

UNIT - 1

Concept of Management

Management involves creating an internal environment: - It is the management which puts into use the various factors of production. Therefore, it is the responsibility of management to create such conditions which are conducive to maximum efforts so that people are able to perform their task efficiently and effectively. It includes ensuring availability of raw materials, determination of wages and salaries, formulation of rules & regulations etc.

Therefore, we can say that good management includes both being effective and efficient. Being an effective means doing the appropriate task i.e., fitting the square pegs in square holes and round pegs in round holes. Therefore, It means doing the task correctly, at least possible cost with minimum wastage of resources.

Nature of Management

Management is an activity concerned with guiding human and physical resources such that organizational goals can be achieved. Nature of management can be highlighted as: -

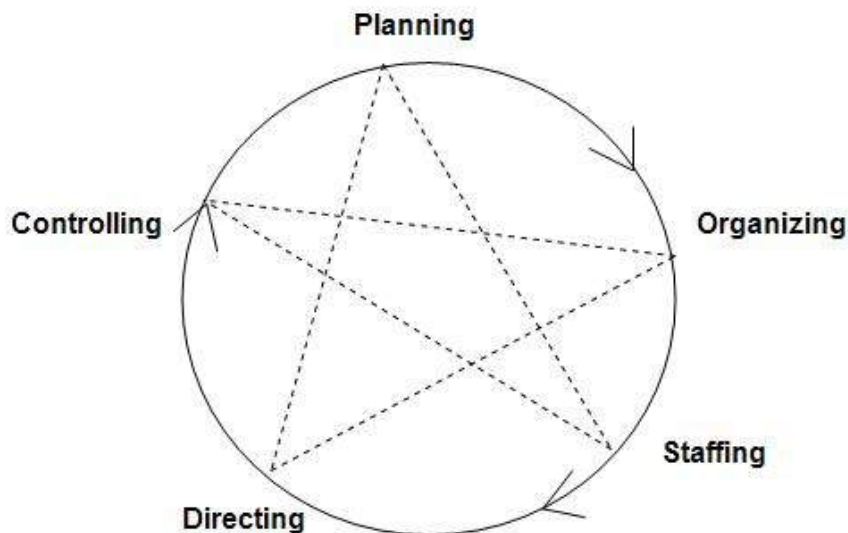
1. **Management is Goal-Oriented**
2. **Management integrates Human, Physical and Financial Resources:** In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.
3. **Management is Continuous:**
4. **Management is all Pervasive:** Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. When ever more than one person is engaged in working for a common goal, management is necessary. Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel, management is required everywhere irrespective of size or type of activity.
5. **Management is a Group Activity:** Management is very much less concerned with individual's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management of ABC & Co. is good refers to a group of persons managing the enterprise.

Significance of Management

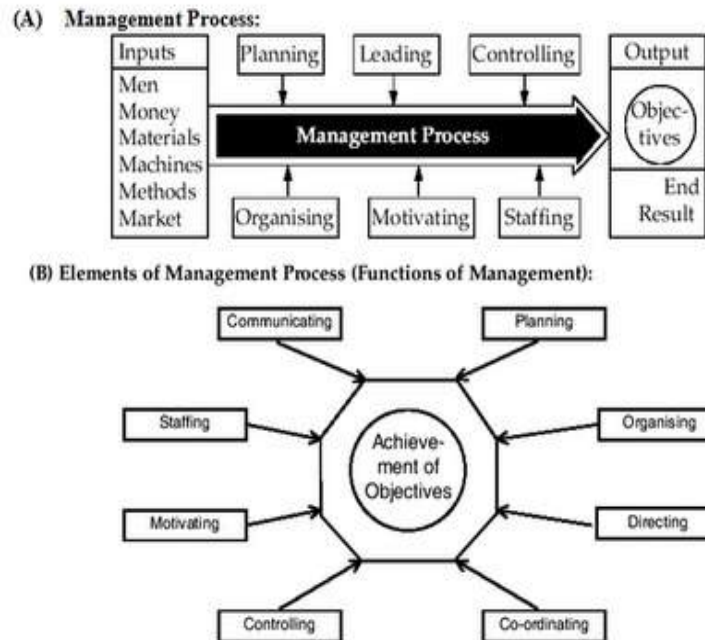
1. **It helps in Achieving Group Goals**
2. **Optimum Utilization of Resources** - Management utilizes all the physical & human resources productively. This leads to efficacy in management.

3. **Reduces Costs** - It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
4. **Establishes Sound Organization** - (smooth and coordinated functions).
5. **Establishes Equilibrium** - It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.
6. **Essentials for Prosperity of Society** - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

Functions of Management



Process of Management



Managerial levels / Levels of Management

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

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

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



LEVELS OF MANAGEMENT

1. Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

2. Middle Level of Management

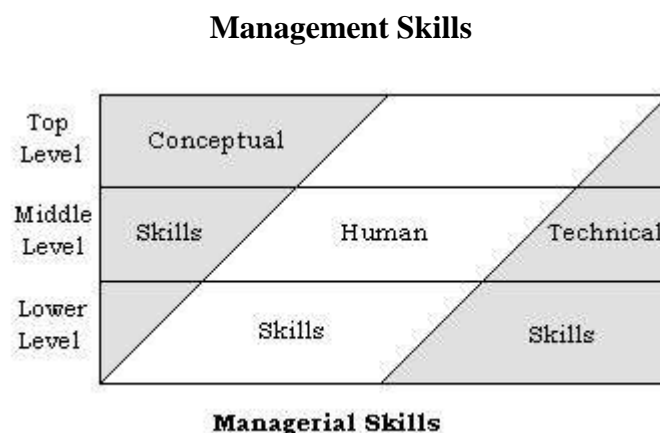
The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

- a. They execute the plans of the organization in accordance with the policies and directives of the top management.
- b. They make plans for the sub-units of the organization.
- c. They participate in employment & training of lower level management.
- d. They interpret and explain policies from top level management to lower level.

- e. They are responsible for coordinating the activities within the division or department.
 - f. It also sends important reports and other important data to top level management.
 - g. They evaluate performance of junior managers.
 - h. They are also responsible for inspiring lower level managers towards better performance.
3. Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.
- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They help to solve the grievances of the workers.
- f. They supervise & guide the sub-ordinates.
- g. They are responsible for providing training to the workers.
- h. They arrange necessary materials, machines, tools etc for getting the things done.
- i. They prepare periodical reports about the performance of the workers.
- j. They ensure discipline in the enterprise.
- k. They motivate workers.



1. **Technical skills** – involve process or technique knowledge and proficiency in a certain specialized field, such as engineering, computers, accounting, or manufacturing. These skills are

more important at lower levels of management since these managers are dealing with employees doing the organization's work.

The technical skill involves the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique

2. Human Skills – involve the ability to interact effectively with people. Managers interact and cooperate with employees. Because managers deal directly with people, this skill is crucial. Managers with good human skills are able to get the best out of their people. They know how to communicate, motivate, lead, and inspire enthusiasm and trust. These skills are equally important at all levels of management.

Human skills are also the ability to interact effectively with people at all levels. This skill develops in the manager sufficient ability.

a) To recognize the feelings and sentiments of others

b) To judge the possible reactions to, and outcomes of various courses of action he may undertake and

c) To examine his own concepts and values this may enable him to develop more useful attitudes about himself.

3. Conceptual Skills- involve the formulation of ideas, conceptualization about abstract and complex situations. Managers understand abstract relationships, develop ideas and solve problems creatively. Using these skills, managers must be able to see the organization as a whole. They have to understand the relationships among various subunits, and visualize how organization fits into its border environment. These skills are most important at the top management levels.

Conceptual skills refer to the ability of a manager to conceptualize the environment, the organization, and his own job, so that he can set appropriate goals for his organization, for himself and for his team. This skill seems to increase in importance as a manager moves up to higher positions of responsibility in the organization. Thus, technical skill deals with things, human skills concerns people, and conceptual skill has to do with ideas.

Managerial Role

Mintzberg (1973) groups managerial activities and roles as involving:

Managerial activities	Associated roles
Interpersonal roles - arising from formal authority and status and supporting the information and decision activities.	<ul style="list-style-type: none"> · figurehead · liaison · leader
information processing roles	<ul style="list-style-type: none"> · monitor · disseminator · spokesman
Decision roles: making significant decisions	<ul style="list-style-type: none"> · improver/changer · disturbance handler · resource allocator · negotiator

The broad proposition is that, as a senior manager enacts his/her role, these will come together as a gestalt (integrated whole) reflecting the manager's competencies associated with the roles. In a sense therefore they act as evaluation criteria for assessing the performance of a manager in his/her role.

· 1. **Figurehead**

Social, inspirational, legal and ceremonial duties must be carried out. The manager is a symbol and must be on-hand for people/agencies that will only deal with him/her because of status and authority.

· 2. **The leader role**

This is at the heart of the manager-subordinate relationship and managerial power and pervasive where subordinates are involved even where perhaps the relationship is not directly interpersonal. The manager

Defines the structures and environments within which sub-ordinates work and are motivated.

Oversees and questions activities to keep them alert.

Selects, encourages, promotes and disciplines.

Tries to balance subordinate and organisational needs for efficient operations

· 3. **Liaison:**

This is the manager as an information and communication centre. It is vital to build up favours. Networking skills to shape maintain internal and external contacts for

information exchange are essential. These contacts give access to "databases"- facts, requirements, probabilities.

4. As **'monitor'**

The manager seeks/receives information from many sources to evaluate the organization's performance, well-being and situation. Monitoring of internal operations, external events, ideas, trends, analysis and pressures is vital. Information to detect changes, problems & opportunities and to construct decision-making scenarios can be current/historic, tangible (hard) or soft, documented or non-documented. This role is about building and using an intelligence system. The manager must install and maintain this information system; by building contacts & training staff to deliver "information".

5. As **disseminator**

The manager brings external views into his/her organization and facilitates internal information flows between subordinates (factual or value-based).

The preferences of significant people are received and assimilated. The manager interprets/disseminates information to subordinates e.g. policies, rules, regulations. Values are also disseminated via conversations laced with imperatives and signs/icons about what is regarded as important or what 'we believe in'.

6. As **spokesman**

The manager informs and lobbies others (external to his/her own organisational group). Key influencers and stakeholders are kept informed of performances, plans & policies. For outsiders, the manager is an expert in the field in which his/her organization operates.

A senior manager is responsible for his/her organization's strategy-making system - generating and linking important decisions. He/she has the authority, information and capacity for control and integration over important decisions.

7. As **initiator/changer**

He/she designs and initiates much of the controlled change in the organization. Gaps are identified, improvement programmes defined. The manager initiates a series of related decisions/activities to achieve actual improvement. Improvement projects may be involved at various levels. The manager can

- delegate all design responsibility selecting and even replace subordinates.
- empower subordinates with responsibility for the design of the improvement programme but e.g. define the parameters/limits and veto or give the go-ahead on options.

- supervise design directly.

8. The **disturbance handler**

He is a generalist role i.e. taking charge when the organization hits an iceberg unexpectedly and where there is no clear programmed response. Disturbances may arise from staff, resources, threats or because others make mistakes or innovation has unexpected consequences. The role involves stepping in to calm matters, evaluate, re-allocate, support - removing the thorn - buying time. The metaphors here are

If you are up to your backside in alligators it is no use talking about draining the swamp. And Stop the bleeding as only then can you take care of the long term health of the patient.

9. As **resource allocator**

The manager oversees allocation of all resources (£, staff, reputation). This involves:

- scheduling own time
- programming work
- authorizing actions

With an eye to the diary (scheduling) the manager implicitly sets organisational priorities. Time and access involve opportunity costs. What fails to reach him/her, fails to get support.

The managerial task is to ensure the basic work system is in place and to programme staff overloads - what to do, by whom, what processing structures will be used.

10. **Negotiator**

He takes charge over important negotiating activities with other organizations. The spokesman, figurehead and resource allocator roles demand this.

Evolution of Management Thought

This evolution of management thought can be studied in the following broad stages:

1. The Classical Theory of Management (Classical Approach): 1900 to 1930.

It includes the following three streams of thought:

- (i) Bureaucracy,
- (ii) Scientific Management; and
- (iii) Administrative Management

2. The Neo-classical theory of Management: 1930 to 1960

It includes the following two streams:

- (i) Human Relations Approach and
- (ii) Behavioral Sciences Approach.

3. The Modern Theory of Management: 1960 onwards.

It includes the following three streams of thought:

- (i) Quantitative Approach to Management (Operations Research);
- (ii) Systems Approach to Management and
- (iii) Contingency Approach to Management.

It is rather difficult to state the exact period of each stage in the evolution of management thought. Experts, in general, agree with the following period for each thought/school.

The Classical Theory of Management (Classical Approach)

1. Bureaucracy

Max Weber contributed the theory of bureaucracy to the management thought. He used the word; bureaucracy to the specific kind of administrative organization whose characteristics are given below; Max Weber's main contribution to management is his theory of authority structure and his description of organizations based on the nature of authority relations within them. It was Max Weber contributed the theory of bureaucracy to the management thought. He used the word; bureaucracy to the specific kind of administrative organization whose characteristics are given below; Max Weber's main contribution to management is his theory of authority structure and his description of organizations based on the nature of authority relations within them. It was Weber's contention that there are three types of legitimate authority which run as follows:

- **Rational legal authority-** Obedience is owed to a legally established position or rank within the hierarchy of a business, military unit, government, and so on.
- **Traditional authority-** People obey a person because he belongs to certain class or occupies a position traditionally recognized as possessing authority, such as a royal family.
- **Charismatic authority-** Obedience is based on the followers' belief that a person has some special power or appeal.

Characteristics of Bureaucracy

A bureaucratic organization shows the following characteristics:

- **Division of work-** There is a high degree of division of work at both the operative and administrative levels. This leads to specialization of work.
- **Hierarchy of positions-** There is a hierarchy of authority in the organization. Each lower position is under the control of a higher one. Thus, there is unity of command.
- **Rules and regulations-** The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:
- **Impersonal conduct-** There is impersonality of relationships among the organizational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure.
- **Staffing-** The personnel are employed by a contractual relationship between the employee and employer. The employees get salary every month which is based on the job they handle and also the length of service.
- **Technical competence-** The bureaucrats are neither elected nor inherited, but they are appointed through selection. Promotions in bureaucracies are also based on technical qualifications and performance
- **Official records:** The decisions and activities of the organization are formally recorded and preserved safely for future reference. This is made possible by extensive filing system. The official records are considered as the encyclopedia of various activities performed by the organization. The filing system makes the organization independent of individuals. The official records serve as the memory of the organization

2. Scientific Management

Fredrick Winslow Taylor (March 20, 1856 - March 21, 1915) commonly known as '**Father of Scientific Management**' started his career as an operator and rose to the position of chief

engineer. He conducted various experiments during this process which forms the basis of scientific management. It implies application of scientific principles for studying & identifying management problems.

According to Taylor, “Scientific Management is an art of knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way”. In Taylors view, if a work is analysed scientifically it will be possible to find *one best way* to do it.

Hence scientific management is a thoughtful, organized, dual approach towards the job of management against hit or miss or Rule of Thumb.

According to *Drucker*, “The cost of scientific management is the organized study of work, the analysis of work into simplest element & systematic management of worker’s performance of each element”.

Principles of Taylor

1. Development of Science for each part of men’s job (replacement of rule of thumb):
 - a. This principle suggests that work assigned to any employee should be observed, analyzed with respect to each and every element and part and time involved in it.
 - b. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules.
 - c. Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.
2. Scientific Selection, Training & Development of Workers:
 - a. There should be scientifically designed procedure for the selection of workers.
 - b. Physical, mental & other requirement should be specified for each and every job.
 - c. Workers should be selected & trained to make them fit for the job.
 - d. The management has to provide opportunities for development of workers having better capabilities.
 - e. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity:
3. Co-operation between Management & workers or Harmony not discord
 - a. Taylor believed in co-operation and not individualism.
 - b. It is only through co-operation that the goals of the enterprise can be achieved efficiently.
 - c. There should be no conflict between managers & workers.
 - d. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.
4. Division of Responsibility:
 - a. This principle determines the concrete nature of roles to be played by different level of managers & workers.
 - b. The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.

- c. Thus planning is to be separated from execution.
- 5. Mental Revolution:
 - a. The workers and managers should have a complete change of outlook towards their mutual relation and work effort.
 - b. It requires that management should create suitable working condition and solve all problems scientifically.
 - c. Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise.
 - d. Handsome remuneration should be provided to workers to boost up their moral.
 - e. It will create a sense of belongingness among worker.
 - f. They will be disciplined, loyal and sincere in fulfilling the task assigned to them.
 - g. There will be more production and economical growth at a faster rate.
- 6. Maximum Prosperity for Employer & Employees:
 - a. The aim of scientific management is to see maximum prosperity for employer and employees.
 - b. It is important only when there is opportunity for each worker to attain his highest efficiency.
 - c. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers.
 - d. There should be maximum output in place of restricted output.
 - e. Both managers & workers should be paid handsomely.

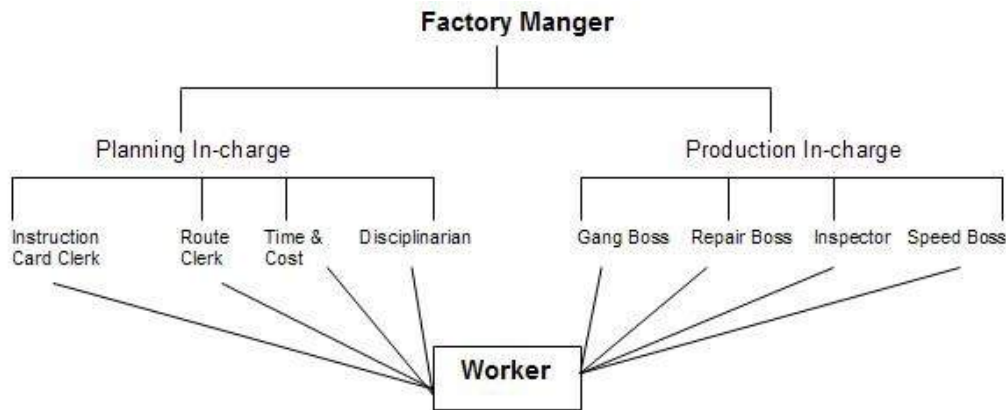
Techniques of Scientific Management

- 1. Time Study
 - a. It is a technique which enables the manager to ascertain standard time taken for performing a specified job.
 - b. Every job or every part of it is studied in detail.
 - c. This technique is based on the study of an average worker having reasonable skill and ability.
 - d. Average worker is selected and assigned the job and then with the help of a stop watch, time is ascertained for performing that particular job.
 - e. Taylor maintained that Fair day's work should be determined through observations, experiment and analysis by keeping in view an average worker.

$$\text{Standard Time} \times \text{Working Hours} = \text{Fair Day's Work}$$

- 2. Motion Study
 - a. In this study, movement of body and limbs required to perform a job are closely observed.
 - b. In other words, it refers to the study of movement of an operator on machine involved in a particular task.
 - c. The purpose of motion study is to eliminate useless motions and determine the best way of doing the job.

- d. By undertaking motion study an attempt is made to know whether some elements of a job can be eliminated combined or their sequence can be changed to achieve necessary rhythm.
 - e. Motion study increases the efficiency and productivity of workers by cutting down all wasteful motions.
3. Functional Foremanship



- a. Taylor advocated functional foremanship for achieving ultimate specification.
- b. This technique was developed to improve the quality of work as single supervisor may not be an expert in all the aspects of the work.
- c. Therefore workers are to be supervised by specialist foreman.
- d. The scheme of functional foremanship is an extension of principle of specialization at the supervisory level.
- e. Taylor advocated appointment of 8 foremen, 4 at the planning level & other 4 at implementation level.
- f. The names & function of these specialist foremen are: -
 - Instruction card clerk concerned with tagging down of instructions according to which workers are required to perform their job
 - Time & cost clerk is concerned with setting a time table for doing a job & specifying the material and labor cost involved in it.
 - Route clerk determines the route through which raw materials has to be passed.
 - Shop Disciplinarians are concerned with making rules and regulations to ensure discipline in the organization.
 - Gang boss makes the arrangement of workers, machines, tools, workers etc.
 - Speed boss concerned with maintaining the speed and to remove delays in the production process.
 - Repair boss concerned with maintenance of machine, tools and equipments.

- Inspector is concerned with maintaining the quality of product.

4. Standardization

- It implies the physical attitude of products should be such that it meets the requirements & needs of customers.
- Taylor advocated that tools & equipments as well as working conditions should be standardized to achieve standard output from workers.
- Standardization is a means of achieving economics of production.
- It seems to ensure -
 - The line of product is restricted to predetermined type, form, design, size, weight, quality. Etc
 - There is manufacture of identical parts and components.
 - Quality & standards have been maintained.
 - Standard of performance are established for workers at all levels.

5. Differential Piece Wage Plan

- This tech of wage payment is based on efficiency of worker.
- The efficient workers are paid more wages than inefficient one.
- On the other hand, those workers who produce less than standard no. of pieces are paid wages at lower rate than prevailing rate i.e. worker is penalized for his inefficiency.
- This system is a source of incentive to workers who improving their efficiency in order to get more wages.
- It also encourages inefficient workers to improve their performance and achieve their standards.
- It leads to mass production which minimizes cost and maximizes profits.

6. Other Techniques

- Various other techniques have been developed to create ordeal relationship between management and workers and also to create better understanding on part of works.
- Those includes use of instruction cards, strict rules & regulations, graphs, slides, charts etc, so as to increase efficiency of workers.

3. Administrative Management : Henri Fayol - Father of Management

Fayol was a French mining engineer in his early thirties, but after that he switched over to general management and was Managing Director from 1888 to 1918. Fayol is known as the ***father of management*** or ***the founder of the classical management***. Not because he was first to investigate managerial behavior, but because he was the first to systematize it. He was contemporary to Taylor. Taylor was basically concerned with organizational functions, whereas Fayol was interested in the *total* organization. It may be noted that Taylor is known as ***the father of scientific management***, i.e. *supervisory or lower management*, while Fayol is recognized as the father of management, i.e. *the higher management or the general management*.

FAYOL'S MANAGEMENT PRINCIPLES

1. Division of Work -

The specialization of the workforce according to the skills a person, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour.

2. Authority and Responsibility

The issue of commands is followed by responsibility for their consequences. Authority means the right of a superior to give order to his subordinates; responsibility means obligation for performance. This principle suggests that there must be parity between authority and responsibility. They are co-existent and go together, and are two sides of the same coin.

3. Discipline

Discipline refers to obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

4. Unity of Command -

This principle states that every subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict. Unity of Command also makes it easier to fix responsibility for mistakes.

5. Unity of Direction -

All those working in the same line of activity must understand and pursue the same objectives. All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager. It seeks to ensure unity of action, focusing of efforts and coordination of strength.

6. Subordination of Individual Interest

The management must put aside personal considerations and put company objectives first. Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

7. Remuneration -

Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

8. The Degree of Centralization -

The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management. Sharing of authority with lower levels is called decentralization. The organization should strive to achieve a proper balance.

9. Scalar Chain -

Scalar Chain refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels. It is considered a chain of command. It involves a concept called a "gang plank" using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control.

10. Order -

Social order ensures the fluid operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace.

11. Equity -

Employees must be treated kindly, and justice must be enacted to ensure a just workplace. Managers should be fair and impartial when dealing with employees.

12. Stability of Tenure of Personnel -

The period of service should not be too short and employees should not be moved from positions frequently. An employee cannot render useful service if he is removed before he becomes accustomed to the work assigned to him.

13. Initiative -

Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for the organization because it provides new and better ideas. Employees are likely to take greater interest in the functioning of the organization.

14. Esprit de Corps - This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding. These can be used to initiate and aid the processes of change, organization, decision making, skill management and the overall view of the management function

The Neo-classical theory of Management

1. Human Relation Approach

Human Relations Approach Historical Perspective

Scientific management remained concerned with the efficiency and productivity of workmen at the shop floor. Fayol's functional approach to management aimed at improving the managerial activities and performance at top level in the organization. Between 1925, opinion of many experts was directed towards the human element or aspect of the organization. They drew their attention from "work" emphasis to "worker" emphasis. It was clearly felt that earlier approaches to management were incomplete and insufficient in that there was little recognition of the importance of workers as human beings, their attitudes, feelings, needs and requirements. In fact, the technical approach to work methods in scientific management did not produce durable and desirable results in all cases. Individual and group relationships in the work place often prevented maximum benefits to be derived from planning and standardization of work or monetary rewards offered for efficiency. Elton Mayo is the founder of this theory.

Hawthorne Experiment:

In 1927, a group of researchers led by Elton Mayo and Fritz Roethlisberger of the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western Electric Company, Chicago. The experiment lasted up to 1932. The Hawthorne Experiments brought out that the productivity of the employees is not the function of only physical conditions of work and money wages paid to them. Productivity of employees depends heavily upon the satisfaction of the employees in their work situation. Mayo's idea was that logical factors were far less important than emotional factors in determining productivity efficiency. Furthermore, of all the human factors influencing employee behaviour, the most powerful were those emanating from the worker's participation in social groups. Thus, Mayo concluded that work arrangements in addition to meeting the objective requirements of production must at the same time satisfy the employee's subjective requirement of social satisfaction at his work place. The Hawthorne experiment consists of four parts. These parts are briefly described below:-

1. Illumination Experiment.
2. Relay Assembly Test Room Experiment.
3. Interviewing Programme.
4. Bank Wiring Test Room Experiment.

1. Illumination Experiment:

This experiment was conducted to establish relationship between output and illumination. When the intensity of light was increased, the output also increased. The output showed an upward trend even when the illumination was gradually brought down to the normal level. Therefore, it was concluded that there is no consistent relationship between output of workers and illumination in the factory. There must be some other factor which affected productivity.

2. Relay Assembly Test Room Experiment:

This phase aimed at knowing not only the impact of illumination on production but also other factors like length of the working day, rest hours, and other physical conditions. In this experiment, a small homogeneous work-group of six girls was constituted. These girls were friendly to each other and were asked to work in a very informal atmosphere under the

supervision of a researcher. Productivity and morale increased considerably during the period of the experiment. Productivity went on increasing and stabilized at a high level even when all the improvements were taken away and the pre-test conditions were reintroduced. The researchers concluded that socio-psychological factors such as feeling of being important, recognition, attention, participation, cohesive work-group, and non-directive supervision held the key for higher productivity.

3. Mass Interview Programme:

The objective of this programme was to make a systematic study of the employees' attitudes which would reveal the meaning which their "working situation" has for them. The researchers interviewed a large number of workers with regard to their opinions on work, working conditions and supervision. Initially, a direct approach was used whereby interviews asked questions considered important by managers and researchers. The researchers observed that the replies of the workmen were guarded. Therefore, this approach was replaced by an indirect technique, where the interviewer simply listened to what the workmen had to say. The findings confirmed the importance of social factors at work in the total work environment.

4. Bank Wiring Test Room Experiment:

This experiment was conducted by Roethlisberger and Dickson with a view to develop a new method of observation and obtaining more exact information about social groups within a company and also finding out the causes which restrict output. The experiment was conducted to study a group of workers under conditions which were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. It was observed that the group evolved its own production norms for each individual worker, which was made lower than those set by the management. Because of this, workers would produce only that much, thereby defeating the incentive system. Those workers who tried to produce more than the group norms were isolated, harassed or punished by the group. The findings of the study are:-

- Each individual was restricting output.
- The group had its own "unofficial" standards of performance.
- Individual output remained fairly constant over a period of time.
- Informal groups play an important role in the working of an organization.

Human Relations Concepts: Findings of Hawthorne Studies

The main findings of Hawthorne studies were as follows:

1. Physical environment at work place (i.e., working conditions) do not have any material effect on the efficiency of work.
2. Social or human relationship influenced productivity more directly than changes in working conditions.

3. Favorable attitudes of workers and work-teams towards their work were more important factors determining efficiency.
4. Fulfillment of workers social and psychological needs have a beneficial effect on the morale and efficiency of workers.
5. Employee groups formed on the basis of social interactions and common interest exercised a strong influence on workers, performance. In other words, informal organization controlled the norms established by the groups in respect of each member's output.
6. Workers cannot be motivated solely by economic reward. More important motivators are job security, recognition by superiors and freedom to take initiative and to express their individual opinions as matters of their own concern.

Behavioral Sciences Approach

Historical Perspective

The Behavioral or social science approach developed as a corollary to the human relations approach.

Social scientists and organization theorists are of the opinion that best results can be obtained by building theories of management and organization based on findings of the Behavioural sciences, such as psychology, sociology, psychiatry, economics, cultural anthropology and philosophy. Behavioural approach reflects the findings of intensive carried out by Behavioural scientists like Chester I Bernard, Douglas McGregor, Chris Argyris, A.H. Maslow, Herzberg, Rensis Likert etc. many of the conclusions of the Hawthorne studies have been reaffirmed by subsequent research studies. Moreover, certain ideas have been refined, extended and these behaviour scientists have highlighted other important ideas. These scientists have tried to eliminate the exaggeration of the importance of informal relations. The focal point of management action is the behaviour of human being in the organization – management as a technical process only, was given up.

Elements or Concepts or Features of Behavioural Approach

The Behavioural approach concerns itself with the social and psychological aspects of human behaviour in organization. The behaviour of members of an organization clearly affects its structure and its functioning as well as the principles on which it can be managed. Behavioural researches have provided sufficient evidence that human element is the key factor in the success or failure of an organization. In several experiments, it has been observed that people prefer to be consulted rather than receive order or information. Less reliance on the use of authority is preferred.

Some of the more important elements or concepts of Behavioural approach may be outlined as follows:

1. Individual Behaviour
2. Informal Leadership

3. Participation
4. Motivation by Self-Control and Self-Development
5. Informal Organization
6. General Supervision Not Close One

Basic Assumptions (Are Propositions) Of Behavioural Scientists

The Behavioural science approach is based on certain assumptions about man and organization, which may be looked upon as their prepositions (statements of opinion or judgment) also. Those may be outlined as follows

1. Organization is socio-technical system involving people and technology as their primary components.
2. The behaviour of the members of an organization clearly affects its structure and its functioning, as well as the principles on which it can be managed.
3. Individual's behaviour is closely linked with a greatly influenced by the behaviour of the group to which he belongs.
4. A wide range of factors influences work and interpersonal behaviour of people in the organization.
5. Congruence (agreement) between organizational goals and individual goals organizations members would be established.

The above preposition is important elements of Behavioral science thinking. Thus the Behavioral approach represents a significant advance over the human relations approach.

THE MODERN THEORY OF MANAGEMENT

System approach to management

The past thirty years witnessed a "Knowledge Explosion" in the field of managements. During this period, the management writers have been primarily concerned with integrating the findings of scientific management, principles of management and human relations movements. However two integrating trends have developed throwing adequate light on the dynamic nature of management namely: -

- System Approach
- Contingency Approach

These modern management theories considered all elements the whole organization as well as components parts. The organization is viewed as adaptive systems which must in order to survive adjust to environmental changes. The organization and its environment are seen as interdependent; each depends on the other for resources from scientific management, human

relations. It is background that furnishes a foundation for understanding Contemporary management theory and practice.

- BEHAVIOURAL SCIENCE
- HUMAN RELATION
- THE MANAGEMENT PROCESS
- SYSTEM THEORY
- CONTINGENCY THEORY

SYSTEM APPROACH

A system in simple terms is a set of interrelated parts. It is a group of interrelated but separate elements working towards a common purpose. The arrangement of elements must be orderly, there must be proper communication facilitating interaction between the elements and finally the interaction should lead to achieve a common goal. The organization transforms input into a variety of outputs and offers the same to the external environment in the form of products good and services. Sale of the output provides the necessary energy (feedback) to the system cycle.

INPUT OUTPUT

FEED BACK

TRANSFORMATION

PROCESS

The system approach provides a unified focus to organizational efforts. A major contribution of the system approach results from its strong emphasis on the interrelatedness or mutuality of the parts of an organization. Another important benefit of system theory lies in its treatment of the organization as an open system. A close system imports something from the environment and exports something into the environment. The system theory of management is characterized by the following: -

- (a) Dynamic: - Within the organization the process of interaction between subsystems is dynamic.
- (b) Multilevel and Multidimensional: - It is micro within the nation's industrial network and it is macro with respect to its internal units. The modern manager is forced to recognize the importance of parts as well as the whole.
- (c) Multi motivated: - Motivation is an extremely complex process and drawing simplistic equation is a futile exercise.

(d) Probabilistic: - Modern theory tends to probabilistic. “Statement in modern theory tends to be qualified with phrases such as “may be”, in general” and usually” because modern theory recognizes that few predictive statement can be made with certainty.

(e) Multidisciplinary: - Modern theory of management is enriched by contribution from disciplines like sociology, psychology, economics, anthropology, ecology mathematics, operations research and so on.

(f) Descriptive: - Individual are free to select the objectives and the methods to improve organizational effectiveness.

(g) Multivariable: - There is no simple cause effect phenomenon in organizational activities. An event may be the product of many factors that are in turn interrelated and interdependent.

(h) Adaptive: - An organization and its environment are expected to rearrange their parts. Organization tries to cope with environment changes through the “feed back” mechanism. An organization must produce output acceptable to components in environment. Education

3. Contingency Approach

The contingency approach believes that it is impossible to select one way of managing that works best in all situations like promoted by Taylor. Their approach is to identify the conditions of a task (scientific management school), managerial job (administrative management school) and person (human relations school) as parts of a complete management situation and attempt to integrate them all into a solution which is most appropriate for a specific circumstance.

Contingency refers to the immediate (contingent or touching) circumstances. The manager has to systematically try to identify which technique or approach will be the best solution for a problem which exists in a particular circumstance or context. The contingency approach seeks to apply to real life situations ideas drawn from various schools of management thought. They claim that no one approach is universally applicable and different problems and situations require different approaches. Managers must try to find the approach that is the best for them in a certain given situation, so they can achieve their goals.

UNIT- 2

CONCEPT OF PLANNING

Planning means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action. It is rightly said “**Well plan is half done**”.

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

predetermined goals.

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

Purpose of Planning

- 1) Reduces uncertainty and risk
- 2) Provides sense of direction
- 3) Encourages innovation & creativity
- 4) Helps in coordination
- 5) Guides decision making
- 6) Provides a basis for decentralization
- 7) Provides efficiency in operation
- 8) Facilitates control

Planning Process

Planning function of management involves following steps:-

1. Establishment of objectives
 - a. Planning requires a systematic approach.
 - b. Planning starts with the setting of goals and objectives to be achieved.
 - c. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
 - d. Moreover objectives focus the attention of managers on the end results to be achieved.
 - e. As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
 - f. As far as possible, objectives should be stated in quantitative terms. For example, Number of men works, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
 - g. Such goals should be specified in qualitative terms.
 - h. Hence objectives should be practical, acceptable, workable and achievable.
2. Establishment of Planning Premises
 - a. Planning premises are the assumptions about the lively shape of events in future.
 - b. They serve as a basis of planning.
 - c. Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
 - d. It is to find out what obstacles are there in the way of business during the course of operations.
 - e. Establishment of planning premises is concerned to take such steps that avoids these obstacles to a great extent.

- f. Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
 - g. Internal premises are controllable whereas external are non- controllable.
- 3. Choice of alternative course of action
 - a. When forecast are available and premises are established, a number of alternative course of actions have to be considered.
 - b. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
 - c. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
 - d. After objective and scientific evaluation, the best alternative is chosen.
 - e. The planners should take help of various quantitative techniques to judge the stability of an alternative.
- 4. Formulation of derivative plans
 - a. Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
 - b. Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans.
 - c. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
 - d. Derivative plans indicate time schedule and sequence of accomplishing various tasks.
- 5. Securing Co-operation
 - a. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
 - b. The purposes behind taking them into confidence are :-
 - i. Subordinates may feel motivated since they are involved in decision making process.
 - ii. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
 - iii. Also the employees will be more interested in the execution of these plans.
- 6. Follow up/Appraisal of plans
 - a. After choosing a particular course of action, it is put into action.
 - b. After the selected plan is implemented, it is important to appraise its effectiveness.
 - c. This is done on the basis of feedback or information received from departments or persons concerned.
 - d. This enables the management to correct deviations or modify the plan.
 - e. This step establishes a link between planning and controlling function.
 - f. The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

DECISION MAKING

Concept:

It is a fundamental element of the managerial process. In considering the types of decision making, managers need to look at two aspects: the five kinds of decisions that a manager might face or produce and the four processes or styles employed in making the decision.

Decision Making is the process of choosing the best alternative for reaching objectives.

Managers make decisions affecting the organization daily and communicate those decisions to other organizational members.

Some decisions affect a large number of organization members, cost a great deal of money to carry out, or have a long term effect on the organization. Such significant decisions can have a major impact, not only on the management systems itself, but on the career of the manager who makes them.

PROCESS OF DECISION MAKING

Decision making steps this model depicts are as follows:

1. Identify an existing problem
2. List possible alternatives for solving the problem
3. Select the most beneficial of these alternatives.
4. Implement the selected alternative.
5. Gather feedback to find out if the implemented alternative is solving the identified problem.

CONCEPT OF ORGANIZING

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

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 organize in order to get results.

A manager performs organizing function with the help of following steps:-

1. **Identification of activities** - All the activities which have to be performed in a concern have to be identified first.

2. **Departmentally organizing the activities** - In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.
3. **Classifying the authority** - Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. This clarification of authority helps in bringing efficiency in the running of a concern.
4. **Co-ordination between authority and responsibility** - Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal.

Process of Organizing

The process of organizing consists of the following steps –

1. **Identification of activities:** Every enterprise is created with a specific purpose. Based on this, the activities involved can be identified. And these activities vary when the organization is a service concern or a trading firm. Therefore, it is essential to identify various activities of an enterprise.

2. **Grouping of activities:** Once activities are identified, then they need to be grouped. They are grouped in different ways. The activities which are similar in nature can be grouped as one and a separate department can be created

3. **Assignment of Responsibilities:**

Having completed the exercise of identifying, grouping and classifying all activities into specific jobs, they can be assigned to individuals to take care of.

4. **Granting authority:**

On the basis of responsibilities given to specific individuals, they are also to be given the necessary authority to ensure effective performance.

5. **Establishing relationship:**

This is a very important job of management as everybody in the organization should know as to who he/she is to report, thereby establishing a structure of relationships. By doing so, relationships become clear and delegation is facilitated.

DEPARTMENTATION

The process of grouping of activities into units for the purpose of administration is called departmentation. It can be defined "as the process by which activities or functions of enterprise are grouped homogeneously into different groups."

The administrative units are called divisions, units or departments. The followings are the basis of departmentation:

- (a) When departmentation is done on the base of functions the departments created are production, marketing, accounting, and finance and personnel departments.
- (b) When departmentation is done on the basis of geographical area, the departments are known as eastern department, western department, northern and southern department.
- (c) Departmentation can be done on the basis of customers.
- (d) Departmentation can be done on the basis of product handled.

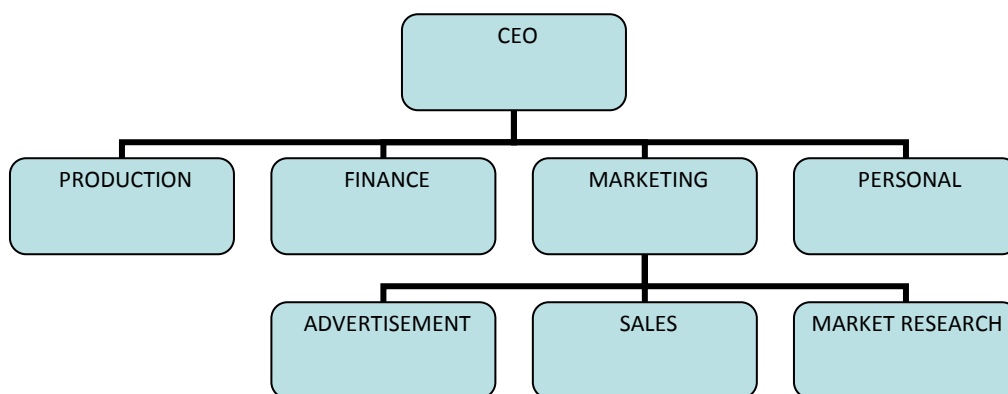
TYPES OF DEPARTMENTATION

1. **Functional Departmentation:** - This is the simplest form of Departmentation when grouping of departments is done on the basis of functions such as production finance marketing sales purchase and personnel etc, it is known as functional Departmentation. Further sub divisions of the functions may be formed like marketing can be divided in to advertisement sales and after sales service. So we can classify functions into two parts.

Basic functions i.e. Production Marketing Finance and Personnel

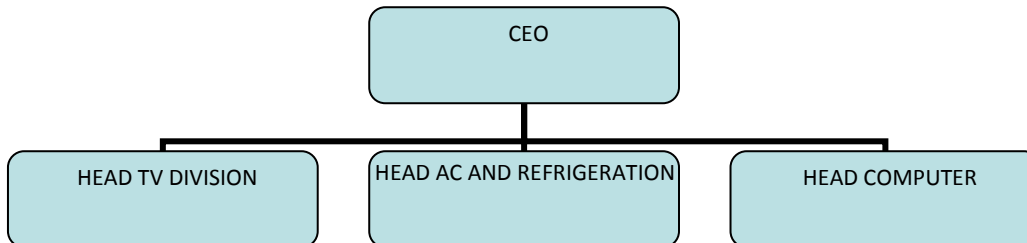
Secondary Functions: - These are further parts of basic functions according to the organizational needs or operations like Production: - Product planning, R&D, Quality control and material handling

Functional departmentation is useful where there is production of single product or similar kind of product, for example TV Computer monitor or TFT.

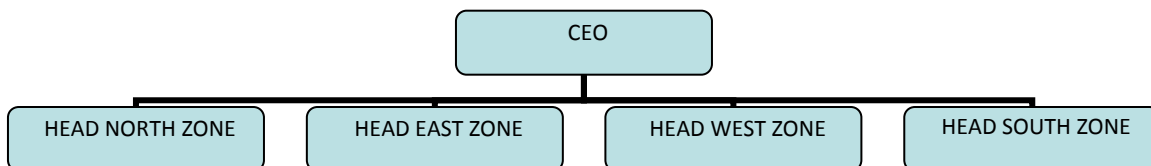


2. **Products:** - When grouping of activities and departments formed are given name on the basis of products manufactured in an organization, it is called products departmentation. It is applied where there is a large range of products are manufactured. When there are several product lines and each product line consists of a variety of items,

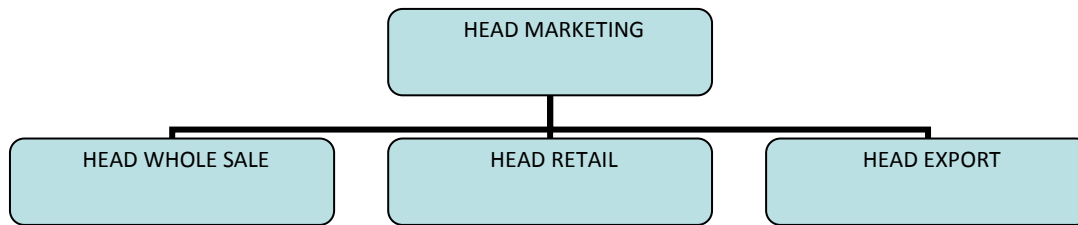
functional classification fails to give balanced emphasis on each product. Apart from this use; product or services may be made the basis of major divisions by a departmental store, a banking concern and an insurance company. Again, manufacturing and marketing departments may subdivide their activities on the basis of products.



3. **Territories:** - Like the products basis, geographical regions are adopted for main division as well as for subdivision purposes. When activities of an organization are physically dispersed in different locations territorial departmentation is adopted. Units that are located at different areas are made so many self-contained divisions of the organization. Marketing activities are very often subdivided on the basis of geographical areas. This form of departmentation can be useful where business is on national or international level. For eg. Indian railways, insurance company use territorial departmentation.



4. **Customers:** - When departments are formed to cater different kind of customers it is known as customer departmentation this basis of classification is widely followed in subdividing activities of the marketing department. When the products are offered to market through various channels and outlets, it has the special merit of supplying goods in accordance with the peculiar needs of customers. Customers may be classified according to buying capacity or nature like whole sale, retail and export or government or general public. Most departmental stores may attempt to reach customers preferring low price or higher price



RELATIONSHIP BETWEEN AUTHORITY AND RESPONSIBILITY

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance. Authority flows from the superiors to subordinates, in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates.

Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached.

Differences between Authority and Responsibility

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

Decentralization

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

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider in scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this

situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place. There is a saying that “Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization”. Decentralization is wider in scope and the subordinate’s responsibility increase in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

Delegation and Decentralization

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

Grant of Responsibility	Responsibility cannot be delegated	Authority with responsibility is delegated to subordinates.
Degree	Degree of delegation varies from concern to concern and department to department.	Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions
Process	Delegation is a process which explains superior subordinates relationship	It is an outcome which explains relationship between top management and all other departments.

Decentralization can be called as extension of delegation. When delegation of authority is done to the fullest possible extent, it gives use to decentralization.

UNIT – 3

Staffing Function of Management

Staffing:

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnel's to fill the roles assigned to the employers/workforce.

According to Theo Haimann, “Staffing pertains to recruitment, selection, development and compensation of subordinates.”

Nature of Staffing Function

1. **Staffing is an important managerial function-** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.
2. **Staffing is a pervasive activity-** As staffing function is carried out by all managers and in all types of concerns where business activities are carried out.
3. **Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.
4. **The basis of staffing function is efficient management of personnel-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
5. **Staffing helps in placing right men at the right job.** It can be done effectively through

proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

6. **Staffing is performed by all managers** depending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

Importance of Staffing

Progressive and successful organizations treat all employees as valuable human resources. Productivity and the resultant financial reward are dependent solely on the quality and skill of people.

Staffing function provides proper mechanisms for efficient handling of personnel matters, including workers, grievances. Filed research indicates that employees tend to return the favor when they are treated with dignity and respect. Specially, it is reported that professional employees kept higher organizational commitment when their employer's human resource practice were perceived to be fair and just. Staffing is responsible for creating such practices.

DIRECTING

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work.

Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals.

Direction has following elements:

1. Supervision implies overseeing the work of subordinates.
2. Motivation
3. Leadership
4. Communication

MOTIVATION

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the

goals. In the work goal context the psychological factors stimulating the people's behaviour can be -

- desire for money
- success
- recognition
- job-satisfaction
- team work, etc

Concept of Motivation

Motivation is a very important for an organization because of the following benefits it provides:-

1. Puts human resources into action
2. Improves level of efficiency of employees
3. Leads to achievement of organizational goals
4. Builds friendly relationship
Leads to stability of work force

THEORIES OF MOTIVATION

Maslow's Need Hierarchy Model

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical depiction of human motivation. This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies. These five needs are as follows-



1. **Physiological needs-** These are the basic needs of air, water, food, clothing and shelter. In other words, physiological needs are the needs for basic amenities of life.
2. **Safety needs-** Safety needs include physical, environmental and emotional safety and protection. For instance- Job security, financial security, protection from animals, family security, health security, etc.
3. **Social needs-** Social needs include the need for love, affection, care, belongingness, and friendship.

4. **Esteem needs-** Esteem needs are of two types: internal esteem needs (self- respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration).
5. **Self-actualization need-** This include the urge to become what you are capable of becoming / what you have the potential to become. It includes the need for growth and self-contentment. It also includes desire for gaining more knowledge, social- service, creativity and being aesthetic. The self- actualization needs are never fully satiable. As an individual grows psychologically, opportunities keep cropping up to continue growing.

According to Maslow, individuals are motivated by unsatisfied needs. As each of these needs is significantly satisfied, it drives and forces the next need to emerge. Maslow grouped the five needs into two categories - **Higher-order needs** and **Lower-order needs**. The physiological and the safety needs constituted the lower-order needs. These lower-order needs are mainly satisfied externally. The social, esteem, and self-actualization needs constituted the higher-order needs. These higher-order needs are generally satisfied internally, i.e., within an individual.

Herzberg's Two-Factor Theory of Motivation

In 1959, Frederick Herzberg, a behavioral scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of “Satisfaction” is “No satisfaction” and the opposite of “Dissatisfaction” is “No Dissatisfaction”.

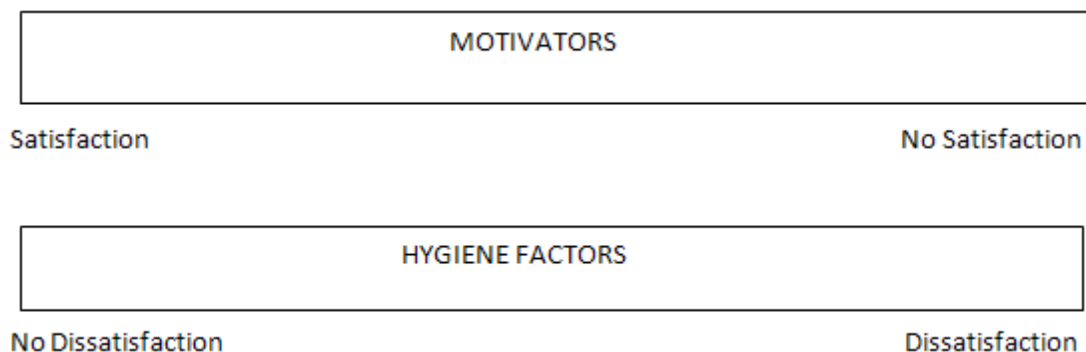


FIGURE: Herzberg's view of satisfaction and dissatisfaction

Herzberg classified these job factors into two categories-

- a. **Hygiene factors-** Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work.

Hygiene factors are also called as **dissatisfier** or **Maintenance factors** as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include:

- Pay
- Company Policies and administrative policies
- Fringe benefits
- Physical Working conditions
- Status
- Interpersonal relations
- Job Security

b. **Motivational factors-** According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include:

- Recognition
- Sense of achievement
- Growth and promotional opportunities
- Responsibility
- Meaningfulness of the work

Mc Gregor's Theory X and Theory Y

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

Assumptions of Theory X

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

- An average employee needs formal direction.

Assumptions of Theory Y

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

Thus, we can say that Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the employees' nature and behaviour at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the employees emphasize on the physiological needs and the safety needs; while Theory Y is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

Leadership

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

Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

According to Keith Davis, "Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."

Concept of Leadership

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

Importance of Leadership

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. **Motivation-** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
3. **Providing guidance-** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
4. **Creating confidence-** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.
5. **Building morale-** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.
6. **Builds work environment-** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.
7. **Co-ordination-** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

Leadership Styles - Important Leadership Styles

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

Some of the important leadership styles are as follows:

- ✓ **Autocratic leadership style:** In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the teams or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.
- ✓ **Democratic/Participative leadership style:** The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.
- ✓ **Bureaucratic leadership:** Here the leaders strictly adhere to the organizational rules and policies. Also, they make sure that the employees/team also strictly follows the rules and procedures. Promotions take place on the basis of employees' ability to adhere to organizational rules. This leadership style gradually develops over time. This leadership style is more suitable when safe work conditions and quality are required. But this leadership style discourages creativity and does not make employees self-contented.

Controlling

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

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.”

Controlling has got two basic purposes

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

Nature of Controlling

Following are the characteristics of controlling function of management-

1. **Controlling is an end function-** A function which comes once the performances are made in conformities with plans.
2. **Controlling is a pervasive function-** which means it is performed by managers at all levels and in all type of concerns.
3. **Controlling is forward looking-** because effective control is not possible without past being controlled. Controlling always looks to future so that follow-up can be made whenever required.
4. **Controlling is a dynamic process-** since controlling requires taking reviewable methods, changes have to be made wherever possible.
5. **Controlling is related with planning-** Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. Planning presupposes controlling and controlling succeeds planning.

Process of Controlling

Controlling as a management function involves following steps:

1. **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criteria for judging the performance. Standards generally are classified into two-
 - a. Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
 - b. Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2. **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. 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 has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-
 - a. Attitude of the workers,
 - b. Their morale to work,
 - c. The development in the attitudes regarding the physical environment, and
 - d. Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

3. **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has 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.
4. **Taking remedial actions-** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-
 - a. Taking corrective measures for deviations which have occurred; and

- b. After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

Importance of controlling

1. Execution of plans- control helps in ensuring the performance of plans through regular examination and evaluation of performance of work that results the performance of activities for accomplishment of goals.
2. Helps in supervision- control helps in reducing deviation between standard performance and actual performance through effective control system established by the supervisor
3. Effective delegation and decentralization of authority – Controlling is that mechanism which monitor on authority issued that can help to delegate and decentralize the authority
4. Reduction of cost- when control is effective employees will have better performance, proper utilization of resources and prevention of leakage and wastage which helps in reduction of cost
5. Psychological pressure controlling affects the psychological pressure of employees. When the employees know that their performance and activities done will be evaluated and just than they naturally work hard and their performance will be increased.
6. Optimum utilization of resources- controlling plays a vital role for proper utilization of human, physical, and financial resources to ensure correct work performance with respect to cost, quality and time or not.
7. Helps in fulfilment of goals- control provide standard for approval of actual performance it helps to accomplish the plan and achieve goals.
8. Helps in coordination- an organization grows in size and diversity. They become complex and also have to develop various department and units.

Significance

- (1) Reduces Risk
- (2) Basis for future action
- (3) Size of the business
- (4) Indicator for managerial weakness
- (5) Facility of coordination
- (6) Simplifies supervision
- (7) Extension of decentralization

UNIT – 4

MANAGING PEOPLE

ORGANISATIONAL BEHAVIOUR

Organization is the backbone of management. No management can perform its functions smoothly without an efficient organization.

OB refers to the behaviour of individuals and groups within organizations and the interaction between organizational members and their external environment.

Nature of OB

- 1) A separate field of study
- 2) An applied science
- 3) A total system Approach
- 4) Goal Oriented towards organizational objectives
- 5) An Interdisciplinary Approach
- 6) Normative Science
- 7) Humanistic and optimistic Approach

NEED OF UNDERSTANDING HUMAN BEHAVIOR IN ORGANIZATION

- For self motivation
- To achieve individual and organizational goals simultaneously
- To increase productivity
- For their growth and development
- To know their skills and talents.

MODELS OF OB

Autocratic Model

The autocratic model depends on power. Managers see authority as the only means to get the things done and employees are expected to follow orders. So it results in the higher dependence on the boss.

The Custodial Model

To overcome the shortcomings of autocratic model, it came into existence. This model is reward based. More emphasis is on economic rewards and benefits to motivate employees.

The Supportive Model

It works in the public sector organization which is dependent on effective leadership. Here, it is assumed that workers are self directed and creative. Importance in this model is given to psychological needs, self esteem, job satisfaction and friendly relations between superior – subordinate.

The Collegial Model

This is a best model based on the partnership between workers and management in which both work together as a team and respect each other. Workers are satisfied by their job and they are committed to the organisation.

MAJOR CONCEPTS IN OB

Following are the contributing disciplines of OB:

- Psychology – it studies the process of human behaviour such as learning, thinking, memory, sensation, emotions, feelings, perception and personality.
- Sociology - it is an academic discipline which studies patterned shared behaviour of human beings, the way in which people acts towards one another.
- Social psychology – it is the psychology branch which studies the individual in societal context.
- Anthropology. It combines two words: Greek word “Anthro” means man and a noun ending “logy” means science. It studies civilization, forms of cultures and their impact on individuals and groups.
- Economics - it is that branch which is concerned with consumption, production and transfer of wealth.
- Political – it is related to the public affairs of the government of a country.

PERSONALITY

The personality is a word derived from Latin word persona which means “to speak through”.

Personality is the dynamic organization within the individual of those psychological systems that determine his unique adjustment to his environment.

"Personality is a vehicle to integrate perception, learning, values and attitudes and thus to understand the total person."

"Personality is an individual's total sense of self; it is an organising force for the persons particular pattern of exhibited traits and behaviours."

Determinants of Personality

1) Heredity

Heredity refers to those factors that were determined at conception. Physical appearance, temperament, energy level and biological rhythms are the characteristics which are generally

influenced by one's Parents' i.e., One's Biological, Physiological and Inherent Psychological Makeup. The Heredity approach feels that personality of an individual is the Molecular Structure of the genes, located in the chromosomes.

2) Environment

Culture plays an important role in the formation of personality, i.e., early conditioning, the norms among the family, friends and social groups. With the socialisation process in the group, personalities are altered over time.

3) Situation

Though an individual personality is constant, it does change depending on the situation. Different demands in different situations call forth different aspect of one's personality.

The relationship of these three factors affects the formation and development of Personality. Psychological inheritance is entirely an internal contribution. Group and culture are the early environmental factors that form later behaviour. Family and social setting during the early stages of education is the important factors which influences the initial formation of personality. Whatever the child learns here lasts for life time. Later in life, it is the Peer groups or Primary affiliations at work, social activities which shape the Personality.

LEARNING

“Learning is the process by which new behaviors are acquired. It is generally agreed that learning involves changes in behaviors, practicing new behaviors, and establishing permanency in the change.” Mitchell

Three theories have been offered to explain the process by which we acquire patterns of behaviour. These are –

(1) **Classical conditioning** – Classical conditioning grew out of experiments to teach dogs to salivate in response to the ringing of a bell, conducted in the early 1900s by Russian Psychologist sinologist Ivan Pavlov. Four elements are always present in classical conditioning. These are -

(i) Unconditioned stimulus (US) – Like food which invariably causes to react in a certain way i.e., salivation.

(ii) Unconditioned response (UR) – Takes place whenever the US is presented, i.e., whenever the dog is given food (US), it salivates.

(iii) Conditioned stimulus (CS) – The object that does not initially bring about the desired response like the sound of the bell.

(iv) Conditioned response (CR) – A particular behaviour that the dog learn to produce to the CS, i.e., Salivation.

1. before conditioning

Meat (US) Salivation (UR)

Bell (Neutral stimulus) No response

2. during Conditioning

Meat (US) + Bell (CS) Salivation (UR)

3. after conditioning

Bell (CS) Salivation (CR)

(2) **Cognitive Learning Theory:** Cognitive theory of learning is based on the cognitive model of human behaviour. Cognition refers to an individual's ideas, thoughts, knowledge, interpretations & understanding about himself & his environment.

Cognitive theorists argue that the learner forms a cognitive structure in memory, preserves and organizes information about the various events that occur in a learning situation. For example in his famous maze-learning experiment, Tolman trained a rat to turn right in a "T" maze in order to obtain food. Then he started the rat from the opposite part of the maze; according to operant conditioning theory, the rat should have turned right because of past conditioning. But the rat, instead, turned towards where the food had been placed. This phenomenon forced Tolman to conclude that the rat formed a cognitive map to figure out how to get the food and reinforcement was not a precondition for learning to take place. Thus, in learning.

(3) **Social Learning theory** – Social learning theory combines and integrates both behaviouristic and cognitive concepts and emphasizes the integrative nature of cognitive, behavioral and environmental determinants. This theory agrees with some parts of behavioral & cognitive theories but finds that these theories do not explain the processes and elements therein fully. It posits that learning can also take place via modeling.

PERCEPTION & ATTITUDE BUILDING

Perception:

The process by which individuals organize and interpret their impressions in order to give meaning to their environment.

Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

Factors affecting perception

1. Factors that shape (and can distort perception):

- Perceiver
- Target
- Situation

2. When an individual looks at a target and attempts to interpret what he or she sees, that interpretation is heavily influenced by personal characteristics of the individual perceiver.

3. The more relevant personal characteristics affecting perception of the perceiver are attitudes, motives, interests, past experiences, and expectations.

4. Characteristics of the target can also affect what is being perceived. This would include attractiveness, gregariousness, and our tendency to group similar things together. For example, members of a group with clearly distinguishable features or color are often perceived as alike in other, unrelated characteristics as well.

5. The context in which we see objects or events also influences our attention. This could include time, heat, light, or other situational factors.

Perceptual Process

Sensation: An individual ability to detect stimuli in the immediate environment.

Selection: process in which a person uses to eliminate some of the stimuli that have been sensed and retain others for further processing.

Organization: process of placing selected perceptual stimuli into a framework for storage.

Translation: finally, stimuli are interpreted and given meaning

Attitude:

Attitudes are a way of responding either favourably or unfavourably to objects, persons, concepts etc. They are evaluative statements. They reflect how one feels about something. Attitudes are related to behaviour. It is an one-dimensional variable, i.e., positive or negative. They are hypothetical constructs. It is something inside a person. It may be observed but the attitude itself cannot.

Attitudes in a person could be observed in three ways:

- 1) Direct experience with the person or situation.
- 2) Association with other similar persons or situations.
- 3) Learning from others their association with the person or situation. `

'Direct experience' is the concrete experience stage of learning. Association is similar to abstract conceptualisation and generalisation. Learning from others is like reflection and observation. Attitudes evolve out of perception and learning process. One is not born with attitudes but acquires them through life experiences. But certain basic attitude of trust or mistrust occurs

during the infancy. If a child's basic needs are met in a loving manner, the child will develop a sense of trust otherwise a sense of mistrust develops. The child also develops a sense of autonomy or shame and doubt.

All these affect one's behaviour. And this linkage to behaviour is what managers are concerned with; and they also tend to understand the ways in which behaviour affects attitudes.

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