

Unit 1**Understanding an Organisation****Structure:**

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1.1 Introduction

Most of us would have been a part of an organisation and if not a business organisation, at least that of a school. We would also have observed at least small business organisations such as a shop in the neighbourhood, a small factory, etc. Why and how do they work is perhaps something that has never crossed our mind and we take the organisation for granted. We must also have seen some organisations or business thrive and become larger and larger, some remain the same for a long time, and some die. When we become professional managers, we have to have a more intimate knowledge of this so that we can ensure or help in making the organisation in which we work more effective and enable it to grow.

In this unit, we will learn about the organisations with a view to apply this knowledge in making it more effective and prosperous. Our discussion, of course, has a business organisation focus.

1.2 Case Study

Raju's Furniture Business

Mr. Raju Raman had a family consisting of his wife and two children. He was a carpenter who used to work on daily wages. In the spare time, he used to make tables and sell it to his neighbours and in the local area. After 10 years of hard work as a daily wage labourer who worked for others, he thought he will stop doing it and make and sell tables on a full-time basis. He hired a small room for Rs. 3000 a month, bought some electric saws and other tools with the saving he had made, asked his wife and son to help him. He then went around various furniture shops and told them that he makes tables to order and gave them his mobile number.

Soon orders started to flow and Raju decided to call his two carpenter friends, Shyam and Sanju, to come and work for him on a daily basis but offered them Rs. 350 per day instead of the market rate of Rs. 400. They were happy as they had work daily and could do it in an organised manner under one person. As the work grew, he told them that he will pay them a daily wage of Rs. 350 and an additional of Rs. 50 per table they made. They worked hard and often late into the evening and on an average made Rs. 500 a day as it was easy making a table to clear specifications and using the electric tools rather than sweat it out in the backyard of someone as a casual labourer sawing away with their handsaws. Despite their long hours, they could not complete the order.

Hence, Raju hired 4 more carpenters and made his friend Shyam to take charge of making tables with two newly hired carpenters and Sanju to take charge of making chairs with the other two newly hired carpenters. In addition, he hired Pankaj to buy wood and other fitments, take the finished tables and chairs to various stores, collect the money, pay electricity bills, and other odd jobs outside the shop. The cost of wood suddenly rose, and his traditional timber mill owner explained to him how the increase in cost of diesel has resulted in increased cost of transportation. He could understand that since the tempo owner who takes his finished products to various stores too had hiked the cost of trips. Fortunately, one engineering college was coming up near his shop

and their demand for tables and chairs seemed to be ever increasing. Raju pitched in showing how he made the very same furniture for big furniture shops in the city and how he could provide them these at a lower cost if they gave him bulk orders.

As he saw growth, he put together a team to make new products for the colleges so that they can be modular, strong to withstand the rough use by students, low cost, and with good aesthetics and called this team 'creative team'. Of course, the members of the creative team were select carpenters and his favorite Pankaj who by now had three assistants and had mastered the business of marketing and pricing of the products and book keeping to an extent.

Objectives:

- To analyse the underlying purpose of an organisation.
- To define what an organisation with intrinsic understanding of it.
- To explain the organisational process.

Learning Outcomes

After studying this unit, you should be able to:

- define an organisation.
- identify various components of an organisation.
- evaluate the vision and mission of an organisation.
- explain different types of strategy.
- explain what strategy, structure, systems, processes, jobs and tasks are.

1.3 Definition and Concept of an Organisation

We shall now define what an organisation is. Formally defined, an organisation is a **social system** of people who are structured and managed to meet some **goals**. Organisations are **ongoing** and the structure determines the **relationship** between the functions and positions. Structure also **subdivides roles**, responsibilities, and authority to carry out the tasks. Organisations are **open systems** which are affected by the environment outside its boundary.

Let us now generalise the key words in the definition (which are given in bold) and the business activities for better understanding of the definition.

Social system

The social system was created by Raju and his friends who later became his employees as well as the employees who joined later. In larger businesses, there will be people from diverse backgrounds of education, gender, religion, region, etc. They form the social system. Business is actually something that society has created for itself to make things simpler to fulfill its needs and wants. Therefore, we must accept that it is a social system and it is the social system and not business itself that dictates how a business is to be done at a macro level. This is done through social pressures such as the ones created by NGOs and environmental groups and also through legislation by the representatives of the people, etc. So, though a business is an economic entity, we should not forget that it is the society which gives it sanctity.

Society, through its government, can change the rules of business and say that you can bring in foreign direct investment in this business, but not that business, etc. because a business is an organisation that the society has created to fulfill its needs. If it does not do so, the society tends to control it and even close it down. This is not to say that society and government interferes in everything. In fact, society gives business a lot of freedom, because in doing so, competition takes place, the cost goes down, quality goes up, and the society's need is better fulfilled. If you think of mobile phones, you will see how this freedom has helped the society. You can also see how when this led to corruption, another system called the judicial system (also created by the society) intervened on behalf of the society and cancelled about 122 licenses. Every business and young leaders of such business which you are or soon will be must understand and accept this power of the society and that business organisations are its creation and will exist only if it fulfills its purpose.

Goal

The goal of the social system in the case we discussed was to make tables and chairs and earn better wages and have better working condition than working as daily wage carpenters. All businesses, whether big or small, have a goal. Society too has a goal. The goals of the society are not only to have tables and chairs but also employment and prosperity. All organisations will have a goal. It may be implicit in small organisations and

often well expressed in larger ones. This is usually done through a vision and mission statement.

Structure and management

There were teams of carpenters and one person for purchase and delivery. Whenever the organisation is large, we need to create a way of doing work systematically. For example, we can have each carpenter buy the wood and materials, make a table and then go and sell it. We can also have one carpenter cut all the pieces of wood to size, another assemble it, a non-carpenter do the purchase and sales, etc. If we group similar work, it is possible for us to be more efficient. So creating a structure is about grouping similar works and doing it. If you recall, Raju as a person, who bought wood, made tables, and sold to the neighbourhood or even the shops in the city, is very different from the Raju who created teams to make tables and chairs and teams to sell them. You can see how structuring has increased the productivity but also brought in other jobs such as specialised jobs of purchasing wood, selling, book keeping, etc.

Ongoing

The business was growing and is intended to go on forever. In fact, though businesses die, they are designed to be ongoing forever. It dies only because we do not care for some of its structures and systems. Had Raju not made the systems and grew, perhaps as he got old, his shop would have closed down too. It is impossible to imagine that his son would have continued to be a one man carpenter after his father, but it is easily possible to imagine his son, running a multi location furniture shop building upon what Raju has created. This is called the 'Ongoing' concept.

Relationship

Relationship existed between the table team head and the two carpenters and the chair team and its head and Raju. You can see that, in larger organisations, there will be several such relationships. Here we are referring to the workplace relationship.

Subdivides the roles

The roles of table making, chair making, purchase, etc. are clear cases of subdividing the roles.

Open System

The cost was negatively affected by fuel price increase and the sale was positively affected by the engineering college, both of which are outside Raju's furniture manufacturing system. This is because it is an open system and is affected by other external systems. This also creates opportunities (engineering college) and threats (increase in the cost of wood and delivery cost of finished goods).

If we have understood what a simple organisation is, let us think of an organisation like Tata. It has over 150 businesses and each business has hundreds of roles and functions and therefore, it is highly complex, but this complex organisation too has the same ingredients as the ones mentioned above. The increased complexity makes it more difficult to manage. Managers and leaders are trained to manage this complexity, but the basic principles remain the same.

Self Assessment Questions

1. An _____ is a social system of people who are structured and managed to meet some goals.
2. The _____ determines the relationship between the functions and positions.
3. Business organisations are open systems which are affected by _____ systems.
4. A _____ is an organisation that the society has created to fulfill its needs.
5. Creating structure is about grouping _____ works and doing it.

1.4 Organisational Process – General

Now that we have learnt the definition of an organisation, let us see the organisational process.

A process is a set of actions that are logically sequenced. As we saw earlier, organisations have goals, and they achieve it by creating products and services, and this is done in a logical sequence. Figure 1.1 depicts the components of this sequence. Later these are explained in some detail. The components of this sequence are:

- Vision and mission
- Strategy

- Structure
- Systems
- Processes
- Jobs
- Tasks (activities)

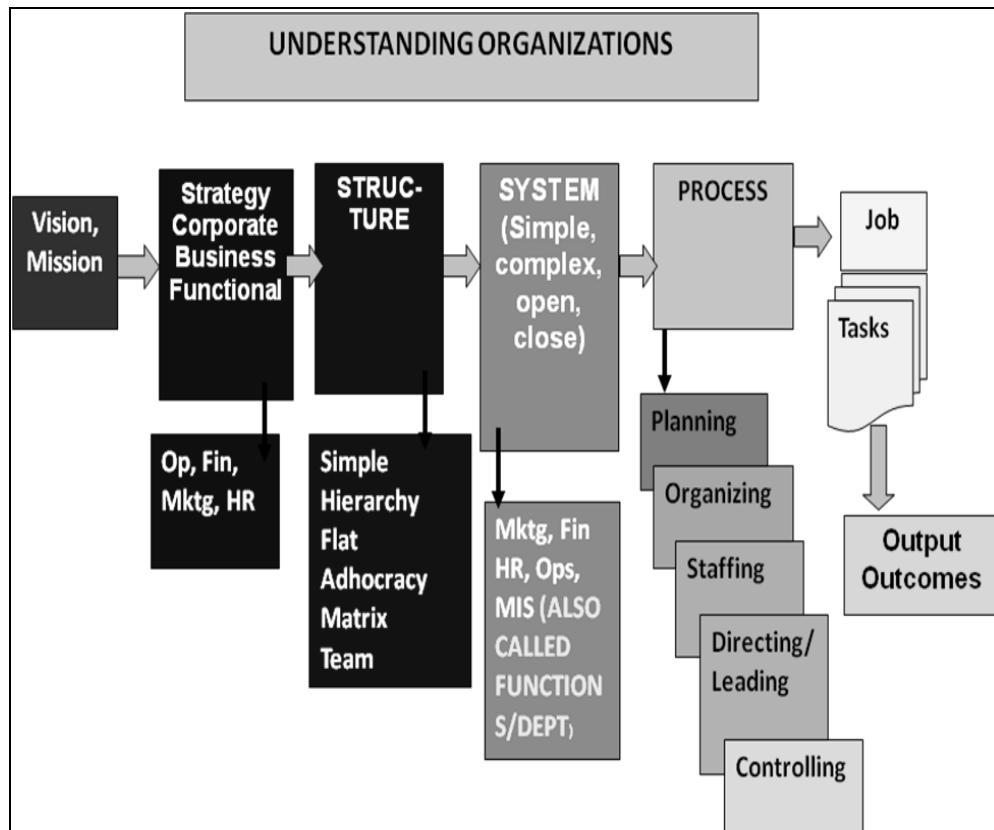


Fig. 1.1: Overview of the organizational Process

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1.5 Organisational Process – Vision and Mission

Vision and mission

Every organisation has a vision and mission. In the case of Raju, he may not have expressed it in a statement, i.e., it may not be explicit; but perhaps if you had talked with him, you would come to know that he wants to provide faultless tables to the people, earn money, provide for his family, get social

status in the process, etc. A vision statement is a formal statement of what a business wants to be. But who decides what it wants to be? Well, it is not only Raju, but also the customers, the employees, and the society or in other words those who have an interest in the business because they get some benefit out of it. They are called 'stakeholders'. In our case, Raju (owner or promoter or shareholder), the other carpenters (employees), the saw mill (supplier), the shops (distributors), banks who may have given loan (the financiers), and the people who bought the tables and chairs (the customers) are all stakeholders. So the vision cannot be made by the owner alone. He has to fulfill the wishes of the stakeholders. An owner who puts in money has to ask other people before deciding his/her vision. Yes, strange but true.

How do we make a vision?

Well, there has been a lot of research on this and various views. But Collins and Porras in their noted article 'Organisational Vision and Visionary Organisation' spelt out that a vision statement has to have four parts namely:

- 1) Core values,
- 2) Core purposes,
- 3) The Big Hairy Audacious Goal or BHAG (pronounced as 'Beehag') and the vivid description.

Let us now discuss each of these parts in detail.

- The core values are those things very close to your heart that you will not give up at any cost. It can be integrity (for example, I will never cheat on the taxes I have to pay) or quality (I will never use a lower quality wood), etc. Usually we say that you should have only 4 to 6 core values. Of course, personal values and business values may differ. For example, love may be a very important personal value but it may not be so relevant in your business of furniture though it can be relevant if you were having a home for the aged. If you have too many of them, they fail to remain 'core' and loses their impact. Why are core values important? When you have a decision dilemma, they come up like a lighthouse to navigate you.
- Core purpose is the purpose of the organisation, for example, to make furniture. This is something that you want to achieve within the framework of our core values. It gives the achievement orientation to the

business and therefore the focus. When we get an opportunity to expand or sell off and if we are in a decision dilemma, this acts as another light house.

- The BHAG is about having a goal which qualifies the purpose. For example, to be the best furniture maker in the town in five years or to be the most well known furniture supplier in India by 2025, etc. We say that BHAG should be big, yet specific and that your chance of attaining it is only 70%. If the probability of attaining it is more than 70%, perhaps your BHAG is not big enough and not audacious enough and you have set your goals too low. (*Don't read too much into the word 'hairy'. This is an American expression that depicts a huge bear with lot of hair, an animal which is the depiction of power. Children's stories of bear and the toy 'teddy bear' is an American creation perhaps now popular in India too*).
- The vivid description should make the entire vision statement very inspiring to all stakeholders. It should be simple and easily understandable. For example, 'Quit India' is a very simple statement, but it is very vivid and easily understandable by all. Let us be very clear that the vision statement is meant for the stakeholders and therefore, the importance of the vivid and simple statement. We say that your grandmother should be able to understand it or a twelve-year-old child should be able to understand it and you should test it on them. This is also called 'The Grandma's Test' or the '12-Year-Old Test'.

You might ask 'What about the mission statement?' Well, in the Collins and Porras format, the vision and mission are fairly well integrated. Vision is the state that one wants to be in and mission is the way of doing it. You can, of course, say that your vision is to be the No. 1 in India, and you will do it by providing high quality furniture, by maintaining integrity, etc. The Mission statement can be a separate one or it can be rolled into one but Collins and Porras model has been gaining popularity of late because it encapsulates the vision and mission into one and anchors the value.

Activity 1:

Make a vision statement for Raju's furniture business (mentioned in the case). Test the statement as per Grandma's Test.

Hint: Refer Section 1.5

Self Assessment Questions

6. A process is a logically sequenced set of actions. (True/False)
7. Only large and complex organisations have a vision/mission. (True/False)
8. A Big Hairy Audacious Goal should be 100% achievable. (True/False)
9. Vision statements must be elaborate and complex. (True/False)

1.6 Organisational Process – Strategy**Strategy**

Once you have your vision, you have to see how that vision can be executed. Here is where strategy comes in. Strategy means the grand plan and the term is borrowed from the military which distinguished between the grand plan and actual action by calling the former strategy and the latter tactics.

Strategy in organisations can be divided into three:

- Corporate strategy
- Business strategy
- Functional strategy

Let us now discuss each of them in detail.

Corporate strategy

If you are a company like TATA or BIRLA, you will have several businesses under you and a corporate headquarters which controls these. Each of these businesses may be run by an independent company much like Tata Motors runs the vehicle business and Tata Consultancy Service runs the IT business (they both are different companies). The corporate headquarters will have grand plans on how each business should operate. For example, it might say that that Tata Motors should design, develop, and manufacture an indigenous small car Nano or that TCS should expand business to China.

This grand plan created by the corporate headquarters is called ‘Corporate Strategy’. It lays down the grand plan to be followed by each business under a corporate headquarters. If you are small like Raju, you will not have a corporate strategy; however, will still have a strategy for your business. Though you can call it the corporate strategy of Raju on the argument that

Raju is a corporate, it is perhaps inappropriate. Since Raju is not very big, usually we prefer to call his strategy as business strategy.

Business strategy

Every business, small or big, will have a business strategy. This is the grand plan for doing business. For example, Raju can make a grand plan of expanding his business to another district or having branches. He can take a decision to be the provider of low cost furniture or highly differentiated furniture, household furniture only, modular furniture only, a supplier of all furniture needs, etc. This is what business strategy is. If you were a TATA company, each business of TATA (say Tata Motors, Tata Iron and Steel Company, Tata Hotels, etc) would have their own business strategy in consonance with the corporate strategy.

Functional strategy

Once you have a business strategy, each independent department will need its own strategy. For example, the HR of Tata Motors will need a strategy quite different from the HR of Tata Consultancy Service (TCS). So, the operations, marketing, finance, HR, etc of each business will make their own grand plan or strategy and this is called functional strategy. In the case of Raju, he might plan to hire more carpenters and pay daily wages or wages per piece. This is the HR strategy (of course it is only one element of HR strategy but illustrates what functional strategy means). In other words, the grand plan made by each functional area is called functional strategy. Usually organisations have operations strategy, finance strategy, marketing strategy, and HR strategy. If you are large and well diversified, you may have an information strategy, supply chain strategy, etc. also and this depends to some extend on the nature of your business. For example, if you are in retail chain business like Big Bazaar, you may have a merchandise strategy (what products to sell) and supply chain strategy (how to procure the products at the lowest cost and move them nationally) as these are very important to business success. Similarly, Raju too can have a strategy to purchase wood in bulk from Malaysia and ship it and call it his procurement strategy.

Self Assessment Questions

10. Strategy can be broadly divided into _____ strategy, _____ strategy and _____ strategy.

11. _____ lays down the grand plan to be followed by each business under a corporate headquarters.
12. When each independent department creates its own strategy, it is known as _____.

1.7 Organisational Process – Structure, System, Process, Jobs, and Tasks

Structure

Structure follows strategy. In the case of Raju, we found that Shyam and his team takes care of the table line of production, Sanju and his team the chair line, and Pankaj, the administrative activities. These being small worked directly under Raju. However, if this was a large operation (let us assume that Raju will grow real big one day), he probably would need HR people to recruit, select, plan compensation, manage pay rolls and legal issues, finance people to manage the financial aspects, etc. Thus the production, HR, finance and some people to do marketing, etc. becomes the pillars of his business.

You would have seen these basic pillars in most modern businesses. Each of these will have a head, some people, a rule for communication, i.e., whether you have to say things only to your immediate boss or you can (and should) do that to several people involved in the action at the same time, etc. These basic pillars on which the business is built are called the structure.

Structures can be:

- 1) simple (just like the present case of Raju),
- 2) hierarchical (when the rule says that you can only communicate to your immediate boss or subordinate as in the case of a government department)
- 3) Flat (when you can communicate to your boss and laterally to others on a need basis),
- 4) adhocracy (the opposite of bureaucracy). It is considered an organisation structure of the future where information flow takes place in all directions thus enabling an organisation to take advantage of opportunities as never before),

- 5) Matrix (when you belong to a basic pillar, for example, finance and report to project manager for the project finance component of it and global product manager as part of product development team, and)
- 6) Team (Which is a unique and strongly bonded entity that comes together for a function such as product development team such as the 'Creative Team' of Raju).

Systems

We usually hear the complaint 'there is no system here and it is all a one man show' or at the other end of the spectrum, the complaint that 'everything here is system driven'.

So, what is this system? The easiest way to think of a system is the way we group functions, create a logical order, organise the flow of information and resources and let it run almost by itself. Each system is somewhat independent such as an HR system or marketing system but each system is also highly interdependent on other system, for example, the marketing system is dependent on HR system to procure good marketing people and on the operation system to ensure that it gets high quality products to sell. It is easier to think of human body system consisting of the cardiovascular system, digestive system, etc and make an analogy. Cardiovascular system is fairly independent but it is also dependant on other systems for energy, for example, the respiratory system for oxygen.

In business too, we have systems such as HR, marketing, operations, finance, etc. and can have more systems such as logistics, supply chain, international marketing, etc. depending on the need. The role of a system is to take in some input and create some output. The creating part of it is called throughput.

Thus, typically every system would have:

- 1) input (raw materials, for example),
- 2) throughput (the way it is mixed or connected), and
- 3) output (a final or interim product which becomes raw material for another input).

Steel, for example, uses coal and iron ore, the high heat and mixing is the throughput and the final output is steel which in itself is of no use to anyone but becomes a raw material to make cars, railway tracks, or build houses.

The way systems work is studied in detail and systems theory is a well known theory. We will not go deep into system theory but by now we would have understood the basics of a system.

Processes

Process is a set of logical activities that lead to some final or interim output. For example, taking pieces of wood, making it smooth, cutting it, making grooves, connecting them, finishing them, and polishing them are processes to create a table. These have to be done in some logical sequence. This is what a process is. Let us now look at Raju's business itself. He has to manage things and for this, he will have to plan the number of pieces to be made, how much wood to buy, which furniture to make, how to organise these, where to get manpower, etc. These too have to be done in some logical sequence. For example, he has to plan and decide the number of tables before deciding on the quantity of wood. Thus at the business level, some processes come into play. These are planning, organising, staffing, leading, and controlling. We call them management processes. In other words, in the management system, these processes convert the input into output (furniture, profit, growth, etc.). You can intuitively see that if you consider manufacturing table as a system, then the throughput is created through the processes of cutting wood, etc. while if you consider the business as a system, planning, organising, etc becomes the processes.

Jobs

Each process is made of several jobs. A job is a set of similar activities. For example, the job of a teacher involves the task of preparing for the class, teaching, making question papers, correcting papers, giving feedback, etc. Of course, you can see that some of it can be done by another teacher. For example, setting question papers or correcting papers. So the job is a cluster of similar tasks. The size of this cluster depends on the capacity of a person to do it. If you are a small business school, a teacher may do all those jobs but if it is a university with some 20,000 students studying one program such as MBA, then many people will do one task.

Tasks (activities)

This is perhaps the most basic unit in an organisation. In the example given above, teaching can be a task, cutting wood can be a task, and making grooves in the wood can be a task.

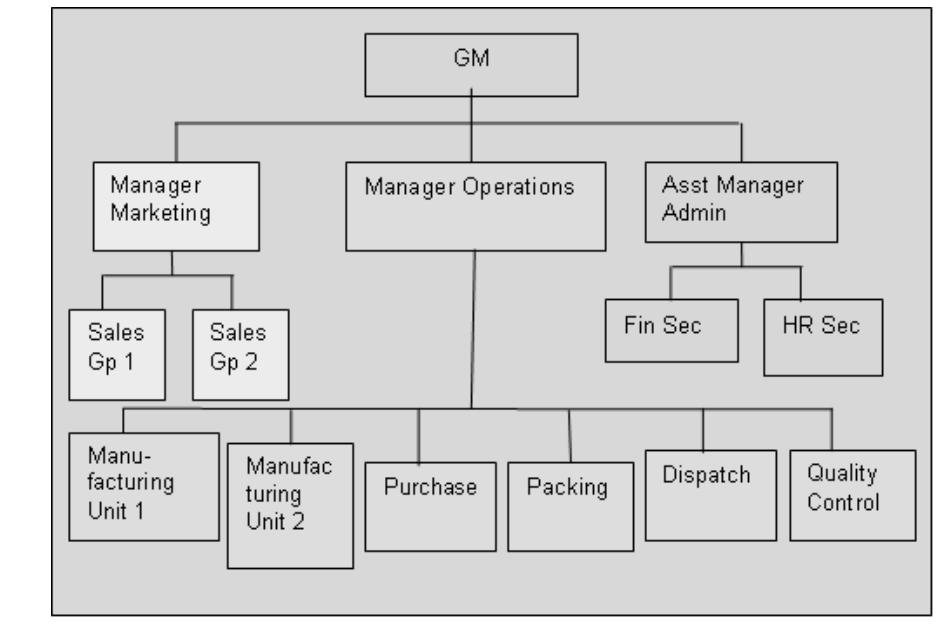
Thus, we have learnt that every organisation has a vision and mission. To execute the organizational vision we create strategies. Structures, systems and processes help the organisation execute the strategies.

Activity 2:

Suppose you are working in a small industry which manufactures stabilisers. You are well known for your quality and have a quality assurance department of 5 people and a manager and a sales team of one senior manager and 18 sales staff. The HR department is rather small with 3 staff and no manager and also the finance with only 4 people. They report to the General Manager directly and the GM takes care of the manufacturing as well. There are 60 people in the manufacturing which includes packing, purchase, and dispatch in addition to the actual manufacturing process.

What sort of structure are you likely to have? Justify your answer.

Hint: Refer Section 1.7. You may also refer the below structure.

**Self Assessment Questions**

13. The basic pillars on which the business is built is called _____.

14. _____ is a set of logical activities that lead to some final or interim output.
15. _____ is a basic unit or activity in an organisation.

1.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- Organisation is a social system of people who are structured and managed to meet some goals.
- Every organisation should have a vision and mission or in simpler language a purpose.
- To achieve the vision, a lot of activities or tasks such as the task of buying wood or cutting it have to be performed.
- Similar tasks, when grouped together, become the job.
- When jobs are grouped together and put into some logical sequence and it becomes the process.
- Processes use input and convert these into an output.
- The input, the logical processes along with the output is called a system. For example, the manufacturing system of tables and chairs has an input of wood, nails, knowledge of the carpenter, etc, a series of processes or throughput such as cutting the wood, making the grooves, connecting them, and the output. The input of wood comes only because someone has purchased it and brought it to the location and this is based on the purchase system. So, the output of the purchase system is the input for the manufacturing system and that of the manufacturing for the marketing system, etc.
- It follows that there has to be some internal communication and control within the purchasing system and between the purchasing system and manufacturing system, etc. This is called structure. Structure controls the way we interact within and in between systems.
- The structure depends on the strategy, i.e., if the strategy is to make the chair making very innovative, then everyone need to talk to everyone else and act accordingly but if it is to be made very cost effective and run like a machine without much innovation, then this type of communication is not necessary and you may adopt a hierarchical system. The strategy itself is based on the vision and mission.

Why This Reiteration?

We have reiterated this because of its overwhelming importance to understand business as such.

- When we create change, we actually make a change to one of the above elements such as strategy, structure, etc. If we change one of them, what follows in the hierarchy will also undergo a change usually, i.e., if we change the strategy, usually it will be necessary to make adjustments in the structure, systems, processes, etc.
- If you understand this serial effect, you will also appreciate that when we try to solve an organisational problem, you will be able to do it at the appropriate level, i.e., if you have a system problem, solve it at that level and don't try to fix the structure. If you solve at a higher level than required, then you will be wasting resources as you will have to adjust the lower levels too and if you solve at the lower level, the problem will persist as the issue will not be completely addressed.
- In a fast changing world, the leaders should understand this in order to pitch change at the appropriate level.

1.9 Glossary

- **Process:** The series of logical actions in a system that converts the input into an output.
- **Strategy:** The grand plan which may pertain to the corporate, business or functional area such as marketing. This is a way of achieving the vision and mission.
- **Structure:** The way various departments are organised. It indicates how these departments communicate with each other.
- **System:** It indicates how the input is converted into output using a series of processes together called the throughput. Systems are independent yet interdependent.
- **Vision and mission:** A formal definition of the purpose of the organisation and what it wants to achieve. Usually it is in a written form and becomes a lighthouse for the organisation to navigate itself.

1.10 Terminal Questions

1. Briefly justify business as a social system.
2. Describe the concept of vision and mission in an organisation.
3. What do you understand by strategy? Briefly explain functional strategy.
4. Explain the different types of structures found in organisation.

1.11 Answers**Self Assessment Questions**

1. Organisation
2. Structure
3. External
4. Business
5. Similar
6. True
7. False
8. False
9. False
10. Corporate, functional, business
11. Corporate
12. Functional
13. Structure
14. Process
15. Tasks

Terminal Questions

1. Business is something that society has created for itself to make things simpler to fulfill its needs and wants. The society exercises control over business by changing rules of business Refer Section 1.3 for more details.
2. Vision is the state that an organisation wants to be in and mission is the way of doing it. Refer Section 1.3 for more details.
3. Strategy is the broad plan through which the organisation achieves its vision. It may be divided into corporate strategy, functional strategy and business strategy. Refer Section 1.6 for more details.

4. The different types of structures found in organisation are flat, simple, hierarchical, adhocracy, matrix, team. Refer Section 1.7 for more details.

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Unit 2**Introduction to Management and Management Process****Structure:**

- 2.1 Introduction
 - Objectives
- 2.2 Case Study
- 2.3 Definition and Importance of Management
- 2.4 Evolution of Management Thought
- 2.5 Principles of Management
- 2.6 Management Process/Functions, a Systems View
- 2.7 Summary
- 2.8 Glossary
- 2.9 Terminal Questions
- 2.10 Answers

2.1 Introduction

During the prehistoric days of man living on hunting, life was rather simple but then too, men hunted and women tended for food. They chose a leader who could lead them into hunting, and they chose someone to make their hunting equipment sharp and precise. They stored food for the lean days and sought new places to find food.

At a very rudimentary level, this was planning, specialisation, and division of labour, all of which are part of management. As man progressed, his activities became more complex and multifunctional teams came into being. His management techniques, perhaps, became more complex too, but its fundamental remained the same.

In the previous unit we have learnt what an organisation is and how an organisation creates its structure and systems. This unit is on learning the basics of management so that we can see how it is used in building organisations.

Objectives:

- To give an overview of management and management thought
- To recognise the implications of principles of management
- To learn the systems concept and management process

Learning Outcomes

After studying this unit, you will be able to:

- define management
- determine its importance.
- describe the evolution of management
- explain the principles of management
- identify and explain the steps in management process
- construct a simple system following the systems approach

2.2 Case Study

Green Path Hotels India Ltd.

The ambience of their economic but unique rooms interspersed with rough and tumbling village house like verandas make it an ideal place to laze, relax, or use as a place to reinvent oneself. As the soft tune of the flute flows by, the visitors, attracted to the source of the flowing music, are even more surprised to see the man behind the melody - a blind beggar turned court musician of the hotel. Against the gurgling of the artificially created water flow in which a natural log boat rocks, the music seems to be entralling. As you sit on the roughly finished platforms called 'thinna', the staff, largely recruited from the villages nearby and speaking fairly fluent English, float past and hand you over some fresh coconut water slightly minted to tease your taste buds. As you open a book to catch up with something that you always wanted to, the fragrance of the warm oil and the touch of softness on your feet turns into a never-before experience of foot massage.

The restaurant is bubbly and built around huge trees that the hotel group refused to uproot to give way for man's favourite concrete, and the food is unbelievable with a little over 25 varieties of dosas served, each with an explanation of its uniqueness and contribution to your tongue and health. The lobby is like a park interspersed with collections of the past. There is something unique about his place. There is peace everywhere, and there are people everywhere, and they go about doing their job as if in heaven supervised by angels.

You hear no telephone rings even as it is picked up at the first call and the soft and persuasive talk of the front office lady persuading someone to pay up USD 150 for a night may make you wonder as to how do they manage things here, how does everything look so smooth? Why do people come here again and again and pay such high tariff? How do they inculcate this spontaneity, commitment, elegance, and sheer business persuasiveness (or is it subtle arrogance?) of not relenting to a cajoling customer even at the heat of a half-occupied hotel premises in the midst of the off season period.

When the owner of the Green Path was asked as to how he does all these so smoothly, his answer was simple, ‘we manage things well here’. He continued, “We have a series of hotels all with different ambience themes but with the same level of experience”. They plan their expansion systematically and induct people to build capacity before they open another. The plethora of employees is not an accident or over employment. This is their training ground where the passion to deliver this exceptional hospitality experience is injected into their selected employees.

You may be aware that behind this seemingly simple ways of creating a competitive advantage, there were men and women and behind them there were deliberate strategy, smoothed systems, complex processes, and detailed planning. You may then realise that this is management.

2.3 Definition and Importance of Management

From the case and the introduction, we can realise that management has been happening right through the history of man and it is all about making things smooth or shall we say efficient. It is also about achieving our goals which in modern management literature we call ‘effectiveness’.

According to Harold Koontz, “Management is an art of getting things done through and with people in formally organised groups. It is an art of creating an environment in which people can perform as individuals and can co-operate towards the attainment of group goals”. According to F.W. Taylor, “Management is an art of knowing what to do, when to do, and see that it is done in the best and cheapest way”.

Let us modify the definition of Harold Koontz and define management as 'the process of designing and maintaining an environment in which the individuals working in groups efficiently employ resources and accomplish the selected goals of self and the organisation'. This definition brings to fore the following key issues of management:

- It is about people and other resources
- There are goals but goals of the individual and the organisation has to be managed
- It involves creating an environment where people and resources interact to produce the goals.

Importance of Management

From the definition, we can derive the importance of management. If you see the definition and carefully read the case, we find that management is important because of the following reasons:

- ***It helps in achieving group goals*** – GreenPath Hotels was on expansion and to create the capacity for service, they had hired more people and were training them in one place so that when the new hotels are opened, these trained men can go there and be productive from day one. This is about achieving the goals set, i.e., smooth expansion.
- ***Optimum utilisation of resources*** – GreenPath could have avoided hiring these people in advance and thus saved money but then if they had hired them late, these resources would not have been ready to render the service and would probably have earned a bad name in those initially. So there is a trade-off between maintaining the brand name and the service quality and hiring in advance and bearing the cost. The overstaffing was therefore deliberate and planned and not the result of a haphazard planning. This is optimisation of resources.
- ***Reduces costs*** – It gets maximum results by using minimum input through proper planning. You saw how Green Path uses physical, human, and financial resources in such a manner that it creates great results at low costs. Management is about cost reduction. You can see how the physical resources, the flute playing blind man, the foot massage, and the people are judiciously combined to create happiness to the hotel guests (in hotel parlance we call the customers as guests). These reduced the cost of building expensive rooms to create the

ambience, hiring expensive hotel school graduates to serve the guests, etc.

- **Establishes sound organisation** – No overlapping of efforts (smooth and coordinated functions) is an important lesson from the case. You saw how the service staff moved around with calmness and rendered the service smoothly which avoided all duplication of effort and perhaps how they covered each other's deficiency in service through teamwork.
- **Establishes equilibrium** – It enables the organisation to survive in a changing environment. Green Path was able to see the new era coming with its focus on environment and social responsibility. It keeps in touch with the changing environment. Green Path is an example of how it changes to the demand of market/changing the needs of societies and becomes responsible for growth and survival of organisation. You saw how Green Path is riding the new wave of sensitivity to environment, social responsibility of caring for the blind beggar, etc. This is the new reality that Green Path has been able to capture in its service.
- **Essentials for prosperity of society** – Efficient management leads to better economical production and also increases the economic, social, and general welfare of the people. Good management makes a difficult task easier and more importantly, avoids wastage of scarce resources. It improves the standard of living. You saw how GreenPath uses the local men and woman and creates prosperity to the village folks.

Self Assessment Questions

1. Efficient _____ leads to better economical production and also increases the economic, social, and general welfare of the people.
2. In addition to organisational goals, one has to manage _____ goals also.
3. Process of designing and maintaining environment in which individuals working in groups efficiently employ resources is called _____.
4. Reduction of costs gets _____ results through _____ input through proper planning.

2.4 Evolution of Management Thought

Management is a recent discipline and it draws from the disciplines of Economics, Psychology, Sociology, Anthropology, etc. However, as we

have seen earlier, management has evolved as an independent discipline. Let us now track how this progression has taken place.

Scientific management theory

The focus of this thought is increase in productivity and efficiency through applying scientific methods on the shop floor or workplace. It tries to identify one best way of doing a job; however, emphasises on worker's cooperation, management-labour relations and developing workers and motivating. However, the focus is on shop floor efficiency through scientific methods and even motivation is proposed to be executed through piece rate system or paying based on the number of pieces of work produced. The thought was led by Fredrick W. Taylor, and he enunciated the principles of scientific management in 1911 after experimenting on the shop floor of a steel company as a supervisor. He was influenced by Frank and Lillian Gilbreth and their 'Time and Motion' study (a study that identifies the least time required for a motion in workplace and make it scientific) of 1900 and that of Henry L. Gantt who propounded the idea of scientific selection of workers and harmonious cooperation in 1901. Scientific management in Taylor's parlance means:

- Develop a science for each element of a man's work which replaces the old rule of thumb method
- Scientifically select and then train, teach, and develop the workman, whereas in the past, he chose his own work and trained himself as best as he could
- The workers heartily cooperate with the men so as to ensure that all of the work are done in accordance with the principles of science which has been developed
- There is an almost equal division of work and responsibility between the management and the workmen. The management takes over all work for which they are better fitted than the workmen, while in the past, almost all of the work and the greater part of the responsibility were thrown upon the men.

Social scientist Max Weber, between the late 1980s and early 1990s, propounded the idea of bureaucracy. He was trying to find the systems that put order in a complex industrial economy. Weber's ideal bureaucracy envisaged hierarchical organisation and delineated the lines of authority in a

fixed area of activity, action on the basis of written rules, implementation by neutral officials, and career advancement based on the idea of primacy of the organisation over the individuals. His thoughts are considered in the scientific school but transcends into behavioural science area also since he is talking about how people should behave in an organisation and how that should be structured.

Operational management theory

This thought was led by Henri Fayol. The thought identified six groups of activities in an organisation, i.e., technical, commercial, financial, security, accounting, and managerial. He recognised the need for teaching management and identified 14 principles in 1916 which enabled the management to grow as a discipline and is therefore often called the ‘father of modern management’. We will see these principles in a separate section.

Behavioural science theory

The thought was originated by Vilfredo Pareto in 1896, and he researched on organisation and management relationship. Later, Hugo Munsterberg applied psychology to increase industrial production in 1912 and around the same time, Walter Dill Scott applied psychology to advertising, marketing, and personnel in 1910 and 1911. But it was Elton Mayo and F.J Roethlisberger who made an impact on the behavioural science theory through their Hawthorne experiments in Western Electric Company in 1933. These experiments proved that good working relationship with the supervisor and colleagues and the idea of challenge in the job accounted for higher productivity. Challenge is created through setting high goals which cannot be normally achieved but which can be achieved with a little additional effort. These experiments brought to fore the importance of behavioural science in management. Extending the idea sometime in 1946 and 1947, Max Weber propounded the theory of bureaucracy.

Systems theory

Though the systems theory can be traced to biology, where we have cardiovascular system, nervous system, etc which are fairly independent yet interdependent, it was Chester Barnard who extended this into management area through his writing ‘Functions of the Executive’ in 1938. In systems theory, we perceive that organisations have a number of fairly independent systems such as purchase system, operations system, marketing system,

financial system, etc. The working of these are independent, but it has to be integrated by the manager. This theory, perhaps, brings the idea of integration as a key component of management.

Modern management thought

Some of the modern management thoughts are discussed below:

- **Peter Drucker** – Peter Drucker wrote on several management issues and is known for management by objective which implies that the management should lay down objectives to be achieved at every level including the individual worker and ensure that course correction is done from time to time through feedback to increase smoothness and productivity. He also propounded the idea of knowledge worker who uses primarily his intelligence for productivity in the workplace.
- **Edward Deming** – Edward Deming extended his thoughts to the area of quality and how it can be improved without any significant increase in cost in many cases.
- **William Ouchi** – After years of research on the reason for higher productivity in Japanese companies compared to the US companies, Professor Ouchi found that it was the way people were managed and connected and not technology that created the productivity. This style focuses on a strong company philosophy, a distinct corporate culture, long-range staff development, and consensus decision-making (Ouchi, 1981). Ouchi demonstrates that the results show lower turn-over, increased job commitment, and dramatically higher productivity. This is called Theory Z. Theory Z is not an independent theory but an intelligent fusion of several theories of motivation by Maslow et al combined with the writing on quality by Deming.
- **Thomas Peters and Robert Waterman** – They reached on what creates excellence in companies and identified eight characteristics namely:
 - 1) High/strong action orientation
 - 2) High/strong customer orientation
 - 3) High/strong managerial autonomy and entrepreneurship
 - 4) High/strong employee orientation
 - 5) High/strong company philosophy based on the values of top leadership

- 6) High/strong focus on the business they knew best
- 7) High/strong organisational structure that was simple and lean staffed
- 8) High/strong balance between centralisation and decentralisation

Self Assessment Questions

5. In Taylor's parlance there are _____ identifiable components to scientific management.
6. Elton Mayo's Hawthorne experiments proved that _____ with the supervisor and colleagues and the idea of _____ in the job accounted for higher productivity.
7. Ouchi is known for Theory _____ .
8. Thomas Peters and Robert Waterman identified _____ characteristics in successful companies.

2.5 Principles of Management

Importance of management principles

Principles of management are important because of the following reasons:

- **Improves understanding** – It increases the knowledge on how to manage an organisation and act as a guiding light to take decisions on various issues such as chain of command, centralisation, etc. It also helps them to predict the impact of following one principle on another or the impact of ignoring one (e.g., if you ignore initiative, then division of labour may have no meaning or if you ignore decentralisation, then initiative may not take place).
- **Direction for training of managers** – These principles give a clear indication of the training needs by establishing what is required to be done to accomplish something. For example, if the organisation needs initiative, then we should train people in taking responsibility and then decentralise.
- **Role of management** – It acts as a light house to guide managerial decision making and warns of dangers and enables course correction. For example, if we change job roles frequently, it will affect the morale, etc.

- **Guide to research in management** – The principles indicate the lines along which research should be undertaken to make management practical and more effective because it predicts the cause and effect relationship which can be empirically tested and then used to make management more scientific.

Features of management principles

The principles of management are universal or applicable to all organisations, flexible, have a cause and effect relationship, (e.g., given the degree of decentralisation, the degree of initiative can be predicted), aims at influencing human behaviour (i.e., reduce the variations in the human behaviour to make it more predictable in an organisational context), and all of them are of equal importance.

14 Principles of management by Henri Fayol

There are fourteen principles of management which Henri Fayol enunciated. This has wide acceptance and let us discuss them in detail.

1. Division of labour

We saw in the case how everyone was doing their own job. For example, playing flute, selling rooms from the front office, massaging feet, etc. When the major tasks and activities of the organisation is divided and carried out by different people in the organisation it is called division of labour.

2. Authority and responsibility coexist

If the manager is given the responsibility to run his hotel in a specified manner, he should be given the formal authority to do so and if he has been given the authority, he has to be responsible for the right and wrong things going on.

3. Unity of command

This means that one person should report to only one boss. This principle has undergone considerable changes, and we now have ideas like adhocracy or matrix organisations where a person may report to multiple bosses. However, the principle stands in good stead. Suppose you had two bosses, whom would you listen to? Who will make you follow some discipline, to whom will you be loyal? Will there be confusion and chaos and will you pitch one boss against the other and escape responsibility? Will there be duplication of work and overlapping

of efforts? Your candid answers to these questions will make the idea of unity of command clearer to you.

4. Unity of direction

If you have many guests checking into Green Path, we need many people to do the foot massage. This needs one plan and one way of doing it. Also it is preferable that the same people serve the welcome drink and carry the baggage to the rooms. If we do that, there will be better direction in the work since these works can be grouped under, receiving the guest, showing hospitality, giving them some physical comfort and then getting him settled in his room. This is creating unity of direction or one head one plan.

5. Equity

Equity is a combination of fairness, justice, and empathy. It does not mean absence of assertive action rather existence of it to ensure fairness for all. This does not mean giving all the same reward but rewarding according to one's effort. In fact, the idea of productivity-based incentives emanates from the principle of equity.

6. Order

In the case, we saw how the service staff was moving around smoothly and doing their job. You might have observed how things are kept in order in a Maruti Genuine Workshop as against a wayside workshop. Appointing the most suitable person for a job is also part of this principle of order. In other words, it means doing things systematically.

7. Discipline

Having clearly defined the superiors, subordinates, norms, procedures, rules, and regulations, adherence to these is an essential principle of management. This enhances productivity by increasing the harmony in the workplace activities.

8. Initiative

When the workers are encouraged to do things which are not strictly defined but which add to the productivity, cost reduction, etc. which are the objectives of management, the workers enjoy doing their job and efficiency and effectiveness increase just like the front office manager who took the initiative to negotiate full room tariff rather than yield to a request for discount.

9. Fairness

Fairness in remuneration and the way people are treated in reward implies reward and recognition keeping in mind the current market rate, the living needs of the workers, safe working conditions, medical facilities, wages being linked to the nature of the work and being reasonable in everything. It implies a dialogue between the employer and the employee. Modern industrial laws are society's means of ensuring fairness in organisations.

10. Stability

It takes time and effort to train a person to do a job and therefore keeping him stable in the job for a reasonable period is necessary to get returns on this investment. Further, it creates team spirit, smoothness, and enhances productivity. The worker will also be able to take more initiative because of the knowledge gained. In the modern context of frequent change, this may look like an antithesis, but we all know the impact of frequent changes. If it is inevitable, we must take actions to reduce the negative effects of it.

11. Scalar chain

The flow of information and exercise of authority has to flow in a chain from top to bottom. This does not mean a strict hierarchy, but it means the existence of a clear flow. This flow may be and should be circumvented during an emergency. This process enables one to coordinate effort, create smoothness, plan, amend plans, and solve problems faster and more efficiently.

12. Subordination of individual interest to general interest

Individuals draw their identity and livelihood from the organisation. Others also do that. Therefore, the organisational interest should supersede individual interest because the former affect the interest of many stakeholders.

13. Esprit de corps

It is about creating team spirit and harmony. It is about creating the internal cohesion among workers so that they feel as part of the organisation. In the modern days, we use terms like employee engagement, involvement, etc which flow from this principle. Fairness, equality, unity of command, etc help in creating esprit de corps. Face-to-

face communication is more important than written communication to do this.

14. Centralisation and decentralisation

Centralisation means concentration of authority at the top level and decentralisation means delegating it to the lower levels. While absolute centralisation or decentralisation is not feasible, the principle propagates finding the ideal balance keeping in mind the size, nature of business, experience of superiors and subordinates, dependability and ability of the subordinates, etc. This principle permits people to solve problems speedily and efficiently and enables taking initiative.

Self Assessment Questions

9. Unity of command means _____ person should report to _____ one boss.
10. Centralisation principle propagates finding the _____ between these keeping in mind the size, nature of business, experience of superiors and subordinates, dependability and ability of the subordinates
11. Order means doing things _____.

2.6 Management Process/Function, a Systems View

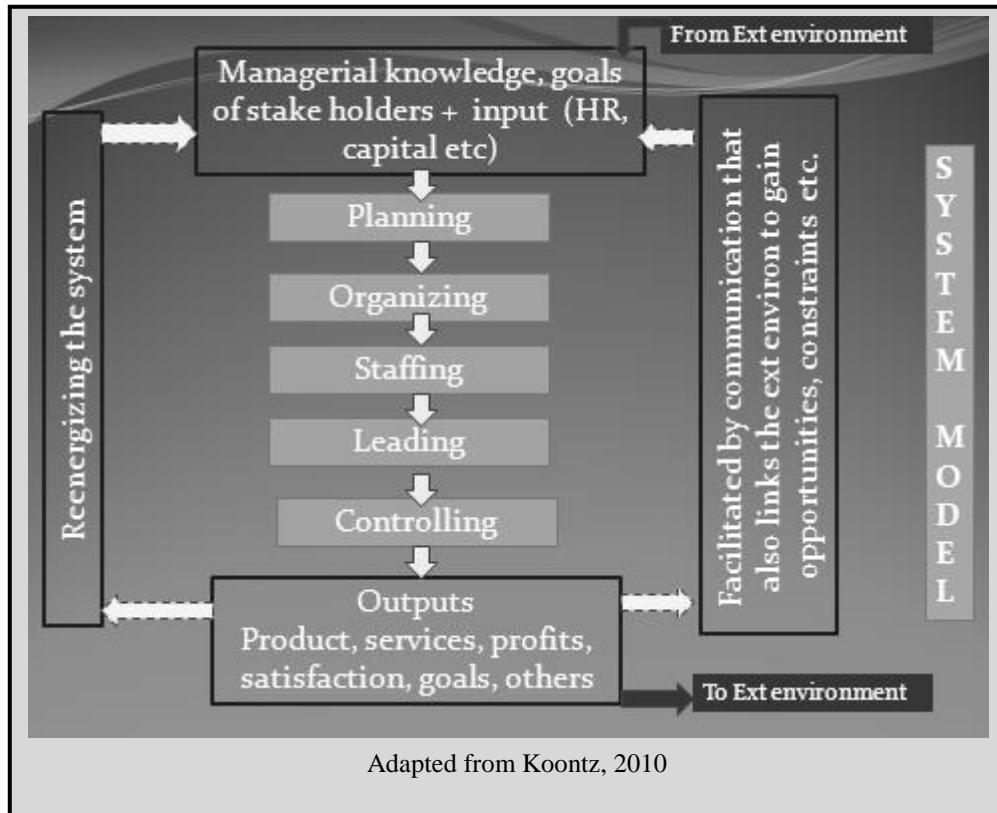
The term management process and management functions are interchangeably used in several text books though in strict terms they are not. Management has some functions. These are planning, organising, staffing, leading/directing, and controlling. In an organisation, these have to take place in a logical sequence, i.e., you cannot organise something before you plan or you cannot control something before it is planned, organised, staffed, and executed by giving leading/or by giving directions. So when the management functions are placed into its logical sequence, we call it a process. A process converts an input into an output. For example, the input for a cup of tea is the tea leaves, sugar, milk, and the cooking gas. The process is how much and when you add the tea leaves, milk, sugar, etc and the output is the cup of tea. The processes can differ. For example, you can add the tea leaves to the water and then bring it to boil or bring the water to boil and then add the tea leaves or bring the water to heat to about 70

degrees, add tea leaves, and then leave it for three minutes before serving, etc. Each of these will give you an output of tea but will taste different. Thus the quality of tea and its value can differ on the process which is the reason why we get different taste when the tea is made by different people. This analogy will make it clear to you that management process is extremely important for the output of an organisation.

Though mentioned elsewhere, it is prudent to repeat here that directing perhaps has a more authoritarian tone or a one way connotation and hence modern literature tends to use the term leading which implies that the leader, persuades a person to reach his/her goals by guiding and coaching him/her to achieve the organisational goals. The end result would be the same, but the process is different and more enriching if you lead someone rather than keep directing him.

Systems approach (or view) of management process implies connecting the management process to the external environment and viewing it as a system that is existing in the overall system. To understand it better, we will first discuss what a system is.

The term system is borrowed from life sciences. You can see how human body has many independent systems such as cardiovascular system, respiratory system, skeletal system, etc. Each of these is fairly independent yet interdependent. So, if you break your bone, you can rectify it without seriously affecting the other systems such as cardiovascular system. This is facilitated because of the independence of the skeletal system which requires input like calcium for its growth and output. But your cardiovascular system will not shut down just because your bone is broken; however, it is affected through bleeding. Your doctor gives you calcium to strengthen your bone and that tablet has to dissolve in the blood and reach the bones. What happens if the cardiovascular system refuses to carry calcium to the bones? So, the systems are also interdependent. If we understand this analogy, we can understand the business system more easily.

**Fig. 2.1: System Model of Management Process**

System approach to management enables us to understand management from a holistic perspective as given in Fig. 2.1. Through this approach, we realise that the inputs come from external sources and the outputs go to the external sources. For example, the material used in Green Path Hotels, the guests, the employees who do such good job are all inputs which come from outside and the great satisfaction, profit, and growth are the outputs. Some of this output goes to the society in terms of tax paid, overall economic growth, profit shared with the investors, prosperity created to the families of the employees, self esteem of the employees, etc.

A system exists in an environment. For example, the hotel exists in India, in a state, in the neighbourhood and therefore has to follow the laws of the land, the state, and the local laws. It has to purchase the input, i.e., raw materials and hire people. It is the information system which helps an organisation to do this. In other words, information system connects the organisation to the external system. The output also goes to the external

system in terms of taxes paid as discussed. Can all output go to the external system? Not really. As a system operates and creates an output, some of the input such as ambience, the rooms, the furniture, etc will deteriorate. The quality of employees also deteriorates. Hence, some part of the output has to be pumped back to repair or rejuvenate these. In technical parlance, we use the term 'negative entropy' to refer to this process.

We saw what an input is; an output is also a way of connecting it to the external environment through the information system. To do this optimally, the organisation has to be in alignment with the external environment, but this is not sufficient. If the input has to be converted into an output, i.e., service to the guests, it requires some process. First, this requires planning of the input such as rooms, their sale, maintenance, etc. Then you have to organise the various activities such as room-related activities, food-related activities, and ambience-related activities. These activities have to be manned or staffed. The staff has to lead, i.e., they should be given directions, coaching, guidelines, and encouraged to take decisions and initiative if the service has to be rendered. Thereafter, someone has to see that things are done as per the standards and if there is any variance, there should be a way of correcting it.

This is what we call Management Process (MP) and each of the components mentioned above are the functions. In simple terms, management process is the way of converting the input into an output through a logical sequence of major managerial functions of planning, organising, staffing, leading, and controlling.

Each of these functions, in turn, can have their own sub functions and systems. For example, the organising function could have marketing, operations, HR, and finance as its sub functions. Let us now look at this as a function to understand the entire gamut of systems approach. The marketing function, to be effective, needs some input and process so that it can fill the rooms and restaurants. This would then become another system. The input into this system of GreenPath Hotel would be sales staff, input about the room cost, room availability, marketing materials such as leaflets, videos, photographs, etc. Several activities such as advertising, personal selling, promotion, and price discounting would be required and would have to be done in some logical sequence which becomes the process. These

activities have to be planned, organised, staffed, led, and controlled and therefore, this gives birth to another system (call it marketing system). Marketing system is fairly independent, but it is interdependent on the finance system for the money for advertising and hotel operations to get a good feedback of the guests to ensure that the sales are repeated. Hence, though it is independent to an extent, it is interdependent on the other systems. Marketing can be perceived as a subsystem of the GreenPath Hotel organisational system. Perhaps, you can perceive an organisation as a network of systems and subsystems.

We have already seen what management function is and how they become the management process. We will be discussing each of these in different units in some detail and hence we are not discussing it here.

Importance of systems

In the earlier section, we discussed that an organisation can be perceived as a network of systems. Let us take the example of GreenPath Hotel. Let us assume that the mission of the hotel is to provide 'memorable experiences through leisure'. If you now look at the hotel as an overall system, we will find that the input for creating the said output or fulfilling the mission are the location of the hotel, providing access to the hotel through marketing, providing the rooms, creating the experiences such as unique reception, foot massage, live music, care of the service staff, the food service, laundry service, visits to various places, adventure activities, fun and sports, etc. Let us now take one of these. Let us say the adventure activity.

Since this hotel is near the sea, sailing, boating, surfing, etc are the adventure activities. There should be a system for the adventure activities. This adventure system of the hotel will be fairly independent and will have its own input, output, and a series of throughput or processes. The input will have boats, boatmen, and safety equipment and of course, access to the sea and most importantly, the guests who want to enjoy this. Most of these inputs are quite independent of the hotel but the guests are from the hotel and the adventure system is for the guests in the hotel. Thus, there is a symbiotic relationship between the hotel system and the adventure system.

Let us now build the adventure system (you can call it a subsystem of the hotel operation system if you want to call it that way). We have already seen the inputs of the adventure system. The output will be guest happiness, work for the local boatmen, profit to the hotel, and repeat customers. To create this output, there will be a series of processes such as creating a boat route, announcing the trips to the guests, booking the trips by the guests, confirming their booking, ushering the guests to the boat, seating them and briefing them on the safety and the routes, wearing the safety equipment and demonstrating the safety aspects, briefing by the guide, the boat moving along the predetermined route, providing photo opportunities, serving refreshments, return to the dock, seeking informal feedback about the ride, alighting safely, and ushering them back to the hotel (this is only an indicative list of the processes). These processes need some people. For example, the boatman, the person who ushers, the guide, etc. Some of the processes can be done by the same person. For example, guiding and seeking feedback, ushering to the ride, and ushering back. Based on the feedback, some of the processes may be reinforced or modified or in other words rejuvenate itself. Thus, the adventure system will consist of the inputs, the processes we discussed, and the output. Please remember that there will be several such systems in an organisation.

Since the systems take their own feedback and use this and other resources to self-rejuvenate as explained, the systems will have the ability to perpetuate itself if we do these well. Thus, the system can be ongoing. If the profits are falling and performance is low or high, it is easy to look at the various components of an organisation that we saw in Unit 1. Usually, any change or modification to correct a problem would start by looking at the lowest level, i.e., the task or activity. If that is in good order, we evaluate the system and perhaps by modifying one or two processes or increasing input, we will be able to achieve the output better. By large, in a well-running organisation, improvement is possible by evaluating the systems and the processes therein. You might have heard the Japanese concept of 'kaizen' or continuous improvement. This is done by continuously evaluating the processes and systems and making changes. When the problem is large, perhaps it lies in the way we connect the various systems which is what structure defines, and we may make changes in the structure. We will confine our discussion to this level.

In sum, we can say that the systems approach is very important because it helps us to do continuous improvement by perceiving the system as fairly independent. Even when the problem is large, we are able to analyse the organisation by analysing system by system and making changes where it is most effective. Hence, system is very important.

Perhaps you can understand it even better if you think of the Business Process Outsourcing companies or BPOs. Take the case of a BPO which is a call centre handling customer complaints. The process of customer complaint is well defined and along with the input and output becomes the customer complaint system, which is fairly independent. The input for this comes from the customer and the mother company. Some other company may do the processes on behalf of the mother company and then the output goes to the mother company and the customer. This outsourcing is possible because we can identify the independent nature of the system and then delink the process components only without creating any problem to the other systems in an organisation. I am sure the importance of systems is even clearer now.

Importance of management process

Management process is a term that is used at the macro level. It consists of planning, organising, staffing, leading, and controlling. We have already seen why we call it a process. If each of these is well defined, documented, and made independent, then the organisation can run smoothly and changes in people will not affect it much as the new person, who is replacing it, would be able replicate and then improve upon what the earlier incumbent was doing. Thus, the system becomes dependent on the input and processes rather than an individual. That is why the organisations which are system driven are smoother than organisations which are individual driven. If we have a good planning process which is well defined, then the planning will go on even if some smart manager in the planning function leave. Similarly, if leadership is inculcated in of the systems, then the organisation will not have to depend on one big leader. Thus, the business system gets stability and is able to grow.

Activity:

Visit any nearby factory and ask the shop floor Manager/Production Manager as to how the major manufacturing activities are divided among the workers.

Hint: Refer Section 2.5

Self Assessment Questions

12. When the management functions are placed into its logical sequence, we call it a _____.
13. System approach to management enables us to understand management from a _____ perspective.
14. The five management functions that figure in the management process in the modern literature are planning, organising, staffing, _____, and _____.
15. A system is connected to its external environment through _____.
16. The inputs of the adventure system as explained in the section are completely independent of the hotel system. (True/False)
17. Each process of the system would require different people to man. (True/False)
18. One of the benefits of looking at systems is that even when the problem is large, we are able to analyse the organisation by analysing _____ by _____ and making changes where it is most effective.
19. Organisations which are _____ driven are smoother than organisations which are individual driven.

2.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- According to F.W. Taylor, “Management is an art of knowing what to do, when to do, and see that it is done in the best and cheapest way”.
- Management helps in achieving group goals, optimum utilisation of resources, reduces cost, establishes equilibrium and leads to prosperity of society.

- Management thought began with the F.W.Taylor's Scientific Management Theory, Operational Management Theory, Behavioural Science Theory, Systems theory.
- Modern management thoughts are those of Peter Drucker, Edward Deming, William Ouchi, Thomas Peters and Robert Waterman.
- The fourteen principles of Henri Fayol are division of labour, authority and responsibility, unity of command, unity of direction, equity, order, discipline, initiative, fairness, stability, scalar chain, subordination of individual interest to general interest, esprit de corps and centralisation.
- The term management process and management functions are interchangeably used. Management functions are planning, organising, staffing, leading/directing, and controlling.
- Systems approach (or view) of management process implies connecting the management process to the external environment and viewing it as a system that is existing in the overall system.
- Management process is the way of converting the input into an output through a logical sequence of major managerial functions of planning, organising, staffing, leading, and controlling.
- If each of the management functions is well defined, documented, and made independent, then the organisation can run smoothly and changes in people will not affect it much.

2.9 Glossary

- **Management Function:** Management is about creating some valuable output from some input and for this, management has to plan, organise, staff, lead, and control. These are called management functions.
- **Management Process:** The management functions occur in a logical sequence and hence, it is also called management process. A process means a series of logical steps. The terms management functions and management process are often used interchangeably.

2.10 Terminal Questions

1. Define management.
2. Determine the importance of management.

3. Describe the evolution of management thought and explain the four principles of scientific management as proposed by Taylor.
4. What are the eight characteristics that are found in an excellent organisation? Which of these are applied in the case of Green Path hotels?
5. Explain the importance of principles of management.

2.11 Answers

Self Assessment Questions

1. Management
2. Individual
3. Management
4. Maximum, minimum
5. 4
6. Good working relationship, challenge
7. Z
8. 8
9. One, only
10. Ideal balance
11. Systematically
12. Process
13. Holistic
14. leading and controlling
15. Information system
16. False
17. False
18. System, system
19. System

Terminal Questions

1. According to F. W. Taylor, “Management is an act of knowing what to do, when to do, and see that it is done in the best and cheapest way”. Refer Section 2.3 for more details.
2. Management is important as it helps in achieving goals, reducing cost, establishing equilibrium etc. Refer Section 2.3 for more details.

3. Management thought evolved from scientific management, operational management, behavioural science and systems theory. Refer Section 2.4 for more details.
4. Some of the eight characteristics are high action orientation, customer orientation, managerial autonomy, employee orientation etc. Refer section 2.4 for more details.
5. Principles of management are important for better understanding, direction for training, guides research. For more details, refer Section 2.5.

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Unit 3**Planning and Decision Making****Structure:**

- 3.1 Introduction,
Objectives
- 3.2 Case Study
- 3.3 Definition and Importance of Planning
- 3.4 Types of Planning
- 3.5 Steps in Planning
- 3.6 Decision Making
- 3.7 Introduction to Models in Planning and Decision Making
- 3.8 Summary
- 3.9 Glossary
- 3.10 Terminal Questions
- 3.11 Answers

3.1 Introduction

In the previous unit, we dealt with the definition and importance of management, evolution of management thought, the principles of management, and the management process/a systems view of functions. In this unit, we will deal with the definition and importance of planning, types of planning, steps in planning, decision making, and introduction to models in planning and decision making.

This unit covers the nuances of planning to include decision making which forms the first two steps of management process, i.e., planning and organising (decision making is the culmination of planning and hence not included as a step). Planning is the process of accomplishing purposes. It is, in fact, a blue print of a business, how it grows, how it implements various actions required for growth, etc. Planning sets goals and therefore is the corner stone of management. The unit also discusses some of the well known frameworks to strategic planning. Planning should always end in a decision because that indeed is the purpose of planning. Hence, the unit discusses how decisions are made and covers the steps to do it.

Objectives:

- To understand the definition and importance of planning.

- To learn about the type of planning
- To describe the various steps in planning
- To outline the decision making process.
- To apply models in planning and decision making.

Learning Outcomes

After studying this unit, you will be able to:

- define planning and describe the importance of planning.
- categorize different types of planning
- describe the different steps in planning
- describe decision making
- explain the role of models in planning and decision making.

3.2 Case Study

Sambhavi Bakers

Sambhavi Bakers was one of the prosperous bakeries in Salem. People from neighbouring districts often came to Sambhavi to order cakes and other items for their weddings and parties. The brand name was well known in the neighbourhood. People used to suggest its owner, Rakhi to open her outlets in other districts so that they could avoid the travel. Rakhi smiled it away for several years. But as her children grew and she could get more time, she began to consider the suggestion more seriously. She had the good will, good knowledge of the product, and a loyal customer base from other districts. But she was not familiar with business in multiple towns, the problem of logistics, the need for scaling up the production without compromising her quality, the headache of finding places to locate these outlets, having managers to run it and who knows that they will not pilfer the money. She intuitively knew that she could open her outlets in three or four neighbouring districts where she is known well. She was wondering how to go about doing this.

Her daughter who was doing an MBA programme from the city college suggested her to make a detailed plan and see if it will work rather than sit and worry and talk about it all day. She was familiar with this word plan since she was a child but this is different. She had to actually do it. When she started her Salem venture, she had not made any formal plan

but started it in her house after the death of her husband primarily to earn additional money but as her popularity grew, she set up a larger shop in the town and used her old home and the area around it for production of her confectionery. She managed without a loan as she was in no hurry to grow. The production place and the shop was just a kilometre apart. If there was a problem in the production, she rushed there and sorted it out and if something was amiss, she could rush to the production, pick it up, and send the customer happy. At last, yielding to the wisdom of her daughter, which she hardly trusted, she decided to ask a local consultant to help her.

The consultant asked her several questions. What is the purpose of this expansion? Which customers do you want to serve? If it is the rich ones, in any case they come and buy from you here. Which are the towns she wants to have it and in what time frame does she plan to do it? What is the likely cost per shop and how will she find money? Who will run it and how will she account for it, deposit the money in the bank daily, pay wages, etc? Of greater worry for her were the latest bout of increase in the raw materials and fuel prices. She had been holding prices even at the cost of her margin and did not increase her prices over the last three years despite six to seven fuel price hikes and the increase in raw material cost over a 100%. Fortunately, her products were so unique that she had little competition and the workers were loyal and committed.

Why cannot she simply franchise it and stick to only production while letting someone else run the shops? Oh! Unthinkable that someone else sells her stuff and how she could be living without all those dotting and caring remarks by the customers who loved her product. The questions kept whizzing in her mind.

Finally the consultant told her that she needs to plan and decide on all these and that he would be back after a week. He said, "in the meanwhile, you should think of other planning issues so that next time we meet, we can draw out a final plan". As the consultant left, the word plan rung in her ears, yet she knew little about what she had to do though she knew that she was a successful baker without doing all these.....or had she done all these unconsciously?

3.3 Definition and Importance of Planning

Planning can be defined as a basic management function which enables one to select the purpose of the business, and how the resources should be mustered to achieve that purpose to include using the available resources optimally to do that. Planning implies goal setting for the organisation keeping in mind the constraints, opportunities, and threats as much as what the person or business which is planning wants to do. Thus, a plan is a blueprint for goal achievement, a blue print that specifies the necessary resource allocations, schedules, tasks, and other actions to achieve the purpose.

A goal is a desired future state that the organisation attempts to reach. Goals are important because an organisation exists for a purpose, and goals define and state that purpose. Goals specify future ends; plans specify the means to do that. In Unit 1, we saw the idea of vision and mission and therefore, we can state that the method we choose to achieve the vision and execute the mission is planning. Therefore, planning is about looking ahead.

Planning answers six basic questions in regard to any activity:

- What needs to be accomplished? What are the alternative routes to it?
- When is the deadline?
- Where will this be done?
- Who will be responsible for it?
- How will it get done?
- How much time, energy, and resources are required to accomplish this goal?

Planning is important for the following reasons:

- It helps the management to clarify, focus, and research their businesses or project's development and prospects.
- It provides a considered and logical framework within which a business can develop and pursue business.
- It offers a benchmark against which the actual performance can be measured and reviewed.
- It plays a vital role in helping to avoid mistakes or recognise hidden opportunities.

- In the business context, it guides the development of products, management, finances, and most importantly, markets and competition.
- It helps in forecasting the future and makes the future visible to some extent.
- It bridges between where we are and where we want to go.

Self Assessment Questions

1. Planning is a _____ management function which enables one to select the purpose of the business, and how the _____ should be mustered to achieve that purpose.
2. A _____ is a desired future state that the organization attempts to reach.
3. Planning helps management to clarify, _____ and _____ their businesses or project's development and prospects.
4. In the business context, planning guides most importantly _____ and _____.

3.4 Types of Planning

Planning can be classified from different perspectives. Figure 3.1 depicts the perspectives of planning.

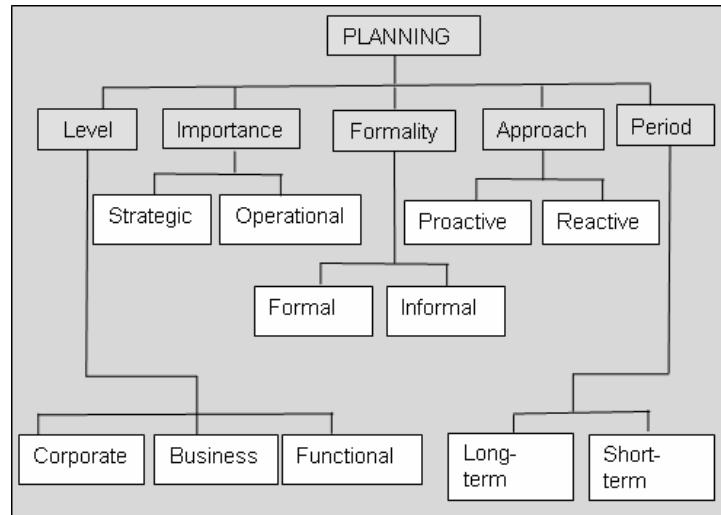


Fig. 3.1: Perspectives of Planning

Let us now discuss these different perspectives in detail.

Based on level (corporate, business and functional plans)

They cover long-term objectives of various businesses and the ways to do these. They are integrated and future oriented. Sambhavi may consider that they could enter into long-life-packaged bakery products, production of bakery raw materials, a chain food retail, etc. These are corporate plans. Of course, Sambhavi is small. Take an organisation like Tata. They have over 150 businesses under their corporate headquarters and the plan made for various businesses by the corporate is called corporate plan. Under the corporate plan, there would be plans how to muster the money, HR, etc. These are functional plans. They cover the sub-functions and are derived from the corporate plan and cover a segment of activity. Business Plan could also be plans to enter business and how this is done and is called business plan. Even a small organisation like Sambhavi Bakers will have a plan for handling money, marketing, recruiting people, etc. These are functional plans.

Based on importance (strategic and operational plan)

A plan that is important and future oriented and forms the hub of fulfilling the vision is, of course, very important and such plans are called strategic plans. As against this, short-term plans made for the day-to-day functioning such as production, purchase operation, etc are called operational plans. These plans cover the production, distribution, etc that sustain the markets.

Based on formal process (formal and informal)

When planning is done as per the steps and documented in a structured way, it is called formal plan and when this is missing it is called informal plan.

Based on approach (proactive and reactive)

The plans that we make anticipating an incident is called proactive plans and something that we make as a consequence of an event or action of the competition is called reactive plans. Reactive plans bring us back to the balance after we have lost it while the proactive plans give us initiative. In other words, we can say that reactive plans are about survival while proactive is about growth.

Long, medium, and short-term plans

Every organisation is required to fulfil some need of the society. If you were the chairman of PWD, your purpose would be road building and if you were

the owner of Sambhavi bakers, your purpose would be to provide good bakery items. In the latter case, it could be to the people from all over the state, a few districts, etc and the plan would further cover the short term, medium term, and long term from a time perspective. Usually, we say that short term implies one or two years, medium term up to 5 years and long term from 8 to 20 years. The time frame cannot be strictly defined without keeping in mind the peculiarities of the segment and the product or service that we are providing. For example, for road construction, the long term could be as much as 15 or 20 years while this may be 8 or 10 years for Sambhavi bakers because it takes a long time to build roads as against building bakery outlets.

Self Assessment Questions

5. Based on importance, planning can be _____ and _____.
6. Purpose of proactive planning is to gain _____.
7. There are long, medium, and short-term plans. There is a standard rule on the length of years for these. (True/False)
8. Informal plans are made by informal business sectors (True/False)

3.5 Steps in Planning

Figure 3.2 depicts the steps in planning.

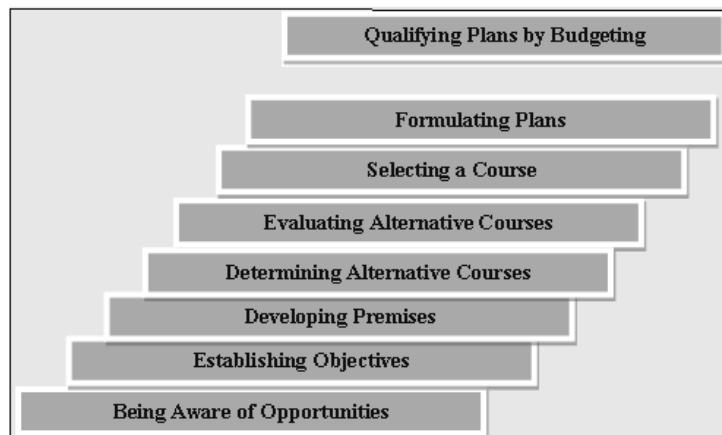


Fig. 3.2: Steps in Planning

Let us now discuss these steps in detail.

- ***Being aware of opportunities*** – This means being aware of the customer needs, market, competition, our strengths, and weaknesses. For example, Sambhavi being aware of the customer need to have the outlets in other districts. This is usually done through market research, competitor analysis, and analysis of own strengths and weaknesses through a formal process called SWOT analysis (Strength, Weaknesses, Opportunity, and Threat).
- ***Establishing objectives*** – This implies establishing what we want to be and what we want to accomplish and when and in relation to which market segment. At the highest level, this is done through vision and mission building. This process takes place at business level, project level, etc also. For example, establishing the vision and mission of Raju's carpenter shop which we did in Unit 1 or establishing the objectives of each store that Sambhavi intends to open (each of which is a project).
- ***Developing premises*** – Deciding on the environment (both external and internal) in which our plans are going to operate. Business has external environment created by political factors to include legislation, legal framework, etc. For example, foreign companies cannot invest directly in multi-brand retail in India. There can be economic reasons such as general slowdown in which case the shoppers to the bakery may decrease, there can be factors such as nuclear family and eating out habit which helps Sambhavi to have a greater market, etc. The external analysis is done through a process called PEST analysis (Political, Economic, Social, and Technological). Some add culture as an additional separate factor while others include it in Social. PEST is a framework and helps you to think systematically through the factors that could affect. In relation to the business mission, each of the factors may become a threat or opportunity (or of course may be neither).
- ***Determining alternative courses*** – Identifying the most promising alternatives to accomplish what we want to. This is done by combining the information about the opportunities, threats, and own strength and weaknesses. This is done through another framework called TOWS matrix which we will handle in some detail in a subsequent section in this unit.

- **Evaluating alternative courses** – Comparing the alternatives to find out which of them will meet our goals and at optimal cost and profit keeping sustainability into mind.
- **Selecting a course** – Selecting the course that we want to follow.
- **Formulating plans** – This implies making plans that support the course of action by buying equipment, space, planning the type of HR, etc.
- **Qualifying plans by budgeting** – Identifying the cost involved, how the financial resources will be mobilised, what is capital expenditure, what is operational expenditure, the working capital, etc.

Self Assessment Questions

9. The term being aware while describing the steps of planning means knowing the customer needs, market, _____, our strengths and weaknesses.
10. Deciding on the environment (both external and internal) in which our plans are going to operate is called _____.

3.6 Decision Making

Decision making can be defined as the way of choosing from the alternatives. Since no action can be taken without a decision, planning will not go any further without a decision and hence, decision making is an integral part of planning even if it is done quickly or with little thought. The process leading to decision can be thought of as

- 1) Premising (or make a premise on what is right or wrong and acting on it),
- 2) identifying alternatives,
- 3) evaluating alternatives in relation to the goal sought, and
- 4) choosing an alternative, i.e., decision making.

Rationality in decision making

- **Rational decision making** – If we take a decision by considering all the factors, data, and their relative impact, preferably giving it a weight, the decision would be called a rational decision. To take a rational decision, Rakhi would need the customer base, purchasing power, total customers available, the areas where they live, cost of transportation, labour cost, labour unions in other places, the political influence, competitors, and many more such data. If she can get the information on

all these, give it a relative weight based on some scientific method, and then take a decision, it becomes a rational decision.

- **Bounded rationality** – A manager cannot get all the information before he/she takes a decision and often his/her decisions are coloured and biased. Hence, he/she often takes decisions which are not entirely rational. This is called taking decisions under ‘bounded’ (limited) rationality. For example, Rakhi would soon take a decision fully knowing that there are several risks and several things that she would have liked to consider but is unable to do practically.

Development of alternatives

Let us say that Rakhi went on to develop on her own alternatives or different ways of doing the job. To do this, first she should decide on the limiting factors. Limiting factors are those factors that are major obstacles to an alternative. For example, if she cannot raise more than Rs. 50 Lakh in loan, the number of outlets she can open will be one or two only. Then, she has to wait for her financial situation to improve. By recognising the limiting factors we are able to narrow the alternatives.

Evaluating alternatives

Our next effort is to evaluate the alternatives.

- To evaluate the alternatives, we may use 1) quantitative method or 2) qualitative method. Quantitative method means using figures and data and in qualitative method, we use opinions and evaluative statements of self and others.
- Another method is marginal analysis. Here we find out the increase in output for every unit of increase in input. It can be raw materials, labour hours, etc.
- Cost effective analysis is the third method used popularly. This means arriving at the least cost way of achieving a goal or getting the best value for the given expenditure. For example, franchising may be a cost effective way of expanding Sambhavi to other districts.

Selecting alternatives

To select an alternative, managers use three methods. They are:

- **Experience** – Managers would have gained experience in doing a thing or found out from his/her or others' experience that a particular method works. For example, Rakhi would know that unless the bakery items are

absolutely fresh, it will not taste the same and she might lose the good will. This is through her experience.

- **Experimentation** – Some take a decision by experimenting. She might start an outlet in one district, find that she is not able to maintain freshness. Therefore, she decides on a delivery of items each morning and evening and still finds that the freshness is a problem. She, then decide to set up another production unit close to the new outlet. This is the experimentation method.
- **Research and analysis** – When we handle expense items and proposals, we cannot depend on our experience or experimentation. For example, we cannot rely on these if we were to make a car like Nano and sell it. In this case, the company will do a market research about the car, the price acceptable to the public, the distribution locations required, etc and then take a decision. This is selection of alternatives by research and analysis.

Programmed and Non-programmed decision – If a decision is highly structured, it can be programmed. For example, deciding on a housing loan can be based on calculating the EMI of housing from two banks and then taking a decision. But where to build the house may not be so structured as the likes and dislikes of your family may be factored in and it is called non-programmed decision. Top management usually takes non-programmed decisions.

Decision making under certainty, uncertainty, and risk

- In the case under consideration, Rakhi, for example, does not have answers to so many questions, yet she would take a decision. This is called deciding under uncertainty. While taking a decision under uncertainty, we usually use experience, intuition, and often experimentation rather than research and analysis.
- Some of the decisions can be taken under certainty. For example, you can take a decision after knowing the rent of the place and the contract details.
- **Decision under risk** – Risk is not the same as uncertainty. Risk can be estimated much like an insurance company estimates the risk of a young person, old person, one with a heart ailment, etc. Since risk can be estimated, we can hedge the risk.

Creative decision making

In a complex world, we have to take creative decisions more so when there is change and uncertainties. Let us see how we do this.

- **Incubation** – To make creative decisions, first we allow a problem to simmer in our mind in the unconscious. You must have observed how an important question remains in your mind without an answer for some time and then you get an answer to it all of a sudden. This happens because you incubate the problem enabling your brain to connect the various aspects and then find a possible solution.
- **Intuition** – After you have incubated it for some time, you get an intuition, i.e., what is in the unconscious is connected to the conscious. There is no clear explanation to this process but in decision making, we accept that this happens in many cases.
- **Insight** – Insight is something concrete about the underlying nature of the problem and its solution comes to us often when we are not thinking of the problem. Your brain connects the need of a solution with the intuition and gives you possible answers. They are untested and may or may not work. Insight is the result of hard work where you have thought of many variables, permutations, and combinations.
- **Logical formulation or verification** – Here we verify the insight and see its viability and then take a decision.

These are some of the ways in which we take decisions and since managers are paid first and foremost to take decisions, it is important that we build on this basic input and fine tune our creative decision making skills.

Self Assessment Questions

11. The process leading to decision can be thought of as _____, _____, research and analysis.
12. Junior managers have to take non-programmed decisions very often (True/False)
13. Incubation of idea is an excellent start point for _____.

3.7 Introduction to Models in Planning and Decision Making

Consultants and researchers have developed a number of frameworks or matrices to enable planning and decision making especially for strategic planning and decision making. Let us see some of these.

a) TOWS matrix - A modern tool for situation analysis

SWOT analysis, i.e., analysis of the company's Strength, Weaknesses, Opportunities, and Threats, was a popular model. This, however, fails to look at it in a combined way. For example, how does the opportunity of not having a bakery similar to Sambhavi in other districts (an opportunity) combine with Sambhavi's strength? To service the customers in these districts, you need to have good logistics which Sambhavi does not have (weakness). Combining these, we can say that Sambhavi can give up the opportunity because of the weakness or make up the deficiency and make use of the opportunity. So it can develop the logistic capability or collaborate with another company which has good logistic capability in food and serve the customers from other districts. This is what TOWS matrix does. T stands for Threat, O for opportunity, W for weakness and S for Strength. It starts with T because usually it is the threat that makes us sit back and plan (this is not to say that being reactive is ideal).

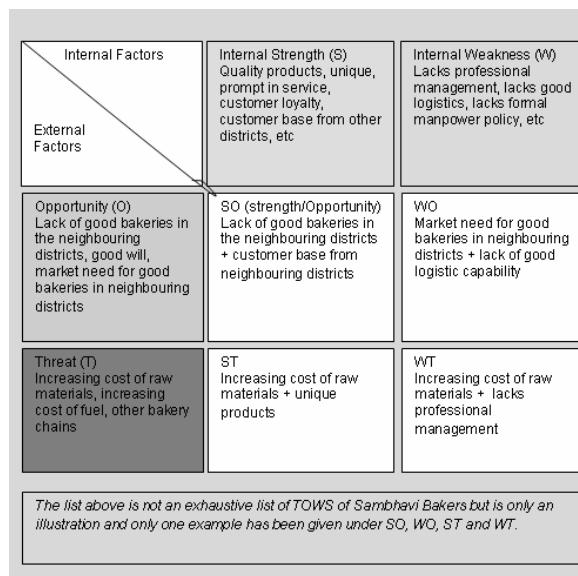


Fig. 3.3: TOWS Matrix of Sambhavi Bakers

If we look at the matrix depicted in Fig. 3.3 objectively, we can conclude the following:

- **SO** – When strength and opportunity match, the possibility of success is the highest. Thus lack of good bakeries in the neighbouring districts which is an opportunity when combined with the customer base from the neighbouring districts becomes a winning combination.
- **WO** – In this combination, one has to do something to overcome the weakness. Market need for good bakeries in the neighbouring districts is high but Sambhavi has to overcome its deficiencies in logistic capability if it has to leverage the opportunity.
- **ST** – Increasing cost of raw materials is a worry but since the products are unique and not cost sensitive, the business can take on the challenge though it needs to look at ways of reducing the threat by looking at alternative raw materials, innovation in ingredients, better negotiation with the suppliers which is possible if the quantity of purchase increases, etc.
- **WT** – Increasing cost of raw materials demands scientific purchase, inventory levels, and negotiation but Sambhavi does not have a professional management to do it which increases the negative impact of the threat.

b) Portfolio matrix or BCG matrix

This matrix to aid planning and decision was developed by Boston Consulting Group and hence the name BCG. A company enjoys market share in relation to other companies in the sector. (For example, Sambhavi has a good market share in relation to other bakeries.) The industry itself may be growing fast or slow. For example, with the nuclear family and eating out habit increasing, the growth of bakeries in India has been high. We can now create a matrix as (Fig. 3.4) that explains this relation.

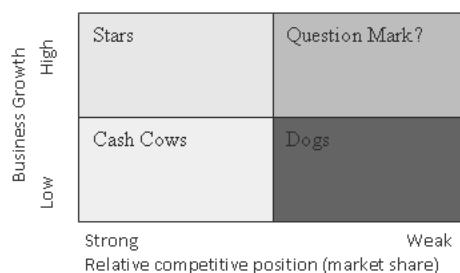


Fig. 3.4: BCG Matrix

The above matrix is used for deciding on the portfolio of products. Stars means that the business growth is high and the company's relative market share is strong. Stars can expand without much worry like Sambhavi. Question mark on the other hand is strong business growth with weak market share which means to grow or not to grow has some doubt or is a question mark. You can take an expansion path or focus on stabilising your existing business. You are a cash cow when the bakery business growth is low but your company market share is strong. This means you are making a lot of money and you can keep doing it. When both are weak, then you are like a dog (dog is a term that westerners use to indicate a pathetic condition). You cannot expand and probably, it makes sense to sell off the business. This matrix gives you a general frame work to plan and take a decision on expansion, contraction, stabilisation, etc.

c) Porter's five forces model

Porter designed a five forces model to evaluate, plan, and decide on a strategy. The same is shown in the Fig. 3.5 diagrammatically.

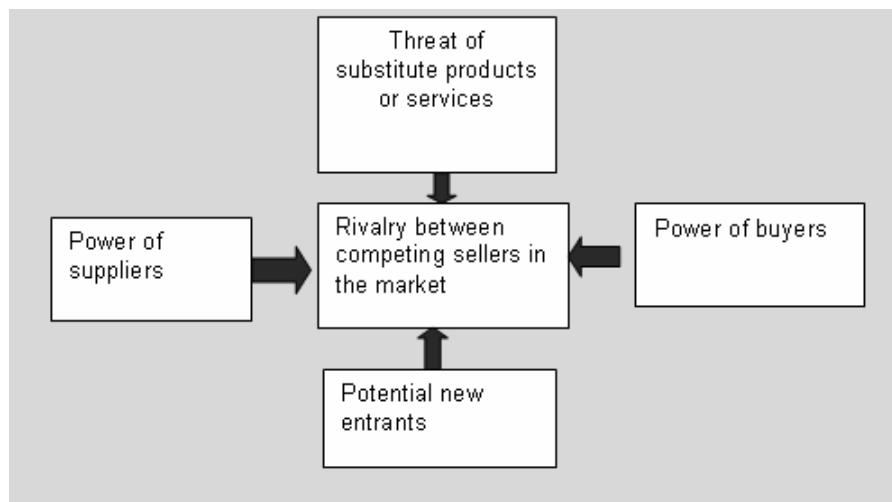


Fig. 3.5: Porter's Five Faces Model

The five forces are

- 1) competition among companies which indicate the degree of competition, for example, are there a lot of bakeries of this nature in Salem and neighbouring districts;

- 2) threat of new companies entering the market, which is high in this case since you don't need any special capability except the capability to make good bakery products,
- 3) the possibilities of using substitute products, for example, can people use other eatable products than bakery products if they choose to,
- 4) bargaining power of the suppliers, for example, if there are no good raw material suppliers for a bakery like Sambhavi, the purchase has to be made anyway but if there are many good raw material suppliers, then Sambhavi can bargain better, and
- 5) the bargaining power of the customers which is self explanatory.

Based on this analysis, companies plan one of the following:

- **Cost leadership** – In our case, Sambhavi Bakers is not following a cost strategy. But there could be other bakers who could be doing that and they could keep the product portfolio low, become bulk producers, and therefore, gain economies of scale, etc.
- **Differentiation** – Sambhavi is a differentiator as it produces unique products which the competitors are not able to imitate. Since customers from the neighbouring districts are willing to drive all the way to buy the products, we can conclude that customers will not be averse to paying more for the products of Sambhavi. As a result, it is easy for new entrants to enter the market and directly compete with Sambhavi. It is not easy for the customers to substitute it either. The suppliers have high bargaining power but to offset the cost of raw materials, Sambhavi can, if required, increase the price.
- **Focus strategy** – To thrive in the market, Sambhavi could focus on a niche area. For example, they could focus on birthday cakes only and make nothing else and create a niche in the market as a birthday cake provider.

Porter's five forces model is thus used to take a decision on the desirable strategy that one should plan and decide on.

d) **Blue Ocean**

In the TOWS matrix we discussed how companies can use their strength and reduce their weaknesses. In Blue Ocean strategy, its authors suggest that it is better that one uses the strength and enter the untouched

opportunities rather than try to make up strengths and enter a competitive environment or try to make up its weaknesses and enter into a competition. The proposition is that the companies should look for virgin areas of opportunities that match its strength and enter uncontested markets. Uncontested areas are called Blue Ocean as opposed to Red Ocean which is the contested areas. Porter's 5 forces suggests that the companies have to make a strategic choice to beat the competition by choosing to be cost leader and differentiator or follower of focus strategy while Blue Ocean suggests companies should enter uncontested areas and that they need not make a strategic choice of entering a contested areas.

Thus, we have seen that each of the model helps in planning by looking into the opportunities and the available alternatives.

Activity

Consider the case of Raju's furniture (Unit 1) and create a TOWS matrix.

Hint: Refer Section 3.7

Self Assessment Questions

14. If you are a cash cow, you should expand at a fast pace. (True/False)
15. Blue Ocean strategy means entering a competitive market with huge resources. (True/False)

3.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- Planning is a very basic step in business. The process attempts to answer several questions such as the business one wants to enter, the strategy that one should follow taking into consideration the external factors, and the competitive position in the market. Thus, planning is an essential step that cannot be skipped.
- Planning ensures that the scarce resources deployed are not wasted and that it is utilised to the full.
- In order to do this efficiently, there are a lot of models such as TOWS matrix, BCG matrix, Porter's five forces model, Blue Ocean, etc.

- While these give us the framework to plan, we have to take a decision. Typically, the process of decision is about identifying the alternatives and then making a choice from these alternatives.
- Planning without decision making is ineffective and the managers are paid to plan and decide and hence, the importance of learning the nuances of doing it well.

3.9 Glossary

- **Blue Ocean:** Those segments/products and services not served by a business.
- **Bounded Rationality:** Taking a decision which is not entirely rational because of lack of information on issues.
- **Planning:** Process which enables one to select the purpose of the business, and how the resources should be mustered to achieve that purpose to include using the available resources optimally to do that.
- **Red Ocean:** Those segments/product and services served by several business leading to traditional competitive environment

3.10 Terminal Questions

1. Describe the importance of planning?
2. Diagrammatically illustrate the types of planning.
3. Describe the importance of bounded rationality in decision making giving a specific example.
4. Describe the steps in creative decision making.
5. Explain Porter's model and how it helps in decision making.

3.11 Answers

Self Assessment Questions

1. Basic, resources
2. Goal
3. focus, and research
4. Markets and competition
5. Strategic, operational
6. Growth

7. False
8. False
9. Competition
10. Developing premises
11. Experience, experimentation
12. False
13. Creative decision making
14. False
15. False

Terminal Questions

- 1 Planning provides a logical framework within which a business can develop. Refer Section 3.3 for more details.
- 2 Planning can be classified based on level, importance, formality, approach, time period. Refer Section 3.4 for more details.
- 3 Bounded rationality is important for managers to take a decision when all information is not available. Refer Section 3.6 for more details.
- 4 The steps involved in creative decision making are incubation, invitation, insight, verification. Refer Section 3.6 for more details.
- 5 Porter's Model help in evaluating, planning and deciding a strategy. Refer Section 3.7 for more details.

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Unit 4**Organising and Staffing****Structure:**

- 4.1 Introduction
 - Objectives
- 4.2 Case Study
- 4.3 Definition and Importance of Organising
- 4.4 Types of Organisations
- 4.5 Organisational Division and Span of Control
- 4.6 Types of Departmentation
- 4.7 Staffing and its Importance in the Organisation
- 4.8 Line and Staff Concept
- 4.9 Staffing Concept and HR Management
- 4.10 Summary
- 4.11 Glossary
- 4.12 Terminal Questions
- 4.13 Answers

4.1 Introduction

In the previous unit, we dealt with planning and decision-making. We discussed the importance and types of planning and the steps in planning. We also analysed introduction to model in planning and decision making.

Once a plan evolves, it is very important to implement the plan because plans without actions are a taboo in the business world. In order to implement, one has to have an organisational set up. Organising is centred on the concept of specialisation and division of work. By dividing and grouping on the basis of similarity, we arrive at organising. Organising is thus an effective and necessary tool to implement the plan. Some are of the opinion that if the leadership and people are good, an organisation can run even without organising. Well, that may be true in some cases but imagine what the organisations would be missing if they had created a combination of good leaders, people, and organising. So, let us not miss out on the value of organising. To run any organisation we need man and machines. Machines may be computers in knowledge work or mechanical instruments or devices in a factory, which are manned. Besides various other activities

of the organisation such as managing, planning, making strategy, etc., people are also needed. To find people and to put them into the job is a scientific process. In fact, the entire gamut of HR and HR management is about staffing the organisation to get maximum productivity from people. Most young managers are involved in staffing more than in planning and organising and therefore the need to know this thoroughly.

Objectives:

- To understand what an organisation is and its importance for business.
- To learn about the types of organisation
- To understand organisational division and span of control
- To learn about various types of departmentation
- To understand staffing and its importance in the organisation.
- To understand the line and staff concept
- To understand the delegation and authority
- To highlight the linkage between staffing concept and Human Resources Management

Learning Outcomes

After studying this unit, you will be able to:

- define organising.
- describe the importance of organising.
- explain organisational division and the span on control.
- define staffing and describe its importance.
- differentiate between line and staff concept.
- identify the relation between delegation and authority
- describe the linkage between staffing and hr management.

4.2 Case Study**Rander Corporation**

Rander Corporation started as a small entity in 1949, in Agra handling leather and footwear. The business was very profitable and it ventured into several other areas by 1970. In 1970, it entered into IT and IT enabled service, went for an initial public offering and expanded into infrastructure and airlines. It was started with a simple structure by Mr. Randhir Singh. His son who was a graduate from a reputed business

school in US took charge in late 2005; but in the meanwhile the corporate had expanded in every direction. Some consultants advised him to sell off the unrelated business while others said that it can be managed by organising appropriately. They strengthened their argument with examples of so many companies in the world, which had unrelated businesses.

Meanwhile, Rander Corporation moved its corporate headquarters to Gurgaon in the National Capital Region and organised it into IT, IT enabled service, infrastructure, airlines, leather, and exports. It engaged a CEO for each of these. But this did not solve its organisation problem. The organisation of IT and IT enabled service was quite different from others. The innovative and relatively free employees and managers of IT had spun off a social networking community, which started growing day by day with its own variations to include free e-mail service, semi-paid matrimonial and they also ventured into a job portal. It had a large number of projects and therefore the project teams would consist of people from marketing, finance, operations, and design departments. It had also entered into exporting anything and everything from leather, finished leather goods, cashew, tea, spices, diamonds, fish, fruits, etc. to various countries and each of these countries had different laws and agents. The airline business was another ball game. The government control, fuel prices, and the level of leasing jobs required a large number of specialists and the CEO had to keep a close watch of all these. Any small incident could blow up into a major issue. The customers were also highly discerning and almost every government department had control over it. The infrastructure was a greater headache with bidding, problems of land acquisition and delayed payments by the government agencies and high level of investment, which required mobilising huge funds. After several rounds of discussion with the consultants, the company had the following doubts:

- Should it break away from the convention and adapt different types of departmentation and different structures for each business?
- Could it follow a strategic business unit concept?
- Does it need matrix organisation in some places?

The questions on organising appeared endless.

4.3 Definition and Importance of Organising

The term organisation is used in a generic sense by many to mean anything from a company such as Vodafone to a cultural organisation. The word organising often refers to conducting a party or meeting. But for practising managers, the term organisation means the formalised and intentional structure of roles and positions.

Organising is a function of the management that follows planning. In order to execute the plan and move towards the goal of the business or any concern, several activities have to be performed. These include human activities, activities by machines, financial activities, marketing of the products and services, etc. Thus we get results only when all the resources are put into action through numerous activities. The term organising means doing these activities in a logical and systematic way so as to get the maximum results. By implication, it also means communicating between various activities to achieve co-ordination. Thus, the organising function helps in achievement of results. According to *Chester Barnard*, “*Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility.*” Hence, a manager always has to organise in order to achieve results.

Organising can thus be described as:

- Identifying and classifying of required activities.
- Grouping of activities to attain the objective.
- Assigning each group to a person (or manager) with the required authority to supervise, execute, and to be held responsible for the output.
- Providing co-ordination horizontally (at the same level in the concern) and vertically (between higher and lower organisational hierarchy) by creating an order.

Thus, organising is about creating an intentional structure of roles. It means that the activities that people do and the roles they occupy are deliberately created.

Organising is important for the following reasons:

- **Creates roles** – Organising enables a business to create roles or in other words, it links a person to an activity with its own set of

responsibility. Thus an activity and a person who must perform the activity are linked.

- **Facilitates specialisation** – Through organising, all the roles can be categorised into cohesive wholes based on similarity. Thus, the activities along with the roles can be divided into units and departments. This division helps in bringing specialisation in various activities of the business and thus enhances efficiency.
- **Clarifies authority** -- Organisational structure helps in clarifying the role positions of every manager by defining the powers of each role, the reporting structure, with whom a manager should communicate and coordinate so that all the activities run smoothly such that the productivity increases.
- **Enables co-ordination** – By defining the above relationship, organising automatically brings co-ordination in activities and ensures mutual co-operation among individuals (roles). It prevents role conflicts and if it exists, it gives a method to redefine the roles and the relationship to remove such conflicts.
- **Facilitates effective administration** – Organising is helpful in defining the job positions. Thus, it enables a concern to administer the entire system smoothly.
- **Supports growth and diversification** – It facilitates the growth of a company by creating functional and homogenous entities of business with clear demarcation and yet clear linkages. Thus, organising facilitates creating well defined structures without which a concern cannot grow.
- **Provides sense of security** – It gives a sense of security to the employees and managers by clearly indicating their areas of control and its relative importance.
- **Defines power, authority and responsibility, delegation and decentralisation** – Organising defines the power of each manager and thereby not only prevents abuse and conflicts. It also defines the authority and the responsibility. By doing so, it makes a person accountable for a task and thus facilities goal setting, goal achievement,

and reward management. It also enables delegation and decentralisation. In fact, delegation and decentralisation will not be easy without a clear organisational structure.

- **Enables change** – Organising facilitates change. For example, if a new technology has to be introduced, it is possible to restructure the organisation and create a new and more effective way of organising to make best use of the technology. This is true for changing a process or any other change.

Self Assessment Questions

1. Organising enables a business to create roles by linking a person to an _____.
2. Activities along with the roles can be divided into units and departments. This division helps in bringing specialisation in various activities with a view to enhance _____.
3. Delegation and decentralisation will not be easy without a clear _____.
4. One of the ways to facilitate change due to introduction of new technology and process is to _____ the organisation.

4.4 Types of Organisations

Organisations are generally divided into formal and informal organisations on the basis of relationships.

Let us now study formal and informal organisations in detail.

- **Formal organisation** – In formal organisations, the relationships, roles, norms, and responsibilities are defined and are usually reduced to writing. Consequences of achieving and not achieving the goals are also defined as the rules of interacting vertically and horizontally.
- **Informal organisation** – It refers to a network of personal and social relationships which originates within the formal set up spontaneously. This relationship is built on likes, dislikes, feelings, and emotions. Therefore, social groups existing within the overall organisational structure can be called as informal organisations.

The difference between formal and informal organisations is the conscious effort made in formal organisation and the lack of it in the informal organisation. Informal organisation is not based on any rules and regulations though these organisations often create their own norms, rules, and regulations on mutual consent for achieving their own goals. E.g., a biking group in a company, which goes biking every Sunday, might create its own rules for dress, conduct, frequency, leadership, etc.

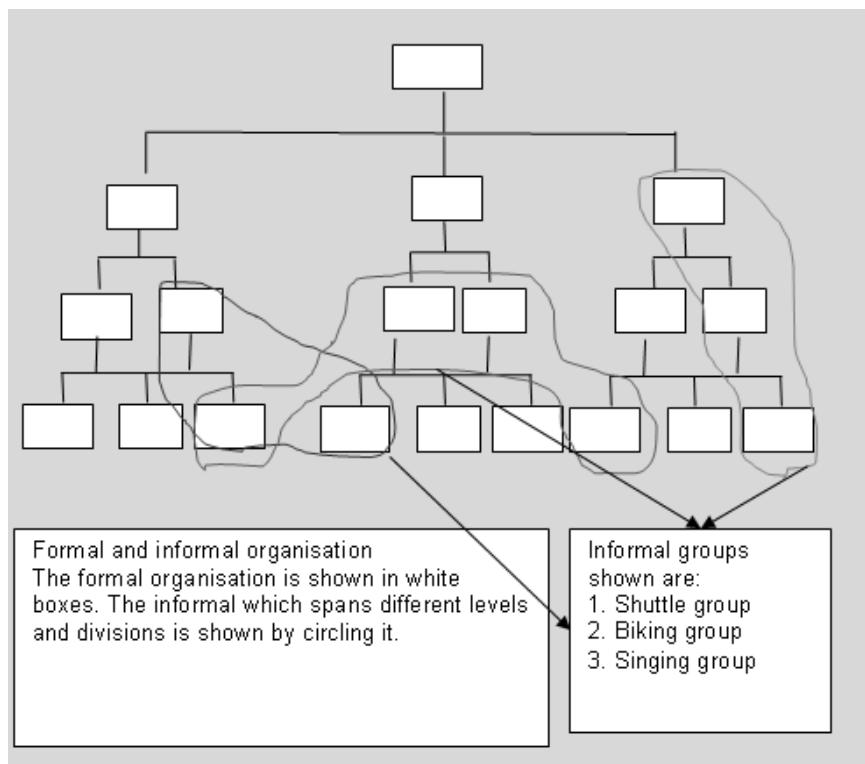


Fig. 4.1: Formal and informal organisation

Fig. 4.1 depicts the formal and informal organisation that can be found in any company.

Let us now study the relationship between formal and informal organisations.

Relationship between formal and informal organisations

For a concerns working both formal and informal organisation are important. Formal organisation originates from the set organisational structure and informal organisation originates from formal organisation. For an efficient

organisation, both formal and informal organisations are required. They are the two phases of a same concern. Formal organisation can work independently. But informal organisation depends totally on the formal organisation. Formal and informal organisation help in bringing efficient working organisation and smoothness in a concern. Within the formal organisation, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. When several people work together for achieving organisational goals, social tie ups are built and therefore informal organisation helps to secure co-operation by which goals can be achieved smoothly. Therefore, we can say that informal organisation emerges from formal organisation and synergises it. E.g., a biking group may consist of people from different departments but because they create a bond outside the organisational structure, they can interact with each other in a better way inside the organisation's formal structure.

Self Assessment Questions

5. For an efficient organisation, both _____ and _____ organisations are required.
6. An informal organisation exists outside the organisation. (True/False)
7. The difference between formal and informal organisation is the _____ effort made in the former and the lack of it in the latter.
8. In every formal organisation, informal organisations should be encouraged because it creates _____ with the formal organisation.

4.5 Organisational Division, Span of Control, and Organising Process

While organising, we group similar activities as we saw in earlier sections. When a substantial amount of similar activities are grouped we call it a division. E.g., finance division, which may have several sections such as accounting, recovery, internal audit, payroll, etc. or marketing division with sections handling sales, branding, product development, etc. The term department is a loosely used term to indicate the same. Finance department, marketing department, etc. are often used to mean the same. A department or division indicates a high degree of homogeneity and a high

degree of difference from other divisions and have its own head with considerable autonomy in decision making and accountability for output in terms of targets to be achieved.

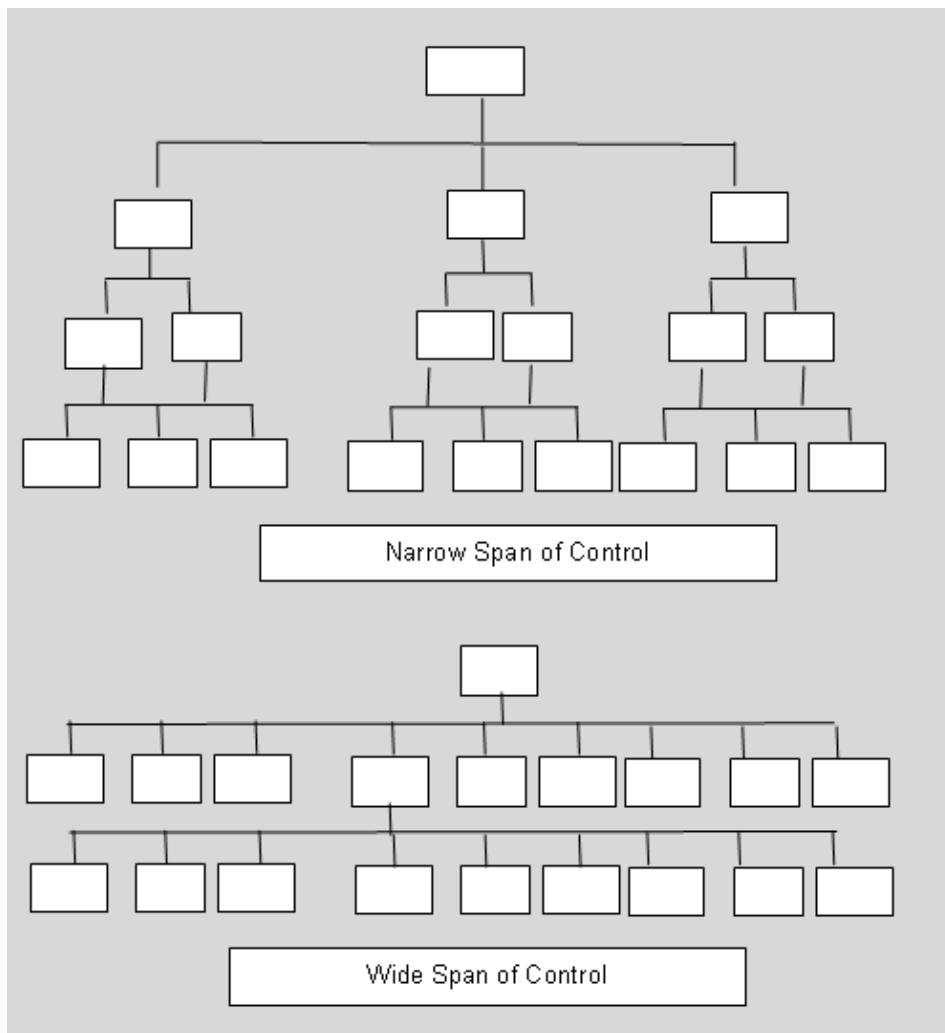


Fig. 4.2: Span of control

A department may have several homogenous sections of managers, junior managers, and employees. This leads us to the questions of how many employees should work under a manager, how many managers should work under a senior manager, then a division head, etc.

The term span of control indicates the number of employees or managers who work under one head. Span of control may be narrow or broad as seen in Fig. 4.2. When a very few people report to a head and a chain is made that way upward, then it is called narrow span. Thus in a narrow span, a department may have three or four sections, under each section head, there could be another two or three sub section and under each sub section there could be nine or ten employees. In a wide span there may be 20, 30, or more subordinates under one head. Table 4.1 depicts the advantages and disadvantages of narrow span and wide span.

Table 4.1: Advantages and Disadvantages of Narrow Span and Wide Span

Narrow Span		Wide Span	
<u>Advantages</u>	<u>Disadvantages</u>	<u>Advantages</u>	<u>Disadvantages</u>
Close supervision	Superiors tend to get too much involved in the work of subordinates	Forced to delegate	Overloaded superiors may become decision bottlenecks
Close control	Many levels of management	Clear policies must be made	Danger of superior's loss of control
Faster communication	High cost Excessive distance between top and bottom level	Subordinates must be carefully selected	Requires high quality managers

There is some optimal limit to the number of subordinate a manager can have. But considering the communication and control in mind, usually we say that the number should be within a range of seven to ten. This however depends on the nature of the industry and technology level. In a computerised environment, it is possible to have even 40 to 50 people under one head. More the number of subordinates under one head, flatter the organisation becomes. But keeping the factors that influence the span of control, a balance has to be struck.

Factors that influence the span of control

The time that a manager gets to spend with the subordinate is the fundamental factor. Based on this, several sub factors emerge and are discussed below.

- **Training** – Wide span demands high level of training while in narrow span, one can manage with less.
- **Task definition and delegation** – Wide span demands clear task definition and delegation while this can be much less in a narrow span.
- **Well defined plans and repetitive process** – If the business has these, a wide span is viable, if not a narrow span is preferred.
- **Verifiable objectives** – Wide span demands verifiable objectives and this is much less in narrow span.
- **Speed of change** – When the speed of change is high, a wide span may not be practical from a communication perspective but may not be practical if such changes need close control.
- **Organisation structure, written and oral communication** – When this is of a higher order, wide span can work well.
- **Effective interaction and meeting** – Wide span demands both more than narrow span.
- **Specialists** – When there are a greater number of specialists at the upper level, a wide span is preferable. If the number of specialists is more at the lower level, then a narrow span can work better.
- **Task simplicity** – If the task is simple, a wide span is viable.
- **Competency of managers** – With highly competent managers, a wide span works well.
- **Subordinate readiness** – If the subordinates are mature and are willing to assume responsibility, a wide span works well.

Need for balance – Ideally keeping these factors in mind, one has to balance between narrow and wide span of control.

Process of organising — Organising follows four steps after the planning stage. These steps are self explanatory. Once organising is completed, staffing process can be done.

Figure 4.3 depicts the four steps in organising.

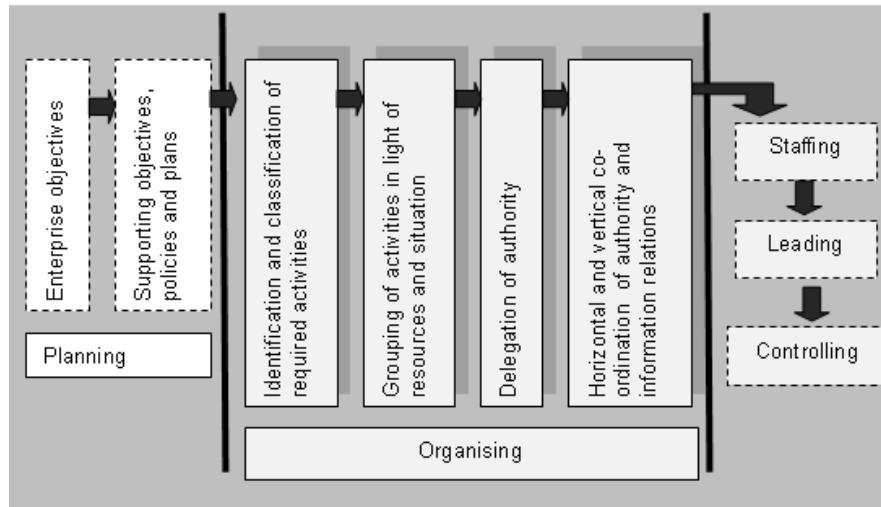


Fig. 4.3: Four Steps in Organising

Self Assessment Questions

9. The term department and _____ are often used interchangeably.
10. Narrow span facilitates close control, close supervision, and faster _____.
11. Organisations having narrow span require higher quality managers than the ones having wide span. (True/False)
12. Wide span demands _____ objectives.

4.6 Types of Departmentation

We have already discussed departmentation. There are several types of departmentation and no single method is perfect. Many organisations use different types of departmentation even within a business unit. There are no specific rules that govern departmentation but it should facilitate communication, control, speed of change, delegation, etc. Most organisations evolve and change their organising structure as they grow. Departmentation is done by the following methods:

a) By enterprise function

This is done by grouping activities as per the enterprise functions such as production, sales, financing, etc. Production means adding utility to products or services such as assembling a cycle or a car or making burgers. Selling means finding customers, clients, patients, delivering the goods, and often taking the payment. Finance includes functions such as raising money, budgeting, accounting, etc. Table 4.2 depicts the advantages and disadvantages of this format.

Table 4.2: Advantages and Disadvantages of Enterprise Function

Advantages of Enterprise Function	Disadvantages of Enterprise Function
<ul style="list-style-type: none"> • Logical reflection of function • Maintains power and prestige of major functions. • Simplifies training. • Principle of occupational specialisation Facilitates tight control on top. 	<ul style="list-style-type: none"> • Overspecialisation, narrow view points, and compartmentalised thinking. • Reduces co-ordination between functions. • Limits development of general managers. • Difficult to adapt changes quickly • Over centralised.

Fig. 4.4: depicts the schema of the enterprise function method.

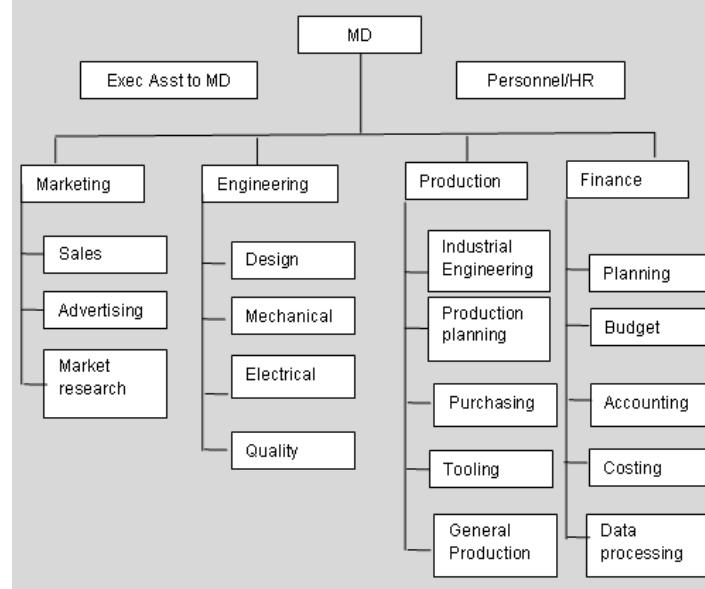


Fig. 4.4: The Schema of the Enterprise Function Method

b) By geography or territory

When a company is operational over a wide area, it is common to have the activities grouped in geographical regions. Several government services such as postal, banks, retailing, motor vehicles distribution, etc. are organised on these lines. Table 4.3 depicts the advantages and disadvantages of this method.

Table 4.3: Advantages and Disadvantages of Geography or Territory Method

Advantages of Territory Method	Disadvantages of Territory Method
Local market focus	Needs more general managers
Better co-ordination	Difficult to exercise top management control
Pushes responsibility down	Economies of scale by central services may be compromised
Economies of local operation	
Better communication	

Figure 4.5 depicts the schema of the geography or territory method.

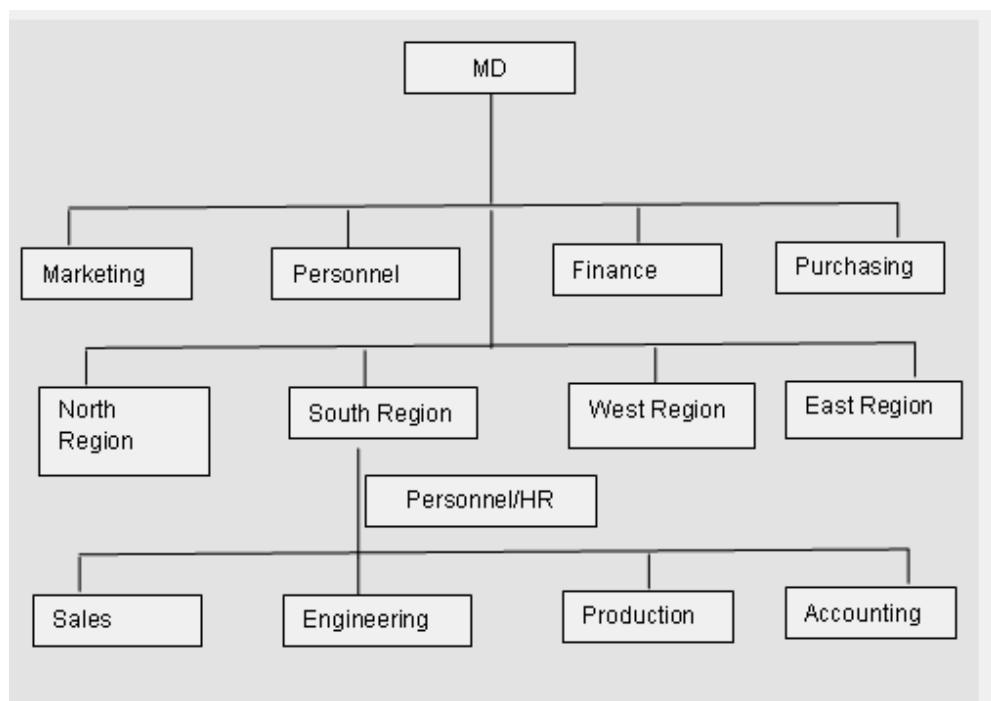


Fig. 4.5: The Schema of the Geography or Territory Method

c) By customer group

When the nature of products are highly customer specific such as banking for NRIs, it is prudent to organise the activities based on customer segments. Many organisations follow this. Table 4.3 depicts the advantages and disadvantages of this method.

Table 4.4: Advantages and Disadvantages of Customer Group Method

Advantages	Disadvantages
<ul style="list-style-type: none"> • Focus on customer needs. • Makes customer feel that the organisation takes special care of their needs. • Creates expertise in the area of the customer. 	<ul style="list-style-type: none"> • Difficult to co-ordinate operations across competing customers. • Have to employ managers with expertise in customer problems. • Often the customer segment definition is vague e.g., agriculturists can also be retail bank customers.

Figure 4.6 depicts the schema of the customer group method.

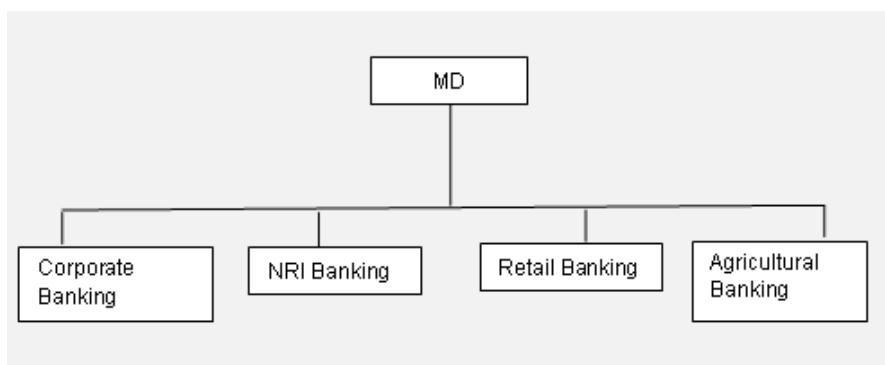


Fig. 4.6: The Schema of the Customer Group Method

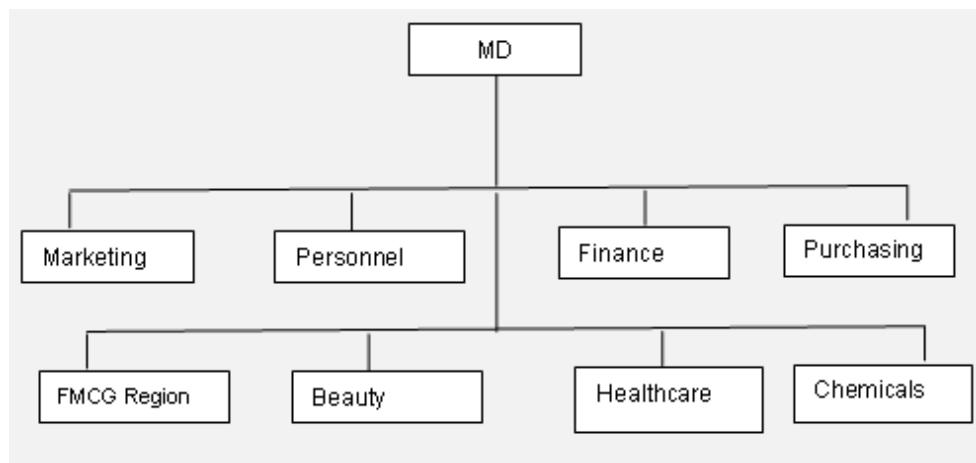
d) By product

Grouping of activities by product lines has been growing in popularity especially in large companies, which span several countries with several homogenous products that can belong to a category. They have several such product categories. Hence, they move away from the enterprise function and evolve into a product organisation to facilitate better communication and control. Table 4.4 depicts the advantages and disadvantages of this method.

Table 4.5: Advantages and Disadvantages of Product Method

Advantages	Disadvantages
<p>High focus on a product line.</p> <p>Ideal to use specialised knowledge in each category.</p> <p>Promotes growth and diversity of products in the group.</p> <p>Good co-ordination.</p> <p>Responsibility for profits fixed on the product lines.</p> <p>Focused training in specialised area.</p> <p>Promotes competition.</p>	<p>Economies of scale by central services may be difficult.</p> <p>More general managers required.</p> <p>Top management control is difficult to exercise.</p>

Figure 4.7 depicts the schema of the product method.

**Fig. 4.7: The Schema of the Product Method**

Modern types of departmentation

In addition to the above, there are a few organising structures which are meant for a fast changing and digitally controlled world. These are discussed below.

(i) Strategic Business Unit (SBU)

Some large companies have several business units and factories. For example, a chemical company which makes phosphates, urea, and acids. Each of these may be large plants with their own source of raw materials.

So each one acts as a strategic business and this is called SBU format. Each of these SBUs may be operating in several countries e.g., the urea company may have operations in Europe, Indonesia, and India. The main advantage of this type of organisation is the focus that it can create when each business is a large one.

(ii) Matrix organisation

Matrix organisation is a combination of functional and product or project patterns. A pure project organisation need not be matrix. It is the mixing of functional and project patterns that demands this type of organisation. Here, a manager reports not only to the project head, but also to the functional area. In fact, for many projects, people are drawn from a functional area e.g., a product launch project would need people from design, production, finance, quality, etc to work together. At the same time, it is not a permanent task. After the project is completed, there may be no need for a person in the project. Hence, it enables an organisation to draw people from its HR and deploy them in a project for sometime. Hence a person remains accountable to more than one head. Such organisations are highly oriented towards end results. Their professional identification is maintained. However, conflicts in the organisational authority are possible and require managers with good interpersonal skills.

(iii) Virtual organisation

Virtual organisations are those which are primarily connected by information technology and are seldom located in a place. Thus, these organisations have a global reach. Naukri.com which is a recruiting company is almost a virtual organisation though they may have a place from where its top management operates. It enables to bring the customers and the service together on a global basis and therefore the reach is really high. Most interactions including the service is largely virtual. Though it may be more difficult to co-ordinate in the initial stages as people learn the art of working in a virtual group, it becomes smooth as it can transcend space and time i.e., a service can be rendered anywhere and at any time.

(iv) Boundaryless organisation

Jack Welch of GE in his vision for the company said 'boundaryless organization' and from then on the concept has become popular. By this, he meant an open and anti parochial environment that is friendly towards

seeking and sharing new ideas, regardless of their origin. The purpose was to remove inter departmental communication issues and smoothen domestic and international operations. It supports innovation as people share ideas seamlessly.

Self Assessment Questions

13. Enterprise function based organisation structure facilitates tight _____ on top.
14. Postal service, several banks, and motor vehicle distributors tend to follow _____ based departmentation.
15. NRI banking is an example of _____.
16. Whenever a company starts a project, it shifts to matrix organisation.
(True/False)

4.7 Staffing and its Importance in the Organisation

Once the organisations have created an organisational structure by grouping the activities and a manager/supervisor to co-ordinate it, we need people to man these positions and they have to be appropriate for the position. Hence, staffing can be defined as the management process, which ensures filling and keeping filled the various organisational positions required to keep the organisational activities going.

Staff function of the management consists of the following activities:

- Prepares manpower planning to match the organisational and departmental requirements.
- Determines manpower requirements of organisation in terms of quantity and quality for various activities identified.
- Makes all the necessary arrangements for acquiring needed human force through proper and effective recruitment and selection.
- Maintains human force in an effective state to include formulating effective labour policies for long period and ensuring their implementation.
- Develops manpower to its maximum by providing scientific training and conducting various development programmes.

The following are the importance of staffing:

- Fills the various positions with competent people who ensure that the activities are done as efficiently and effectively as possible. If the activities identified by organising are not filled by manpower who is able to do the activities, it would follow that no activity will take place and no goals will be achieved.
- Ensures the quality of manpower by providing appropriate goals, motivation, training, and other aspects that are essential to keep the staff from delivering.
- Impacts the productivity directly.
- Plays a vital and considerable role especially with regard to development of executives and non-executives employees.
- Helps in matching the expenditure incurred in maintaining human resource and the benefit derived out of it.
- Creates synergy with other functions of management and makes them strong e.g., without staffing there can be no planning, leading, or controlling. Therefore it is central to the management process.

Self Assessment Questions

17. Staffing can be defined as that management process which ensures _____ and keeping _____ the various organisational positions
18. Staffing function prepares manpower planning to match the organisational and departmental requirements. (True/False).
19. Staffing impacts productivity indirectly. (True/False)

4.8 Line and Staff Concept

You will hear the term 'line' and 'staff' frequently in the industry and more often about the conflict between them. Line and staff are forms of authority. However, it is important to know the existence of the staff cadre in organisations.

Authority is the right to perform or command. An authority holder can act in specified ways and directly influence the actions of others through orders. It also allows its holder to allocate the organisation's resources to achieve organisational objectives. Chester Barnard, a noted management thinker

defines authority as the character of communication by which an order is accepted by an individual as governing the actions that individual takes within the system. Barnard maintains that authority will be accepted only under the following conditions:

- The individual can understand the order being communicated.
- The individual believes that the order is consistent with the purpose of the organisation.
- The individual sees the order as compatible with his/her personal interests.
- The individual is mentally and physically able to comply with the order.

The fewer of these four conditions that are present, the lower the probability that authority will be accepted and obedience be exacted. Barnard's guidelines on what a manager can do to make the orders accepted are as follows:

- Each organisation member has an assigned formal communication channel through which orders are received and given and the manager uses them.
- The line of communication between manager and subordinate is as direct as possible.
- The complete chain of command is used to issue orders.
- The manager possesses adequate communication skills.
- The manager uses formal communication lines only for organisational business.
- A command is authenticated as from a manager.

Types of authority

Three main types of authority can exist within an organisation:

- Line authority
- Staff authority
- Functional authority

Let us now study the types of authority in detail.

Line authority

This is the most fundamental authority within an organisation. It reflects the existing superior-subordinate relationships. It consists of the right to make decisions and to give orders concerning the production, sales, finance, and

other related areas and what subordinates in these areas should do. Line authority usually pertains directly to key departments such as production, sales, finance, etc. and on how to achieve the objectives in these areas. People directly responsible for these areas within the organisation are delegated line authority to assist them in performing their obligatory activities.

Staff authority

Staff authority has the right to advise or assist those who possess line authority as well as other staff personnel. Staff authority enables those responsible for improving the effectiveness of line personnel to perform their required tasks. Harold Stieglitz has pinpointed three roles that staff personnel typically perform to assist line personnel:

- i) **Advisory or counselling role** – In this role, staff personnel use their professional expertise to solve organisational problems. The staff personnel are, in effect, internal consultants whose relationship with line personnel is similar to that of a professional and a client.
- ii) **Service role** – Staff personnel in this role provides services more efficiently and effectively by centralising these functions rather than by scattering individuals throughout the organisation e.g., one person per branch doing the payroll job. This role can probably be best understood if staff personnel is viewed as suppliers and line personnel as customers.
- iii) **Control role** – Staff personnel helps to establish a mechanism for evaluating the effectiveness of organisational plans.

Line and staff relation

Staff authority is generally used in very large organisations. As an organisation expands, it usually needs employees with expertise in diversified areas. Although small organisations may require this kind of diverse expertise, they often find it more practical to hire part time consultants to provide it when needed rather than hiring full time staff personnel, who may not always be kept busy. E.g., a plant manager has line authority over each immediate subordinate, human resource manager, the production manager, and the sales manager. However, the human resource manager has staff authority in relation to the plant manager. This means that the human resource manager has staff authority in relation to the plant

manager i.e., the human resource manager possesses the right to advise the plant manager on human resource matters. However, final decisions concerning human resource matters are in the hands of the plant manager, the person holding the line authority. The role of staff in any organisation should be specifically designed to best meet the needs of that organisation.

Line and staff conflict

Line and staff personnel must work together and when they do, organisational effectiveness would be high; but are often in conflict. From the view point of line personnel, conflict is created because staff personnel tend to:

- Assume line authority
- Do not give sound advice
- Steal credit for success
- Fail to keep line personnel informed of their activities
- Do not see the whole picture

From the view point of staff personnel, conflict are created because line personnel do not make proper use of staff personnel, resist new ideas, and refuse to give staff personnel enough authority to do their jobs.

Staff personnel can often avert line-staff conflicts if they strive to emphasise the objectives of the organisation as a whole, encourage and educate line personnel in the appropriate use of staff personnel, obtain any necessary skills that they do not already possess, and deal intelligently with the resistance to change rather than view it as an immovable barrier.

Line personnel can do their part to minimise line staff conflict by showing appreciation for the advice given by the staff, utilising their abilities, and keeping staff personnel appropriately informed.

Delegation

Delegation is the process of entrusting someone else to do a part of your job. It is the sub-allocation of duties and powers to the subordinates in order to achieve results. To delegate, one should have the authority. It is different from responsibility. Responsibility means the duty of a person to complete the task assigned to him/her and being answerable for not doing so. Another related term is accountability which means giving explanations for any

variance in the actual performance and being answerable for the end results. Accountability cannot be delegated.

Self Assessment Questions

20. Line and staff are forms of _____.
21. There are four conditions under which authority will be accepted. Larger the presence of the conditions, greater will be the probability that the authority will be accepted. (True/False)
22. There are three types of authority namely line, staff, and _____.
23. Three roles that staff perform are advisory, service, and _____.

4.9 Staffing Concept and HR Management

The entire gamut of HR management emanates from the staffing concept. If staffing is the process of ensuring that there are people for all activities, this is done through the HR process of planning, recruiting, selection, performance evaluation and management, reward management, training and development, and motivation. Hence staffing directly connects to HR.

HR planning is the process by which the requirement of manpower for an organisation is forecasted and a plan is created to recruit and select the required people. Thus the execution of staffing process starts with HR planning. Once a plan is created, the people have to be recruited. Therefore, we have the recruiting plan, which is the process of calling for applications and ensuring that sufficient numbers of qualified applications are made available. From these qualified applicants, the best are selected based on several factors through the selection system. They have to be oriented, trained, and positioned in various jobs and only then we can say that we have staffed the various activities.

Even after the employees are positioned we cannot say that staffing is complete. If an organisational activity has to be done to make the organisation effective, they have to perform. Therefore, the performance management system comes into play and sets objectives, targets, etc. and defines the way of measuring the achievement of these objectives. The employees have to be rewarded so that they remain motivated and continue to deliver the objectives. Often you might find that the people manning the

activity are not effective for various reasons and therefore the role of training and development comes in.

Thus we find that staffing is a complex process and does not end by merely picking up people and placing them in job roles to do some activities but goes beyond to ensure that people produce effectively in these roles. Thus staffing and HR management are inseparable.

Activity:

Browser through the official web site of the Aditya Birla group and find out how departmentation is organised in the group. Identify the types of departmentation followed.

Hint: Refer Section 4.6

4.10 Summary

Let us recapitulate the important concepts discussed in this unit:

- Organising is a very important process by which the organisation groups its activities required to achieve the mission so that these activities can be better co-ordinated.
- There are several ways of doing this and every organisation evolves itself depending on the product, geographical spread, business complexity, and goal of the organisation.
- Organising enables smooth communication between departments. Organisation structure needs people for manning various activities and this is done through staffing.
- Large organisations have line and staff concept, the staff being advisors to the line.
- Staff provides specialised advice and can create value but often line and staff are in conflict. Staffing is also related to HR because it is about the HR processes that find the right person to man the activity and keep that position filled and also ensure that the activity is done effectively.

4.11 Glossary

- **Authority:** That character of communication by which an order is accepted by an individual and is adhered to.

- **Delegating:** Process of handing over specified duties and required authority and resources to a subordinate with a view to increase organisation's efficacy.
- **Departmentation:** Process of creating divisions in a large organisation so that the rules of interaction can be defined. Departments operate as fairly independent entities with a clear head and have considerable autonomy within the overall organisational policies.
- **Organising:** Process of grouping activities so that different groups of activities can be done cohesively and co-ordinated.
- **Parochial:** Having a narrow outlook.

4.12 Terminal Questions

1. Define organisation. Give any three reasons for why organising is important.
2. Organising is about creating an intentional structure of roles. Justify.
3. Differentiate between a formal organisation and an informal organisation.
4. Informal organisations synergise formal organisations and becomes a very important part of organisation. Justify with an example.
5. Identity the process of organising using a schematic diagram.
6. Describe a virtual organisation.
7. Why do companies follow product based departmentation?
8. Staffing function and HR management are inseparable. Justify.

1.12 Answers

Self Assessment Questions

1. activity
2. efficiency
3. organisational structure
4. restructure
5. formal and informal
6. False
7. conscious
8. synergy

9. division
10. communication
11. false
12. verifiable
13. control
14. Territory or geographic
15. customer based departmentation
16. False
17. filling, filled
18. True
19. false
20. authority
21. True
22. functional
23. control

Terminal Questions

1. Organisation is important as it clarifies authority, creates roles and facilitates specialisation. Refer Section 4.3 for more details.
2. Organising links a person to an activity with its own set of responsibility. Refer Section 4.3 for more details.
3. Formal and informal organisation differ in terms of the conscious effort involved. Refer Section 4.4
4. When people work together for achieving organisational goals social ties are formed that creates co-operation for achieving the goals. Refer Section 4.4
5. Organising involves identification and classification of activities, its grouping, delegation of authority and co-ordination of authority. Refer Section 4.5 for more details.
6. Virtual organisations are those primarily connected by information technology. Refer Section 4.6
7. Product based departmentation is carried out in large companies that have homogeneous products. Refer Section 4.5 for more details.
8. All HR management functions are derived from the concept of staffing. Refer Section 4.9 for more details.

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Unit 5**Leading****Structure:**

- 5.1 Introduction,
 - Objectives
- 5.2 Case Study
- 5.3 Definition and Comparison and Contrasting of Directing and Leading
- 5.4 Characteristics of Leading
- 5.5 Importance of Leading
- 5.6 Functions of Leading
- 5.7 Summary
- 5.8 Glossary
- 5.9 Terminal Questions
- 5.10 Answers

5.1 Introduction

In the previous unit, we dealt with the definition and importance of organising, types of organisations and departmentation, organisational division, and span of control. We also analysed staffing and its importance, line concept, and staff concept.

In the manufacturing economy, once people have been positioned to do various activities, the next step was to pass instructions to the people on how to accomplish a task. This worked well in large factory floors. But, when services economy set in, direction-giving underwent a change. Here, people had a different meaning since they had to take their own initiatives to do tasks if the company had to be competitive. In due course, the need for innovation and continuous improvement compelled even large manufacturing shop floors to shift to leading than directing. Organisations where shop floor or front end managers showed leading capability became more competitive and then the management thinkers took note of this fact and felt that leading rather than directing was necessary in the organisation. It also brought to fore the importance of every manager being a leader, which is perhaps the reason why in organisations we hear so much about leadership. An element of power and authority is vested in every job as we saw in the unit ‘organising’. However, the power so vested is insufficient to get the best out of people. Therefore, though the managers have vested

powers, they have to rise above it and become leaders. In this unit, we will deal with the process of leading. As a precondition, we must accept the notion that all of us are destined to lead in an organisation in some or the other form even if we are doing a job, which is relatively low in hierarchy.

Objectives:

After studying this unit, you should be able to:

- To differentiate between leading and directing.
- To determine the characteristics of leading.
- To describe the importance of leading
- To acquire knowledge about the functions of leading.

Learning Outcomes

After studying this unit, you will be able to:

- define and differentiate between leading and directing.
- state the characteristics of leading.
- describe the importance of leading.
- list the functions of leading

5.2 Case Study**Sambhavi Bakers Part II**

If you recall, Mrs. Rakhi and her daughter were in a quandary about the expansion plan of Sambhavi Bakers to the neighbouring districts. At last in 2005 February, they took the plunge and opened four outlets one after the other. Mrs. Rakhi had thought that if she did not expand to that level in the first go, the economies of scale will not work out and all the money she sinks to overcome the logistic and managerial expertise deficiency will not yield results. All the outlets were 70 to 100 km from Salem. They were located in upper middle class residential environment and had facilities for a casual snack meal. The places were aesthetic and to attract the crowd she pushed in some fashion merchandise of ladies fashion clothes, handicrafts, children's educational toys, video games, and more importantly a caretaker where the parents could leave the child while they enjoyed a bite.

Mrs. Rakhi divided each of her outlets into various functional units such as confectionary selling units, snack meal unit, merchandising unit,

gaming unit, and kid care support unit. Each of them had a head at her head office in Salem and she took care to hire a child psychologist as the head of kid care support unit. All units, except the kid care unit had its own objective and targets. Each centre had a manager and each function except the kid care had an Assistant Manager as its head. The care taker was trained by the child psychologists and replete with modern and educational toys. This actually became the biggest attraction though it was a free service. But she did not mind as the parents thronged to the place and spent considerable money in her confectionary. She gave considerable freedom to her managers to innovate and rewarded them both with praise and money and encouraged them to go for formal studies to broaden their horizon. One of her confectionary manager later persuaded her to start an entire diabetic product line. As usual, after much reluctance, she plunged in but when she did, she brought in not only a diabetic line but also a low cholesterol line of products.

Mrs. Rakhi would visit each of her stores at least once in a week. When she was there, she helped in serving, cleaning up, and merchandising, which the employees had never seen before. Her managers and employees were proud to work in Sambhavi and did not wait for her orders to do that extra bit in their workplace, which literally had become their home, especially when she permitted any employee to bring their child and leave it in the kid care.

At the end of three years, she paused to take stock. She had just returned from her four weeks entrepreneur's course in the U.S and had appointed an independent auditor to do the stock taking. After her return, she spoke to several employees, managers, customers, and suppliers and wrote down her mission statement as "to enrich lives". If the consultant who did the audit was sceptical of her three word mission statement, her MBA daughter was cynical, but Mrs. Rakhi stuck to it. Her argument was simple. I created this bakery to enrich the life of me and my family. From a status of starving, we lived and prospered enriching ourselves. I enriched the lives of so many customers by providing them with very high quality products such that they used to travel long distances and then I enriched them again by setting shops near their homes. I enriched my employees and I have never forgotten to bake a

cake myself for the least of them on their birthdays (I wonder how long I can keep doing it!). I enrich the kids and teenagers who come to the shop. If I am to enrich lives how can I not be unethical, how can I delay payments to the suppliers and taxes to the society, how can I lack integrity or adulterate or use low quality ingredients and yet enrich lives? When she was rather an uneducated lady, she had inspired her employees with these simple three words. "Why would I need to change it now?" she quipped to the consultant. The consultant was dumb founded with the power of her three word mission statement and even more by the power of her arguments.

Glancing through the report, her mind went back to the dusty and smoky bakery oven in her backyard from where she had trodden all the way. The report ended, "here, directing seems to have given way to leading. Your people have the pep, they take initiative and are ever eager to break their own records in business. The customers are almost united in their appreciation for the outlets and Sambhavi is well poised for its next growth stage of laying out several more such stores. Customers in other districts are ready."

5.3 Definition and Comparing and Contrasting – Directing and Leading

Leading can be defined as the process of setting direction, creating alignment, and creating engagement to deliver high productivity and to facilitate change. Directing can be defined as the process by which the managers instruct, guide, and oversee the performance of the workers to achieve predetermined goals. It is the heart of management process. Planning, organising, and staffing have got no importance if direction function does not take place.

Directing initiates action and it is from here that the actual work starts. In other words, we can say that it is the way of converting decisions into actions through people. Directing has a strong human component and can be perceived as:

- A mechanism by which people are given orders using the authority and held accountable for the orders given using all means including rewards and punishments. In this sense, it has a coercive component and

submission connotation i.e., the manager coerces and the employee submits.

- It can also be perceived as a mechanism of providing guidance to workers in doing any work. In the field of management, direction is said to be all those activities, which are designed to encourage the subordinates to work effectively and efficiently. This implies support to the employee. Though it still has a component of coercion, it is much less and the submissive component is even lesser.
- Another form of directing is defined as a process or technique by which instruction can be issued and operations can be carried out as originally planned. Therefore, directing is the function of guiding, inspiring, overseeing, and instructing people towards accomplishment of organisational goals.

In all the above definitions we have not fully accepted the idea that the employee is a complete stakeholder who is brought into the vision and mission of the organisation. However, if the employees are brought into it, they along with their managers would get objectives for themselves which are in consonance with the organisational objectives. They go about fulfilling those and make efforts to surpass the objectives and the standards set. When this is done, the term directing in its conventional sense loses the meaning and it becomes leading. Towards the end of last century, several transnational organisations espoused this idea and by using knowledge as the pivot, reshaped the way work is done on the shop floor. They found that leading rather than directing, liberated the human spirit of independence and desire to meet challenging goals and surpass them. These organisations showed profits several times more than those that were still in the world of directing and they easily glided through many economic downturns. Southwest Airlines of the U.S is a classical example wherein it reported profit quarter after quarter for over 30 years without a break when every other airline was reporting loss. Closer home, Infosys did the same as also the Birla group, which in a matter of two decades transformed itself into a multi business giant.

Thus, directing and leading are not mutually exclusive, nor are they two sides of a coin. They can be perceived to be a continuum along which organisations to achieve maturity in getting work done and surpassing the

goals. Directing is therefore an essential part of leading but is insufficient to compete in the contemporary world; where leading is the key to creating competitive advantage. Here, the author cautions that there are several text books which project leading as a subset of directing but a reality check indicates that the vice versa is true.

Self Assessment Questions

1. Directing can be defined as the process by which the managers instruct, _____ and _____ the performance of the workers.
2. Directing and leading is a continuum. (True/False)
3. When an employee buys into the vision and mission, time has come for _____ rather than _____.

5.4 Characteristics of Leading

Pervasiveness

Leading is required at all levels of organisation. It is incorrect to believe that leading is required only at the top level. This is more so in the modern context where teams are the working entities. In team based working, the team leader has to act much like a CEO except that the level of working may be much smaller. He/she may be motivating a team of 5 or 10 people while the CEO may be motivating the whole company, but the function of giving targets, resources, support, motivating, etc. does not change.

Continuity

Leading is a continuous activity as it is continuous throughout the life of organisation. It takes place on a day to day basis though its importance may become higher when the organisation is undergoing a change.

Human factor

Leading implies the existence of followers much like directing implies the existence of subordinates to whom one can pass orders. It follows that there is a key human factor in leading and because human factor is complex and behaviour is unpredictable, leading function is important and people have to learn the art of leading. Further, this characteristic is based on the belief that human beings are motivated by challenging jobs and they feel a sense of achievement in doing these. The premise is also that people normally work

towards achieving the goals i.e., human being have a goal oriented behaviour.

Creativity

Leading is a creative activity because of the human factors and individual variances and group variances. In the case of Sambhavi Bakers we saw how Mrs. Rakhi was creative in enabling her staff to take leadership roles. Thus, converting her plan of having a differentiated bakery outlet is actually creatively executed by the employees. It is the creativity aspect which brings in the differentiation. It also ensures that people have to look forward to the meaning and without functions people find it difficult to find the meaning. Hence, we can see that creating functions around which people find meaning is a creative function that leads to achievements.

Executive function

Leading is carried out by all managers and executives at all levels throughout the working of an enterprise. A follower receives tasks, resources, know-how, and support from a leader and he/she trusts his/her leader to do the same. Leading implies that the followers execute the functions, which the leader and the follower agree is important for achieving the organisational goals and through it the individual goals.

Delegating function

Leading implies guiding followers to the destination. It means that the followers actually execute and if they have to execute, they need the powers for doing so. Hence, delegating is natural fallout of leading. It also follows that the leader trusts his/her followers and the vice versa. Hence, mutual trust always exists in leading. Therefore, delegating function based on mutual trust is a characteristic of leading.

Self Assessment Questions

4. Leading is required mostly at the top level. (True/False)
5. Leading is a process that we adopt when there is an urgent requirement for a change. (True/False)
6. Delegating is natural fallout of _____.

5.5 Importance of Leading

Leading or leadership function is said to be the heart of management process. Therefore, it is the central point around which accomplishment of goals take place. A few philosophers call leading as "*Life spark of an enterprise*". It is also called as an actuating function of management because it is through direction that the operation of an enterprise actually starts. Being the central character of an enterprise, it provides many benefits to a concern which are as follows:

1. **Initiates actions** – Leading is the function which starts the work performance of the followers or subordinates. Mrs. Rakhi of Sambhavi initiated the actions by giving goals to the employees. She could have given direction, rules, and regulations. The work would perhaps still have been done but not with so much enthusiasm. Further, leading has a self perpetuating component in that the led knows where to do and therefore, even if they take different routes, ensure that the destination is reached more efficiently and effectively. This happens because of the human characteristics discussed in earlier section where we discussed the goal oriented behaviour under 'human factor'. Through this function subordinates understand their jobs and work according to the guidelines and agreed methods. Plans can be implemented only when the actual work starts. Thus, leading initiates action.
2. **Sustains action** – Direction, much like leading initiates action but these directions have to be repeated if the actions have to go on. Leading on the other hand ensures that the actions go on and course corrections are done automatically by the followers because of their innate belief in the goal being something desirable to follow. When they face obstacles, they would either fall back on the leader if the obstacles are too huge to overcome. This is done when the leading process would ensure that additional resources including pooled wisdom are pumped in to resolve it.
3. **Integrates efforts** – Through leading, the superiors are able to guide, inspire, and instruct the subordinates to work. When every employee, team leader, and division leader knows that his/her reaching the goal is dependent on other's effort, there is a natural flow of inter team and interdepartmental information. If you had been directing, this relation will

not only be forced but also monitored. Literature on directing will often speak of the need for effective communication and often communication is considered as the key to directing. The role of communication is no different in leading but communication often is tacit much like the head of Sambhavi bakers helping with sales and cleaning when she visits her outlets. Therefore, integration is much easier and far more effective through leading.

4. **Means of motivation** – Leading helps in achievement of goals. A manager makes use of the element of motivation to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non-monetary, which serves as a “morale booster” to the subordinates. Motivation is also helpful for the subordinates to give the best of their abilities, which ultimately helps in growth. You saw how the employees of Sambhavi are praised and rewarded.
5. **Provides stability** – Stability and balance in a concern becomes very important for a long-term survival in the market. This can be brought upon by the managers with the help of four tools or elements of leading function - judicious blend of persuasive leadership, effective communication, clear performance goals, and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore, a manager can use of all the four traits in him/her so that the performance standards can be maintained.
6. **Copes with the changes** – It is a human behaviour to show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is a directing function which is of use to meet the changes in the environment, both internal and external. But when it comes to leading, there is a much natural flow to change as people automatically embrace change and adapt to their journey towards the goal. It is the role of the manager to communicate the nature and contents of changes required for reaching the goal very clearly to the subordinates. This helps in clarifications, easy adaptations, and smooth running of an enterprise. For example, Sambhavi shifted from a single outlet to multi-outlets, which means several changes at all levels. Mrs. Rakhi's earlier employees would not have seen the merchandise or kid care. Yet their goal of providing a great service eggs

them on. Let us take the case of a handloom shifting to power loom. This is an important change in the technique of production. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager can explain that the change was in the benefit of the subordinates. Through more mechanisation, production increases and thereby the profits. Indirectly, the subordinates benefit in the form of higher remuneration and better quality of life. If you were directing, you will explain it in this way but if you were leading, you will talk about the automation, employees' children going to good schools and studying abroad because of the higher income, the modern facilities and healthier environment and better health and less diseases, etc. Here the individual and organisational goals are merged using motivation and communication while in the former the effort is still the same but without a vivid description of the goal. The former makes it far less effective.

7. **Utilises resources efficiently** – Leading through goal setting helps in clarifying the role of every subordinate towards his work. The resources can be utilised properly only when less of wastages, duplication of efforts, overlapping of performances, etc. don't take place. Through the goal setting, the role of subordinates becomes clear as managers make use of their supervisory skills, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilisation of resources of men, machine, materials, and money, which helps in reducing costs and increasing profits.

From the above discussion, one can justify that leading, surely, is the heart of management process. Heart plays an important role in a human body as it serves the function of pumping blood to all parts of the body. In a similar manner, leading helps the subordinates to perform in the best of their abilities and that too in a healthy environment. The manager makes use of the four elements of direction so that work can be accomplished in a proper and right manner. According to Ernest Dale, "Directing is what has to be done and in what manner through dictating the procedures and policies for accomplishing performance standards." You can reword Ernest Dale and say that through leading, people accomplish goals even without dictating. Hence, leading is the essence of management process.

Self Assessment Questions

7. A few philosophers call _____ as “*Life spark of an enterprise*”.
8. _____ makes the role of subordinates clear.
9. While both directing and leading are important, directing is a much better way to sustain action. (True/False)

5.6 Role and Functions of Leading**Functions of leading**

Leading is an essential management process. The three main functions of leading are as follows:

- Setting direction
- Creating alignment
- Creating engagement

Now we also saw that in organisations there are leaders at various levels. In general, they are classified as top, middle, and lower management. Therefore, it is easier to look at the three leading functions at these three levels.

Let us now study the functions in detail.

Setting direction

Direction setting can be defined as ‘fixing the purpose and the mission of an organisation along with the values’. Simply put, it is about creating a vision statement.

Usually the top executives set the direction in an organisation. But it has to be bought into by the employees. Usually, we see people running mission statement exercises and vision retreats. Sambhavi’s owner had quietly talked to people and got at it. Her job is to make this clear so that other actions such as planning, organising, and staffing can get going. She did that in no uncertain terms. But how does her outlet manager do it? Does he/she also set a direction? Well, usually we say that he/she should set goals based on the direction. What about the merchandise manager or the service manager? They too should set their objectives and targets. We often perceive direction setting, goal setting, and arriving at objectives as different. The only difference is that direction setting is broader and lacks

specifics but is very inspiring. Goals set by the outlet manager (let us consider a middle level manager) are of course more specific with figures such as 'merchandise should increase the revenue by 20% each quarter'. But the problem with this specific statement is that it is not so inspiring and therefore not so sustainable and hence has to co-ride with the mission statement or the direction itself. Now let us get to the goals set by Assistant Manager. He/she too would set objective such as 'to sell worth Rs. 20,000 a day'. The figures in the target are more specific and time bound.

As we go from middle management to the lower management, the goals or objectives get SMARTer (Specific, Measurable, Attainable, Realistic, and Time bound). Yet they become dumper in their power to inspire. Now this is the difference between directing and leading. In directing, we give SMART goals and objectives but in leading we pep it with inspiration. So perhaps if you were leading an organisation you would say 'I will enrich 20 lives today by selling the merchandise worth Rs. 20,000 to them'. Thus we see that direction setting is science but leading is an art with strong scientific basis. If we look at leading as management function and direction setting as its sub-function, then we should remember that leading means injecting that inspirational spirit with every direction setting action that you do.

Direction setting and directing are different. Leaders set direction which are broad and point towards where we have to move. On the other hand, directing is a set of orders that are given based on direction setting to execute the direction set. Directions lack flexibility and the one who issues it has to change it. Direction setting has full flexibility as the employees work in different ways but in the same direction. Direction setting is much more difficult to communicate and needs people who are genuine in heart and enthusiastic to learn but it brings rich dividend. As organisations grow and become global in service industry where both the product delivery and consumption is done together by the employee and the customer, the need for flexibility is so high that 'directing' has perhaps become antithesis to good service delivery and has to replace 'leading'.

Creating alignment

Creating alignment can be defined as 'making the organisation act in unions with the mission statement'. As a sub-function of leading, we ensure that people understand the mission and goal and show willingness to align their

personal missions and goals with the organisational mission just like what many employees of Sambhavi had done. This of course is the onus of the top management and the employees.

Aligning the product portfolio – The product and services of the organisation are in tune with the mission and the customers understand that this is what is being delivered so that the value proposition is clear. At the top management level this means deciding on the product portfolio, at the middle management it means product improvement and innovation, which makes the product more aligned and at the lower level it means adhering to the quality and processes, fine tuning the processes and contributing ideas to enrich the processes and products.

Aligning the delivery – At the top management level, this means identifying the right segment and matching the segment and the product proposition. At the middle level it means enabling the customers to procure the product and service by having appropriate distribution system, information process, etc. At the lower level, it means service leadership by faultless delivery, prompt support, providing feedback to the customers and the management. It also means that the production aligns its scheduling, purchase aligns its purchasing, etc.

Aligning the HR process – At the top level, it means the way people are treated, how coaching is done and growth is enabled and trust is created through communication. At the middle level, it is about being fair, transparent, equitable, empathetic, and about translating the top management policies into actions. At the lower level, it is about striving to excel and being committed.

Creating engagement

Engagement can be defined as ‘capturing the mind space of the stakeholders’. It connects the individual to the organisation. If the purpose of directing is to get faultless actions from an employee, the purpose of leading is to get faultless, flexible, proactive, and sustained actions from an employee.

We use the analogy of the family in business very often and say that employees should be treated like family members. What this means is that

setting direction and aligning can be sustainable only if we engage people because it is the engagement which results in selfless actions.

The top management achieves engagement by creating high performance work arrangement, recruiting, and nurturing exceptional talent (as applicable to the company). The middle management creates engagement through shop floor actions of creating trust, giving feedback, supporting development by sending people to various programmes, job rotation, employing people in jobs that are challenging to them and coaching.

The lower management engages its employees by giving day to day guidance, listening to their opinions, having shop floor committees like quality circles, being empathetic, ensuring safer work environment, educating on safety, interpreting and explaining policies, and executing the policies in a fair, equitable, and impartial manner as also given opportunity to vent their feelings and grievances.

Irrespective of the level of management, all leaders have to be involved in direction setting, creating alignment, and creating engagement. Their role and the time they spend in these may vary depending on the level. Leading cannot be successful unless all these functions are addressed. In the end, it is important to reiterate that directing is an essential component of good management but contemporary organisations are not satisfied with it but they look at leading as the tool to create highly successful organisations.

Roles of leading

Leading is a function that every manager and supervisor does in an organisation. So, what could be the role of leading? First people fill up the role in various activities (organising) and only then the process of leading commences. Some of the important roles of a leader are:

- **Planning role** – A leader takes the planning role at various levels. Whether you are the CEO or a supervisor at the shop floor, this role is inevitable. At the lower levels this implies dividing the work to various workers according to their abilities.
- **Managing role** – Everyone has to undertake the managing role which implies fulfilling the management functions that we have studied earlier. Here too depending on the level, we may have different activities e.g., the CEO may be managing the macro resources while the shop floor team leader may be managing the HR and inventory of the day.

- **Guiding role** – As mentioned above, a CEO would be guiding the strategy, and other actions while a supervisor guides his/her co-worker and subordinates on how to optimise their productivity.
- **Mediator** – While the CEO mediates with the board and external clients, the lower level leaders mediate with the immediate superiors, customers, suppliers, subordinates, etc.
- **Inspector role** – Every manager irrespective of his/her level has to inspect so that he/she can control the variance and ensure that discipline is maintained in day to day activities and productivity. While the CEO may be inspecting the plant, its total safety, return on investment, sales targets etc., the lower level leaders may be inspecting whether a person wears a helmet, uses the right tools, etc.
- **Counselling role** – While a CEO acts as a counsel to the top management and their personal problems, the lower level manager would do that to the employee.

Activity:

Browse internet and find out the employer engagement strategies followed in Infosys. Make a list of the methods used.

Hint. Refer Section 5.6

Self Assessment Questions

10. Three fundamental functions of leading are selling direction, creating alignment and _____.
11. Direction setting means defining the goals and objectives. (True/False)
12. Engagement can be defined as capturing the _____ of stakeholders.

5.7 Summary

Let us recapitulate the important concepts discussed in this unit:

- Leading is an important management function/process. It is the process by which plans are converted into actions. Once called directing, the process has undergone considerable changes since organisations began to find that mere direction is not sufficient to elicit high productivity

from people. People have to be involved and therefore the importance of leading came to the fore.

- Leading, as a function, has three important components - direction setting, aligning, and creating engagement.
- People tend to forget the direction of the organisation in the heat of excitement and tend to waiver from the mission. Once we do that, the alignment is lost as also the engagement. As a result, the organisation slowly slips from its high pedestal and therefore there is a constant need to monitor. Equally, leading is perhaps the only way by which change can be brought into the organisation.
- The importantants role sof a leader are planning, managing, guiding, mediating, inspecting and counselling.

5.8 Glossary

- **Aligning:** Making the organisation act in union with the mission statement.
- **Directing:** Process by which the managers instruct, guide, and oversee the performance of the workers to achieve predetermined goals.
- **Direction setting:** Fixing the purpose, mission, and values of an organisation.
- **Engagement:** Capturing the mind space of the stakeholders.
- **Leading:** Process of setting direction, creating alignment, and creating engagement to deliver high productivity and facilitate change.

5.9 Terminal Questions

1. Define the concept of leading.
2. What are the characteristics of leading ?
3. Why is leading important ?
4. What are the main functions of leading ?

5.9 Answers

Self Assessment Questions

1. guide, and oversee
2. True
3. Leading, directing
4. False
5. False
6. Leading
7. Leading
8. Goal setting
9. False
10. Direction setting, creating engagement and creating alignment
11. False
12. Mind space

Terminal Questions

1. Leading is the process of setting direction, creating alignment and creating engagement to deliver high productivity and to facilitate change. Refer Section 5.3
2. The major characteristics are pervasiveness, continuity, creativity, executive function, delegation. Refer Section 5.4
3. Leading is important as it initiates and sustains action, integrates efforts, motivates and provides stability. Refer Section 5.5
4. Major functions are setting direction, creating alignment and creating engagement. Refer Section 5.6

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Unit 6**Controlling****Structure:**

- 6.1 Introduction
 - Objectives
- 6.2 Case Study
- 6.3 Definition, Importance, and Process of Controlling
- 6.4 Critical Control Points
- 6.5 Control as a Feedback System
- 6.6 Prerequisites of Effective Control
- 6.7 Control Techniques
- 6.8 IT Enabled 'Controls' and its Challenges
- 6.9 Summary
- 6.10 Glossary
- 6.11 Terminal Questions
- 6.12 Answers

6.1 Introduction

In the previous unit we dealt with the definition, comparison, and contrasting of directing and leading. We also discussed the characteristics, importance, and functions of leading.

Control is the last in the management process and is perhaps the most important. In reality, most managers are busy laying down controls and exercising them. Control is the rudder of business because it ensures that a process is going in the right direction by making continuous corrections. Without control, the business will perhaps go to where it should never go and do what it should never do. A business will be able to expand in product portfolio and geography and delegate and outsource only because controls are possible and in fact real time control can be exercised through IT. You may wonder how large systems like the East India Company expanded without IT in the earlier days. Even there, information was the hub of control. Perhaps, they did it using telegraph and later telephone, but today, it is done by computers. In this unit, we will deal with control and understand how it is exercised, and how IT is helping in controlling in a big way.

Objectives:

- To explain control and describe its importance
- To identify critical control points
- To analyse control as a feedback system
- To describe prerequisites of effective control
- To elucidate various control techniques
- To explain IT enabled ‘controls’ and its challenges

Learning Outcomes:

After studying this unit, you will be able to:

- Define control and describe its importance.
- Explain the controlling process.
- Identify critical control points.
- State how control is used as a feedback system.
- Enumerate Prerequisites of Effective Control
- Explain various Control Techniques
- Explain IT Enabled ‘Controls’ and its Challenges

6.2 Case-let**Sambhavi Bakers Part III**

As the consultant left her office, Mrs. Rakhi busied herself by preparing the birthday cake for her daughter, Reshma, which she always baked herself. Reshma had grown, completed her MBA programme, worked in her production and outlets. She did not have much hesitation to dirty her hands. As they sat down the next day to cut the cake, their conversation moved to when she should get married. Reshma quickly raised the issue of her wanting to study more of baking and how she had quietly prepared and cleared her examinations for another masters in Cornell, which is known for its hospitality management. Reluctantly, Mrs. Rakhi took the decision, hard one as she would be away from her daughter for the first time. Nevertheless, the need for her daughter’s growth overcame her reluctance and she let Reshma go.

Having graduated and worked in some of the state of art highly differentiated baking companies in the U.S and having worked part time in the bakery chains and retain chains, Reshma returned after six years,

confident and ready to have a go on her own. Her mother declined and told her to take over the business immediately and that she would withdraw completely in two years.

In the next phase of expansion, Reshma planned to make Sambhavi a national brand in five years and planned a major layout. She knew the heart of business i.e., quality and she knew from her education that standards are needed for everything. Standards for capital investment, per employee return, per customer revenue, and in fact standards that cover the production and every aspect of business. Like most young people she was computer savvy and wanted to use IT in a big way for controls and for entering both E-commerce and M-commerce. How wonderful it would be when you order a special cake for your mother's wedding anniversary even as you are driving home from a busy day. She knew the wind that was lashing the corporate India everywhere- in metros and small cities alike. She coined a nice brand name 'love bake' to cater for her special birthday cakes that she dreamt would be cut in most modern families in a decade from now. The target was hundred outlets per large state with a dozen in each metro city i.e., 150 outlets a year. She mused as she sat near her mother and signed the papers taking charge of Sambhavi Bakers.

Reshma then turned and called her consultant, this time not to discuss about the expansion, but to lay out the control plan of her business.

6.3 Definition, Importance, and Process of Controlling

Controlling can be defined as measuring and correcting of performance to achieve the organisational goals. According to Brech, "Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs." According to Donnell, "Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course."

It is often considered as a part of planning. Though planning and controlling can be considered as two sides of a coin, it is possible for us to make a clear distinction between them because control has to be done against some parameter, which is laid down by planning. The following is the inter relation between them.

- Planning precedes controlling and controlling succeeds planning.
- Planning and controlling are inseparable functions of management.
- Activities are put on rails by planning and they are kept at a right place through controlling.
- The process of planning and controlling works on systems approach, which is as follows:
Planning → Results → Corrective Action (through control)
- Planning and controlling are integral parts of an organisation as both are important for smooth running of an enterprise. Planning and controlling reinforce each other. Each drives the other function of management.

Importance of control

Control is important because of the following reasons:

- **Creates the basis for the future** – It provides a basis for future planning and action because it identifies and reports the efficiency of a project or any action.
- **Guides to keep goals on track** – The continuous flow of information about projects and performance keeps the goals on track by enabling timely corrective action. Thus, it guides the management in achieving predetermined goals.
- **Prevents repetition of mistakes** – It also enables the management to avoid repetition of past mistakes by enabling one to decide on the future course of action.
- **Enables future planning and follow up action** – It enables planning for the future and facilitates follow up action.
- **Enables decentralisation** – In large organisations where decentralisation is inevitable, control becomes the key to success because it establishes accountability. The management cannot delegate authority without ensuring proper control. The targets or goals of various departments are used as a control technique.

- **Enable management by exception** – If the work is satisfactory then the top management should not feel worried. The management by exception enables top management to concentrate on policy formulation. Various control techniques like budgeting, cost control, pre-action approvals, etc. allow decentralisation without losing control over activities.
- **Assists co-ordination** – Control helps in co-ordination of activities through unity of action. Every manager will try to co-ordinate the activities of his/her subordinates in order to achieve departmental goals. Similarly, the chief executives also co-ordinate the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are co-ordinated.
- **Enables HR functions and motivation** – Various control devices act as motivators to managers as they measure their performance, which itself is a motivator. Besides, it ensures equity in reward, training, performance evaluation, promotion, and a plethora of other HR functions. It automatically leads to improvement of performance, which enables career progression and also prevents arbitrary decisions of many HR functions.

Process (steps) of controlling

1. **Establishment of standards** – Standards can be defined as selected points that are critical in execution of a plan measurement, which identifies the efficiency of execution of the plan. Standards are criterion for performance and can be divided into the following two types:
 - **Tangible standards** – These standards can be measured, such as profit, return on investment, rejection rate, customer complaints, etc.
 - **Intangibles standards** – These include attitude of workers, job satisfaction, managerial effectiveness, etc. Some caution is required when we call them intangible as explained below.
2. **Measurement of performance** – ‘What is measured cannot be improved’ is a well known axiom. Measurement is necessary for finding out deviations and is perhaps the most difficult step in controlling. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager. Though literature tends to suggest that items such as attitude of the workers, their morale towards work, the development in the attitudes regarding the physical

environment, communication efficacy, etc. cannot be measured, this is a misnomer. Attitude surveys, job satisfaction scales, morale scales, etc. do exist and are used by several large companies. These measures are different from measuring in terms of specific financial performance, or quantitative output. In many ways, the focus on intangible measures of performance is a hangover of the past.

3. **Comparison of actual and standard performance** – Deviation can be defined as the gap between actual performance and the planned targets. Hence, comparison of actual performance with the planned targets is very important. We have to find out the extent of deviation and the cause of deviation. Extent of deviation means whether the deviation is positive or negative, whether the actual performance is in conformity with the planned performance and the degree of variance, if any. Once the deviation is identified, a manager has to think about various causes, which have led to deviations such as erroneous planning, lack of co-ordination, implementation defect, supervision and communication ineffectiveness, etc.
4. **Taking remedial actions** – Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures. First is by taking corrective measures for deviations which have occurred; and second is by evaluating the target or standard itself because if things are not rectified even after corrective actions, it could be due to erroneous target. However, one should take the second option only with due caution.

Self Assessment Questions

1. Controlling can be defined as _____ and _____ of performance to achieve the organisational goals.
2. Among various reasons why controlling is important, guiding to keep _____ on track is a significant one.
3. There are four steps in the process of controlling. These are measurement of performance, comparison of actual and standard performance, taking remedial actions, and creating tangible measures. (True/False)
4. ‘Rejection rate’ is an example of tangible standards. (True/False)

6.4 Critical Control Points

The managers have to exercise control by exception. They have to find out those deviations, which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore, it is said, "If a manager controls everything, he ends up controlling nothing." For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as a major deviation.

Broad classification of critical control points are as follows:

- **Physical standards** – Labour hours, speed of a machine, quantity of butter and sugar per kilogram of cake, etc. are physical standards. We have to use discretion on deciding which are critical. E.g., if sugar or butter is more or less, the cakes of Sambhavi will not be the same.
- **Cost standards** – You must be aware of the cost accountants and how they control costs. E.g., direct cost, indirect cost, labour cost per unit, material cost per unit - one kilogram cake, etc.
- **Capital standards** – This is important for a new project and also in the case of replacement of machinery. If the capital sunk is high, the fixed cost can be high and you may become very uncompetitive. For example, how much capital you can sink in a fruit shop depends on the place but it cannot be too high since you cannot increase the cost of fruits indefinitely. In case of Sambhavi Bakers, the capital standards for each outlet was put as Rs.200 lakh and for kid care facilities it was Rs.10 lakh.
- **Revenue standards** – This is a very common measure. Examples can be revenue per employee, revenue per customer, etc.
- **Programme standards** – If you want to introduce a new product or programme for improving the quality of the sales force, you can fix the standards not only in terms of cost but also success. E.g., to achieve 10% market share, ensure that 80% qualify in the sales force training, etc.
- **Intangible standards** – Intangible standards are not really immeasurable. They are of course difficult to measure. Standards such

as goodwill created by the salesperson, unit cohesion, learning of an individual, etc. are difficult to measure but there are methods to estimate most of these though they may not be as quantitatively measurable as profit or Return on Investment (ROI).

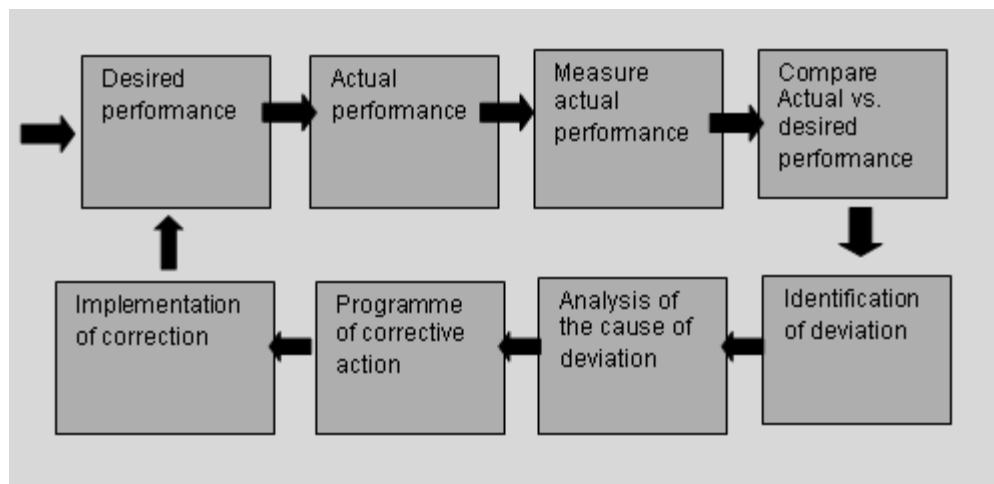
- **Goals as standards** – Organisations are using goals and objectives as standards. For example, in Management by Objective (MBO), the objectives are defined and some measure to evaluate it is created between the manager and the subordinate. The goal of a manager could be set as ‘to open ten outlets in the next two years’, ‘reduce customer complaints by 5%,’ etc. Here, the goals in conjunction with some measures are used for control.
- **Strategic plans and control points** – Can we control our strategy implementation? The answer is yes. If we have expansion strategy, we can define it as expanding business nationally or to three countries in Europe, etc. by a fixed date and these are evaluated.

Self Assessment Questions

5. The purpose of _____ is to focus the attention of the manager on things that are critical and important for business.
6. ‘Labour hours’ is an example of _____ standard.
7. Sambhavi Bakers put a standard that each outlet should not cost more than Rs.300 lakh. This is an example of setting _____ standard.
8. Management by objective is an example of using _____ as standards.

6.5 Control as a Feedback System

Management control is a feedback mechanism much like a thermostat in a refrigerator. What it does is to cut off the system when it reaches pre-defined level and then again switch it on when the temperature rises above a particular level. Figure 6.1 depicts the feedback loop of management control.

**Fig. 6.1: Feedback Loop of Management Control**

Real time information and control – Real time information about what is happening at a given time can be gathered in many cases. This is due to information technology. Some people see real time information as real time control. However, this is not so easy. Control requires analysis of the cause of deviation, which usually cannot take place in real time. Let us consider an example to understand this. If someone attaches you to an Electrocardiogram (ECG) you will get real time information about the working of your heart; but if there is a deviation, it cannot be analysed and corrected real time. This analysis takes time. Similarly, Sambhavi Bakers may put in place a real time control system to check the delivery schedule of its products much like how a courier company has a tracking system on the net. But if the cake or letter is not delivered on time, the correction cannot be real time. It takes considerable time to analyse and correct. This does not mean real time information or prompt measurement of performance is not important.

From feedback to feed-forward – Take the case of driving a bike uphill. As you climb, you don't look at your speedometer and increase the speed when the speedometer reading falls. Instead, you keep accelerating after seeing the gradient. This is a classical case of feed-forward. In feed-forward, the system is focused on the input, which can create a variation in the output and can be corrected in time. It is not about post mortem but of proactive action. Most management systems fall short of it primarily because we tend

to use the financial data for management control i.e., the balance sheet data or the use of feedback from the input rejections in a factory to analyse, identify, and then correct the input or process. There are a very few mechanisms to do it proactively. However, we need to use feed-forward since it enables one to prevent mistakes.

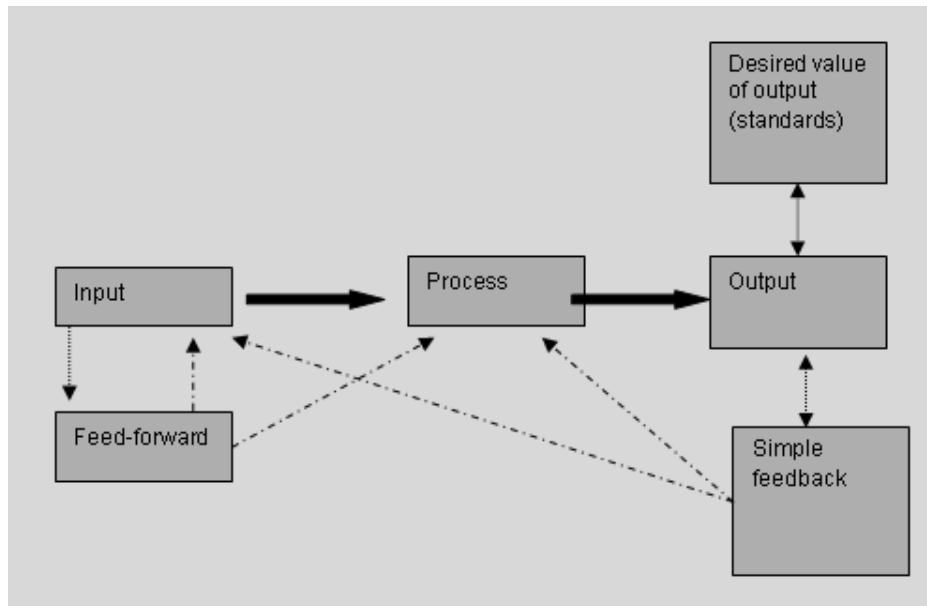


Fig. 6.2: Feedback – Feed-forward System- A Comparison

Requirements for feed-forward control – In order to create a feed-forward system, the following will be required:

- Identify important input variables.
- Develop a model for the system.
- Review regularly to see whether the input variables are identified and their inter-relationships continue to represent realities.
- Collect data on input variables regularly and put them into the system.
- Assess the actual input data regularly from planned-for inputs and evaluate the impact on the expected end results.
- Take action. While the system can indicate problems, the actions have to be taken by people. But these actions would prevent the problem rather than control the variations after it has happened.

Self Assessment Questions

9. Real time information always leads to real time control. (True/False)
10. Identifying important _____ variable is the first step in creating feed-forward.
11. One of the reasons for management systems falling short of having good feed-forward is confining to the usage of _____ data for creating the control systems.

6.6 Prerequisites of Effective Control

All managers like to have controls because without them their plans would go awry. Let us now study the pre-requisites to have an effective control system.

- ***Tailoring controls to plans and positions*** – A control is exercised on an activity or a group of activities. It follows that what control is good for a position may not be relevant for another e.g., the Vice President of marketing and the Vice President of operations cannot have the same controls though both maybe based on a financial control system. E.g., the outlet manager of Sambhavi can have a control based on ROI, but the snack counter manager needs to have it based on per customer revenue rather than ROI.
- ***Tailoring controls to individual manager*** – Controls have to be adjusted to the individual manager's capability also. If someone does not understand a control, he/she will not trust it or use it as a result of which it will become dysfunctional.
- ***Designing 'point to the exceptions at critical point'*** – If a control has to be effective, it must control the exception and that too at the critical point. For example, the critical point in home delivery of a birthday cake is the time and accuracy of writing the name. The exception can be wrong name due to spelling variations and the time of delivery due to wrong address. Therefore, control should exist so that the delivery order phone number (we usually experience it when we order a pizza) and the spelling of the name is rechecked. If the Assistant Manager can call the customer just before the delivery and recheck the delivery address and the spelling of the name, an appropriate control can be designed.

- **Objectivity of controls** – Many management actions are subjective, but when controls are created, they must be objective, accurate, and must suit a standard. While this may be relatively easy in machine related systems and financial related indicator, we have to be careful when we have to relate it to the intangible areas. For example, how would you have controls for the kid care manager in Sambhavi outlets?
- **Flexibility** – Controls must be flexible to include the changed plans, unforeseen circumstances, or outright failure. For example, Sambhavi may use budget control to say the inventory level but if the sales are significantly higher or lower, there should be flexibility in the control. Suppose we define the inventory per rupee of cost of production or per kilogram of production. It would be flexible to control it using an annual budgetary control or average inventory based on earlier data.
- **Fitting to the organisational culture** – Imagine putting tight control over Sambhavi whose culture is family-like and open with the freedom to experiment. The control will most certainly affect the culture which to begin with is the competitive advantage of Sambhavi. Therefore, it must fit the culture. If you have a tight and bureaucratic system, a lose control will also not work.
- **Economy of controls** – Controls must be worth their costs. Creating controls which are excessively expensive is counter-productive. For example, we cannot have the same controls in an aircraft and a car.
- **Ability to lead to corrective action** – The control should lead to corrective action. Only then it closes the loop and leads to better performance. For example, if the ROI of an outlet is below the standards specified, there should be a review system, which detects the sections that have not contributed their part and have exceeded it so that the performance can be corrected or rewarded.

Self Assessment Questions

12. Controls have to be common to all and should not be adjusted to the individual manager's capability (True/False).
13. A well designed control will point to the _____ at critical point.
14. Firm 'A' manufacturing gears follows an autocratic culture while Firm 'B' follows an open door policy and both have control measures. It will be a good idea that Firm 'A' borrows the 'control measures' form Firm 'B' to make the controls more effective. (True/False)

6.7 Control Techniques

Overall performance control

It is important to control the overall performance and not confine to some processes. Many overall controls in business are financial in nature. This is natural because money is the binding factor in business and can be easily used to get an integrated picture. Though it might have been more difficult in the days when computers did not exist, this is not so today. The financial controls used at the lower levels can be progressively aggregated upwards. Secondly, it also indicates what the goal achievement has cost in terms of resources. Thirdly, it is an excellent window to see the accomplishment of non-financial areas and the causes can be evaluated. E.g., the performance may be due to poor planning, inadequate training of employees, etc. The reasons for overall control are:

- Since overall planning is applied to the enterprise as a whole, control should also be applied to the entire organisation because planning without controlling is not an effective method as we saw in earlier sections.
- Decentralisation of authority is required especially in product and territorial divisions in semi independent units, which makes controlling important.
- Overall control permits the measurement of an integrated area manager's total effort rather than parts.

Overall performance control techniques

Let us now see some of the control measures.

- **Profit and loss control** – This is the simplest form and captures the revenue and cost. It can be made in perspective i.e., ahead of its happening by making a budget for the next year so that decisions can influence the revenues and expenses before they actually occur. This suffers from huge paper work involving transfers within the company but reduces when computers are used.
- **Control through Return on Investment (ROI)** – ROI measures both the absolute and the relative success of a company or unit by the ratio of earnings to investment on capital. This standard recognises that capital is the core of business.

- **Management audits and accounting** – Audit and accounting is another way to exercise overall control. Although they look at various financial measures, it is possible for an audit to evaluate the systems by asking penetrating questions on the financial indicators. Thus, for example, if the cost of procurement has increased substantially from the average in the last decade, then an audit process gives the feedback base on which the process itself can be controlled by taking corrective actions.
- **Bureaucratic and clan control** – Several organisations are controlled using elaborate rules and regulations, ‘do it’ instructions, etc. This is called bureaucratic control. Clan control is based on the norms, shared values, and expected behaviour. Most organisations have a combination of these to exercise control.

Balanced scorecard

One of the problems with the overall performance control is that the measures are all financial. Strategy based on which businesses are run is actually futuristic and therefore a financial measure based review is insufficient measure of performance. Therefore, we should measure other factors, which create the cohesion in the first place and then create financial results. These assets, though intangible, include customers and the internal process, which are the strengths of a firm, and learning and growth that essentially reside in the employees. If we do that, we would have taken care of internal factors. Customers and external factors are captured through financial data. Thus the four key components of a balanced scorecard are:

- Financial
- Customer
- Internal processes
- Learning and growth

This is created by Kaplan and Norton to measure the overall performance of a firm.

Budget as a control

A budget is a plan for a given period in numerical terms. They are statements of anticipated results. They may be in terms of financial figures, labour hours, materials, sales volumes, etc. If done with flexibility, they are excellent tools of control. Usually, budgeting is done by making incremental

changes to the existing budget, which is one of the reasons why it has got a bad name. Some of the popular budgeting methods are discussed below:

- **Capital budgeting** – Capital budget is the process in which a business determines whether projects such as building a new plant or investing in a long-term venture are worth pursuing. Often, a prospective project's lifetime cash inflow and outflow are assessed in order to determine whether the returns generated meet a sufficient target benchmark. Ideally, business should pursue all projects and opportunities that enhance shareholder value. However, since the capital availability at any given time for new projects is limited, management has to determine and decide which project yields the most return over a well defined period of time. This is done through capital budgeting. In other words, it controls the way the available resources are deployed.
- **Zero based budgeting** – It is usually done for support functions rather than production. In this method, every year, the activities and their costs are worked from the base. Hence every year the necessity of an activity has to be established. E.g., a training programme and its need have to be established every year and its cost also has to be estimated every year even if the programme itself is an old one. Thus, managers will think of new, more effective, perhaps less expensive faculty, venue, etc. This makes the manager think fresh every year about efficacy and cost.

Non-budgetary control

There are several non-budgetary controls. An inspection visit, managing by walking around, use of statistical data, benchmarking, operational audit, HR audit, etc. are the non-budgetary controls.

Benchmarking

Benchmarking is the process of comparing one's business processes and performance with industry bests and/or best practices from other firms or industries. Several measures are used for this. Quality, time and cost, employee per passenger, fuel consumed per passenger, etc. are benchmarks. In the process of benchmarking, management identifies the best firms in their industry, or in another industry where similar processes exist, and compare the results and processes of those studied (the "targets") with one's own results and processes. In this way, they learn how well the targets perform and, more importantly, the business processes that explain why these firms are successful.

Costing

- **Activity based costing –** When we allocate the cost of production to a product, we do it by the number of items made by a machine rather than the time taken for producing by the machine and its consequent cost. Sambhavi Bakers make cakes and biscuits in the same oven. Cakes are a low volume item and biscuits are made in thousands. However, cakes take a long time and are more complex to set up and operate than biscuits. Since the volume of biscuits is large, the oven makes biscuits most of the day. If we now allocate more variable cost to biscuits because it takes a long time, then it would result in an unfair advantage to the cost of the cakes. In other words, we will have no idea about the actual production cost of cakes. In order to avoid this, we use activity based costing in which the overheads and other costs attributable to the activity of baking cakes is allocated to cakes appropriately.
- **Target costing –** One way to price a product is to make it, identify the cost incurred, and then fix its actual price. But that price may not be competitive. Target costing involves setting a target cost by subtracting a desired profit margin from a competitive market price. In a more formal way we call target costing as "Target Costing is a disciplined process for determining and achieving a full-stream cost at which a proposed product with specified functionality, performance, and quality must be produced in order to generate the desired profitability at the product's anticipated selling price over a specified period of time in the future." These concepts are supported by the four basic steps of target costing:
 - 1) Define the product
 - 2) Set the price and cost targets
 - 3) Achieve the targets
 - 4) Maintain competitive costs

Target costing controls the cost by forcing the managers to innovate design, input, processes, etc. so that the target is achieved.

Through quality tools/logistic control

- **Total Quality Management (TQM) –**
 - 1) It is the belief that quality can and must be managed.
 - 2) The first realisation takes you the next step i.e., the problems are created by process and not by people. So this control makes you look at the processes rather than employees.

- 3) One should look for a cure rather than treat the symptoms and thus control the quality over a long period of time.
- 4) Every employee is responsible for quality and therefore makes quality control more pervasive or spreads throughout the company.

It then states that quality control should be measurable and therefore creates a measure and then goes on to make the improvement continuous. It makes quality a long term investment and thus brings an effective control on the product lines, processes, and also overall performance.

- **Kaizen** – Kaizen is a philosophy based on team work, personal discipline, improved morale, quality circle, and suggestion for improvement. It has three foundations namely elimination of waste and inefficiency (also called muda in Japanese), Kaizen 5 S framework for good housekeeping and standardisation. The 5 S framework means tidiness (seiri), orderliness (seiton), cleanliness (seiso), standardised clean up (seiketsu), and discipline (shitsuke). As one can see, all of them contribute to control the quality, waste, cost, etc. and hence to become an effective control tool.
- **Just in Time (JIT)** – Any inventory whether of parts or finished goods is a cost and must be controlled. JIT is a plan to ensure that the inventory is reduced to almost nil and it is a plan that Toyota tried out successfully. The concept of control by JIT is not very different from controlling the inventory. JIT differs from inventory control in its philosophy to keep the required parts manufacturer and the outlet which sells well integrated into the main plant to include the quality of the supplies. Thus it is possible to get the inventory right into the shop floor without going to the store on a daily/hourly basis. This obviously controls cost. Needless to say, that it needs good discipline at all levels to apply this. JIT controls by eliminating the following:
 1. Waste from overproduction
 2. Waste of waiting time
 3. Transportation waste
 4. Processing waste
 5. Inventory waste
 6. Waste of motion
 7. Waste from product defects

- **Six sigma** – Six sigma stands for six standard deviations (Sigma is the Greek letter used to represent standard deviation in statistics) from the mean. Six sigma methodologies provide the techniques and tools to improve the capability and reduce the defects in any process. It was started in Motorola, in its manufacturing division, where millions of parts were made using the same process repeatedly. Six sigma methodologies improve any existing business process by constantly reviewing and re-tuning the process. To achieve this, Six sigma uses a methodology known as DMAIC (Define opportunities, measure performance, analyse opportunity, improve performance, control performance). Six sigma strives for perfection and allows for only three to four defects per million opportunities for each product or service transaction. It relies heavily on statistical techniques to reduce defects and measure quality.

Through time event network analysis

There are many such methods. Let us have a look at a few of them.

- **Gantt charts** – A Gantt chart is a type of bar chart, developed by Henry Gantt, which illustrates a project schedule. Gantt charts illustrate the start and finish dates of elements of a project. The terminal elements control process. If a process requires three months and we know when it should be completed, then we can plot when it should start and when each of the sub-activities should finish. Figure 6.3 depicts a simple Gantt chart.

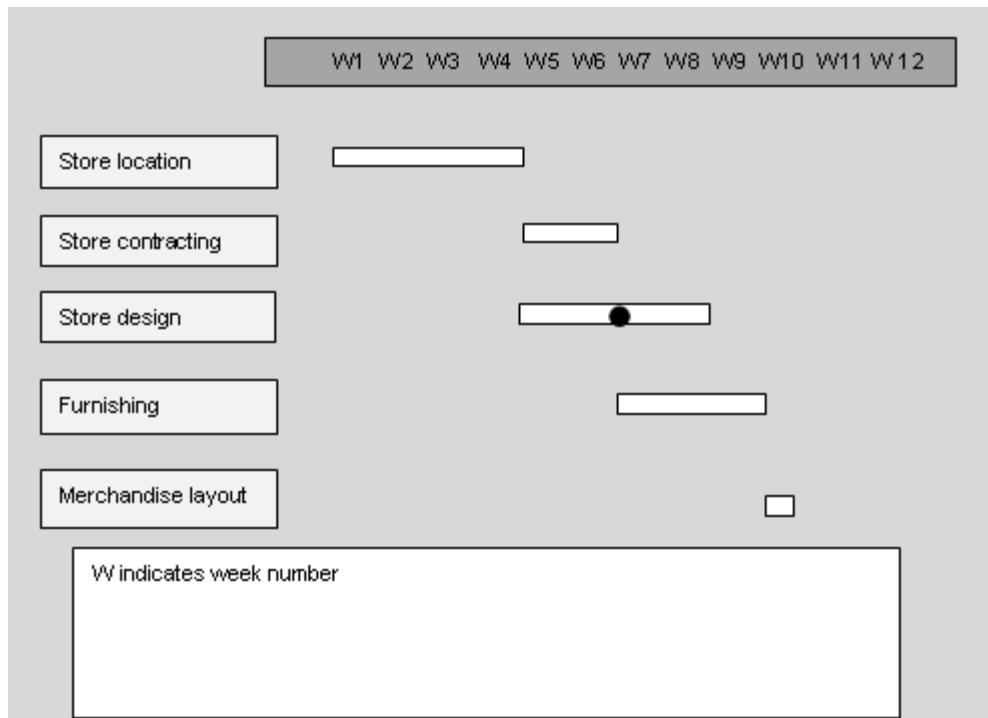


Fig. 6.3: Gantt Chart

This shows how a 12 week store opening of Sambhavi Bakers can be planned using a Gantt chart. It can be seen that locating the store ends by 4th week and then contracting starts. While it is going on, the design can be started and while design is half way the furnishing can be started (rather than wait for the design to be completed) and only after furnishing we can start to merchandise the layout.

Gantt charts can have more details, e.g., milestones i.e., the milestones can be fixed along with the Gantt chart. For example, the black bullet point indicates a milestone since furnishing can start only after crossing this. If there is a delay in reaching the milestone, subsequent activities will also be delayed and hence the importance to monitor design.

- **Program Evaluation and Review Technique (PERT) and Critical Path Method (CPM)** - A PERT chart is a graphic representation of a project's schedule. It shows the sequence of tasks, which task can be performed simultaneously. It also shows the critical path of tasks that must be completed on time so that the project meets its completion

deadline. The chart can be constructed with a variety of attributes, such as earliest and latest start dates for each task, earliest and latest finish dates for each task, and slack time between tasks. A PERT chart can document an entire project or a key phase of a project. The chart allows a team to avoid unrealistic timetables and schedule expectations, to help identify and shorten tasks that are bottlenecks, and to focus attention on most critical tasks.

Steps in creating a PERT chart are as follows:

- Identify the specific activities and milestones
- Determine the proper sequence of activities
- Construct a network diagram
- Estimate the time required for each activity
- Determine the critical path
- Update the project progresses

Advantages of PERT are:

- It forces the managers to plan since they have to make a time event chart.
- Forces planning all the way down the line because each subordinate manager must plan the event for which he/she is responsible.
- Concentrates attention on critical elements that may need correction.
- Makes forward-looking control possible.
- Enables managers to aim reports and builds pressure for action at the right spot.

The disadvantages are:

- When a programme is new or ambiguous, and no reasonable estimate of time can be made, PERT is difficult to implement.
- It emphasises only on time and not cost.

Let us now create a PERT and CPM model for opening a store of Sambhavi Bakers as given in Figure 6.4. The activities and their numbers are given below. The corresponding activity number is given in a shaded circle in the PERT chart. The arrows indicate the path of each activity and which activity has to follow which. The critical path is traced through the thick arrow.

1. Identify the general area for the stores

2. Identify the possible stores
3. Complete negotiation with owners
4. Complete legal contacting
5. Commence designing of the stores
6. Confirm design based on the final selection of stores
7. Order furnishing
8. Complete furnishing
9. Order merchandise
10. Place merchandise
11. Advertise
12. Open stores

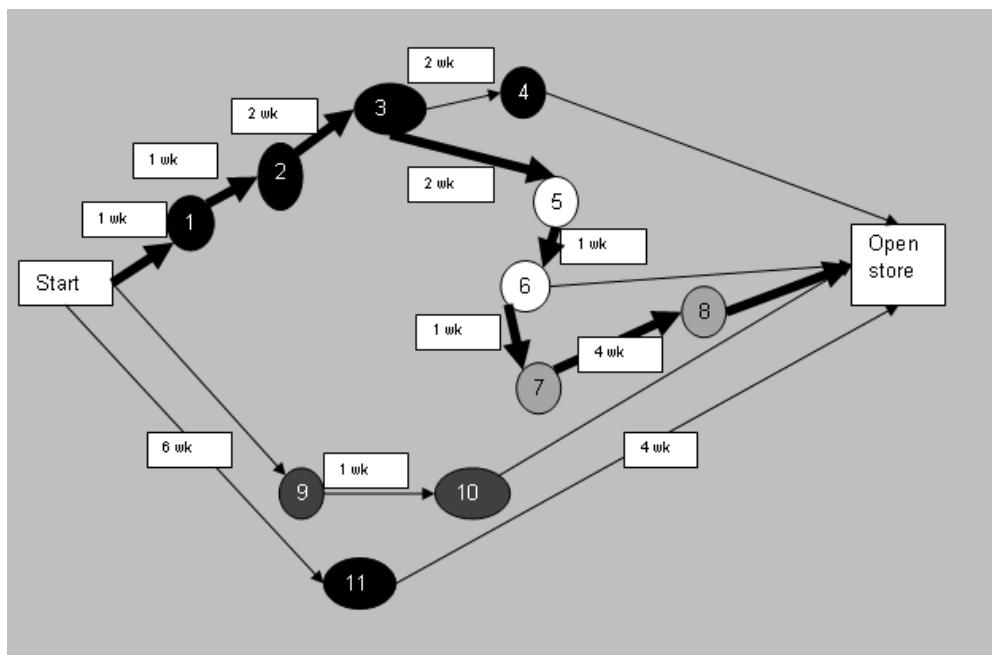


Fig. 6.4: PERT and CPM Model of Sambhavi Bakers

Thick black arrows in the figure 6.4 shows the critical path i.e., if anything goes wrong on this path, the opening will be delayed. The activities along the thin arrow can be done well within the time the activities along the thick arrows are done. Hence, these are not the critical paths. Time for each activity is given as weeks (1 week, 6 week, etc) in boxes.

Self Assessment Questions

15. Many overall controls in business are financial in nature. This is natural because money is the _____ in business and can be easily used to get an _____ picture.
16. Clan control means using controls based on the _____, _____ and expected behaviour.
17. Balanced scorecard is an overall performance control method and measures financial, customer, internal processes, and _____ factors.
18. Usually, resources available to an organisation at any time are scarce and opportunities are plenty. Investing in projects that gives the best return over a long period can be done by -----.
19. Zero based budgeting enables managers to create a budget quickly by adding or subtracting to earlier expense on this account. (True/False)
20. Benchmarking must ensure that the best practices taken into consideration for benchmarking are from the same industry and not from another industry. (True/False)

6.8 IT Enabled ‘Controls’ and its Challenges

In the earlier section we learnt about real time controls. Most real time controls are microprocessor or IT enabled. But unlike earlier times, IT enabled controls create their own unique challenges to business.

Some of the far reaching IT enabled processes, which have facilitated control are as follows:

- **Enterprise resource planning system** – It is a modern system of integrating the manufacturing or service process upward and downward. It connects the logistics, sales, HR, finance, and other functions in an integrated and real time manner. So, though we may still need time to analyse the variance, the prompt report system enables us to reduce the reaction time and thus enables better control.
- **Speech recognition software** – This software is still far from being a fully developed product. When done, it would perhaps be possible to pass instructions to a computer and then on to a machine much like you pass instructions to a worker. Combined with mobile communication systems, this would be able to exercise real time control on a remote

basis, while on the move and perhaps even when we are doing something else. Voice control will also make control more pervasive. Care must be taken so that it does not interfere with empowerment.

- **Telecommuting** – Using the company's main server and communication, employees are able to work from home or any other place as effectively as one can do from office. This would once again enhance the capability to exercise control because you can remain connected to the workplace almost from anywhere.
- **Computer networks** – Networked computers make it easy for everyone to see and gain the input at the same time. It also enables one to see the contents of another computer and exercise control of the workplace. E.g., a person who is doing medical transcription can be controlled from a remote location by a supervisor by merely looking into his/her system.
- **Internet, intranet, and extranet** - Though the Internet is the most pervasive, the other networks are also important components in creating controls. For example, in marketing, the control that the sales person or the distributor had over the customer is now gone because it is possible for a person to consult a social network and purchase an item without any of the traditional channels interfering. On the other hand, the control that the business has over the market has also increased by making a product available on a universal basis. For example, if you have a system of ordering cakes of Sambhavi bakers online and a system of delivering, the control exists for both the parties.
- **Groupware** – This enables a document to be seen by several people simultaneously. This implies that it is possible to design something sitting in multiple locations much like how Boeing designed one of its planes from 245 different locations. This means that close control is possible from multiple locations unlike earlier days.
- **E-commerce and M-commerce** – There are several control measures that take the form of E-commerce and M-commerce. Transfer of money is one thing, verification of details before approval such as electronic verification and signature is another. Use of Radio Frequency Identity (RFID) (identifying a cargo by embedding a chip that transmits a particular number enables you to control the move of the cargo), supply of materials and goods on JIT basis, reducing inventory, control of

tenders, etc. are other examples. It is a subject itself that the intention here is only to highlight the existence and potential of the system.

Activity 1:

Study the PERT and CPM diagram given in the text and identify what is the minimum time that would be required to complete opening a new outlet by Sambhavi Bakers.

Activity 2:

Read the following situation and prepare a report.

On 1 January, 2012, a person who is running a bakery in a large town called up the Project Manager of Sambhavi Bakers. He told the manager that he wishes to sell his store as he is old and is now having advanced stage of cancer and that his children do not want to continue. He had served the area well and everyone liked his bakery and he wanted the place to continue as a bakery. The area as per the description is large and has adequate space for the Sambhavi model. The Chairman gave the go-ahead on 1 February, 2012 to start operation in the new town. Assuming that Sambhavi has a reputation for fast implementation of projects, when do you think that the outlet can be opened?

Self Assessment Questions

21. Telecommuting enhances the capability to exercise control because you can remain connected to the _____ almost from anywhere.
22. Enterprise Resource Planning (ERP) system is effective not only because it is a prompt report system and reduces reaction time but also because there is no need to analyse the cause of the variance. (True/False)

6.9 Summary

Let us recapitulate the important concepts discussed in this unit:

- Controlling can be defined as measuring and correcting of performance to achieve the organisational goals.
- The process of planning and controlling works on systems approach, Planning → Results → Corrective Action (through control)

- Controlling is important as it creates basis for the future, ensures goals are on track, prevents repetition of mistakes, enables future planning, enables decentralisation, assist co-ordination, enables motivation and management by exception.
- Steps involved in controlling are establishment of standards, measurement of performance, comparison of actual performance and standard performance, taking remedial actions.
- Critical control points may be classified as physical standards, cost standards, capital standards, revenue standards, programme standards, intangible standards, goals and strategic plans.
- Feedback loop of management control consists of desired performance, actual performance, measuring actual performance, comparing with desired performance, indentifying deviations, analysing causes of deviation, planning corrective action and implementing correction.
- Effective control must be tailored to plans and positions, individual manager, objective, flexible, fitting to the organisational culture, economical and must lead to corrective action.
- Some of the overall control techniques are profit and loss control, control though ROI, audits and accounting, bureaucratic and clan control.
- A balanced scorecard was created by Kaplan and Norton to measure the overall performance of a firm.
- Some of the quality tools of control are TQM, Kaizen, JIT, Six Sigma, Gantt Charts, PERT and CPM.

6.10 Glossary

Balanced scorecard: A technique of overall performance control created by Kaplan and Norton to measure and control strategy and its implementation. It measures financial, customer, internal process, and learning and growth of an organisation.

Benchmarking: A process of comparing own standards and best practices in an activity or process with that of another in the same or different industry. For example, to benchmark practices of recovery of debts, you can benchmark with another firm in your own industry or another industry.

Critical control points: Selection of important points in a process or activity for measuring because of the impact on the overall process. By controlling this point, most of the important variations can be controlled.

Critical path: A term used in PERT and CPM methods of project management. It is that series of activities in sequence (path) along which if there is any delay the project will get delayed. The other paths are usually shorter or flexible enough to be absorbed within the time taken by the critical path of activities.

Overall performance control: Organisation has several activities, units, etc. Many controls pertain to only the activity or unit. Those measures and standards that control the overall performance of an organisation rather than its individual units, departments, or activities are called overall performance control.

6.10 Terminal Questions

1. Explain the controlling process.
2. Why is controlling important in management functions?
3. What are the different critical control points?
4. What are the prerequisites of effective control?

6.11 Answers

Self Assessment Questions

1. measuring and correcting
2. Goals
3. False
4. True
5. Critical control point
6. Physical
7. capital
8. Goals
9. False

10. Input
11. financial
12. False
13. Exceptions
14. False.
15. Binding factor, integrated
16. Norms, shared values
17. Learning and growth
18. Capital budgeting
19. False
20. False
21. Workplace
22. False

6.12 Terminal Questions

1. Process of controlling includes establishment of standards, measurement of performance, comparison of actual and standard performance and taking remedial action. Refer Section 6.3 for more details.
2. Controlling is important because it keeps goals on track and creates the basis for the future. Refer Section 6.3 for more details.
3. The different control points are physical standards, cost and capital standards, revenue standards, programme standards, intangible standards etc. Refer Section 6.4 for more details.
4. Some of the prerequisites of effective control are flexibility, fitting to the organisation culture, tailoring controls to plans, positions and to the individual managers. Refer Section 6.6 for more details.

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Unit 7**Introduction to Organisational Behaviour****Structure:**

- 7.1 Introduction
 - Objectives
- 7.2 Historical Perspective on OB
- 7.3 Approaches to and Importance of OB
- 7.4 Definition of OB and Framework for Learning OB
- 7.5 The Intricate Relation between MP and OB
- 7.6 The OB-Human Resources Management Relationship
- 7.7 Limitations of OB
- 7.8 Globalisation and OB
- 7.9 Summary
- 7.10 Glossary
- 7.11 Terminal Questions
- 7.12 Answers

7.1 Introduction

In the previous unit, you learnt the definition, importance and process of controlling, critical control points and control as a feedback system. You also learnt the prerequisites of effective control and the various control techniques. Over the years, most management discussions have shifted to the term ‘organisation’ rather than ‘industry’. The main reason for this is the acceptance of the increasing role of human beings in organisations. Although this might have always been so, the metamorphosis in the terminology has perhaps come about because of the shift to service based economy i.e., companies involved in services like healthcare, hospitality, insurance surpassing the manufacturing services. IT industry and the need to have knowledge workers at the hub of its functioning is perhaps one of the most important factors that have forced management literature to shift from the term ‘industrial’ to ‘organisational.’

Today we hear of ‘organisational psychology’, rather than ‘industrial psychology’ and now of course Organisational Behaviour (OB) as the standard term to explain the role of behaviour in organisations. Organisational Behaviour (OB) OB has replaced most other terms because it focuses on behaviour that results in productivity and all organisations are about productivity. Through this unit you will see the impact of the path

breaking Hawthorne experiment that impacted the way organisations are run. It attempts to explain how OB will affect each management process e.g., how personality will affect decision making and how learning will affect the way we staff or control. Thus the purpose of this unit is not only to introduce OB but also to highlight the symbiotic relation between MP, OB and human relationship management. The study of OB is deeply immersed in psychology and behaviour but because of its focus on productivity, it encompasses and integrates several other disciplines such as sociology, politics and anthropology and because of this integration, OB has emerged almost as an independent discipline.

In this unit, you will learn the historical perspective on OB, approaches to and importance of OB. You will also learn the definition, framework for learning OB, the relation between MP and OB. Further, you will learn the OB-human resources management relationship, limitations of OB, and globalisation and OB.

Objectives:

After studying this unit, you should be able to:

- explain historical perspectives on OB
- differentiate approaches to and importance of OB
- define the definition of OB and framework for learning OB
- explain the intricate relation between MP and OB
- explain the OB-human resources management relationship
- list the limitations of OB
- illustrate the impact of globalisation on OB

Learning Outcomes

After studying this unit, you will be able to:

- explain the historical perspectives on OB
- differentiate between various approaches to OB
- explain the importance of OB
- define OB and the framework for learning OB
- explain the intricate relation between MP and OB
- explain OB-human resources management relationship
- list the limitations of OB
- describe the impact of globalisation on OB

7.2 Historical Perspectives on OB

Management has three major dimensions – technical, conceptual and human. By technical we mean how the machines do the work whether at the factory floor or the computer. The second is conceptual by which we mean the purpose of the organisation, purpose of the work, the logic behind an action, etc. The third is of course human. In earlier units, we have seen that management is nothing but getting work done through people, which means that it is people, and in particular managers, who make the other two dimensions work. But managers usually ignore the conceptual and people dimension and focus on the much easier and inanimate technical dimension. Most managers think that their employees are lazy and are interested only in money and that if you could make them happy in terms of money, they would be productive. If such assumptions were true, then human problems in the workplace would be easy to solve. We have to accept that of the ideas of the three dimensions, human behaviour in organisation is rather unpredictable, and therefore more difficult to manage than the other dimensions.

In the unit introducing MP, we have already seen the tenants of scientific management, bureaucracy and the Hawthorne experiment in brief. Out of these it is important to understand the Hawthorne more intimately because much of OB is anchored on this experiment.

Hawthorne experiments refer to a series of experiments conducted in the Western Electric plant in the US. Western Electric was a monopoly supplier to another monopoly AT&T telephone in the US. Though it all started as an experiment because the lighting company supported the lighting of the plant, it claimed that by increasing the lighting, the productivity of making the relays of the telephone can be improved. Later, because of unexplainable observations, several academics including Elton Mayo were brought in. It consisted of four sub-experiments. Let us now learn the sub-experiments.

Part I - Illumination experiments (1924-27)

These experiments were performed to find out the effect of different levels of illumination (lighting) on productivity of labour. The brightness of the light was increased and decreased to find out the effect on the productivity of the test group. Surprisingly, the productivity increased even when the level of illumination was decreased. It was concluded that factors other than light

were also important. Hence to find out more, the experiment was continued by taking other factors into consideration.

Part II - Relay assembly test room study (1927-1929)

Two small groups, each of six female telephone relay assemblers, were selected, one as a control group and another as an experimental group. They were kept in separate rooms performing the same job. For the experimental group, from time to time, changes were made in working hours, rest periods, lunch breaks, etc. They also had the freedom to choose their own rest periods and also to give suggestions to improve productivity. While it was expected that the output will increase in the experimental group, output increased in the control group as well. It was then concluded that not only social cohesion and participatory decision making, but also challenge increased productivity, which is perhaps the reason why productivity increased in the control group.

Part III - Mass interviewing programme (1928-1930)

In this experiment, around 21,000 employees were interviewed in a span of three years. Then it was found that people like to work in a group, have fun and talk about matters that are important to them and when these were permitted, productivity would increase.

Part IV - Bank wiring observation room experiment (1932)

Here, a group of 14 male workers of different work caliber performing bank wiring were given group incentives based on productivity. The productivity and the working of the members were observed for six months. It was expected that the efficient workers will make the less efficient work faster and harder. Interestingly it was found that the group established its own norms for output and social pressure was used to achieve the standard output rather than enhanced output.

The following conclusions were made from the sub-experiments:

- Good physical conditions are insufficient for increasing productivity. Social and psychological factors have a major role in the workers' productivity and job satisfaction.
- The influence of informal relations among workers had a greater impact than formal relations in the organisation.
- If permitted to participate in decision making affecting their interests, employees will perform better.

- When employees believe that the management is interested in their welfare, they work more efficiently.
- Treating employees with respect and dignity leads to performance improvement.
- Besides the financial incentives, social and psychological needs must also be satisfied to increase productivity.
- Good communication between the superiors and subordinates can improve the relations and the productivity of the subordinates.
- Special attention and freedom to express their views will improve the performance of the workers.

So, what is new in all these you might ask? Well, you are right. But if you were living in the 1920s and 30s, then you would have wondered at these findings. Hawthorne has been criticised on several fronts, that his experiments lacked validity because it was conducted under controlled conditions and would not work in real situations, that it gave too much importance to human aspects and that human aspects alone cannot improve production, that it gave excessive emphasis on group decision making and of course that it gave excessive importance to the freedom of the workers and not to the constructive role of the supervisors/managers. Despite these criticisms Hawthorne changed the way factories worked forever. Modern OB is hinged on Hawthorne.

Self Assessment Questions

1. The most unpredictable dimension to manage is _____.
2. Hawthorne experiments refer to a series of _____ sub-experiments conducted in US.
3. Hawthorne experiments proved that good physical conditions is more than insufficient to increase productivity. (True/false)
4. Hawthorne experiments proved that treating employees with respect and dignity leads to _____ .

7.3 Approaches to and Importance of OB

Modern approach to organisational behaviour

There are four main approaches to organisational behaviour. They are:

- Human resources approach

- Contingency approach
- Productivity approach
- Systems approach

Let us now study each approach in detail.

Human resources approach

The human resources approach is concerned with the growth and development of people towards higher levels of competency, creativity and fulfillment. People are the central resource in any organisation. Hence it tries to create a work climate for improved abilities. This approach is also known as 'supportive approach' because the manager's primary role changes from control of employees to providing an active support for their growth and performance. Service based economy, where the service provider, the employee and the customer have to work together (e.g., serving food in a restaurant, buying an insurance, etc.) has very high relevance. Here the roles of leadership and the leading process are vital.

Contingency approach

It implies that different situations require different behavioural practices for effectiveness. Hence each situation must be analysed carefully to determine the significant variables that exist in order to establish the more effective practices. This approach ensures or at least encourages analysis of each situation prior to action. Thus it helps to use all the current knowledge about people in the organisation in the most appropriate manner.

Productivity approach

In this approach, the output per unit input is considered. Besides, economic inputs and outputs, we need to have human and social inputs and outputs in workplace, is the premise of this approach.

Systems approach

We have already seen the systems approach. It means that the organisation 'people' employ 'technology' in performing the 'task' that they are responsible for, while the 'structure' of the organisation serves as a basis for coordinating all their different activities. The systems view emphasises the interdependence of each of these elements within the organisation, if the organisation as a whole is to function effectively. This approach also looks

at the organisation and its broader environment i.e., social, economic, cultural and political within which they operate. All these shape the OB.

Contemporary OB - A separate field of study interdisciplinary in nature

OB is now treated as a distinct field of study. It is almost a science. However, it is interdisciplinary in approach. It draws heavily from other disciplines like psychology, sociology and anthropology. It also draws from economics, political science, law and history and integrates the relevant aspects.

Organisational behaviour integrates the relevant contents of these disciplines to make them applicable for organisational analysis. For example, it addresses issues of workplace motivation or conflict which are oriented towards organisational objectives. In fact, organisational behaviour tries to integrate both individual and organisational objectives so that both are achieved simultaneously.

E.g., Mr. Ram is an introverted person and is mostly secluded in his room when at home; but if he has to work as a customer relations manager, he has to be talking and meeting people and interestingly, Mr. Ram does that pretty well. You see how the person is affected by the organisation. This is why it is important to study OB.

Why is OB Important? OB is important for managers because it tries to answer the following questions and many more which would increase the organisational productivity and managerial effectiveness:

1. How the individual differences in personality, personal development and career development affect an individual's and the group's behaviour and productivity?
2. How do people perceive things and what facilitates this? This is important because depending on the perception, the behaviour changes. Thus following of orders and instructions may differ widely depending upon how this has been perceived by two different individuals or groups.
3. Some organisations are called learning organisations and they thrive, while others perish. What influences individuals, groups and organisational learning and the development of individual attitudes toward work?

4. What motivates people to work and how does the reward system affect it in an individual and group capacity?
5. How can we create teams that are efficient and goal oriented?
6. How are effective decisions made in teams and organisations that affect people and their productivity?
7. When and how does communication become effective?
8. How do people use power and how can it be channelled towards productivity?
9. Why are some individuals more effective in negotiations?
10. How can conflict (between groups or between a manager and subordinates) be resolved or managed?
11. How can jobs and organisations be effectively designed?
12. How can managers help workers deal effectively with change?

Self Assessment Questions

5. OB can be learnt from different approaches such as human resources approach, _____, productivity approach and systems approach.
6. The human resources approach is concerned with the growth and development of people towards higher levels of _____, _____ and fulfillment.
7. When a manager gives orders to two different people who are identical in department, status, salary and other organisational factors, the response could be very different and this depends on how each of them _____ the order.

7.4 Definition of OB and Framework for Learning OB

OB can be defined as a systematic study that investigates the impact of individuals, groups and organisational factors on productivity to include effectiveness and efficiency, absentee, turnover, organisational citizenship behaviour and job satisfaction.

- By systematic study we mean looking at relationships and attempting to attribute causes and effects, and drawing conclusions based on scientific evidence.

- By productivity we mean a performance measure that includes both effectiveness (achievement of goals) and efficiency (ratio of output versus input required to achieve it).
- By absenteeism we mean failure to report to work especially without informing.
- By turnover we mean voluntary and involuntary permanent withdrawal from an organisation (simply put exiting or quitting).
- By organisational citizenship we mean discretionary behaviour that is not part of an employee's formal job requirements, but that nevertheless promotes the effective functioning of the organisation.
- By job satisfaction we mean a general attitude towards one's job; the difference between the amount of reward the workers receive and the amount they believe they should receive.

The definition also gives us the three frameworks of studying OB i.e., individual level, group level and organisational level. Figure 7.1 depicts a bird's eye view of framework and definition combined.

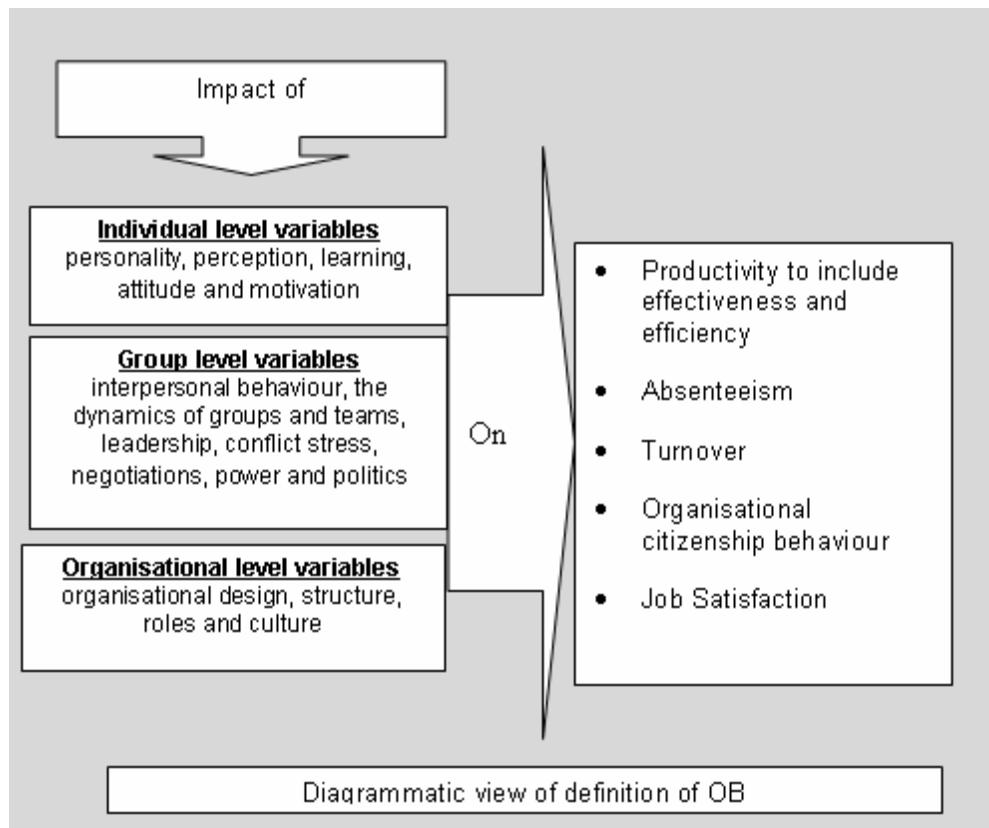


Fig. 7.1: Diagrammatic View of Definition of OB

Self Assessment Questions

8. By systematic study we mean looking at relationships and attempting to attribute _____ and effects, and drawing conclusions based on scientific evidence.
9. The two inherent components in the term productivity are _____ and _____.
10. By organisational citizenship we mean _____ behaviour that is not part of an employee's formal job requirements, but that nevertheless promotes the effective functioning of the organisation.
11. In the OB learning framework we learn about personality, perception, learning, attitude and motivation under group level variables.
(True/False)

7.5 The Intricate Relation between MP and OB

How does OB connect to MP?

We repeat the statement, 'Management is the process of getting work done through people.' That means people are extremely important. In the earlier section we have seen what OB intends to achieve in management. Let us now see how it is connected to the management processes.

Individual OB and its impact on MP

When OB is addressed from this perspective, it covers personality, perception, learning, attitude and motivation. Of course, each of these affect the other and in turn motivation. In a work context, their collective impact on motivation is worth highlighting e.g., people with introverted personality are motivated differently than extroverted ones and those with a positive attitude differently from those with negative attitude. Together it affects how people see things, how they react and how they work. It impacts the planning process as individuals can perceive both opportunity and threat in a situation. Their cautious personality versus an offensive one can affect the decision and being introverted or extroverted can affect the way information is gathered and analysed for planning and decision making. These factors affect the way the organising is carried out i.e., if people are motivated and have the right attitude, the organisations can be more flat, it affects the staffing since more motivated workforce means less people to produce the same, it affects the leading process because highly motivated people need less leading and it affects controlling too because when we are working with highly motivated people such as scientists, it does not require much control and in fact controls can be counterproductive while it can be very effective when we are dealing with those with low motivation.

Group OB and its impact on MP

Under this we study interpersonal behaviour, the dynamics of groups and teams, leadership, conflict stress, negotiations, power and politics. We may study decision making under OB also but for the purpose of this SLM, we have covered it under MP and is not repeated here. The moment we organise, we create teams and groups. They are meant to work cohesively towards the goal. This depends, to a great extent, on the individual. It also depends on the group dynamics. Though people interpret anything at their individual level, they are often modified by group pressures, which are

clearly highlighted in the Hawthorne experiments. Hence group is a force to reckon with in planning since plans created and decided by the group are better executed. When plans are made by managers or others without consulting the group, the productivity is often adjusted to the group norms as we saw in the bank wiring experiment. Norms, cohesion, goals, procedures, communication pattern and leadership within a team directly affect productivity. When managers are considerate, have clear goals, motivate people and set example, then the group too has a different dynamics to productivity. Concept of group is extremely important in MP. Groups are capable of making their own plans and objectives in consonance with the organisational objectives, make extremely good decisions. So far as organising is concerned we saw how groups are the hub and the output of organising and we also saw how formal and informal groups have an impact in the workplace and while organising. When we have very effective groups, we can have a very flat organisation and reduce much of the supervisory cost and consequent motivation can lead to much higher productivity, which in turn leads to reduction in staff and efforts on controlling. Unions are a classic case of groups and its impact on productivity. There are unions, which negotiate very effectively and ensure high levels of productivity and those which will bring the shutters of an organisation down. This gives us an idea of power and politics and conflict in an organisation and how they affect productivity and job satisfaction. You would now be convinced how group aspects of OB affect MP decisively.

Organisational level OB and its impact on MP

Organisational level OB studies organisational design, structure, roles and culture. You can intuitively see that organisational structure overlaps in MP and OB. The design is impacted by the group size, group maturity and individual variables of OB. The roles impact the planning e.g., how many roles can one do and ensure high effectiveness. The role of national and organisational culture and its impact on MP processes need no emphasis. For example, detailed planning is a hallmark of Western culture, which believes in individualism, and people are left to themselves more than it is done in the Eastern culture which believes more in collectivism. So, when a role is defined in the Western culture, it will be highly specific while in India or Japan, it may be more tacit and people may take on ad hoc roles more easily which changes the nature of organising. This applies to the leading

and controlling processes as well. While those from the East may be conforming to a higher degree of control because of their collective beliefs, those from the West may not be. But then again the industry and firm level culture also matters. The IT companies in India probably have a greater leaning towards individualism than collectivism than perhaps a manufacturing firm and even in IT firms, a US based company like Google would have it more than an Indian company.

We are now clear that MP and OB are so intimately related and impact each other so much that it makes sense to study it together.

Self Assessment Questions

12. Perception is an important factor while planning because it _____ the way threat and ----- are seen by people.
13. Though people want to do things their way, their attitude, perceptions and decisions are often modified by _____ pressures. Hawthorne experiment gives us an insight into this.
14. Groups are capable of making their own plans and objectives in consonance with the organisational objectives. Some of them make excellent decisions and follow up with action on the shop floor. A good example of such a group is the _____.

7.6 The OB-Human Resources Management Relationship

This is perhaps one of your first courses in the MBA program and you will also take a course in HRM in your first semester. So, do you call it a day after you write the examination on this SLM and then go ahead. It will be very unfortunate if you do that and we will see why you should carry the knowledge of OB ahead with you?

There are three factors of production namely land, labour and capital. This legacy from the industrial era is true even today but it has undergone several fundamental changes after we embraced the services economy and later knowledge economy and globalisation. First, land, which was conceived as geographically bounded, has undergone conceptual changes to include the virtual area from which business can be done much like amazon.com. Second, buoyed by logistic efficacy and technological innovations, we can disconnect production and consumption centres

geographically. It is possible to lift products from one place to the other cheaply and quickly thus offsetting the importance of being close to the consumer. Thirdly, capital is flexible and mobile today and its availability, for the right reasons, plenty.

What about labour? They are no less mobile. They can shift jobs, shift places, shift career, do multitasking, work from home using computers (telecommute) and do several other things which we could not think of earlier. Because of the unimaginable mobility induced in labour, we have new challenges. Add to this the individual human uniqueness unlike the other two factors. Human beings can be creative and destructive equally well or just plain benchers (people held on payrolls but not doing any specific tasks). They can vary their production, qualitatively and quantitatively, for reasons such as time of day, mood, interest, motivation, season, desire for bargaining, coercion, amount of light, availability of music, team spirit, etc. They need, besides great pay, motivation and meaningful work, empowerment, etc. They need not only high pay but comparative justice in pay (i.e., justice in relation to other's pay) and other factors. They have unique needs which emanate from their family, society and culture, self image, desire to learn and grow and several such intangibles, both predictable and unpredictable. All these challenges make architecting the factor of production called 'Human Resources', the modern variant of the age old 'labour', complex.

When innovation and creativity is lacking in our teams, when our team fails to measure up, when there is discontent in the team, when members seek change, when production is sub-optimal and targets are missed, remember, as a team leader or a manager in whatever department we are, we will be called upon to answer 'why'. And the answer almost always would lie in our competence or otherwise of handling the men charged under our leadership. Equally, when we savour success, exceed targets, enjoy excellent bonuses remember that we did a great job in managing the people charged under our leadership. And when we do all that, remember that it takes only a minute for the people to change their mind about us and undo all that we achieved. No other factors of production do that to us.

Because OB answers most of these, a course in OB and HR would interest the Marketing, Financial, Operations and other functional area managers.

So, a study of managing people is not a mere study intended to sharpen some HR department's skills but it encompasses every one of us without regard to department or functional area.

OB and HR are two sides of a coin. Without one, the other would be invalid. In individual variants of OB, we learn about learning, personality, perception, attitude, emotions and motivation and in HR we learn how to use these for results e.g., how is the salary designed to fulfill the hygiene factor of motivation theory or the equity theory. If we speak of personality, perception and attitude, we check how these fit into the organisation through the selection process. Thus, all OB concepts can be mapped on to HR systems and processes. Knowing this map enables us to understand the OB-HR connection. It follows that you need to revise your OB concepts continually when taking HR decisions and since selection, motivation, etc. are the functions of all managers and not only HR managers, OB is invaluable for all.

Let us illustrate this further. Read the story Google v/s Facebook at http://news.cnet.com/8301-13577_3-20012839-36.html. It is a simple story of how one company tried to procure talent from the other. You may realise that both organisations are similar in innovation, technology savvy atmosphere, work culture, empowerment, etc. If we look at the salary they are really high in both cases and the issue of hygiene (existence of sufficient pay), propounded in the two factor theory of motivation, is not too relevant here. But by merely offering higher salary, the concept of equity becomes unbalanced, leading to a flow of rare talent from one to another.

So, the purpose of these units of course is to enable you to harness the human power to the best of your advantage and through it to the advantage of the organisation, society and the world at large.

Self Assessment Questions

15. Selection process ensures that individual factors such as right personality, _____ and _____ exist in an individual so that the organisation can work smoothly.
16. OB is not a standalone concept. All OB concepts can be mapped to _____ systems and processes.

7.7 Limitations of OB

OB has some important limitations. These are:

- OB is not a remedy for the removal of conflict and frustration but can only reduce them.
- It is only one of the many systems operating within a large social system.
- There is a great danger of OB when in the hands of people who lack system understanding. They tend to look only at the 'behavioural basis', which gives them a narrow view point. This tunnel vision often leads to satisfying employee experiences while overlooking the broader system of an organisation in relation to all its public.
- The law of diminishing returns also operates in the case of organisational behaviour (the law states that at some point increase of a desirable practice produces declining returns and sometimes negative returns when that point is exceeded). For example, too much of freedom and security could lead to less employee initiative and growth after reaching a level and to complacency after that. This relationship shows that organisational effectiveness is achieved not by having more and more of a particular factor but appropriate level of it.
- The ethical standards of those in charge and those who use OB techniques are a great concern. Its knowledge and techniques could be used to manipulate people without regard for human welfare. People who lack ethical values could use people in unethical ways.

Self Assessment Questions

17. If you know your OB, you can completely remove conflict and frustration (True/False).
18. Tunnel vision of OB can lead to satisfying employee experiences at the cost of broader system of an organisation. (True/False)
19. If we give infinite freedom and security to people, productivity is seen to improve. (True/False)

7.8 Globalisation and OB

Globalisation refers to the complex economic network of international competition, resource suppliers and product markets. Most organisations have to achieve high performance within this competitive global

environment. Since environment affects organisational structure and the way we do business, it affects people who create performance for the organisation. Let us see this in some more detail.

Globalisation forces affect OB

Globalisation is affected by several forces such as rapid growth in information technology and electronic communication, movement of valuable skills and investments, increasing cultural diversity, high level of knowledge worker immigration, increased job migration and the multicultural workers. As a result we are exposed to global best practices among people. For example, the use of groups in quality circles emerges from Japan and is quickly copied by all to retain the competitive advantage, hire and fire is mimicked by several Indian companies from the West although it was seldom heard in India as a concept before globalisation, but creating safety valves and higher pay when the times are good is the underlying factor for this policy and that this is not existent in the Indian economy where supply of labour is greater than demand and consequent low compensation is often missed. This in turn leads to strikes and labour unrest which affects productivity greatly. OB has to understand these proactively.

Impact of alliances

Globalisation is contributing to the emergence of regional economic alliances such as European Union (EU), North American Free Trade Agreement (NAFTA), Asia-Pacific Economic Cooperation Forum (APEC). This implies that people and resources can move freely and industries can be set up in these alliances easily. This compels the countries to adjust the organisational structure to remain competitive (e.g., having a flat organisation versus more hierarchical), which in turn affects creation of groups, methods of motivation and managing change.

Globalisation is accelerating outsourcing

Contracting work to outside agencies or organisations rather than accomplishing it with a full-time permanent workforce, off shoring, contracting work to persons in other countries, job migration and movement of jobs from one location or country to another – many of these decisions are based on economy and hence OB has to deal with the acceptance of this change, managing the perception of its employees, their motivation and compensation, and other measures to retain productivity in the home

country. In the host country, OB has to manage these to align the people to the home country which outsources.

Creating global managers

Managers need to know how to conduct business in multiple countries, adapt to the culture, which is their biggest challenge, be able to handle different languages, think with a world view and are able to map strategy in the global context, have a global attitude and global mindset. This implies that we have to learn quickly on adjusting our personality's effect on business processes, change our attitudes and perception about managers and employees from other countries, learn how to work in international groups including virtual groups and be prepared to adjust to a global organisational structure and systems.

Globalisation and culture

Culture is quite hardwired in our mind and globalisation demands it's rewiring as we have to accept the shared way of doing things in a particular society, define boundaries between different groups and affects how their members relate to one another, develop cultural intelligence i.e., the ability to identify, understand and act with sensitivity and effectiveness in cross-cultural situations.

Self Assessment Questions

20. One of the ways global alliances impact OB is that they compel the countries to adjust the _____ to remain competitive.
21. Culture is quite hardwired in our mind and _____ requires that it is rewired.

7.9 Summary

Let us recapitulate the important concepts discussed in this unit:

- OB can be defined as a systematic study that investigates the impact of individuals, groups and organisational factors on productivity to include effectiveness and efficiency, absentee, turnover, organisational citizenship behaviour and job satisfaction.
- Hawthorne experiments refer to a series of experiments conducted in the Western Electric plant in the US. Much of Organisational Behaviour was developed based on these experiments.

- The experiments made it clear that social and psychological factors play a major role in employee job satisfaction and productivity.
- The four major approaches to OB are human resource approach, contingency approach, productivity approach and systems approach.
- OB and management process are interrelated. Management processes focus on getting the work done most effectively and efficiently while OB looks into the individual, group and organisational variables that impact employee productivity, absenteeism, job satisfaction etc.
- OB has certain limitations such as it is not a remedy for conflict, it is only one of many social systems, operation of law of diminishing returns.
- Globalisation also impacts the study of OB.

7.10 Glossary

Effectiveness: A term that is used to indicate that the goals achieved are those intended to be achieved and not something different.

Organisational citizenship: Discretionary behaviour that is not part of an employee's formal job requirements, but that nevertheless promotes the effective functioning of the organisation.

Systematic study: A study that defines the cause and effect relationship between two factors. Usually they have a dependent and independent variable relationship i.e., when the independent variable is increased or decreased, the dependant variable also behaves in a predictable way by increasing or decreasing.

Turnover: Voluntary and involuntary permanent withdrawal from an organisation (simply put exiting or quitting).

7.11 Terminal Questions

1. Elucidate the deductions from the Hawthorne experiments.
2. Differentiate between human resources approach and contingency approach.
3. Justify why OB is an important area of learning for a manager.
4. Define OB and explain the framework for learning OB.
5. Explain the intricate connection between MP and OB.

7.12 Answers

Self Assessment Questions

1. Human
2. 4
3. False
4. Performance improvement.
5. Contingency
6. Competency, creativity
7. Perceives
8. Causes
9. Efficiency and effectiveness.
10. Discretionary
11. False
12. Impacts, opportunities
13. Group
14. Quality circles
15. Perception and attitude
16. HR
17. False
18. True
19. False
20. Organisational structure
21. Globalisation

Terminal Questions

1. Impact of social and psychological factors, informal relations on the workers productivity are some of the learning from Hawthorne experiments. Refer Section 7.2 for more details
2. HR approach was focused on growth and development of people to higher levels of competency and fulfillment. Contingency approach implied different behavioural practices in different situations. Refer Section 7.3 for more details.

3. OB helps managers to learn individual differences affecting individual and group productivity, motivating factors etc. Refer Section 7.3 for more details.
4. Organisational Behaviour is the systematic study of individual, group and organizational factors on productivity, effectiveness and efficiency. Refer Section 7.4 for more details.
5. Management process focuses on getting the work done and OB focuses on the individual, group and organizational factors affecting productivity. Refer Section 7.5 for more details.

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Unit 8**Individual Behaviour – 1
(Personality and Perception)****Structure:**

- 8.1 Introduction
- 8.2 Case Study
- 8.3 Personality – Definition and Determinants
- 8.4 Personality Traits
- 8.5 Personality Attributes Affecting OB
- 8.6 Definition, Importance and Factors Influencing Perception
- 8.7 Perception and Making Judgment about Others
- 8.8 Summary
- 8.9 Glossary
- 8.10 Terminal Questions
- 8.11 Answers

8.1 Introduction

In the previous unit, you have learnt the historical perspective on OB, approaches to and importance of OB. You also learnt the definition, framework for learning OB, the relation between MP and OB. You learnt that OB includes learning individual, group and organizational. In this unit, we will look into two major individual factors, namely, personality and perception. The term 'personality' means different things to different people. Its root, of course, lies in the Latin term 'persona' meaning 'speak through' and denoted the mask worn by actors in Greece and Rome. To the common man, it means external appearances and behaviour, to the psychologists it means the inner awareness of self as a permanent organising force, and to the manager, it denotes the measurable traits, both inner and outer which can predict the performance in an organisation.

Perception is the way we see and interpret things. A supervisor may try to help his subordinates to achieve their target by advising and suggesting solutions. An employee may believe the supervisor is controlling and interfering. To another, the same supervisor would be akin to a father figure giving guidance. Individuals behave in a given manner based not on the way their external environment actually is but, rather on what they see or believe it to be. This is perception.

Both personality and perception affect individual behaviour and in turn the group and organisational behaviour.

In this unit, you will learn the definition and determinants of personality, personality traits and personality attributes affecting OB. You will also learn definition, importance and factors influencing perception, and perception and making judgment about others.

Objectives:

- define personality and its determinants
- analyse personality traits
- identify personality attributes affecting OB
- define perception and list its importance
- identify perceptions that affect making judgment about others
- list the attributes of perception in organisations

Learning Outcomes

After studying this unit, you will be able to:

- define and personality and identify its determinants
- explain personality traits
- differentiate personality attributes affecting OB
- define perception and list its importance.

8.2 Case Study**Sambhavi Bakers Part II**

Sambhavi Bakers expanded as per Reshma's plans while her mother took the chairman's role. As the expansion increased, the usual visits to the outlets became impossible and things were left more to the outlet manager. There was an elaborate set of instructions that had been generated for controlling the operations. The original set of managers and workers detested it as they were always operating in considerable freedom. The consultants had put in place an excellent information system and for some strange reasons the outlets came to be called by the number it had in the management information system report. One evening, Reshma got a phone call from outlet No 23 that there was some problem with the new manager and the assistant manager of the snack meal outlet. The manager had asked why the assistant manager had not stuck to the standard service

format and the assistant manager replied that he knows best what to do and replied sarcastically. The manager took offence and shouted at the assistant manager. Some of the old waiters took the side of the assistant manager and reaffirmed that it is the freedom to operate that makes the place tick and the customers come again and again and not the fat rule book which the manager had on his table. The new ones however, took the side of the manager and said that it is better that everyone followed the operating manual. Reshma thought that the issue would get resolved and did not follow up.

After three months the snack outlet revenue fell to an all time low and recorded a loss. The assistant manager quit with three of the old employees to start his own small venture. When Reshma came to know of it, she decided to travel to the site and have a chat. In her elaborate private discussion with the employees, she was told again that the manager was a good person but was very short tempered and often too bureaucratic preferring to follow the manual rather than the customer need. As she enquired into the issue she realised that the manager seldom spoke with customers and employees. He would listen to suggestions and record everything as per the manual but seldom encouraged them to try it out and innovate. He was very hard working and spent most of the time in the office fine tuning things and when not doing so, watching and supervising.

Some of the employees who were with Sambhavi for long were also critical of the manager who admonished the Assistant Manager, who had a lot of experience, during the peak work time. They said, "Madam, we pamper customers and don't follow the rule book because this is what you taught us and what we like. The customers are like our brothers and sisters and they even call us the same way, so how can we tell them rules? So, we break rules. We are not used to this shouting and even if one of our work colleagues look at us with a meaning that we have fallen short in service, we feel hurt, cry and rectify things immediately." Reshma was not a management graduate but intuitively understood the underlying problem.

On returning to her home in Salem, she called her daughter and the consultant and had a chat. She identified the problem pretty clearly and said, "Earlier we used to promote someone to the manager's position only if he was very friendly to the people, talked a lot, enjoyed the company of the

employees, went for movie with them, took their suggestions and boldly implemented it. But then we had enough time to observe the person before promoting. With the speed of outlet opening, we cannot provide a stream of people whom we have observed for a long time.” The she turned to the consultant, and asked, “Is there a way to find out if a person has these qualities when we are taking a manager directly?”

The consultant began to tell her what personality is, how it can be tested and that while it is not possible to eliminate such incidents, it is possible to control a lot of it.

8.3 Personality – Definition and Determinants

Personality can be defined as a dynamic and organised set of characteristics possessed by a person which uniquely influences his/her knowledge, motivations and behaviour in various situations (Ryckman, 2004). According to Pervin, Cervone & John, (2005), personality refers to those characteristics of the person that account for consistent patterns of feelings, thinking and behaving. In other words, personality is the set of psychological traits and mechanisms within the individual that are organised and relatively enduring and that influence his/her interactions with and adaptations to physical and social environments and his/her own psyche (Larson & Buss, 2005).

Following are the factors that determine personality development:

- **Heredity** – The relationship of heredity with personality is a well accepted fact. Traits like physique, eye colour, hair colour, height, temperament, energy level, intelligence, reflexes, etc. are generally referred to describe the influence of heredity in developing personality. The heredity approach argues that the ultimate explanation of an individual’s personality is the structure of the genes. Identical twin and other studies have not confirmed this fully, however genetic influence is fairly well accepted.
- **Environment** – Environment comprises of culture, family, social and situational factors. The environmental factors influence the personality of an individual since they provide the basis for certain experiences that determine an individual’s view about life, both positive and negative.

- **Culture** – Culture establishes norms, attitudes and values that are passed on from generation to generation and create consistencies over time. Every culture expects and trains its members to behave in the ways that are acceptable to the group. People from different cultural groups have different attitudes towards independence, aggression, competition, cooperation, artistic talent, etc. While this appears to have a strong influence, studies on this count are not conclusive.
- **Family** – One of the most important determinants of the personality of a person is the immediate family. Families influence the behaviour of a person especially in the early stages of life. The nature of such influence will depend upon the socio-economic level of the family, family size, race, religion, parent's educational level and geographic location. Though it may not be conclusive, the immediate family seems to have a strong impact on the personality.
- **Situation** – Every individual goes through different types of experiences and events in his/her life. Some of the events and experiences, which an individual goes through in his/her life, can serve as important determinants of his/her personality. A trauma suffered by a person during his/her childhood can sometime change the structure of his/her own personality. This too is not conclusive.
- **Social factors** – Socialisation starts with the initial contact between a mother and her new infant. After infancy, other members of the immediate family – father, brothers, sisters and close relatives or friends, then the social group such as peers, school friends and members of the work group play influential roles. This is called socialisation process. There is an increasing recognition given to the role of other relevant persons, groups and especially organisations, which greatly influence an individual's personality.

Self Assessment Questions

1. Personality influences interactions with, and adaptations to _____ and _____ environments and his/her own psyche.
2. Personality is genetically inherited. (True/False)
3. Socialisation starts with the _____ between a mother and her new infant.

4. There is some evidence that immediate family impacts personality.
(True/False)

8.4 Personality Traits

Enamoured by personality, psychologists have been trying to identify its components. Managers have been equally eager to know it. Early research resulted in isolating large numbers of traits, which made it measuring personality impractical. Over a period of time the fine-tuning continued. We will see three models here i.e., Catell's 16 Personality factor, The Myers-Briggs Type Indicator and the Big Five which are manageable and testable models.

Cattell's 16 Personality Factor Model (16 PF)

Working on earlier models, Cattell reduced the traits to 16 *primary factors*. Each of these has high and low ranges. These 16 are described below. Both the high and low ranges are given against the first one i.e., 'Warmth' to illustrate the point. For others only the high range is given. Catell had given each a name but we will confine to understanding the meaning of these:

1. **Warmth.** Warm, outgoing, attentive to others, kind, easy going, participating, likes people on the high range as against impersonal, distant, cool, reserved, impersonal, detached, formal or aloof.
2. **Reasoning.** Abstract-thinking, more intelligent, bright, higher general mental capacity, fast learner (Higher Scholastic Mental Capacity).
3. **Emotional stability.** Emotionally stable, adaptive, mature, faces reality, calm (Higher Ego Strength).
4. **Dominance.** Dominant, forceful, assertive, aggressive, competitive, stubborn, bossy.
5. **Liveliness.** Lively, animated, spontaneous, enthusiastic, happy go lucky, cheerful, expressive, impulsive.
6. **Rule-consciousness.** Rule-conscious, dutiful, conscientious, conforming, moralistic, staid, rule bound.
7. **Social boldness.** Socially bold, venturesome, thick skinned, uninhibited.
8. **Sensitivity.** Sensitive, aesthetic, sentimental, tender minded, intuitive, refined.

9. **Vigilance.** Vigilant, suspicious, skeptical, distrustful, oppositional.
10. **Abstractedness.** Abstract, imaginative, absent minded, impractical, absorbed in ideas.
11. **Privateness.** Private, discreet, non-disclosing, shrewd, polished, worldly, astute, diplomatic.
12. **Apprehension.** Apprehensive, self doubting, worried, guilt prone, insecure, worrying, self blaming.
13. **Openness to change.** Open to change, experimental, liberal, analytical, critical, free thinking, flexibility.
14. **Self-reliance.** Self-reliant, solitary, resourceful, individualistic, self sufficient.
15. **Perfectionism.** Perfectionist, organised, compulsive, self-disciplined, socially precise, exacting will power, control, self-sentimental.
16. **Tension.** Tense, high energy, impatient, driven, frustrated, over wrought, time driven.

The Myers-Briggs Type Indicator (MBTI)

The MBTI classifies human beings into four categories of opposite pairs (*dichotomies*). These are:

1. Extroverted or introverted (E or I). E is the opposite of I, etc.
2. Sensing or intuitive (S or N). Since 'I' was used for introverted, he used N.
3. Thinking or feeling (T or F).
4. Perceiving or judging (P or J).

Based on these, 16 combinations arise as depicted in table 8.1:

Table 8.1: Combinations Based on MBTI Classifications

S. No	Code				
1	ISTJ	Introverted	Sensing	Thinking	Judging
2	ISFJ	Introverted	Sensing	Feeling	Judging
3	INFJ	Introverted	Intuitive	Feeling	Judging
4	INTJ	Introverted	Intuitive	Thinking	Judging
5	ISTP	Introverted	Sensing	Thinking	Perceiving
6	ISFP	Introverted	Sensing	Feeling	Perceiving

7	INFP	Introverted	Intuitive	Feeling	Perceiving
8	INTP	Introverted	Intuitive	Thinking	Perceiving
9	ESTP	Extroverted	Sensing	Thinking	Perceiving
10	ESFP	Extroverted	Sensing	Feeling	Perceiving
11	ENFP	Extroverted	Intuitive	Feeling	Perceiving
12	ENTP	Extroverted	Intuitive	Thinking	Perceiving
13	ESTJ	Extroverted	Sensing	Thinking	Judging
14	ESFJ	Extroverted	Sensing	Feeling	Judging
15	ENFJ	Extroverted	Intuitive	Feeling	Judging
16	ENTJ	Extroverted	Intuitive	Thinking	Judging

Adapted from: <http://www.capt.org/mbti-assessment/type-descriptions.htm>

Big 5 Personality Test

This test, based on a very elaborate work, is very popular and identifies five dimensions of personality as depicted in table 8.2. These lie along a continuum i.e., high openness v/s low openness.

Table 8.2: Dimensions of Personality

Factor	Meaning	Indicators	Workplace implications
Openness	Inventive/curious vs. consistent/cautious	Appreciation for art, emotion, adventure, unusual ideas, curiosity and variety of experience.	People high on this are amenable to accepting other's ideas, being innovative and amenable to change. They are excellent for creative work. This is a very powerful and essential managerial trait.
Conscientiousness	efficient/organised vs. easy-going/careless	A tendency to show self-discipline, act dutifully, and aim for achievement, planned rather than spontaneous behaviour.	Once again this is execution focused and a very important quality of a manager. Those with high C, tend to perform much better not only in managerial work but also in studies, other than managerial work, etc. Their self discipline makes them excellent in execution.

Extraversion	outgoing/energetic vs. shy/reserved	Energy, positive emotions, surgency and the tendency to seek stimulation in the company of others.	While this is very important for jobs such as sales, front office, etc., it may not be important where deep analysis, precision bank end work, etc. are required.
Agreeable-ness	friendly/compassionate vs. cold/unkind	A tendency to be compassionate and cooperating rather than suspicious and antagonistic towards others.	They tend to be highly people oriented managers, though excessive score in these can make them so people oriented that they forget the task in hand.
Neuroticism	sensitive/nervous vs. secure/confident	A tendency to experience unpleasant emotions easily, such as anger, anxiety, depression or vulnerability. Since the word neuroticism is not popular in organisational circles we call it Emotional Stability.	This is a very important managerial quality as keeping one's composure in adversity and stress is very essential. Being secure and confident is perhaps a very important quality in projects, sensitive and dangerous jobs, like oil rigs, etc.

These are abbreviated as OCEAN. There are several tests to test the Big 5—some with 100 questions and a smaller version with 50. Knowing these traits enable us, not only in selection of the right candidate, but also employing the person appropriately in a job.

Impact of Big 5 on workplace

Big 5 is used frequently in the workplace because of its direct impact. You can easily see that the manager at Sambhavi was perhaps of high conscientiousness. But he was perhaps a little too introverted and not open minded. He may not have been high on agreeableness and not too high on emotional stability. So though he had an ace quality, he found it difficult to perform in this job. Had he been involved as an accounting manager or stores manager, perhaps he would have done well. Now you can see the impact of personality on workplace.

Self Assessment Questions

5. 16 PF, MBTI and _____ are the most popular personality tests.
6. 16 PF has four dimensions namely extroverted or introverted, sensing or intuitive, thinking or feeling and perceiving or judging. (True/False)
7. Those with high score in Agreeableness factor of Big 5 always become excellent managers. (True/False)
8. If you were selecting someone as team leader of a quality circle, he should have a high _____ as per the Big 5 test.

8.5 Personality Attributes Influencing OB

There are several attributes of OB that influence the workplace. Let us see some of them.

Locus of control

This is the belief that things are controlled by the person himself or by some external agencies or forces. Those with internal locus of control believe that outcomes of events are due to their own control. So they emerge as confident hard workers. Those with external locus of control believe that things happen due to some forces outside and hence tend to lack confidence. Externals are less satisfied with their jobs, have higher absenteeism rates, are more alienated from the work setting and are less involved in their jobs. Internals are more suited to jobs that require initiative and independence of action and want autonomy and independence in their jobs and externals in jobs that required compliance and enjoy directions and controls.

Machiavellianism

Machiavellianism is the term that some social and personality psychologists use to describe a person's tendency to deceive and manipulate others for personal gain. They are pragmatic, maintain emotional distance and believe that ends can justify means. They manipulate more, win more at least in the short run, are persuaded less and persuade others more. There is a school of thought that they win more in negotiations, but often this may not create the trust and it becomes a liability. In modern workplace high machiavellianism is very counterproductive.

Self-Esteem (SE)

Self-esteem is defined as the degree to which people like or dislike themselves (Robbins, 2003). Individuals with high self-esteem tend to take more risks in job selection and are more likely to choose unconventional jobs in contrast to people with low self-esteem. Low SEs are more susceptible to external influence than are high SEs. Low SEs are dependent on the receipt of positive evaluations from others. In managerial positions, therefore, low SEs will tend to be concerned with pleasing others.

Self-monitoring

Self-monitoring refers to an individual's ability to adjust his/her behaviour to external, situational factors. Individuals high in self-monitoring show considerable adaptability, are highly sensitive to external cues and are capable of behaving differently in different situations and presenting striking contradictions between their public persona and their private self. High self-monitors tend to pay closer attention to the behaviour of others and tend to be more mobile in their careers and receive more promotions. High self-monitor is capable of putting on different "faces" for different audiences.

Type A and Type B

Type A and Type B personality theory was first published in the 1950s by Meyer Freidman and Rosenman. Type A personalities are often described as aggressive, ambitious, controlling, business-like, highly competitive, time-conscious, impatient, preoccupied with status, workaholic, hostile, tightly-wound. They try to do multitasking and this is more so facilitated by IT. The opposite spectrum is called Type B.

Holland Hexagon

Holland proposes that if an individual's personality and the work environment "fit", i.e., if the personality coincides with the work environment, then the individual will most likely enjoy the work and develop and grow in the career. Hence there is a need to do this matching when hiring. Holland has proposed six themes of people and work environments, within which all jobs can be classified. This is depicted in table 8.3. It is called a hexagon because of the six components.

Table 8.3: Holland's Themes

Type	Personality Characteristics	Congruent Occupation
Realistic: Prefers physical activities that require skill, strength and coordination	Shy, genuine, persistent, stable, conforming, practical	Mechanic, drill press operator, assembly-line worker, farmer
Investigative: Prefers activities that involve thinking, organising and understanding	Analytical, original, curious, independent	Biologist, economist, mathematician, news reporter
Social: Prefers activities that involve helping and developing others	Sociable, friendly, cooperative, understanding	Social workers, teacher, counsellor, clinical psychologist
Conventional: Prefers rule-regulated, orderly and unambiguous activities	Conforming, efficient, practical, unimaginative, inflexible	Accountant, corporate manager, bank teller, file clerk
Enterprising: Prefers verbal activities in which there are opportunities to influence others and attain power	Self-confident, ambitious, energetic, domineering	Lawyer, real estate agent, public relations specialist, small business manager
Artistic: Prefers ambiguous and unsystematic activities that allow creative expression	Imaginative, disorderly, idealistic, emotional, impractical	Painter, musician, writer, interior decorator

Self Assessment Questions

9. Those with high internal locus of control always look for orders from their bosses. (True/False)
10. Those high on Machiavellianism are always excellent negotiators with people. (True/False)

11. Self-esteem is defined as the degree to which people _____ or _____ themselves.
12. Type B personalities are cool and reflective. (True/False)
13. Holland Hexagon is a method used to match the _____ and _____.

8.6 Definition, Importance and Factors Influencing Perception

Definition

As per Robbins, a noted thinker on OB, "Perception is the process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment." Environment consists of other people and situations connected to the perceiver for some reasons. Thus for example, the manager of Sambhavi (Perceiver) may perceive that the assistant manager (called target) is always violating the manual to please customers while the assistant manager perceives that the work setting (situation) demands his doing so and you know how this resulted in a conflict.

Importance of perception

Perception is perhaps the most important aspect of OB that we use in our daily life and in management. The importance of perception is:

- While creating vision for an organisation, our perception of the future and the way things should be is a deciding factor.
- While making strategy, our perception of the opportunities and threats make us see the same situation differently.
- Perception gives the impetus to seek more information to make more rational decisions e.g., the perception of Rakhi on the situation of the bakery in trouble, made her travel and talk to the employees to gain more information. If she had perceived what the manager did was right or that it is too small a thing to intervene, she would not have made the effort to find out more information.
- Perception affects the planning because the goals set depend on our perception of the world and the employees and their ability to achieve them.
- The way we organise, i.e., flat versus hierarchical, depends on our perception of the competence of the employees and business needs.

You will find the same industry having different organisational set up because of this.

- The way we select staff is often fully based on perception and once we select, the way we manage their performance, reward and promote them and treat them are also heavily dependent on perception.
- Business leaders make an effort to change the perception of the employees to bring about change.
- The controls that we put in place are based on our perception of the competence and sincerity of the employees.
- Reasons for most workplace stress and conflict are differing perception and biases in perception.

Hence knowing about perception is very important.

Factors affecting perception

Factors that affect perception are:

- Perceiver related factors
- Target related factors
- Situation related factors

Figure 8.1 depicts the factors affecting perception.

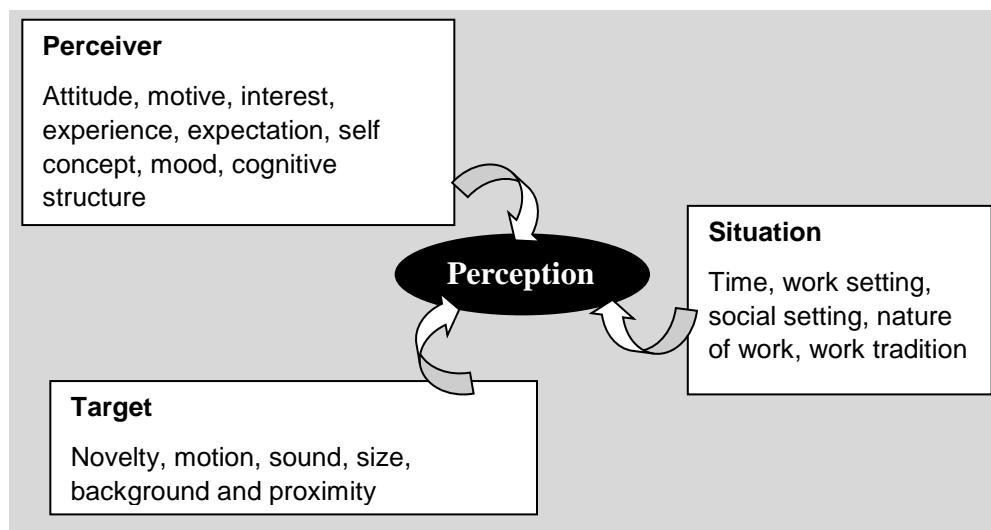


Fig. 8.1: Factors Affecting Perception

Perceiver related factors

People's attitude, motives, interests, experiences and expectations affect perception.

- **Attitude and motives.** Attitudes are evaluative statements (whether spoken in words or otherwise) about objects, people and events. The manager in our case was making statements about the need to adhere to procedures while the assistant manager about the need to please customers. Motives are strong drives that we have for taking an action. The motive of the manager could be to assert his position and could be drawn from his ego needs. The reply of the assistant manager could be for defending his actions and later quitting perhaps due to his drive to satisfy his ego. As a result they perceive the same service manual differently. We will discuss more on attitudes and motives in the next units.
- **Interests.** Interest is a natural inclination to talk, participate or perform a task. So, when you are interested in pleasing customers you see things differently and when you are interested in adhering to discipline (both are, of course, required), you perceive things differently.
- **Experiences.** Experiences hard wire our brains. It is possible that the assistant manager would have had good experience from the customer reaction when he serves in a way that is different from the manual and it is equally possible that the manager would have been from an organisation where systems and discipline are strict.
- **Expectations.** The assistant manager expects the customers to be pleased when he serves them in a particular way and therefore he expects the manager to accept this mode, while the manager expects the assistant manager to follow the manual and therefore perceives the same situation differently.
- **Self-concept.** Another factor that can affect social perception is the perceivers' self-concept. An individual with a positive self-concept tends to notice positive attributes in another person.
- **Moods.** Moods can have a strong influence on the way we perceive someone. We think differently when we are happy than we do when we are depressed and perhaps the comment of the assistant manager could have been due to moods.

- **Cognitive structure.** Cognitive structure, an individual's pattern of thinking, also affects perception. Some people have a tendency to perceive physical traits, such as height, weight and appearance more readily. Others tend to focus more on central traits or personality dispositions. Those with high cognitive complexity are able to perceive multiple characteristics of another person rather than just a few and are therefore better decision makers.

Target related factors. These are novelty, motion, sound, size, background and proximity. We see how these are used in business especially advertisements. Rakhi used to bake a cake for birthday of every one of her employees. This is novelty because employers don't do it. Had the manager talked to this assistant manager softly but firmly in his room the sound, background and proximity would have been more appropriate for the advice rather than on the shop floor. If he had used the right body language and done some small talk as a background, the advice would most probably have been received better. This is how the target related factors affect perception.

Situation related. Time, work setting, work tradition, nature of word and social setting are important factors in a work situation that affect perception. The manager admonished his assistant manager with long experience during the peak work time, it was done against a work setting that focus on total customer satisfaction if not literal pampering of the customers, which was Sambhavi's tradition, the nature of work too was service and the attraction was kid care and merchandise, which makes the service very different from a standard eatery or even a good restaurant. Hence the work setting too was very different. The workplace socialisation and proximity of the customers to the serving staff was very intimate and therefore any admonishing in front of the customers could seriously affect the employee in Sambhavi unlike other places. This explains, at least partially, why this conflict could have taken place.

Self Assessment Questions

14. Perception is the process by which individuals organise and interpret their _____ in order to give meaning to their environment.

15. Perception is affected by perceiver related, _____ related and situation related factors.
16. Those with high _____ are able to perceive multiple characteristics of another person rather than just a few and are therefore better decision makers.

8.7 Perception and Making Judgment about Others

We look at someone's action, such as coming late to office, and say that he/she could not have helped it or he/she is to be blamed. So, we attribute an external or internal reason for this action. Kelly has theorised this to suggest that there are three determining factors for attributing this:

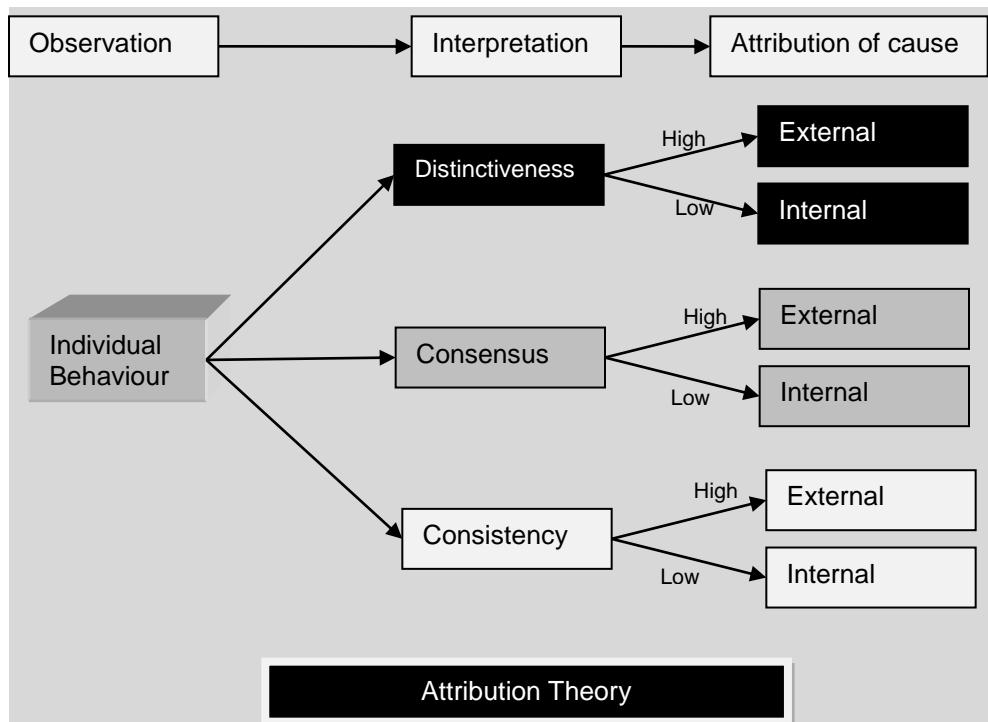


Fig. 8.2: Attribution Theory

Figure 8.2 depicts the attribution theory.

- **Distinctiveness.** Distinctiveness refers to whether an individual displays different behaviours in different situations. The manager at Sambhavi always talks kindly and has done so today too (low distinctiveness) or he always talks kindly but has been rude today (high distinctiveness). If the attribution is the latter, then the assistant manager would not have reacted but here perhaps the attribution was of low distinctiveness and therefore the assistant manager reacted sharply.
- **Consensus.** Consensus occurs if everyone, who is faced with a similar situation, responds in the same way. Any manager would have rebuked the assistant manager for not following the rule book (high consensus) versus, in Sambhavi where a manager would not have rebuked his assistant manager for not following the book to please the customers (low consensus). The assistant manager, of course, attributed low consensus to the rebuke.
- **Consistency.** Consistency refers to the pattern that is reflected regularly in a person's actions. This manager always rebukes when we deviate from the book to please customers (high consistency) versus, this is the first time he has done it (low consistency). Here too the assistant manager would have attributed high consistency to the rebuking.

In this case, the assistant manager attributed low distinctiveness in something negative (rebuking habit), low consensus in the reason for rebuking, and high consistency in something negative i.e., rebuking and hence the cumulative effect was a serious decision.

Perceptual biases

Let us now discuss some of the common perceptual biases.

Fundamental attribution error

This is the tendency to underestimate the influence of external factors and overestimate the internal ones e.g., the assistant manager may not attribute that the manager's action is because of the strict instructions from the head office and his own earlier grooming in another context and attribute that this person is not customer friendly and does not know the Sambhavi culture.

Self serving bias

Tendency of people to attribute success to internal factors and failure to external factors e.g., the manager may attribute that the outlet's success is

due to his strict following of the rule book (until he found out otherwise when the revenue fell after the departure of the assistant manager) and failure to external factors e.g., he may feel that the revenue fell because the old time employees had ganged up against him.

Selective perception

When we see a person, object or event some things stand out. You may judge a film based only on the hero or the music rather than the whole movie. When you evaluate a plan, you might miss out some data.

Halo effect

Previous success creates a halo and we feel that he will be successful again e.g., halo of Sachin Tendulkar and our feeling that every time he goes to the ground, he should hit a century and if he does not, we further attribute it to some outside factors than his inability to do so. This happens in work place also. Sambhavi's employers told Rakhi that she had taught them to serve customer in a particular way and since she was an adorable person in many other ways, she cannot be wrong in this. This is a halo effect.

Contrast effects

Individuals do not evaluate a person in isolation. In the Sambhavi case, employees commented on the manager because his actions were perhaps in contrast to others or in contrast to the values in the organisation as imbibed by them. Either way there was a contrast.

Projection

Our tendency to feel and see that others are like us and taking decisions on the premise that others want what we want, is called projection. Thus the manager in Sambhavi may think that all the other managers and assistant managers are like him and therefore, his idea of service based on the rule book, is what others also believe in, is what we call projection.

Stereotyping

Stereotyping is judging someone on the basis of our perception of the group to which he or she belongs. It is a means of simplifying a complex world and it permits us to maintain consistency. The problem, of course, is when we inaccurately stereotype and often we believe that 'she is a woman and therefore, she should act this way' based on gender stereotyping or 'he is an

old man' and therefore will not understand computers can be based on age based stereotyping.

First-impression (Primacy) effect

This means the tendency to form lasting opinions about an individual based on initial perceptions and needs no elaboration. It is found through several mind tracking studies that when you go for an interview, the interviewers make up their mind in the first six seconds and the time after that is usually spent in justifying the initial decision.

Recency effect

When you go for a movie, the end is often remembered and you judge the movie based on it. Similarly you notice the end of a series of actions taken by a person and decide on the effectiveness of the action. Thus we judge the efficacy of a salesman based on the end of the month figures rather than what he did or did not do during the month.

Self-fulfilling prophecy

It is a tendency for someone's expectations about another to cause that person to behave in a manner consistent with those expectations (Wilkins, 1976). Self fulfilling prophecy can be of two types:

- **Pygmalion effect:** Manager has high expectations of his employee and therefore grades him as the topper although the facts indicate otherwise. This is a positive instance of the self-fulfilling prophecy and called Pygmalion effect.
- **Golem effect:** The same manager evaluates his top performer as third, because his expectation from him is not high although the facts indicate otherwise. This is a negative instance of the self-fulfilling prophecy and called Golem effect.

Application of perception in organisations

Most of the decisions made in our life including work life are based on perception. Managers take decisions several times a day and therefore, perception is applied several times a day. Some of the examples are given below:

- Mr A is a university topper but is not able to convey his views clearly. Halo effect may still see him through an interview.

- A manager is a hard worker and works long hours. Mr A is also like him; but Ms B, does not work late hours, but her output is the best in empirical terms. Manager ranks Mr A higher to Ms B because of projection.
- Mr A belongs to a strong and troublesome union but is a hard worker and disciplined but manager considers him a trouble maker because of stereotyping.
- Mr A comes late usually and has come late today also but because he had an emergency at home. The manager does not consider this because of low distinctiveness (attribution theory).
- On checking reference, it was found that Mr A is good team player. Though people in his team do not like him the manager grades him high because he expects him to be so. This happens due to Pygmalion effect.

The examples can go on. The way to avoid making decision errors is by taking rational and scientific decisions was we saw in the unit on 'planning and decision making'.

Activity

Read the case given in Section 8.2 and explain the behaviour of the Assistant Manager using Big 5 personality factors.

Hints: Refer Section 8.4

Self Assessment Questions

17. In attribution theory, _____ means whether an individual displays different behaviours in different situations.
18. _____ is the tendency to underestimate the influence of external factors and overestimate the internal ones.
19. Our tendency to feel and see that others are like us is called _____.
20. After the interview, the chairman concluded, "She is very good and well qualified. I wish we get a man like her because being a woman she may not work late hours". This is a statement because of _____ based stereotyping.

8.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- Personality can be defined as a dynamic and organised set of characteristics possessed by a person, which uniquely influences his/her knowledge, motivations and behaviour in various situations.
- Factors determining personality development are heredity, environment, culture, family, situation and social factors.
- Catell's 16 Personality factor, The Myers-Briggs Type Indicator and the Big Five are some of the manageable and testable models of personality.
- Personality attributes influencing OB are locus of control, Machiavellianism, self esteem, self-monitoring.
- Perception is the process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment.
- Factors affecting perception are perceiver related factors, target related factors, and situation related factors.
- Common perceptual biases are halo effect, contrast effect, attribution error, self serving bias, projection, stereotyping, primacy effect, recency effect and self –fulfilling prophecy.

8.9 Glossary

- **Attribution theory:** Suggests that we attribute causes to behaviour based on observations of certain.
- **Halo effect:** Transfer of goodwill or positive feelings about one characteristic (such as pleasing appearance) of a product or person to another, possibly unrelated characteristic (such as performance).
- **Holland Hexagon:** A way of tracing an individual's personality and the work environment "fit".
- **Locus of control:** This is the belief that things are controlled by the person himself or by some external agencies or forces. Internal locus on control means that things can be controlled by the person himself and external locus of control means that things are controlled by outside forces.

- **Pygmalion effect:** People tend to live up to what's expected of them and they tend to do better when treated as if they are capable of success. These are the lessons of the Pygmalion effect.

8.10 Terminal Questions

1. Define personality.
2. What are the factors determining personality ?
3. Explain MBTI.
4. Define perception and highlight some of its importance.
5. What are perceiver related factors that affect perception? Give examples.
6. In Israel, a famous experiment was conducted in the military. The class was divided into two sections on random basis. The instructor of Class A was told that his students were selected for their intelligence and military acumen but nothing was told to the instructor of Section B. At the end the evaluation of students of both sections were compared. Scores of Section A students were far higher than that of Section B. Can you explain the reason for it?

8.11 Answers

Self Assessment Questions

1. Physical, social
2. False
3. initial contact
4. True
5. Big 5
6. False
7. False
8. Openness
9. False
10. True
11. Like, dislike
12. True
13. Personality, job
14. sensory impressions

15. Target
16. Cognitive complexity
17. Distinctiveness
18. Fundamental attribution error
19. Projection
20. Gender

Terminal Questions

1. Personality is the dynamic and organized set of characteristics possessed by a person. Refer Section 8.3 for more details.
2. The factors determining personality are heredity, environment, culture, family situation and social factors. Refer Section 8.3 for more details.
3. MBTI is a testable personality trait model that classifies human beings based on four categories of opposite pairs. Refer Section 8.4 for more details.
4. Perception is the process of interpreting sensory impressions to give meaning to environment. Refer Section 8.6 for more details. Refer Section 8.4
5. Some of the perceiver related factors are attitudes, motives, interests, experiences, moods, self-concept etc. Refer Section 8.6 for more details.
6. Scores of Section A students were higher due to Pygmalion effect. Refer Section 8.7 for more details.

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Unit 9**Individual Behaviour – 2
(Values, Attitudes and Emotions)****Structure:**

- 9.1 Introduction
 - Objectives
- 9.2 Case Study
- 9.3 Values
- 9.4 Attitudes
- 9.5 Definition and Concept of Emotions
- 9.6 Emotional Intelligence and its Impact on Managers
- 9.7 Indian Perspective on EI
- 9.8 Summary
- 9.9 Glossary
- 9.10 Terminal Questions
- 9.11 Answers

9.1 Introduction

In the previous unit, you have learnt the definition and determinants of personality, personality traits and personality attributes affecting OB. You also learnt the definition, importance and factors influencing perception, and making judgment about others. We also saw that personality and perceptions differs based on values and attitude.

All of us have values such as respect to elders, honesty, concern for people, concern for environment, etc. and when we are faced with decision making dilemma, we consciously or unconsciously accord a priority to the set of values and then use these to support our decision. Similarly, organisations also have values, based on which they opt to act. When we work in an organisation, it is important to know about values and how people behave in accordance with it. Attitudes are the outcome of evaluative statements or judgments we make on objects, people and events. The way we judge can affect our organisational decision making process and hence its importance in organisational life. Emotions are intense feelings about someone or something which spontaneously affect our behaviour towards a co-worker or customer. Often, we have to regulate this in business causing emotional labour. Equally Emotional Intelligence (EI) enables a person to manage his

own self, customers and other stakeholders, peers, subordinates and superiors alike. It is possible for us to develop EI, which is now accepted as the single most important differentiator between successful and less successful managers. Hence we need to have an excellent knowledge of this too. In this unit, you will learn about values, attitudes and emotions. You will also learn about emotional intelligence and the Indian perspective on emotional intelligence.

Objectives:

Learning objectives are to:

- define values and gain an overview of its concept
- analyse attitudes and how it impacts the workplace
- describe the fundamentals of emotions
- describe emotional intelligence and the Indian perspective of emotional intelligence

Learning Outcomes

After studying this unit, you will be able to:

- define values.
- explain how national culture impacts values.
- state how values impact outcomes.
- define attitudes and state how it impacts job satisfaction, commitment, engagement and organisational citizenship behaviour.
- define emotions and explain the implications of emotional labour.
- state the Indian perspective on Emotional Intelligence.

9.2 Case Study**Ragam Theatre**

Ragam theatre was an upmarket multiplex with three cinema screens and other ancillary facilities. It was run by Mr. Ram Kumar and managed by Mr. Satish and Mr. Raveen, besides 150 employees and supervisors. Mr. Raveen was the Assistant Manager at Ragam. The facility was well run and the daily collection averaged Rs. 3.5 lakhs. Ragam employees worked quite hard and were given an annual bonus which varies from 5 to 8%. The employees had been demanding an increase but the

management would not be convinced. Eventually, Mr. Raghavan, an employee got the other employees organised and created the Ragam Workers Union. Raghavan was always seen as a competitor to Raveen, who was promoted to the assistant manager post because of his loyalty to the management.

Two months after the formation of the union, they gave notice for strike, but this was being negotiated by Satish, who was well respected by the employee union. Raveen was infuriated and decided to confront the union leader. However, this happened in a hotel near the place where they were staying. The argument ended after Raveen told Raghavan that he will tell the management and sack him and Raghavan went his way quietly. Raveen was happy that he had got the better of Raghavan. Diwali was approaching and Raghavan waited for his chance. After the tickets were sold, the theatre went on a lightning strike and refused to screen the film until Raveen who had insulted the union leader was not sacked. You can well imagine the crowd and their sentiments. But the issue could not be resolved and the theatre went on lock out indefinitely.

This unit will explain the values of the individuals and the organisation, attitudes of the managers involved and how emotions and emotional intelligence played their part.

9.3 Values

Importance of values

Modern business practices such as due diligence, zero defect and money-back guarantee would cease to exist without values. We use terms like integrity, freedom, security, privacy, etc. in our day-to-day life. In our social and cultural settings, we use terms like relationships, trust, faith, compassion, sharing, etc. And in our work life, we use terms like efficiency, productivity, fairness, flexibility, achievement, loyalty, order, etc. All these simply represent our values. People hold many of such values with respect to almost every aspect of their life: personal, work, social, cultural, political, economic, aesthetic, etc. When we put all these together we call it a value system. Every person has such a system of values. An organisation too has a set of values by which it operates.

Definition

Henderson and Thomson (2003) defined values as sum of our preferences and priorities. Preferences are what we would like to have in our life. Priorities indicate how important each preference is in relation to another. Some preferred ways of doing businesses may include values such as profitability, growth, quality efficiency, innovation, etc. If a company does not have a preferred way of doing business, that itself represents a value. In practice, organisations have a set of values by which it operates.

Value is basic conviction and notions about what is right and wrong or what is more and less desirable. They differ across culture, nations and generations, however there are some values which are transnational and transcultural e.g., honesty. We can also call it as 'important and enduring beliefs' or ideals shared by the members of a culture whether national, local or organisational about what is good or desirable and what is not. Values exert major influence on the behaviour of an individual and serve as broad guidelines in all situations.

National culture and values

Every nation has a culture and these impacts the values. Hofstede, an eminent researcher in culture, identified certain types of national cultures. These are as follows:

- **Power distance:** This refers to what extent a society accepts unequal distribution of power in families, institutions and organisations. Inequality of power in organisations is generally manifested in hierarchical superior-subordinate relationships. Those high in power distance would have obedience, respect, loyalty as important values and those low in power may not have these as strong values.
- **Uncertainty avoidance:** This indicates the tolerance for ambiguity. Cultures with high tolerance for ambiguity, would have risk taking, innovation, etc. as its values and the vice versa.
- **Individualism vs. collectivism:** Individualism gauges to what extent individuals in a country consider themselves as distinct entities rather than as members of cohesive groups. Collectivism, on the other hand, emphasises on 'social ties or bonds' between individuals. Individualistic society considers self-interest as more important than the group goal.

Those high in individualism would have individual achievement, ambition, etc. as strong values.

- **Masculinity vs. femininity:** This dimension refers to what extent dominant values in a society emphasises masculine social values like a work ethic expressed in terms of money, achievement and recognition as opposed to feminine social role, which show more concern for people and quality of life. Cultures that are high in masculinity will have ambition, achievement, independence to make decision, competitiveness, empowerment, etc. as values while cultures that are high on femininity would have cooperation, collaboration, collective decision, etc. as the values.
- **Long-term – Short-term.** Some cultures have value for immediate outcomes and some for long-term outcomes. This in turn may be related to values such as patience and delaying of gratification. Those who have the former will tend to take decisions that optimise results in the short-term. An excellent example is how many US banks collapsed because of their focus on fast growth and desire to show growth every quarter which marred financial prudence in decision making.

Classification of values

Rokeach, in his Value Survey (Rokeach Value Survey – RVS, 1973), proposed two sets of values i.e., terminal values and instrumental values, each with 18 items. Terminal values refer to desirable end-states of existence, the goals that a person would like to achieve during his/her lifetime. Instrumental values refer to preferable modes of behaviour, or means of achieving the terminal values. Examples of terminal values are equality, freedom, inner harmony, mature love, national security, etc. and that of instrumental values are ambition, broad mindedness, forgiving, helpful, etc.

Espoused and ‘In use’ values. Values directly impact the behaviour of the person. Values define modes of socially acceptable conduct and therefore social sanction may make us make adjustments in our values. This is what is called values ‘in use’. However, these may not be the ‘espoused’ values. As a result, when the social sanction is non-existent, we will behave differently. This is an important concept in OB as organisations can induce

'espoused' values in the employee to make him move towards the organisational goals.

How do values impact outcomes

Values and behaviour

Values influence behaviour in a big way. Writing on personal values of some American managers, George W. England brings out some interesting questions, such as:

- 1) why liquidate the business rather than negotiate with the labour union,
- 2) a scientist who prefers to pass the secrets to some elements who can cause harm to the society at large on the belief that it is good for the society or a scientist who passes a secret formula of medicine just because he believes that knowledge should not be restricted by intellectual property rights,
- 3) a labour leader foments a long and costly strike just to show his importance,
- 4) intellectuals and politicians who levy a heavy tax on profit and many more.

Most of these and many more that we see in our day-to-day work life can be traced back to the values.

All of us have a genetic code and individual values that we inherit or gain through the childhood. Since we live in a society, other's values impact our values and vice versa. There is some congruence between our value and other's values or in other words we compromise some of ours and perhaps others compromise some of theirs. At the end there is a set of values which affect the outcome. Thus, for example, the values of a group can compromise between the values of its members e.g., profit making maybe a value to some and quality to others and the final impact would be a compromise. Task outcomes may be affected by the individual value because the decision of a manager can be based on his values. Thus, outcome is impacted by individual values as well as that of others and hence the need to achieve value congruence in organisations.

Figure 9.1 depicts the framework for effect of values.

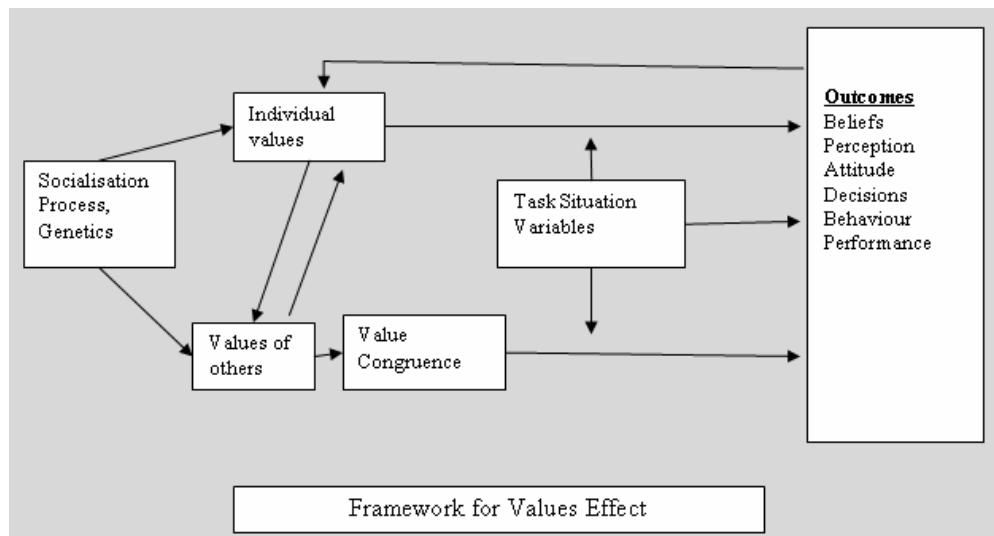


Fig. 9.1: Framework for Effect of Values

Value congruence is achieved in organisations usually through the vision statement.

Self Assessment Questions

1. In work life, we use terms like efficiency, productivity, fairness, flexibility, achievement, loyalty, order, etc. These are _____.
2. Those cultures with high power distance would have obedience, _____, loyalty as important values.
3. As per Rokeach Value Survey there are two sets of values, namely _____ and _____ values.
4. When there is _____ between individual and organisational values, work place will be smoother.

9.4 Attitudes

Attitudes are also known as "frames of reference." They provide the background against which facts and events are viewed. It becomes necessary to know the attitudes of members of an organisation because they have to perceive specific aspects like pay, hours of work, promotion, etc. of their work life in the wider context of their generalised attitudes. Attitudes are also known as "frames of reference."

An attitude is the predisposition of the individual to evaluate some objects in a favourable or an unfavourable manner. The most pervasive phenomenon is "attitude." People at work place have attitudes about lots of topics that are related to them. These attitudes are firmly embedded in a complex psychological structure of beliefs. Attitudes are different from values. Values are the ideals, whereas attitudes are narrow. They are our feelings, thoughts and behavioural tendencies toward a specific object or situation. Attitude is a predisposition to respond to a certain set of facts. Attitudes are evaluative statements either favourable or unfavourable concerning the objects, people or events.

Components of attitude

There are three components of an attitude namely 1) Cognition, 2) Affect and 3) Behaviour.

- **Cognition.** It is the mental process involved in gaining knowledge and comprehension, including thinking, knowing, remembering, judging and problem solving. The cognition component of an attitude reflects a person's perceptions or beliefs. Cognitive elements are evaluative beliefs and are measured by attitude scales or by asking about thoughts.
- **Affect.** This component refers to the person's feelings that result from his/her beliefs about a person, object or situation. A person who believes that hard work earns promotions may feel angry or frustrated when he/she works hard but is not promoted. The affective component becomes stronger as an individual has more frequent and direct experience with a focal object, person or situation. 'Affect' is the emotional component of an attitude. It refers to an individual's feeling about something or someone.
- **Behaviour.** This component refers to the individual's behaviour that occurs as a result of his or her feeling about the focal person, object or situation. An individual may complain, request a transfer, or be less productive because he or she feels dissatisfied with work. The behavioural component of an attitude refers to an intention to behave in a certain way toward someone or something.

Functions of attitude

According to Katz, attitudes serve four important functions from the viewpoint of organisational behaviour. These are as follows:

- **Adjustment function.** Attitudes often help people to adjust to their work environment. Well-treated employees tend to develop a positive attitude towards their job, management and the organisation in general, while berated and ill treated organisational members develop a negative attitude. In other words, attitudes help employees adjust to their environment and form a basis for future behaviour.
- **Ego-defensive function.** Attitudes help people to retain their dignity and self-image. When a young faculty member who is full of fresh ideas and enthusiasm, joins the organisation, the older members might feel somewhat threatened by him/her. But they tend to disapprove his creative ideas as 'crazy' and 'impractical' and dismiss him/her altogether.
- **Value-expressive function.** Attitudes provide individuals with a basis for expressing their values. For example, a manager who values hard and sincere work will be more vocal against an employee who is having a very casual approach towards work.
- **Knowledge function.** Attitudes provide standards and frames of reference that allow people to understand and perceive the world around them. If one has a strong negative attitude towards the management, whatever the management does, even employee welfare programmes, can be perceived as something 'bad' and as actually against them.

Types of attitudes

OB is concerned with attitude of employees towards:

- 1) job satisfaction,
- 2) job involvement,
- 3) organisational commitment and
- 4) organisational citizenship behaviour.

Let us now look into each of these in detail.

- **Job satisfaction.** It is defined as an individual's general attitude toward his/her job. A high level of job satisfaction equals positive attitude towards the job and vice-a-versa.

- **Job involvement.** It is the measure of the degree to which a person identifies psychologically with his/her job and considers his/her perceived performance level important to self-worth.
- **Organisational commitment.** Organisational commitment pertains to ones' belief in the vision and mission of the organisation and willingness to work towards fulfilling it. It is related to lower rates of absenteeism, higher quality of work and increased productivity. Committed individuals expend more task-related effort (not necessarily time) and are less likely than others to leave the organisation.
- **Organisation Citizenship Behaviour (OCB).** Organisational citizenship can be defined as an "individual's discretionary behaviour not directly or explicitly recognised by the formal reward system and in the aggregate, promotes the efficient and effective functioning of the organisation." It compels an employee to go beyond the basic requirements of the job. It is usually achieved through high degree of empowerment and effective communication.

Attitudes and consistency

Attitude and behaviour should normally be consistent. When there is inconsistency, disagreement takes place, which is explained by Cognitive Dissonance Theory by Leon Festinger (1950). The desire to reduce disagreement would be determined by 1) importance of the element creating disagreement e.g., if the pay difference is insignificant and the idea of equity is not so dominant in the individual, he/she may not react to the disagreement; 2) influence of the disagreement e.g., if the influence of the disagreement is low and it is possible to rationalise and justify it, and 3) rewards e.g., if the inherent tension is high disagreement tends to be reduced with high rewards.

Contemporary research has shown that attitudes can significantly predict future behaviour and has confirmed Festinger's original view. The most powerful moderators are:

- **Importance:** Importance refers to fundamental values, self-interest or identification with individuals or groups that a person values. This is handled in organisations by incorporating the values in the vision statement and creating an agreement with the individual.

- **Specificity:** The more specific the attitude and behaviour, the stronger will be the link between the two. This is handled in organisations by specifying the minimum acceptable standards in behaviour and by creating norms.
- **Accessibility:** Attitudes that are easily remembered are more likely to predict behaviour than attitudes that are not accessible in memory e.g., if you make a value statement about a colleague in your team, it is more accessible than if you make a value statement about the General Manager.
- **Social pressures:** Discrepancies between attitudes and behaviour are more likely to occur where social pressures to behave, in certain ways, hold exceptional power.
- **Direct experience:** The attitude-behaviour relationship is likely to be much stronger if an attitude refers to an individual's direct personal experience.

Attitude surveys

There are a number of attitude surveys the organisation uses since its connection to productivity is clearly established. These surveys are based on statements which the employee evaluates. It is possible to gauge the general attitude of the employees and take correctional actions. In fact there are a number of survey instruments available to measure job satisfaction, job involvement, organisational commitment and OCB. This is a specialised and technical area and needs some expertise in the interpretation of results.

Self Assessment Questions

5. Attitudes are also known as “_____”.
6. There are three components of an attitude namely cognition, and _____.
7. Attitude and consistency is explained by _____ theory.

9.5 Definition and Concept of Emotions

Definition

Emotion is a complex psycho-physiological experience in an individual's state of mind and created by interaction of biochemical (internal) and environmental (external) influences. In humans, emotion fundamentally

involves physiological arousal, expressive behaviour and conscious experience. Emotion is associated with mood, temperament, personality, disposition and motivation.

Logic of emotions

The human brain is hardwired to respond to stimulus with emotion and to connect emotionally to others. At a subtle level, we are always observing minute details in the world around us. Infants in the cradle begin learning the fine art of reading facial expressions to decipher what they mean about the emotions of those around them. And then through trial and error, babies learn to elicit desired responses from others.

Long before humans cultivated plants and animals, organised ways to store food and water or built fortified dwellings, we spent every moment of the day knowing that we could be eaten by animals. Survival in the food chain depended on our ability to be hyper-vigilant to danger and to respond quickly. If man survived through centuries and prospered, it was because our brains were wired to react at lightning speed and often it was because we coordinated our efforts with other people. Even today, we navigate to safety in a sometimes dangerous world using emotions as our early warning signals and by relying on others' help.

Emotions in workplace

Emotions in the workplace play a large role in how an entire organisation communicates within itself and to the outside world. Events at work have an emotional impact and its consequences have a substantial significance for individuals, groups and society. Positive emotions in the workplace help employees obtain favourable outcomes including achievement, job enrichment and higher quality and productivity. Negative emotions, such as fear, anger, stress, hostility, sadness and guilt, are usual workplace emotions and predict an increase in workplace deviance and how the outside world views the organisation.

Emotions are normally associated with specific events or occurrences and are intense enough to disrupt the thought process. Moods on the other hand are more generalised feelings or states that are not typically identified with a particular stimulus and not sufficiently intense to interrupt ongoing thought processes. There can be many consequences for allowing negative emotions to affect your general attitude or mood at work. Emotions and

emotion management is a prominent feature of organisational life as it can create a publicly observable and desirable or undesirable emotional display as a part of a job role.

Emotional Labour

Emotional labour is a form of emotional regulation wherein workers are expected to display certain emotions as part of their job and to promote organisational goals. The intended effects of these emotional displays are on other, targeted people, who can be clients, customers, subordinates or co-workers. Examples of professions that require emotional labour are that of nurses, doctors, waiters, actors, front office staff, etc. Managers often have to elicit appropriate emotions from workers and are involved in emotional labour.

Emotional Regulation

Emotion regulation refers to the process of modifying one's own emotions and expressions. It is the processes by which individuals influence which emotions they have, when they have them and how they experience and express these emotions. There are two kinds of emotion regulation:

- **Antecedent-focused emotion regulation** – It modifies initial feelings by changing the situation or the cognition e.g., you know that your manager is likely to shout and therefore preempt your getting angry or sad by pretending to be calm and rational.
- **Response-focused emotion regulation** – It modifies the behaviour once emotions are experienced by suppressing, faking or amplifying an emotional response, e.g., accepting your mistake with a smile despite feeling very angry.

Employees can display organisationally-desired emotions by acting out the emotion. Such acting can take two forms:

- Surface acting which involves painting on or faking i.e., presenting emotions on his/her "surface" without actually feeling them. The employee in this case puts on a facade e.g., a waiter showing calmness and smiling when a customer shouts.
- Deep acting wherein they modify their inner feelings to match the emotional expressions the organisation requires.

Though both forms of acting are internally false, they represent different intentions. When engaging in deep acting, an actor attempts to modify the feelings to match the required displays in order to seem authentic to the audience. Deep acting is argued to be associated with reduced stress and increased sense of personal accomplishment, whereas surface acting is associated with increased stress, emotional exhaustion, depression and a sense of 'lack of authenticity.'

The implications of emotional labour are as follows:

- Studies indicate that emotional labour jobs require the worker to produce an emotional state in another person. For example, flight attendants are encouraged to bring cheer in passengers and bill collectors promote anxiety in debtors.
- Research on emotional contagion shows that exposure to an individual expressing positive or negative emotions can produce a corresponding change in the emotional state of the observer.
- Positive emotion display in service interactions, such as smiling and conveying friendliness, is positively associated with important customer outcomes, such as intention to return, intention to recommend a store to others and perception of overall service quality.
- There is evidence that emotion labour may lead to an employee's emotional exhaustion and burn out over time and may also reduce the employee's job satisfaction i.e., higher degree of using emotion regulation while on job is related to higher levels of employees' emotional exhaustion and lower levels of employees' job satisfaction.
- There is empirical evidence that higher levels of emotional labour demands are not uniformly rewarded with higher wages. Rather, the reward is dependent on the level of general cognitive demands required by the job i.e., occupations with high cognitive demands evidence wage returns with increasing emotional labour demands; whereas occupations low in cognitive demands evidence a wage "penalty" with increasing emotional labour demands.

Self Assessment Questions

8. Emotion is a complex psycho-physiological experience in an individual's state of mind and created by the interaction of biochemical (internal) and _____ influences.

9. _____ is a form of emotional regulation wherein workers are expected to display certain emotions as part of their job and to promote organizational goals.
10. There are _____ kinds of emotional regulations.
11. Deep acting is argued to be associated with reduced stress and an increased sense of personal accomplishment (True/False).

9.6 Emotional Intelligence and its Impact on Managers

"Emotional intelligence is the capacity for recognising our own feelings and those of others, for motivating ourselves, for managing emotions well in ourselves and in our relationships." (Snow, 2001)

Goleman's model of Emotional Intelligence (EI)

Daniel Goleman and the Hay Group have identified a set of competencies that differentiate individuals with EI. The competencies fall into four clusters:

- Self-awareness: Capacity for understanding one's emotions, one's strengths and one's weaknesses.
- Self-management: Capacity for effectively managing one's motives and regulating one's behaviour.
- Social awareness: Capacity for understanding what others are saying and feeling and why they feel and act as they do.
- Relationship management: Capacity for acting in such a way that one is able to get desired results from others and reach personal goals.

The most popular and accepted mixed model of EI is the one proposed by Goleman (1995). He viewed EI as a sum of personal and social competences. Personal competence determines how we manage ourselves, whereas social competence determines how we handle our interpersonal relationships.

Let us now learn each of the competencies in detail.

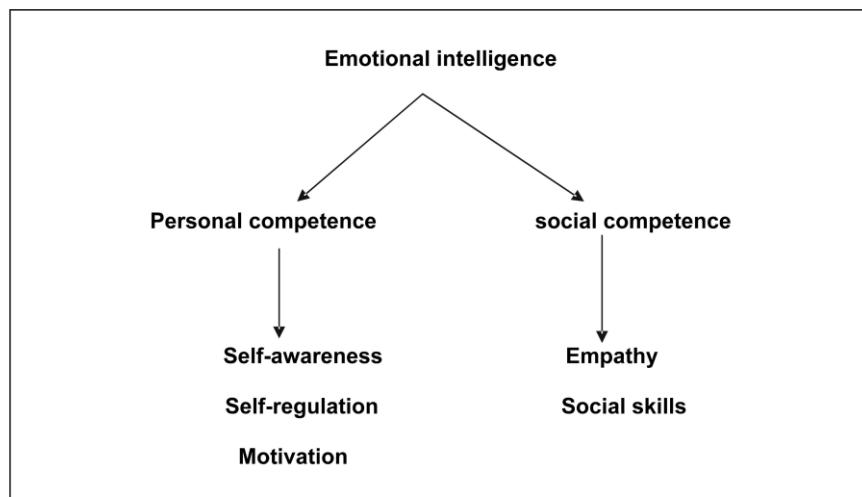
Personal competence

Personal competence comprises three dimensions of EI, such as, self-awareness, self-regulation and motivation. Self-awareness is the ability of an individual to observe himself/herself and to recognise 'a feeling as it happens' (Goleman, 1995). The hallmarks of this ability are self-confidence, self-assessment and openness to positive criticism. Self-regulation is the

ability to control emotions and to redirect those emotions that can have negative impact. Trustworthiness, integrity, tolerance of ambiguity and attitude to accept change are some characteristics of this ability. Motivation is the ability to channelise emotion to achieve a goal through self-control and by moderating impulses as per the requirement of the situation. The people who have this ability are optimistic and committed towards organisational as well as individual goals.

Social competence

Social competence comprises of two dimensions namely, empathy and social skills. Empathy is the ability to feel and show concern for others, take their perspective and to treat people according to their emotional reactions. People with this ability are experts in generating and motivating others. Social skills are the abilities to build a rapport and to manage relationships with people. People having this skill are very effective in persuasiveness and team management. ‘Social skill’ is the culmination of all other components of EI assuming that people can effectively manage social and work relationships only when they can understand and control their own emotion and can emphasise with the feelings of others.



Assessment of EI and competence

If EI is important, then assessing it in a way similar to IQ is important. The earlier view that there is nothing new in EI is now rather weak as research now suggests that EI, and particularly the new measures that have been

developed to assess it, is in fact a distinct entity. However, there still is not much research on the predictive validity of such measures. Following are few of the instruments used to assess EI:

- The oldest instrument EQ-I, has been used to assess thousands of individuals, though its validity is still under question. In one study the EQ-I was predictive of success for U.S. Air Force recruiters.
- A second instrument is the Multifactor Emotional Intelligence Scale (MEIS). The MEIS is a test of ability rather than a self-report measure. The test taker performs a series of tasks that are designed to assess the person's ability to perceive, identify, understand and work with emotion.
- A third instrument is the Emotional Competence Inventory (ECI). The ECI is a 360 degree instrument. People who know the individual, rate him/her on 20 competencies that Goleman's research suggests. These ratings are linked to EI.
- The fourth commercially promoted instrument is the EQ Map. Although there is some evidence for convergent and divergent validity, the data have been reported in a rather ambiguous fashion.
- Fifth is based on 33-item self-report measure. There is evidence for convergent and divergent validity.

Testing of EI still an emerging field and in the not so far future, reliable and valid EI instruments could perhaps be available when organisations will be able to measure EI as effectively as they measure IQ and then take decisions based on it.

EI and the organisation

EI for employees

In order to increase the level of employees' performance, morale and enthusiasm, many organisations today want to promote an emotionally intelligent culture. To succeed in that, organisations must foster the following attributes:

- The organisation "promotes a culture in which openness and transparency are the norm."
- Respectful assertiveness must exist in the organisation.
- The organisation encourages diversity.
- The organisation tolerates constructive disagreement.

- The organisation values flexibility and communication among its various departments.

By having these attributes, an emotionally intelligent organisation can plan several years in advance and its employees can work with each other more effectively.

EI for Leaders

The characteristics of leaders possessing a high level of EI are as follows (Saavedra, 2000):

- They set goals that are clear and mutually agreed upon.
- They prefer praise as a tool for training and inspiring employees.
- They rely on decentralisation for achieving their goals.
- They focus on employees and their feelings.
- They are role models.

These leaders exhibit a high degree of self-actualisation, self-regard and a strong sense of self-awareness. They admit their mistakes and seek to learn from them.

CEO succession and EI

There are intense emotions during the period of succession:

- The Board of the company is often “caught in the middle of a power struggle” (Stock, 2001) between the successor CEO and the outgoing CEO. They may feel loyal to the outgoing CEO and may feel unsure about the new CEO. High self awareness and empathy are required to handle this.
- The outgoing CEO may feel resentful of the changes the successor is making or defensive about what he or she put in place. In addition, he or she may feel uneasy about the future and possibly experience a feeling of guilt (Stock, 2001). This demands high social skills, and self regulation.
- The successor may feel frustrated, angry and unable to move forward because of the loyalty employees have to the predecessor. He or she may be unwilling to make drastic changes because of fear of resentment and criticism (Stock, 2001). This requires high self-awareness, self regulation, motivation and empathy.

- The senior management may feel threatened and overwhelmed (Stock, 2001) by the drastic changes introduced by the new CEO. They may also start worrying about the issue of job security. This demands that the new CEO is empathetic, has excellent social skills and high level of motivation.

Self Assessment Questions

12. Emotional intelligence is the capacity for _____ our own feelings and those of others.
13. Components of Daniel Goleman model of EI are _____, self management, _____ and relationship management.
14. Empathy and social skills are components of _____ in the EI model.
15. The organisation that promotes EI must necessarily promote a culture of transparency. (True/False)

9.7 Indian Perspective on EI

The importance of both emotion and intelligence in making decisions and achieving success in life was well accepted in ancient India. A concept of "Sthitha-prajna" (emotional stability), similar to the concept of EI, can be traced in the second chapter of 'Srimad Bhagavad Gita'. Bhagavad Gita is a specific conversation between Lord Krishna and Arjuna (third Pandava prince) in a specific situation of Kurukshetra battlefield. Pandavas were fighting against the Kauravas, the cousin brothers to restore their kingdom from Kauravas in Kurukshetra. Before the battle started, Arjuna, with deep sorrow and pity, found his close relatives, friends and respected 'gurus' on the enemy's side. To win the battle he was supposed to kill those beloved relatives. He got confused about his rightful duty. Due to this 'hriday-durbalata' (heart-non-strength), he refused to join the battle. In this context, Lord Krishna who played the role as the driver of Arjuna's chariot, enlightened him about the eternal truth of life.

According to Lord Krishna, as mentioned in Bhagavad Gita, Arjuna suffered from indecisiveness resulting from confusion and a false sense of insecurity. Lord Krishna advised Arjuna to become 'Sthitha-prajna' (emotional stability). He also told that an individual achieved his/her goal only when the mind

became steady, poised and balanced. Evidently, the concept of “Sthithaprajna” (emotional stability) spoke about a unique interdependence between emotion and intelligence for effective decision-making which was most essential in excelling in every sphere of life. Bhagavad Gita, as a whole, advises all to balance between intelligence and emotion.

Similar views on the role of EI as a learning process for achieving a balanced personality in different stages of life on an inter-generational basis have been depicted in the Vedas. In particular, Dr. Radhakrishnan, in his book, ‘The Hindu View of Life’ (1927) opined that the attitude of the Vedas is one of trust tempered by criticism. ‘Trust, because, whatever the older generation hold, may be true, and criticism because, however, plausible the testimonies of the old views may be, it cannot deny the present of its right to enquire and sift the evidence.’ This view aptly points out the need for EI in everyday life to become more emotionally balanced and functional individuals in society.

‘EI is an aggregate of individuals’ cognition of own and others’ emotions, feeling, interpretation and action as per environmental demand to manipulate the consequence which in turn result in superior performance and better human relationship’ (Bhattacharya, 2003). EI is a measure of the degree to which a person makes use of his/her reasoning in the process of emotional responses (both positive and negative) in a given situation. So having high EI doesn’t mean that the person never panics or loses his/her temper. It does mean that he/she brings own feelings under control and channels them into productive behaviours. The ability to bring out-of-control emotions back into line, results in what earlier generations called emotional maturity.

Self Assessment Questions

16. A concept of “_____” is similar to the concept of EI, can be traced in the second chapter of ‘Srimad Bhagavad-Gita.’
17. _____ is the ability to bring out –of-control emotions back into line.

9.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- Values are sum of our preferences and priorities.
- Types of national cultures affecting values are power distance, uncertainty avoidance, individualism, masculinity, long-term and short term.
- Values may be terminal or instrumental. Terminal values refer to desirable end states of existence and instrumental values refer to preferable modes of behaviour.
- Attitudes are frames of reference.
- It has three components: cognition, affect and behaviour.
- Types of job attitudes are job satisfaction, job involvement, organisational commitment and organisational citizenship behaviour.
- Emotion is a complex psycho-physiological experience in an individual's state of mind and created by interaction of biochemical (internal) and environmental (external) influences.
- Positive emotions in the workplace help employees obtain favourable outcomes including achievement, job enrichment and higher quality and productivity.
- Negative emotions, such as fear, anger, stress, hostility, sadness and guilt, are usual workplace emotions and predict an increase in workplace deviance and how the outside world views the organisation.
- “Emotional intelligence is the capacity for recognising our own feelings and those of others, for motivating ourselves, for managing emotions well in ourselves and in our relationships.”

9.9 Glossary

- **Affective component:** Refers to behavioural part of attitude.
- **Cognitive component:** Refers to opinion or belief part of attitude.
- **Deep acting:** Modifying inner feelings to match the emotional expressions the organisation requires.
- **Emotional labour:** When an employee has to exhibit an emotion inconsistent with the situation, the process takes effort and energy. This is called emotional labour.

- **Surface acting:** Faking or presenting emotions on his or her "surface" e.g., face without actually feeling them.

9.10 Terminal Questions

1. What are the types of national culture ?
2. What are the components of attitude ?
3. Describe emotional regulation.
4. Explain Goleman's Model of Emotional Intelligence.

9.11 Answers

Self Assessment Questions

1. Values
2. Respect
3. instrumental and terminal
4. Congruence
5. Frames of reference
6. Affect, Behaviour
7. Cognitive Dissonance Theory
8. Environmental
9. Emotional labour
10. Two
11. True
12. Recognising
13. Self awareness, Social awareness
14. Social Competence
15. True
16. Sthitha-prajna
17. Emotional Maturity

Terminal Questions

1. The types of national culture are power distance, uncertainty avoidance, individualism, masculinity femininity. Refer Section 9.3 for more details.
2. The major components of attitude are cognition, affect and behaviour. Refer Section 9.4 for more details.
3. Emotional Regulation refers to the process of modifying one's own emotions and expressions. Refer Section 9.5 for more details.
4. Daniel Goleman identified a set of competencies that differentiates individuals with EI. He viewed EI as a sum of personal and social competencies. Refer Section 9.6 for more details.

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Unit 10**Individual Behaviour – 3
(Learning, Motivation)****Structure:**

- 10.1 Introduction, Objectives and Learning Outcomes
- 10.2 Case Study
- 10.3 Learning and the Applications
- 10.4 Definition and Importance of Motivation
- 10.5 Early Theories in Motivation
- 10.6 Contemporary Theories in Motivation
- 10.7 Motivational Tools in Organisation
- 10.8 Summary
- 10.9 Glossary
- 10.10 Terminal Questions
- 10.11 Answers

10.1 Introduction, Objectives and Learning Outcomes

In the previous unit, you have learnt about attitude, values and emotions. You also learnt about the job involvement, job satisfaction and the need for emotional stability in organisation. Let us know look into what keep employees motivated and how they learn when they become a part of an organisation.

The term 'learning' is a commonly used one. We can say that we have learnt something when we behave in a different way. We start learning from the day we are born. Sometimes we learn because our parents and teachers reward us with chocolates, praise or marks, at other times we learn because if we do not, we will be spanked or we may be stopped from going cycling in the evening or may be denied access to computer. But we also learn by looking at our parents, teachers and others. It is the latter that distinguishes human beings from animals. Equally, our drive to learn and also do various things depends on what we want; this is what we call in simple terms motivation. When we are motivated we work towards the goal that motivates us. When we are not motivated, we avoid working towards it. If there are any obstacles, we learn how to overcome that obstacle. For example, if we want to learn cycling and the obstacle is balance, we seek help of a friend or

go to an open ground where we may not get badly injured if we fall. Since organisations exist for effective achievement of goals, it is necessary that its workforce is motivated to work towards the goals and also learn to overcome the obstacles.

Objectives:

- To understand the concept learning.
- To identify the theories that motivate
- To identify the tools that help in motivation

Learning Outcomes

After studying this unit, you will be able to:

- define learning.
- explain the various theories of learning.
- define motivation.
- explain various theories of motivation.

10.2 Case Study**Sambhavi Bakers**

Sensing the impending problems the consultant suggested some major reorganisation. He emphasized that the company had grown exponentially and the speed and the number of outlets came as a surprise. In order to continue in the path of ‘enriching lives’, it is necessary to have a systematic team based structure with appropriate incentives that drive the organisation. So, after much discussion, it was felt that the reward system should be put into place straight away so that appropriate behaviour can be reinforced and people will be motivated. The need to have strong team based structure to drive growth was accepted but it was decided to put that into place after the reward system that created a learning culture was in place. Learning culture was important because Sambhavi is like an elephant that can dance. He said, “Elephants don’t dance naturally. They have to learn to dance and when we have a few old timers who know this, and we want Sambhavi to continue its traditions, the new comers have to learn to dance. So my reward structure is based on the need to make them dance and motivate them to keep dancing.” Then he went on to lay out his plan in brief.

He continued, “the outlets will continue to be the basic profit centre and it will have teams that cater for bakery sales, snack meal sales, kid care and merchandise i.e., four teams under four team leaders. Each team is responsible for the productivity. Out of these, the bakery sales bring the largest revenue but only if the snack meal team attracts sufficient numbers to the place. They have to attract, sell and up sell and even coax the customers to open their purse at the bakery counter often offering to pack up something while they were still munching. So, these people have to learn more than others and adjust to the customer needs and no one should come in the way of their creativity and independence. My ideas on these are as follows.”

“We will have them organised into teams. There will be goal setting by the teams and the individual and though we cannot start with a classical MBO, we will set goals nevertheless and then graduate into an MBO. We will train them for it of course. But instead of having these goals assessed annually, we will do it every quarter and then give them feedback so that they can improve. Of course they should be fully involved in their goal setting and assessment; that is the reason for training”.

“When we give feedback we will also give rewards in the form of money, best employee of the month, quarter etc. I have to fine tune it a little. We should also organise a picnic for the families twice a year and an all India trip for the best 10 employees from each group. We should have an annual visit if the members of each group to other locations and then have them make a report so that they learn from each other. Many of our employees are intelligent though not highly qualified and therefore we should encourage them to go for some studies, and we will fund 50percent and if they get above 70% in the course or program, we will fund it fully. One of my friends is a good trainer, coach and listener. I will request him to run a few training sessions on these and train our outlet manager to coach and mentor the others and encourage them to have an open door policy. We should have a quarters open house where one of the top management should be present and MD should reach all the outlets at least once in a year and have an open house. I will work straight away to increase the computer knowledge of our employees and then have a Sambhavi discussion group in the mother tongue besides our usual suggestion and complaint box. It is

good to get a lot of anonymous input and in due course we will introduce the powerful 360 degree of evaluation. I don't think we are ready for it yet".

"On the incentive front, we should do the following:

- For every Rs. 100 increase in the purchases while they are munching, we will pay Rs. 2 to the snack meal team. We will calculate this on a weekly basis and pay them the next week. One week lag and no more.
- If the purchase did not increase, they will not get any incentive, but there will be a board in their change room, "I missed to enrich lives last week, I will try better this week". If the purchase fell, for every Rs. 100 fall, there will be a fine of Rs. 1.
- If the customer satisfaction survey improved the standard, for every 1% increase there will be Rs. 2000 for this team and if it fell, there will be a fine of Rs. 1000 for every 2% fall.

I know you will ask me to find out its financial implications. Our CA has done some job and it looks fine. I feel very confident that Sambhavi will move into the next trajectory with all these". In a month's time the MD gave the go ahead to lay out the plan, but after having a series of discussion rounds to elicit opinion of the managers and employees for which the first round of 'tell us how we can improve' meetings were launched".

10.3 Learning and the Applications

Definition

Munn N.L defines learning as "Learning is the process of having one's behavior modified, more or less permanently, by what he does and the consequences of his action, or by what he observes." Robbins (2003) defines as "any relatively permanent change in behavior that occurs as a result of experience." What it implies is that learning involves the following:

- A change occurs in the behaviour
- Such change is relatively permanent
- Some form of experience is necessary for this change in behaviour

Learning is dependent on ability i.e., existing capacity to perform the various tasks in a job and aptitude which represents capability of learning something. Ability is therefore knowledge and skills that an individual currently possesses and aptitude to gain some knowledge and skill.

Theories of learning

There are three theories of learning - classical conditioning, operant conditioning, and social learning.

Classical conditioning

In 1927, Russian scientist Pavlov conducted an experiment using dogs. When you show meat to dogs, they salivate. Pavlov rang a bell and then showed them meat that they eat. After a while, he found that the moment the bell rang, the dogs salivated whether there was meat or not. He called this phenomenon classical conditioning. Here, food is called **unconditioned stimulus** i.e., dogs salivate naturally when you show meat. The bell is called **conditioned stimulus** because dogs salivated only because they created some relationship between the bell and the meat. Thus, he suggested that we can create a **conditioned response** by using a conditioned and unconditioned stimulus together.

Operant conditioning

What happens when you do a good job? Your boss gives you a reward so that you do more. The opposite is also true. This is what operant conditioning is all about. Operant conditioning is a form of learning during which individuals modify the occurrence and form of their own behaviour due to consequences of the behaviour. Operant conditioning differs from classical conditioning in its modification of voluntary behaviour as against reflexive behaviour in classical conditioning. In other words, classical conditioning procedures are not maintained by consequences but by association of reflexes.

- **Reinforcement:** Giving a bonus for every good customer remark introduced by Sambhavi is an example of this. This is positive reinforcement. When they miss to get the number of comments in a day, they put up a board in the counter saying, "yesterday we did not serve so well." This is a way to create negative reinforcement.
- **Punishment:** If complaints came, there would be cut on the bonus i.e., punishment (negative) or withdrawal of something and if the complaints increased beyond a specified number, there would be a fine (positive punishment). Note that imposing something unpleasant is called positive punishment while withdrawing something pleasant is negative.

- **Extinction:** It is caused by the lack of any consequence following a behaviour e.g., if Sambhavi gives up the bonus or fine system, after a while, the change in behaviour, such as giving exceptional service will become extinct.
- **To change behaviour:** In organisations, we do it by:
 - Stating the goal
 - Monitor behaviour for which we lay down the standards and measures
 - Reinforce desired behaviour through feedback and reward management
 - Reduce incentives to perform undesirable behaviour by having warnings, penalty, holding up promotions etc.
 - Necessary to exist simultaneously if the change in behaviour is to be achieved and maintained
- **Avoidance learning:** It is a type of learning in which a certain behaviour results in the cessation of an aversive stimulus. For example, performing the behaviour of shielding one's eyes in the sunlight (or going outdoors) will help avoid the aversive stimulation of having light in one's eyes. When we see a red light at the road crossing, we stop so that we avoid an accident. If we see
- **Non-contingent reinforcement:** This refers to delivery of reinforcing stimuli regardless of the organism's (aberrant) behaviour. The idea is that the target behaviour decreases because it is no longer necessary to receive the reinforcement. While shopping, if a child cries the mother buys a chocolate. Suppose the mother starts buying a chocolate the moment they enter the shop and continues to do it, then child will not cry and make a nuisance since crying is not required to get a chocolate. In due course, crying to get a chocolate will become extinct. The employees of Sambhavi make it a point to meet the manager and give their complaints. The manager does not concentrate because of the perennial flow of people. So, they decided to have a suggestion and complaint box, which is opened every day and action is taken on genuine complaints. Slowly the inflow of complainants to the office reduced.
- **Shaping:** It is a form of operant conditioning in which the increasingly accurate approximations of a desired response are reinforced. For

example, if the per customer sales in Sambhavi is INR 100, then they get 1percent incentive, if it is INR 200, they got 2percent for the entire amount, and if it is above INR 300, they got 3percent for the entire amount. This way, your behaviour to sell more to the same customer is being shaped.

- **Chaining:** It is an instructional procedure which involves reinforcing individual responses occurring in a sequence to form a complex behaviour. Suppose the complex operation requires considerable expertise and has four steps to be done in particular sequence. First time a person does the steps, he/she will not be able to do it. So, you make the person do step 1 and 2 and reward for it and the expert trainer does steps 3 and 4. Then you make the person do steps 1, 2, and 3 and reward more. Then, you make the person do all the steps and reward more. This way a chain of reward is created so that the desired behaviour can be brought about.
- **Response cost:** You speed and the police gives you a ticket. As a result, you do not speed. This is similar to extinction but there is a subtle difference. If you get a speeding ticket, your money (a valued stimulus) is taken away from you. However, the money was probably not the reason you were speeding. Therefore, a speeding ticket is categorised as response cost (negative punishment) rather than extinction. Extinction is used to terminate an undesirable behaviour while response cost is used to prevent an undesirable behaviour. If you come late and are fined, this is response cost and not extinction.
- **Factors that alter the effectiveness of consequences:** When using consequences to modify a response, the effectiveness of a consequence can be increased or decreased by various factors. These factors can apply to either reinforcing or punishing consequences.
- **Satiation/Deprivation:** The effectiveness of a consequence will be reduced if the individual's 'appetite' for that source of stimulation has been satisfied. Inversely, the effectiveness of a consequence will increase as the individual becomes deprived of that stimulus. This happens with money. If a person has earned plenty of money, then if you reward him with more, it may not elicit a desired response. Some other stimulus may work in such a scenario.

- **Immediacy:** After a response, how quickly the consequence is felt, determines the effectiveness of the consequence. Immediate feedback will be more effective than late feedback. So, if an employee does a good job, first praise and then give some small reward immediately. This is better than giving a larger reward much later to reinforce that behaviour. It is equally true for negative reinforcement.
- **Contingency:** If a consequence does not contingently (reliably, or consistently) follow the target response, its effectiveness upon the response is reduced. So, you should reward or punish consistently e.g. fine the same or progressively higher every time someone is late or reward the same every time (or every few times) a person does a desirable action e.g. every time the per customer sale goes beyond Rs. 100 an incentive is given. In fact, it is better if it is done the same week or so (assuming that it is cumbersome to do it daily) rather than do it once a quarter or once a year.
- **Size:** This is a 'cost-benefit' determinant of whether a consequence will be effective. If the size, or amount, of the consequence is large enough to be worth the effort, the consequence will be more effective upon the behaviour. If an incentive is too small, say a few rupees only, the reward used for reinforcement will not work at all. So, the size has to be substantial. So is the punishment. If you punish a person INR 10 for being late, it will have no effect today.

Social Learning: The social learning theory was proposed by Bandura. Most human behaviour is learned by observing which then shapes our behaviour accordingly. Social learning theory explains human behaviour in terms of continuous reciprocal interaction between cognitive, behavioural, and environmental influences. Social learning has the following four processes:

- **Attention processes:** People learn from a model only when they recognise and pay attention to its critical features. In order to learn, it is required to pay attention. Anything that detracts the attention is going to have a negative effect on observational learning. If something is more interesting or there is a novel aspect to the situation, it is more likely to dedicate the full attention to learning.
- **Retention processes:** A model's influence will depend on how well the individual remembers the model's action after it is no longer readily

available. The ability to store information is also an important part of the learning process. Retention can be affected by a number of factors, but the ability to pull up information later and act on it is vital to observational learning.

- **Motor reproduction processes:** After a person has seen a new behaviour by observing the model, the watching must be converted to action or doing. This is the reason why students are made to repeat an action immediately after the teacher shows it. If a sales person approaches you immediately after you have seen an advertisement, you are more likely to buy the product than if he approaches you after several weeks.
- **Reinforcement processes:** Individuals are motivated to exhibit the modelled behaviour if positive incentives or rewards are provided. Finally, for observational learning to be successful, you have to be motivated to imitate the behaviour that has been modelled. Reinforcement and punishment play an important role in motivation. That is why teachers give praise you or admonish you in the class for doing a problem correctly or wrongly.

Please remember that many of the above discussed factors would coexist in the learning process e.g., social learning by observing coupled with reinforcement.

Self Assessment Questions

1. Learning has three important components. These are a change occurs in the behaviour, the change is relatively _____ and some _____ is required to create this change.
2. Sambhavi Bakers give a bonus for every good customer remark. This is intended to _____ the learning of providing good customer service.
3. After doing it for two years, the bakers stopped it and did not notice any change in the quality of service for a month. But the consultant warned that this happy situation is not likely to continue because of a phenomenon called _____.
4. Most human behaviour is learned by observing which then shapes our behaviour accordingly. This is called _____.

10.4 Definition and Importance of Motivation

Motivation is “the process that account for an individual’s intensity, direction, and persistence of effort toward attaining a goal.” (Robbins, 2003) *Intensity* is concerned with how hard a person tries. This is the element most of us focus on when we talk about motivation. *Direction* is the orientation that benefits the organisation. And *persistence* is a measure of how long a person can maintain his/her effort. Motivated individuals stay with a task long enough to achieve their goal.

Motivation is important to an individual because:

- Motivation helps to achieve personal goals.
- Motivation gives job satisfaction.
- Motivation helps in self-development of individual.
- An individual would always gain by working with a dynamic team.

Similarly, motivation is important to a business because:

- The more motivated the employees are, the more empowered the team is.
- The more is the team work and individual employee contribution, more profitable and successful is the business.
- During period of change, there is more adaptability and creativity.
- Motivation leads to an optimistic and challenging attitude at work place.

In general, motivation has the following benefits:

- Puts human resources into action and enables organisations to coordinate its physical and financial resources to achieve its goals.
- Improves efficiency by increasing productivity and decreasing cost.
- It leads to innovation because of the desire to do a job better and accomplish a challenge.
- It leads to best possible utilisation of resources.
- It creates a co-operative work environment where high degree of coordination is achieved and reduces the cost of controls.
- It makes them goal oriented and therefore makes them capable of delivering even in the absence of close supervision.

- Leads to stability of work force and the consequent low turnover, recruiting cost and increases predictability.

Self Assessment Questions

5. The term _____ in definition of motivation is concerned with how hard a person tries.
6. The idea of _____ in motivation is important because it benefits the organisation to align the individual motivation to organisational goals.
7. Motivation improves _____ by increasing productivity and decreasing cost.

10.5 Early Theories of Motivation

Maslow's hierarchy of needs theory

According to this theory, proposed by Maslow (1943), human beings have wants and desires which influence their behaviour. Only dissatisfied needs can influence behaviour. The needs follow an order of importance (called hierarchy) and when a lower need is satisfied, he has a need to satisfy a higher level need. Maslow created the following five hierarchies-

1. **Physiological** – Includes hunger, thirst, shelter, sex, and other bodily needs. So if the workplace does not fulfil these, an individual will not be motivated. If he gets these, he will need the next hierarchy.
2. **Safety** – Includes security and protection from physical and emotional harm and therefore he looks for safer working place, and does not want to be threatened or abused in the workplace.
3. **Social** – Includes affection, belongingness, acceptance, and friendship in the workplace and if he gets this, he will be happy to work hard. Workplaces which guarantee this motivate them. We saw in the Hawthorne experiments, how social relationship led to higher productivity.
4. **Esteem** – Includes internal esteem factors, such as, self-respect, autonomy, and achievement; and external esteem factors, such as status, recognition, and attention. So, when we set goals, supports him to achieve it and rewards him for it, it fulfills his esteem needs and also other needs because of the money he gets as a result which he can use

to fulfill the other needs such as buying a house (safety), giving a party (social) or donating for charity (self esteem or self actualisation). The focus of organisations today is to fulfil this need and social need and so combine it with reward that he can fulfil most of his other needs.

5. **Self-actualisation** – The drive to become what one is capable of becoming; includes growth, achieving one's potential, and self-fulfilment.

This hierarchy of needs is depicted in figure 10.1 given below:

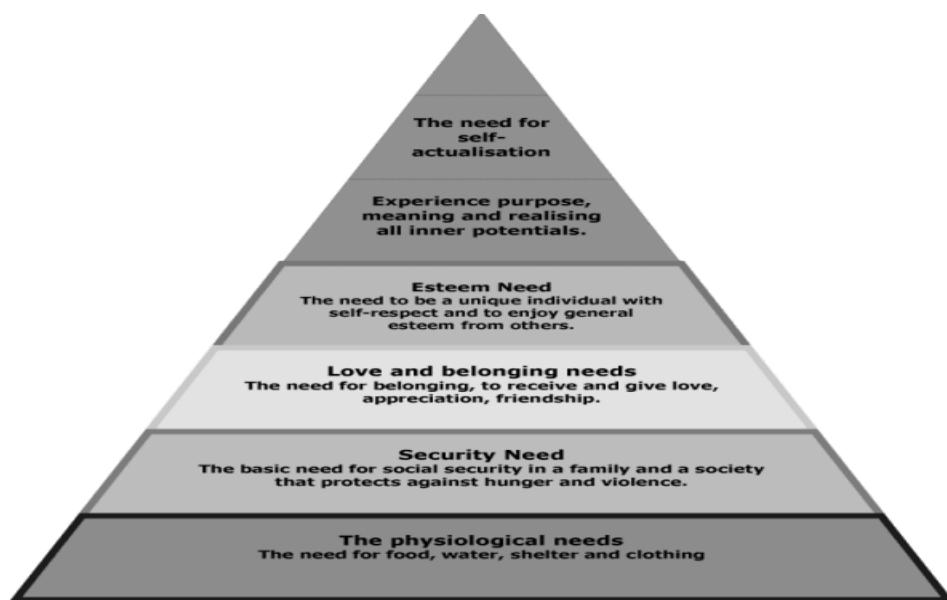


Fig. 10.1: Maslow's hierarchy of needs

Theory X and Theory Y. More than stating what motivates, this theory identifies the disposition that a manager takes and the consequent actions which impacts motivation. Thus, some managers assume that employees are inherently lazy and will avoid work and therefore put in close supervision to counter it. Others assume otherwise i.e., employees are ambitious, self-motivated, anxious to accept greater responsibility, and exercise self-control, self-direction, autonomy and empowerment and hence they act accordingly. The former uses punitive measures to get results while the latter uses positive measures for the same results. But those following Theory X have to develop elaborate directives and controls which cost a lot and the organisation loses competitiveness in comparison to those following

theory Y though the latter runs the risk of low productivity. Modern reality shows that Theory X is far less efficient than Theory Y though both focus on driving people to action.

Herzberg's 'Two Factor Theory': He identifies two types of factors. One, factors whose absence leads to lack of motivation, but does not necessarily motivate which he called **hygiene factors** and those which actually motivate which he called **motivators**. Motivators are intrinsic factors, such as, advancement, recognition, responsibility, and achievement. Presence of these factors ensures job satisfaction. Extrinsic factors, such as, company policy, supervision, interpersonal relations, working conditions, and salaries are hygiene factors. It is possible to trace the hygiene factors to the lower needs and motivators to the higher needs of Maslow.

Self Assessment Questions

8. Maslow's hierarchy of needs has _____ levels of need hierarchy.
9. Theory Y speaks how people are hard working, like work. (True/false)
10. In Herzberg's two factor theory, money is an important motivator. (True/false)
11. Theory _____ manager attempts to achieve goals by delegating more work.

10.6 Contemporary Theories of Motivation

ERG Theory: Alderfer (1972) classifies needs into three categories –
1) The existence category that provides our basic material existence requirements (akin to Maslow's physiological and safety), 2) Relatedness category which provides relationship and social status (akin to Social) and 3) Growth category which refers to personal development (akin to esteem and self-actualisation).

McClelland's Theory of Needs: McClelland's (1961) theory focuses on three needs: achievement, power, and affiliation. This actually describes the predominance of disposition of various types of people. All people have all these needs but the predominant need drives them. These are discussed below:

- **Need for achievement (*nAch*):** Those predominant in this derive satisfaction from reaching goals. To do that, they generally undertake

tasks of moderate difficulty rather than very easy or very difficult ones. They also prefer to work independently so that successful task performance (or failure) can be related to their own efforts rather than the efforts of someone else and seek feedback. When these characteristics are prevalent in a job, this category people are strongly motivated.

- **Need for power (*nPow*):** Those predominant in this derive satisfaction from ability to control others and goal achievement is secondary. They derive satisfaction from being in positions of influence and control. Organisations that foster the power motive tend to attract individuals with a high need for power e.g., police. They do not turn out to be good managers especially in large organisations because such people are interested in doing well themselves rather than influencing others to do well.
- **Need for affiliation (*nAff*):** Those predominant in this derive satisfaction from social and interpersonal activities. Those high in this tends to compromise task orientation for personal relations and often tend to be ineffective managers.

Cognitive Evaluation Theory: Some people do not get motivated by extrinsic rewards. It is better to leave to do a job from which he derives satisfaction. It has limited applicability to work organisations, because most low-level jobs are not inherently satisfying enough to foster high intrinsic interest but is relevant in NGOs, research work etc.

Goal-Setting Theory: This theory proposes that challenging goals produce a higher level of output than do the generalised goals. A goal serves as a motivator, because, it causes people to compare their present capacity to perform with that required to succeed at the goal. Hence, feedback is also required. This presupposes the following:

- **Goal commitment** i.e., an individual is committed to the goal
- Adequate **self-efficacy** i.e. Individual's belief that he or she is capable of performing a task
- **Task characteristics** i.e., tasks are simple, well-learned, and independent
- **National culture**

Reinforcement Theory: Reinforcement theory (Komaki et. al., 1991) argues that reinforcement conditions human behaviour; that behaviour is a function of its consequences and that it can be modified (reinforced) by providing (controlling) consequences. Reinforced behaviour tends to be repeated. More than a theory it is about how to motivate.

Equity Theory: According to this theory (Adams, 1965), employees make comparisons of their job inputs and outcomes relative to those of others. If they perceive the ratio as fair, they are motivated, else demotivated. This theory is helpful to explain why people tend to leave organisations when they feel that the principle of equity is violated.

Organisational justice: People's perception of fairness motivates or demotivates them. There are three types of justice:

- **Distributive justice** or the perceived fairness of the way rewards are distributed among people
- **Procedural justice** or perceptions of the fairness of the procedures used to determine outcomes
- **Interactional justice** or the perceived fairness of the interpersonal treatment used to determine organizational outcomes.

Therefore, to motivate we should avoid underpayment, overpayment, and give people a voice in decisions affecting them and explain outcomes thoroughly by being socially sensitive.

Expectancy Theory: Victor Vroom's (1964) expectancy theory is criticised heavily but most of the research is supportive. It proposes that motivation depends on:

- 1) The belief that one's effort will positively lead to performance (**called expectancy**)
- 2) An individual's beliefs that he will be rewarded in accord with his or her own level of performance (**Instrumentality**)
- 3) The value a person places on the rewards he or she expects to receive from an organisation (**Valence**).

The relationship is that a person links effort to performance, performance to reward and reward to personal goal. Vroom states that **Performance = f (Ability x Motivation x Opportunity)**. If either motivation or ability is

inadequate, performance will be negatively affected and that an employee needs opportunity to perform and prove his/her worth.

Nitin Nohria Model: He proposed in one of the latest articles that there are four drives with which an individual grapples. These are:

- **Drive to acquire:** This drive makes us acquire things which are not strictly needs. The drive comes because of comparison with others. Thus, even if we have a good house, we need a better one. This explains why the lower needs of Maslow never seem to be satisfied i.e., house to bigger house, food to better food etc. Companies satisfy this need through reward.
- **Drive to bond:** All of us need families to fulfil this drive. In the workplace we need departments; work area, etc. and we get attached to these. Perhaps the power of teams lies in this drive. We go to great lengths to achieve this in the workplace and detest workplace that are not warm and cordial.
- **Drive to comprehend:** We want to make sense of the world around us, understand the phenomenon, making meaningful contribution, and are demoralised by monotonous work.
- **Drive to defend:** We have a drive to defend ourselves and hence though we may have all the physical and emotional security, we will do all we can to defend ourselves. We create justice system, self help groups, security system, etc. to overcome negative emotions like fear and resentment.

Empirical research shows that an organisation's ability to meet the four fundamental drives explains 60 percent of the employee's variance in motivation. Individual managers can also contribute towards these. Employees understand where the individual manager can help and cannot. Dissatisfaction with immediate manager is based on this understanding.

Motivational Language Theory: Sullivan JJ, (1988) explained that it is language that motivates people. At least to some extent this is true. We motivate people through talks, explanations and instructions. We have seen this happen and this is perhaps the reason why some motivational speakers are so popular. He proposes that in an organisational context, a supervisor is able to motivate a subordinate when the language the following three components:

- **Direction giving** – This enables a subordinate to get the goal he has to achieve clearly. Thus, a sales manager who gives specific direction on the targets and the way to achieve it motivates a subordinate.
- **Meaning making** – People are motivated by meaning making stories about the organisation, culture, etc. so that they feel a meaning in their life. It is similar to bonding, comprehending and social needs.
- **Empathetic** – People are motivated when a supervisor shows empathy and uses relevant language e.g., he shows empathy when performance is low and finds the reason to help or at least lend support.

He found high correlation between these and motivation. He further empirically demonstrated that these lead to job satisfaction and job performance.

Self Assessment Questions

12. Those with high need achievement set lofty goals which are difficult to achieve. (True/False)
13. The belief that one's effort will positively lead to performance is called _____ in Vroom's motivation theory.
14. Nitin Nohria Model indicates four drivers - acquire, bond, _____ and defend.
15. Motivation language theory is hinged on language that is _____, meaning making and empathetic.

10.7 Motivational Tools in Organisation

Understanding the theories is of little use unless we can convert them into action. Therefore, let us look at some tools we can use to motivate.

Management by Objective (MBO) – Management by objectives emphasises participative set goals that are tangible, verifiable, and measurable. Its power to motivate is explained by goal theory, Vroom's expectancy theory, need achievement, drive to comprehend and direction giving language of Sullivan. MBO also fulfils the self esteem needs.

Employee Recognition Programs - This involves personal attention, expressing interest, approval, and appreciation for a job well done. It fulfils the social and self esteem needs, components of Vroom's theory (if that is

the employee's expectation), need affiliation, the need to bond and comprehend and other theories such as need affiliation.

Employee Involvement Programme – Employee involvement includes participative management, workplace democracy, empowerment, and employee ownership. This affects the self esteem and the need to comprehend.

Participative Management – Participative management is a method of creating involvement. Here, the subordinates share a significant degree of decision-making power with their immediate supervisors. Work councils, board representative and quality circles are examples of this. They motivate as explained by self esteem, the need to comprehend and other theories of motivation.

Employee Stock Ownership Plans (ESOPs) – Perhaps the ultimate reward to workers is for them, to own part of the organisation. Employee stock ownership plans are company-established benefit plans in which employees acquire stock as part of their benefits. ESOPs have the potential to increase employee job satisfaction and work motivation. However, when the stocks do not rise in price then it does not motivate people.

Reward Systems – Organisations provide both extrinsic and intrinsic rewards.

- **Extrinsic rewards:** Extrinsic rewards are pay, promotions, other benefits, unemployment guarantee, medical benefits, leave, paid vacation etc. In general, it addresses the acquire drive and fulfils several of Maslow's hierarchy such as physiological need, safety need and also social and self esteem needs because of the money value in it. Its operation is explained quite clearly by Vroom's theory. Those with high Nach also use this as a measure of their success which motivates such people. Equally, it is explained by the reinforcement theory.
- **Intrinsic rewards:** Intrinsic rewards are those that individuals receive for themselves. They include rewards associated with the job itself, such as challenging assignments, responsibility, autonomy and opportunities for growth. They are largely a result of the worker's satisfaction with his or her job. It is the pleasure or value one receives from the context of a

work task. Thus, intrinsic rewards include more intangible types of things, such as feelings of competence, completion, or self-actualisation.

Other issues in motivation

- Basic pay is used to create safety and security. Maternity leave, sick leave or sick pay are also used for this. Medical allowance, safe working place caters for the physical and safety needs.
- Corporate picnics, family get together, informal clubs, festival celebrations, buddy system, mentoring programs etc. are means to fulfil social needs.
- Promotions, titles, big cars, company houses etc. are used for boosting self esteem.
- Performance pay fulfils the equity needs, and reinforcement. Incentives and pay based on some productivity norms also do this.
- Spot prizes, open houses, suggestion boxes etc. intend to increase the social and esteem needs as also the drive to bond and comprehend.

The list goes on. To sum up, it can be said most actions of a company are related to creating learning and motivation.

Activity:

Visit any nearby bank in your locality and meet the security guard and the Chief Manager respectively. Find out the motivating factors that makes them continue the job. Prepare a list and compare to see if there are significant difference.

Hints: Refer Section 10.5

Self Assessment Questions

16. Employee involvement includes participative management, workplace democracy, empowerment, and employee ownership. This affects the _____ and need to _____.
17. Medical benefits, leave and paid vacations are _____ extrinsic rewards.

10.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- Learning is defined as any relatively permanent change in behaviour that occurs as a result of experience.
- There are three theories of learning - classical conditioning, operant conditioning, and social learning.
- Classical conditioning theory suggested that we can create a conditioned response by using a conditioned and unconditioned stimulus together.
- Operant conditioning is a form of learning during which individuals modify the occurrence and form of their own behaviour due to consequences of the behaviour. Operant conditioning differs from classical conditioning in its modification of voluntary behaviour as against reflexive behaviour in classical conditioning.
- Most human behaviour is learned by observing which then shapes our behaviour accordingly. Social learning theory explains human behaviour in terms of continuous reciprocal interaction between cognitive, behavioural, and environmental influences.
- Motivation is “the processes that account for an individual’s intensity, direction, and persistence of effort toward attaining a goal.”
- Traditional motivation theories were that of Maslow’s, Theory X and Theory Y, Herzberg’s two factor theory.
- Contemporary motivation theories are Mc Clelland’s theory of needs, Cognitive evaluation Theory, Goal- Setting Theory, Reinforcement theory, Equity Theory, Vroom’s Expectancy Theory and motivational Language Theory.
- Some of the motivational tools are MBO, employee recognition programmes, participative management, ESOPs, reward systems.

10.9 Glossary

- **Cognitive Evaluation Theory:** Some people do not get motivated by extrinsic rewards. It is better to leave to do a job from which he derives satisfaction. Cognitive evaluation explains how a person’s cognition evaluates a reward.

- **ESOP:** This is a method of giving free or discounted shares of the company to the employees which they can sell at market rate later. It is assumed that because the shares make them feel part of the company, they will be motivated. However, it is questionable if this will motivate if the shares do not go up.
- **Learning:** Learning is a relatively permanent change in behaviour potentially that results from reinforced practice or experience.
- **Organisational Justice:** People's perception of fairness motivates or demotivates them. There are three types of justice-Distributive, procedural and interactional.
- **Reinforcement:** The practice of providing positive or negative feedback to an individual or groups of individuals after completion of a particular project or achievement of a particular goal.

10.10 Terminal Questions

1. Describe the concept of learning.
2. Explain the theory of Operant Conditioning.
3. Why is necessary for managers to know about motivation ?
4. Explain Mc Clelland's Theory of Needs.

10.11 Answers

Self Assessment Questions

1. Permanent, experience
2. Reinforce
3. Extinction
4. Social learning
5. Intensity
6. Direction
7. Efficiency
8. Five
9. True
10. False
11. Y
12. False

13. Expectancy
14. Comprehend
15. Direction setting
16. Self esteem, comprehend
17. Extrinsic

Terminal Questions

1. Learning is defined as “any relatively permanent change in behaviour that occurs as a result of experience.” Refer Section 10.3 for more details.
2. Operant conditioning is a form of learning where individuals modify their behaviour based on its consequence. Refer Section 10.3 for more details.
3. Managers need to know about motivation as the more motivated the employees are, the more empowered the team is. Refer Section 10.4 for more details.
4. Mc Clelland’s Theory of Needs focuses on these needs, namely achievement, power and affiliation. Refer Section 10.6 for more details.

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Unit 11**Group Behaviour – 1
(Introduction to Group Behaviour)****Structure:**

- 11.1 Introduction
 - Objectives
- 11.2 Case Study
- 11.3 Definition and Concept of Groups
- 11.4 Stages of Group Formation and Group Process
- 11.5 Work Group Behaviour
- 11.6 Factors that Affect Group Behaviour
- 11.7 Implications of Group Process for Organisations
- 11.8 Summary
- 11.9 Glossary
- 11.10 Terminal Questions
- 11.11 Answers

11.1 Introduction

In the previous unit you learnt individual level behavioural variables. You also learnt learning and applications. This unit is dedicated to learning the group decision process. In order to understand the process, we cover the related areas. The unit will give a clear understanding of the process so that when you have to work in a group, take decision and execute tasks you can do those effectively.

Over the years, groups have become the norm in many organisations. This is because the complexity of business grew exponentially over the years and it became no more possible for one person to consider all factors and take a decision. The volume of information available and the expertise required in understanding the information made groups imperative. However, group decision making and use of groups for execution is useful only if the group process in decision making is handled systematically. If not, groups can and often take far inferior decisions than an individual does because of various reasons.

Objectives:

- To define Group and understand the concept of a Group.
- To gain insight into the Group Process.
- To understand how a group behaves.
- To appreciate group behavior and its implications to decision making organizational effectiveness.

Outcomes:

After studying this unit, you will be able to:

- define group.
- explain the concept of a Group.
- identify group process and explain its implications on the group decisions.
- explain the Work Group Behavior model
- determine the factors that affect Group Behavior
- list the implications of Group Process on organizations.

11.2 Case Study

'URShop' abbreviated by all as URS was started in 1970 with its headquarters in Hyderabad. It was in the business of home electronics. Riding the Indian TV wave, URS set up shop in most Indian cities and often more than one outlet in the metros. Over a period of time, URS expanded on an all India basis. URS was known for its quality customer service and when the Japanese and Korean companies came to India, they quickly embraced them as a preferred outlet. URS service was unbeatable. URS was always a place for individual excellence and high individual incentives. With the advent of the Japanese electronics giants and expansion, the top management laid out a plan to en-culture the group in the DNA of URS. They knew that it was the way forward.

A typical URS shop was large, about 15 to 20 thousand square feet with the domestic electronics in neat groups. The groups were home entertainment which covered TV and music system with its related accessories, kitchen group which had all kitchen equipment from fridges to smoke extractors, home use which had other electronic items like water heater, iron, fans, coolers, air conditioners, a computer group

which catered for PCs and later laptops, an electronics furniture group which stocked furniture related to these electronic equipment.

A General Manager (GM) headed each outlet with a Manager (Sales) and Assistant Manager (Installation and Service) for each group. Each group had 7 to 10 members.

Each outlet had a command group with the GM as its head and the managers as the members. There was a strategic steering committee and a Customer Relations Standing committee which were cross functional groups of the Assistant Managers under the Manager, home entertainment group, which typically had the highest sales and the highest call for installation and service support. A third cross functional group was the quality group which monitored every quality issue be it service, the suppliers, the installation and so on. The groups led the business. Each outlet was audited once a year by a national cross functional group which would come and spend three days in the shop watching the sales process. The National Cross functional team also had a mystery shopping function when disguised as customers, they would shop in another outlet. They awarded the best outlet and during the visit they had elaborate discussions with the employees and managers and shared several experiences which they gained during the visit. The groups were incentivized and they had a major say in accepting a new member i.e., a new employee and they had to be accountable to increase the sales. The groups could also take a decision to drop a supplier if they wished to. The groups usually had a jam session every two months. These were sessions where they critiqued their own work. The atmosphere would be tense and no one spared anyone except that they had a strong norm that no one would throw a personal comment and if they did, the person would sit with a hat for the rest of the meeting. Those who did not contribute significantly for two consecutive jam sessions would normally stand everyone a dinner and if you missed it a third time, the group considered sacking the member and replacing him. There were plenty of cases of throwing dinner but only one of being sacked in the last five years.

URS had an open door policy. Anyone could see the compensation package and incentive of anyone else and though the HR department

was very big to cater for this detailed information support, the top management did not mind. They rule. Let them know the results they have produced. If the revenue of a group fell, the members had the right to seek intervention and sack the Manager if they felt that he was an impediment. Similarly, the group could sack a member for not contributing effectively to the revenue. The system of sales monitoring clearly indicated the sales achieved by each member of the group and therefore the sacking could be done scientifically. Of course, the individual had to be given two warnings before the sacking which the group did collectively in the monthly group meeting.

After five years when the top management took stock of the situation through financial analysis and elaborate interviews done using consultants, they found that the system has increased the revenue by 1200 percent. After discounting for national growth the growth was still some 250 percent. There were strains in group relationship. Some cliques had formed which prevented the sacking even when warranted. At least two Managers had been sacked due to group pressure. The employees in general detested the idea of wearing a cap and sitting in a meeting for non-contribution. Some highly individualistic but excellent installation engineers had found the system strange as they were slogging it out in customer houses and these air-condition loving employees were sitting on their fate.

The question that bothered the top management was not whether group concept is required or not but how far can we take the group concept and where should they rein that in? Have we sacrificed individual excellence for the sake of the group?

11.3 Definition and Concept of Groups

In today's world everyone speaks of group, group effect and the impact of group. People hire you for your ability to work in groups, business schools train you for it and eventually you are assessed and even rewarded for this. So, what is group?

Definition

A group is defined as two or more individuals who have regular contact and frequent interaction, mutual influence, common feeling of camaraderie and who work together to achieve a common set of goals. 'Size, interaction, influence and goal' are the key ingredients of this definition and enables us to distinguish a group from a collection of people. Group are almost always a subset of a larger organisation e.g., it can be a group in a company where the company is the superset, football group of the village where the village is the superset, dance group in school where the school is the superset, etc.

Concept of a group

A group is based on the concept of synergy to attain the goal. By synergy we mean that the sum total of the output by the individual members are collectively surpassed by the group and this happens because of its ability to create better input (ideas) and work practices that cover the deficiencies of each other. Social facilitation theory explains how performance tends to improve or decline in the presence of others. In fact the synergy is dependent on social facilitation. Social facilitation effect also results in people who are proficient in a job doing the same job faster and better in the presence of a group and those who are not proficient doing it worse in the presence of a group. Interestingly, if we have to train people on simple things, it is better to do it in a group as the learning is faster and if on complex things, it is better to train them individually. That perhaps explains why mentoring is far more effective than a class room session or group activity in training managers to take decisions.

Purpose of groups

People join groups for various reasons such as:

- **Goal achievement:** When it takes more than one person to do a thing e.g., an orchestra or play cards, or design a system, make a commentary, think and create a solution, you need to join a group.
- **Identity:** It gives people identity and therefore enhances their self esteem and often the affiliation needs.
- **Power and status:** Groups give both since a group is able to ascertain rights of its members better and give them a position in society and life.
- **Safety and security:** Groups provide both.

Concept of small groups

Although the definition states that two or more people form a group, in general, a small group is one that has at least three and no more than twelve to fifteen members. A group should usually have at least three members, else it is a dyad. The need to distinguish between a dyad and a group is important because the latter can create coalitions and can have some sort of organisation. Too large a group (more than twelve or fifteen members) inhibits the group members' ability to communicate with everyone else in the group.

Formal groups

Every organisation is divided into formal organisational structures such as marketing, finance, operations, project etc. These are often called departments and technically they have the characteristics of a group i.e., size, interaction, influence and goals. However, these characteristics are not strict (i.e., the size is large, interaction few, influence limited and goals many) in the department of an organisation. Now, if the department has to accomplish a specific goal, it would have to create a group within the department with a purpose of doing the work e.g., creating an audit group within the finance department. These may be permanent or temporary in nature. A formal group has the following characteristics:

- Defined goals, deadlines, and roles.
- Explicitly defined structure, procedural rules, and membership and norms.
- Relatively permanent or temporary (e.g. steering group or problem solving group).

Types of formal groups

Formal groups can be classified into the following:

- **Command group:** A command group consists of a manager and the employees who report to him or her and fits into the organisation's hierarchy. For example, outlet manager and the managers of bakery, snack meal, merchandise who report to him. Membership in the group arises from each employee's position on the organisational chart.
- **Task Group:** A task group is made up of employees who work together to complete a particular task or project. Here, the members do not report to the hierarchical superior but to the person who is given the task to do.

For example, URS' task group to identify the best outlet consists of members from various outlets and area and who do not report to the group leader in the normal process of business.

- **Committee:** A group of people officially delegated to perform a function, such as investigating, considering, reporting, or acting on a matter. They usually make recommendations and reports.

Informal groups

Within the overall structure of the organisation and the department, there can be several informal groups. The real distinction between formal and informal groups is not whether one has a structure or not. Formal group has its goals that are directly derived from the organisational goals whereas the goal of the informal group is not directly derived from the organisational goals.

Creation, purpose and types of informal groups

The informal groups are created in the workplace because of several reasons such as proximity, social and emotional need of bonding, common interests, and friendship. Research shows that if some of us sit and work together, the proximity creates the forces that eventually creates a group e.g., all those who travel in the company bus every day. Following types of informal groups are frequently seen in workplace:

- **Friendship group** may be based on age, gender, etc.
- **Interest group** is one where everyone has the same interest e.g., classical music.
- **A reference group** is something that comes up when one wants to use it as a source to help with decision making e.g., when one uses the above interest group for deciding on the person to be invited for a classical music evening to your son's school.
- **Membership groups** have some amount of formality. There is formal affiliation to it e.g., music clubs where often there could be some form of formal structure, membership fee, defined goals, charter etc.
- **A clique** is a relatively permanent informal group that involves intense friendship for a narrow (often negative) goal. Usually they are 5 to 12 in numbers. The members meet far more often, hang out together and support each other to an unimaginable degree, often for emotions support and at times for odd actions such as ragging, practice of some

odd religious beliefs, bad mouthing or stonewalling a management decision etc. Though cliques are not always negative, their lack of transparency and access to other people often make them dysfunctional.

Power of informal group within formal organisation

Informal groups transcend departmental boundaries. For example, the members of a friendship group or interest group may be from different departments and different hierarchies. Thus, they become the glue that connects departments. If you have members of a music group from different departments, it is easier for one of them from one department to interact with another from another department. Also, it transcends hierarchy since being members is the important aspect. Thus, it creates porosity in the formal system and makes the formal system more open.

Self Assessment Questions

1. Size, Interaction, _____ and _____ are the key ingredients of a group.
2. A group is based on the concept of _____ to attain the goal.
3. A reference group is a formal group to which disciplinary issues are referred (True/false)

11.4 Stages of Group Formation and Group Process

Stages of group formation

Conventional literature on group speaks of four or five stages in group formation. Bruce Tuckman (1965) proposed a five stage model. We will discuss this in brief and then build the concept into the group process which is more important to us because it is the process that creates synergy. The stages are:

- **Forming:** This is where the members are in the process of coming together, knowing each other, identifying the goals and in general getting over the anxiety of it all.
- **Storming:** This is a stage where members try to find out their role and expectation from others or their contribution to the goal including the obstacles. Often there is turbulence here when one perceives that the goal achievement is difficult or his abilities do not match up or is

underutilised. In formal groups, the leader can manage this stage effectively by reassuring, articulating the goals, clearing doubts etc.

- **Norming:** Here, the group comes into balance; accept a formal or informal structure, leadership, roles, duties, way of conduct etc.
- **Performing:** The group now becomes stable, knows the details and start execution. The structure is fully functional and accepted at this stage. Work proceeds as per the norms set towards the goals set. Work is monitored and control is exercised.
- **Adjourning:** Normally a group adjourns after it has accomplished its goal e.g., a project, product development etc. The process of adjourning can be personal and painful in some cases, but in formal work groups this is taken as a way of life. Some groups which are of a permanent nature do not adjourn.

The group process

Groups of individuals gathered together to achieve a goal or objective, either as a committee or some other grouping, go through several predictable stages before useful work can be done. These stages are a function of a number of variables. Self identification to each role and the emergence of natural leaders and individuals to serve as sources of information (distinguished from the formally appointed leader) are important. This process is tabulated below and thereafter explained.

Phase	Task Functions	Personal Relations Functions
1	Orientation	Testing and Dependence
2	Organizing to Get Work Done	Intragroup Conflict
3	Information-flow	Group Cohesion
4	Problem-solving	Interdependence

Based on the work of Jones (1973), Tuckman (1965), and Banet (1976) and in particular the work of Jones

Phase one, two, three and four comprise the following processes which have different stages of behaviour:

- **Phase I Task:** The task here is orientation. It means we must define the task, specify its details, identify the expectations, output, and nature of the work etc. This gives the group an idea of the purpose and they see the reason for their being present there, what they are supposed to do

and how to do it and more importantly what the goals are and what is each person's role to achieve the goal.

- **Personal relations:** Personal relations are tested and dependence evaluated. In the first phase, participants generally act as if they depend on the leader to provide all the structure. They look to the leader to set the ground rules, establish the agenda, to do all the 'leading' while the group members acclimatise themselves to the setting. Feelings involved are excitement, apprehension, and confusion. Group members exhibit behaviour to test what behaviour is acceptable and what is taboo, and begin to establish boundaries, to consider themselves as individuals vis-a-vis the group, and to define the function of the group and the leader.
- **Concluding phase I:** This phase generally concludes when there is general agreement that the goals are achievable and that change is possible--whether it be changing behaviour, making a decision, or solving a problem.

Phase II

Task: The task here is to organise and get the work done. This involves a number of group decisions. These include:

- Establishing work rules
- Determining limits
- Defining the reward system
- Setting the criteria for the task
- Dividing the work
- Assigning individual responsibility for particular tasks

Personal relations: Phase II is the vital one for personal relations and can make or break a group.

- The participants bring to group activity unique perspectives and many unresolved conflicts with regard to authority, dependency, rules, and agenda. The result is that groups experience interpersonal conflict as they organise to get work done. The conflict may remain hidden, but it is there. The variety of organisational concerns that emerge reflects the interpersonal conflict over leadership and leadership structure, power, and authority. These of course emanate from the task specificity.
- Awareness of the possibility of change that was begun in Phase I becomes a denial of the possibility of and the need for change. Group

members adhere instead to one or another extreme. The feeling level is marked by dependency on old ways and resistance to take the risks involved in the decision and change. This occurs because the deep-seated values, beliefs, and world views can be challenged in this stage and though called a regression stage by some like Myers and Lamnn (1975), much work is actually accomplished.

Concluding Phase II: This phase concludes when group members have struggled enough with each other to resolve their personal relations concerns (similarities to and differences from other group members, authority, dependency, and leadership) and have agreed upon how they will organise to do the work. This allows issues to emerge that are sufficiently important for the group as a whole to consider.

Phase III

Task: Here, the task is information flow. Participants begin sharing ideas and feelings, giving and soliciting feedback, exploring actions, and sharing information related to the task. This is a period during which people become gradually more comfortable about being part of a group. There is an emerging openness with regard to the task and the group members show willingness to discuss these.

Personal relations: In Phase II, the group achieves group cohesion. In this stage, participants, having resolved interpersonal conflict, begin to experience catharsis and a feeling of belonging to a group. This enables the group to focus on the task. Different points of view enrich the group process. The members shift from 'either/ or' attitude to 'both' attitude. Members perceive that power is residing in both the group and the members. It is the central period of group development. It is common to see a brief abandonment of the task and a period of play and an enjoyment of the cohesion being experienced. There is general feeling of contentment.

Concluding Phase III: This phase ends when there is realisation that new insights have been gained and new solutions to problems are possible.

Phase IV

Task: Phase IV is based on problem solving. During this phase, the group's tasks are well-defined, there is a commitment to common activity, and there is support for experimentation in solving problems and hence the group achieves its task.

Personal relations: People feel a high degree of interdependence which is characterised by interdependence in personal relations. This means that the members can work singly in any subgroups or as a total unit. The activities are collaborative and functionally competitive. The feelings are focused on enjoyment of the here and the now. A reflective, meditative silence coexists with playful and pleasurable interaction with others. The task seems completed and there is a need for closure, repose, and quiet. This movement is marked by integration and celebration. Much work is accomplished; previously difficult issues are simply and easily resolved. There may be attempts by some members of the group to 'freeze' change and the group may decide to stop its work here, which is usually the case.

Concluding Phase IV: This phase often develops the awareness for a new beginning. The group may begin at this new starting point and work through each of the four phases in a somewhat different fashion.

Organisational support for group process

- **Phase I:** This corresponds to the forming stage. In formal groups, there would usually be a leader and the selection of the leader keeping in view of his/her style and competencies becomes very important. Those with higher competencies in establishing focus, building teamwork, and those with a democratic style of functioning with a high self esteem enable this process. It also makes sure that this process is completed quickly and sets the stage for the second and the more important phase. Some organisations plan to have this in an informal atmosphere in a hotel or resort so that this paves the way for the second phase. They create a situation that some of the elements of Phase III are created right there through informal dialogue, sharing, and trust building, thus making the Phase II more smooth.
- **Phase II:** Depending on Phase I, the organisation can enable in managing Phase II. This phase requires extensive data support which if forthcoming from the organisation, helps immensely. Also, if the organisation ensures that at least 20 to 30percent of the participants are those who have already worked in a group and created excellent rapport (assuming that the organisation keeps a database on it), the process can be speeded up. Creating cross functional groups with competencies that do not overlap is perhaps another contribution the organisation can make to ensure that the phase is smooth. If competencies are mutually

exclusive and collectively exhaustive, then the group will feel confident to take all the decisions and yet have little clash. This is not to say that there will be no conflict. It is also preferable to create an informal atmosphere and have frequent but well paced out meetings so that tempers can be cooled and people can be more objective. The leader can also manage this better if he/she takes up lesser number of issues rather than take up all issues at once and intelligently accepting and postponing those with more conflict potential.

- **Phase III:** Here, the organisation should continue to provide information support. The phase tends to move smoothly without much effort.
- **Phase IV:** This forms the basis for future group creation.

Punctuated Equilibrium Model

This is another model of group process. What this model proposes is that there can be prolonged periods of inertia and then a period of hectic activity and the latter occurs when there is a realisation of the time left to accomplish the job. One can perceive it as a compressing of various stages of the five stage model i.e., combining the forming and norming stages, then goes through a period of low performing, followed by storming, then a period of high performance, and finally adjourning. It can also be perceived as an iterative process between Phase II and III – conflict, action, conflict on a new issue and so on. The intense activity to overcome the time lost happens because of the feeling of collective fate. This intense activity punctuated by gaps creates equilibrium between work and lull. In fact, the lull period is often the time when the problems are incubated in the mind of its members leading to more creative solutions which are necessary. The period of intense activity is equally necessary to make the time lost in incubation.

Self Assessment Questions

4. The five stages in group formation are forming, _____, _____ and adjourning.
5. Punctuated equilibrium model explains a way to bring about balance between time lost in conflict and deadlines. (True/False)

11.5 Work Group Behaviour

We have seen the group process in detail. The task is impacted by group members, resources and group structure all of which is in the control of an organisation. This further impacts the group process and the performance.

All work groups are part of larger systems and organisations and therefore cannot exist or work in isolation. It is therefore influenced by mainly external factors which include organisational strategy, authority structures, rules and regulations, access to resources, physical work conditions, organisational culture, performance systems, and reward structures. Work group behaviour model in figure 11.1 depicts how goals/tasks are achieved in a group context.

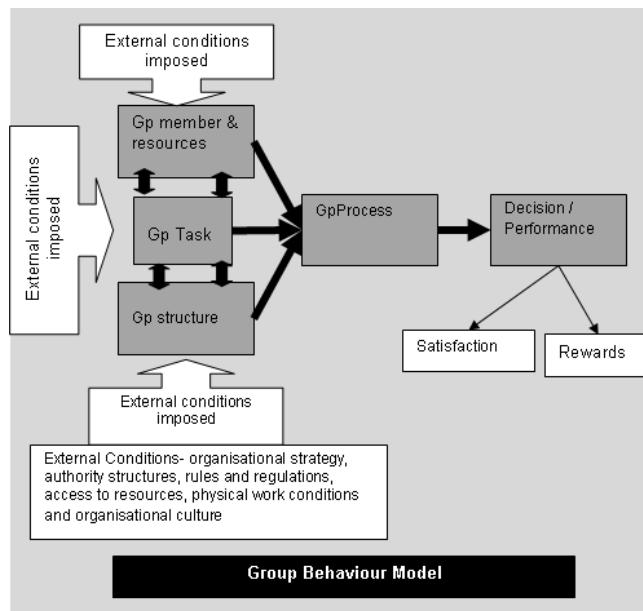


Fig. 11.1: Group Behaviour Model

What this model explains is that the task, resources allocated for it by the organisation including human capital and the structure of the group impacts the task, process and performance. For example, if the task is to create a modified product, the group membership with appropriate competencies has to be included in the team and a structure has to be created which might be matrix, wherein a member reports to the group as well as to the department head. The process of forming, storming, etc. therefore undergoes a modification, internal conflicts occur and is good to generate ideas and

options which might show intense activity and long lulls. The nature of process would lead to performance e.g., a creative solution v/s a mundane one which in turn affect reward and satisfaction. Thus, for example a very systematic and peaceful group process may mar the performance as it does not bring out contending views. This happens because the members selected were conformists and so on. There are external factors which affect this which are depicted in figure 11.1 and explained below:

- The strategy will influence the power of various work groups e.g., if we are on expansion, then the power of work groups to create new product is higher than when we were consolidating. This determines the resource allocation. Money, time, raw materials, and equipment which are allocated to the group by the organisation have a large bearing on the group's behaviour.
- Organisations have authority structures that define who reports to whom, who makes decisions, and what decisions individuals or groups are empowered to make.
- Organisations create rules, procedures, policies, job descriptions, and other forms of formal regulations to standardise employee behaviour.
- The more formal regulations that the organisation imposes on all its employees, the more the behaviour of work group members will be consistent and predictable and this will also lead to conformity.
- Group members' behaviour is influenced by how the organisation evaluates performance and what behaviours are rewarded.
- Every organization has an unwritten culture that defines standards of acceptable and unacceptable behaviour for employees. Members of work groups have to accept the standards implied in the organisation's dominant culture if they are to remain in good standing.
- The physical work setting creates both barriers and opportunities for work group interaction.
- **Group member:** The group member is perhaps one of the most important resources in a group. The member brings competencies (*knowledge, skills, and attitudes*) which play an important role in performance. Interpersonal skill or conflict resolution for example may not be a difficult skill but is important for group performance, though it may not have been in an individual task. Research also suggests that personality has an impact on the group performance. Attributes that

have a positive connotation in our culture tend to be positively related to group productivity, morale, and cohesiveness. These include sociability, initiative, openness, and flexibility. Negatively evaluated characteristics such as authoritarianism, dominance, and unconventionality tend to be negatively related to the dependent variables.

- **Group structure:** Work groups need structure for effective functioning. This depends on:
 - **Formal leadership:** The role of the leader is direction setting, creating alignment and creating engagement in the group. We will discuss these three in more detail under the unit on leadership. Direction setting is self explanatory. Creating alignment means aligning the people and their personal goals to the direction and cohesion and engagement means creating the leader-member dynamics which leads to trust and followership. The leader is thus able to do what the members could not do individually.
 - **Roles:** A role is a set of norms or expectations applied to the position by the role incumbent and the various others to whom the role matters. Each member has a role which develops through definition of it and acceptance of the same by the member. It develops through a combination of individual and group process i.e., the group members have an expected role for each individual and the individual too has own expectation. These are based on the perception of the members and the individual. Depending on the perception, the roles are accepted or rejected willingly or unwillingly. For example, a member of a group from the finance department expects to do the financial planning and others also expects him to do so thereby creating congruence; but if he is given the role of coordinator, he may not expect to do so and therefore a conflict (role conflict) arise. It can also occur when two roles are in conflict. Now it may be possible that we give him both these jobs in which case he may be short of time and therefore will feel a role overload, which reduces performance. Often groups are marred by role ambiguity e.g., a finance person given coordination role in a product development. He may lack information or understanding. It may exist in relation to activities, responsibilities, personal, and norms leading to poor performance.

Group process: We have already seen the group process in detail. It suffices to say that group process impacts a group task and it is not sufficient to create a good group structure, select members and provide resources if a task is to be executed well. The group process is also very important.

Self Assessment Questions

6. For a formal work group to be effective, it must be independent.
(True/false)
7. Members of work groups have to accept the standards implied in the organisation's _____ culture if they are to remain in good standing.
8. When a person from a function role such as accounting or auditing role is included in a group task in which such role is not predominant, there is a danger of role _____.

11.6 Factors that Affect Group Behavior

There are several factors that affect group behaviour in addition to the group process. These factors affect the group process and group decision making and hence it is important to learn about them.

Norms

Norms can be defined as “acceptable standards of behaviour that are shared by the group members.” This is a guideline for members detailing what they ought and ought not to do under certain circumstances. Norms can be classified into many categories. Out of these, performance norms which gives guidelines on how hard they should work, how to get the job done, their level of output, appropriate levels of tardiness, etc. and allocation of resources norms can originate in the group or in the organisation are critical for group process. Other norms are appearance norms and social arrangement norms.

Conformity

Conformity is the process of adhering to group norms. Research evidence suggests strong evidence that groups can place strong pressures on individual members to change their attitudes and behaviours to conform to the group's standard. Norms are enforced effectively by the groups by:

- 1) Increasing communication with a non-conforming member
- 2) Ignoring the non-conforming member
- 3) Excluding him or her from activities and physical coercion or expulsion

Status

Status is a socially defined position or rank given to groups or group members by others. Those members of the group who enjoy a higher status are able to break group norms e.g., landing up late for meetings and often this can be a drag on the morale of the group.

Groupthink

Groupthink is perhaps the greatest danger to effectiveness of groups. Caught between the need for cohesion and multiplicity of ideas, most groups suffer from this. According to Irving Janis (1972), groupthink is "a deterioration of mental efficiency, reality testing, and moral judgment resulting from in-group pressures". Thus, the overemphasis on consensus and agreement leads members to be unwilling to evaluate group members' ideas critically. This hinders quality in decision-making and becomes an obstacle to group productivity. Highly cohesive groups tend to avoid conflicts and to demand conformity and defeat the purpose of groupthink.

Those groups with directive leadership, high stress, well insulate from external realities and those that lack systematic procedures for developing and evaluating alternatives in decision making tend to suffer from groupthink.

There are clear indicators of groupthink. These are:

1. Illusions of invulnerability where group members feel they are above criticism. This symptom leads to excessive optimism and risk taking or a suboptimal decision and refusal to change.
2. Illusions of group morality where the group members feel they are moral in their actions and therefore above reproach. This symptom leads the group to ignore the ethical implications of their decisions.
3. Illusions of unanimity because of which group members believe there is unanimous agreement on the decisions. Silence is misconstrued as consent.
4. Rationalisation whereby group members concoct explanations for their decisions to make them appear rational and correct resulting in other

alternatives being excluded from consideration and there is an unwillingness to reconsider the group's assumptions.

5. Stereotyping the enemy where those who oppose are stereotyped as evil or stupid. This leads the group to underestimate its opposition.
6. Self-censorship because of which members do not express their doubts or concerns about the course of action. This prevents critical analysis of the decisions.
7. Peer pressure by which any member who expresses doubts or concerns is pressured by other group members to accept the decision.
8. Mind guards by which some members take it upon themselves to protect the group from negative feedback. Group members are thus shielded from information that might lead them to question their action.

It is absolutely essential to prevent groupthink lest the very purpose of group gets defeated. To do this, you can make a group member assume the role of a critical evaluator. By actively voicing objections or doubts, the leader can avoid stating his or her position on the issue prior to the group decision, create several groups that work on the decision simultaneously, bring in outside experts to evaluate the group process, appoint a devil's advocate to question the group's course of action consistently, evaluate the competition carefully, posing as many different motivations and intentions as possible and once consensus is reached, and encourage the group to rethink its position by re-examining the alternatives.

Groupshift: This is a special case of groupthink. As the discussion proceeds, those who are more conservative, tend to shift to greater risk. This can happen because:

1. once the members become familiar, they become bolder
2. the society values more risk and therefore people want to be seen as more risk taking
3. group decision is not attributable to a single person, people take greater risk since they do not have to shoulder accountability for it singly

Social loafing

Social loafing occurs when one or more group members rely on the efforts of other group members and fail to contribute their own time, effort, thoughts or other resources to a group since it is harder to attribute the group's output to individual contributions. This is a drag on the group process and to

obviate it, it is important to have identifiable individual contributions to the group product, member self-evaluation systems etc. This is also perhaps the reason why group performance assessment and group reward, though considered the most reliable is seldom a success unless there is a component to assess and reward individual contribution.

Production blocking

Production blocking is limiting another person's output by getting in his or her way. Production blocking occurs when too many employees are trying to work in a given space or when the organisation has poorly planned the use of its facilities. It can also occur when the organisation assigns more than the optimal number of employees to carry out a task. This is often a problem on the shop floor in India.

Group decision making techniques

There are several ways to make group decisions. Some of these are outlined below:

- ***Interacting:*** Here, the members discuss an issue. The points and views go up and down; positions change often slowly, concerns are expressed and conflict is encouraged and later converged into a far better decision or action. This is perhaps the best way to take decision in a group. However, it is difficult and the leadership matters.
- ***Brainstorming:*** This is an idea generation exercise used when the problem is difficult and alternatives are not forthcoming. In order to generate ideas in a non-threatening environment, the problem is highlighted and ideas are recorded. No discussion is permitted as the purpose is to generate as many ideas as possible. Since there is no discussion, the member does not know the view of those other than the one who has given the idea and therefore, there is no group shift or groupthink at this stage. Once a large number of ideas are generated, they are evaluated one by one.
- ***Nominal group technique:*** This is a modified version of brainstorming. Here, the members write down their idea and pass it to the coordinator. Thus, the idea generation is done concurrently and obviates follow through with the idea of the boss which happens in a brainstorming where everyone is giving ideas one after the other. The basket of ideas is then clarified, and then each one silently ranks the ideas. The idea

with the highest ranking is considered though one can discuss the other ideas too. This gives a neat framework for the silent and shy members of the group to participate in the decision.

- **Electronic meeting:** Here, the members sit in the meeting room on computers and give their opinion through the system. This can be an online also. The authorship of the idea is kept anonymous and hence brutally frank ideas come out. It is also a fast way to do the meeting.

Self Assessment Questions

9. Norms are enforced effectively by the groups by 1) increasing communication with a non-conforming member, 2) ignoring the non-conforming member and 3) excluding him/ her from _____ and _____.
10. Groupthink is a deterioration of mental efficiency, reality testing, and _____ resulting from in-group pressures.
11. Devil's advocate is useful for preventing _____.
12. Three people in a group were very conservative in the first two meetings. Then they joined the others who supported a high risk decision. The reason for this can be explained by a phenomenon called _____.

11.7 Implications of Group Process for Organisations

Group process enables excellent planning since the views of several stakeholders are taken into consideration. Thereafter, it gives excellent input for decision making.

The decisions are followed through more effectively since the groups participate in the decisions and take ownership for it. The buy in of the decision is far better in a group process.

It enables running the system with fewer controls because of the greater buy in and therefore is more cost effective.

The process identifies potential leaders and it becomes easier to have a succession planning or finding leaders for new operations.

It is an excellent motivating tool since there is a high degree of employee involvement in the process.

It gives meaning to the employees and other managers and therefore they feel less stressed because of a feeling of greater control. This in turn leads to higher productivity.

It enhances job satisfaction and therefore will impact retention and productivity.

If not orchestrated well, the process may be passed off as a sham and it can be counterproductive.

Self Assessment Questions

13. Group process enables in decreasing controls. (True/False)
14. Group process is an excellent motivating tool since there is a high degree of employee _____ in the process.
15. Group process enhances job satisfaction and therefore impacts _____ and _____.

11.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- A group is defined as two or more individuals who have regular contact and frequent interaction, mutual influence, common feeling of camaraderie and who work together to achieve a common set of goals.
- People join groups for goal achievement, identity, power and status, safety and security.
- In organisations groups may be formal or informal.
- Formal groups have defined goals, deadlines and roles. Some of the types of formal groups are command groups, task groups, committees.
- Informal groups are created due to proximity, social and emotional needs for bonding, common interests etc.
- Some of the types of informal groups are friendship groups, reference groups, membership groups, cliques.
- Stages of group formation are forming, storming, norming, performing and adjourning.
- Some of the factors affecting group behaviour are norms, conformity, status, groupthink, group shift, social loafing, production blocking.

- Some of the group decision making techniques are interacting, brainstorming, nominal group technique, electronic meetings.

11.9 Glossary

- Electronic meeting:** A version of brainstorming by which the members anonymously lodge their view or decisions using a computer. It is less time consuming and because of the anonymity, brings in frank views.
- Norms:** Standards of behaviour, work, dress, etc. which a group decides to follow and its members ensure, but without any written rules and regulations. In simple words 'it is the way we do things here'.
- Social loafing:** The tendency of some group members not to contribute to group work and depend on the work of others.
- Groupshift:** A process that takes place in a group by which the members who were either conservative or risk taking shift to the other side. Usually it is seen that the more conservative individual decisions shift towards more risky group decisions.
- Groupthink:** A process that takes place in a group by which the members decline to think independently and follow the members.

11.10 Terminal Questions

- Explain the concept of a group.
- What are the types of formal groups ?
- What are the stages of group formation as proposed by Tuckman.
- List the group decision making techniques.

11.11 Answers

Self Assessment Questions

- Influence and goal
- Synergy
- False
- Storming, performing
- True
- False
- Dominant

8. Ambiguity
9. activities and physical coercion or expulsion
10. Moral judgment
11. Groupthink
12. Groupshift
13. True
14. Involvement
15. retention, productivity

Terminal Questions

- 1 A group consists of two or more individuals who are mutually influencing, working together for the attainment of common goals. Refer Section 11.3 for more details.
2. Formal groups may be command groups, task groups, committees. Refer Section 11.3 for more details.
3. The stages of group formation are forming, storming, norming, performing, adjourning. Refer Section 11.4 for more details.
4. Some of the group decision making techniques are interacting, brainstorming, nominal group technique, electronic meeting. Refer Section 11.6 for more details.

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Unit 12**Group Behaviour – 2 (The Team)****Structure:**

- 12.1 Introduction
 - Objectives
- 12.2 Case Study
- 12.3 Definition and Overview of a Team
- 12.4 Seventeen Characteristics of an Effective Team
- 12.5 Designing a Team –Team Wheel
- 12.6 Key Issues in Team Building
- 12.7 The Seven Step of Intact Team Building
- 12.8 Cross Functional Teams
- 12.9 Summary
- 12.10 Glossary
- 12.11 Terminal Questions
- 12.12 Answers

12.1 Introduction

In the previous unit, we studied about groups and analysed the various aspects of group along with the types of groups. In this unit, we will learn about teams. A team is not new to anyone of us. We played in teams in our school, some of us captained our teams and some of us were kept out of the team where we wanted to be a part. So, from our childhood, the idea of team has been engrained within us. We found meaning in it and developed our self identities around it. But then why is there this new clamour of team in organisations? Globalisation and rapid changes in external environments has compelled us to find new ways to remain competitive. Hence, organisations have continued to decentralise and re-engineer their business processes. They also downsize, and empower their employees far more than it ever did. To facilitate these changes and gain a competitive edge, managers are increasingly turning to team structures. Perhaps we have realised that the underlying potential of human spirit which compelled each one of us to sink all our differences and give all our energy to score that one goal or make that last run is what the organisations have failed to tap.

Objectives:

Learning objective are to:-

- To define a team and provide an overview.
- To learn its characteristics.
- To understand the nuances of designing a team and the important issues in it.
- To get an overview of building intact and cross functional teams.

Learning Outcomes

After studying this unit, you will be able to:

- define what a team is.
- explain how it differs from a group and the benefits of a team.
- explain the characteristics of a team that effect performance.
- explain cross functional team.
- explain the steps in creating an ‘intact’ team.

12.2 Case Study**Green Path Hotels**

We hope you recall the case of GreenPath Hotels we learnt in an earlier unit in MP. GreenPath runs on teams from end to end and is the reason for the phenomenal success of the company with such a low capital churning out high profits. It has a management team comprising of the General Managers of the Hotels, VP marketing, Finance, HR and Strategy consultant. Interestingly, this team has members from the government tourism department and one of the top notch travel agency of the country, the most frequent user customer of the previous year and a travel journalist. They meet once in a quarter. The team is led by a GM who is elected for the purpose by voting by the members of the team and the chairman who has three votes in case of a decision impasse (which has never happened in the last three years). They take all the decisions on the areas to expand, marketing strategy, locations for expansion and operational details of higher nature. Though named as management team, it is in fact a cross functional intact team.

To run the hotels smoothly they replicate the same at the hotel level except that there are no members from the external system except the local village head. They call it ‘My Team’. It is in fact an employee

participation team which decides on the productivity level, quality of service, how to care for customers, and what food festivals to launch and so on. Most operational details of the hotel are decided by them, executed by them and reviewed by them. Because of the cross functional nature, the departments monitor and control each other. Customer satisfaction levels are exceptionally high. The desire to compete with each department is also high. So, if the house keeping gives surprises in its quality of service to the customers, the cook would make a fresh cake for someone who is in the resort and having his/her birthday. One customer wrote to the Chairman, "People from many hotels have sent me e-cards for my birthday. But last time, I was in your resort and had to leave at 6 a.m. on my birthday to catch my flight, your staff surprised me with a bouquet and a packed birthday cake which the GM and the senior most employee came and presented me. Outrageous service, care....and LOVE." The chairman put the letter aside thinking, "surprise to him, it happens to every customer here".

Last time a customer suggested that the room cleaning and upholstery needed some care, the hotel did not have time to blame the housekeeping which would be the case in many hotels. The problem solving team swung into action and this too is a cross functional one. The front office representing the marketing, the resort finance executive and the hotel service representative besides the house keeping representative were all part of it. It was headed by the person in charge of the room and they investigated the problem thoroughly, solved it and then checked if it could occur elsewhere. Although the team members were blaming Ms Rani who was in charge of the team and she was traumatized, they quickly changed their stance and supported her when the Mr. Ram the good old cook reminded everyone their values and how they had been working so far and how they should. The front office accepted responsibility for not keeping a tag, the finance for probably not providing enough resources and the room in charge for not thinking more creatively.

GreenPath may be unique in India but she is part of a global movement which Cohen and Baily identify. Their research shows that in the United States, 82 percent of companies employing more than 100 employees have turned to the use of teams to support organizational goals. It means that there has been a fundamental change to the structure of the organisation and though we may be still sticking to the traditional departments, the new structure is already in place.

12.3 Definition and Overview of a Team

What is a team?

A team can be defined as a group of people operating with complementary skills and a high degree of interdependence and accountability to achieve a common and usually difficult goal collectively with authority to execute and the rights to share rewards for the performance.

A team is any group of people organised to work together interdependently and cooperatively to meet a purpose or a goal. Teams are created for both long term and short term interaction. A product development team or an executive leadership team are examples of long lasting ones. Short term teams might include a team to develop an employee 'on boarding' process, a team to plan the annual day of the company, or a team to respond to a specific customer problem or complaint. The common types of teams are:

- **Functional or departmental teams (also called intact teams):** Groups of people from the same work area or department, who meet on a regular basis to analyse customer needs, solve problems, provide members with support, promote continuous improvement, and share information. These are also sometimes called intact team which means that they operate within a department to support a function of the department.
- **Cross-functional teams:** Groups of people who are pulled together from across departments or job functions to deal with a specific product issue, customer problem, or to improve a particular process. A full discourse on it is included later in this unit.
- **Self-managing teams:** Groups of people who gradually assume responsibility for self-direction in all aspects of work. This is more a characteristic or nature of the team and indicates its degree of autonomy. Thus, for example a cross functional team would also be self managed.
- **Based on the function:** Teams can be called project teams (which are usually cross functional and self managed), employee participation team, maintenance team or problem solving team which usually is a departmental or intact team and management team which is intended to take managerial decisions or managerial level problem solving. They are usually cross functional and self managed.

How do groups and teams differ?

Teams and work groups appear very similar. However, there are three distinct differences between them. These are:

- **Performance need:** Teams are used or created and deployed when a revolutionary performance need exists or is required. If there is an earthquake or a nuclear disaster as in Japan, we need a crisis team which has to perform at any cost. This is what a team does and a group does not.
- **True interdependence:** While a group may have interdependence, it may be a loose one. A team has true interdependence. You can see this in a product design team, crisis team or a football team.
- **Shared accountability:** As a result, the shared destiny is strong; feeling of shared success and the fear of failure are also high.

In addition to these, there are several differences such as method of formation, assignment of leadership, degree of intimacy with the leader, consequences of action against one member etc.

What are the benefits of a team?

Groups and teams have similar benefits, but some of the benefits are more pronounced in a team. The following are some of the benefits of a team:

- **Accomplish targets:** Teams can accomplish what a work group normally cannot because of its ruthless focus on the objective or target. The need to achieve the objective and the failure of it being equal to failure of each individual, the team makes everyone work towards the goal relentlessly.
- **Creative solutions and better decisions:** Teams brainstorm because the destiny in terms of the objective is so strong, they brainstorm all possible solutions which bring forth diversity of ideas and give a better chance to succeed. In effect, this leads to better decisions.
- **Detect flaws in solution:** Problems are detected early because of the interdependency and feeling of oneness. People are able to bring this up without fear of any reprisal since not doing so could lead to failure. Hence, everyone accepts the need to do it.

- **Work culture:** It creates a strong work culture as people become part of the team and are willing to contribute effectively. As a result, the work in teams becomes fun and level of contribution goes up.
- **Increase in information sharing amongst team members:** Teams increase the information sharing and therefore make decisions faster and more systematic.

Increase employee motivation/engagement: An effective team increases employee motivation and is an ideal tool to achieve employee engagement because of the participatory nature and support by the members.

Disadvantages of a team

- Some individuals are faster/better on certain tasks in an individual basis but that does not mean that they should not be trained and integrated into a team.
- Process losses and time loss for developing and maintaining teams is often criticised.
- Social loafing which we learnt in group is a danger in teams too. In order to minimise social loafing, management can make individual performance more visible while in a team setting. This can be done by forming smaller teams, specialising specific tasks to certain individuals, and measuring individual performance.

Why does team building fail? The typical team-building effort proves ineffective, for three reasons.

- First, many organisations get it done through an external consultant. The consultant is often unfamiliar with the particular characteristics of the business, organisation, and its people.
- Second, such consultants attempt the team building as an offsite training activity in artificial settings that fail to adequately reflect actual work-site conditions and therefore make transfer difficult.
- Third, it fails to plan for, monitoring and assessing the transfer of team-building activities to the work environment.

Therefore, one can see that the critical reason for the failure of team building and team structure is the failure to use the most important internal resource i.e., the manager. Managers play a critical role in maintaining

team climate through their day-to-day activities. Therefore, team building must be an ongoing activity, internal to the organisation. It should be made one of the manager's primary responsibilities rather than be made an external consultant driven activity.

Self Assessment Questions

1. A team can be defined as a group of people operating with _____ skills and a high degree of _____.
2. Three distinct difference between a group and team are performance need, _____ and shared accountability.
3. Some individuals are better on their own and therefore they should be left out from a team. (True/False)

12.4 Seventeen Characteristics of an Effective Team

Based on brainstorming session by Subject Matter Experts (SMEs), Mealiea" identified 12 summary dimensions of team climate and provided preliminary empirical support to the argument that each of the 12 characteristics is significantly related to team performance. More have been added to this list in due course and today we recognize 17 such characteristics. Recent research by Mealiea and Baltazar found that collaboration, networking, goal knowledge, and team orientation explained a significant proportion of team outcomes such as group productive output, team growth, and individual satisfaction.

The following are the seventeen characteristics that make an effective team:

1. **Clear purpose** refers to the condition where group members agree on the group's goals. These shared goals act to spark group effort by providing clear direction and buy in. (It should be noted that such goals could have been unilaterally set by the leader as it often happens in an organisation, jointly set by the leader and group members, or set by group members independent of the boss).
2. **Consensus decision making** occurs when groups allow all members to express their opinions and preferences openly and discuss any disagreement that might exist. Within the consensus decision-making process, all members are allowed to 'have their day in court' while building a consensus as to which alternative is correct. Some members

may still believe that there is a better alternative but can accept the position taken by the other group members.

3. **Shared leadership** occurs when such leadership roles as contributor, collaborator, challenger, facilitator, and controller are carried out by the group members rather than by the group's leader exclusively. Such shared leadership varies from situation to situation and may not always be carried out by the same individual.
4. **Listening** reflects the willingness of group members to listen to others in an effort to achieve interpersonal understanding and facilitate interpersonal sensitivity. Team members actively seek out listening opportunities to ensure open channels of communication are maintained.
5. **Open communication** occurs when group members take advantage of communication opportunities, openly share their feelings, provide timely and relevant feedback, and share relevant information with other group members.
6. **Self-Assessment** allows groups and their members to assess performance, changing environments, and existing goals. Such assessment allows groups to determine when changes should be made to ensure group success.
7. **Civilised disagreement** implies that groups have developed appropriate internal mechanisms and interpersonal sensitivities necessary to manage the full range of conflicts that occur within the groups.
8. **Style diversity** occurs when group members are not only tolerant of style and behavioural differences but also actively seek out those differences necessary to perform and develop.
9. **Networking** reflects group members' ability and willingness to link up with others, external to the group. Such contacts can be drawn upon for information, support, and assistance when needed to facilitate goal achievement.
10. **Participation** by group members in a broad range of group activities and decisions facilitates member buy-in. Participation also facilitates strategy development and increases member self-efficacy.

11. **Informal relations** occur within a group environment that can be characterised by a comfortable and relaxed atmosphere. Under these conditions, interpersonal interactions are sought out and maintained because members feel comfortable with each other.
12. **Clear roles and assignments** occur when group members have a clear understanding of their roles and assignments and other group members also agree to the roles.
13. **Willingness to share** allows group members to benefit from the knowledge, experience, emotional support, energy, and tools/equipment possessed by other group members.
14. **Prepared for independence** increases the probability that group members have the requisite skills necessary to perform required tasks. This can be achieved either through formal training, coaching, or self-development.
15. **Structural support** creates a work environment designed to facilitate group performance, e.g., open communication channels, team-based reward system, etc.
16. **Leader/Management style** relates to the manager's ability to support, encourage, coach, and empower his or her staff so as to facilitate employee self-confidence, self management, and interpersonal interactions.
17. **Learning environment** relates to the degree to which the group/organisational environment permits group members to learn from their experiences and the experiences of others.

Self Assessment Questions

4. There are _____ important characteristics of a team that leads to performance.
5. Shared leadership occurs when such leadership roles as contributor, collaborator, challenger, facilitator, and controller are carried out by the group's leader exclusively. (True/False)
6. Networking reflects group members' ability and willingness to link up with others in the group. (True/False)

7. Learning environment relates to the degree to which the group/organisational environment permits group members to learn from their experiences and the experiences of _____.

12.5 Designing a Team Based on its Functions

Teams are generally small, often five to nine members. Teams should be large enough to be diverse and creative and small enough for easy communication and cohesion. It has been found that teams with odd numbers tend to be more successful though one cannot attribute any strong reason to it. While this may be so, the strength is only a guideline. Every team has nine functions to work on to be successful. These are captured in the 'Team Wheel' (which captures these nine functions including that of the linker) depicted in figure 12.1. Irrespective of the number of people in a team, someone has to fulfil these functions. A brief explanation of each function is as follows:

- **Creator innovator function:** This means future orientation and is often done by people who think little of the present. They are creative and often have their heads in the cloud and tend to be introverted. They tend to be people of ideas who pursue their ideas relentlessly. In essence, it means creating ideas.
- **Explorer promoter function:** The ideas created have to be promoted and some people excel in this. They are entrepreneurial in nature and have excellent networking skills. They are out and about and bring back contacts and resources. They are always looking for the next opportunity and therefore are not good in controlling and having something going on in a typical business format.
- **Assessor developer function:** Someone has to show strong analytical capabilities and make others' ideas work. Some excel in this and they can be categorised as typical start up managers. However, once the idea is materialised, they lose interest and look towards next project. You can often see them moving from project to project.
- **Thruster organiser function:** You need to get work done to a schedule. You need people who create the systems and nurture it. They work as per established plans and are task oriented. They are the people who can get things moving.

- **Concluder producer function:** A team can work only if there is someone who can take things to its logical end just like a typical manager. Such people are not excited about new ideas but in getting something that is going on perfected. Senior and middle managers of most firms show this quality.
- **Controller inspector function:** They are quite reflective people who work with facts and figures. They are comfortable working with rules and regulations and ensure that they enforce these.
- **Upholder maintainer function:** They are the conscious keeper of a team. They have strong values and morals and ensure that the team takes these into consideration.
- **Reporter advisor:** This person does the classic advisory role. The advisor collects information and takes actions only with full information. He is quick to detect conflicts and proactively prevents them.
- **Linker:** This person links all the functions. They do three types of linking: 1) external linking which is required to mobilise resources, 2) internal linking with own employees to ensure integration and working arrangement with people and 3) informal linking in the team which actually facilitates smooth functioning across departments. Usually this person is the team leader. If not the formal leader, the person attains some informal status.

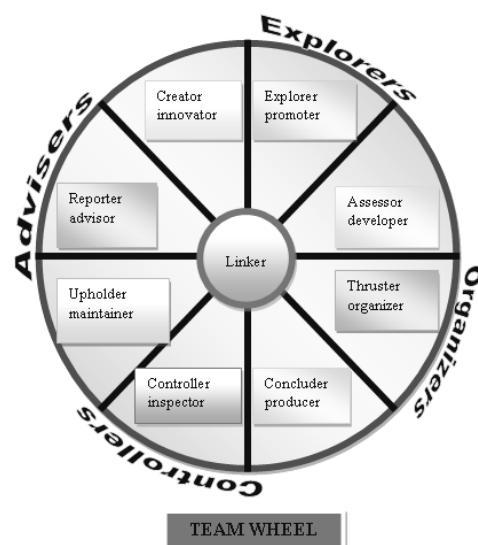


Fig. 12.1: Team Wheel

It is not that one person is endowed with only one quality. One may have several of these. What we just studied is a list of roles that are required for effective team functioning. When we create a team, it is prudent to ensure that there are people to fulfil these roles. If not, there may be a need to train someone in the deficient area.

Self Assessment Questions

8. Creator innovator function means _____ and is often done by people who think little of the present.
9. Every person in a team should have the nine abilities except perhaps the linking ability which only the leader needs to have. (True/False)
10. People who can get things moving in a team are called _____.

12.6 Key Issues in Team Building

All managers strive to improve their performance and business results and they consider teamwork to be crucial for it. So, you have teams for continuous improvement, total quality, lean manufacturing, customer complaints, product development, etc. Yet, most managers are also not happy with the way the teams function. Let us see how we can create teams which can give excellent performance or results.

- **Have clear expectations and context:** Have clear performance targets and expectations from the team. The team should get sufficient resources-people, time and money. Their work should receive sufficient emphasis as a priority in discussions. This makes the team feel that they matter and then they perform. A classic example is the Nano team which was directly supported by Ratan Tata. Equally important is that the team understands the role and importance of their work and its strategic importance. Of course, this may not be so for some temporary teams such as a team created to celebrate an annual or award function. The team members should be able to define their importance if a team has to yield results.
- **Commitment:** All team members may not be equally committed. First, ensure that all the members believe in the mission and anticipate recognition for their contribution. They expect their skills to grow and develop and they should feel excited and challenged by the opportunity.

Only then does a team work well. Those without commitment are better out of the team.

- **Team design and competence:** The next important aspect is having adequate competences. If the team is to improve a process, it should have people with expertise in each step of the process. Therefore, it is not sufficient to get some people together, but it is necessary to get people with the requisite competencies. If one fails in this, the teams may not perform or underperform. The team design should be such that the competencies required to accomplish the task are included. In addition to the technical competencies which vary from task to task, teams succeed if they have the right managerial or leadership competencies. The team wheel is one structure that we can look at to ensure that the competencies mentioned therein are included. Researchers have experimented with the team wheel and trained people in the deficient areas to ensure better team success.
- **Charter of performance:** The team should take the assigned responsibility as its mission. This is the crux of a successful team. It must define its goals, the outcomes, the timelines, measuring success, and the process to accomplish tasks. Equally, the support of top leadership for the work of the team is a precondition. The task of the team should be a task derived from the top management if it has to succeed.
- **Control and coordination:** Any management function works through controls and coordination and teams are no exception. Some of the issues to be considered are what are the controls the team members accept and impose on themselves, what are the limitations in terms of money, time, how far the members should go in pursuit of the solutions, what is the degree of freedom and the chain of reporting. To succeed, the teams should have sufficient freedom and a mechanism for self regulation and coordination. One of the challenges in doing it is the interdepartmental nature of the team and the interdepartmental conflicts which are often taken to the team usually by denying a resource or an appropriate skill. The top management can address this challenge through incentives and motivation.

- **Collaboration:** The team goals should be a collaborative one and not a competitive one. This would lead to their understanding and interpreting the goals correctly. The teams should also establish norms so that collaboration becomes easy. If the output is defined correctly and the reward for accomplishment fair and equitable, then teams tend to collaborate more effectively.
- **Communication:** This is a common problem in team building. The barriers to communication should be broken down and free flowing communication should be established. Despite all these, conflict does exist due to several barriers. The ability to detect conflict and resolve it in time is another key to success.
- **Consequences:** Team members should feel responsible and accountable for the achievement and they should inherently get the idea of consequences of not achieving it. Reward is one of the important factors to be considered to achieve this. Else, there will be finger pointing and related issues that make the teams non-functional. Look at a successful soccer or cricket team and you get the idea intuitively.
- **Creative innovation:** Depending on the problem, the teams should be able to innovate and they should have the freedom to do so. Even if the composition of the team is ideal, one cannot get results if they do not have the freedom for creativity.
- **Cultural change:** Teams can function only if the organisation has such a culture. Teams need flat organisational structure, rewards and recognitions, and training and development of a high order. Traditional companies are not designed for effective team operation.

Self Assessment Questions

11. Charter of performance means that a team must define its goals, what the outcomes will be, the _____ the way of measuring success and the_____ to accomplish tasks.
12. The team goals should be a _____ one and not a competitive one.
13. If a team is solving a complex problem with no apparent answer, even if the composition of the team is ideal, one cannot get results if they do not have the freedom for _____.

14. Teams need _____ organisational structure, rewards and recognitions, and training and development of a high order.

12.7 The Seven Step of Intact Team Building

An intact team is a departmental team that attends to daily work in an effective manner. It is therefore important to understand how to create such a team systematically. Let us study the seven steps in the process:

Step 1 - Identify the team characteristics considered predictive of team success: These are the 17 characteristics we studied earlier.

Step 2 - Measure the existing team characteristics and create a profile: It is important to recognise that research demonstrates a clear link between the presence of positive team characteristics and team effectiveness. Therefore, managers must find a mechanism to measure the degree to which relevant team characteristics currently exist in a given environment. This information can be used to create team climate surveys, team climate diagnosis, team innovativeness, measure team development, and for the selection of new team members. There are three traditional approaches to collecting this information; paper-and pencil questionnaires or surveys, direct observation, and interviews.

Step 3 - Identify the deficient team characteristics: This is done by measuring the gap. If we are using an empirical method using a questionnaire, then we can find the scores to get the above result. If we are approximating using words like 'Very High', 'High' etc., then we can identify those that are above or below the average.

Step 4 - Use pre-established decision criteria to select the appropriate intervention sequence to change deficient climate characteristics: It is not possible to make up all the deficiencies of a team because it may not be practical from an organisational point of view to sink all the time in intervention. So, some priority has to be created for interventions. Further, there is also an issue of sequence versus importance. For example, most would agree that clear purpose is essential to perform. However, to create a clear purpose, a high degree of agreement would be required. This cannot be done if the open communication, listening and civilised disagreement is low. Therefore, the manager might plan an intervention in these first though

the importance is for 'clear purpose'. It is this decision that this step should achieve. A list of criteria for selecting the intervention is given below:

- Likelihood of success
- Situational importance and urgency
- Complexity/Difficulty of desired changes versus organisation, leader, and group
- Member competencies
- Leader preferences or competencies
- Organizational culture and history
- Improvement in those areas with the greatest deficiencies
- Relevant sequencing issues
- Availability of internal/external hard resources (money, trainers, facilities, equipment, etc.)
- Team member characteristics and preparedness
- Likelihood of team member support
- Availability of time
- Political pressures and organisational realities
- Impression management issues (organisational optics)

Step 5 – Identify team-building strategies capable of overcoming deficiencies in team characteristics: Usually, after the intervention requirement is identified, a consultant or a trainer is called who undertakes a one or two day team building activity. This is not the most effective way though it can be part of the strategy. The strategy should be a well thought out one and the manager should understand that most of the elements of intervention strategy are organisational and lie within. Some of the strategies that a manager can draw upon are given below:

- Goal setting (clarify behavioural expectations as to desired team behaviours)
- Leadership – modelling desired team behaviours
- Structural changes – e.g., reporting relationships, required relationships
- Required interactions, pairing, task enrichment
- Empowering group as a whole – e.g., allow for group decision making and problem solving
- Changes to the performance management system – especially in the area of reward/behaviour links

- Formal training in deficient areas
- Team member coaching by team leader or peers
- Behaviour modification through shaping
- Constructive feedback
- Changing membership (transfers, infusion of new members, etc.)
- Kick starting retreats

Step 6 – Use pre-established decision criteria to select the appropriate intervention strategies to improve deficient team characteristics: Here again, managers are unlikely to have the time, energy, or resources to apply all improvement strategies simultaneously. Nor is it likely that all improvement strategies will be equally effective when applied to any one team characteristic. Managers should therefore once more articulate and apply a number of decision criteria that would help them decide on the appropriate mix of improvement interventions. A manager can use the criteria given under Step 4. Which interventions are selected will reflect the unique characteristics of the situation being considered and the managerial philosophies of key decision makers.

Step 7 – Implement and assess improvements: Implementation is a critical component of any team-building intervention. It is the point at which analysis and planning become reality. Each intervention will have its own unique sequence of steps designed to bring it on line and obtain the desired improvement in the selected team characteristic. We are not covering the steps in implementation as it is the same as in any other intervention and would be covered elsewhere when advanced topics are discussed in the course.

Self Assessment Questions

15. An intact team is a _____ team that attends to daily work in an effective manner.
16. To measure existing team characteristics there are three approaches i.e., collecting this information through paper-and pencil questionnaires or surveys, _____, and interviews.
17. Likelihood of success and situational importance and urgency can be used as pre-established decision criteria. (True/False)

12.8 Cross Functional Teams

Cross-functional team is a group of people with different functional expertise working toward a common goal. It usually includes people from finance, operations, marketing, and human resource departments. Typically, it includes employees from all levels of an organisation. Members may also come from outside an organisation (in particular, from suppliers, key customers, or consultants). Cross-functional teams often function as self-directed teams responding to broad, but not specific directives. Decision making within a team may depend on consensus, but often is led by a manager/coach/team leader.

They are less unidirectional – Till recently, decision making flowed in one direction. Overall corporate level objectives drove Strategic Business Units (SBU) objectives, and these in turn, drove functional level objectives. Today, organisations have flatter structures, companies diversify less (for example Microsoft and Google have not diversified into aircraft building, hotels or financial services unlike GE or Tata), and functional departments have started to become less well-defined. The rise of self-directed teams reflects these trends. Intra-team dynamics tend to become multi-directional rather than hierarchical. Interactive processes encourage consensus within teams. Also, the directives given to the team tend to become more general and less prescribed.

Greater scope of information – Cross-functional teams require a wide range of information to reach their decisions. They need to draw on information from all parts of an organisation's information base. This includes information from all functional departments. System integration becomes important because it makes all information accessible through a single interface.

Depth of information – Cross-functional teams require information from all levels of management. The teams may have their origins in the perceived need to make primarily strategic decisions, tactical decisions, or operational decisions, but they require all three types of information. Almost all self-directed teams need information traditionally used in strategic, tactical, and operational decisions. For example, new product development traditionally ranks as a tactical procedure. It gets strategic direction from the top management, and uses operational departments like engineering and

marketing to perform its task. But a new product development team would consist of people from the operational departments and often someone from the top management. In such cases, the direction from the top and the information from the departments are included right into the structure of the team so that it can take strategic, operational and tactical decisions by itself. Thus, these teams tend to take:

- Unstructured strategic decisions such as what markets to compete in, what new production technologies to invest in, and what return on investment to require.
- Tactical decisions like whether to build a prototype, whether to concept-test, whether to test-market, and how much to produce, etc.
- Structured operational decisions like production scheduling, inventory purchases, and marketing communication required to support it.

Range of users – Cross-functional teams consist of people from different parts of an organisation. Information must be made understandable to all users. Not only engineers use technical data, and not only accountants use financial data, and not only human resources personnel use HR data. Modern organisations lack middle managers to combine, sort, and prioritise the data. Technical, financial, marketing, and all other types of information must come in a form that all members of a cross-functional team can understand. This involves reducing the amount of specialised jargon, sorting information based on importance, hiding complex statistical procedures from the users, giving interpretations of results, and providing clear explanations of difficult. Data visualisation systems can present complex results in an intuitive manner and are very useful in a cross functional team.

Goal domination – Since the publication of Peter Drucker's views on MBO, business decision making has become more goal-oriented. Managers have come to view decision-making generally and strategic thinking in particular, as a multi-stage process that starts with an assessment of the current situation, defining objectives, then determining how to reach these objectives. Management by objectives took this basic scheme and applied it to virtually all significant decisions. Today, many firms have started to opt for a less structured, more interactive approach. One way of implementing this involves using self-directed cross-functional teams. Proponents of this concept hope that these teams will develop strategies that will re-define

industries and create new directions and that incremental improvements do not suffice to compete in the market. Cross-functional teams, using unstructured techniques and searching for revolutionary competitive advantages, allegedly require information systems featuring increased interactivity, more flexibility, and the capability of dealing with fuzzy logic, Artificial Intelligence (AI), etc. to leverage on information. These are now available and hence the cross functional team is progressively becoming a norm in organisations.

Self Assessment Questions

18. Cross-functional team is a group of people with different _____ working toward a common goal.
19. Cross functional teams are highly unidirectional. (True/False)
20. A cross function product development team may make unstructured strategic decisions such as what markets to compete in. (True/False)
21. _____ systems can present complex results in an intuitive manner and is very useful in a cross functional team.

12.9 Summary

Let us recapitulate the important concepts discussed in this unit:

- A team can be defined as a group of people operating with complementary skills and a high degree of interdependence and accountability to achieve a common and usually difficult goal collectively with authority to execute and the rights to share rewards for the performance.
- Some of the types of teams are intact teams, cross functional teams, self-managing teams, based on function.
- Teams are beneficial for accomplishing goals, creative solutions, detect flaws in solutions, strong work culture and increase in information sharing and motivation.
- Characteristics of an effective team are clear purpose, consensus in decision making, shared leadership, structural support, listening, open communication, self-assessment, civilised agreement, style diversity, networking, participation, informal relations, clear roles and

assignments, willingness to share, independence, learning environment and management style.

- Key issues in team building are having clear expectations, commitment, team design and competence, charter of performance, control and coordination, collaboration, communication, creative innovation and cultural change.
- Cross-functional team is a group of people with different functional expertise working toward a common goal. They are less unidirectional, have greater scope of information, different range of users and high goal domination.

12.10 Glossary

Cross functional team: Team with expertise from different departments/functional areas commensurate with the requirement of the problem to be solved or decision to be taken.

Intact Team: The team of a department which conducts the usual business using the team properties for higher effectiveness.

Team wheel: A model showing the nine important functions of an effective team.

12.11 Terminal Questions

1. What is a team ? How are teams beneficial to organisations ?
2. List the characteristics of an effective team ?
3. What are the key issues in team building ?
4. Write a short note on cross functional teams.

12.12 Answers

Self Assessment Questions

1. Complementary, interdependence
2. True interdependence
3. False
4. 17
5. False

6. False
7. Others
8. Future orientation
9. False
10. Thruster Organiser
11. Timelines, process
12. Collaborative
13. Creativity
14. Flat
15. Departmental
16. Direct observation
17. True
18. Functional expertise
19. False
20. True
21. Data visualisation

Terminal Questions

1. A team is any group of people organised to work together independently and cooperatively to meet a purpose of a goal. Refer 12.3 for more details.
2. Some of the characteristics of an effective group are clear purpose, shared leadership, consensus decision making etc. Refer Section 12.4 for more details.
3. Key issues in team building are having clear expectations, commitment, control and coordination etc. Refer Section 12.6 for more details.
4. It is a group of people with different functional expertise working towards a common goal. Refer Section 12.8 for more details.

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Unit 13**Group Behaviour – 3
(Leadership)****Structure:**

- 13.1 Introduction
 - Objectives
- 13.2 Case Study
- 13.3 Overview of Leadership
- 13.4 Role of Leadership in Contemporary Business
- 13.5 Theories of Leadership
- 13.6 Contingency Theories of Leadership
- 13.7 New Leadership Theories
- 13.8 Summary
- 13.9 Glossary
- 13.10 Terminal Questions
- 13.11 Answers

13.1 Introduction

In the previous unit, we dealt with the definition and overview of a team, seventeen characteristics of an effective team, designing a team and the concept of team wheel, key issues in team building, the seven steps of intact team building, and cross functional teams. In this unit, we will deal with the overview of leadership, role of leadership in contemporary business, theories of leadership, contingency theories of leadership, and new leadership theories.

“I used to think that running an organisation was equivalent to conducting a symphony orchestra. But I don't think that's quite it; it's more like jazz. There is more improvisation”. – Warren Bennis.

Let us look at leaders like Abraham Lincoln, Gandhi, Mother Theresa, Anna Hazare, and many more that the humanity has gifted for itself or the plethora of business leaders like Dhirubai Ambani, Jamshedji Tata, Kochouseph Chittilappally who set up the V-Guard and Wonder La series, and many more that the humanity has gifted to boost its economic prosperity. You will soon see that they don't seem to have been born with any special gift or in any special circumstances. But hidden within them was some fire to change

the status quo which the rest took for granted. Therefore, though several leaders may argue that leadership is taught, learned, or trained which all of them did unto themselves, one tends to ask what that intrinsic fire that kept burning in them is.

So, how do we try to say what leadership is? First, we will have a look at several definitions and then look at some theories, their merits and demerits and then see if we can say what leadership is?

Objectives

- To explain leadership
- To describe the importance of leadership for contemporary business
- To summarise the theories of leadership

Learning Outcomes

After studying this unit, you will be able to:

- define what leadership is.
- distinguish between leadership and management.
- explain the importance of leadership in contemporary business.
- describe the theories of leadership.
- list the principles of contingency leadership.
- explain transformational leadership.

13.2 Case Study

Mr. Raghu was always a different man. In his childhood days, he spent his vacation trying to do the job of a guide for the foreign tourists that throng Madurai. Initially, it was difficult as the other guides will shoo him off but then, he learnt to curry their favour. In due course of time, his impeccable English and research made him a very popular guide. After his graduation, he somehow went to Dubai. Working hard and doing some additional business in the spare time guiding Indian and foreign tourists, he made Rs. 20 Lakh. When he returned to India, he heard that the state tourism department was looking to auction its small hotels in the tourist destinations. He bid and since there was no bid for this six-room shanty place along the pristine coast of the Bay of Bengal, he got the offer. He gave Rs. 10 lakh as security deposit and then started building

his six-room hotel. After 30 days of work and cleaning up, his first guest showed up. As the guest landed, the six-room hotel came alive. This was the beginning of GreenPath Hotels we read in the earlier units.

Raghu had a vision and that was to provide an authentic Indian experience to the Western tourists using the local people and to bring prosperity to all. In the one month he spent to rejuvenate the hotel, he spent the day working and the night, training the select youth from the place. He hired the mother of one of these young people to cook, and she was excellent in making authentic Tamil food. She had no clue of non-vegetarian food but the fish culinary capabilities were proverbial in the area. He made the village dream about a prosperous hotel where their children would work and insisted on absolute honesty, impeccable behaviour with the foreign guests, and providing everything authentic and everything natural.

Raghu's enthusiasm for work and the fact that he had given up a good job in Dubai and that he genuinely wanted to prosper himself by creating prosperity in the locale stole the heart of many. Some suggested to him to contest for election but Raghu laughed it off instead and talked of economic prosperity. He vividly described how this small place will be in the world map in a few years from now and how he will surely set this up, grow it, and then create many leaders from the youth there to go and take up leadership positions and create similar facilities elsewhere. He would always listen to the people and invite suggestions from them and began to run English and etiquette classes at night to groom the next generation of leaders from Maslampatti. For Raghu, each person was an individual and while he addressed the group needs, he addressed the individual dreams too. Thus, for example, if a girl wanted to learn classical dance, he would encourage her to go for summer training and on return, after her qualifying, enable her to perform in the hotel and if someone wanted to start a shop, he would support it and then use it as a place for his supplies and all these endeared him to the people who supported the hotel with a single-minded purpose. That was 1990 December.

As the sun sets, GreenPath rose to life to celebrate the New Year of 2012. The 1,80,000th guest of this hotel had checked in and joined the

party. An unbeatable 300 days of occupancy (approximate figure) per year for this 30-room hospitality wonder which now figures in the list of top travel agents of the world. The story is the same in its 19 other resorts too.

Is Raghu a good businessman or simple transformational leader?

13.3 Overview of Leadership

Can leadership be taught?

One question that would come into our mind when we want to learn about leadership is whether it can be taught? The Greek general and historian, Xenophon, argued that leadership can be developed. Aristotle, on the other hand, asserted that men are destined the way they are born. William Shakespeare, “some are born great, some achieve greatness, and some have greatness thrust upon them”. You can see that there are already three views, i.e., positive, negative, and ambivalent. Several business leaders take the view that leaders are born. Others like Harold Geneen, CEO of ITT Corporation, takes an ambivalent view and say that leadership is learnt though he cannot explain how it is learnt. The views of Susan Greenfield (2003) and Winston (2003) says that we are not merely the product of our genes. In fact, much can take place between the genes and the reality of nature. Hence, leadership is trainable.

A research carried out by DDI (a noted HR consultancy) gives some interesting findings. They found that 70% of over 100 business leaders interviewed were school prefects, 50% had been sports captains, 30% were head or deputy head boy or girl, and nearly 90% had held at least two leadership positions at school, with 40% holding three. Rajan (2000) says, “*Some may not possess enough skills or emotional strength. Some may do so, but lack the necessary motivation. Some may have the ability and will, but lack the necessary opportunities*”.

‘What if a person was indeed endowed with leadership qualities but did not get an opportunity to develop these? Can we do it now? After all, all students in a school cannot be the head boy or head girl?’ What happens if we start compensating for the de-motivating experiences that had submerged the leadership behavior? Can we unearth it now? To answer these at least partially, we return to the example of Gandhi, who influences

several hitherto unheard people to take up leadership positions. They mimicked the leader called Gandhi, often quite imperfectly, and then become leaders in their own right. Motivating to be self-learners, coaching indirectly, asking people to increase their self-awareness, etc were the hallmark of Gandhi. It created leaders such as Ambedkar, Patel, Nehru, Jamshedji Tata, Kamaraj, etc.

What does leadership learning involve?

Leadership development involves the following, which are not different from the other skills:

- Knowing what
- Knowing how to
- Wanting to apply it
- Applying it actually

The core of leadership

At the core of leadership are micro skills of asking questions, listening actively, making statements, and understanding body language. All these can be trained. But the following caveats may be relevant:

- It can be trained only if desired.
- It can be done only if a person is motivated to be a leader and to develop the necessary leadership skills.
- It can be done only if focused on specific leadership behaviour.
- It can be learned only by practising leadership skills and getting feedback in either real-life or training situations.

Bass and Avolio report

After training several batches on transformational leadership, this architect of transformational leadership thinking had this to say:

- Learning depended on whether the participant recognised the need to change and had a plan to do so.
- It was affected by the culture of the organisation, their superiors, their enthusiasm to change, their colleagues, and the particular task they were performing after the training.
- Time pressure inhibited leadership development plans for some 25% of the participants.
- Personal experience made a difference in learning.

- Self-awareness and self-discipline are extremely important if the training has to be fruitful.

Definitions of leadership

Warren Bennis' definition of leadership is focused much more on the individual capability of the leader: "Leadership is a function of knowing yourself, having a vision that is well communicated, building trust among colleagues, and taking effective action to realise your own leadership potential."

Bernard M. Bass states that "leadership has been conceived as the focus of group processes, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviours, as a form of persuasion, as a power relation, as an instrument to achieve goals, as an effect of interaction, as a differentiated role, as (an) initiation of structure, and as many combinations of these definitions."

A simple **definition of leadership** is that leadership is the art of motivating a group of people to act towards achieving a common goal. This definition of leadership captures the leadership essentials of inspiration and preparation. Effective leadership is based upon ideas but won't happen unless those ideas can be communicated to others in a way that engages them. In simple words, the leader is the inspiration and the director of the action. He is the person in the group that possesses the combination of personality and leadership skills that makes others want to follow his direction. In business, leadership is welded to performance. Those who are viewed as effective leaders are those who increase their company's bottom lines.

Manager vs. leader debate

This debate is hardly settled and will hardly be settled because the characteristics are so intertwined. Perhaps, because we believe that the term 'leadership' is of higher order or at least because it has come to have a higher brand value than the term manager, we seem to have shifted several qualities that managers exhibit into those which are exhibited by leaders. Though this may be rightly so because of the requirement of leaders to set vision, align the organisation, and procure engagement from the employees at all levels, at best we can only create a highly porous wall between these and this is what is attempted below. Yet conceptually they are distinct, and

in a world that demands change, we need more leaders or at least those who display more leadership characteristics.

Some of the characteristics of managers and leaders are given in Table 13.1.

Table 13.1: Characteristics of Managers and Leaders

Manager Characteristics	Leader Characteristics
Administers	Innovates
A copy	An original
Maintains	Develops
Focuses on systems and structures	Focuses on people
Relies on control	Inspires trust
Short-range view	Long-range perspective
Asks how and when	Asks what and why
Eye on bottom line	Eye on horizon
Imitates	Originates
Accepts the status quo	Challenges the status quo
Classic good soldiers	Own person
Does things right	Does the right thing

Self Assessment Questions

1. Research shows that a majority of business leaders have shown leadership while in school in some small way. (True/False)
2. If leadership training has to be fruitful, self-awareness and _____ are extremely important.
3. A manager imitates while a leader _____.
4. A simple definition of leadership is that leadership is the art of motivating a group of people to act towards achieving a _____.

13.4 Role of Leadership in Contemporary Business

Leadership is not new to business. Yet leadership in contemporary business is more demanding and complex than it was in earlier days. Let us have a look at why this is so?

Factors that affect contemporary business

Though there can be numerous factors, here, we discuss the 10 important factors only.

- Change

- Speed
- Competitiveness and collaboration
- Social sensitivity, social networking, and NGOs
- Environmental sensitivity
- People sensitivity including inclusion
- Emergence and dominance of service industry
- Remoteness and virtual business
- Developing world realities
- Magnitude

Let us now discuss these important factors in detail.

Change

Business revolves around the idea of providing superior value to the customers at the lowest cost. This implies that there will always be a change due to the changes in technology, process, raw materials, etc which along with competition are fundamental to creating the economic value. In the earlier days, these changes did occur but at an evolutionary pace. Today, it happens at a revolutionary pace rapidly, partially due to technology, communication, logistics, liberalisation and globalisation, and access to markets. Hence, we need leaders to set the direction and to create alignment and engagement to make the travel in a smooth direction.

Speed

What constitutes speed is the speed in thought, speed in movement, speed in communication and execution, and the effect of the combination of these. For example, derivatives in finance would seldom have been possible but for the computing power. It has led to a new way of business. Speed in movement leads to rapid movement of logistics which means that the gap between the point of production and the point of its use is cut down sharply. This has come about due to heavy-lift aircrafts, container-based transportation, matching information system, use of pipelines to transport fuel and such fluid materials, etc.

Competitiveness and collaboration

In the erstwhile business world, we have heard only of competition and in the contemporary world, we hear of collaboration along with competition. Thus, you will find that Sony Corporation's company sales outlet will compete with a multi brand store while Sony itself is collaborating with this

multi brand store. This collaborative process needs leaders while the managers could handle the competitive process.

Social sensitivity, social networking, and NGOs

In the earlier days, business was somewhat removed from the society. Joint stock companies brought the business close to the society. Now we speak of business' responsibility to society and this goes beyond paying taxes. Ethics, environment, use of renewable energy, etc are important to run a business today. This movement is now well supported by NGOs and social networking and hence is an organised one. To meet this challenge, we need leaders and not managers.

Environmental sensitivity

Man has exploited nature for his economic benefits for centuries. Due to several factors mentioned above and the speed of industrial growth, this exploitation had to increase as everyone was competing for these scarce resources. The depletion of these along with the social awakening to these realities has changed the game.

People sensitivity including inclusion

The social approach to business has been gaining momentum for several years now, and the world has shifted to a more people sensitive and inclusive growth paradigm. What this means is that people sensitivity is a factor to be considered by the business leaders. Surveys like 'great place to work' simply classify and grade the businesses ruthlessly and this, in turn, affects the ability of a company to attract talent at the right cost.

Emergence and dominance of service industry

We learn two important things in the service industry. One is simultaneity which means that the service provider and the service receiver are simultaneously involved in the transaction. Another is 'perishability' or the idea that a service that is not rendered cannot be rendered (or sold) at a later time. Come to think of it, if the front office manager of a hotel cannot sell a room when the call comes or the person calls in, that room cannot be ever sold again. This means that the leadership is pushed down and the front office manager. So, though the role may be lower in hierarchy, he has to act like a leader. Hence, the need for leadership in industry is pushed down in the chain of hierarchy.

Remoteness and virtual business

Several activities in the business world are done remotely today, thanks to the internet. It is possible to work in the virtual space and often there is no need to come in contact with the other teams or colleagues. A classical example is how the Boeing aircraft was developed in over 240 locations world over and integrated into one mighty aircraft. This calls for a new paradigm of trust and delegation which only leaders are apt to do.

Developing world realities

Global economy and developing world realities have changed considerably in the last few decades. Several developing world economies have become buoyant led by countries like China, India, Brazil, Russia, etc. Markets have shifted to these countries even as the markets in the developed world are relatively stagnant. This implies that the multinational companies are looking for people who can take their business to these countries where the conditions are turbulent, demanding high levels of leadership.

Magnitude

When we think of the transnational corporations, we find that their revenues exceed the GDP of several countries and the annual budget even more. Let us take a much smaller entity like Tata which has over 190 companies under its umbrella. It would be easy to see that controlling many companies can only be done through a very high degree of decentralisation and therefore, leadership becomes the bedrock.

What do we conclude?

The purpose of this section was to highlight some of the most important conditions that exist in the business world today that demand leadership actions at the lower levels. In turn, it highlights the importance of leadership for the modern business. It also highlights that we need leaders at all levels and the erstwhile managers' post has to be now manned by leaders because all managers are called upon to manage in a complex situation with little direction. This means we need leaders rather than managers at all levels.

Self Assessment Questions

5. Modern business moves from competitiveness to _____, which is one of the reasons why leaders are required.

6. If the service industry had not boomed the way it has, perhaps leadership in business would not have receive so much attention. (True/False)
7. Leadership has become imperative because markets have shifted to _____ economics.
8. Social sensitivity, people sensitivity, and _____ sensitivity are the three new realities of business which demand leadership.

13.5 Theories of Leadership

Theories are good framework to understand anything and leadership is no exception except that the theories in this area are still grappling with this complex concept. We will have a bird's eye view of the following theories:

- Trait or Great Man theory postulates the common qualities and characteristics of an effective leader.
- Theories of emergent leadership including servant leadership postulate that leaders may emerge with the characteristics and skills to meet the needs of the group, organisation, or society at a given time.
- Leadership styles discuss what leaders do and categorise them into task-oriented and people-oriented styles. Action-centered leadership is an advancement of the style and focus on the task, team, and individual.
- Psychodynamic theory or the Leader Member Exchange (LMX) theory suggests that leaders provide direction and guidance though the influence permitted to them by the members.
- Contingency and situational leadership theories suggest that there is no one best style of leadership and that successful and enduring leaders use different styles at different times according to the situation and followers.
- New leadership theories comprise of visionary, charismatic, and transformational leadership. Transformational leadership occurs when the leaders raise the bar and creates a higher sense of purpose in the followers and distinguishes from the transactional style which is all about exchange between the leader and the follower and course correction.
- Strategic leadership and pragmatic leadership are other theories that belong to the new leadership theories category.

Let us now discuss each of these theories in detail.

Trait theory

This means that people are born with leadership traits. The ‘born with leadership traits’ idea implies height, weight, appearance, intelligence, disposition, etc. The theory was inconsistent with its findings when people like Abraham Lincoln who could score little in these had unimaginable leadership qualities.

While physical traits may no more be attributed to leadership, qualities such as personality, perception, intelligence, emotional intelligence, etc tend to show some relationship with leadership. Charan and Colvin’s study in 1999 found the following characteristics among the CEOs:

- Integrity, maturity, and energy
- Business acumen (understanding of business and profit orientation)
- People acumen (judging people, teams, coaching, helping people to grow, and cutting losses due to mismatch between people and jobs)
- Organising acumen (sharing information, creating trust, listening expertly, diagnosing underperformance, delivering commitment, changing orientation, and being both decisive and incisive)
- Curiosity, intellectual capacity, and a global mindset or being externally oriented for knowledge (adept in connecting developments and spotting patterns)
- Superior judgment
- A high appetite for accomplishment of results
- A powerful motivation to grow and convert learning into practice

Deloitte and Touche’s study shows the following as the key characteristics:

- Ability to make difficult decisions
- Ability to lead a company during crisis
- Trustworthiness
- Honesty
- Intelligence and brains

Theories of emergent leadership and servant leadership

Emergent leaders are leaders who emerge for a reason. For example, Gandhi, Nelson Mandela, Anna Hazare, or even Ms. Mayavati. They emerge because there are a large number of followers with a deep desire and these leaders take the responsibility of serving the people by leading

them. Emergent leaders are servants of the people whom they lead but they do it not through servitude but through leading. Though they are often seen in politics, they are available in other walks of life too. For example, Mother Theresa, Florence Nightingale, etc.

Leadership style theories

Leadership styles have two dimensions. They are:

- **Dimension 1** – Authoritarian, democratic, or laissez-faire, style (largely taken from military literature)
- **Dimension 2** – Task vs. interpersonal orientation (largely taken from Michigan and Ohio studies)

Let us now discuss these dimensions in detail.

Authoritarian

Nelson and Quick defines authoritarian leadership as “a style of leadership in which the leader uses strong, directive, controlling actions to enforce the rules, regulations, activities, and relationships in the work environment”. The distinct characteristics are:

- Sets goals individually
- Engages primarily in one-way, downward communication
- Controls discussions of followers
- Sets policy and procedures unilaterally
- Dominates interaction
- Directs the completion of tasks personally
- Provides infrequent positive feedback
- Rewards obedience and punishes mistakes
- Exhibits poor listening skills
- Uses conflict for personal gain

Democratic

Nelson and Quick defines democratic leadership as “a style of leadership in which the leaders takes collaborative, responsive, interactive actions with followers concerning the work and the work environment”. The distinct characteristics are:

- Involves followers in setting goals
- Engages in two-way, open communication
- Facilitates discussion with followers

- Solicits input regarding determination of policy and procedures
- Focuses on interaction
- Provides suggestions and alternatives for the completion of tasks
- Provides frequent positive feedback
- Rewards good work and uses punishment only as a last resort
- Exhibits effective listening skills
- Mediates conflict for group gain

Laissez Faire

Nelson and Quick defines it as “a style of leadership in which the leader fails to accept the responsibilities of the position”. The distinct characteristics are:

- Allows followers free rein to set their own goals
- Engages in noncommittal, superficial communication
- Avoids discussion with followers to set policy and procedures
- Avoids interaction
- Provides suggestions and alternatives for the completion of tasks only when asked to do so by followers
- Provides infrequent feedback of any kind
- Avoids offering rewards or punishments
- May exhibit either poor or effective listening skills
- Avoids conflict

Orientation

There are two basic type of orientation in style. One is task orientation and the other is interpersonal orientation. People lead using different styles which they are endowed with or acquired. Some of the important characteristics of these fundamental styles are given in Table 13.2.

Table 13.2: Characteristics of Task and Interpersonal Orientation

Task Orientation	Interpersonal Orientation
Disseminates information	Solicits opinions
Ignores the positions, ideas, and feelings of others	Recognises the positions, ideas, and feelings of others
Engages in rigid, stylised communication	Engages in flexible, open communication
Interrupts others	Listens carefully to others
Makes demands	Makes requests

Focuses on facts, data, and information as they relate to tasks Emphasises productivity through the acquisition of technical skills Most of the time, communicates in writing Maintains a "closed door" policy	Focuses on feelings, emotions, and attitudes as they relate to personal needs Emphasises productivity through the acquisition of personal skills Most often communicates orally Maintains an "open door" policy
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Michigan studies

In the 1950s, Michigan State University studied a number of managers, both effective and non-effective as defined by the organisations. They found that effective managers spent a lot of time in planning, scheduling, coordinating, and mobilising resources and also in guiding and coaching their subordinates in setting goals that were challenging. These managers did not stop at that but went on to create excellent relationship with their subordinates. Thus, Michigan studies gave us the framework of task and relationship as effective dimensions in an effective manager and those who are high in both these were more inclined towards the description of a leader.

Ohio State University studies

Around the same time, quite unknown to each other, Ohio State University also was conducting studies to unravel the enigma of effective managers. They found two critical characteristics which are quite independent of each other. One characteristic was the degree to which the leaders act in a friendly and supportive manner towards his or her subordinates and the second was how he or she defines and structures his or her role and roles of the subordinates towards achieving the goals of the group.

The Blake Mouton Framework (Managerial Grid)

The Managerial grid, in fact, builds on the Ohio and Michigan studies and creates a relative position that a leader prefers to take in most situations and thereby identifies your predominant style.

You can evaluate your style and place yourself in the grid below and then see how you can improve. The grid is given in Fig. 13.1:

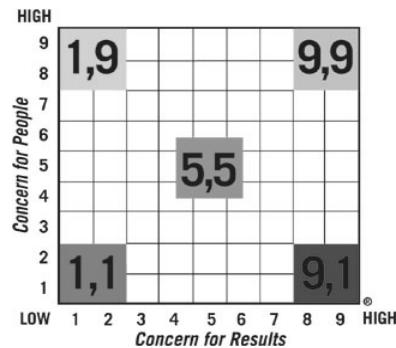


Fig. 13.1: Managerial Grid

The five major leadership styles as per the grid are:

- **Impoverished leadership – low production/low people (1,1)**

This leader is mostly ineffective. He/she has neither a high regard for creating systems for getting the job done nor for creating a work environment that is satisfying and motivating. The result is a place of disorganisation, dissatisfaction, and disharmony. They do only enough to preserve the job and job seniority, give little and enjoy little, protect themselves by not being noticed by others, and try to stay in the same post for a long time. Their talk/attitude is "I distance myself from taking active responsibility for results to avoid getting entangled in problems. If forced, I take a passive or supportive position."

- **Country club leadership – high people/low production (1,9)**

This style of leader is most concerned about the needs and feelings of members of his/her team. These people operate under the assumption that as long as the team members are happy and secure, then they will work hard. What tends to result is a work environment that is very relaxed and fun but the production suffers due to lack of direction and control. Their attitude is "I support results that establish and reinforce harmony. I generate enthusiasm by focusing on positive and pleasing aspects of work."

- **Produce or perish leadership – high production/low people (9,1)**

Also known as authoritarian or compliance leaders, people in this category believe that employees are simply a means to an end. Employee needs are always secondary to the need for efficient and productive workplaces. This type of leader is very autocratic, has strict

work rules, policies, and procedures, and views punishment as the most effective means to motivate employees. Their attitude is “I expect results and take control by clearly stating a course of action. I enforce rules that sustain high results and do not permit deviation.”

- **Middle-of-the-road leadership – medium production/medium people (5,5)**

This style seems to be a balance of the two competing concerns. It may, at first, appear to be an ideal compromise but therein lies the problem. When you compromise, you necessarily give away a bit of each concern so that neither production nor people needs are fully met. Leaders who use this style settle for average performance and often believe that this is the most anyone can expect. Their attitude is “I endorse results that are popular but caution against taking unnecessary risk. I test my opinions with others involved to assure ongoing acceptability.”

- **Team leadership – high Production/high People (9,9)**

According to the Blake Mouton model, this is the pinnacle of managerial style. These leaders stress production needs and the needs of the people equally highly. The premise here is that the employees are involved in understanding the organisational purpose and in determining the production needs. When employees are committed to and have a stake in the organisation's success, their needs and production needs coincide. This creates a team environment based on trust and respect, which leads to high satisfaction and motivation and as a result, high production. Their attitude is “I initiate team action in a way that invites involvement and commitment. I explore all the facts and alternative views to reach a shared understanding of the best solution.”

You will also be able to link much of the style to the X and Y theories propounded by Douglas McGregor and covered in the unit on motivation.

Bernard Bass Model

Style theories are based on two key elements, i.e., task and people orientation. Using the two basic elements, five different styles are possible. They are:

- **Directive style or telling** – Here, you tell the subordinates what to do, what is expected, and you also initiate action. You give the standards and deadlines and ensure that they are working to capacity, etc.

- **Consultative** – Here, you tell the subordinates what to do but after discussing it with them first and hearing their opinions, feelings, ideas, and suggestions.
- **Participative** – Here, you discuss and analyse the problems with them and reach a consensus on what to do and how to do it. The decision responsibility is collective.
- **Negotiative or selling** – Here, you negotiate with the subordinates, give them incentives, create alliances, release information that suits your interests, maintain distance, encourage the subordinates to compete, and in general, sell the decision to them.
- **Delegative** – You describe the problem or need and the conditions that have to be met, and you make suggestions but you leave it to them to decide what to do and how to do.

Action-Centered Leadership (ACL)

Adair (1973, 1983), a well known British researcher developed this style. His postulate was that effective leaders address the needs at three levels, i.e., task, team, and individual. The greater the congruence among these, the greater will be the effectiveness. ACL does not accept the idea of a common set of traits but accepts that the leaders have a wide range of competencies that they are able to use; however, this can be true only if we perceive the task in the larger context of mission, strategies, etc. The theory is diagrammatically represented in Fig. 13.2.

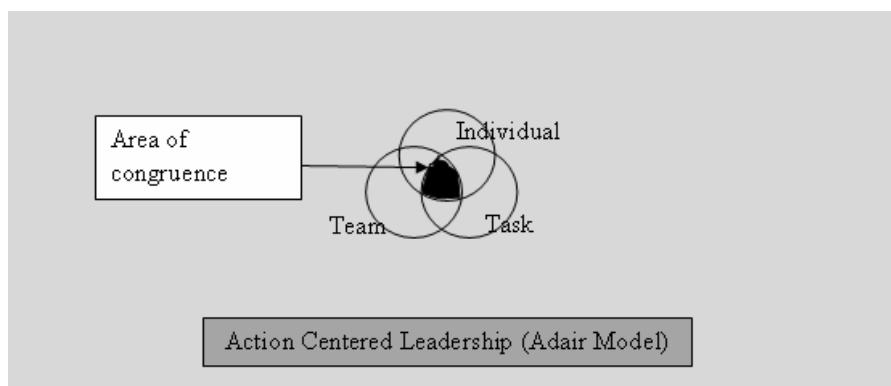


Fig. 13.2: Action Centered Leadership

Shortcomings of the leadership style theories

These theories focus on the leader, follower, and task but ignore the situation or contingencies. They seldom account for the behavior of the middle-level leaders who are supposed to communicate to the lower level the vision created by the top echelons. These also do not address the issue of values. Leaders are often what they are because of their values and the underlying personal qualities. It does not take into account the informal relationship or informal leadership which is a major component of the emergence of a leader. There are also methodological problems with the research such as the instruments given to the subordinates which like most instruments tends to average values. Notwithstanding these, recent studies have indicated a strong relationship between initiating structure and people and leadership. While the studies in the styles may not be conclusive, it is an excellent framework to understand the several aspects of leadership.

Psychodynamic theory (LMX)

This is also called Leader-Member Exchange theory or LMX. Theories related to style highlight only two entities, i.e., the leader and the follower. The individual is not given any significant importance in the style theories. However, in LMX, the leader and each follower is perceived as a dyad and that a leader develops influence on the follower to the extent allowed by the follower. Conventional research focuses on the things that are easily observable. Attribution and social cognitive theories from sociology focus on perception of the leader's traits and the behaviour of the followers. For example, charisma.

Combined, what this means to the modern context is that we need feedback from the followers so that the exchange with the follower can be optimised by the leader. Perhaps, one of the strong theoretical framework for the 360 degree feedback and its importance for the leaders can be traced to the LMX and related theories. In this information-driven world, where the leaders often interact with the followers as individuals through social media such as Facebook, Twitter, etc, this theory seems to have a new relevance. The leader is able to listen to the followers as individuals rather than as a group and though it may not be possible to cater to the goals of each member, it is possible to listen to each member to a greater extent than it was possible in the earlier days.

Self Assessment Questions

9. According to Deloitte Touche study, creating vision is one of the characteristics of a leader. (True/False)
10. Leadership style theories have _____ dimensions.
11. Managerial grid theory is built on _____ and _____ studies.
12. A 5,5 leader is a good compromise between task and people orientation. (True/False)
13. Bernard Bass suggests that there are five different styles namely Directive Style or Telling, _____ Participative, Negotiative or Selling and _____.
14. According to ACL, the greater the congruence between task, _____ and _____, the greater will be the effectiveness.
15. In LMX theory, the leader and each follower is perceived as a _____.

13.6 Contingency Theories of Leadership

Contingency theories suggest that there is no one best style of leadership and that an effective style depends on how the leader adopts a style in relation to the group and the situation. A previously successful style may not be effective in a new context. Effective leadership is about finding a good fit between the behaviour, context, and need.

Fielder's Contingency Model (FCM) of leadership

This model dominates the modern literature on contingency theories. FCM postulates that the leader's effectiveness is based on 'situational contingency' which is a result of the interaction of two factors, i.e., leadership style and situational favorableness. Though over 400 studies have been conducted using this theory, it is not a highly popular model. Fielder suggested that the leadership style of the leader can be measured by an instrument called least preferred coworker. The term and its use seem to have made Fielder unpopular. He identified three situational components that determine the favorableness of situation control. They are:

- How defined and structured the work is?
- How much position power (authority) the leader has?
- The relationship between the leader and the followers.

Though there might be criticism that it is complex and the LPC measures are inaccurate and often misses its predictive validity, etc, this model gives us a clear idea of the fit between the leader and the situation and tends to substantiate that effectiveness is contingent upon the leader's orientation and the situation.

Path goal theory

Path goal theory draws its inspiration from the expectancy model of motivation. If there is a leader and a follower, the follower expects something and the leader is able to fulfill it by defining it as a goal, means to achieve the goal, removing obstacles to achieving it, etc. The expectation of the follower whether in terms of material or psychological benefit has to be met by the leader and the follower expects it too. Here the leader must correctly identify the reward that is expected and promise him or her that. Thus leadership effectiveness is contingent upon the promised reward and the creation of a smooth way to achieve that reward. Path goal brings in a high degree of individual need.

Situational leadership

The work of Paul Hersey and Kenneth Blanchard (1969, 1993) resulted in this highly popular model of situational leadership. They identified that the leaders have four leadership styles. They are 1) telling (directing), 2) selling (consulting), 3) participating, and 4) delegating to the followers depending on (contingent upon) the maturity of the follower to do the task. To the followers who lack the sense of responsibility or initiative, a telling style is adopted while to those with a high degree of initiative and responsibility, a delegating style is adopted and the selling and participating styles are done to those in between. This theory interestingly tends to merge the ideas of style with the ideas of contingency or condition of the follower. Task and situation are inherent in this since the term maturity relates to the ability to handle the task in a situation. The authors and several researchers have developed a number of instruments to measure this, and this is a highly popular theory. The theory assumes that the leader has the cognitive ability to identify the follower's maturity and the level of maturity required in relation to the task.

Reddin's 3D theory of managerial effectiveness

This theory builds on the Hersey Blanchard theory of situational leadership and Blake and Mouton theory of Managerial grid. He identifies four effective styles that are matched to the situation using the situational sensitivity of the leaders, i.e., the ability to evaluate the situation and style flexibility or the ability to change the style according to the situation. Four styles he describes are as follows:

- **Bureaucrat** – Typically they should be delegating and allowing people to do their job. But if they do it when there is an emergency such as a fire, shortage of material in the factory, a strike, etc, it becomes like 1,1 leader and actually become deserters. Reddin cleverly links the style to the situation when he identifies how bureaucratic style which could be very functional becomes a dysfunctional one (deserter).
- **Developer** – Highly people oriented and participative in style which may be excellent in leading a research team or when the job is unstructured. But when the followers are not so capable or the situation demands structured steps as in the case when a product is launched or a project deadline is missed, then it becomes ineffective (missionary).
- **Executive** – Task and people oriented (9,9) and is consulting and selling. At times, the followers may not understand the importance of achieving targets or the situation may demand flawless execution even at the cost of considerable discomfort to the people. If he or she still goes high on people orientation, then it can become a compromise or akin to 5,5 situation we discussed earlier.
- **Benevolent autocrat** – Highly task oriented (9,1) and uses a directive style. Useful with followers of average caliber and abnormal situation. It becomes dysfunctional when used with high caliber followers and in ordinary situations.

These frameworks clearly indicate how an effective style can become ineffective when the situation is overlaid on it.

Shortcomings of contingency theories

Situational approach seems to be intuitively appealing; however, since there are limitless contingencies, it does not help an executive seeking what to do and when. It does not explain how the style can be varied to the situation, whether the situation can be varied or modified, role of values in leadership,

strategic decision making of the leaders, etc. Though contingency theories have never faced outright rejection, it has led to disillusion because of the above reasons.

Self Assessment Questions

16. Fielder's model suggests that leadership _____ and _____ favourableness interact to make leadership effective.
17. Depending on (contingent upon) the maturity of the follower, a leader has four styles 1) telling (directing), 2) selling (consulting), 3) _____ and 4) _____.
18. Path goal theory draws its inspiration from the _____ model of motivation.
19. Reddin identifies _____ effective styles that are matched to the situation.

13.7 New Leadership Theories

The disillusionment with trait, style, and contingency theories led to a new direction in search for knowledge in leadership. This is what we capture in the new leadership and consists of vision, charisma, and transformation which form the core of the concept. The pioneering work of James Macgregor Burns in his seminal book of 1978 initiated the idea of transformational leadership (TL) as against transactional ones.

Full range leadership model

The work of Bernard Bass and Bruce Avolio in 1980s and 1990s highlighted a full range of leadership model. At one end is the Laissez-faire leader about whom we have already learnt in this unit. Most managers show transactional leadership, i.e., achieving task is the focus here. This may be done by the management in various ways. They are:

- **Management by exception** –The leader may take a passive form wherein he or she sets the objectives and standards and then waits for problems to come up and then rectifies them. In the active form, he or she checks, gives instructions, and prevents the problem from cropping up. He or she uses rules and procedures to do it.
- **Incontingent reward** – The manager sets the objectives, performance standards, and the rewards (physical and psychological) for achieving

these. He or she provides feedback to the individual to ensure that he or she achieves the goals for it enhances the leader's effectiveness automatically. This achieves the results in a short term though its effectiveness in the long term is questionable.

Transformational Leadership (TL)

They go beyond the transactional ones to ensure the well being and goal achievement of the group. TLs tend to use one or more of the following:

- ***Idealised influence*** – It is about building confidence and trust and being a role model through setting examples. Since these leaders are admired, respected, and trusted, they are able to create a radical change in the organisation. Idealised influence is linked to charisma and is an inherent part of TL. For example, Narayan Murthy.
- ***Inspirational motivation*** – This is linked to idealised influence. Charisma leads to motivating the individual but inspiration leads to motivation of the entire organisation to follow a new idea. They create and communicate an inspirational message much like Gandhi or Obama through their speeches and other communications.
- ***Intellectual stimulation*** – They simulate the followers to follow a challenging path and gain results. They empower followers by persuading them to propose new and controversial ideas without the fear of punishment or ridicule. They impose their own ideas judiciously and certainly not at any cost.
- ***Individualised consideration*** – This involves catering for the individual needs in the organisation. We saw how an individual focus is a casualty both in the style theories and contingent theories, which apparently has been answered here. While having the overarching view of the organisation, TL delivers the individual needs. People are treated individually on the basis of their talents and knowledge and each is encouraged to reach his or her level of achievement and competence.

Qualities of a TL

Qualities of a TL are as follows: (Source: Bass (1990); Cox (2001); Epitropaki (undated); Hall, Johnson, Wysocki & Kepner (2002); Lussier & Achua (2004); Stone, Russell & Patterson (2003); Tichy & Devanna (1986); and University of Regina (undated))

- Clear sense of purpose, expressed simply (e.g., metaphors and anecdotes)
- Value driven (e.g. have core values and congruent behaviour)
- Strong role model
- High expectations
- Persistent
- Self-knowing
- Perpetual desire for learning
- Love work
- Life-long learners
- Identify themselves as change agents
- Enthusiastic
- Able to attract and inspire others
- Strategic
- Effective communicator
- Emotionally mature
- Courageous
- Risk-taking
- Risk-sharing
- Visionary
- Unwilling to believe in failure
- Sense of public need
- Listens to all view points to develop the spirit of cooperation
- Able to deal with complexity, uncertainty, and ambiguity
- Considerate of the personal needs of employees
- Mentoring

Pseudo-transformational leadership

Bass accepts the existence of this category of leadership who exhibits almost every aspect mentioned in the TL. However, when it comes to some of the critical qualities mentioned in the paragraph above, they fall short. They are the ones who follow their selfish agenda by doing the most of the things that the TLs do. They have dysfunctional charisma too. Their values are questionable and they tend to lead their followers to disaster and perdition.

Visionary leadership

Vision is fundamental to leadership and Sashkin's visionary leadership implies a leader with a vision who transforms the organisational culture for the better. Such leaders are characterised by high self-efficacy (self-confidence), power orientation (use of power in different ways), and cognitive capability (ability to understand complex cause and effect chains and to take the right action at the right time to achieve the desired outcomes).

Charismatic leadership

These leaders weave a spell not only on the followers but also on the stakeholders including the shareholders. They inspire and attract. In a study of the leaders in Fortune 500 companies, it was found that these leaders deliver exceptional results in hard times but do not necessarily do so in normal times. Perhaps, this is because they induce change even during the normal times when this is not necessary. One such example is Jack Welch who delivered exceptional results during the tough days.

Critique on new leadership

Full range leadership propounded by Bass is highly appealing and has given a new direction to leadership research. Following important aspects are noteworthy:

- Full range is applicable across hierarchies though it may seem more pronounced at the top level. Thus even lower hierarchy can be TLs.
- Full range is universally applicable across cultures though the specifics may vary.
- The concept has rejuvenated research on leadership.
- Contingent reward continues to have an importance in full range also.
- Though it speaks of communicating the vision as a source of inspirational motivation expressing confidence as idealised influence, it does not speak more about the vision, mission, strategies, or values.

Self Assessment Questions

20. Transactional leaders use management by _____ and in _____ reward
21. Transformational leaders tend to use 1) _____, 2) inspirational motivation, 3) _____, and 4) individualised consideration.

22. When a person does most of the things that a transformational leader does for selfish agenda, they are called _____.
23. Charismatic leaders may not deliver exceptional results during normal economic times. (True/False)

13.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- Leadership is a function of knowing yourself, having a vision that is well communicated, building trust among colleagues, and taking effective action to realise your own leadership potential.
- Factors that affect contemporary business are change, speed, competitiveness and collaboration, social sensitivity, social networking, environmental sensitivity, people sensitivity including inclusion, emergence and dominance of service industry, remoteness and virtual business, developing world realities and magnitude.
- Trait or Great Man theory of leadership postulates the common qualities and characteristics of an effective leader.
- Theories of emergent leadership including servant leadership postulate that leaders may emerge with the characteristics and skills to meet the needs of the group, organisation, or society at a given time.
- Leadership styles discuss what leaders do and categorise them into task-oriented and people-oriented styles. Action-centered leadership is an advancement of the style and focus on the task, team, and individual.
- Psychodynamic theory or the Leader Member Exchange (LMX) theory suggests that leaders provide direction and guidance through the influence permitted to them by the members.
- Contingency and situational leadership theories suggest that there is no one best style of leadership and that successful and enduring leaders use different styles at different times according to the situation and followers.
- New leadership theories comprise of visionary, charismatic, and transformational leadership. Transformational leadership occurs when the leaders raise the bar and creates a higher sense of purpose in the followers and distinguishes from the transactional style which is all about exchange between the leader and the follower and course correction.

- Strategic leadership and pragmatic leadership are other theories that belong to the new leadership theories category.

13.9 Glossary

- **Leadership:** The process of influencing people and providing an environment for them to achieve team or organisational objectives.
- **Leadership grid :** A model of leadership developed by Robert R Blake and Anne Adams McCanse to indicate the leadership effectiveness based on the concern for people and concern for task.
- **Pseudo-transformational leadership:** A person who exhibits some of the qualities of a transformational leader with intent to gain influence for selfish reasons.
- **Transactional leadership:** One who leads by managing exception (variations) and provides conditional rewards.
- **Transformational leadership:** A leader who goes beyond the transactional ones to ensure the well being and goal achievement of the group.

13.10 Terminal Questions

1. Explain the concept of leadership.
2. Describe the trait theory.
3. Explain the leadership styles as per the Managerial Grid Theory.
4. What are the qualities of a transformational leader?

13.11 Answers

Self Assessment Questions

1. True
2. Self-discipline
3. Originates
4. Common goal
5. Collaboration

6. True
7. Emerging
8. Environmental
9. False
10. 2
11. Ohio and Michigan
12. False
13. Consultative, Delegative.
14. team, individual.
15. Dyad
16. Style, Situational
17. Participating, delegating
18. Expectancy
19. 4
20. Exception, contingent
21. Idealised Influence, intellectual stimulation
22. Pseudo-transformational leaders
23. True

Terminal Questions

1. Leadership is the art of motivating a group of people to act towards achieving a common goal. Refer Section 13.3 for more details.
2. Trait theory states that people are born with leadership traits. Refer Section 13.5 for more details.
3. The major leadership styles are impoverished leadership, country club leadership, middle of the road, produce or perish leadership, team leadership. Refer Section 13.5 for more details.
4. Some of the qualities of a transformational leader are persistent, clear sense of purpose, strategic, risk taking etc. Refer Section 13.7 for more details.

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Unit 14**Power, Politics, Conflict,
Negotiation and Stress****Structure:**

- 14.1 Introduction
 - Objectives
- 14.2 Power
- 14.3 Politics
- 14.4 Conflict
- 14.5 Negotiations
- 14.6 Stress
- 14.7 Summary
- 14.8 Glossary
- 14.9 Terminal Questions
- 14.10 Answers

14.1 Introduction

In the previous unit, we dealt with the overview of leadership, role of leadership in contemporary business, theories of leadership, contingency theories of leadership, and new leadership theories. In this unit, we will deal with the concepts of power, politics, conflict, negotiations, and stress.

Organisations are complex, and there are several issues that we have to address in managing them well. Power, politics, conflict, negotiations, and stress are five such interrelated issues that we learn in this unit. Power is important because it is through power that we influence people to get the goal achieved and therefore fundamental to the organisation. While doing it, many would attempt to gain influence though unfair means for selfish reasons and managing this is important. This is called politics. Organisations and people have goals and hence contenting goals and consequent conflict is inevitable, and we have to make strategies to manage them and negotiate where required. In addition to these, several other factors create stress today and without managing them, organisational effectiveness will reduce. Thus in this unit, we will discuss these important issues.

Objectives:

Learning objectives are to:-

- To gain an overview of power and its impact on organizations.
- To understand organizational politics.
- To learn about conflict and be capable of managing these.
- To understand negotiations.
- To learn about stress.

Learning Outcomes

After studying this unit, you will be able to:

- describe power and its impact on organisations
- recognise organisational politics
- explain conflict and the ways of managing conflict
- describe the concept and strategies for negotiations
- explain the concept of stress

14.2 Power

Power can be categorised into two types. They are:

- Formal
- Informal

Formal power

In an organisation, formal power comes by virtue of position. There are four components which facilitate this. They are:

- **Coercive power** – A manager can coerce a person on the threat of warning, cutting of pay, holding of promotions, etc.
- **Reward power** – A manager can reward a person and therefore, he gains power over the subordinates because the subordinate is willing to accept the orders of the manager to gain the reward.
- **Legitimate power** – This comes because of the position and the belief that some things are supposed to be done when told by a person in that position. The right to command is drawn from the rules and regulations of a society or organisation including its norms.
- **Information power** – This is derived from access to and control over information. When people need information, others become dependent on them. (For example, managers have access to data that

subordinates do not have). Normally the higher the level, the more information would be accessed by managers.

Personal power

This does not depend on the position but relies on other factors such as:

- **Expert power** – Here, a person is able to control or influence another person because of possessing knowledge, experience, or judgment that the other person lacks, but needs. Even a subordinate may exercise such a power on the superior especially in knowledge economy.
- **Rational persuasion** – **Rational persuasion** is the ability to control another's behavior by using logical arguments. For example, persuading a person the benefits of exceeding the target which would give him an incentive which can be used for a holiday.
- **Referent power** – Referent power refers to the ability of a leader to influence a follower because of the follower's loyalty, respect, friendship, admiration, affection, or a desire to gain approval. Referent power is gained by a leader who has strong interpersonal relationship skills. Referent power, as an aspect of personal power, becomes particularly important as organisational leadership is increasingly about collaboration and influence rather than command and control.
- **Charismatic power** – Charismatic power is based on the leader's exceptional personal qualities or the demonstration of extraordinary insight and accomplishment, which inspire loyalty and obedience from the followers. As such, it rests almost entirely on the leader, and in his absence, it gets dissolved.

Influence

The purpose of power is to influence people. There are eight basic types of influence tactics. They are listed and described in the Table 14.1.

Table 14.1: Types of Influence Tactics

Tactics	Description	Examples
Pressure	The person uses demands, threats, or intimidation to convince you to comply with a request or to support a proposal.	If you don't do this, you're fired. You have until 5:00 to change your mind, or I'm going without you.
Upward appeals	The person seeks to persuade you that the request	I'm reporting you to my boss. My boss supports this

	is approved by higher management, or appeals to higher management for assistance in gaining your compliance with the request.	idea.
Exchange	The person makes an explicit or implicit promise that you will receive rewards or tangible benefits if you comply with a request or support a proposal, or reminds you of a prior favour to be reciprocated.	You owe me a favour. I'll take you to lunch if you'll support me on this.
Coalition	The person seeks the aid of others to persuade you to do something or uses the support of others as an argument for you to agree also.	All the other supervisors agree with me. I'll ask you in front of the whole committee.
Ingratiation	The person seeks to get you in a good mood or to think favourably of him or her before asking you to do something.	Only you can do this job right. I can always count on you, so I have another request.
Rational persuasion	The person uses logical arguments and factual evidence to persuade you that a proposal or request is viable and likely to result in the attainment of task objectives.	This new procedure will save us \$150,000 in overhead. It makes sense to hire John; he has the most experience.
Inspirational appeals	The person makes an emotional request or proposal that arouses enthusiasm by appealing to your values and ideals or by increasing your confidence that you can do it.	Being environmentally conscious is the right thing. Getting that account will be tough, but I know you can do it.
Consultation	The person seeks your participation in making a decision or planning how to implement a proposed policy, strategy, or change.	This new attendance plan is controversial. How can we make it more acceptable? What do you think we can do to make our workers less fearful of the new robots on the production line?

Empowerment

According to Gallup Research, organisations utilise less than 20% of their employee's potential. Developing employee potential requires an organisational culture that inspires the employees to learn, grow, and give their very best. In such a culture, innovations which require new employee behaviours which are adopted can take root. Employees choose to go the extra mile expending their discretionary energy for the sake of the organisation. Employees choose to invest themselves in the organisation rather than be available to the highest bidder. For most organisations, developing this untapped employee potential is their key competitive advantage for competing in the marketplace or retaining top talent. You can identify an organisation without empowerment from the following indicators:

- Blaming and victim mentality
- Fear of making decisions
- Lack of participation in decision making
- New ideas not taken seriously
- Leaders vs. employees mindset
- Distrust and cynicism
- Apathy and burnout
- Thoughts or feelings not freely expressed for fear of repercussion
- Learning and growth opportunities not being actively pursued
- Gossip and back biting poisoning the work environment
- People feel unappreciated
- Lack of recognition for contributions
- Top talent leaving for better opportunities or work environment

Self Assessment Questions

1. Power is of two types _____ and _____.
2. "Getting that account will be tough, but I know you can do it". This is an example of using _____ as a tactic for influence.
3. Expert power is about possessing _____, experience, or judgment that the other person lacks, but needs.

14.3 Politics

Organisational politics refers to the use and manipulation of situations, power, and people to secure their position and gain from the situation. It may be done by letting others down and by increasing their own power, image, and status within the organisation. The results or the benefits can be tangible or intangible, depending upon the situation. Politics at workplace is a game that can be played equally well by a single player or teams together. Often cliques are involved in it. It can result in the interest and benefit of the organisation or go against it, can benefit those who don't play or can throw them out of the organisation. It is a double edged sword which can either create a happy, dynamic, and improved environment at the workplace or can destroy it. Politics at workplace is often hard to resist and be away from. It compels and makes you compete. Although it is practically impossible to make a workplace free from the politics, the organisation and the employees can follow certain ethics for themselves to make their workplace healthier. Some of these ethics are:

- ***Living at peace with others*** – The easiest way to avoid problems with politics is to get along with people. You can be pleasant and professional, while at the same time being assertive when necessary. If you have a concern, focus only on the issue, not on the person. If you have to refuse a request, explain why and try to come up with alternative solutions. Carefully choose sides during office power struggles and preferably avoid it.
- ***Keep the talk inside*** – Every organisation has issues. Keep those inside the organisation and discuss it there. Bad mouthing harms you as much as it harms the organisation.
- ***Be helpful*** – We all have responsibilities and objectives, and those things should receive priority. Nonetheless, if it doesn't take too much time, being helpful to others can reap benefits for you. It can be by giving a ride, helping with an Excel macro, etc. By doing these things, you're building political capital and loyalty. In doing so, you reduce the chances that you will be the victim of a political intrigue.
- ***Stay away from gossip*** – Nothing destroys the dynamics of an office more than gossip. Stay away from it, because nothing good comes from

it. Don't try to lecture co-workers on the evils of gossip but subtly change the subject.

- **Avoid the talking-ill-of-the-boss sessions** – Suppose your co-workers start complaining about the boss and you join in, it makes you look disloyal to the boss. If you don't, it looks awkward in the group. So, try changing the subject by linking the boss to another topic, then talking about that topic instead.
- **Be straight forward** – The best way to keep out of trouble politically is to be seen as someone who doesn't play office politics – in other words, a straight arrow. Do what you say you're going to do, alert people to problems, and admit your mistakes. Others will respect you, even if they don't always agree with you. More important, you have a lower chance of being a victim of politics.
- **Address the issue of politics openly when appropriate** – Do not be afraid of office politics. Address it directly.
- **Document things** – Nothing saves a job or career more than having a written record. If you believe a matter will come back to haunt you, make sure you keep a record of the matter, either via e-mail or document. Documentation is also an effective way to highlight your own accomplishments, which can help you when your performance evaluation is conducted.
- **Set incentives to foster teamwork** – If you're a manager or senior executive, take a closer look at your incentives. You might, at times, be setting up staff to work against each other. Does the metrics address only individual departments, or are they cross functional. If you reward employees in a department based only on how well that department does, you may inadvertently cause destructive competition among departments.
- **Set an example** – People in an organisation look to leadership to see how to act. Do you want your staff to refrain from negative politics? Do you want to see collaboration and teamwork instead of petty rivalries, jealousy, and back-stabbing? Act the way you want your staff to act, and they will follow you.

Self Assessment Questions

4. Organisational politics refers to the use and _____ of situation, power and people to secure their position and gain from the situation.
5. There are many organisations that work in an environment completely free of organisational politics. (True/False)
6. In relation to office politics, if you feel that something will come to haunt you, it is better to keep a _____.

14.4 Conflict**Definition of conflict**

R. W Woodman defines conflict as "any situation in which incompatible goals, attitudes, emotions, or behaviours lead to disagreement or opposition between two or more parties." There are several other definitions, but we can put them together and conclude that conflict arises when:

- Individuals or groups perceive they have mutually exclusive goals or values
- Behaviour is designed to defeat, reduce, or suppress an opponent
- Groups are opposing each other with mutually opposing actions and counter actions
- Each group attempts to create a relatively favoured position vis-a-vis the other

Types of Conflict

Conflict can be classified in many ways. Some of the classifications are discussed below:

Based on utility of conflict

The traditional view is that all conflicts are dysfunctional and hinders performance. The human relations view believes that conflict is a natural occurrence in all groups and organisations that it cannot be eliminated and may even contribute to group performance. The Inter-actionist view actually encourages conflict on the assumption that a harmonious, peaceful, tranquil, and cooperative group is prone to becoming static and non-responsive to needs for change and innovation unless they maintain enough conflict to keep the group viable, self-critical, and creative. Based on these, the outcomes of conflict could be one of the following described in Table 14.2:

Table 14.2: Outcomes of Conflict

Positive Consequences	Negative Consequences
1. Leads to new ideas	1. Diverts energy from work
2. Stimulates creativity	2. Threatens psychological well-being
3. Motivates change	3. Wastes resources
4. Promotes organisational vitality	4. Creates a negative climate
5. Helps individuals and groups establish identities	5. Breaks down group cohesion
6. Serves as a safety valve to indicate problems	6. Can increase hostility and aggressive behaviours

Based on the organisational outcomes

Based on this, we classify it into functional and dysfunctional conflicts. Functional and constructive forms of conflict support the goals of the group and improve its performance. Task conflict relates to the content and goals of the work. Low-to-moderate levels of task conflict are functional and consistently demonstrate a positive effect on group performance because it stimulates discussion, improving group performance. Dysfunctional conflict hinders the group performance. It is unhealthy, destructive, and causes disagreement between two or more people. It may originate from emotional or behavioural causes and may involve anger and aggression. In dysfunctional conflict, the losses to both parties may exceed any potential gain from the conflict.

Based on choice

Based on choice we have:

- Approach – approach conflict which occurs when a person must choose between two positive and equally attractive alternatives. For example, choosing between a valued promotion in the organisation and a desirable new job with another firm.
- Avoidance – avoidance conflict which occurs when a person must choose between two negative and equally unattractive alternatives. For example, being asked either to accept a job transfer to another town in an undesirable location or to have one's employment with an organisation terminated.

- Approach – avoidance conflict which occurs when a person must decide to do something that has both positive and negative consequences. For example, being offered a higher paying job whose responsibilities entail unwanted demands on one's personal time.

Based on parties involved

Conflict can be intrapersonal (within the person) and no others are involved or Interpersonal. Let us now discuss these two types of conflicts in detail.

- **Intrapersonal** – A person may suffer intrapersonal conflict for various reasons. They are:
 - **Cognitive conflict** – An intellectual discomfort created by trying to achieve incompatible goals.
 - **Affective conflict** – Occurs when emotions are incompatible with the goals. For example, the need to smile at the customers after a sad event at home.
 - **Inter-role conflict** – Occurs when a person experiences conflict among the multiple roles in his or her life. For example, role of a mother and role of an executive secretary who gets home late or role of a union leader supported by the management and the role to defend a worker from abuse of the management.
 - **Intra-role conflict** – This is conflict within a single role. It often arises when a person receives conflicting message from role senders (the individuals who place expectations on the person) about how to perform a certain role. For example, the company policy defines high standards of ethics but the role occupant is asked by the manager to offer a bribe to get a sanction.
 - **Person-role conflict** – Occurs when an individual in a particular role is expected to perform behaviours that clash with his or her values. For example, salespeople may be officially required to offer the most expensive item in the sales line first to the customer, even when it is apparent that the customer does not want or cannot afford the item. This may conflict with the salesperson's values or past experience, and he or she may experience person-role conflict.
- **Inter-individual or interpersonal conflict** – When two individuals disagree about issues, actions, or goals and the outcomes are important to both, there is inter-individual conflict. Inter-individual or interpersonal conflict often arises from differences in individuals'

status, perceptions, and orientations. Such conflicts may motivate the individuals to reveal additional, relevant issues or it may prevent any further communication. Some individuals are more likely to engage in conflict than others.

Based on levels of conflict

Based on the level of conflict, there can be three types of conflicts. They are:

- **Individual-group conflict** – Here, the individuals find themselves in conflict with groups. For example, a manager differing with the departmental policy. This could be a conflict especially if the norm is that all should agree to the departmental head without a question. A group can be in conflict with a manager if the group disagrees with the decision of the manager. For example, action taken to suspend an employee being resisted.
- **Inter-group conflict** – This involves conflict between groups of people, irrespective of the size of the group. Included in this category, therefore, is interdepartmental conflict within organisations.
- **Organisational level conflict** – Conflict can also exist between organisations. For example, selling the same product in the same market often leads to conflict. A school may be in conflict with another on some issue, etc.

Based on organisational source

Prominent among the sources of conflict in organisations are:

- **Line and staff conflict** – The growth of highly specialised, creative, and well-educated staff poses unique problems for line managers. Faced with a growing dependence on staff, line managers must adjust to a reduction in organisational power and prestige. Conflict in most organisations persists between line and staff, because it is virtually impossible to define precisely the responsibility and authority relationships between the two.
- **Organisation-individual disagreements** – From one perspective, the conflict between the organisation and the individual centres around the individual's failure to fulfil the organisation's expectations regarding productivity or compliance with rules. From another perspective, the conflict is often seen as resulting from excessive organisational

demands. Such conflicts may be overt or hidden from view, depending on the perception each side has about the power of the other.

- **Overlapping responsibilities** – Organisations constantly change in response to personnel turnover, expansion or contraction, the adoption of new policies, changes in external environment, etc. As a result, it is impossible to establish job responsibilities once and for all. When a change occurs, one person reaches out to assume more responsibility, another retrenches, and still another tentatively assumes responsibility for certain functions without knowing definitely who should be performing them. Thus, the stage is set for conflict.
- **Functional interdependence** – Conflicts between an organisation's functional units such as sales, accounting, and manufacturing are commonplace. The sales department is at odds with manufacturing because quality is too low or prices are too high to meet the competition. Although departments are separated on the basis of function, they can never function as completely autonomous units. They must somehow resist the constant urge to view the organisation in terms of their narrow self-interests.
- **Personality clashes** – Individual differences in such personal qualities as values, attitudes, abilities, and personality traits are often the cause of conflict. Two managers may learn to despise each other thoroughly for reasons totally unrelated to their work, but their performance on the job may suffer because of it.
- **Disagreement over goals** – Conflict among managers is often caused by the fact that there is poor agreement over goals. Perhaps, an even more common source of conflict is the clash of the personal goals of managers and employees with the goals of the organisation.
- **Bottlenecks in the flow of work** – Line supervisors in manufacturing must meet the production deadlines, but they are dependent upon production schedules, warehousing, shipping, and others for effective performance. A bottleneck at any point can prevent the line supervisors from being effective and is quite naturally an occasion for interpersonal conflict.

Managing Conflict

There are five styles of managing conflict. These and the example of situations when these can be used are given in the Table 14.3:

Table 14.3: Conflict Management Style

Conflict-handling Style	Appropriate Situation
Competing	<ol style="list-style-type: none"> 1. When quick, decisive action is vital (e.g., emergencies). 2. On important issues where unpopular actions need implementing (e.g., cost cutting, enforcing unpopular rules, discipline). 3. On issues vital to company welfare when you know you are right. 4. Against people who take advantage of non-competitive behaviour.
Collaborating	<ol style="list-style-type: none"> 1. To find an integrative solution when both sets of concerns are too important to be compromised. 2. When your objective is to learn. 3. To merge insights from people with different perspectives. 4. To gain commitment by incorporating concerns into a consensus. 5. To work through feelings that have interfered with a relationship.
Compromising	<ol style="list-style-type: none"> 1. When goals are important but not worth the effort or potential disruption of more assertive modes. 2. When opponents with equal power are committed to mutually exclusive goals. 3. To achieve temporary settlements to complex issues. 4. To arrive at expedient solutions under time pressure. 5. As a backup when collaboration or competition is unsuccessful.

Avoiding	<ol style="list-style-type: none"> 1. When an issue is trivial or more important issues are pressing. 2. When you perceive no chance of satisfying your concerns. 3. When potential disruption outweighs the benefits of resolution. 4. To let people cool down and regain perspective. 5. When others can resolve the conflict more effectively. 6. When issues seem tangential or symptomatic of other issues.
Accommodating	<ol style="list-style-type: none"> 1. When you find you are wrong to allow a better position to be heard, to learn, and to show your reasonableness. 2. When issues are more important to others than to you to satisfy others and maintain cooperation. 3. To build social credits for later issues. 4. To minimise loss when you are outmatched and losing. 5. When harmony and stability are especially important. 6. To allow employees to develop by learning from mistakes.

Self Assessment Questions

7. Conflict is any situation in which incompatible goals, attitudes, _____ or _____ lead to disagreement or opposition between two or more parties.
8. Based on the organisational outcomes, we can classify conflicts into _____ and _____ conflicts.
9. When a conflict occurs where a person must decide to do something that has both positive and negative consequences, it is called _____.
10. Conflict handling styles are _____, _____, compromising, avoiding and accomodating.

14.5 Negotiation

Negotiation is a “process in which two or more parties exchange goods or services and attempt to agree upon the exchange rate for them” (Robbins, 2008). It occurs when:

- There is a conflict of interest between two or more parties, that is, what one wants is not necessarily what the other one wants.
- Either there is no fixed or established set of rules or procedures for resolving. The parties prefer to work outside of a set of rules and procedures to invent their own solution to the conflict.

The precondition to negotiation is that the parties, at least, for the moment prefer to search for agreement rather than to fight openly. There are two types of negotiations. They are direct and third party.

- Direct negotiations can be:
 - **Distributive bargaining** – Here the approach is to get the opponent agree to your view (at least some specific ones). Each party may hold out or one may give some concession to the other. The former is called hard negotiation and the latter soft negotiation. Resources, interest, and relationships come into negotiation and would result in dividing the resources, defining the way the relation can be continued, etc.
 - **Integrative bargaining** – This is another form, where the strategy is adopted to create a win-win solution. Integrative bargaining builds long-term relationships and facilitates collaborative work. For success, the parties must be open with information and candid about their concerns, be sensitive to each other, trust one another, and) be flexible.
- **Third party negotiation** – When individuals and groups reach a stalemate and are unable to resolve their differences through direct negotiations, especially when a conflict is emotionally charged, they may turn to a third party to help them find a solution. The third party may be a manager, a well-respected colleague, or someone whose formal role is to resolve conflicts. This takes the following forms.
 - **Mediator** – A mediator is a neutral third party who facilitates a negotiated solution by using reasoning and persuasion, suggesting

alternatives, etc. A mediator's role involves exerting high control over the process but not the outcome. A mediator interviews the parties separately, and then tries to help them reach a solution by bringing those together or ferrying messages back and forth during labour-management negotiations.

- **Arbitrator** – An arbitrator is a third party with the authority to dictate an agreement. An arbitrator's role involves exerting low control over the process and high control over the outcome. The arbitrator allows each party to present facts or arguments and then decides on the outcome and may even enforce it. Arbitration can be voluntary or compulsory.
- **Consultant** – A consultant is a skilled and impartial third party who attempts to facilitate problem solving through communication and analysis, aided by his or her knowledge of conflict management. This approach has a long-term focus to build new and positive perception and attitude between the conflicting parties.
- **Inquisitor** – The role of an inquisitor involves high control over both the process and the outcome of conflict resolution. An inquisitor asks questions, directs the way evidence is presented, calls for additional evidence, and referees the arguments and then decides the outcome of the dispute and enforces his or her decision.

The negotiation process

We can identify four basic steps in the negotiation process. They are:

1. Preparation

Here, each party gathers information about the other side – its history, likely behaviour, previous interactions, and previous agreements reached by the parties. Each party polls its members to determine their wishes, expectations, and preferences regarding a new agreement.

2. Evaluation of alternatives

Here the parties evaluate the range of acceptable agreements and from that identifies the 'Best Alternative To a Negotiated Agreement (BATNA)'. BATNA determines the lowest value acceptable to you for a negotiated agreement for both the parties and it is usually used in negotiations where price, cost, etc are involved.

3. Identifying interests

Negotiators must then act to satisfy their own interests. This may include substantive relationship, personal or organisational ones. The person or group must assess the other party's interests and then decide how to respond to those interests in their offers.

4. Making trade-offs and creating joint gains

Bargainers use trade-offs to satisfy their own and others' interests. Either position would meet the interests of maintaining a certain standard of living. One way to assess tradeoffs is to begin by identifying the best and worst possible outcomes, next, specify what impact trade-offs will have on these outcomes, and finally, consider whether the changed outcomes will better meet the parties' interest.

Negotiators need to overcome the idea that a fixed pie of outcomes exists, avoid non-rational escalation of conflict, pay attention to others' cognitions, and avoid devaluating the others' concessions while overvaluing their own.

Self Assessment Questions

11. Negotiation is a process in which two or more parties exchange goods or services and attempt to agree upon the exchange rate for them. This occurs when there is no fixed or established set of rules set and _____.
12. For integrative bargaining to be a success, the parties must be open with information and candid about their concerns, be _____ to each other, _____ one another, and be flexible.
13. A mediator is a _____ third party who facilitates a negotiated solution by using reasoning and persuasion, suggesting alternatives, etc.

14.6 Stress

Stress is the perceived threat to one's physical or psychological well being. Because of the silent nature of the perceived threat, stress is often called a 'silent killer'. The term perceived is important because what is stress to one may not be stress to another because of the perceptual difference. Stress is caused due to the secretion of adrenalin into the blood in response to a danger. This chemical increases our breathing, heartbeat, etc and gives the extra energy to fight the threat. Without this adrenalin cycle, life will not be

possible as we may not respond to a threat and may be harmed. Thus stress is useful and is called eustress. But when the threat goes away, the cycle should get cut off, and we should come to normal. In the case of psychological stress and especially due to the intensity and frequency of threat in modern life or because of the make of an individual, the cycle does not get cut off. Then, it becomes bad and is called distress. Hence, all stress start as eustress and then convert into distress. This is diagrammatically represented in the Figure 14.1.

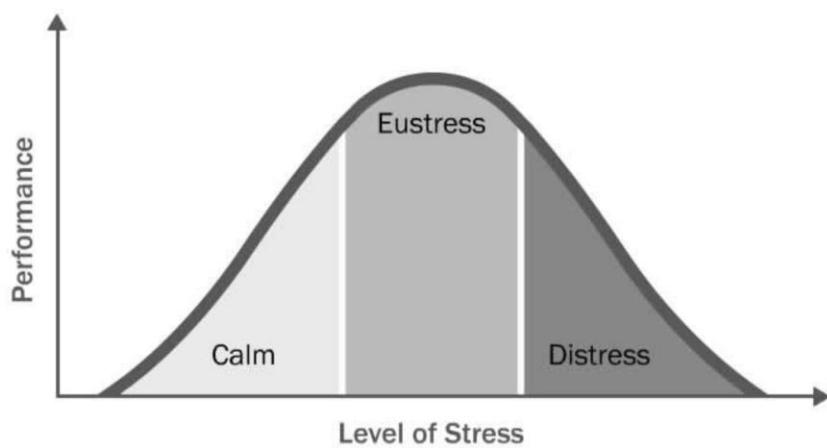


Fig. 14.1: Stress and Performance

Stress has three stages namely:

- **Alarm stage** – This stage starts with anxiety and panic. For example, when a dog chases us or when we are told that some of the employees may be laid off and that you could be one of them.
- **Resistance** – Here, the person summons the resources to cope with the stressor and channels the energy for this. The symptoms of the alarm stage vanish. It is seen that the immune system function tends to decline during periods of stress.
- **Exhaustion** – Many stressors are short term and tend to vanish. For example, examination stress vanishes after the examination. But occasionally, a stressor persists. Then the person may enter the third stage, i.e., exhaustion. In this stage, the symptoms of the alarm stage return and the person eventually uses up his or her adaptive energy.

Consequences of Stress

This can be emotional such as anxiety, anger, depression, irritability, frustration, over-reaction to everyday problems, memory loss, and a lack of concentration for any task. Anxiety is exhibited as a response to loss, failure, danger, or a fear of the unknown. Anger is a response to frustration or social stress and can become a danger to other individuals, if not kept in check. Depression is frequently seen as an emotional response to upsetting situations such as the death of a loved one, illness, or failure. It can also be psychological, i.e., long-term stress can cause psychological problems in some individuals. Symptoms may include social isolation, phobias, compulsive behaviors, eating disorders, night terrors, etc.

Reasons for stress

Reasons for stress are wide, varied, and literally anything depending on the perception. Some of them are given below:

- **Inner conflicts** – Non-specific fears, anxiety, and guilt feelings maintain the body in a state of readiness for emergency action on a continuing basis.
- **Perceptual influences** – Perception is influenced by a number of internal factors. Certainly, people with inner conflicts sufficient to cause stress are more likely than self-confident people to perceive environmental conditions as threatening. Because the environment is presumed to be full of danger, evidences of danger are perceived everywhere.
- **Task demands** – They include the design of the individual's job, working conditions, and the physical work layout. Changes and lack of control are two of the most stressful demands people face at work.
- **Lack of control** – This is the second major source of stress and may be due to timing of tasks and activities. For example, to select tools or methods for accomplishing the work, to make decisions that influence work outcomes, or to exercise direct action to affect the work outcomes.
- **Role demands** – We have seen how roles affect job. In sum, they can be due to clash of two roles, conflicting requirement due to two roles, and conflict between the role demand and ethics and values of the role owner.

- **Inter-personal demands** – Lack of social support from colleagues and poor interpersonal relationships can cause considerable stress, especially among employees with a high social need. Abrasive personalities, sexual harassment, and the leadership style in the organisation are interpersonal demands for people at work.
- **Physical demands** – Non-work demands also create stress. For example, family demands. People have personal demands related to non-work, organisational commitments such as religious and public service organisations etc.

Consequences of stress

We know the consequences of stress. It can show in three ways:

- Physiological symptoms such as hypertension, heart disease, skin disease, etc. There are at least 23 silent killers.
- Psychological symptoms such as job-related stress can cause job-related dissatisfaction, lack of clarity on the job, lack of attention, deficiencies in problem solving, etc. The less control people have over the pace of their work, the greater the stress and dissatisfaction.
- Behavioral symptoms which include changes in productivity, absence, and turnover, as well as changes in eating habits, increased smoking or consumption of alcohol, rapid speech, fidgeting, sleep disorders, etc.

Managing stress

Individual approaches

This includes individual strategies such as implementing time management techniques; increasing physical exercise; relaxation training; expanding the social support network; non-competitive physical exercise; relaxation techniques such as meditation, hypnosis, and biofeedback; and having friends, family, or work colleagues to talk to provide an outlet for excessive stress.

Organisational approaches

These include improved personnel selection and job placement, use of realistic goal setting, redesigning of jobs, aligning the individuals and job effectively and reduce stress, right person-job-fit thereby reducing chances of non-performance and stress level, and training in stress management

techniques. Increased employee involvement improves motivation, morale, commitment, and leads to better role integration and reduction in stress. Improved organisational communication helps in establishment of corporate wellness programs.

How can one manage stress better?

- ***Become aware of the stressors and the emotional and physical reactions*** – Notice what causes distress. Ignoring them is not a solution. Listing them and evaluate how you perceive these. Then you can change your perception and most likely, your stress would be gone.
- ***Recognising what can be changed*** – If you have created the above list and cannot change the perception or eliminate them, you can shorten an individual's exposure to stress and devote more time for goal setting, time management techniques, etc.
- ***Reduce the intensity of the emotional reactions to stress*** – The stress reaction is triggered by our perception of danger: physical danger and/or emotional danger. Are we viewing our stressors in exaggerated terms and/or taking a difficult situation and making it a disaster? Are we trying to please everyone? Are we overreacting and viewing things as absolutely critical and urgent? Do we feel we must always prevail in every situation? If we adopt moderate views, we will be less stressed.
- ***Learning to moderate our physical reactions to stress*** – Slow, deep breathing, and relaxation techniques and electronic biofeedback can help you to gain voluntary control over such things as muscle tension, heart rate, and blood pressure. Medication is also an excellent tool.
- ***Build our physical reserves*** – Regular systematic exercise can reduce the effect of stress.
- ***Maintaining our emotional reserves*** – Developing some mutually supportive friendships and stable relationships help in sharing bottled-up emotions and reduce stress. Pursuing realistic goals also reduce stress.

Self Assessment Questions

14. Stress is the _____ threat to one's physical or psychological well being.
15. Stress has three stages which are _____, _____, and _____.

16. One of the reasons for stress is Inner Conflicts. It means _____, _____ and guilt feelings.
17. Design of the individual's job can cause stress. (True/False)

14.7 Summary

Let us recapitulate the important concepts discussed in this unit.

- Power may be formal or informal. Formal power comes by virtue of position.
- Formal power may be coercive power, reward power, legitimate power or information power.
- Personal power or informal power does not depend on one's position.
- It may be expert power, rational persuasion, referent power, charismatic power.
- The purpose of power is to influence people. The eight basic types of influence tactics are pressure, upward appeals, exchange, coalition, ingratiation, rational persuasion, inspirational appeals and consultation.
- Organisational politics refers to the use and manipulation of situations, power, and people to secure their position and gain from the situation. It may be done by letting others down and by increasing their own power, image, and status within the organisation.
- Conflict may be defined as "any situation in which incompatible goals, attitudes, emotions, or behaviours lead to disagreement or opposition between two or more parties."
- Based on organisational outcomes, conflicts may be functional or dysfunctional. Based on choice, conflicts may be approach- approach conflict, avoidance-avoidance conflict, approach-avoidance conflict.
- Conflict handling styles are competing, collaborating, compromising, avoiding, accommodating.
- Negotiation is a "process in which two or more parties exchange goods or services and attempt to agree upon the exchange rate for them".
- Negotiation may be direct or third party negotiations. Direct negotiations can be distributive or integrative bargaining. Third party negotiations may take the form of mediator, arbitrator, consultant or inquisitor.
- Negotiation process involves preparation, evaluation of alternatives, identifying interests and making trade-offs and creating joint gains.

- Stress is the perceived threat to one's physical or psychological well being. It has three stages – alarm, resistance and exhaustion.

14.8 Glossary

- **Avoidance:** The opportunity to avoid or escape from an unpleasant circumstance after exhibiting a behaviour. Avoidance occurs when the interacting parties' goals are incompatible and the interaction between groups is relatively unimportant to the attainment of the goals.
- **Accommodation:** Occurs when the parties' goals are compatible and the interaction between groups is relatively unimportant to the goals' attainment.
- **Distributive bargaining:** This is a negotiation technique. Each party may hold out or one may give some concession to the other.
- **Distress:** The unpleasant stress that accompanies negative events.
- **Eustress:** The stressors like anxiety that lead to action and performance.

14.8 Terminal Questions

1. What are the components of formal power ?
2. List the conflict management styles.
3. What are the types of negotiations ?
4. Explain the causes for stress.

14.9 Answers

Self Assessment Questions

1. formal, informal
2. Inspiration
3. Knowledge
4. Manipulation
5. False
6. Record

7. Goals, attitudes, emotions or behaviours
8. Functional, dysfunctional
9. Approach-avoidance
10. Competing, collaborating
11. Conflict of interest
12. Sensitive, trust
13. Neutral
14. Perceived
15. Alarm, resistance, and exhaustion
16. Non-specific fears, anxiety
17. True

Terminal Questions

1. The components are coercive power, reward power, legitimate power and information power. Refer Section 14.2 for more details.
2. Conflict management styles are competing, collaborating, compromising, avoiding, accommodating. Refer Section 14.4 for more details.
3. The two types of negotiations are direct negotiations and third party negotiations. Refer Section 14.5 for more details.
4. Some of the causes for stress are inner conflicts, role demands, task demand etc. Refer Section 14.6 more details.

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- Greenberg, J. (2010), *Behavior in Organizations: Global Edition*, 10th edition, Pearson.
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Unit 15**Culture and Change****Structure:**

- 15.1 Introduction
 - Objectives
- 15.2 Definition and Concept of Culture
- 15.3 Fundamentals of Culture
- 15.4 Fundamentals of Change
- 15.5 Eight Steps of John Kotter on Leading Change
- 15.6 Case Study
- 15.7 Summary
- 15.8 Glossary
- 15.9 Terminal Questions
- 15.10 Answers

15.1 Introduction

In the previous unit, we dealt with the concepts of power, politics, conflict, negotiations, and stress. In this unit, we will deal with the definition and concept of culture, fundamentals of culture, fundamentals of change, and the eight steps of John Kotter on leading change.

Culture and change are two important factors that business is trying to get a grip on and any manager should be proficient in these. Ever since the book, 'In Search of Excellence', organisations have realised that those who survive and flourish over the years have a strong fundamental culture or a way of doing things. These are unique ways and different from other companies and lead to a competitive advantage. It is difficult to imitate them and therefore, these organisations continue to enjoy the competitive advantage. Change, on the other hand, is the essence of leadership. There is a belief that strong culture which gives competitive advantage and change are conflicting issues. But what if an organisation has a responsive culture to change? Then it facilitates change and organisations thrive. This is what we need to learn in this unit.

Objectives:

Learning objective are:

- To define Culture and gain an overview of its concept.
- To understand the fundamentals of Culture.

- To gain an overview of the fundamentals of Change.
- To understand the steps in creating successful change.

Learning Outcomes

After studying this unit, you will be able to:

- Define culture.
- Explain the concept of culture.
- Explain the theories of culture and what a strong or weak culture is.
- State what should be the future focus in creating a culture
- Define change and explain why it is resisted.
- Design a simple roadmap for creating change.

15.2 Definition and Concept of Culture

Organisational culture is the collective behaviour of people in an organisation, formed by the values, beliefs, visions, norms, working language, systems, and symbols and manifested in its talk, actions, and behaviour. Some try to describe it simply as 'the way we do things here'. Ravasi and Schultz (2006) suggest that organisational culture is a set of shared mental assumptions that guide the interpretation and action in organisations. It defines the appropriate behaviour for various situations. At the same time, although a company may have "its own unique culture", in larger organisations, there can be different cultures that co-exist and it could be at times, conflicting ones.

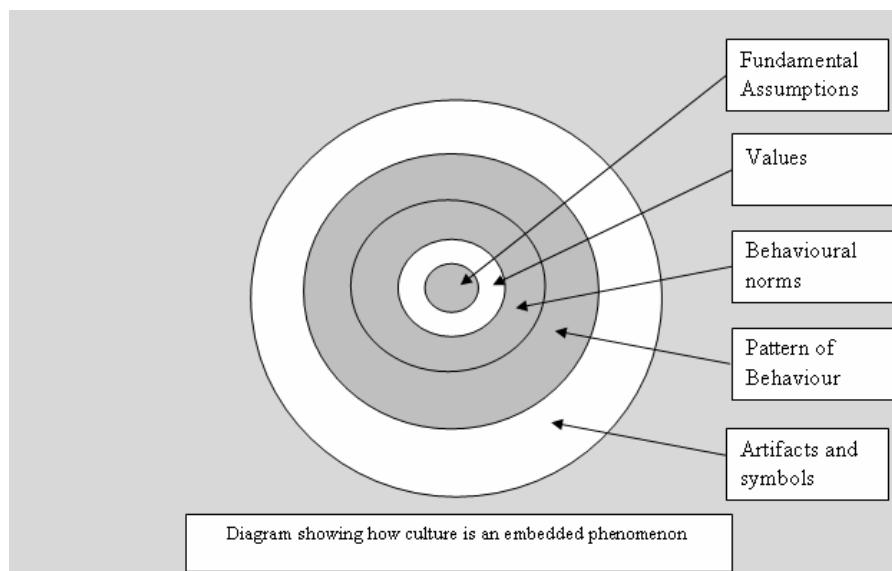
In the earlier units, we discussed about setting organisational goals/mission and the execution of those through planning. This can be done only if there is a culture since culture defines the laws in which people work in an organisation. The organisational effectiveness literature has been increasingly emphasising the importance of culture in motivating and maximising the value of its intellectual assets, particularly its human capital. This is particularly important in knowledge-intensive organisations such as publicly funded scientific laboratories.

A review of the organisational culture literature makes it clear that (1) culture is essential for both successful organisational change and maximising the value of human capital, (2) culture management should become a critical management competency, and (3) while the right culture may be a

necessary condition for organisational success, it is by no means a sufficient condition. An important challenge for managers is to determine what the most effective culture is for their organisation and when necessary, how to change the organisational culture effectively. Hence, there is a need to learn about organisational culture.

Culture is an embedded concept

Culture is something that is embedded deep in an organisation. Its core is the fundamental assumptions of an organisation. For example, the idea of trustees of the Tata Group is a fundamental assumption. From this, the values emerge. For example, the ethical and employee-friendly business value of Tata. Many try to define ethical and employee-friendly values, but their fundamental assumption may be profit and not trusteeship, and the result will be a less strong culture. This leads to defining the behavioural norms. For example, the way the group nurtured Jamshedpur is part of folklore and the pattern of behaviour. In order to give meaning to the pattern of behaviour, people have symbols, artifacts, practices, etc and usually, this is referred to as 'the Tata way', the 'Infosys' way, etc. But these 'ways', as we often describe them, are deeply embedded in the other factors which we just discussed. Together, they form the culture, which is also the reason why it is difficult to change the culture.



Self Assessment Questions

1. Ravasi and Schultz (2006) believe that organisational culture is a set of _____ that guide the interpretation and action in organisations.
2. Right culture, while a necessary condition for organisational success, is by no means _____.
3. At the core of culture lies _____ of an organisation.
4. In order to give meaning to the pattern of behaviour, people have _____, _____ and practices, etc.

15.3 Fundamentals of Culture**Growth of the concept**

Organisational culture became a business phenomenon in the early 1980s, triggered by four seminal books:

- Ouchi's (1981) *Theory Z: How American Business Can Meet the Japanese Challenge*
- Pascale and Athos's (1982) *The Art of Japanese Management: Applications for American Executives*
- Deal and Kennedy's (1982) *Corporate Cultures: The Rites and Rituals of Corporate Life*
- Peters and Waterman's (1982) *In Search of Excellence: Lessons from America's Best Run Companies*

The first two books suggested that Japanese business success could be attributed in large part to the Japanese corporate culture. The books recommended emulating them as a method of facing competition by corporate America. All four books suggested that corporate culture was the key to organisational performance and that corporate culture could be managed to improve a company's competitive advantage. They provided pragmatic prescriptions to American business leaders desperate for answers to help them remain successful in the face of increasing Japanese competition. These books were bestsellers and the last out sold all other non-fiction books for the year.

Increasing importance of organisational culture

Schein (1992) suggests that organisational culture is even more important today than it was in the past. Increased competition, globalisation, mergers, acquisitions, alliances, and various workforce developments have created a greater need for:

- Coordination and integration across organisational units in order to improve efficiency and quality and speed of designing, manufacturing, and delivering products and services.
- Product innovation, strategy innovation, process innovation, and the ability to successfully introduce new technologies such as information technology.
- Effective management of dispersed work units and increasing workforce diversity including managing virtual teams and telecommuters and to encourage alternative workplace concept (e.g. working from home or plugging in and working from a place other than the office).
- Cross-cultural management of global enterprises and/or multi-national partnerships which is particularly important for MNCs and transnational corporations.
- Construction of meta- or hybrid-cultures that merge aspects of cultures from what were distinct organisations prior to an acquisition or merger.
- Management of workforce diversity.
- Facilitation and support of teamwork.
- For executing high performance work systems.
- In addition to a greater need to adapt to these external and internal changes, organisational culture has become more important because an increasing number of corporations, intellectual as opposed to material assets, now constitute the main source of value.
- Maximising the value of employees as intellectual assets requires a culture that promotes their intellectual participation and facilitates both individual and organisational learning, new knowledge creation and application, and the willingness to share the knowledge with others. Culture today must play a key role in promoting:
 - Knowledge management
 - Creativity
 - Participative management
 - Leadership

Theories of organisational culture

Just as there are differing perspectives on what organisational culture is, there are differing perspectives regarding how it functions. Denison (1990) identifies four basic views of organisational culture that can be translated into four distinct hypotheses. They are:

- ***The consistency hypothesis*** – This refers to the idea that a common perspective, shared beliefs, and communal values among the organisational participants will enhance internal coordination and promote meaning and a sense of identification on the part of its members.
- ***The mission hypothesis*** – This refers to the idea that a shared sense of purpose, direction, and strategy can coordinate and galvanise the organisational members toward collective goals.
- ***The involvement/participation hypothesis*** – This refers to the idea that involvement and participation will contribute to a sense of responsibility and ownership and hence, organisational commitment and loyalty.
- ***The adaptability hypothesis*** – This refers to the idea that norms and beliefs that enhance an organisation's ability to receive, interpret, and translate signals from the environment into internal organisational and behavioural changes will promote its survival, growth, and development.

Strong vs. weak culture

Although all organisations have cultures, some have strong and more deeply rooted cultures than others. Initially, a strong culture was conceptualised as a coherent set of beliefs, values, assumptions, and practices embraced by most members of the organisation. The emphasis was on:

- The degree of consistency of beliefs, values, assumptions, and practice across the organisational members.
- The pervasiveness (number) of consistent beliefs, values, assumptions, and practices.

There is a strong belief that a strong, pervasive culture was beneficial to all organisations because it fostered motivation, commitment, identity, solidarity, and sameness which in turn, facilitated internal integration and coordination. An opposing view is that strong culture might be more

important for some types of organisations than others. Yet others suggest that strong cultures may not be always desirable because they act as a barrier to adaptation and change. Perrow (1979) suggested that a strong culture could also be a means of manipulation and co-optation. Merton (1957); March and Simon (1958) argued that it displaces goals or sub-goal formation, i.e., behavioural norms and ways of doing things become so important that they begin to overshadow the original purpose of the organisation. Culture was initially seen as a means of enhancing internal integration and coordination, but the open system view of organisations recognised that culture is also important in mediating adaptation to the environment. The traditional view of culture is that it limits the ability of organisations to adapt and change.

In contrast to the view that a strong organisational culture may be dysfunctional for contemporary business organisations, Schein (1992) argued that just because a strong organisational culture is fairly stable does not mean that the organisation will be resistant to change. It is possible for the content of a strong culture to be change-oriented, even if strong organisational cultures in the past typically were not. Thus he suggests that:

- The culture of modern organisations should be strong but limited, differentiating fundamental assumptions that are pivotal (vital to organisational survival and success) from everything else that is merely relevant (desirable but not mandatory).
- Today's organisations, characterised by rapidly changing environments and internal workforce diversity, need a strong organisational culture but one that is less pervasive in terms of prescribing particular norms and behavioural patterns than may have existed in the past.

This view was supported by Collins and Porras (1994) in their famous study (*Built to Last*) of companies that had strong and lasting performance.

Future focus for creating culture

To make a successful organisation, culture must take into account the following:

- The organisation must be proactive, not just reactive.
- The organisation must influence and manage the environment, not just adapt.
- The organisation must be pragmatic, not idealistic.

- The organisation must be future-oriented, not predominantly present/past oriented.
- The organisation must embrace diversity, not uniformity.
- The organisation must be relationship-oriented, not just task-oriented.
- The organisation must embrace external connectivity as well as promote internal integration.
- The organisation must be team-oriented.
- The organisation must be knowledge and learning-oriented.
- The organisation must be alliance and partnership-oriented.
- The organisation must know when to emphasise and how to balance cultural maintenance and cultural innovation (Trice and Beyer 1991; Collins and Porras 1994).

Managers must actively work to keep the existing organisation culture relevant to the present and future while maintaining some sense of continuity with the past. Collins and Porras (1994) found that companies with long-term success had a limited but strong set of timeless core values that did not prevent organisational change over time. These companies were able to preserve the core while stimulating progress.

Self Assessment Questions

5. Schein argues that culture of modern organisations should be strong on _____ issues.
6. Collins and Porras (1994) found that companies with long-term success had a limited but strong set of timeless core values that did not prevent organisational _____ over time.

15.4 Fundamentals of Change

Organisational change may be defined as “the adoption of a new idea or a behaviour by an organisation” (Daft 1995). It is a way of altering an existing organisation to increase the organisational effectiveness for achieving its objectives.

Forces of change

Forces for change can be internal or external.

Internal forces

The internal forces are as follows:

- **Change in the top management** – Change in the top management and consequent change in the ideas to run the organisation. For example, change of Satyam top management.
- **Change in the size of the organisation** – Change in the organisation's size leads to change in the internal structure and complexity of the operations in the organisation. For example, Tata acquiring Chorus will lead to change in Tata.
- **Performance gaps** – When a gap between the set target and actual results (in terms of market share, employee productivity, and profit) is identified, organisations face the forces to change and reduce the gap. For example, Kingfisher Airlines.
- **Employee needs and values** – With changing needs and values of the employees, organisations change their policies. For example, attractive financial incentives, challenging assignments, vertical growth opportunities, and autonomy at work may be provided in an organisation to attract and retain its effective employees.
- **Deficiency in the existing organisation** – Sometimes, changes are necessary because of deficiency in the present organisational arrangement and process. These deficiencies may be in the form of unmanageable span of management, large number of managerial levels, lack of co-ordination between various departments, obstacles in communication, multiplicity of committees, lack of uniformity in policy decisions, lack of co-operation between line and staff, etc.
- **Change/addition to business** – If you change the business or add businesses, these will force a change in the organisation.

External forces

These are as follows:

- **Political and legal environment**

When this changes, business has to adapt and change. For example, if there is a labour law change or if the international law of taxation changes or the country signs agreements with other countries leading to export/import of goods, induction of FDI, etc, the organisation has to change.

- **Economic**

When the economic changes take place, the companies have to change. For example, when the economic downturn took place in the world in 2008, many changes were incorporated in India also.

- **Social**

With social awareness such as rules of acquisition of land and attitude towards mining and when more inclusiveness is warranted by the society, etc, business has to change.

- **Technology**

In today's world, technology leads and compels many changes such as the change created due to mobile phones, ATMs, etc.

Resistance to change

Resistance to change may be of two types. They are:

- Individual resistance
- Organisational resistance

Let us now discuss these two types in brief.

- **Individual resistance** – Change leads to insecurity among the employees as they may have to work in a different way which they do not like. For example, resistance to use of computers by the older generation of bank employees.
- **Organisational resistance** – Change may bring some potential threat to the organisational power to some people. Therefore, people try to resist change.

Factors for resistance to change

These can be broadly classified into:

- Economic factors
- Psychological factors
- Social factors

Let us now discuss each of these factors in brief.

- **Economic factors** – People feel attached to the organisation for satisfying their needs and economic needs - physiological, job security, etc. People may perceive that they will be adversely affected by the change in terms of their needs satisfaction in the following ways:

- **Skill obsolescence** – A change is generally meant for better methods of working which may involve new techniques, technology, etc, and they may feel that the new machine degrades their job.
- **Fear of economic loss** – A change may create fear of economic loss in the sense that it may affect economic compensation adversely, reduce job options, etc as it happens when a new technology is introduced.
- **Reduced opportunities for incentives** – Employees are generally offered incentives linked to their output in the form of incentive schemes, bonus, etc, and the change may reduce these.
- **Psychological factors** – Psychological factors are based on people's emotions, sentiments, and attitudes towards change.
 - **Ego defensiveness** – A change may affect the ego of the people affected by the change and in order to defend their ego, people resist change.
 - **Status quo** – People want status quo, i.e., they do not want any disturbance in their existing equilibrium of life and work pattern. The change initiated by the organisation disturbs such equilibrium and people have to obtain another equilibrium which is a painful exercise. Therefore, everyone tries to avoid it.
 - **Low tolerance for change** – In the context of maintaining status quo, people may differ. Some people have very low level of tolerance for change and ambiguity as compared to others. Therefore, these people resist any new idea.
 - **Lack of trust in change agent** – The effect of change is perceived in the context of change agent, that is, the person who initiates change. If people have low degree of confidence in the change agent, they show resistance to change efforts. This is the reason why labour union resists changes initiated by management because of the feeling that labour and management are two different interest groups in the organisation.
 - **Fear of unknown** – A change may be perceived as entering into unchartered area which is unknown. The change will bring results in the future, which is always uncertain. This lack of certainty creates anxiety and stress in the minds of people, and

they want to avoid it. The lack of adequate information about the likely impact of change further complicates the problems.

- **Social factors** – People derive need satisfaction, particularly social needs, through their mutual compatible interactions. They form their own social groups at the work place for the satisfaction of their social needs. To the extent the satisfaction of these needs is affected by a change, people resist it. The major factors causing resistance to change are the desire to retain existing social interaction and the feeling of outside interference.
 - **Desire to maintain existing social interaction** – People desire to maintain existing social interaction since it is a satisfying one. When there is any change, their existing social interactions are likely to be changed, which people do not want. Therefore, they resist change.
 - **Feeling of outside interference** – A change brought about by the change agent is considered to be interference in the working of people. This phenomenon is heightened if the change agent belongs to another social class. For example, the change initiated by managers affecting workers.

Basic model of change

Lewin (1951) proposed a three-step sequential model of change process as given in Figure 15.1.

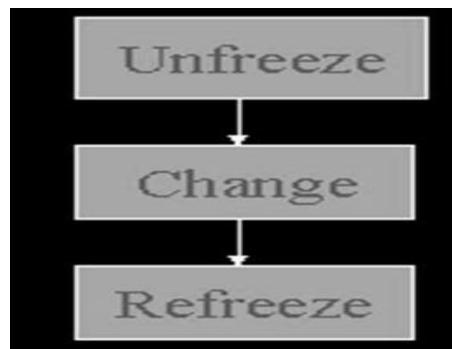


Fig. 15.1: Steps for Change

The three steps are:

- **Unfreezing** – At this stage, the forces, which maintain the status quo in the organisational behaviour, are reduced by refuting the present attitude and behaviour to create a perceived need for something new. It

is facilitated by environmental pressure such as increasing competition, declining productivity and performance, feeling the need to improve the style of work, etc. Some measures which are quite helpful in undertaking the unfreezing process are as follows:

- The physical removal of the individuals being changed from their accustomed routines, sources of information, and social relationships.
- The undermining and destruction of social support.
- Demeaning and humiliating experiences to help individuals to see their old attitudes or behaviour as unworthy and think to be motivated to change.
- The consistent linking of reward with willingness to change and of punishment with lack of willingness to change.
- **Changing/moving** – This stage involves a shift in the behaviour of organisations by modifying system, process, technology, and people. This happens when change is actually executed or complied with.
- **Refreezing** – At this stage, the changes are institutionalised and are made part of the culture so that people do not fall back to the old ways.

Self Assessment Questions

7. Organisational change may be defined as the adoption of a _____ or _____ by an organisation.
8. Four important external forces of change are political, economic, social, and _____.
9. Factors for resistance of change can be broadly classified into three namely economic, _____, and social.
10. Basic model of change has _____ steps.

15.5 Eight Steps of John Kotter on Leading Change

We will discuss these steps in some detail because today, it is the leading literature on change and several change management courses and training programmes are conducted on its basis.

Change is something that all of us have to cope. Organisations and people attempt to change but the failure rate is very high. Why does it happen? John Kotter, after studying over 180 organisations that attempted change

(some of them which failed), has been able to identify a pattern of successful change in organisations. He has converted it into 8 steps. These are discussed below. The workshop is modeled on the same lines and is an internationally accepted method to facilitate change.

Step one: Create urgency

For change to happen, the organisation should feel a need and feel that this need is urgent. This is true at all levels. For example, Lokpal bill is something that has hanged fire for over 40 years, and it was Team Anna who created a sense of urgency for it. Similarly, many organisations where fundamental changes have taken place did so after someone, usually the CEO and the top management team, created a sense of urgency for it. Quite understandably, those who are at the lower level cannot see as well as those on top and therefore, it is only natural that the consequences of not changing can best be seen by those on top. But if there is myopia for those on top, then it is quite impossible to lead those below.

A sense of urgency cannot be created if you talk of global competition or even slowing sales. This, at best, leads to the sales team moving to better pastures and the operations people living as if nothing has happened. There has to be honest and convincing dialogue between the managers and the people about what is happening in the market, what is happening to us, what could happen to us in the not-so-distant future and the consequences of it for us as a family. If people start talking about it and talk about it purposefully, in forums, in the canteen, in the workplace and at home, be sure, your step 1 is a great success.

What you can do?

You can do a lot. You can identify the potential threats based on scenarios and vividly describe these. You could ask people to explore opportunities that could be used. You could give strong data support or even paint the 'far superior state one would be in' after the change. After all, people need support to change or feel the need for it. Take the case of an obese person. Does he or she go on diet or exercise on his or her own? Often this does not happen. It happens when someone convinces of its dangers and the benefits of losing weight. The pain is difficult to take, but after one loses 10 Kg, one speaks of it with great pride. So change requires support from several quarters and leaders are the best quarter.

Kotter finds that for change to take off, 75% of a company's people and particularly the managers have to buy into the change idea. Well, you have to work hard to achieve this figure. You don't have to panic or jump in too fast and create short-term losses though some great leaders have created short-term book losses to press home their point about the need to change.

Step two: Form a powerful coalition

Do generals go to war alone? Can you go into change alone? This is where the need for a strong leadership who is courageous enough to enlist the support of several top managers matter. You have to be at the forefront of it all to get the support of the people. In other words, you cannot manage change, you have to lead it.

If you keep your eyes and ears open, you can see effective top management change leaders throughout the organisation and at every level of the hierarchy. Enlist them. I do agree that some of them may get enlisted wrongly, though they do not really support the change, but apparently show great enthusiasm for it for they want to be in the crowd. Be careful of such people for their actions will differ from words and when the managers don't walk the talk, the shop floor people will dump your idea. Here, the top management has to have level 5 leadership style propounded by Jim Collins. Level 5 leaders are extremely humble in their personal life but ruthless in organisational goals. They get the right people into the bus but more importantly, get the wrong people out, before they drive to their destination.

So, to lead the change, you should get a team of influential people. Their power may come from job title, status, expertise, political importance, communication competence, etc. This team is what we call the 'guiding coalition'. They have to work as a team (not group). They have to continue to build urgency and create momentum and change.

What you can do?

So you need to get some real guys and girls on board. They should be committed leaders and should be willing to work in the coalition. The team should be a great mix of people from different departments and different levels and should invariably have the opinion leaders. If you are a unionised company, get the top union guys on board. That's the way to go. Don't belittle anyone's capability to facilitate or block change.

Step three: Create a vision for change

People, whether employees or family members, want to know two things – What is it and why is it. If they are convinced of these, then they perhaps accept the ‘how’ of it that you might dictate to them. In other words, participation of people on how to do a thing in a changed way is contingent upon their understanding of what it is and feeling convinced why.

For this, we need a clear vision that can be understood by everyone. Having said that, one must admit that vision building is a rather interesting but tedious process. It is interesting because it answers the question of what the organisation is all about and you discover the organisation anew. It is tedious because it has to cater to the requirements and view a lot of stakeholders. But its power is something like the power of a man who has discovered himself.

What you can do?

Decide on the values that are central and how the values will be better served by the change. Equally determine the purpose of the organisation and how these purposes will be better served by the change. Then, make a short summary of it and perhaps refine it such that people can understand it and get inspired by it. Once your vision and mission is in place, the cycle of strategy, structure, and systems will take over more easily.

Step four: Communicate the vision

What you do with the vision determines its success. First and foremost, one must communicate it. Now the biggest competitor to the vision itself is the other ‘day-to-day communication’. The next barrier is those managers who fail to walk the talk. For example, talk of teamwork but rewards only individual performance. So you not only need to communicate frequently but also create channels without any clash. It should be done both formally and informally. Here, the role of guiding coalition who can make effective informal communication is vital. One-on-one communication is the key here. Frequency, persuasion, conviction of the communicator, etc play a role. Keep it fresh and boiling and never keep it in the fridge as it will take a lot of time to reheat.

What you can do?

You should talk of change and its benefits and the vision often; talk of it at all levels and could have some vision building sessions. Be open and

honest and address people's concerns and of course, anxiety and fears. Apply the vision to all aspects of the corporate from training to performance reviews. Tie everything back to the vision. Last but not least, 'lead by example'.

Step five: Remove obstacles

Once you have kick started the exercise and progressed, your staff would want to change and enjoy the benefits that you have been promising. But there would always be people who are resisting change. Structures, systems, and processes will also be resisting. Here the leader has to play the role of obstacle remover which involves, at times, dropping some people from the organisation. It is like the train that you want to pilot. You may have some ticketless passengers which you might tolerate, but if you have someone who pulls the chain, you have to take the hard decision of getting him down. If you create strong structures, systems, and processes, it would be easier to change.

What you can do?

The first thing that we can do is to identify change leaders. Look at the organisational structure, job descriptions, performance, and compensation to ensure they are in line with the vision. Recognise and reward the change supporters and identify the change resistors and let them get the message through the reward management system. Take action quickly. It is important to be prompt to send the message.

Step six: Create short-term wins

Success begets success. Morale goes up, motivation rises, and performance increases when one has one success after the other. Create them by planning systematic small wins. Change condition is not one avalanche that ends up in something huge. It is the accumulation of small but frequent wins. Without the small wins, the critics will get the better of you. People want to see results.

What you can do?

To get short-term wins, look at sure-fire projects and implement them without help from any strong critics. Select the projects which can be implemented without the help of the critics. Choose simple targets which justify the investment and get the results. Ensure that the project can have

early results. Reward those who achieve the wins openly and with enthusiasm.

Step seven: Don't declare victory too early

Many change projects fail because the victory is declared too early. Real change takes time to percolate. When you have quick wins, you might be disoriented; but do not mix it up with the ultimate success. Let not the victorious battles be construed as victory of the war. For example, you can launch a new product in a shortened cycle. Surely, it is a success but it is a true win only if you can do that several times over. Each success gives an opportunity to ride on the success and keep on building.

What you can do?

Every win should make you ask what went right and what went wrong and how we can improve. Set goals to continue building on the momentum.

Step eight: Anchor the changes in corporate culture

Since change is inherently dynamic, there is a danger of it falling back. To make it stick, change the core of the organisational culture. We must make every effort to ensure that change is seen in every aspect of your organisation. The leaders should continue to support change, talk of what it has done to you and what it can do to you further, and keep the fire burning for quite a long time before it gets into the culture. Once it becomes the part of the culture, things move on. If we lose the support of the people, we will end up where we started.

What you can do?

Talk about progress at every chance you get. Tell success stories about the change process, and repeat the other stories that you hear. Include change ideals and values while hiring new staff, include these into the fundamental competencies of an employee and plan the succession so that the change gets on smoothly.

Self Assessment Questions

11. John Kotter suggests _____ steps for creating change.
12. For change to take off, _____ % of a company's people and particularly the managers have to buy into the change idea.

13. Reward management is an effective tool in change management.
(True/False)
14. Anchoring change in _____ is an important step in change management.

15.6 Case Study

Maverick Learning

Maverick Learning is involved in imparting under graduate level education through distance learning. It has been working for around two decades. It is an immensely popular educational group whose students range from working professionals to people residing in the remote areas of the country. Maverick Learning decides to introduce technology-enabled learning with a vision to create a virtual class room experience. Another reason is to keep its pace with the competitors and sustain them in the information communication revolution.

It has been over a year that they are working on developing and implementing the plan. It involves big amount of investments as well as more manpower with different skill sets. It is a tough challenge but to adopt this technological change is mandatory for Maverick learning.

At different levels, there are mixed reactions towards the change. For old academicians, it is difficult to catch up with the change and prepare the e-content. Even at higher level there are financial constraints which put the limitation for hiring more employees or outsourcing the work.

In the academic council meeting, most of the academicians say that preparing e-content is duplication of work, technology-enabled learning is useless because many students from remote areas cannot access it. They say whatever requirements the learning consultants are putting before them cannot be implemented.

Mr. Shantaram is leading the academics, and he picks few people from the team to coordinate the tasks related to academics. Within a month, the response improves, raising the number of logins by ten times.

Mr. Shantaram again calls a meeting of all academicians and shares the interesting results. This time, he also makes more teams and allocates responsibility amongst the old academicians. He promises to hire two more

people to provide technical assistance. He also introduces some credit points to recognise the efforts people make towards enriching the e-content.

Discussion Questions:

1. What kind of reactions towards change is seen in this case?
2. What steps are taken by Mr. Shantaram to drive the change successfully?
3. What steps shall be taken to overcome resistance to change?
4. Do you find any examples in this case that illustrates taking steps to overcome resistance?

15.7 Summary

Let us recapitulate the important concepts discussed in this unit:

- Organisational culture is the collective behaviour of people in an organisation, formed by the values, beliefs, visions, norms, working language, systems, and symbols and manifested in its talk, actions, and behaviour.
- Organisational culture is important for greater coordination and integration, product innovation, effective management of dispersed work units, facilitation and support of teamwork, execution of high performance work systems, maximising value of employees, cross cultural management.
- Organisational change is a way of altering an existing organisation to increase the organisational effectiveness for achieving its objectives.
- Forces of change may be internal or external. Internal forces are change in top management, size of organisation, performance gaps, employee needs and values, deficiency in existing organisation, change in business.
- External forces are political and legal, economic, social and technological environment.
- Resistance to change are of two types – individual and organisational.
- Factors responsible for resistance to change are economic, social and psychological.
- The three steps in organisational change are unfreeze, change and refreeze.

- John Kotter's eight steps on leading change involves creating urgency, forming powerful coalition, creating a vision for change, communicating the vision, removing obstacles, creating short term wins, declaring victory, anchoring changes.

15.8 Glossary

- **Refreezing:** The process of making new behaviours relatively permanent and resistant to further change.
- **Unfreezing:** The process by which people become aware of the need for change.

15.9 Terminal Questions

1. Explain the concept of culture.
2. What are the social factors that lead to resistance to change ?
3. What are the social factors that lead to resistance to change ?
4. Explain lewin's Model of Change.

15.9 Answers

Self Assessment Questions

1. Shared mental assumptions
2. Sufficient
3. Fundamental assumptions.
4. Symbols, artifacts
5. Pivotal
6. Change
7. new idea or a behavior
8. Technology
9. Psychological
10. Three
11. Eight
12. 75
13. True
14. Corporate culture

Terminal Questions

1. Organisational culture is the collective behaviour of people in an organization formed by values, beliefs etc. Refer section 15.2 for more details.
2. External forces of change are economic, social, political, legal and technological environment. Refer section 15.4 for more details.
3. The social factors are the desire to maintain existing social interaction and feeling of outside interference. Refer section 15.4 for more details.
4. Lewin's model of change proposed three steps in change process – unfreezing, change and refreeze. Refer section 15.4 for more details.

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