social beings, belonging to relating groups satisfies a number of their social needs. In every organization, there are many persons who are very isolated or who prefer to be absent from work most of the times.

Esteem needs : When one member of a group does some good piece of work gets praise from others and it brings a sense of recognition among the group members. This creates a sense of fulfillment of one's need for growth towards higher achievement of work and better career prospects, on the other.

Power: One of the appealing aspects of groups is that they represent power and also offer power to their members. Workers enjoy much greater power by joining groups than they do as individuals..

1. **Identity:** As a member of a group, an individual gets identity -Who am I? In practice understand ourselves through the behaviour of others towards.

TYPES OF GROUPS FORMAL GROUP:

Groups established by the organization to achieve organizational goals are called formal groups. The behaviour of the members are stipulated by organization and directed towards organizational goals. **Command group :** A command composed of supervisor of manager and subordinates who report directly to that supervisor. A command groups is determined by the organizational chart.

Example: In the Department of Business Administration of a University, for example the Head of the

Department and other faculty members in the department would comprise of command group.

Task group : A task group comprises of persons working together to complete a common task.

However a task group can cross command relationships.

Example : If a student is accused of any campus crime, The issue may be discussed with the Head of the Department, Principal and other management people to come to a decision regarding the student.

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

Committees: Committees are usually created outside the usual command group structure to solve recurring problems. The life of the committee may be short or long in relation to its origin. **INFORMAL GROUP**

Friendship group : Friendship group are associations of people who like each other and who like to

be together. Such groups are formed because members have one or more common characteristics, such as age, beliefs, values etc.

Interest group: Interest groups are composed of individuals who may not be members of the same organization (command or task groups), but they are united by their interest in a common issue. Example: Group of University Professors who organize a seminar commonly on teaching and research methods in education field.

Reference group: A reference group is a special type of informal groups that people use to evaluate themselves. A reference groups may not be an actual one that meets together, it can be an imaginary group. The reference groups for a University lecturer may be other scholars in the same discipline working in other Universities.

GROUP DYNAMICS

Groups are composed of individuals , Hence groups behaviour means behvarious of the group members. An individual's behaviour is always different from group behaviour. Hence any individual exhibits a different behaviour than when he is alone. The major factors to be understood group behaviour are

Group norms

It is a standard of behaviour. It is a rule that tells the individual how to behave in a particular group. It identifies the standards against which the behaviour of group members will be evaluated and help the group members know what they should or should not do. Norms could be formal and informal.

Norms serve as the basis for behaviour of group members.

They predict and control the behaviour of members of the group.

Group cohesion : It is the degree to which the group members are attached to each other and remain within the group. It binds all the group members to work as one man to attain the set goals.

Factors increasing group cohesion

- Inducing agreement on group goals
- Inducing membership homogeneity
- Increasing interactions among group
- members. Down-sizing of the group
- Allocating rewards to the groups and not to the members.

GROUP ROLE

In practice group members may have been expected to perform a variety of roles. A complete listing of these group roles would be as follows

- Work roles: related to task and accomplishment of group objectives.
- Maintenance roles: to help the members to maintain their involvement and commitment to group.
- Blocking roles: activities related to destroying the other group.

FACTORS AFFECTING GROUP

- Role identity: It is better when roles are clearly defined.
- Role Ambiguity: It is the discrepancy between the defined role and perceived role.
- Role conflict: When a person is confronted by divergent expectations , he may face role conflict.
- Role expectations: In simple words it is what other people believe you should behave in a given situation.

COMMUNICATION: I

It is derived from the Latin word ‘communis’ which means common. It is the process of sharing facts ideas and opinions in common

Com is the process of passing information and understanding from one person to another. –

Hainmann

Com is a way that one orgn member shares meaning and understanding with another. – **Koontz and O'Donnell**

Communication is an exchange of facts, ideas, opinions or emotions by two or more persons –

Newman and Summer.

Communication is defined as a process of meaningful interaction among human beings. It is the process by which meanings are perceived and understandings are reached among human beings. – **Dalton E. Mcfarland.**

Nature of Communication

- **Two way process:** Communication take place only when there are at least two persons, one person has to convey a message and another has to receive it.
For Example: in classroom a teacher com to students.
- **Knowledge & Language:** For successful communication both the parties that is sender and the receiver should know the language. For Example: If the receiver cannot understand English then the sender of message conveys his ideas in English will be meaningless.
- **Meeting of minds necessary:** the receiver must understand the message in the way the sender wants him to understand. For example: if weekly target announced by a supervisor is misunderstood by a worker as monthly target here there is problem (lack of attention, faulty pronunciation)
- **Communication may be made through gestures:** Communication is not only by oral &
written it is also by gestures. For example: Nodding of heads, rolling of eyes etc.
- **Communication is all-pervasive:** Communication is omni present. It is found in all levels mgmt. For example: Top mgmt com to middle mgmt, middle com to supervisors etc. **Communication is a continuous process:** Sharing or exchanging information is an ongoing activity, as long as there is work there is com. For example: personal, official or unofficial.
- **Communication may be formal or informal:** Formal com follow the hierarchy, informal does not follow. For example: If a worker wants to communicate to production mgr then he can inform to foreman and through foreman he can communicate.

IMPORTANCE OF COMMUNICATION:

Helps in Planning: Helps to prepare better plans for the org. the views, suggestions of employees, clients, suppliers etc are received and the plans are prepared.

Vital for decision making: Proper communication is necessary for right decision. For Example: To buy the raw material the production mgr has to consult with marketing manager for the demand and with stores mgr about the stock.

Facilitate delegation: Proper com is needed to delegate the authority to subordinate.

Facilitates effective leadership: The mgr will be able to guide to this subordinates through com.

Helps to motivate: Encourage, induce com necessary.

Helps in coordination

Helps to save time and effort: For Example: If manager wants to announce a decision to all employees he can send a circular.

Helps for public relations: This includes customer, creditors, shareholders, government Officials and so on by whom the org communicates a lot.

PROCESS OF COMMUNICATION

1. **Sender-** who takes steps to send the message to the recipient
2. **Encoding-** giving a form and meaning to the message through expressing it into words, symbols, gestures, graphs, drawings etc.
3. **Medium-** it is the method or channel through which the message is to be conveyed to the recipient. It can be oral or written or formal or informal.
4. **Decoding-** is it the act of converting the signs, symbols into meaningful statements as per the intentions of the sender.
5. **Receiver-** the person who receives the message.

6. **Feedback-** it is the reaction or response of the receiver to the message. The com process is complete when the sender gets feedback from the receiver.
7. **Message-** it is the subject matter of com. It may consist of certain facts ideas, opinions, grievances etc.

TYPES OF COMMUNICATION:

Formal Communication: it follows in a formal manner. It follows the hierarchy. Information that officially reaches an employee is known as formal com. For example: policy manuals, orders, circulars, notices etc.

Features:

-This information is always authentic.

-Always written form

-Proof of receiving the information is obtained

Advantages:

- It is official and reliable is proper and systematic
- It serves as a evidence in future
- It fixes responsibilities to the sender and receiver

Disadvantages:

- It is very slow, reaches person to person, takes more time
- It takes lot of time to prepare, to be typed and signed by concerned persons.

1. Downward Communication: moves downwards in an organization , from the top mgmt to middle and lower level managements.

The forms of downward com are:

1. Orders and instructions about job
2. policy statements
3. Procedures and clarifications
4. Feedback on performance
5. Newsletters, memos, circulars
6. Annual reports

2. Upward Communication: from lower level mgmt to middle and upper levels of management. Upward Communication in the form of

1. Reports by subordinates to superiors on work performance
2. Grievances and complaints
3. Suggestions and ideas of subordinates to the top mgmt
4. clarifications requests or appeals

3. Sideward or horizontal Communication: this communication takes place among mgrs placed at same rank in the org.

Informal Communication: it is the result of casual or personal contact between the individuals in an org. Information that unofficially reaches an employee is called informal com. It also known as grapevine com. It spreads like grape plant.

**Features of
informal com:**

1. it is verbally transmitted

2. it does not follow scalar chain
3. the information are not officially received
4. proof of receiving the information is not available

Advantages:

- It is very fast
- It provides mental relief to employees who wait for formal announcement.

Disadvantages:

- It gives scope for rumorsThe information is not authentic, so the employees cannot act against it
- It also gets altered and twisted
- Its origin cannot be traced
- It leaks out information which should be kept confidential

Rumour is grapevine information which is communicated without authentic stds of evidence. It is generally incorrect information .It is a non formal information which is passed amongst employees out of the formal channel.**DIFFERENCE BETWEEN FORMAL AND INFORMAL COMMUNICATION**

Formal	Informal
<ol style="list-style-type: none"> 1. Formal Communication follows the officially established chain of command 2. it is a slow moving process 3. It is easy to pinpoint the responsibility with respect to formal com 4. It consists mainly of work related matters 5. It is orderly and systematic in direction of flow 6. It serves org needs 	<ol style="list-style-type: none"> 1. Informal Communication is independent of the authority relations 2. it is a fast moving process 3. it is not possible to fix the responsibility of informal com 4. It may consist of work related as well as social related 5. It is unsystematic in direction of flow

Methods of Communication:

Oral Communication or verbal Communication: is a way of transmitting messages through words spoken by the sender of com to the recipient

1. Face to face conversation: it takes place between two or more persons
2. Meetings: arranged to discuss certain issues like work related
3. conversation through telephone, mobile phone: it makes it possible to talk to anyone at any place
4. Intercom: it enables the employee to talk to another employee in the same premises
5. Internet chat: they require amplifier, internet, headphone, mike and even web camera to see their face

Advantages:

1. Since both are directly involved in conversation it is possible to exchange and clarify their ideas effectively
2. It is a very fast method,
3. It is not expensive
4. They can clarify the doubt immediately
5. Both the parties can see the reaction of opposite parties
6. It is ideal to communicate to 1000 of persons at a time
7. It is best method to solve the conflicts in two parties
8. It is best method to take decisions immediately

Disadvantages:

1. This cannot be preserved for future reference
2. Information orally passed may be altered or twisted later
3. There is possibility to misunderstand the oral information
4. Lack of attention on the part of receiver may make oral com a failure

Written Communication: by which the communicator establishes a direct contact with the receiver through written documents. It is a formal method of communication in the form of letter, memos circulars, reports, instruction cards, manuals, magazines etc.

Advantages:

1. It can be sent to anywhere in the world
2. it is always preserved for future reference
3. produced as evidence in any court
4. it is very clear and accurate
5. it is ideal where it is unnecessary to have direct contact with the receiver

Disadvantages:

1. It is time consuming for preparation
2. there may be delay in reaching the letter to receiver
3. immediate clarification is not possible
4. difficult to maintain secrecy
5. sender cannot see the reaction of the receiver
6. if the sender uses hard vocabulary then it is difficult to understand

Gesture communication: actions such as nodding the head, rolling of eyes, movement of lips etc to convey some idea.

BARRIERS TO COMMUNICATION: A. Personal barriers

1. Lack of command over language: if a person is poor in conveying his ideas verbally or in writing due to lack of command over language then the com will be failure
2. Lack of self confidence
3. Lack of good vocabulary
4. Lack of fluency in language
5. Illegible handwriting
6. Lack of attention or interest
7. Tendency to make premature conclusions
8. Lack of confidence in the other party
9. Improper state of mind
10. Faulty pronunciation
11. limited retention capacity- memory

B. Technical or mechanical barriers

1. **Distortion-** In case of telephone conversation, cross talk can lead to distortion. In case of cell phone bad signal will create distortion. When a person uses mike in a meeting then electrical disturbance
2. **Filtering:** when a message passes through different individuals it may be altered or twisted by persons for personal gain. This is due to long chain of communication.
3. **Overloading:** for Example the hard disc in the computer has its own storage space, accordingly we should send.
4. **Faulty equipment:** this can be affected due to fault on the equipment. For Eg. if the telephone or the fax is out of order it will affect transmission.

C. Organizational Barriers

1. **Inadequate facilities:** organization Expected to give number of devices for communication like phone, cell, fax, internet and so on. Organization which is not giving these facilities becomes ineffective communication.
2. **Too much reliance on formal communication:** organization depends on formal communication. It results in delay in sending and receiving any information.
3. **Status patterns:** the Executives by their position in the organization. Enjoy greater comforts.

Like separate air-conditioned room, personal phone, special furniture and so on. It makes a distance from their subordinates.

4. **Procedure delay:** unwanted procedures laid down in certain organization contribute to delay in sending and receiving information.

Measures to overcome barriers.

1. Overcoming personal barriers – by developing language.
2. Shorter communication channels- in order to avoid delay.
3. Use of electronic devices – fax, internet, mobile.
4. Removing mechanical defects - proper working conditions.
5. Development of listening habits - both the parties.
6. Organizing frequent meeting and conferences - to express their views.
7. mutual trust – confidence

LEADERSHIP

Leadership can be defined as an art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals.

Importance of leadership

- Motivates employees
- Creates confidence in employees
- Builds morale among employees

Leadership skills

- Ability to use power effectively and in a responsible manner
- Ability to comprehend that human beings have different motivation forces at different times and in different situations
- Ability to inspire
- Ability to act in a manner that will develop a climate conducive to responding to arousing motivations.

Leadership ingredients

- Leadership is power
- Fundamental understanding of people
- Ability to inspire followers to apply their fullest capacities to a project. Developing a particular style of leadership

Leadership means to develop willingness to work enthusiastically with zeal and confidence.

Difference between a Leadership and a Management

Factors	Leader	Manager
Source of power	Has Personal abilities	Is authority delegated
Focus	Has vision and purpose	Operating results
Approach	Transformational	Transactional
Process	Inspiration	Control
Emphasis	Collectivity	Individualism
Futurity	Proactive	Reactive
Type	Formal and informal	Formal

Leadership styles (3 styles of leadership)

1 . Autocratic style

It is also known as authoritarian directive or monothetic style. In this style a manager centralizes decision-making power in himself. He structures the complete situation for his employeeed and they do what they are told. Here the leadership may be negative because followers are uniformed, insecure, and afraid on the leader's authority. There are three categories of autocratic leaders.

Strict autocrat:

He is very strict, his style or method of influencing his subordinates is through negative motivation i.e. by ciricising his subordinates, imposing penalty etc.,

- **Benevolent Autocrat:**

He centralizes decision making power in him, but his motivation style is positive. He can be effective in getting efficiency in many situations. Some people to work under strong authority structure and they derive satisfaction by this leadership.

- **Incompetent Autocrat:**

Some times superior adopt autocratic leadership style just to hide their incompetence.Because they feel in other styles they may be exposed before their subordinates. However this cannot be used for a long time.

Advantages of autocratic style of leadership

1. Employees who like to work under strong authority structure and they derive satisfaction by this leadership.
2. Provides strong motivation and reward to a manager exercising this style.
3. Help in quick decision making.
4. Less competent employees also have scope to work based on the instruction given to them by their leaders.

Disadvantages of autocratic style of leadership

1. People dislike strict style of leadership and they get demotivated.
2. Frustration, low morale and conflict develops in the organization, jeopardizing organizational efficiency.
3. Employees lose their individuality and creativity because of continuously listening and following the instruction given by the leaders.

2.Democratic or Participative Style :

The style is democratic, consultative or ideographic. It involves a mental and emotional involvement of an employee in a group situation which encourages him to contribute to group goals and share responsibility in them. The manager in this style emphasizes on consultation and participation of his subordinates. Hence a participative manager decentralizes on consultation and participation of his subordinates. Subordinates are also broadly informed about the conditions affecting them and their jobs. He also encourages, accepts and appreciates the ideas and suggestions given by them. Advantages

- Employees' feels recognized
- It a highly motivating technique for employees, Raises the morale and attitude of employees. Productivity increases.

Disadvantages

- Employees may not have understood the organizational process and may intervene and give suggestions
- Employees who are not ready to interact and participate may create problems.

3. Free rein Style

It means giving complete freedom to the subordinates. In this style manager once determines the policies, programs and limitations for action and the entire process is left to the subordinates. Group members perform every thing and the manager usually maintains contacts with outside persons to bring the information and materials which the group needs.

This type of leadership is suitable in certain situations, where the manager can leave a choice to the group. This helps the managers to develop independent personality. However contribution of the manager is almost nil. Hence this style is rarely used in organisations.

Leadership Theories Charismatic Theory Trait Theory Situational theory Behavioural theory Managerial Grid

Charismatic leadership theory

They are called great man theory and can be traced back to ancient times .Plato's Republic and Confucius' Analects dealt with leadership. They provided some insights on leadership. Subsequent studies based on these insights have suggested that 'a leader is born and is not made'. A leader has some charisma which acts as influencer. Charismatic is a Greek word which means gift. Thus charisma is a god gifted attribute in a person which makes him a leader irrespective of situations in which he works,

Charismatic leaders are those who inspire and have a major impact on their organizations through their personal vision and energy. Occasionally, a leader emerges whose high visibility and personal charisma catch the public consciousness. Charismatic leaders have extremely high level of self confidence, dominance, and a strong conviction .they are always oriented towards high level of goals or vision, which captures the energy of followers. The theory believes that only a transformation leader inspires his followers through vision and energy which a normal leader cannot do. The best examples are the Great leaders like Mahatma Gandhi and Lenin and the great industrialists like JRD Tata, GD Birla, Dhirbai Ambani who created industrial empires because of their own vision, energy and entrepreneurship.

The basic assumption of charismatic theory are:

1. Leader has exceptional inborn leadership qualities which bestowed upon them by the divine power.

2. These inborn qualities are sufficient for a leader to successful.
3. Since these qualities are inborn, these cannot be enhanced through education and training.
4. Further these qualities are of very personal nature, these cannot be shard by others.
5. These leadership qualities make a leader very effective and situational factors do not have any influence.

Limitation of the theory

1. If we assume that leaders are born, it means that we cannot develop leaders in the organizations.
2. A charismatic leader may fail in certain situations.

Trait theory

The behavioural psychological researchers accepted the fact that leadership traits are not completely inborn but they cal also be acquired through learning and experience. Trait is defined as an enduring quality of an individual. The trait approach seeks to determine what makes a successful leader form

the leader's own personal characteristics. Trait approach leadership studies were quite familiar between 1930 to 1950. The method was to select leaders of eminence and their characteristics were studied. It was the hypothesis that leaders with certain traits could become more successful leaders. The studies have given that intelligence, attitudes, personality and biological factors are ingredients for effective leaders.

- A review of various research studies has been presented by Stogdill, He has suggested these traits in a successful leader
- Physical and constitutional factors (height, weight, physique, energy, health, appearance) Intelligence
- Self-confidence
- Sociability
- Will (initiative, persistence ambition) Dominance
- Surgency (talkative, cheerfulness, geniality, enthusiasm, expressiveness, alertness and alertness and originality)
- Various studies Shows various traits, hence these traits can be classified into innate qualities and acquirable traits

- Innate traits are those traits which are inborn in an individual they are related to one physical features and intelligence.

Acquirable traits are those traits which are acquired and increased through various processes like self learning, training, experience etc. they are traits like emotional stability, human relations, empathy, objectivity, motivation skills, technical skills, communication skills, social skills etc.,

Limitations of the theory

- There cannot be generalization of traits for successful leaders.
- No evidence can be given about the degree of traits because have various traits in various degrees.
- No definite conclusion can be drawn for the measurement of the traits.

Behavioural theory

Behaviour theory of leadership emphasizes that strong leadership is a result of effective role behaviour. Leadership is shown by a person's act rather than his traits. Researchers exploring leadership role have concluded to operate effectively, groups need some one to perform two major functions; task related function and group maintenance function

Task related function relate to providing solutions to the problems faced by the groups, in performing jobs and activities.

Group maintenance function or social functions are related to actions of mediating disputes and ensuring that individuals feel valued by the group. An individual who is able to perform both roles successfully would be an effective leader. These two roles require two different sets of behaviour from the leader, known as leadership styles. Leader's behavior may be viewed in two ways, functional and dysfunctional.

Functional leader influences followers positively by giving clear goals, motivating employees for achieving goals, raising the level of morale, building team spirit, effective two way communication, etc.,

Dysfunctional leader on the other hand is unfavourable towards employees and denotes ineffective leadership. Such a behaviour may include an inability to accept employees' ideas, display of emotional immaturity, poor human relations.

Limitations of the theory

1. A behaviour which has been functional at a point of time may be dysfunctional at another point of time.
2. Effectiveness of the leadership behaviour is depended on two external variables
 - Nature of followers
 - Situation in which the leader operates etc.

Situational theory

The approach was applied for the first time in 1920 in the armed forces of Germany with the objective to get good generals under different situations. The studies when conducted in organizations in 1950's gave prime attention in situational theory of leadership (also known as contingency theory) is given to the situation in which the leadership is exercised. There for the theory states that the effectiveness of leadership will be affected by the factors associated with the leader and factors associated with the situation.

Situational theories of leadership work on the assumption that the most effective style of leadership changes from situation to situation. To be most effective and successful, a leader must be able to adapt his style and approach to diverse circumstances.

For example, some employees function better under a leader who is more autocratic and directive. For others, success will be more likely if the leader can step back and trust his team to make decisions and carry out plans without the leader's direct involvement. On a similar note, not all types of industries and business settings require the same skills and leadership traits in equal measure. Some fields demand a large measure of innovation, whereas in others, personal charisma and relational connection with clients are far more important.

Different theories have been developed that recognize the situational aspects of leadership. Each theory attempts to provide its own analysis of how leadership can be most successful in various situations. Let's consider a few of the key theories.

Hersey and Blanchard's Situational Leadership Theory

The term -situational leadership is most commonly derived from and connected with Paul Hersey and Ken Blanchard's Situational Leadership Theory. This approach to leadership

suggests the need to match two key elements appropriately: the leader's leadership style and the followers' maturity or preparedness levels.

The theory identifies four main leadership approaches:

- Telling: Directive and authoritative approach. The leader makes decisions and tells employees what to do.
- Selling: The leader is still the decision maker, but he communicates and works to persuade the employees rather than simply directing them.
- Participating: The leader works with the team members to make decisions together. He supports and encourages them and is more democratic.
- Delegating: The leader assigns decision-making responsibility to team members but oversees their work.

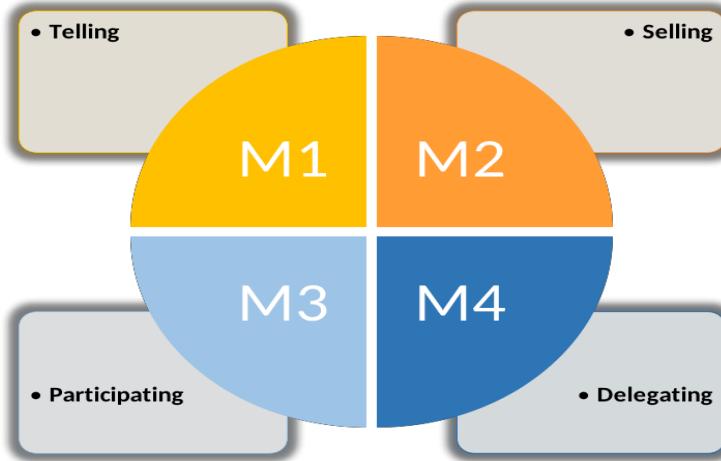
In addition to these four approaches to leadership, there are also four levels of follower maturity:

- Level M1: Followers have low competence and low commitment.
- Level M2: Followers have low competence, but high commitment.
- Level M3: Followers have high competence, but low commitment and confidence.
- Level M4: Followers have high competence and high commitment and confidence.



In Hersey and Blanchard's approach, the key to successful leadership is matching the proper leadership style to the corresponding maturity level of the employees. As a general rule, each of the four leadership styles is appropriate for the corresponding employee maturity level:

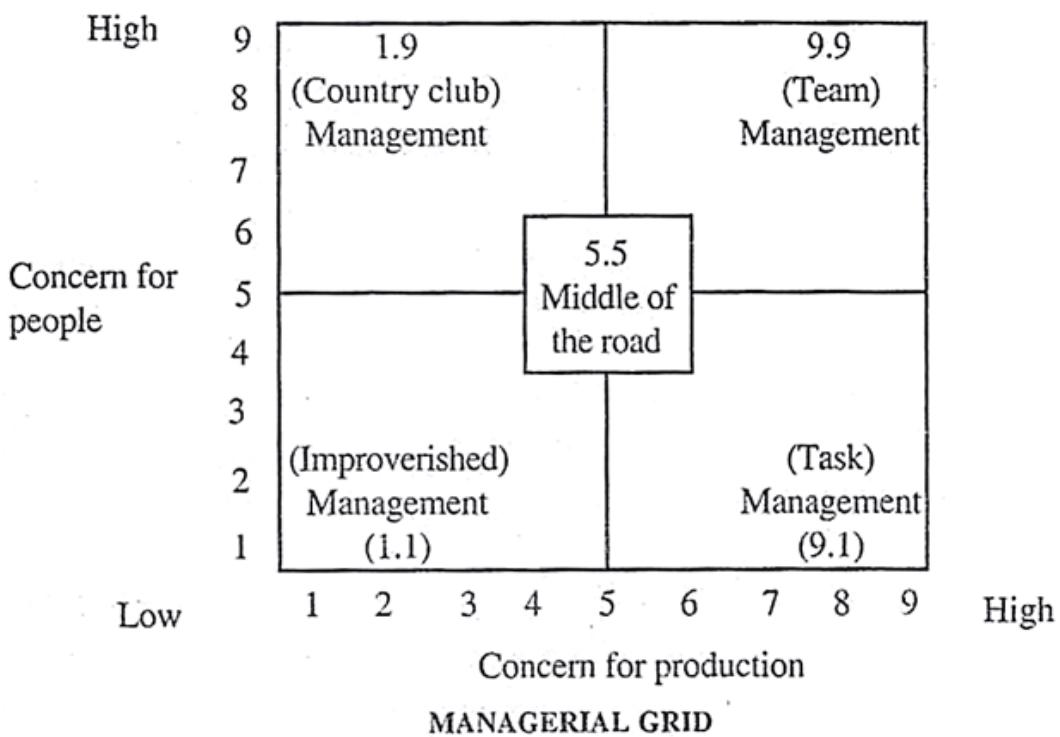
1. Telling style works best for leading employees at the M1 level (low competence, low commitment).
2. Selling style works best for leading employees at the M2 level (low competence, high commitment).
3. Participating style works best for leading employees at the M3 level (high competence, low commitment/confidence).
4. Delegating style works best for leading employees at the M4 level (high competence, high commitment/confidence).



Identifying the employee maturity level becomes a very important part of the process, and the leader must have the willingness and ability to use any of the four leadership styles as needed.

MANAGERIAL GRID

One of the most widely known approaches of leadership styles is the managerial grid developed by Blake and Mouton. They emphasize the leadership consists of factors of both task oriented and relation-oriented behaviour in varying degrees. Two variable have been taken for the study , they



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The concern for phrase has been used to convey how managers are concerned for people or production. Concern for production means the attitudes of superiors towards a variety of things, such as, quality of policy decisions, procedures and processes creativity of research, quality of staff services, work efficiency and volume of output. Concern for people includes degree of personal commitment toward goal achievement, maintaining the self esteem of workers, responsibility based on trust, and satisfying inter personal relations. The managerial grid identifies five leadership styles based upon these two factors(Concern for production &Concern for people) found in organizations.

Blake and Mouton have described five styles of leadership based on the given model They are impoverished (1,1), country club (1,9), task (9,1) , Middle road (5,5) and Team (9,9) styles of leadership .

Impoverished (1,1): exertion of minimum effort is required to get work done and sustain organization morale.

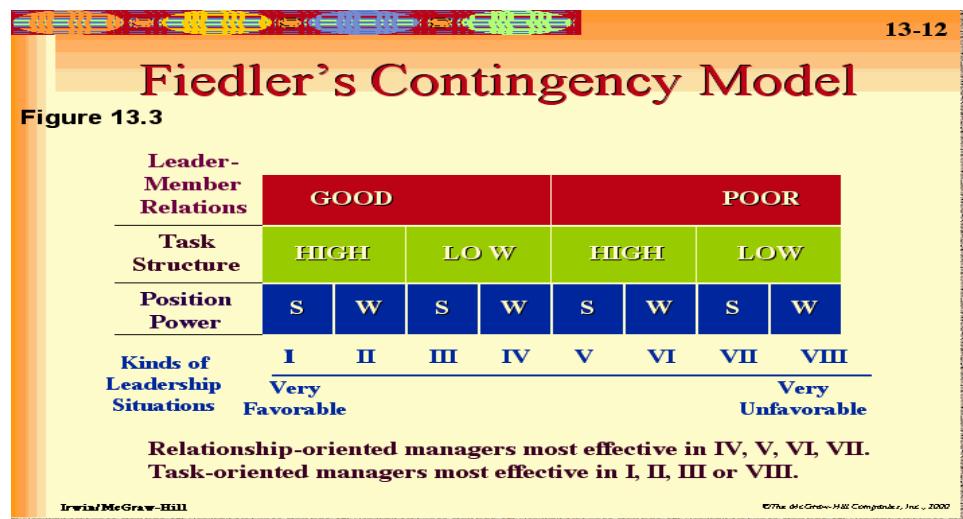
Country club (1,9): Thoughtful attention to needs of people leads to friendly and comfortable organization atmosphere and work tempo,

Task (9,1) : efficiency results from arranging work requirements in such a way that human elements have little effect.

4. Middle road (5,5) : adequate performance through balance of work requirements and maintaining satisfactory morale.
5. Team (9,9) : work accomplished is from committed people with interdependence through a common stake in organization purpose and with trust and respect.
6. Managerial grid is useful device to a manager for identifying and classifying managerial styles, it helps him to understand why he gets the reaction that he does from his subordinates. It is a means of managerial training and of identifying various combinations of leadership styles. for given situations..

FIEDLER'S CONTINGENCY MODEL

MATCHING LEADERSHIP STYLE TO A SITUATION



The Fiedler Contingency Model was created in the mid-1960s by Fred Fiedler, a scientist who studied the personality and characteristics of leaders.

The model states that there is no one best style of leadership. Instead, a leader's effectiveness is based on the situation. This is the result of two factors – "leadership style" and "situational favorableness" (later called "situational control").

Leadership Style

Identifying leadership style is the first step in using the model. Fiedler believed that leadership style is fixed, and it can be measured using a scale he developed called Least-Preferred Co-Worker (LPC) Scale (see figure 1).

The scale asks you to think about the person who you've least enjoyed working with. This can be a person who you've worked with in your job, or in education or training.

You then rate how you feel about this person for each factor, and add up your scores. If your total score is high, you're likely to be a relationship-orientated leader. If your total score is low, you're more likely to be task-orientated leader.

Figure 1: Least-Preferred Co-Worker Scale

Unfriendly	1 2 3 4 5 6 7 8	Friendly
Unpleasant	1 2 3 4 5 6 7 8	Pleasant
Rejecting	1 2 3 4 5 6 7 8	Accepting
Tense	1 2 3 4 5 6 7 8	Relaxed
Cold	1 2 3 4 5 6 7 8	Warm
Boring	1 2 3 4 5 6 7 8	Interesting
Backbiting	1 2 3 4 5 6 7 8	Loyal
Uncooperative	1 2 3 4 5 6 7 8	Cooperative
Hostile	1 2 3 4 5 6 7 8	Supportive
Guarded	1 2 3 4 5 6 7 8	Open
Insincere	1 2 3 4 5 6 7 8	Sincere
Unkind	1 2 3 4 5 6 7 8	Kind
Inconsiderate	1 2 3 4 5 6 7 8	Considerate

Untrustworthy	1 2 3 4 5 6 7 8	Trustworthy
Gloomy	1 2 3 4 5 6 7 8	Cheerful
Quarrelsome	1 2 3 4 5 6 7 8	Harmonious

Tables from "A Theory of Leadership Effectiveness" by Professor F.E. Fiedler. © 1967.
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F.E. Fiedler.

The model says that task-oriented leaders usually view their LPCs more negatively, resulting in a lower score. Fiedler called these low LPC-leaders. He said that low LPCs are very effective at completing tasks. They're quick to organize a group to get tasks and projects done. Relationship-building is a low priority.

However, relationship-oriented leaders usually view their LPCs more positively, giving them a higher score. These are high-LPC leaders. High LPCs focus more on personal connections, and they're good at avoiding and managing conflict. They're better able to make complex decisions.

Situational Favorableness

Next, you determine the "situational favorableness" of your particular situation. This depends on three distinct factors:

Leader-Member Relations – This is the level of trust and confidence that your team has in you. A leader who is more trusted and has more influence within the group is in a more favorable situation than a leader who is not trusted.

Task Structure – This refers to the type of task you're doing: clear and structured, or vague and unstructured. Unstructured tasks, or tasks where the team and leader have little knowledge of how to achieve them, are viewed unfavorably.

Leader's Position Power – This is the amount of power you have to direct the group, and provide reward or punishment. The more power you have, the more favorable your situation. Fiedler identifies power as being either strong or weak.

Rate your experience with this person using the scale in figure 1, above. According to this model, a higher score indicates your experience with this person using the scale in figure 1, above.

According to this model, a higher score means that you're naturally relationship-focused, and a lower score means that you're naturally task-focused.

Step 2: Identify your situation

- Are leader-member relations good or poor?
- Is the task you're doing structured, or is it more unstructured, or do you have little experience of solving similar problems?
- Do you have strong or weak power?

Step 3: Determine the most effective leadership style

Figure 2 shows a breakdown of all of the factors we've covered: Leader-Member Relations, Task Structure, and Leader's Position Power. The final column identifies the type of leader that Fiedler believed would be most effective in each situation.

· **Figure 2: Breakdown of Most Effective Leader Style**

Leader- Member Relations	Task Structure	Leader's Position Power	Most Effective Leader
Good	Structured	Strong	Low LPC
Good	Structured	Weak	Low LPC
Good	Unstructured	Strong	Low LPC
Good	Unstructured	Weak	High LPC

Poor	Structured	Strong	High LPC
Poor	Structured	Weak	High LPC
Poor	Unstructured	Strong	High LPC
Poor	Unstructured	Weak	Low LPC

For instance, imagine that you've just started working at a new company, replacing a much-loved leader

who recently retired. You're leading a team who views you with distrust (so your Leader-Member Relations are poor). The task you're all doing together is well defined (structured), and your position of power is high because you're the boss, and you're able to offer reward or punishment to the group.

The most effective leader in this situation would be high LPC – that is, a leader who can focus on building relationships first.

Or, imagine that you're leading a team who likes and respects you (so your Leader-Member relations are good). The project you're working on together is highly creative (unstructured) and your position of power is high since, again, you're in a management position of strength. In this situation, a task-focused leadership style would be most effective.

Criticisms of the Model

There are some criticisms of the Fiedler Contingency Model. One of the biggest is lack of flexibility. Fiedler believed that because our natural leadership style is fixed, the most effective way to handle situations is to change the leader. He didn't allow for flexibility in leaders.

For instance, if a low-LPC leader is in charge of a group with good relations and doing unstructured tasks, and she has a weak position (the fourth situation), then, according to the model, the best solution is to replace her with a high-LPC leader – instead of asking her to use a different leadership style.

TRADE UNIONS

—A trade union is a combination of persons. Whether temporary or permanent, primarily for the purpose of regulating the relations between workers and employers or between workers for imposing restrictive conditions on the conduct of any trade or business and includes the federations of two or more trade unions as per Sec. 2 (6) Trade Unions Act, 1926.

Trade union is a voluntary organisation of workers formed to protect and promote their interests through collective action.

These may be formed on Plant basis, Industry basis, Firm basis, Regional basis or National basis.

few definitions
are given below:



- (i) Trade Union is a —continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lines.|| **Webb**
- (ii) “A labour union or trade union is an organisation of workers to promote, protect and improve, through collective action, the social, economic and political interests of its members.|| - **Edwin B. Flippo**
- (iii) Trade Unions are —all organizations of employees including those of salaried and professional workers as well as those of manual wage earners which are known to include among their functions that of negotiating with their employers with the object of regulating conditions of employment.

British Ministry of Labour

Trade unions are organisations formed, financed and run by their members in their own interests, and several have existed for over a hundred years. There are many unions, covering a wide range of employment areas. In British law, a union must be 'independent' - that is, it must not rely on an employer for funds, facilities or organisation. It must show that it can provide adequate services to its members and that it is able (if necessary) to sustain itself during disputes. In the UK there are about 200 certified independent trade unions, but numbers have been declining due to amalgamations. They can be divided into three main categories:

- manual workers unions white collar unions
- managerial/professional unions.

Objectives:

Following are the objectives of trade unions:

1. Ensure Security of Workers:

This involves continued employment of workers, prevent retrenchment, lay off or lock-outs. Restrict

application of -firell or dismissal or discharge and VRS.

Obtain Better Economic Returns:

This involves wages hike at periodic intervals, bonus at higher rate, other admissible allowances, subsidized canteen and transport facilities.

3. Secure Power To Influence Management:

This involves workers' participation in management, decision making, role of union in policy

decisions affecting workers, and staff members. Secure Power To Influence Government:

This involves influence on government to pass labour legislation which improves working conditions, safety, welfare, security and retirement benefits of workers and their dependents, seek redressal of grievances as and when needed.

NEED FOR TRADE UNIONS

1.Negotiating pay and conditions

Trade unions and staff associations set out to look after their members by:

- protecting their levels of wages and other payments negotiating their hours of work
-

and other working conditions keeping an eye
on health and safety at work.

I. Giving advice and information

In medium-sized and large organisations it is not really possible for each employee to negotiate individually with management on every issue or grievance that arises. Instead, trade unionists elect or appoint representatives who negotiate on behalf of all the members.

3. Defending employees' rights

Trade union representatives help to ensure the smooth running of industry. Wherever people work or meet together, disputes and grievances will occur, and in industry the problems of new technology, complicated payment systems and work that lacks stimulation are bound to create occasional dissatisfaction. In these cases it is the trade union representative who expresses the views of employees and defends their employees rights.

4. Resolving conflict

Disputes usually occur when all the available channels of discussion and negotiation have been tried. A major function of trade unions in these situations is to resolve conflict by representing their members in discussions with employers.

5. Providing benefits for members

Many unions provide a range of benefits for members including reduced membership to clubs and gyms, discounts on shopping with selected stores, pension schemes, insurance schemes, holiday schemes and many other benefits

Formation and Registration of Trade Union:

The following steps are involved in the registration of trade union:

Appointment of Registrars:

(a) The appropriate government shall appoint a person to be the registrar of trade unions for each state. The appropriate government may appoint as many additional and deputy registrars of trade unions as it thinks fit for the purpose of exercising and discharging under the superintendence and direction of the registrar.

Such powers and functions of the registrar under this Act as it may, by order, specify and define the local limits within which any such additional or deputy registrar shall exercise and discharge the powers and functions so specified.

(b) Mode of Registration:

Any seven or more members of a trade union may, by subscribing their names to the rules of the trade union and by otherwise complying with the provision of this Act with respect to registration, apply for registration of the trade union under this Act.

(ii) Where an application has been made under subsection (i) for the registration of a trade union, such application shall not be deemed to have become invalid merely by reason of the fact that, at any time after the date of the application, but before the registration of the trade union, some of the applicants, but not exceeding half of the total number of persons who made the application, have ceased to be members of the trade union or have given notice in writing to the registrar dissociating themselves from the application.

c) Application for Registration:

(i) Every application for registration of a trade union shall be made to the registrar and shall be accompanied by a copy of the rules of the trade union and a statement of the following particulars, namely—

1. The names, occupations and addresses of the members making application.
2. The name of the trade union and the address of its head office.
3. The titles, names, age, addresses and occupations of the office bearers of the trade union.

(ii) Where a trade union has been in existence for more than one year before the making of an application for its registration, these shall be delivered to the registrar, together with the application, a general statement of the assets and liabilities of the trade union prepared in such form and containing such particulars as may be prescribed.

(d) Provisions to Be Contained In the Rules of a Trade Union:

A trade union shall not be entitled to registration under this Act, unless the executive thereof is constituted in accordance with the provisions of this Act.

(e) Power to Call For Further Particulars and To Require Alterations of Names:

(i) The registrar may call for further information or the purpose of satisfying himself that any application complies with the provisions of Section 5, or that the trade union is entitled to registration under Section 6, and may refuse to register the trade union until such information is supplied.

(ii) If the name under which a trade union is proposed to be registered is identical with that by which any other existing trade union has been registered or, in the opinion of the registrar, so nearly resembles such name as to be likely to deceive the public or the members of either trade union, the registrar shall require the persons applying for registration to alter the name of the trade union stated in the application, and shall refuse to register the union until such alteration has been made.

Registration

:

The registrar, on being satisfied that the trade union has complied with all the requirements of the Act in regard to registration shall register the trade union by entering in a register, to be maintained in such form as may be prescribed, the particulars relating to the trade union contained in the statement accompanying the application for registration.

Certificate of Registration:

The registrar, on registering a trade union under section and, shall issue a certificate of registration in the prescribed form which shall be conclusive evidence that the trade union has been duly registered under this Act.

(h) Cancellation of Registration:

A certificate of registration of a trade union may be withdrawn or cancelled by the registrar on the application of the trade union to be verified in such manner as may be prescribed in if the registrar is satisfied that the certificate has been obtained by fraud or mistake or that the trade union has ceased to exist.

It has to provide not less than two months' previous notice in writing specifying the ground on which it is proposed to withdraw or cancel the certificate shall be given by the registrar to the trade union before the certificate is withdrawn or cancelled otherwise than on the application of the trade union.

Registered Office:

All communications and notices to a registered trade union may be addressed to its registered office. Notice of any change in the address of the head office shall be given within fourteen days of such change to the registrar in writing, and the changed address shall be recorded in the register referred to in Section-8 of the Companies Act.

(j) Incorporation of Registered Trade Union:

Every registered trade union shall be a body corporate by the name under which it is registered and shall have perpetual succession and a common seal with power to acquire and hold both movable and immovable property and to contract, and shall by the said name sue and be sued.

Rights and Liabilities of Registered Trade Unions:**1. Objects on Which General Funds May Be Spent:**

The general funds of a registered trade union shall not be spent on any other objects than the payment of salaries, allowances and expenses to the office bearers of the trade unions; expenses for the administration of the trade union; the presentation or defiance of any legal proceeding

to which the trade union of any member thereof is a party; the conduct of trade disputes and compensation of members for loss arising out of trade disputes; provision of education, social or religious benefits for members; upkeep of a periodical published.

2. Constitution of a Separate Fund for Political Purposes:

A registered trade union may constitute a separate fund, from contributions separately levied for or made to that fund, from which payments may be made for the promotion of the civic and political interests of its members, in furtherance of any of the objects such as the payment of any expenses incurred, either directly or indirectly; the holding of any meeting or the distribution of any literature/documents in support of any such candidate; the registration of electors of the selection of a candidate for any legislative body constituted under or for any local authority; the registration of electors or the selection of a candidate for any legislative body constituted under/or for any local authority; holding of political meetings of any kind.

3. Criminal Conspiracy in Trade Disputes:

No office bearer or member of a registered trade union shall be liable to punishment under sub-section (2) of Section 120 B of the Indian Penal Code, 1860 in respect of any agreement made between the members for the purpose of furthering any such object of the trade union as is specified in section its unless the agreement is an agreement to commit an offence.

4. Immunity from Civil Suit in Certain Cases:

(i) No suit or other legal proceeding shall be maintainable in any civil court against any registered trade union or any office bearer or member thereof in respect of any act done in contemplation or furtherance of a trade dispute to which a member of the trade union is a party on the ground only that such act induces some other person to break a contract of employment, or that is in interference with the trade, business or employment of some other person or with the right of some other person to dispose of his capital or of his labour as he wills.

A registered trade union shall not be liable in any suit or other legal proceeding in any civil court in respect of any fortuitous act done in contemplation or furtherance of a trade dispute by an agent of the trade union if it is proved that such person acted without the knowledge of, or contrary to express instructions given by the executive of the trade unions.

5. Enforceability of Agreements:

Notwithstanding anything contained in any other law for the time being in force, an agreement between the members of a registered trade union shall not be void or voidable merely by reason of the fact that any of the subjects of the agreement are in restraint of the trade.

6. Right to Inspect Books of Trade Unions:

The account books of a registered trade union and the list of members thereof shall be open to inspection by an office bearer or member of the trade union at such times as may be provided for in the rules of the trade union.

7. Right of Minors to Membership of Trade Unions:

Any person who has attained the age of 18 years may be a member of a registered trade union subject to any rules of the trade union to the contrary, and may subject as aforesaid, enjoy all the rights of a member and execute all instruments and give all acquittances necessary to be executed or given under the rules.

8. Effects of Change of Name and of Amalgamation:

The change in the name of a registered trade union shall not affect any rights or obligations of the trade union or render defective any legal proceeding by or against the trade union. An amalgamation of 2 or more registered trade unions shall not prejudice any right of any of such trade unions or any right of a creditor of any of them.

Shortcomings of Trade Unions:

Trade union movement in our country suffers from the following weaknesses:

1. Uneven Growth: Trade unions are concentrated in large scale industry sector and in big industrial centers. There is very little trade union activity in small sector, agricultural labour and domestic sector. Trade unionism has touched only a portion of the working class in India.

2. Small Size:

Most of the unions have low membership though the number of unions and union membership are increasing, average membership is inadequate.

3. Weak Financial Position:

The average yearly income of unions is very low and inadequate. The subscription rates are low and many members do not pay the subscription in time. Due to their financial weakness, most of the unions are not in a position to undertake welfare programmes for workers.

4. Political Leadership:

Trade unions are under the leadership and control of political parties and outsiders. Politicians exploit unions and workers for their personal and political gains. Thus, the political leadership is very harmful to the trade union movement in India.

5. Multiplicity of Unions:

There exist several unions in the same establishment or industry. The existence of rival unions with conflicting ideology is greatly responsible for unhealthy growth of trade union movement. In some cases employers encourage split in unions to undermine their bargaining power.

6. Problem of Recognition:

Employers are under no obligation to give recognition to any union.

7. Absence of Paid Office-Bearers:

Most of the unions do not have full-time paid office-bearers. Union activists working on honorary basis devote only limited time and energy to union activities. Union officers lack adequate knowledge and skill due to lack of proper training, weak financial position and political leadership are the main reasons for this state of affairs.

8. Apathy of Members:

Majority of workers do not take keen interest in union activities. The attendance at the general meetings of unions is very poor.

9. Opposition from Employers: Trade unions in India have to face opposition from employers. Many employers try to intimidate or victimise labour leader, start rival union and bribe union officials. **Inter-Union Rivalry:** Multiple unions create rivalry. Unions try to play down each other in order to gain greater influence among workers. Employers take advantage of infighting. Inter-union rivalry weakens the power of collective bargaining and reduces the effectiveness of workers in securing their legitimate rights.

In India the Trade Union movement is generally divided on political lines. According to provisional statistics from the Ministry of Labour, trade unions had a combined membership of 24,601,589 in

2002. As of 2008, there are 11 Central Trade Union Organisations (CTUO) recognised by the

Ministry of Labour.

Problems in Indian trade union

- Multiplicity of union : Political influence Outside leadership Inter union rivalry Lack of recognition
- Legal changes are enormous
- Donations are linked to obligations
- Membership subscriptions are must exploitation by political parties outside leadership
- Unions are blamed for all difficulties Recognition of T.U. leads to bargaining. Lack of knowledge
- Preoccupation with many unions Centralised decision making. Illiteracy among employee ignorance



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DEPARTMENT OF CHEMICAL ENGINEERING

UNIT 5 – PRINCIPLES OF MANAGEMENT AND PROFESSIONAL ETHICS (SBA1101)

UNIT 5 PROFESSIONAL ETHICS

Ethics in Workplace - Formulation of Ethics - Managerial Ethics - Managing Ethical Behaviour - Codes of Ethics - Encouraging Ethical Behaviour - Ethical Leadership - Ethical Decision making. Corporate Social Responsibility (CSR) - Intellectual Property Rights (IPR)- Meaning-Laws relating to Intellectual Property Rights (IPRs) M

INTRODUCTION TO ETHICS

The word “ethics” is derived from the Greek word “ethos”, which refers to character. Webster defines ‘ethics’ as “The discipline dealing with that which is good and bad and with moral duty and obligations”.

MEANING OF BUSINESS ETHICS

“Business Ethics” deals with morality in the business environment. It involves moral judgments, based on the understanding of the norms of society. Ethics extends beyond the legal question and involves goodness or badness of an act. Therefore, an action may be legally right but ethically wrong. Example: In a small village, a trader may charge a high price for his product; and legally he may be entitled to do so but morally, this is not fair.

The study and examination of moral and social responsibility in relation to business practice and decision making in business is known as “Business Ethics”.

The term “business” is commonly referred to the commercial activities achieved at making profit. But gradually there is a substantial change in the way in which people viewed the business. In the past primary objective of a business was profit maximization but the present perspectives on business objectives is not maximization. It is profit maximization in long run besides fulfilling the ethics in the business. A business is regarded as social institution forming integral part of social systems .The business is viewed as subsystem to the social system. This is because any type of social system is influenced by:

1. The way the business functions
2. The organization of the business
3. Innovations
4. Transmission and diffusion of information.
5. New ideas etc.

They have either direct or indirect effect on the society.

Business Ethics is the behavior that a business adheres to in its daily dealings with the world. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer. When business people speak about “business ethics” they usually mean one of three things: (1) avoid breaking the criminal law in one’s work-related activity; (2) avoid action that may result in civil law suits against the company; and (3) avoid actions that are bad for the company image. Businesses are especially concerned with these three things since they involve loss of money and company reputation.

ETHICS IN WORK PLACE:

Workplace ethics are codes of conduct that influence the development of an ethical culture within the workplace. Going beyond what is considered legal in the area where the business operates, workplace ethics inspire communication between employees, allow for respect to be extended to each person within the organization, and promote customer relationships that are based on honesty and integrity. While there are core elements that tend to define a work-based code of ethics, the specific expressions of these central values vary from one corporate setting to the next.

It is important to remember that workplace ethics are shaped by two important factors. First, workplace policy must be in harmony with all laws and regulations that are currently in force in the jurisdiction where the business operates. This helps to ensure that basic workplace ethics preclude any pressure or coercion to engage in actions that are considered to be illegal, promote discrimination in the workplace, support unfair hiring and firing practices, or allow wages to be set that are below the minimum legal standards for the area.

Along with being shaped by laws and regulations, workplace ethics are also influenced by business ethics. For example, ethical business practices would include actions such as not using marketing materials or campaigns that mislead consumers. Workplace ethics would also involve establishing and operating support networks such as wellness programs that help employees be healthy and happy. Ethics of this type would also involve the conscious effort to cultivate a working environment where people want to come to work and be productive because of pride in what they do for a living.

While businesses tend to comply with laws and regulations set by local jurisdictions, not every company sees the need to develop workplace ethics that affirm the worth of employees and

motivate them to be productive on the job. When a company chooses to do no more than what is required by local law, the chances of heavy employee turnover are much higher. In addition, it is easier for cliques to develop among certain groups of employees, a state that can often undermine productivity and cost the company a great deal in terms of time and revenue generation.

FORMULATION OF ETHICS:

Family Ethics are formulated through the operation of five forces in the individual's environment:

1. Influences: the formulation of ethics begins when the individual is a small child parents demonstrate high ethical standards.
2. Peer Influence: As the child develops contacts outside the home through school, play and work, peer exert considerable influence on the individuals ethical beliefs
3. Experience: As a person matures and develops as a human being, he or she will be exposed to many critical experiences that will affect his or her ethical standards.
4. Values and Morals: People who have high value on money and material possessions may have strong ethical standards. People who value the quality of life enjoyed by all living creatures will have strong ethics.
5. Situational Fact us: People often change their ethics in response to unforeseen situational fact us.

MANAGERIAL ETHICS:

Managerial ethics illustrate a rather sensitive issue. The recent business history has proven ethics as a rather challenging objective of larger organizations. The following topics / views may illustrate fundamental issues in the current debate. The current competing views include "Maximize Profit" and "society's welfare".

Maximizing profits illustrate the greatest commitment to shareholder and stakeholders. In this particular theory, the managerial staff is only committed to maximize the bottom-line in terms of profit: a mean to an end in order to achieve the highest possible profits. Society's welfare illustrates a common goods approach.

In this particular approach managerial staff attempts to achieve a balance between the bottom-line and social welfare of the society and employees. It is of great interest to explore the theoretical aspects of managerial issues and compare them to real practices.

The two above name theories assume that managerial issues are constrained and objective; stakeholders vs. society. On the other hand, the reality proves a rather multi dimensional reality; stakeholders vs. society vs. culture vs. religion vs. politics vs. diversity vs. personality vs. globalization vs. many other unpredictable factors. Further, both of theories appear to be better suited for larger organizations: small businesses encounter more immediate issues such as revenue and cash flow rather than managerial ethics.

Most small businesses ran by savvy business people are less concerned about ethics. Out of extensive experience in consulting small businesses, I can confidentially stat that I have never met a small business owner that was not willing to take unethical actions in order to maximize profits. Given the fact that this is not a scientific statement, it is important to view this statement in terms of personal experiences, which conflicts with the academic management practices.

Moreover, there is more to the issue of ethics. Given the fact that both competing theories consider some sort of managerial responsibility to someone or some group, illustrates a major weakness of both theories. Both theories fail to point to the necessity of "perception". It is hypocritical to expect only one segment of a society i.e. businesses to create value or consider societal consequences.

Thus, most business simply attempt to create a perception of societal responsibilities rather than genuine concerns In terms of creating profits, it is important to understand that in practical terms, it is difficult to create social awareness or consider social issues without being able to prove their value to the business shareholder or stakeholder. Thus, any managers' first priority should be profits, once the objective of achieving the highest possible profits have been achieved, an organization can effort to pursue alternate goals of societal concerns and improvement. Some people may argue that societal benefits / concerns may have a direct influence on the bottom line of any given business.

However, it is important to point to the fact that it is extremely difficult to quantify the direct impact of societal charity work on corporate profits. It is merely possible to use anecdotal and qualitative data in order to assign arbitrary real value to such social actions. Ultimately, it is important to consider the main goal of any given company i.e. profits. It is

further important to allow for businesses to pursue and achieve their goals before they can be expected to become beneficial corporate citizens.

MANAGINIG ETHICAL BEHAVIOUR:

Managing ethical behavior is a one of the most pervasive and complex problems facing business organizations today. Employees' decisions to behave ethically or unethically are influenced by a myriad of individual and situational factors. Background, personality, decision history, managerial philosophy, and reinforcement are but a few of the factors which have been identified by researchers as determinants of employees' behavior when faced with ethical dilemmas. The literature related to ethical behavior is reviewed in this article, and a model for understanding ethical behavior in business organizations is proposed. It is concluded that managing ethics in business organizations requires that managers engage in a concentrated effort which involves espousing ethics, behaving ethically, developing screening mechanisms, providing ethical training, creating ethics units and reinforcing ethical behavior.

CODES OF ETHICS:

Definition: Written guidelines issued by an organization to its workers and management, to help them conduct their actions in accordance with its primary values and ethical standards.

A code of ethics is a set of guidelines which are designed to set out acceptable behaviors for members of a particular group, association, or profession. Many organizations govern themselves with a code of ethics, especially when they handle sensitive issues like investments, health care, or interactions with other cultures. In addition to setting a professional standard, a code of ethics can also increase confidence in an organization by showing outsiders that members of the organization are committed to following basic ethical guidelines in the course of doing their work.

The format of a code of ethics can vary widely. Unlike more straightforward employee guidelines and codes, a code of ethics usually starts with a section that sets out the purpose, aspirations, and goals of the parent organization. For example, the 2002 code of ethics for the American Psychological Association (APA) begins: "Psychologists are committed to increasing scientific and professional knowledge of behavior and people's understanding of themselves and others and to the use of such knowledge to improve the condition of individuals, organizations, and society."

Following a general introduction to the function and goals of an organization is a section dedicated to setting out specific behavior standards for members. This section usually covers potential ethical issues such as confidentiality, partisanship, or misuse of information. In addition to addressing theoretical ethical minefields, a code of ethics often contains a section which outlines the procedures for handling grievances, both outside and inside the organization.

A well written code of ethics will be easy to follow and very clear, with sections that people can point to in order to illustrate specific issues. In the sense of organizations like the APA, members agree to support the code of ethics both because it is good practice and because it promotes their organization. A code of ethics also stands behind most scientific experimentation, ensuring that the results are valid and that the testing was carried out in an ethical way.

A code of ethics: A **code of ethics** often focuses on social issues. It may set out general principles about an organization's beliefs on matters such as mission, quality, privacy or the environment. It may delineate proper procedures to determine whether a violation of the code of ethics has occurred and, if so, what remedies should be imposed. The effectiveness of such codes of ethics depends on the extent to which management supports them with sanctions and rewards. Violations of a private organization's code of ethics usually can subject the violator to the organization's remedies (such as restraint of trade based on moral principles). The code of ethics links to and gives rise to a code of conduct for employees.

ENCOURAGING ETHICAL BEHAVIOUR:

Most authorities agree that there is room for improvement in business ethics. One of the most problematic questions raised in relation to business ethics is whether or not businesses can become more ethical in the real world. The majority opinion on this issue suggests that government, trade associations, and individual firms can indeed establish acceptable levels of ethical behavior.

The government can do so by legislating more stringent regulations. But, rules require enforcement and when in many cases there is evidence of lack of enforcement even the ethical businessperson will tend to "slip something by" without getting caught. Increased regulation may help, but it surely cannot solve the entire business ethics problems.

Trade associations can and often do provide ethical guidelines for their members. These organizations within particular industries are in an excellent position to exert pressures on

members that stoop to questionable business practices. However, enforcement and authority vary from association to association. Moreover, exactly because trade associations exist for the benefit of their members, harsh measures may be self-defeating.

Employees can more easily determine and adopt acceptable behavior when companies provide them with a "code of ethics." Such codes are perhaps the most effective way to encourage ethical behavior. A code of ethics is a written guide to acceptable and ethical behavior that outlines uniform policies, standards and punishments for violations. Because employees know what is expected of them and what will happen if they violate the rules, a code of ethics goes a long way towards encouraging ethical behavior. However, codes cannot possibly cover every situation. Companies must also create an environment in which employees recognize the importance of complying with the written code. Managers must provide direction by fostering communication, actively modeling and encouraging ethical decision making, apart from investing in training employees to make ethical decisions.

Sometimes, even employees who want to act ethically may find it difficult to do so. Unethical practices can become ingrained in an organization. Employees with high personal ethics may then take a controversial step called "whistle blowing." Whistle blowing is informing the press or government officials about unethical practices in an organization. Whistle blowing could have averted disaster and prevented needless deaths in the Challenger space shuttle disaster, for example. How could employees have known about life-threatening problems and let them pass? Whistle blowing on the other hand, can have serious repercussions for employees; those who make waves sometimes lose their jobs.

Recent literature has suggested several strategies for promoting ethical behavior in organizations (Adler and Bird, 1988; Burns, 1987; Harrington, 1991; Raelin, 1987; Stead et.al., 1990). First, chief executives should encourage ethical consciousness in their organizations from the top down showing the support and care about ethical practices. Second, formal processes should be used to support and reinforce ethical behavior. For example, internal regulation may involve the use of codes of corporate ethics, and the availability of appeals processes. Finally, it is recommended that the philosophies of top managers as well as immediate supervisors focus on the institutionalization of ethical norms and practices that are incorporated into all organizational levels.

Organizations and their managers must understand that the above recommendations are key components in the development and maintenance of an ethically-oriented organizational culture. Organizations can also enhance an ethically-oriented culture by paying particular attention to principled organizational dissent. Principled organizational dissent is an important concept linking organizational culture to ethical behavior. Principled organizational dissent is the effort by individuals in the organization to protest the status quo because of their objection on ethical grounds, to some practice or policy (Graham, 1986). Organizations committed to promoting an ethical climate should encourage principled organizational dissent instead of punishing such behavior.

Organizations should also provide more ethics training to strengthen their employees' personal ethical framework. That is, organizations must devote more resources to ethics training programs to help its members clarify their ethical frameworks and practice self-discipline when making ethical decisions in difficult circumstances.

An effective organizational culture should encourage ethical behavior and discourage unethical behavior. Although much remains to be learned about why ethical behavior occurs in organizations and creating and maintaining organizational cultures that encourage ethical behavior, organizations can benefit from the following suggestions:

** Be realistic in setting values and goals regarding employment relationships. Do not promise what the organization cannot deliver.

** Encourage input throughout the organization regarding appropriate values and practices for implementing the cultures. Choose values that represent the views of employees at all levels of the organization.

** Do not automatically opt for a "strong" culture. Explore methods to provide for diversity and dissent, such as grievance or complaint mechanisms or other internal review procedures.

** Insure that a whistle-blowing and/or ethical concerns procedure is established for internal problem-solving (Harrington, 1991).

** Provide ethics training programs for all employees. These programs should explain the underlying ethical and legal (Drake and Drake, 1988) principles and present practical aspects of carrying out procedural guidelines. Understand that not all ethical situations are clear-cut. Like many basic business situations, the organization should recognize that there are ambiguous, grey

areas where ethical tradeoffs may be necessary. More importantly, some situations have no simple solution (Cooke, 1991).

** Integrate ethical decision-making into the performance appraisal process.

SOCIAL RESPONSIBILITY:

Definitions of Social responsibility:

- Social responsibility is an ethical or ideological theory that an entity whether it is a government, corporation, organization or individual has a responsibility to society at large. ...
- A voluntarily assumed obligation toward the good of a larger social unit as opposed to the self alone
- Occurs when a retailer acts in the best interests of society -- as well as itself. The challenge is to balance corporate citizenship with a fair level of profits.
- It is about improving the quality of relations with key stakeholders. Novo Nordisk defines it as putting values into action in the perspective of human resources, human rights, health and safety, and our relations with society at large.
- Responsibilities citizens have to their society and nation.
- Involves considering the impact and being accountable for the effects that actions might have on society.
- It can be defined as accepting responsibility for others and taking action against social injustice. it includes meeting the needs of others through charitable giving.
- Koontz and O'Donnell have given the definition of social responsibility thus: "The personal obligation of the people as they act in their own interests to assure that the rights and legitimate interests of others are not infringed."

SOCIAL RESPONSIBILITIES OF BUSINESS

A firm expresses its responsibility to the society by reacting in either or both of the following two ways.

1. The manner in which it carries out its own business activities
2. The welfare activities it takes upon itself as an additional function

RESPONSIBILITY TO SHARE HOLDERS

1. To make the shareholders feel secured by protecting their investments
2. To be transparent

3. To allow them to participate in decision making
4. To ensure them good dividends

RESPONSIBILITY TO EMPLOYEES

1. To offer employees fair wages
2. To establish better working conditions
3. To provide them fair work standards and norms.
4. To provide labor welfare activities
5. To educate the employees by adopting proper training methods.
6. To recognize and appreciate the work of the employees and reward them or to promote them.
7. To install grievance handling cell.
8. To enable them to involve in decision making.

RESPONSIBILITY TO CONSUMERS

1. To improve the efficiency of the business by
 - a) Increasing productivity.
 - b) Improving quality.
 - c) Suroothening distribution system.
2. To offer the products at reasonable prices.
3. To provide pre-purchase and post purchase service to the consumers.
4. To facilitate research and development to meet the customer requirements.
5. To maximize imperfections in distribution systems
6. To provide sufficient and unnecessary information about the product.

RESPONSIBILITY TO COMMUNITY

1. To be pollution free and maintain ecological balance.
2. To invest more in research and development so as to improve the standard of living of the society.
3. To develop alternative recourses thereby preventing current resources being used from exhaustion.
4. To improve the efficiency of business operations.
5. To include in social welfare activities
6. To contribute to national effort to build up a better society

If a firm fulfills all the above mentioned responsibilities then it is said to be following the business ethics. But in practice such an ideal business doesn't exist.

FEW ENVIRONMENTAL CONCERNS

One important factor a business man must not neglect is his responsibility to environment. The abundant natural resources are getting exhausted after 19th century due to rapid industrialization.

Land:

The worst effected are as their cattle starve and they travel even increasing distance for grazing due to industrialization and urbanization.

Water:

Through people are keen in this issue by constructing dams and reservoirs the bi products and industry waste couldn't find a better discharge channel than this. Hence sure measure must be take in this context to keep the water free from pollution.

Deforestation:

The results of deforestation for industrialization and urbanization are vulnerable. It is resulting in destruction of wild life, increase in price of wood, air production etc.

Habitat:

The people who are living in forests and remote areas love their shelter and livelihood in the vent of industrialization.

Health:

The business users must be conscious about the health of the society and behave responsibility for their health.

INTELLECTUAL PROPERTY RIGHTS - IPR

Definition

Intellectual property rights are legal rights that provide creators protection for original works, inventions, or the appearance of products, artistic works, scientific developments, and so on.

Intellectual property is the product of the human intellect including creativity concepts, inventions, industrial models, trademarks, songs, literature, symbols, names, brands,...etc.

- Intellectual Property Rights are similar to other property rights. They allow the owner to completely benefit from his/her product which was initially an idea that developed and crystallized.
- They also entitle him/her to prevent others from using, dealing or tampering with his/her product without prior permission from him/her. He/she can in fact legally sue them and force them to stop and compensate for any damages.

History of IPR

IPR is a well known concept which is believed to be started in North Italy during the Renaissance era. In 1474, Venice issued a law regulating patents protection that granted an exclusive right for the owner. The copyright dates back to 1440 A.D. when Johannes Gutenberg invented the printing press with replaceable/moveable wooden or metal letters. Late in the 19th century, a number of countries felt the necessity of laying down laws regulating IPR. Globally, two conventions constituting the basis for IPR system worldwide had been signed; Paris Convention for the Protection of Industrial Property (1883) Berne Convention for the Protection of Literary and Artistic Works (1886).

Protection of Intellectual Property Rights

Protection of IPR allows the innovator, brand owner, patent holder and copyright holder to benefit from his/her work, labor and investment, which does not mean monopoly of the intellect. Such rights are set out in the International Declaration of Human Rights, which provides for the right to benefit from the protection of the moral and physical interests resulting from the right holder's work; literal or artistic product.

Intellectual property rights-IPR

- New innovations in all IPR domains lead to Human progress and advancement. Legal protection of new innovations encourages safe spending on other innovations. Caring for and protecting IPR contribute to achieving economic and social development.
- Patent, is a legal document granted by the government giving an inventor the exclusive right to make, use, and sell an invention for a specified number of years. Patents are also available for significant improvements on previously invented items.
- The goal of the patent system is to encourage inventors to advance the state of technology by awarding them special rights to benefit from their inventions. Books, movies, and works of art cannot be patented, but protection is available for such items under the law

of copyright. Patent law is one branch of the largeone branch of the larger legal field known as intellectual property, which also includes trademark and copyright law.

- Patent law centers round the concept of novelty and inventive step (or lack of obviousness). The right which they accord is to prevent all others, not just imitators but even independent devisors of the same idea from using the invention for the duration of the patent.
- The special potential of a patent is accordingly that it may be used to prevent all others from including any form of invention in their product and services. A patent thus poses serious difficulties for its competitors. This is why patents are not freely available for all industrial improvements but only what is judged to qualify as a patentable invention.

What is patentable?

To qualify for a patent, the invention must meet three basic tests. First, it must be novel, meaning that the invention did not previously exist. Second, the invention must be non-obvious, which means that the invention must be a significant improvement to existing technology. Simple changes to previously known devices do not comprise a patentable invention. Finally, the proposed invention must be useful. Legal experts commonly interpret this to mean that no patent will be granted for inventions that can only be used for an illegal or immoral purpose.

Some types of discoveries are not patentable. No one can obtain a patent on a law of nature or a scientific principle even if he or she is the first one to discover it. For example, Isaac Newton could not have obtained a patent on the laws of gravity, and Albert Einstein could not have patented his formula for relativity, $E=mc^2$.

The Importance of Intellectual Property Rights

The purpose of intellectual property rights is to encourage new creations, including technology, artwork, and inventions, that might increase economic growth. Intellectual property rights increase the incentives for individuals to continue to produce things that further create job opportunities and new technologies, while enabling our world to improve and evolve even faster.

According to The U.S. Chamber of Commerce's Global Innovation Policy Center:

- Intellectual Property Creates and Supports High-Paying Jobs

- IP-intensive industries employ over 45 million Americans and hundreds of millions of other people worldwide. The average worker in an IP-industry also earns about 46% more than his or her counterpart in a non-IP industry.
- Intellectual Property Drives Economic Growth and Competitiveness

America's IP is worth approximately US\$6.6 trillion, which is more than the nominal GDP of any other country in the world. IP-intensive industries account for over 1/3— or 38.2%— of total U.S. GDP. 52% of all U.S. merchandise exports are related to IP, and this amounts to nearly US\$842 billion.

There are four types of intellectual property rights (IP): patents, trademarks, copyrights, and trade secrets.

Types of Intellectual Property Rights

Patent

A patent is used to prevent an invention from being created, sold, or used by another party without permission. Patents are the most common type of intellectual property rights that come to people's minds when they think of intellectual property rights protection. A Patent Owner has every right to commercialize his/her/its patent, including buying and selling the patent or granting a license to the invention to any third party under mutually agreed terms. Hence a Patent is an exclusive right granted by law to an inventor or assignee to prevent others from commercially benefiting from his/her patented invention without permission, for a limited period of time in exchange for detailed public disclosure of patented invention.

There are three different categories that patents can fall under:

1. **Utility:** A utility patent protects the creation of a new or improved product, process, composition of matter, or machine that is useful. An example of utility patent: Method for a driver assistance system of a vehicle [US9772626B2](#)
2. **Design:** A design patent protects the ornamental design on a useful item. An example of design patent: Electric bicycle [USD845178S1](#)
3. **Plant:** A plant patent protects new kinds of plants produced by cuttings or other nonsexual means. An example of plant patent: Crapemyrtle plant named 'JM1' [USPP31585P2](#)

Trademark

Trademarks are another familiar type of intellectual property rights protection. A trademark is a distinctive sign which allows consumers to easily identify the particular goods or services that a company provides. Some examples include McDonald's golden arch, the Facebook logo, and so on. A trademark can come in the form of text, a phrase, symbol, sound, smell, and/or color scheme.

Copyright

Copyright does not protect ideas. Rather, it only covers "tangible" forms of creations and original work—for example, art, music, architectural drawings, or even software codes. The copyright owner has the exclusive right to sell, publish, and/or reproduce any literary, musical, dramatic, artistic, or architectural work created by the author.

Trade Secret

Trade Secret is any information of commercial value concerning production or sales operations which is not generally known. The owner of a trade secret must take reasonable measures to maintain its confidentiality. Trade secrets are the secrets of a business. They are proprietary systems, formulas, strategies, or other information that is confidential and is not meant for unauthorized commercial use by others. This is a critical form of protection that can help businesses to gain a competitive advantage. Although intellectual property rights protection may seem to provide a minimum amount of protection, when they are utilized wisely, they can maximize the benefit and value of a creation and enable world-changing technology to be developed, protected, and monetized.

Trademark: A trademark is a sign that individualizes the goods or services of a given enterprise and distinguishes them from those of competitors. To fall under law protection, a trademark must be distinctive, and not deceptive, illegal or immoral.

An Integrated Circuit: A product, in its final form or intermediate form, in which the elements, or at least one of which is an active element, and whereby the interconnections are integrally formed in and/or on a piece of material, which is intended to perform an electronic function.