

# **MANAGEMENT PROCESS AND ORGANIZATIONAL BEHAVIOUR**

**MBA (Tourism & Travel Management)**

**MBA 1<sup>st</sup> YEAR, PAPER –I**

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## **Management Process and Organizational Behaviour, MBA (TTM) 1<sup>st</sup> year Paper - I**

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## *FOREWORD*

*Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining a B++ (80-85) grade from the NAAC in the year 2003, the Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 285 affiliated colleges spread over the three districts of Guntur, Krishna and Prakasam.*

*The University has also started the Centre for Distance Education with the aim to bring higher education within reach of all. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even housewives desirous of pursuing higher studies. With the goal of bringing education to the doorstep of all such people, Acharya Nagarjuna University has started offering B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.*

*To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy of this distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.*

*It is my aim that students getting higher education through the centre for Distance Education should improve their qualification, have better employment opportunities and in turn facilitate the country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson-writers of the Centre who have helped in these endeavours.*

*Prof. P. Rajasekhar  
Vice-Chancellor  
Acharya Nagarjuna University*

## Syllabus

### **Unit-I:**

**Introduction:** Nature, meaning, Scope and significance of Management: Managerial processes, Functions of Management - planning, organizing, staffing, directing and controlling. Managerial skills, and roles, systems, contingency and operational approaches in management.

### **Unit-II:**

**External and Internal Environment:** Business Environment – Affecting the managerial decisions – Social responsibilities of business: Nature, Need, cases, importance, SR towards different groups – Evolution of management thought: Pre-Scientific Management, Classical theory, Neo-Classical or Behavioural Approach and Modern theory of Management approach.

### **Unit – III**

**Leadership:** Definition–styles – Continuum of leadership behavior – Managerial grid style-Life-Cycle or situational approach – Four systems of management leadership – leadership skills– Functions of a leader in Tourism.

### **Unit - IV**

**Organizational Behavior:** Individual Behavior and Differences - Personality – Attitudes and Beliefs – Values - Perception – Perceptual Selectivity – Transactional Analysis – Johari window – Management of Stress in Tourism

### **Unit - V**

**Group Dynamics:** Group Behavior–Formation - Understanding Work Groups in Tourism– Conflict, Negotiation, and Intergroup Behavior - Management of Change – Resistance to Change – Organizational Development.

### **Text Books**

1. Koontz & Weirich (2004), Management, McGraw – Hill, Tokyo, (Text Book).

### **References**

1. Richard .M Hodgetts (1993), Management, Academic Press, New Jersey.
2. Hampton (1992), Management, McGraw – Hill, International Edition, Tokyo.
3. Stoner & Wankel (1999), Management, Prentice Hall India, New Delhi.
4. Peter F. Drucker (1987), Practice of Management, Pan Books, London, Reprint.
5. Peter F. Drucker (1983), Innovation and Entrepreneurship, Heinman, New York.
6. Virmani.B.R. (2006), The Challenges of Indian Management, Response books, New Delhi.

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## **Lesson – 1**

# **BASICS OF MANAGEMENT**

### **1.0 Objectives**

After studying this lesson, you should be able to

- Clearly understand the concept of management, and its scope
- Know the significance of management
- Understand the dimensions of management

### **Structure**

- 1.1 Introduction
- 1.2 Nature of Management
- 1.3 Meaning of Management
- 1.4 Dimensions of Management
- 1.5 Scope of Management
- 1.6 Features of Management
- 1.7 Importance of Management
- 1.8 Management Process
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- 1.10 Self-Assessment Questions
- 1.11 Further Readings

### **1.1 Introduction**

The concept of management has acquired special significance in the present competitive and complex business world. Efficient and purposeful management is absolutely essential for the survival of a business unit. Management concept is comprehensive and covers all aspects of business. In simple words, management means utilizing available resources in the best possible manner and also for achieving well defined objectives. It is a distinct and dynamic process involving use of different resources for achieving well defined objectives. The resources are: men, money, materials, machines, methods and markets. These are the six basic inputs in management process (six M's of management) and the output is in the form of achievement of objectives. It is the end result of inputs and is available through efficient management process.

The term 'management' is used extensively in business. It is the core or life giving element in business. We expect that a business unit should be managed efficiently. This is

precisely what is done in management. Management is essential for the conduct of business activity in an orderly manner. It is a vital function concerned with all aspects of working of an enterprise.

## 1.2 Nature of Management

Human needs are largely satisfied through economic activities of organized groups and associations. In their own interest, people should join together and accomplish common goals through cooperation. However, to be more effective in this pursuit, it is essential that group efforts should be properly organized, directed, and coordinated. In other words, there is a need for management. Therefore, management is as old as civilization or organized life. The systematic study of management, however, has evolved only in the last six or seven decades.

“Management is the creation and control of technological and human environment of an organization in which human skill and capacities of individuals and groups find full scope for their effective use in order to accomplish the objectives for which an enterprise has been set up. It is involved in the relationships of the individual, group, the organization and the environment.”-Prof. A. Dasgupta (1969)

The literature on management has grown at an unprecedented rate in recent times, particularly after World War II. This in turn has greatly helped in improving research, teaching, and practice of management as a branch of study. But such a growth has also given rise to differences of opinion and approach.

So we have the operational school of management thought, the mathematical school, the human behaviour school, the systems school, and the decision-theory school. These divergent views relating to management have made the task of defining management extremely difficult.

Operationally, management may be defined as a dynamic process concerned with getting things done through and with the efforts of others by harnessing human and other resources of the institution—business or otherwise—and creating an environment favorable to performance by people for the accomplishment of desired objectives with minimum of unsought consequences.

Today, the efficiency of management distinguishes one organization from the other, as it adds to competitive strength. Different authorities have defined management differently.

But irrespective of the differences in approach and environment, the management process is essentially the same in all organized activities and at all levels in an organization.

### 1.3 Meaning of Management

The definitions of management given by the experts in the field. Here we have arranged the definitions chronologically, and subsequently we have categorized them into different approaches.

1. F.W. Taylor (1911), the father of scientific management: ‘Management is the art of knowing what you want to do ... in the best and cheapest way.’
2. R.C. Davis (1951): ‘Management is the function of executive leadership anywhere.’
3. E.F.L. Brech (1953): ‘Management is concerned with seeing that the job gets done; its tasks all centred on planning and guiding the operations that are going on in the enterprise.’
4. Peter Drucker (1954), who attempted to narrow the debate: ‘It is a multipurpose organ that manages a business and manages managers and manages workers and work.’
5. William Spriegel (1955): ‘Management is that function of an enterprise which concerns itself with the direction and control of various activities to attain the business objectives. Management is essentially an executive function; it deals particularly with the active direction of the human effort...’
6. Mary Gushing Niles (1956): ‘Good management, or scientific management, achieves a social objective with the best use of human and material energy and time and with satisfaction for the participants and the public.’
7. Lawrence A. Appley (1956), who reinforced the logic further: ‘Management is the development of people and not the direction of things ... Management is personnel administration.’
8. Stanley Vance (1959): ‘Management is simply the process of decision making and control over action of human beings for the express purpose of attaining pre-determined goals.’
9. Harold Koontz (1961): ‘Management is the art of getting things done through and with people in formally organized groups. It is the art of creating the environment in which people can perform and individuals could cooperate towards attaining of group goals. It is the art of removing blocks to such performance, a way of optimizing efficiency in reaching goals.’

10. John F. Mee (1963): 'Management is the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service.'
11. James L. Lundy (1968): 'Management is principally the task of planning, coordinating, motivating, and controlling the efforts of others towards a specific objective.'
12. Prof. A. Dasgupta (1969), the father of Indian management education: 'Management is the creation and control of technological and human environment of an organization in which human skill and capacities of individuals and groups find full scope for their effective use in order to accomplish the objectives for which an enterprise has been set up. It is involved in the relationships of the individual, group, the organization and the environment.'
13. Dalton E. McFarland (1970): '...that process by which managers create, direct, maintain, and operate purposive organizations through systematic, coordinated, cooperative human effort.'
14. Theo Haimann and William G. Scott (1970): 'Management is a social and technical process which utilizes resources, influences human action, and facilitates changes in order to accomplish organizational goals.'
15. Joseph Massie (1973): '... the process by which a cooperative group directs action towards common goals.'
16. Robert L. Trewatha and M. Gene Newport (1976): '...the process of planning, organizing, actuating, and controlling an organization's operations in order to achieve a coordination of the human and material resources essential in the effective and efficient attainment of objectives.'
17. Howard M. Carlisle (1976): '...the process by which the elements of a group are integrated, coordinated, and/or utilized so as to effectively and efficiently achieve organizational objective.'
18. George R. Terry (1977): 'Management is a distinct process consisting of planning, organizing, actuating, and controlling, performed to determine and accomplish the objectives by the use of people and resources.'
- 19.

#### **1.4 Different Dimensions of Management:**

On reviewing the definitions, we observe that management basically aims at accomplishing goals and objectives through the efforts of people.

Further review of the definitions reveals that the definition of management has the following different dimensions:

**Productivity orientation:**

Frederick Winslow Taylor and John F. Mee have pioneered this concept. Their definitions are primarily concerned with increased productivity.

**Human relations orientation:**

Lawrence A. Appley and Harold Koontz pioneered this concept. Their definitions of management primarily emphasize on relationships among people.

**Decision-making orientation:**

Definitions under this category focus on decision making as the primary function of management. Ross Moore and Stanley Vance were the pioneers of this concept.

**Leadership orientation:**

The proponents of this concept have highlighted leadership as the essence of management. Donald J. Clough and Ralph C. Davis are two pioneers who relate management with leadership.

**Process orientation**

Management as a process has been defined by numerous authors like James L. Lundy, Dalton E. McFarland, Howard M. Carlisle, E.F.L. Brech, Robert L. Trewatha, M. Gene Newport, and George R. Terry. Till now we have only discussed the different definitions of management and their orientation. Quite obviously, readers might have got confused as to what should be the appropriate definition. It is recommended that the definitions may not be mugged up. Rather, one should try to conceptualize them, so that one's basic concept is clear. Management is optimization of constraining resources to achieve some intended goals. 'Resources' is a broad term and it encompasses everything that we require as inputs, including knowledge and information inputs. Resources are not available in abundance. There always exist resource constraints. Every organization tries to achieve its charted goals and objectives through efficient management and proper allocation of scarce resources.

## 1.5 Scope of Management Science

It is very difficult to precisely state the scope of management. However, management includes the following aspects:-

**Subject-matter of Management**

Management is considered as a continuing activity made up of basic management functions like planning, organizing, staffing, directing and controlling. These components form the subject-matter of management.

## Functional Areas of Management

Management covers the following functional areas:-

- **Financial Management:** Financial management includes forecasting, cost control, management accounting, budgetary control, statistical control, financial planning etc.
- **Human Resource Management:** Personnel / Human Resource Management covers the various aspects relating to the employees of the organisation such as recruitment, training, transfers, promotions, retirement, terminations, remuneration, labour welfare and social security, industrial relations etc.
- **Marketing Management:** Marketing management deals with marketing of goods, sales promotion, advertisement and publicity, channels of distribution, market research etc.
- **Production Management:** Production Management includes production planning, quality control and inspection, production techniques etc.
- **Material Management:** Material management includes purchase of materials, issue of materials, storage of materials, maintenance of records, materials control etc.
- **Purchasing Management:** Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts etc.
- **Maintenance Management:** Maintenance Management relates to the proper care and maintenance of the buildings, plant and machinery etc.
- **Office Management:** Office management is concerned with office layout, office staffing and equipment of the office.

## Management is an Inter-Disciplinary Approach

Though management is regarded as a separate discipline, for the correct application of the management principles, study of commerce, economics, sociology, psychology, and mathematics is very essential. The science of management draws ideas and concepts from a number of disciplines making it a multi-disciplinary subject.

## Principles of Management

The principles of management are of universal application. These principles are applicable to any group activity undertaken for the achievement of some common goals.

## Management is an Agent of Change

The techniques of management can be improved by proper research and development.

### **The Essentials of Management**

The essentials of management include scientific method, human relations and quantitative techniques.

### **1.6 Important Characteristics and Features of Management:**

In the context of various definitions of management and subsequent discussions, we can enumerate important characteristics and features of management as under:

1. Management is an organized activity.
2. Management is aligned with organizational objectives.
3. Management optimizes constraining resources.
4. Management works with and through people.
5. Management is decision making.
6. Management is a science as well as an art.
7. Management is universal and intangible.
8. Management is an inter-disciplinary approach.
9. Management is a social process.
10. Management is a strategic function.
11. Management is a profession.

### **1.7 Importance of Management**

It helps in Achieving Group Goals - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

**Optimum Utilization of Resources** - Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If

employees and machines are producing its maximum there is no under employment of any resources.

**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.

**Establishes Sound Organization** - No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.

**Establishes Equilibrium** - It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change in 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.

**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.

**Optimum utilization of resources:** Management facilitates optimum utilization of available human and physical resources, which leads to progress and prosperity of a business enterprise. Even wastages of all types are eliminated or minimized.

**Competitive strength:** Management develops competitive strength in an enterprise. This enables an enterprise to develop and expand its assets and profits.

**Cordial industrial relation:** Management develops cordial industrial relations, ensures better life and welfare to employees and raises their morale through suitable incentives.

**Motivation of employees:** It motivates employees to take more interest and initiatives in the work assigned and contribute for raising productivity and profitability of the enterprise.

Introduction of new techniques: Management facilitates the introduction of new machines and new methods in the conduct of business activities. It also brings useful technological developments and innovations in the management of business activities.

**Effective management:** Society gets the benefits of efficient management in terms of industrial development, justice to different social groups, consumer satisfaction and welfare and proper discharge of social responsibilities.

**Expansion of business:** Expansion, growth and diversification of a business unit are possible through efficient management.

**Brings stability and prosperity:** Efficient management brings success, stability and prosperity to a business enterprise through cooperation among employees.

**Develops team spirit:** Management develops team spirit and raises overall efficiency of a business enterprise.

**Ensures effective use of managers:** Management ensures effective use of managers so that the benefits of their experience, skills and maturity are available to the enterprise.

**Ensures smooth functioning:** Management ensures smooth, orderly and continues functioning of an enterprise over a long period. It also raises the efficiency, productivity and profitability of an enterprise.

**Reduces turnover and absenteeism:** Efficient management reduces labour turnover and absenteeism and ensures continuity in the business activities and operations.

**Creates sound organization:** A dynamic and progressive management guarantees development of sound Organization, which can face any situation - favorable or unfavorable with ease and confidence.

The very survival of an enterprise depends on its management. Ineffective management leads to disastrous consequences. According to George Terry, "Ineffective management cuts at the very roots of economy of an enterprise's. This suggests the importance of efficient management. In brief, management occupies a unique position in the functioning of business enterprises. Its importance and positive role is accepted in all sector-private, public, joint and co-operative.

Management is like a human brain. It is an integral aspect of business itself. The importance of management is not fully realized in many developing countries. The economic progress of western countries is not merely due to abundant material resources but because they are efficiently managed and utilized. In other countries, resources are not utilized fully and properly due to lack of managerial skills. This suggests that management is a key factor

in the working of business enterprises. There is no substitute to efficient management. An inefficiently managed business enterprise has no place in the present complex and competitive business world groups.

## 1.8 Management Process

The term management is explained in different ways. For example, it is said that management is what management does. Here, management is explained with reference to its basic functions which include planning, organizing, coordinating and controlling. Similarly, management is described as a process which involves various elements. Management process is a continuous one and is run by the managers functioning at different levels. Management is now recognized as a distinct process in which managers plan, organize, lead, motivate and control human efforts in order to achieve well defined goals. In fact, process means a series of activities/operations undertaken/conducted for achieving a specific objective. Process is a systematic way of doing things. For example, in a factory there is a production process. Similarly, in the management process, resources and human efforts are used in an orderly manner for achieving specific objectives. The management process suggests functions to be performed by the managers.

### Definition of Management Process

- 1) According to D. E. McFarland, "Management is the distinct process by which the managers create, direct, maintain and operate purposive organization through systematic, co-coordinated and cooperative human efforts".
- 2) According to Gemp R. Terry, "Management is a distinct process consisting of planning, organizing, actuating, and controlling, performed to determine and accomplish objectives by the use of people and other resources".

## 1.9 Keywords

**Management:** the person or persons controlling and directing the affairs of a business, institution, etc.

**Authority:** the power or right to give orders, make decisions, and enforce obedience.

**Objectives:** something that one's efforts or actions are intended to attain or accomplish; purpose; goal; target.

**Decision making:** the action or process of making important decisions

**Human Resources:** the personnel of a business or organization, regarded as a significant asset in terms of skills and abilities.

## 1.10 Self-Assessment Questions

1. Define Management?
2. Explain the significance of management?
3. Discuss the nature & scope of the management
4. Different dimensions of Management – comment
5. Discuss about the Managerial Process

## 1.11 Further Readings

- 1 Heinz Weirich& Harold Koontz: Management 10<sup>th</sup> ed., TMH 2001.
- 2 Peter F. Drucker, ‘Practice of Management’, Pan Books, London, 1987 Reprint
- 3 Allen Loius, A.: Organisation and Management, McGraw Hill.

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## **Lesson – 2**

# **FUNCTIONS OF MANAGEMENT**

### **Objectives**

After studying this lesson, you should be able to

- Understand the process of planning
- Know the organizing the activities of the business enterprise
- Understand the importance of staffing in an organization
- Know the process of controlling

### **Structure**

#### 2.1 Functions of Management

- a) Planning
- b) Organizing
- c) Staffing
- d) Directing
- e) Controlling

#### 2.2 Keywords

#### 2.3 Self-Assessment Questions

#### 2.4 Further Readings

### **2.1 Functions of Management**

Management in some form or another is an integral part of living and is essential wherever human efforts are to be undertaken to achieve desired objectives. The basic ingredients of management are always at play, whether we manage our lives or business. Management is a set of principles relating to the functions of planning, organizing, directing, and controlling, and the applications of these principles in harnessing physical, financial, human and informational resources efficiently and effectively to achieve organizational goals. Management is essential for an organized life and necessary to run all types of organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

There are basically five primary functions of management. These are:

- a) Planning
- b) Organizing

- c) Staffing
- d) Directing
- e) Controlling



**Fig 2.1 Functions of Management**

The controlling function comprises coordination, reporting, and budgeting, and hence the controlling function can be broken into these three separate functions. Based upon these seven functions, Luther Gulick coined the word **POSDCORB**, which generally represents the initials of these seven functions i.e. P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting.

But, **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling** are widely recognized functions of management.

### a) Planning

Planning is future-oriented and determines an organization's direction. It is a rational and systematic way of making decisions today that will affect the future of the company. It is a kind of organized foresight as well as corrective hindsight. It involves predicting of the future as well as attempting to control the events. It involves the ability to foresee the effects of current actions in the long run in the future.

**Peter Drucker has defined planning as follows:**

“Planning is the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity,

organizing systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectations through organized and systematic feedback”.

An effective planning program incorporates the effect of both external as well as internal factors. The external factors are shortages of resources; both capital and material, general economic trend as far as interest rates and inflation are concerned, dynamic technological advancements, increased governmental regulation regarding community interests, unstable international political environments, etc.

The internal factors that affect planning are limited growth opportunities due to saturation requiring diversification, changing patterns of the workforce, more complex organizational structures, decentralization, etc

#### b) Organizing

Organizing requires a formal structure of authority and the direction and flow of such authority through which work subdivisions are defined, arranged and coordinated so that each part relates to the other part in a united and coherent manner so as to attain the prescribed objectives.

According to Henry Fayol, “**To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s**”.

Thus the function of organizing involves the determination of activities that need to be done in order to reach the company goals, assigning these activities to the proper personnel, and delegating the necessary authority to carry out these activities in a coordinated and cohesive manner.

It follows, therefore, that the function of organizing is concerned with:

- Identifying the tasks that must be performed and grouping them whenever necessary
- Assigning these tasks to the personnel while defining their authority and responsibility.
- Delegating this authority to these employees
- Establishing a relationship between authority and responsibility
- Coordinating these activities

#### c) Staffing

Staffing is the function of hiring and retaining a suitable work-force for the enterprise both at managerial as well as non-managerial levels. It involves the process

of recruiting, training, developing, compensating and evaluating employees and maintaining this workforce with proper incentives and motivations. Since the human element is the most vital factor in the process of management, it is important to recruit the right personnel.

d) **Directing**

It is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing have got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers in doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, “Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned” Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

**Direction has got following characteristics:**

- **Pervasive Function** - Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
- **Continuous Activity** - Direction is a continuous activity as it continues throughout the life of organization.
- **Human Factor** - Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.
- **Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
- **Executive Function** - Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.
- **Delegate Function** - Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's

behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

- e) **Controlling:** Control is a primary goal-oriented function of management in an organization. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action.

Every manager needs to monitor and evaluate the activities of his subordinates. It helps in taking corrective actions by the manager in the given timeline to avoid contingency or company's loss. Controlling is performed at the lower, middle and upper levels of the management.

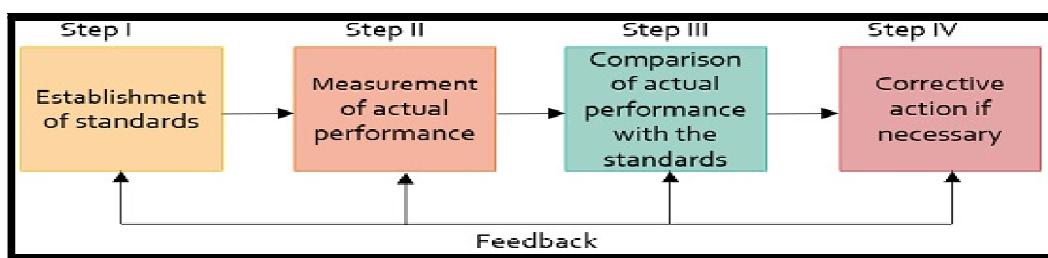
**Features of Controlling:** An effective control system has the following features:

- It helps in achieving organizational goals.
- Facilitates optimum utilization of resources.
- It evaluates the accuracy of the standard.
- It also sets discipline and order.
- Motivates the employees and boosts employee morale.
- Ensures future planning by revising standards.
- Improves overall performance of an organization.
- It also minimizes errors.

Controlling and planning are interrelated for controlling gives an important input into the next planning cycle. Controlling is a backwards-looking function which brings the management cycle back to the planning function. Planning is a forward-looking process as it deals with the forecasts about the future conditions.

### Process of Controlling

Control process involves the following steps as shown in the figure:



**Fig 2.2 Process of Controlling**

- **Establishing standards:** This means setting up of the target which needs to be achieved to meet organizational goals eventually. Standards indicate the criteria of performance.
- Control standards are categorized as quantitative and qualitative standards. Quantitative standards are expressed in terms of money. Qualitative standards, on the other hand, includes intangible items.
- **Measurement of actual performance:** The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- **Comparison of actual performance with the standard:** This compares the degree of difference between the actual performance and the standard.
- **Taking corrective actions:** It is initiated by the manager who corrects any defects in actual performance.

Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause the company's loss.

### Types of control

There are three types of control viz.

- **Feedback Control:** This process involves collecting information about a finished task, assessing that information and improvising the same type of tasks in the future.
- **Concurrent control:** It is also called real-time control. It checks any problem and examines it to take action before any loss is incurred. Example: control chart.
- **Predictive/ feed forward control:** This type of control helps to foresee problem ahead of occurrence. Therefore action can be taken before such a circumstance arises.

### Advantages of controlling

- Saves time and energy
- Allows managers to concentrate on important tasks. This allows better utilization of the managerial resource.
- Helps in timely corrective action to be taken by the manager.
- Managers can delegate tasks so routinely chores can be completed by subordinates.

On the contrary, controlling suffers from the constraint that the organization has no control over external factors. It can turn out to be a costly affair, especially for small companies.

## 2.2 Keywords

**Planning:** The process of making plans for something.

**Organizing:** A process of coordinating task goals and activities to resources

**Staffing:** It is an operation of recruiting the employees by evaluating their skills, knowledge and then offering them specific job roles accordingly.

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

**Controlling:** It is a function of management which helps to check errors in order to take corrective actions.

## 2.3 Self-Assessment Questions

1. Explain the importance of Planning
2. Discuss the concept of organizing
3. Write a note on the staffing function of management
4. List out the characteristics of Directing
5. Discuss the process of controlling

## 2.4 Further Readings

- 1) Koontz & Weirich, 'Management', McGraw – Hill, Tokyo, 2004 (Text Book)
- 2) Richard .M Hodgets, 'Management', Academic Press, New Jersy, 1993
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**Lesson Writer**

**Dr.P.Purna Chandra Rao**

## **Lesson – 3**

# **MANAGERIAL SKILLS AND ROLES**

### **Objectives**

After studying this lesson, you should be able to

- Understand the required managerial skills
- Know the Types managerial skills
- Understand the Managerial Roles in performing their functions

### **Structure**

- 1.1 Introduction
- 1.2 Types of Managerial skills
  - a) Technical skills
  - b) Conceptual skills
  - c) Human or interpersonal management skills.
- 1.3 Managerial Roles
- 1.4 Keywords
- 1.5 Self-Assessment Questions
- 1.6 Further Readings

### **3.1 Introduction**

Business owners are entrepreneurs until they become managers. When they become managers, they will feel frustrated because then they will need to deal with new problems, managerial problems. Management is not a simple task. It needs knowledge and experience. Because of that, there is the existence of hierarchy, organizational structure, and possibilities for each organizational member with adequate knowledge, experience, and skills to move from the bottom to the middle and top level of the managerial pyramid.

#### **Are There More Management Skills?**

These are the three necessary skills required for successful management as a process. Some authors also mention other skills related to management skills. But, when I think about, they are simply part of these three types of primary skills.

Let's take the example of controlling skills. The controlling can't be a skill, but rather a process, or one of the managerial functions. Managers are controlling their employees through their interpersonal managerial skills that we already described. Other additional skills

that I find in theory are decision-making skills. Again, decision making is a process and not the skill. When we have conceptual skills, we will make a better decision. Furthermore, when we have technical skills, we will make a better technical decision. I think that the primary skills all managers will need are skills explained as technical, conceptual, and interpersonal managerial skills.

In the end, I want to note something about managerial skills and business potential energy. Better management skills in your company will produce more considerable business potential energy. So, these three types of skills are in the category of business elements that can increase your business potential energy.

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### **What Are Managerial Skills?**

Simply, managerial skills are the knowledge and ability of the individuals in a managerial position to fulfill some specific management activities or tasks. This knowledge and ability can be learned and practiced. However, they also can be acquired through practical implementation of required activities and tasks. Therefore, you can develop each skill through learning and practical experience as a manager.

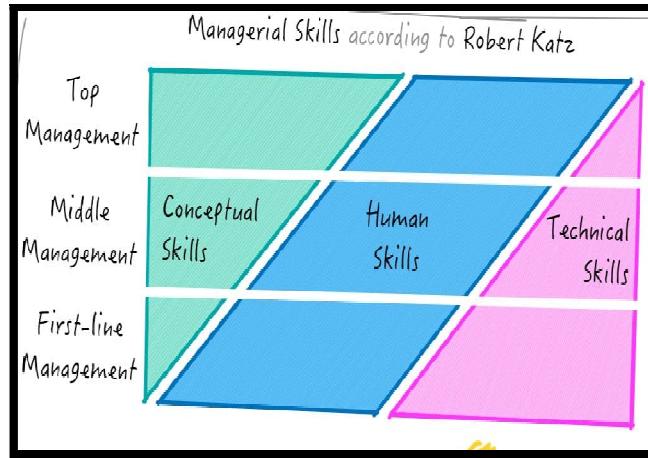
There are many definitions of skills that talk about talent. Talent is something personal related to an individual and shows a natural gift from nature about something inside that talented person. All persons cannot be artists. Usually, artists are born with the gift of art, but despite their talent, they continue to develop their talent to improve their art skills.

When we talk about managerial skills, we talk about the skills of a manager to maintain high efficiency in the way how his or her employees complete their everyday working asks. Because of that, managers will need skills that will help them to manage people and technology to ensure an effective and efficient realization of their working duties.

### **3.2 Three Types of Managerial Skills**

Robert Katz identifies three types of skills that are essential for a successful management process:

- a) Technical skills,
- b) Conceptual skills and
- c) Human or interpersonal management skills.



**Fig 3.1 Managerial skills according to Robert Katz**

### a) Technical Skills as One Part of Management Skills

As the name of these skills tells us, they give the manager's knowledge and ability to use different techniques to achieve what they want to achieve. Technical skills are not related only for machines, production tools or other equipment, but also they are skills that will be required to increase sales, design different types of products and services, market the products and services, etc.

For example, let's take an individual who works in the sales department and has highly developed sales skills achieved through education and experience in his department or the same departments in different organizations. Because of these skills that he possesses, this person can be a perfect solution to become a sales manager. This is the best solution because he has excellent technical skills related to the sales department.

On the other hand, the person who becomes sales manager will start to build his next type of required skills. It is because if his task until now was only to work with the customers as a sales representative, now he will need to work with employees in the sales department in addition to the work with customers.

Technical skills are most important for first-level managers. When it comes to the top managers, these skills are not something with high significance level. As we go through a hierarchy from the bottom to higher levels, the technical skills lose their importance.

### b) Conceptual Skills

Conceptual skills present knowledge or ability of a manager for more abstract thinking. That means he can easily see the whole through analysis and diagnosis of different states. In such a way they can predict the future of the business or department as a whole.

### Why managers need these skills?

As a first, a company includes more business elements or functions as selling, marketing, finance, production, etc. All these business elements have different goals even completely opposed goals. Think about marketing and production as a business function and their specific goals. You'll see the essential difference. The conceptual skills will help managers to look outside their department's goals. So, they will make decisions that will satisfy overall business goals.

Conceptual skills are vital for top managers, less critical for mid-level managers, and not required for first-level managers. As we go from the bottom of the managerial hierarchy to the top, the importance of these skills will rise.

#### c) Human or Interpersonal Managerial Skills

Human or interpersonal management skills present a manager's knowledge and ability to work with people. One of the most critical management tasks is to work with people. Without people, there will not be a need for the existence of management and managers.

These skills will enable managers to become leaders and motivate employees for better accomplishments. Also, they will help them to make more effective use of human potential in the company. Simply, they are the essential skills for managers. Interpersonal management skills are essential for all hierarchical levels in the company.

### 3.3 Managerial Roles

Another approach to study management is to examine the roles that managers are expected to perform. These roles can be defined as the organized sets of behaviors identified with the position. These roles were developed by Henry Mintzberg in the late 1960s after a careful study of executives at work. All these roles in one form or another deal with people and their interpersonal relationships.

These ten managerial roles are divided into three categories. The first category of **interpersonal roles** arises directly from the manager's position and the formal authority bestowed upon him. The second category of **informational roles** is played as a direct result of interpersonal roles and these two categories lead to the third category of **decisional roles**.

Management in its operations, it is faced with a task of solving problems; these are problems that emerge as the organization strives to achieve its set goals as well as objectives. Management should have skills that will enable it to solve problems efficiently and effectively; first, the management should be in a position to identify a problem. When a problem is correctly identified, the management will not waste much of its time because solving would be easy and the problem can be solved once (Koontz and Weirich 134).

In case, the problem is not correctly identified the management will waste a lot of time dealing with the wrong cause and, therefore, the problem will keep on recurring. After problem identification, the administration should work on the solution basing on the cause, and at this stage, the management should also have the ability to choose the right solution and implement the solution successfully (Enz 2).

Management plays an administrative role, which involves laying down procedure in an organization; these procedures are used in solving management crisis, delegation, communication, control, and execution. The process helps the management to ensure that the company is running smoothly and in case there is an anomaly in the running of the company or section of management, there are procedures that are followed to correct the anomaly.

Managers are also mandated with the integrating of human resource, assessing of workers and ensuring that workers and shareholders share ideas on the development and success of the company. This way, the management will be promoting responsibility, teamwork and a feeling of belonging, which gives the workers morale and commitment of working towards the company's goal (Fleet et al. 367).

#### a. Interpersonal Roles

Managers spend a considerable amount of time in interacting with other people both within their own organizations as well as outside. These people include peers, subordinates, superiors, suppliers, customers, government officials and community leaders. All these interactions require an understanding of interpersonal relations. Studies show that interacting with people takes up nearly 80 per cent of a manager's time. These interactions involve the following three major interpersonal roles:

- **Figurehead:** Managers act as symbolic figureheads performing social or legal obligations. These duties include greeting visitors, signing legal documents, taking important customers to lunch, attending a subordinate's wedding or speaking at functions in schools and churches. All these/ primarily, are duties of a ceremonial nature but are important for the smooth functioning of the organization
- **Leader:** The influence of the manager is most clearly seen in his role as a leader of the unit or organization. Since he is responsible for the activities of his subordinates, he must lead and coordinate their activities in meeting task-related goals and he must motivate them to perform better. He must be an exemplary leader so that his subordinates follow his directions and guidelines with respect and dedication.

- **Liaison:** In addition to their constant contact with their own subordinates, peers and superiors, the managers must maintain a network of outside contacts in order to assess the external environment of competition, social changes or changes in governmental rules, regulations and laws. In this role, the managers build up their own external information system.
- In addition, they develop networks of mutual obligations with other managers in the organization. They also form alliances to win support for their proposals or decisions. The liaison with external sources of information can be developed by attending meetings and professional conferences, by personal phone calls, trade journals and by informal personal contacts within outside agencies.

### b. Informational Roles

By virtue of his interpersonal contacts, a manager emerges as a source of information about a variety of issues concerning the organization. In this capacity of information processing, a manager executes the following three roles:

- **Monitor:** The managers are constantly monitoring and scanning their environment, both internal and external, collecting and studying information regarding their organization and the outside environment affecting their organization. This can be done by reading reports and periodicals, by asking their liaison contacts and through gossip, hearsay and speculation.
- **Disseminator of Information:** The managers must transmit their information regarding changes in policies or other matters to their subordinates, their peers and to other members of the organization. This can be done through memorandums, phone calls, individual meetings and group meetings.
- **Spokesperson:** A manager has to be a spokesman for his unit and he represents his unit in either sending relevant information to people outside his unit or making some demands on behalf of his unit. This may be in the form of the president of the company making a speech to a lobby on behalf of an organizational cause or an engineer suggesting a product modification to a supplier.

### c. Decisional Roles

On the basis of the environmental information received, a manager must make decisions and solve organizational problems. In that respect, a manager plays four important roles.

- **Entrepreneur:** As entrepreneurs, managers are continuously involved in improving their units and facing the dynamic technological challenges. They are constantly on the lookout for new ideas for product improvement or products addition.

- They initiate feasibility studies, arrange for capital for new products if necessary, and ask for suggestions from the employees for ways to improve the organization. This can be achieved through suggestion boxes, holding strategy meetings with project managers and R & D personnel.
- **Conflict Handler:** The managers are constantly involved as arbitrators in solving differences among the subordinates or the employee's conflicts with the central management. These conflicts may arise due to demands for higher pay or other benefits or these conflicts may involve outside forces such as vendors increasing their prices, a major customer going bankrupt or unwanted visits by governmental inspectors.
- Managers must anticipate such problems and take preventive action if possible or take corrective action once the problems have arisen. These problems may also involve labor disputes, customer complaints, employee grievances, machine breakdowns, cash flow shortages and interpersonal conflicts.
- **Resource Allocator:** The third decisional role of a manager is that of a resource allocator. The managers establish priorities among various projects or programs and make budgetary allocations to the different activities of the organization based upon these priorities. They assign personnel to jobs, they allocate their own time to different activities and they allocate funds for new equipment, advertising and pay raises.
- **Negotiator:** The managers represent their units or organizations in negotiating deals and agreements within and outside of the organization. They negotiate contracts with the unions. Sale managers may negotiate prices with prime customers. Purchasing managers may negotiate prices with vendors.

All these ten roles are important in a manager's job and are interrelated even though some roles may be more influential than others, depending upon the managerial position. For example, sales managers may give more importance to interpersonal roles while the production managers may give more importance to decisional roles. The ability to recognize the appropriate role to play in each situation and the flexibility to change roles readily when necessary, are characteristics of effective managers. Most often, however, the managerial effectiveness is determined by how well the decisional roles are performed. There are different approaches to management, which include contingency approach, operational approach, system approach, socio-technical system approach, mathematical approach, decision theory approach, social system approach, human behavior approach, and empirical approach. This paper will discuss the operational approach to management (Fleet et al. 49).

### 3.4 Keywords

- **Skills:** the ability to do something well; expertise.
- **Technical skills:** They are the abilities and knowledge needed to perform specific tasks. They are practical, and often relate to mechanical, information technology, mathematical, or scientific tasks.
- **Conceptual skills:** They are abilities that allow an individual to understand complex situations to develop creative and successful solutions.
- **Human Resource skills:** HR practitioners who have a deeper knowledge of relevant areas and more practical
- **Interpersonal skills:** The ability to communicate or interact well with other people.
- **Resource allocator:** It is the process of assigning and managing assets in a manner that supports an organization's strategic goals.

### 3.5 Self-Assessment Questions

1. Discuss the different skills needed by a manager
2. Explain the technical skills with illustrations
3. Conceptual skills are very much required for a manager.
4. Why interpersonal skills are needed in an organization

### 3.6 Further Readings

1. Allen Loius, A.: Organisation and Management, McGraw Hill.
2. James A Stoner &Chandes Walker: Management, PHI.
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## **Lesson – 4**

# **APPROACHES IN MANAGEMENT**

### **4.0 Objectives**

After studying this lesson, you should be able to

- Understand the various approaches of the management
- Know the concept of systems approach in an organization
- Aware the significance of contingency approach in a business enterprise

### **Structure**

- 4.1 Introduction
- 4.2 Systems Approach
- 4.3 Multidisciplinary Approach
- 4.4 Contingency Approach
- 4.5 Operational Approach
- 4.6 Keywords
- 4.7 Self-Assessment Questions
- 4.8 Further Readings
- 4.9

### **4.1 Introduction**

Contributions to management thought/theory after 1960s are covered by modern management theories. Modern theories are based on classical and neo-classical theories but consider the management problems as they developed in the recent years. These are: - Systems Approach to Management and Contingency Approach to Management, Quantitative / Mathematical Approach to Management

### **4.2 Systems Management Approach**

A system is an organized entity i.e. a company or a business enterprise made up of parts connected and directed to some purpose. Each system has an input, a process and an output. It acts as a self-sufficient unit. Every system is interlinked with its subsystems. Any organization is looked upon as an artificial system, the internal parts of which work together to achieve established goals and the external parts to achieve interplay with the environment including customers, the general public, suppliers and government. The manager integrates

available facilities to achieve a goal by means of systems that relate activities required for the end result. The system serves as the media through which the manager operates. An integrated system can be used purposefully for the conduct of production, marketing, distribution and other activities relating to business in an orderly manner. A manager can conduct various activities in an orderly manner with the help of the systems established. A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. Almost anything can be viewed as a system.

As per systems management school, an organization is looked upon as an artificial system. Its internal parts work together to achieve established goals and the external parts to achieve interplay with the environment including customers, the general public, suppliers and government. The manager integrates available facilities to achieve a goal by means of systems that relate activities required for the end result. In this way, the systems management school helps in achieving the established goals of the organization.

It is possible to establish such systems management organization in a business enterprise. For this authorities, departments, etc. will be created. The work will be properly distributed and various departments (sub-systems) will operate as per the work assigned under the project. The computer can be used extensively for the execution of systems management Data processing work will become easy and quick. Systems management enables a manager to work more efficiently because of easy availability of information in different aspects of business.

### **Features of Systems Approach to Management**

**Open or Closed Systems:** Systems may be either open or closed. An open system is one that is dependent on the outside environment for survival e.g., human body as a system is composed of many subsystems. This is an open system and it must depend on outside input and energy for survival. A system is considered closed if it does not interact with the environment. Physical and mechanical Systems are closed system because they are insulated from their external environment. Traditional organization theorists regarded organizations as closed systems while according to the modern view organizations are open systems, always interacting with the environment.

**Interdependent parts:** A system is a set of interdependent parts which together form a unitary whole that perform some function. An organization is also a system which consists of four interdependent parts viz., task, structure, people and technology.

**Consideration of whole system:** No part of the system can be precisely analyzed and understood apart from the whole system. Conversely, the whole system cannot be exactly

evaluated without understanding all its parts. Each part is related to every other part. It means rather than dealing separately with the various parts of one organization, the systems approach attempts to give the manager a way of looking at the organization as a whole. For example, in order to understand the operations of the finance or production or marketing departments, he must understand the company as a whole. It is because activity of any one part of the company affects the activity of every other part.

**Information, energy and material:** Generally, there are three basic inputs that enter the processor of the system viz., information (technology), energy (motive power) and materials to be transformed into goods. If the output is service, materials are not included in the inputs. If we have manufacturing company, output is goods or materials. If we have a consultancy firm, output is information or advice. if we have a power generating company, output is energy.

**Defined boundaries:** Each system including an organization has its own boundaries which separate it from other system in the environment. For open systems the boundaries are penetrable whereas for closed systems, they are not. The boundaries for closed systems are rigid. In a business organization, it has many boundary contacts or 'interfaces' with many external system like creditors, suppliers, customers, government agencies etc. The system is inside the boundary, the environment is outside the boundary'.

**Synergy:** Output of a system is always more than the combined output of its parts. This is called 'synergy'. In organizational terms, synergy means when separate departments within an organization cooperate and interact, they become more productive than if they had acted in isolation e.g., it is certainly more efficient for each department to deal with one secretarial department than for each department to have a separate secretarial department of its own.

**Feedback mechanism:** A system can adopt and adjust itself to the changing environment through the feedback mechanism. As operations of the system proceed information in feedback to the appropriate people. This helps to assess the work and if need be, to get it corrected.

### **Merits of Systems Approach**

Systems approach to management is comparatively new to the management thought. This approach represents a refreshingly new thinking on organization and management. It stresses that managers should avoid analyzing problems in isolation but should develop the skills for integrated thinking on management problems. The systems approach provides a unified focus to organizational efforts. It provides a strong conceptual framework for

meaningful analysis and understanding of organizations. Systems approach provides clues to the complex behavior of organization.

The systems theory suggests to practicing manager to study/analyze a particular element by taking into consideration its interacting consequences with other elements. A variety of systems concepts and perspectives have been developed for managers. The systems approach rightly points out the role of 'synergy' in management. Each subsystem derives strength by its association and interaction with other sub-systems. As a result, the overall outcome is more than the sum total of individual contributions. The other contribution of systems theory is its treatment of organization as an open system. The Organization exhibits a 'holistic' character.

### **Limitations of Systems Approach**

The systems approach is criticized on the ground that it is too abstract and vague. It is difficult to apply it to practical problems directly and easily.

The systems theory/approach fails to provide specific tools and techniques for the practicing executives/managers. The systems approach does not recognize differences in systems. It fails to clearly identify the nature of interactions and interdependencies between an Organization and its external environment it also fails to offer a unified body of knowledge.

### **4.3 Multidisciplinary approach**

Systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, sociology, ecology, economics, mathematics, statistics, operations research, systems analysis etc.

### **4.4 Contingency Approach to Management**

According to Mullins, L (2005), in the contingency approach there is no one best way of designing an organization and structure management but should provide insights into that particular situation and circumstances which will affect the management decision. Besides, he stated that this approach has the view of 'if-then' relationship. "If certain situational factors exist, then certain variables in organization structure and systems of management are most appropriate" (Mullins 2007, p.604) Contingency approach is an extension of the systems approach. There is no one optimum state. The most suitable structure and system of management is therefore dependent after the contingencies situation for each organization.

The manager need try to identify which technique will be the best solution for a problem. Example is the problem of increasing productivity. (Nikmahajan 2007)

A common deficiency of the classical, behavioral and quantitative schools is that they have stress one aspect of the organization at the cost of others. The classical approach emphasizes on 'task' while behavioral approach emphasizes on 'people'. The stress of quantitative approach is on 'mathematical decision-making'. However, it is difficult to understand precisely which aspect is most useful and appropriate in a given practical situation. This brings the need to develop me broad conceptual framework that can help a manager diagnose a problem and decide which tool or tools will best do the job. The systems approaches as well as contingency approach provide one integrated approach to management problems. The contingency/situational approach is the second approach (the first being the systems approach) which attempts to integrate the various schools of management thought in an orderly manner. The contingency management approach is similar to known leadership theory called situational leadership theory.

The contingency approach is applicable to leadership as well as to business management. This situational management approach is relatively a new approach to management and is an extension of systems approach. The basic theme of contingency approach is that organizations have to deal with different situations in different ways. There is no single best way of managing applicable to all situations. In order to be effective, the internal functioning of the organization must be consistent with the needs and demands of the external environment. In other words internal organization should have the capacity to face any type of external situation with confidence.

### **Features of the Contingency / Situational Approach**

Management is entirely situational. The management has to use the measures/techniques as per the situation from time to time. Management should match its approach as per the requirements of the situation. The policies and practices used should be suitable to environmental changes. The success of management depends on its ability to cope up with its environment. Naturally, it has to make special efforts to anticipate and comprehend the possible environmental changes. Managers should realize that there is no one best way to manage. They have to use management techniques as per the situation which they face.

According to contingency approach, management principles and concepts of different schools have no universal/general applicability under all situations. This means these schools

have not suggested one best method of doing things under all situations and at all times. The contingency approach has provided a solution to this situation. As per the contingency approach, the task of managers is to try to identify which technique or method will be most suitable for achieving the management objectives under the available situation. Managers have to develop a sort of situational sensitivity and practical selectivity in order to deal with their managerial problems as they develop from time to time.

Contingency approach views are applicable in designing organizational structure and in deciding the degree of decentralization in establishing communication and control systems and also in deciding motivational and leadership approaches. In brief, the contingency approach is applicable to different areas of organization and management it is an attempt to integrate various viewpoints and to synthesize various fragmented approaches to management. The contingency approach is the outcome of the research studies conducted by Tom Burns and G. W. Stalker, James Thompson and others.

### **Merits of Contingency Approach**

Contingency approach is pragmatic and open minded It discounts preconceived notions, and universal validity of principles. Theory relieves managers from dogmas and set principles. It provides freedom/choice to manage to judge the external environment and use the most suitable management techniques. Here, importance is given to the judgment of the situation and not the use of specific principles. The contingency approach has a wide-ranging applicability and practical utility in, organization and management. It advocates comparative analysis of organizations to bring suitable adjustment between organization structure and situational peculiarities. The contingency approach focuses attention on situational factors that affect the management strategy. The theory combines the mechanistic and humanistic approaches to fit particular/specific situation. It is superior to systems theory as it not only examines the relationships between sub-systems of an organization but also the relationship between the organization and its external environment.

### **Limitations of Contingency Approach**

It is argued that the contingency approach lacks a theoretical base. Under contingency approach, a manager is supposed to think through all possible alternatives as he has no dried principles to act upon. This brings the need of more qualities and skills on the part of managers. The responsibility of a manager increases as he has to analyze the situation, examine the validity of different principles and techniques to the situation at hand, make right choice by matching the technique to the situation and finally execute his choice. The areas of operation of a manager are quite extensive under this theory. Contingency approach/theory is

the latest addition to existing management theories. It was observed that different theories developed earlier are not applicable to all real world situations developed since 1970. An open and adaptable systems approach (also called contingency approach) is more convenient to deal with complex management problems. Contingency/ situational approach appears to be better suited to lead management out of the present management theory jungle.

Contingency theories do not give special importance to any specific theory. It suggests that there is no one best way to management. In the Contingency approach, what is best for a particular business unit or organization or under the available situation is given special attention. Each situation (before the management) is different and calls for a Contingency / situational approach. A manager has to study the complexity under each situation. He has to adjust his policies/decisions as per his awareness. He has to decide what is best under the available total situation and act accordingly. He (manager) has to identify the technique which will be most effective for achieving organization objectives under particular situation/ circumstances and act accordingly. This is the practical aspect of contingency approach. What constitutes best/effective management varies with the organizations internal and external environment and the make-up of the organizational subsystems. The best management pattern depends on a number of interrelated internal and external variable factors around the specific organization/business unit.

The contingency approach falls somewhere in between the classical theory and systems theory. It provides a synthesis that brings together the best of all segments of what Koontz has termed "management theory jungle". Contingency approach is practical progressive and action oriented. It considers each organization as unique and gives special attention to situation around it. Finally, it integrates theory with practice in a systems framework. The other theories (classical or systems) are not rejected in the, contingency approach. However, they are viewed as incomplete, vague and unsuitable to all organizations and situations.

## 4.5 Operational Approach Theory

An operational approach is an approach that is borrowed from Bridgman's work; this approach attempts to bring together the knowledge of management that is related to functions of management. The operational approach brings together management concepts, principles and techniques in the management practice (Fleet et al. 76). According to Koontz and Weihrich, management involves designing and maintaining a working environment where individuals or people working in groups achieve their objectives efficiently. This means that

management cannot be successful without a strategic plan, proper coordination of activities and direction, as well as a reasonable control of decision-making processes; therefore, managers should be equipped with skills in managerial competence as well as effectiveness in human resource management, administration, problem-solving and leadership (Koontz and Weihrich 243).

Deming and McGregor are the founders of modern management which applies the operational approach. Deming is known to influence the Japanese post-war economic miracle. He suggested the creation of constancy to improve products and services and advised Japan to cease mass inspection dependency and built quality together with price (Homans 46).

He emphasized on training for management and adoption of leadership that is aimed at guiding people to do their best at work, ensure effective communication, discouraging fear and removing barriers between staffs and their departments and create adversarial relationships. He also encouraged the use of annual appraisal and objectives by the management and education for self-improvement. He also emphasized that the top management should commit themselves to the improvement of quality and productivity.

Douglas McGregor had his idea of management; according to him, organizations run according to their manager's beliefs. He uses 'Theory X,' which shows negative opinion management; he assumes that a significant number of people are immature. Therefore, they need to be directed and controlled, and he also implies that they are not capable of being responsible (Koontz 279).

According to him, most people dislike work and are lazy; therefore, they require financial inducements for them to work hard. He also presents his argument using 'Theory Y,' which says that people fulfill themselves through self-development, seeking of self-respect, as well as self-fulfillment at the workplace. This theory assumes that personal dislike for work depends on the kind of work and management, and the effort one put in work are influenced by the threat of punishment (Koontz 282). The theory also assumes that when people are rewarded for achievement they commit themselves to work towards gives objectives, and human beings learn under favorable conditions.

## 4.6 Keywords

**Systems Approach:** The study of a firm in its totality so that the men and material resources of the firm can be organized to realize the firm's overall objectives as efficiently as possible.

**Merits of Systems Approach:** It increases organizations adaptability to environmental changes.

**Situational Approach:** It is a concept in management stating that there is no one universally applicable set of management principles (rules) to organizations.

**Limits of Situational Approach:** It focuses more on immediate needs than long-term needs.

**Operational Approach:** It brings together management concepts, principles and techniques in the management practice.

## 4.7 Self-Assessment Questions

1. Explain the importance of systems approach in an organization
2. Discuss the Situational Approach in detail
3. Discuss the significance of operational approach
4. List out the features of the Contingency/ Situational Approach

## 4.8 Further Readings

1. Koontz & Weirich, ‘Management’, McGraw – Hill, Tokyo, 2004 (Text Book)
2. Richard .M Hodgetts, ‘Management”, Academic Press, New Jersy, 1993
3. Hampton, ‘Management’ , McGraw – Hill, International Edition, Tokyo, 1992
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## **Lesson – 5**

# **EXTERNAL AND INTERNAL BUSINESS ENVIRONMENT**

### **5.0 Objectives**

After studying this lesson, you should be able to:

- Learn the business environment affecting the managerial decisions
- Clearly understand the External and Internal Environment

### **Structure**

- 5.1 Business Environment
- 5.2 Internal Environment Factors
- 5.3 Elements of internal environments
- 5.4 External Environment Factors
- 5.5 General External Environment & It's Elements
- 5.6 Industry external environment & It's Elements
- 5.7 Keywords
- 5.8 Self-Assessment Questions
- 5.9 Further Readings

### **5.1 Business Environment**

The Environment means is the nearby surroundings or conditions in which a specific activity is carried on. The Business environment of an organization is consists of its organization's surroundings – anything that affects its operations and taking the managerial decisions. Business environment inserts its impacts on business success, scale, vision, and development strategy, having fully understanding about this issue should be prioritized by leaders. Once they know about both positive and negative effects within and outside the company, they can produce suitable strategies to handle any predicted and unpredicted situation. Organizations have an external and internal environment;

1. Internal environment.
2. External environment

## 5.2 Internal Environment Factors

The internal environment factors refer to anything within the company and under the control of the company. The internal environment of an organization refers to events, factors, people, systems, structures, and conditions inside the organization that are generally under the control of the company. The company's mission statement, organizational culture, and style of leadership are factors typically associated with the internal environment of an organization. As such, it is the internal environment that will influence organizational activities, decisions, and employee behaviour and attitudes. Changes in the leadership style, the organization's mission, or culture can have a considerable impact on the organization.

### Internal environment factors:

1. Plans & Policies
2. Value Proposition
3. Human Resource -
4. Financial and Marketing Resources
5. Corporate Image and brand equity
6. Plant/Machinery/Equipment's (Physical assets)
7. Labour Management
8. Inter-personal Relationship with employees
9. Internal Technology Resources & Dependencies
10. Organizational structure or in some cases Code of Conduct
11. Quality and size of Infrastructure
12. Task Executions or Operations
13. Financial Forecast
14. The founders relationship and their decision making power.

The internal business environment has observed the strengths and weaknesses of the company. If one element brings positive effects to the company, it is considered as strength. The internal strengths represent its internal environment. It consists of financial, physical, human and technological resources. Financial resources represent the financial strength of the company. Funds are allocated over activities that maximize output at minimum cost, that is, optimum allocation of financial resources. Financial capital is the funds necessary to grow and sustain a business. CEO takes financial capital to invest in not only tangible goods such as factories, machines, tools and other production equipment to produce an output but also intangible resources such as marketing, employee training, etc. No company can survive

without having capital resources. Once a company has enough budget, they can easily launch their projects, expand its scale and even achieve an impressive result.

Physical resources represent physical assets such as plant, machinery, building, etc. that convert inputs into outputs. Human resources represent the manpower with specialized knowledge that performs business activities. The operative and managerial decisions are taken by human resources. Human resources can be a company's greatest treasure. In general, the employees can be either a strength or weakness of the company depending on the level of practical skills, attitudes toward work, performance and so on. For example, if a business has skilled and motivated workers, they are sure to be the biggest asset of this enterprise. Conversely, employees without carefully trained and have negative attitudes to their task will be an enormous challenge for the company to address.

The infrastructure of the company is good enough for all business functions with modern and high-quality facilities, stable power, Internet and Wi-Fi connection after that company has to perform better in its operations. In other words, the better your infrastructure, the more opportunities for your company to perform successfully.

Technological resources represent the technical know-how used to manufacture goods and services. Internal environment factors are controllable factors. In the competitive marketplace and industrial revolution we are living now, no company can survive without upgrade new ideas and technology served overall success. The Innovation can bring about productivity, cost reduction, higher competitiveness, brand value, turnover increase. The internal environment consists mainly of the organization's owners, the board of directors, employees and culture.

### 5.3 Elements of internal environments

- 1. Owners and Shareholders** - Owners are key people who invested in the company and have property rights and claims on the organization. Owners can be an individual or group of persons who started the company; or who bought a share of the company in the share market. They have the right to change the company's policy at any time. Owners of an organization may be an individual in the case of sole proprietorship business, partners in a partnership firm, shareholders or stockholders in a limited company or members in a cooperative society. In public enterprises, the government of the country is the owner. Whoever the owners, they are an integral part of the

organization's internal environment. Owners play an important role in influencing the affairs of the business.

2. **Board of Directors** – The board of directors is the governing body of the company who is elected by stockholders, and they are given the responsibility for overseeing a firm's top managers such as the general manager
3. **Employees** – Employees are the most important element of an organization's internal environment, which performs the tasks of the administration. Individual employees and also the labour unions they join are important parts of the internal environment.
4. **Organizational Culture** - Organizational culture is the collective behaviour of members of an organization and the values, visions, beliefs, habits that they attach to their actions. An organization's culture plays a significant role in its company's success because the culture is an important determinant of how well their organization will perform. As the foundation of the organization's internal environment, it plays a major role in shaping managerial behaviour. An organization's culture is viewed as the foundation of its internal environment. Organizational culture significantly influences employee behaviour. Culture is important to every employee including managers who work in the organization. A strong culture helps a firm achieve its goals better than a firm having a weak culture. Culture in an organization develops and 'blossoms' over many years, starting from the practices of the founder. Since culture is an important internal environmental concern for an organization, managers need to understand its influence on organizational activities.
5. **Resources of the Organization** - An organization's resources can be discussed under five broad heads: physical resources, human resources; financial resources, informational resources, and technological resources. Physical resources include land and buildings, warehouses, all kinds of materials, equipment and machinery.
6. **Organization's image/goodwill** - The reputation / brand image of an organization is a very valuable intangible asset. High reputation or goodwill develops a favourable image of the organization in the minds of the Customer. 'No-reputation' cannot create any positive image. A negative image destroys the organization's efforts to attract customers in a competitive world.

The internal environment of an organization consists of the conditions and forces that exist within the organization. The internal environment portrays an organization's 'in-house' situations. An organization has full control over internal environment situations.

#### 5.4 External Environment factors

The external environment factors that occur outside of the company, these factors can cause change inside organizations and are, for the most part, beyond the control of the company. Customers, competition, the economy, technology, political and social conditions, and resources are common external factors that influence the organization. Even though the external environment occurs outside of an organization, it can have a significant influence on its current operations, growth, and long-term sustainability. Ignoring external forces can be a detrimental mistake for managers to make. As such, it is imperative that managers continually monitor and adapt to the external environment, working to make proactive changes earlier on rather than having to take a reactive approach, which can lead to a vastly different outcome. **The External environment can be classified into two groups such as (a) General environment and (b) Industry environment.**

**5.5 General environment** – The General Environment consists of those factors in the external environment that indirectly affect the business operations of firms. The general environment include political situations, economic conditions, social, cultural factors, technological advancements, legal/regulatory factors, natural environment, and demographics in a particular country or region.

### **5.5. A) Elements of the General External Environment**

The general environment includes the; distant factors in-the external environment that is general or common in nature. Its impact on the operations of the firm, its competitors and customers make its analysis imperative.

The PESTLE model is used for General environment for the identification and analysis of the factors in the general environment. **PESTLE Model covers political, economic, sociocultural, technological, legal, and environmental** (natural) factors.

1. **Political factors** – The political factors of the general environment refer to the business-government relationship and the overall political situation of a country. A good business-government relationship is essential to the economy and most importantly for the business. The government of a country intervenes in the national economy through setting policies/rules for business in our country, Setting Policies for business – import policy, export policy, taxation policy, investment policy, drug policy, competition policy, consumer protection policy, etc. Sometimes, the government pursues a nationalization policy for state ownership of a business.

2. **Economic factors** - The economic factor of an organization is the overall status of the economic system in which the organization operates. The important economic factors for business are inflation, interest rates, and unemployment.

These factors of the economy always affect the demand for products. During inflation, the company pays more for its resources and to cover the higher costs for it, they raise commodity prices. When interest rates are high, customers are less willing to borrow money and the company itself must pay more when it borrows. When unemployment is high, the company can be very selective about who it hires, but customers' buying power is low as fewer people are working.

A country's economic conditions affect market attractiveness. The performance of business organizations is affected by the health of a nation's economy. Several economic variables are relevant in determining business opportunities. Examples of economic factors include the trend in economic growth, income levels of population, inflation rate, tax rates for individuals and business organizations, etc.

3. **Socio-cultural factors** - Socio-cultural forces include culture, lifestyle changes, social mobility, attitudes towards technology, and people's values, opinion, beliefs, etc. Customs, values and demographic characteristics of the society in which the organization operates are what made up the socio-cultural factors of the general environment.

The socio-cultural dimension must be well studied by a manager. It indicates the product, services, and standards of conduct that society is likely to value and appreciate. The standard of business conduct varies from culture to culture and so does the taste and necessity of products and services.

A society's values and attitudes form the cornerstone of society. They often drive other conditions and changes. The hand for many products changes with the changes in social attitudes. Socio-cultural factors differ across countries.

4. **Technological factors** – Technological changes substantially affect a firm's operations in many ways. The advancement of industrialization in any Country depends mostly on the technological environment. Technology has major impacts on product development, manufacturing efficiencies, and potential competition. The technological changes occur primarily through new products, processes, and materials. Technological factors include information technology, the Internet, biotechnology, and global transfer of technology.

5. **Legal factors** – The legal environment consists of laws and regulatory frameworks in a country. Many laws regulate the business operations of enterprises such as the Factories Act, Industrial Relations Ordinance, the Contract Act, and the Company law. The Business laws primarily protect companies from unfair competition and also protect consumers from unfair business practices. The business managers must have thorough knowledge about the major laws that protect business enterprises, consumers and society.
6. **(Natural) Environmental factors** - The natural environment consists of the renewable and non-renewable resources used in the production processes. The renewable resources are air, water and solar energy which can be replenished and non-renewable resources are oil, coal, wood etc. which cannot be replenished.

Though air, water and solar energy can be replenished, firms are harming these resources by dumping industrial wastes in water and polluting the air and affecting the ozone layer. Increasing industrialization is affecting the natural environment by disposing off chemical wastes in land, air and water. It also affects the food supply which can be harmful on consumption. “The environment damage to water, earth and air caused by industrial activity of mankind is harmful for future generations.”

Business enterprises should use these resources wisely and adopt methods to restrict environmental pollution. Legislative measures are also enforced by the Government (Pollution Control Board) to protect the natural environment. These are some additional factors that suit the current modern business atmosphere.

7. **Demographic factors** – The Demographic factors consists of population in its varied forms, such as gender, age, income, growth rate, language, religion, etc. Increasing population increases the demand for business products and also provides labour at low rate. A largely populated country can adopt labour-intensive technology to keep the labour force employed.

The age composition helps to produce goods to meet the needs of that group. Production is also affected by gender composition. More females will promote the enterprises to produce goods used by females. Labour mobility (from rural to urban areas and vice versa), their educational level, nationality, religion, etc. also affect policies of the organisations.

8. **International factors** – The International factors is influenced by business. The global business environment is significantly influenced by the principles and agreements of World Trade Organisation (WTO). WTO monitors and regulates the business transacted in the international environment. The Indian economy entered the global world in 1991 through its liberalisation policies.

- Liberalisation of imports.
- Opportunities for Indian firms to enter into foreign markets through exports and investments.
- Seek foreign equity participation and foreign technology in Indian firms to expand business and improve competitiveness.
- Facilitate global sourcing by Indian firms.
- Benefit from global sourcing by foreign firms.
- Improve efficiency and dynamism of the firms to survive in the global competition. Inefficient firms have to leave the market.

## 5.6 Industry external environment

The Industry environment comprises those factors in the external environment that exists in the concerned industry of a firm in which it is operating its business. There are mainly 3 factors in the industry environment such as suppliers, customers, competitors. Industry environmental factors such as competitors and substitute products may-exist even outside the concerned industry.

### 5.6 A) Elements of the Industry environment

#### ➤ Customers

Customers are the kings of any business. The customer is the foundation of any business' success. “Satisfaction of customer”- the primary goal of every organization. The customer is who pays money for the organization's product or services. They are the peoples who hand them the profit that the companies are targeting. Organisation employees should pay close attention to the customers' dimension of the task environment because its customers purchase that keeps a company alive and sound. Business exists to serve its customers. Unless there are customers, business has no meaning. A company can have different types of customers like, households, producers, retailers, Government and foreign buyers.

#### ➤ Suppliers

Suppliers are the providers of production or service materials. Suppliers are to supply the money, raw material, fuel, power and other factors of production) and help

in smooth conduct of the business. The shortage of supplies also affects the production schedules. Dealing with suppliers is an important task of management. A good relationship between the organization and the suppliers is important for an organization to keep a steady following of quality input materials.

### ➤ Competitors

Competitors form important part of the micro environment. Firms compete to capture big share of the market. They constantly watch competitors' policies and adjust their policies to gain customer confidence.

## 5.7 Keywords

**Business** – Business is the commercial activity.

**Labour** – Work, especially physical work.

**Demographic** – A particular sector of a population.

**Customer** – A person who buys goods or services from a shop or business.

**Supplier** – A person or organization that provides something needed such as a product or service.

**Competitor** – An organization or country engaged in commercial or economic competition with others.

## 5.8 Self-Assessment Questions

1. What is meant by business environment?
2. Briefly explain the various internal environment?
3. Write a brief note on External environment?

## 5.9 Further Readings

1. Business Environment by Pailwar V.K, January 2014
2. Business Environment, 1<sup>st</sup> Edition by Fernando, January 2011
3. Business Environment by Paul, August 2018
4. Business Environment by Bn Ghosh, December 2014

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## **Lesson – 6**

# **SOCIAL RESPONSIBILITIES OF BUSINESS**

### **6.0 Objectives**

After studying this lesson, you should be able to:

- Learn the importance of Social Responsibilities in organizations
- Clearly understand the Social responsibilities towards business

### **Structure**

- 6.1 Introduction
- 6.2 Definition of SRB
- 6.3 Nature of Social responsibilities of business
- 6.4 Need of the Social Responsibility of business
- 6.5 Consideration for the cases Social Responsibility of business
- 6.6 Importance of Social Responsibilities
- 6.7 Types of Social Responsibility
- 6.8 Social Responsibilities towards different groups
- 6.9 Keywords
- 6.10 Self-Assessment Questions
- 6.11 Further Readings

### **6.1 Introduction**

Social responsibility is the obligation of the decision makers to take actions which protect and improve the welfare of the society as a whole along with their own interests. - Howard R. Bowen. Social responsibility is an ethical or ideological theory that an entity whether it is a government, corporation, organization or individual has a responsibility to society. The social responsibility of business encompasses the economic legal, ethical and discretionary expectations that society has of the organization at a given point in time. Social responsibility of business has the responsibility to the customer, workers, shareholders and the community.

Social responsibility is the principle that companies should contribute to the welfare of society and not be solely devoted to maximizing profits. Social responsibility is one of the marketing strategies. The companies will follow Social Responsibility as a one the marketing strategy, the company has maintained a better relationship with the customers and other stakeholders. The companies that embrace CSR can obtain a competitive advantage over the

other competitors, such as good public image, good image among employees, good profits and return of the investment, which is important for supporting events not directly related with the core business.

Social Responsibility of Business can significantly assist the development of backward areas, agriculture, weaker sections of the society, social welfare and can also lead towards community development. With enormous resources at their disposal, the business organizations, especially the bigger ones, can decidedly play an important role in social welfare and thus can be the pace-setters.

## 6.2 Definitions of SRB

“Social responsibility of business refers to the obligations of businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic and technical interest.” —Keith Davis

“Social responsibility is to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.”  
—Howard D. Bowen

“Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.” —United Nations Industrial Development Organisation (UNIDO)

## 6.3 Nature of Social Responsibility of Business

The term Social Responsibility of Business reflects the impact of a corporation’s activities on society. This embodies the performance of its economic function and other actions taken to contribute to the quality of life. These activities may extend beyond meeting the letter of law due to the pressures of competition or the requirements of contracts.

‘Corporate Social Responsibility of a business is operating in a manner which meets or excels the ethical, legal, commercial and public expectations that a society has from the business.’ The term corporate social responsibility refers to the concept of business being accountable to how it manages the impact of its processes on stakeholders on a voluntary basis.

## 6.4 Need of the Social Responsibility of business

- Impact of its own Operations.
- Long life of business
- Employee satisfaction
- Fair Pricing & Market dynamics

- Demand & Supply of goods & services
- Taxation & compliances towards Government
- Financial Support to Social & Cultural activities
- Support to Social causes like Poverty, Education, HealthCare, Environment Renewable Energy etc.

## 6.5 Consideration for the cases Social Responsibility of business

- **Public Image** – A business devoted to fulfilling its social responsibilities is regarded highly by society. Good rapport with employees, suppliers, customers, and the government helps in building a favourable public image of the business enterprise. Moreover, a socially responsible organization is considered trustworthy by the shareholders and investors.
- **Social Power** – Business persons are endowed with a lot of social power. They have the potential to change the destiny of the population by collectively deciding for the country on crucial issues such as rate of economic progress, distribution of income among different income groups, etc. Ideally, business persons should take up social responsibilities in proportion to their social power. If the business enterprise misuses its social powers for selfish motives, society can intervene via government controls and other laws. Therefore, it is morally right for a business to embrace its social obligations and discharge them loyally.
- **Long term Interest** – The long-term interest of the business to discharge its social obligations by serving different interest groups such as employees, consumers, government and citizens. Wise business persons know that unless they serve society by fulfilling its needs, they will not be able to climb the success ladder. Working for the society, stakeholders and government help an organization in establishing a strong public image. On the other hand, a business organization with vested selfish interests may get ignored by society.
- **Law and Order** – A peaceful society is congenial to the expansion of the business. Unable to withstand exploitation by the business enterprises, the weaker sections can rebel and take the law and order in their hands. As a result, the survival of the business can be threatened.
- **To avoid Government Intervention** - If a business organization fails to acknowledge and perform its social duties, it is bound to lose its freedom and flexibility in the long-run. The Consumer Protection Act and other legislation passed by the government

safeguard the interest of the customers against business persons indulging in black-marketing, adulteration, hoarding and many other illegal trade practices. Since government intervention is not welcomed by business enterprises, social duties should be voluntarily carried out by all the organizations to avoid such situations.

- Resources
- Trusteeship
- Changes
- Consumer Movement
- Help to the Government
- Pressure of trade unions
- Globalization
- Role of Media
- Protection of Environment

## 6.6 Importance of Social Responsibilities

- Best interest of business to promote and improve the communities
- Improves public image of the firm
- Improving stock price Solving social problems
- Resource given by the organizations to solve the social problem

## 6.7 Types of Social Responsibility

- **Ethical** – This includes the behaviour of the firm that is expected by society but not in codified by law.
  - Obligation to do what is right, just and fair;
  - Avoid harm.
  - Be ethical.
- **Legal** – A business has a responsibility to operate by the laws of the land, since laws are meant for the good of society.
  - Law is society's codification of right and wrong;
  - Play by the rules.
  - Obey the Law
- **Economic** – A business enterprise is an economic entity therefore its primary responsibility in making profit.

- **Discretionary (Philanthropic)** – The voluntary obligation that an enterprise assumes, it is the responsibility of a company to safeguard the capital investment by avoiding speculative activity and undertaking only healthy business ventures

## 6.8 Social Responsibilities towards different groups

- **Social Responsibilities towards the Owners**

- Profit maximization
- Exploit business opportunities
- Expansion & diversification
- Careful use of capital
- Optimum use of resources
- Fair practice on stock exchange
- Business efficiency
- Periodic Information and Creating Confidence
- Effective use of shareholder's fund
- Creating Goodwill

- **Social Responsibilities towards the Employees/Workers**

A business organisation can run effectively only when the morale of its employees is high and their needs are fully met.

- Maintain the Good Employer-Employee Relation
- Job Security, Promotion & career opportunity
- Division of Labour & recognition to trade unions
- Good Working Conditions
- Protect Health & Provide Safety Measures
- Fair Remuneration and allowances
- Proper personal policies, education & training
- Code of conduct & proper grievance procedures
- Workers Participation in Management
- Opportunities for development

- **Social Responsibilities towards the Consumers/Customers**

Customers are the foundation of business. It is they who keep a business organisation in existence. It is basically to meet the wants of consumers that the society entrusts wealth-producing resources to business organisation.

- Supply as per demand
- Charging Fair price
- Honest Advertisement/ Advertisement ethics
- After Sales Service
- Reply to Complaints/ Customer Service Cell
- Good Quality Products & Services
- Avoid Monopolistic Competition
- Avoid Unethical Trade Practices
- Consumer Safety
- Accurate Information
- Consumer Welfare

➤ **Social Responsibility towards the Suppliers, Creditors and Others**

The functioning of a business enterprise is also affected by the suppliers, creditors and other interest groups with whom the business has to interact. Hence, management owes a responsibility towards such interest groups. Discharging of the responsibility towards suppliers and creditors, etc., boosts the public image of the enterprise

- Prompt payment to suppliers.
- Prompt payment of interest to lenders.
- Furnishing of accurate information to creditors, financial institutions and suppliers.
- Proper liaison with all interest groups.

➤ **Social Responsibilities towards the Community/Society/Public**

A business enterprise exists and functions in the society. It is an integral part of our social system which facilitates its functioning.

- Frequently Conduct the Social & Cultural Activities
- Location of Industries/ Rehabilitation
- Development of Backward Area/Locality
- Financial Assistance
- Protect anti-social activities
- Address Social Problem/Avoid Class conflict
- Help during Natural Calamities
- Proper use of economic power
- Providing Employment Opportunities

- Adopt a Village
- Provide Free Education
- Frequently Conduct the Blood donation camps

#### ➤ **Social Responsibilities towards the Investors/Shareholders**

The shareholders take great risk in making investment in a business. Therefore, a business organisation is responsible to safeguard the interest of shareholders who are its owners.

- Return on Investment
- Stability
- Information
- Proper Disclosure
- Full and Factual Information
- Proper conduct of Shareholders Meetings
- Good Public Image
- Manipulation of Share Prices
- Maintain Transparency
- Handling Grievance
- Maintain Solvency and Prestige

#### ➤ **Social Responsibilities towards the Government**

Government provides a number of infrastructure facilities and a conducive environment to business organisation for their proper functioning.

- Observance of Law and Order
- Follow the Govt. Guidelines
- Payment of Taxes in Right Time
- Avoid Unethical Practices
- Generate the Foreign Exchange
- Advice to Government
- Help in Emergencies situations
- Maintain the harmonic Co-operation to govt. bodies and organisations
- Respecting Rules & Regulations
- Political Stability
- Implementation of Socio-economic programmes

## 6.9 Keywords

**Responsibility** - The state or fact of having a duty to deal with something or of having control over someone or to blame for something.

**Owner** – A person who owns something.

**Worker** – A person who does a specified type of work

**Customer** – A person who buys goods or services from a business.

**Consumer** – A person who purchases goods and services for personal use.

**Supplier** – A person or organization that provides something needed such as a product or service.

**Society** – the aggregate of people living together in a more or less ordered community.

**Investor** – A person or organization that puts money into financial schemes, property, etc. with the expectation of achieving a profit.

## 6.10 Self-Assessment Questions

1. Define the Social Responsibility of Business?
2. Explain the Need of Social Responsibility of Business?
3. Discuss the Importance of Social Responsibility of Business?
4. Explain the Types of Social Responsibility?
5. Briefly discuss the Social Responsibilities towards different groups?

## 6.11 Further Readings

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## **Lesson – 7**

# **EVOLUTION OF MANAGEMENT THOUGHT**

### **7.0 Objectives**

After studying this lesson, you should be able to:

- Know the Evolution of management thought
- Clearly understand the stages in Evolution of management thought

### **Structure**

7.1 Evolution of management thought

7.2 Stages in Evolution of management thought

- A. Pre-scientific management period
- B. Classical Theory
- C. Neo-classical Theory or Behavior Approach
- D. Modern Theory of Management approach

7.3 Key words

7.4 Self-Assessment Questions

7.5 Further Readings

### **7.1 Evolution of management thought**

The evolution of management thought is a process that started in the early days of man. It began since the period man saw the need to live in groups. Mighty men were able to organize the masses, share them into various groups. The sharing was done accord to the masses' strength, mental capacities, and intelligence.

Management is studied in business academics since earlier times and it is considered as an integral part to understand business operations. People have been changing and redesigning organizations for centuries. Though the 20th century is noticeable in history as an 'Era of scientific management', still it does not indicate that management tactics were not used in yester years. Many studies indicated that Management theory evolved with "scientific" and "bureaucratic" management that used measurement, procedures and routines as the basis for operations. Firms developed hierarchies to apply standardized rules to the place of work and penalized labour for violating rules. With the "human relations" movement, companies emphasized individual workers. Modern management theories,

including system theory, contingency theory and chaos theory, focus on the whole organization, with employees as a key part of the system.

## 7.2 The Evolution of management thought has classified into four stages

1. Pre-scientific management period. (before 1880),
2. Classical Theory (1880-1930),
  - Scientific Management of Taylor
  - Administrative Management of Fayol
  - Bureaucratic Model of Max Weber
3. Neo-classical Theory or Behaviour Approach (1930-1950),
4. Modern Theory of Management approach (1950-on word)

### 7.2A) The Pre-Scientific Management Period

In this period the industrial revolution that took place in the 18th century had a significant impact on management as a whole. Thus, the development of management theory can be recognized as the way people have struggled with relationships at particular times in olden periods. Many economic theorists during this period described the notion of management. Adam Smith and James Watt have been recognized as two theorists who launched the world toward industrialization. Adam Smith brought about the revolution in financial thought and James Watt's steam engine provided cheaper power that revolutionized English commerce and industry. Both provided the base for modern concepts of business management theory and practice. Adam Smith explicated the concept of division of labour and Jacques Turgot described the importance of direction and control. Smith stated that market and competition should be the controllers of economic activity and that tax policies were destructive. The specialization of labour was the basis of Smith's market system. According to Smith, the division of labour provided managers with the maximum opportunity for improved output. In the period of 1771–1858, Robert Owen studied for concern for the workers. He was repulsed by the working conditions and poor treatment of the workers in the factories across Scotland. Owen became a reformer. He reduced the use of child labour and used ethical influence rather than physical punishment in his factories. He reproached his fellow factory owners for treating their equipment better than they treated their workers.

In the quantitative approach of early management thought, Charles Babbage (1792–1871) is recognized as the supporter of operations research and management science. Babbage's scientific innovations are mechanical calculator, a versatile computer, and a punch-card machine. His projects never became a commercial reality. However, Babbage is

considered the creator of the concepts behind the present-day computer. The most popular book of Babbage, On the Economy of Machinery and Manufactures, described the tools and machinery used in English factories. It discussed the economic principles of manufacturing and analysed the operations and the skills used and suggested improved practices. Babbage considered the benefits of the division of labour and was a supporter of profit sharing. He developed a method of observing manufacturing that is the same approach utilized today by operations analysts and consultants analysing manufacturing operations. Other theorists who contributed to the quantitative approach of early management thought were Robert Owen, Andrew Ure, Charles Dupin, and Henry Robinson Towne.

The Baptiste has explained the significance of planning. But management has appeared as a different discipline in the second half of the 19th century with the beginning of the Joint Stock Company. This type of enterprise separated the management of business from their ownership and gave emphasis to labour incompetence and improper systems of wage payments. To resolve such a problem, people began to identify management as a separate field of study. During the 20th century, Management has become more scientific discipline with standard principles and practices. It will be changed how businesses, as well as individuals, raised capital; organize labour and the production of goods. Entrepreneurs had access to all the factors of production such as land, labour, and capital. Theirs was to make an effort to combine these factors to achieve a targeted goal successfully.

## 7.2 B) The Classical Approach

The classical approach is the oldest formal approach of management thought.

The classical approach was associated with the ways to manage work and organizations more efficiently.

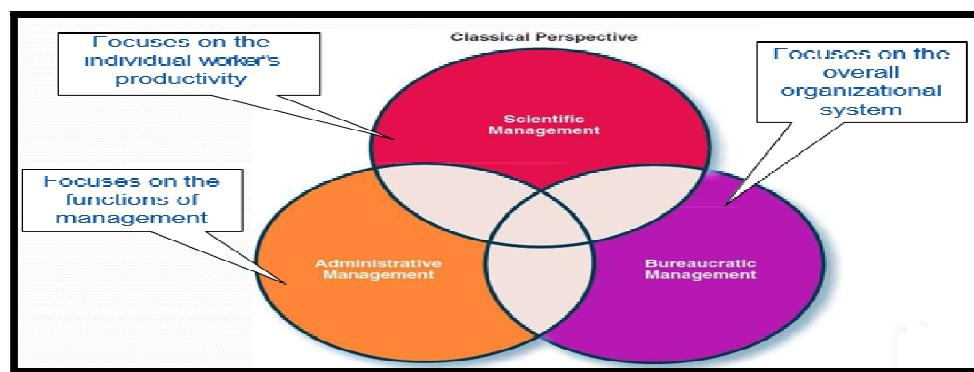
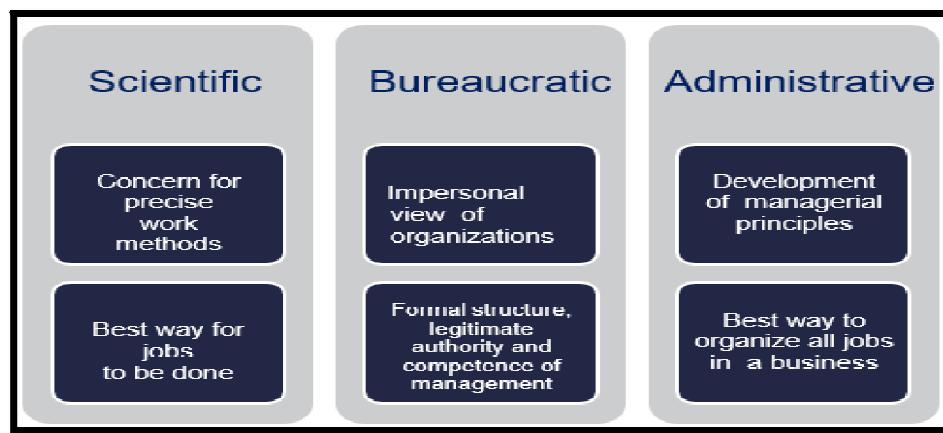


Fig 7.1 Classical approach

**The Classical approach can be divided into three separate management theories:-**

- Scientific approach Management theory – Frederick Taylor
- Administrative approach Management theory – Henry Fayol
- Bureaucratic approach Management theory – Max Weber



**Fig 7.2 Types of Classical approach Management theories**

A. **Scientific approach Management theory** – Frederick Winslow Taylor is known as the father of scientific management. Scientific management (also called Taylorism or the Taylor system) is a theory of management that analyses and synthesizes workflows, with the objective of improving labour productivity. The Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work. The Organizational productivity can be increased by increasing the efficiency of production processes.

#### **Contributions of Gilbreths towards Scientific approach Management theory**

- Scientific management focuses on one best way to do job.
- Includes both analysis and synthesis.
- Includes necessary elements for work.
- Introduced chart form of representation.

B. **Administrative approach Management theory** - Henri Fayol is the major contributor of Administrative approach of management thought. Administrative management focuses on the management process, principles of management and functions for improving organizational functioning. In contrast to scientific management, which deals largely with jobs and work at the individual level of analysis, administrative management provides a more general theory of management.

The administrative management school treated as management as a process get work done through and with people. Henri Fayol, James D Mooney, Alan C Reilly are the pioneer contributors to the administrative management though.

**Henri Fayal's administrative management focuses on managers and basic management functional.**

- I. Classification of business activities
- II. Basic functions of a managers
- III. Qualities and skills of a managers
- IV. Principles of management

**I. Fayol divided Business activities into following six groups**

- Technical activities
- Commercial activities
- Financial activities
- Security activities
- Accounting activities
- Managerial activities

**II. Basic functions of a managers**

- Planning (to foresee and provide means for the future)
- Organizing (provides everything useful to its functioning, raw material, tools, capital, personnel).
- Coordinating (binding together – unifying and harmonizing all activity)
- Commanding (lead the personnel in a better way)
- Controlling (ensuring everything goes as per plans)

**III. Qualities and skills of a managers**

- Physical Quality (health, and vigor),
- Mental quality (ability to understand and learn, judgment and adaptability),
- Morals (energy, firmness, initiative, loyalty, tact and dignity)
- General education (general acquaintance with matters not belonging exclusively to the function performed)
- Special knowledge (peculiar to the function being performed)
- Experience (knowledge arising from work proper)

**IV. Principles of management**

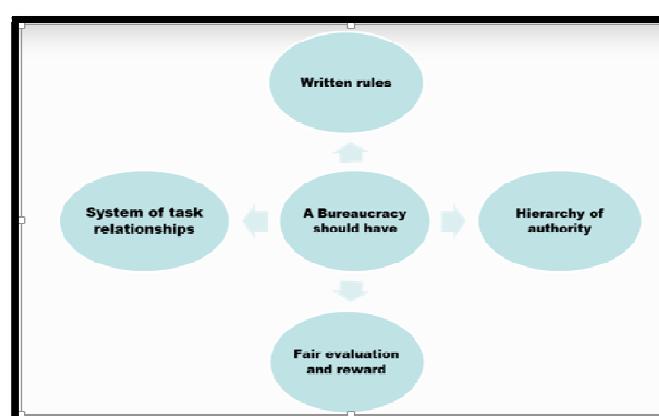
- Division of work

- Authority and responsibility
- Discipline
- Unity of command
- Unity of direction
- Remuneration
- Centralisation
- Scalar chain
- Order
- Equity
- Initiative

**C. Bureaucratic Management** - Bureaucratic management focuses on the ideal form of organization. Max Weber [1864-1920] was the major contributor to bureaucratic management. Based on observation, Weber concluded that many early organizations were inefficiently managed, with decisions based on personal relationships and loyalty. He proposed that a form of organization, called a bureaucracy, characterized by division of labour, hierarchy, formalized rules, impersonality, and the selection and promotion of employees based on ability, would lead to more efficient management.

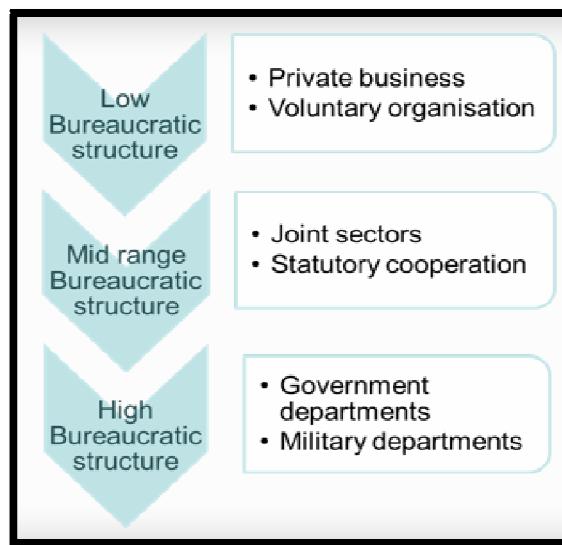
Weber also contended that managers' authority in an organization should be based not on tradition or charisma but on the position held by managers in the organizational hierarchy. Rules and regulations to eliminate managerial inconsistencies.

- Authority is the power to hold people accountable for their actions.
- Positions in the firm should be held based on performance not social contacts.
- Position duties are clearly identified.
- People should know what is expected of them.



**Fig 7.3 Bureaucratic Principles****Bureaucratic Principles**

- Division of work
- Hierarchy of position
- Rules and regulations
- Impersonal conduct
- Staffing
- Technical competence
- Official records

**Ranking organisations by Bureaucratic orientation****Fig 7.4 Hierarchy of position****7.2 C) Neo-classical Theory**

The Neo-classical theory deals with the human factor. Elton Mayo and Mary Parker Follett are the main contributors to the human relations approach. The Neo-classical Theory is also called a Behavioural Approach. The behavioural approach of management thought as they observed weaknesses in the assumptions of the classical approach. This theory is focused on the area of job content, including the management of physical resources, while the neo-classical theory gave a more profound emphasis on employee relationships in the work environment. The behavioural approach concentrated on the understanding of the factors that affect human behaviour at work. This is an improved and more matured description of human relations approach.

- Elements of Neoclassical theory
  - a) Human Relations Management

- b) Hawthorne Experiment
  - c) Behavioural science approach
- a. **Human Relations Movement:** The Behavioural approach deals with the factors which encourage higher performance on the part of workers. The productivity can be increased in the organization by improving the working conditions, lowering of hours of work, by establishing social relations among managers. The human relations approach implies modifications in the structure of the organization itself, in the nature of work, and in the association between manager and assistant.
- **Decentralization:** The concept of hierarchy employed by behavioural approach management theorists is replaced with the idea that individual workers and functional areas should be given greater autonomy and decision-making power. This needs greater emphasis on lateral communication so that coordination of efforts and resources can occur. This communication occurs via informal communication channels rather than the formal, hierarchical ones.
  - **Participatory Decision-Making:** Decision-making is participatory in the sense that those making decisions on a day-to-day basis include line workers not normally considered to be "management." The greater sovereignty afforded individual employees and the subsequent reduction in "height" and increase in the span of control of the organizational structure requires that they have the knowledge and ability to make their own decisions and the communication skill to coordinate their efforts with others without a nearby supervisor.
  - **Concern for Developing Self-Motivated Employees:** The importance of a system of decentralized and autonomous decision-making by members of the organization necessitates that those members be extremely "self-motivated". The goal of managers in such an organization is to design and implement organizational structures that reward such self-motivation and autonomy. Another is to negotiate working relationships with subordinates that foster effective communication in both directions.
  - Positive work environment
  - Focus in on people
  - Sound human relations
- b. Hawthorne experiments**

The Hawthorne experiments were conducted by Elton Mayo at Hawthorne plant & general electronics company (GEC) between 1927 and 1932 at Chicago. It is

explored informal groupings, informal relationships, patterns of communication, and patterns of internal leadership. The human relationists advocate several factors after conducting Hawthorne experiments such as

- **Social system:** The organization in general is a social system consists of numerous interacting parts. The social system established individual roles and establishes norms that may differ from those of formal organization.
- **Social environment:** The social climate of the job affects the workers and is also affected.
- **Informal organization:** The informal organization does also exist within the frame work of formal organization and it affects and is affected by the formal organization.
- **Group dynamics:** At the place of work, the workers often do not act or react as individuals but as members of group. The group plays an important role in determining the attitudes and performance of individual workers.
- **Informal leader:** There is an appearance of informal leadership as against formal leadership and the informal leader sets and enforces group norms.
- **Non-economic reward:** Money is an encouraging element but not the only motivator of human behaviour. Man is diversely motivated and socio psychological factors act as important motivators.

### c. Behavioural Science

The Behavioural science and the study of organizational behaviour emanated during 1950s and 1960s. The behavioural science approach was a natural development of the human relations movement. It concentrated on applying conceptual and analytical tools to the problem of understanding and foresees behaviour in the place of work. The behavioural science approach has contributed to the study of management through its elements of personality, attitudes, values, motivation, group behaviour, leadership, communication, and conflict, among other issues. Many sociologists and psychologists like Maslow, Douglas McGregor, Resins Likert, Keith Davis, Chester Bernard, etc. have made contributions to the development of this approach. This approach has concentrated on inter-personal roles and responsibilities.

#### **The basic features of this approach are-**

- An organization is a socio-technical system
- There should a relationship between organizational goals and human needs
- Many factors will influence inter-personal and group behaviour of people in the organization

➤ Conflicts are inevitable in organizations.

## 7.2D) Modern Theory of Management approach (1950-on word)

Modern Theory of management has grown with the growth of social-economics and scientific institution. The Modern Theory of management has divided into three groups such as

a. Quantitative management approach

b. Systematic approach

c. Contingency management approach

a) **Quantitative management approach** – The quantitative approach focuses on improving decision making via the application of quantitative techniques. It is also known as Management science approach or decision theory approach. The quantitative approach was developed by W.C. Churchman. The Major contributors in Quantitative approach are: Johan MacDonald, George R Terry, and Andrew Szilagyi. It focused on use of mathematical and statistical techniques in management. It also focused on finding right answers to management problems.

### The main Features of Quantitative management approach

- Management is a series of decision-making
- Mathematical models can be developed by quantifying various variables of the problems
- Mathematical symbols can be used to describe managerial problems
- Organizations exist for the achievement of specific and measurable economic goals.

b) **System Approach** – The System approach is based on the generalization that an organization is a system and its components are inter-related and inter-dependent. The effectiveness of the system mainly depends upon the inter dependence and inter-relatedness of the various sub systems. The system approach to management is essentially a way of thinking about organizations and management problems. The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The systems approach

focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium.

### **The main Features of System Approach**

- It provides a strong conceptual framework for meaningful analysis and understanding of organizations
- It recognizes the interaction and inter-dependency among the different various of the environment
- This approach is better than others because it is close to reality
- It treats organization as an open dynamic system.
- Develops coordination on specialized activities.
- Efficient plan of action.

c) **Contingency or Situational Approach** –The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. This approach was developed by J. W. Lorsch and P. R. Lawrence. The basic essence of this approach that organizations have to cope with different situations in different ways. So managers should develop variable methods, tools and action plans as per the required situation. There cannot be a particular management action which will be suitable for all situations. The only action is designed on the basis of external environment, internal states and needs.

### **The main Features of the contingency approach**

- This approach takes a realistic view in management and organization.
- It dispels the universal validity of principles.
- Managers are advised to be situation oriented.
- Managers become innovative and creative.
- This approach has a wide applicability in organization.
- It is an improvement over the systems theory, as it not only examines the relationships between sub-systems of an organization but the relationship between the organization and its environment.

## **7.3 Keywords**

**Scientific** – Based on or characterized by the methods and principles of science.

**Bureaucratic** – Relating to a system of government in which most of the important decisions are taken by state officials rather than by elected representatives.

**Administrative** - Relating to the running of a business, organization, etc.

**Management** – The process of dealing with or controlling things or people.

#### 7.4 Self-Assessment Questions

1. Write a brief note on the Evolution of management thought?
2. Explain the Stages of Evolution of management thought?
3. Write in detail about the Modern Theory of Management approach?

#### 7.5 Further Readings

1. Management Thoughts: A Collection by Promod Batra (Author) Paperback – 1 May 1993
2. New Management Thoughts by Pramod Batra (Author), Paperback - 2014

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## **Lesson – 8**

# **LEADERSHIP**

## **8.0 Objectives**

After studying this lesson, you should be able to:

- Understand the basic knowledge about Leadership and its importance
- Clearly understand the different styles of leadership
- Learn the Characteristics of Leadership

## **Structure**

- 8.1 Introduction
- 8.2 Characteristics of Leadership
- 8.3 Types of Leader
- 8.4 Importance of Leadership
- 8.5 Qualities of a Leader
- 8.6 Leadership Styles
- 8.7 Keywords
- 8.8 Self-Assessment Questions
- 8.9 Further Readings

## **8.1 Introduction**

Leadership is a process by which an executive can direct, guide and influence the behavior and work of team members towards the accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence, zeal, and commitment to fulfill the given task. Leadership is the potential to influence and convince the reason for the behavior of a team or group. 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 who want to fulfill the visions for good cause. Leadership is the ability to build up confidence and zeal among people and to create an urge in them to be led. To be a successful leader, a manager must possess the qualities of foresight, drive, initiative, self-confidence and personal integrity.

## Definition of Leadership

- (Keith Davis) – Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor that binds a group together and motivates it towards goals.
- (Cribbin, J.J.) – Leadership is an influence process that enable managers to get their people to do willingly what must be done, do well what ought to be done.
- (Rauch & Behling.) – Leadership is defined as the process of influencing the activities of an organized group toward goal achievement.
- (M. Chemers.) – Leadership is the “process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task”
- (Alan Keith) – Leadership is ultimately about creating a way for people to contribute to making something extraordinary happen."
- (Dubin. R) – Leadership is the exercise of authority and making of decisions.
- (Koontz and O'Donnell) – Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.
- (Peter Drucker) – Leadership is not making friends and influencing people, i.e., salesmanship it is the lifting of man's visions to higher sights, the raising of man's personality beyond its normal limitations.
- (Allford and Beaty) – Leadership is the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion.

## Leadership:

The activity of leading a group of people or an organization or the ability to do this. Leadership involves.

- Establishing a clear vision
- Sharing that vision with others so that they will follow willingly,
- Providing the information, knowledge, and methods to realize that vision
- Coordinating and balancing the conflicting interests of all members and stakeholders

## 8.2 Characteristics of Leadership

1. Leadership is a personal quality.
2. It is the willingness of people to follow that makes the person is a leader.
3. It is an interpersonal process in which a manager influencing and guiding workers towards the attainment of goals.

4. It denotes a few qualities to be present in a person which includes intelligence (IQ), maturity, and inner personality.
5. It is a group process. It involves two or more people interacting with one another and also each other.
6. A leader is involved in shaping and molding the behavior of the group towards the accomplishment of organizational goals.
7. It involves a readiness to accept complete responsibility in all situations.
8. Leadership is a situation bound. There is no best style of leadership. It all depends upon tackling the situations. Situational ethics is the ultimate binding factor to deal with the entire group.

### 8.3 Types of Leader

According to the viewpoint of official recognition from top management, the leaders can be classified into two types, such as formal and informal leaders.

**Formal Leader** – A formal leader is one who is formally appointed or elected to direct and control the activities of the subordinates. He is a person created by the formal structure, enjoys organizational authority and is accountable to those who have elected him in a formal way. The formal leader has a two-fold responsibility. On the one hand, he has to fulfill the demands of the organization, while on the other he is also supposed to help, guide and direct his subordinates in satisfying their needs and aspirations.

**Informal Leader** – The Informal leaders are not formally recognized. They derive authority from the people who are under their influence. In any organization we can always find some persons who command respect and who are approached to help, guide and protect the informal leaders have only one task to perform, i.e., to help their followers in achieving their individual and group goals. Informal leaders are created to satisfy those needs which are not satisfied by the formal leaders. An organization can make effective use of informal leaders to strengthen the formal leadership.

#### Leader

- i. A Leader is a Visionary
- ii. A leader sets an example
- iii. A leader understands what motivates each team member
- iv. A leader builds supportive relationships
- v. A leader empowers others to reach their potential

vi. A leader understands the power of communications.

## 8.4 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. A good dynamic leader is compared to a ‘dynamo generating energy’ that charges and activates the entire group in such a way that near miracles may be achieved. The success of an enterprise depends to a great extent, upon effective leadership.’

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work starts/begins.
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 extracts the services from the team members.
3. **Providing Guidance-** A leader has not only to supervise but also play a guiding role for the subordinates in the team. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently with the minds of positive collections.
4. **Creating Confidence-** Confidence is an important factor that 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 take into consideration the employees concerning their complaints and problems and grievances if any.
5. **Building Morale-** Morale denotes willing to co-operate with the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving entire co-operation so that they perform with the best of their abilities as they work to achieve goals to the fullest extent.
6. **Work Culture in a Harmonious manner-** Management is getting things done for people. An efficient work environment helps in sound and stable growth. Therefore, human relations should always be kept in the mind by a leader. A leader should maintain personal contacts with employees and should listen to their problems and solve them on the spot rather than postponing them. He should treat employees in humanitarian terms for success.
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 the primary motive of a leader always as the entire requirements of the organization.

## 8.5 Qualities of a Leader

A leader has got multidimensional traits within his personality, which molds him appealing with effective behavior. It depends upon the quality of leadership he is able to provide. A leader to be effective must possess certain basic qualities.

1. **Physical Personality-** A leader must have a pleasing appearance. Physique and sound health are very important for a good leader to be very successful in career.
2. **Vision and Foresight-** A leader cannot maintain influence unless he exhibits that he is forethought. He has to visualize situations and thereby has to frame logical programs to suit the situation for success.
3. **Intelligence-** A leader should be intelligent enough to examine problems thoroughly in difficult situations. He should be analytical, weighs the pros and cons and then summarizes the situation. Therefore, a positive bent of mind and a mature outlook are very important to deal with in any situation.
4. **Communicative Skills-** A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can help persuade and stimulate the entire team members with clarity.
5. **Objective-** A leader has to have a fair outlook which is free from bias and which does not reflect his willingness towards a particular individual. He should develop his own opinion and should base his judgment on facts and logic
6. **Sound Knowledge of work-** A leader should be very precisely knowing the nature of the work and skills of his subordinates because it is only then he can win the trust and confidence of his subordinates as a team.
7. **Sense of Responsibility-** Responsibility and accountability towards an individual's work are very important to bring a clear sense of influence. A leader must have a sense of responsibility towards organizational goals because then only he can get a maximum of capabilities extracted in a real sense. For this, he has to motivate himself and inculcate an idea to present his best abilities. Only then he can motivate the subordinates to the best with the work culture.
8. **Self-Confidence and Willpower-** Confidence in him-self is important to get the confidence of the subordinates. He should be trustworthy and capacity to handle the situations with will power for the ultimate success of the teamwork.

9. **Humanist**- Humanitarian approach of a leader is very essential because he is dealing with human beings and not with the lifeless machines. Hence, the human touch is very important to lead any team toward success to fulfill the given task. He has to handle the personal problems of his subordinates with great care and attention.
10. **Empathy**- It is an adage "Stepping into the shoes of others". This is very important because fair judgment and objectivity can be fully filled. A leader in any organization should understand the problems and complaints of the employees and should also have a complete view of the needs and aspirations of the employees. This helps in improving human relations and personal contacts with the employees as the "employer-employee concept is concerned".
11. Emotional Satiability
12. Basic Education & Professional competence.
13. Honesty
14. Good Understanding
15. Creative thinking

If the above-mentioned qualities are present in a leader, the scope of leadership and its importance for the progress of the business. A leader cannot have all traits at one time. But a few of them help in achieving effective results.

### **8.6 Leadership Styles -**

All leaders do not possess the same attitude or the same perspective. As discussed earlier, few leaders adopt the carrot approach and a few adopt the stick approach. Thus, all 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 with and deals with. A perfect/standard leadership style is one that assists a team in getting the best out of the people who follow him.

#### **Some of the important leadership styles are as follows:**

1. **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 in the teams or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under the 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 or where the project is short-term and risky.

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

3. **Democratic/Participative leadership style:** The leaders invite and encourage the team members to play an important role in the 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. That means slow in action & results

4. **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 based on 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.

## 8.7 Keywords

**Leader** – The person who leads or commands a group, organization, or country.

**Leadership** – The action of leading a group of people or an organization.

**Management** – The process of dealing with or controlling things or people.

**Behavior** – The way in which one acts or conducts oneself, especially towards others.

**Organization** - an organized group of people with a particular purpose, such as a business or government department.

**Formal** - done in accordance with convention or etiquette; suitable for or constituting an official or important occasion.

**Informal** - Having a relaxed, friendly, or unofficial style, manner, or nature.

## 8.8 Self-Assessment Questions

1. What is meant by Leadership?
2. What is difference between Autocratic & Democratic leadership styles?
3. Explain the Qualities of Leader?
4. Explain the Types of Leaders?
5. Briefly discuss the significance of leadership?

## 8.9 Further Readings

1. Management and Leadership in Social Work: A Competency Based Approach by Todd W. Rofuth, May, 2019
2. Leadership and Management in the Hospitality Industry by Robert H. Woods and Judy Z. King, Jan, 2010
3. Leadership in Organizations (8th Edition) by Gary A. Yukl , Jan, 2012

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## **Lesson – 9**

# **CONTINUUM OF LEADERSHIP BEHAVIOR & MANAGERIAL GRID**

### **9.0 Objectives**

After studying this lesson, you should be able to:

- Understand the Continuum of Leadership Behavior and its importance
- Clearly understand the Managerial Grid style of leadership

### **Structure**

9.1 Continuum of Leadership Behavior

9.2 Managerial Grid

9.3 Keywords

9.4 Self-Assessment Questions

9.5 Further Readings

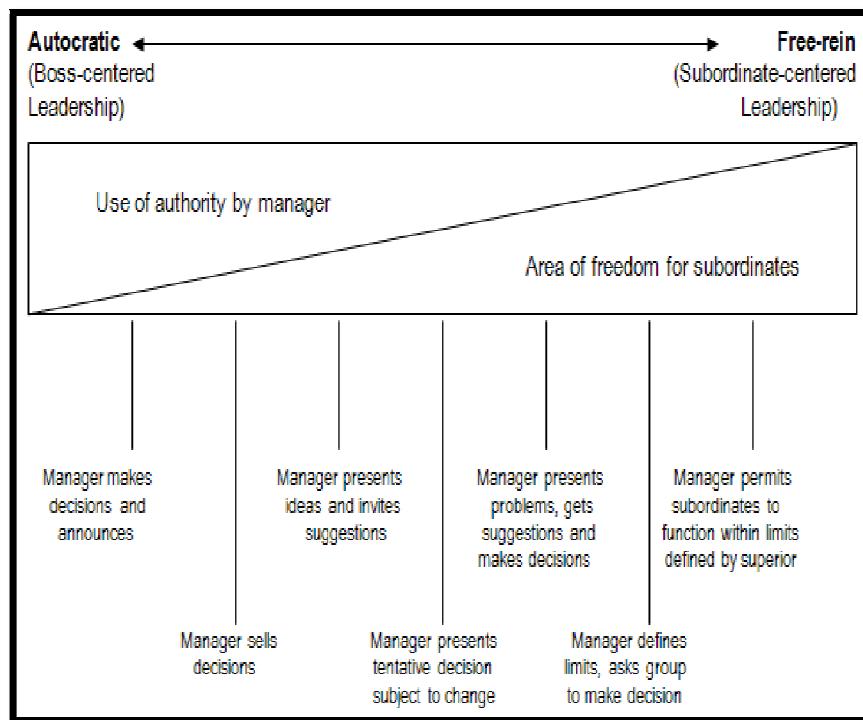
### **9.1 Continuum of Leadership Behavior**

The leadership continuum was originally written in 1958 by Tannenbaum and Schmidt and was later updated in the year 1973. Their work suggests a continuum of possible leadership behavior available to a manager and along which many leadership styles may be placed. The continuum presents a range of activities related to the degree of authority used by the manager and to the area of freedom available to non-managers in arriving at decisions. A broad range of leadership styles has been depicted on the continuum between two extremes of autocratic and free rein. The left side shows a style where control is maintained by a manager and the right side shows the release of control. However, neither extreme is absolute and authority and freedom are never without their limitations.

A manager is characterized according to the degree of control that is maintained by him. According to this approach, four main styles of leadership have been identified:

- 1) **Tells:** The manager identifies a problem, chooses a decision, and announces this to subordinates. The subordinates are not a party to the decision-making process and the manager expects them to implement his decisions as soon as possible.
- 2) **Sells:** The decision is chosen by the manager only but he understands that there will be some amount of resistance from those faced with the decision and therefore makes efforts to persuade them to accept it.

- 3) **Consults:** Though the problem is identified by the manager, he does not take a final decision. The problem is presented to the subordinates and the solutions are suggested by the subordinates.
- 4) **Joins:** The manager defines the limits within which the decision can be taken by the subordinates and then makes the final decision along with the subordinates.



**Figure 9.1 Continuum Leadership Behaviour.**

According to Tannenbaum and Schmidt, if one has to choose the leadership style which is practicable and desirable, then his answer will depend upon the following three factors:

- **Forces in the Manager:** The behavior of the leader is influenced by his personality, background, knowledge, and experience. These forces include:
  - i. Value systems
  - ii. Confidence in subordinates
  - iii. Leadership inclinations
  - iv. Feelings of security in an uncertain situation
- **Forces in the subordinate:** The personality of the subordinates and their expectations from the leader influences their behavior. The factors include:
  - i. Readiness to assume responsibility in decision-making
  - ii. Degree of tolerance for ambiguity
  - iii. Interest in the problem and feelings as to its importance

- iv. Strength of the needs for independence
- v. Knowledge and experience to deal with the problem
- vi. Understanding and identification with the goals of the organization

If these factors are on a positive side, then more freedom can be allowed to the subordinate by the leader.

- **Forces in the situation:** The environmental and general situations also affect the leader's behavior. These include factors like:
  - i. Type of organization
  - ii. Group effectiveness
  - iii. Nature of the problem
  - iv. Time pressure

When the authors updated their work in 1973, they suggested a new continuum of patterns of leadership behavior. In this, the total area of freedom shared between managers and non-managers is redefined constantly by interactions between them and the environmental forces. This pattern was, however, more complex in comparison to the previous one.

**Conclusion** - According to Tannenbaum and Schmidt, successful leaders know which behavior is the most appropriate at a particular time. They shape their behavior after a careful analysis of self, their subordinates, organization, and environmental factors.

## 9.2 Managerial Grid Model of Leadership

Developed by R. R. Blake and J. S. Mouton, the Managerial Grid Model helps Managers to analyze their leadership styles through a technique known as grid training. Managers can identify how they act concerning their concern for production and people with the Managerial Grid Model. The two dimensions of leadership, viz. concern for people on the 'Vertical' axis and concern for production on the 'Horizontal' axis have been demonstrated by R. R. Blake and J. S. Mouton in the form of Managerial Grid Model.

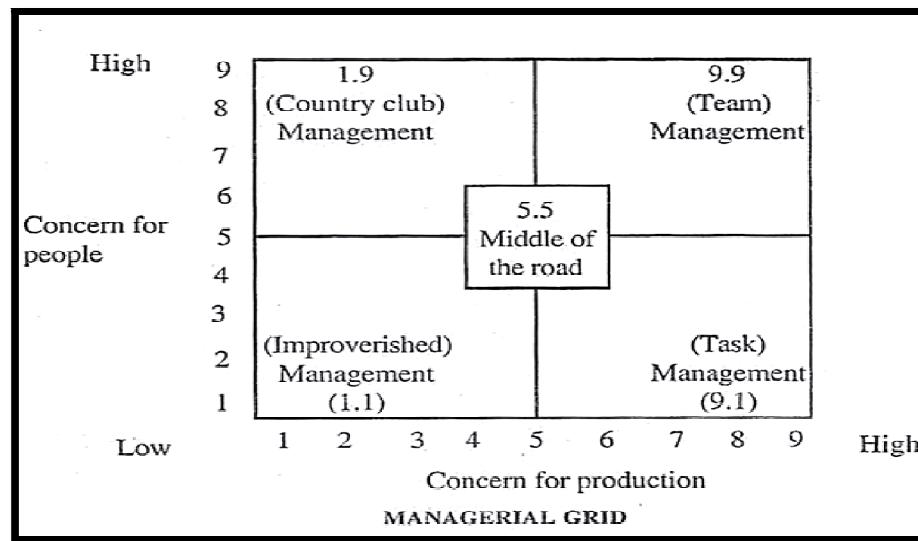
They identified **five basic leadership styles** of practicing managers representing various combinations of the aforesaid two dimensions as shown in the following figure;

### Managerial Grid Model is based on two behavioral dimensions:

1. **Concern for people:** This is the degree to which a leader considers the needs of team members, their interests, and areas of personal development when deciding how best to accomplish a task.

2. **Concern for production:** This is the degree to which a leader emphasizes concrete objectives, organizational efficiency, and high productivity when deciding how best to accomplish a task.

**The five resulting leadership styles are as follows:**



**Fig 9.2 Managerial Grid**

### 1. (1, 9) Country Club Style Leadership High People and Low Production:

This style of leader is most concerned about the needs and the feelings of members of his or her team. In this environment, the relationship-oriented manager has a high concern for people but a low concern for production.

- He pays much attention to the security and comfort of the employees. He hopes that this will increase performance.
- He is almost incapable of employing the more punitive, coercive and legitimate powers. The organization will end up to be a friendly atmosphere but not necessarily very productive.
- The (1, 9) boss mainly uses reward power to preserve discipline and to support his subordinates in accomplishing their goals.
- Conversely, this manager is virtually incapable of employing more disciplinary coercive and legitimate powers. This inability results from his fear that using such powers could jeopardize his relationships.
- This inability results from his fear that using such powers could jeopardize his relationships.
- Thus, the supervisor seldom attempts to impose his will on other people, preferring to accept the ideas of others instead of forcing his own.

- Employees in this type of work environment go about their day working at their own pace on projects that they enjoy and with coworkers that they are attracted to.

### **2. (9, 1) Produce or Perish Leadership- High Production and Low People:**

This style is characterized by a concern for production as goal setting is the main motto to achieve targets. Employees are viewed as obstacles to performance results unless obedience to the manager's wishes is explicitly granted.

- In this style, the manager is authoritarian or compliance. A task-oriented manager, he has a high concern for production and a low concern for people.
- He finds employee needs unimportant and simply a means to an end. He provides his employees with money and expects performance back.
- There is little or no allowance for cooperation or collaboration. He pressures his employees through rules and punishments to achieve the company goals.
- This type of leader is very autocratic, has strict work rules, policies and procedures, and views punishment as the most effective means to motivate employees.

### **3. (1, 1) Impoverished Leadership-Low Production and Low People:**

This style is a delegate-and-disappear management style and basically a lazy approach. The manager shows a low concern for both people and production.

- Managers use this style to preserve job and job seniority, protecting themselves by avoiding getting into trouble. The main concern for the manager is not to be held responsible for any mistakes, which results in fewer innovation decisions.
- This leader is mostly ineffective. He or she has neither a high regard for creating systems for getting the job done nor for creating a work environment that is satisfying and motivating.
- A result is a place of disorganization, dissatisfaction, and disharmony.

### **4. (5, 5) Middle-Of-The-Road Leadership-Medium Production and Medium People:**

This style is a kind of realistic medium without ambition. It is a balanced and compromised style. The manager tries to balance the competing goals of the company and the needs of the workers.

- The manager gives some concern to both people and production, hoping to achieve acceptable performance.
- He believes this is the most anyone can do. Consequently, compromises occur where neither the production nor the people's needs are fully met.

- The supervisor views it as the most practical management technique. It is also an outcome when production and people issues are seen as in conflict.
- The defining characteristic of this style “is not to seek the best position for both production and people... but to find the position that is in between both, about halfway.”
- When dealing with subordinates, the (5, 5) manager prefers relaxed and shared conversations – these allow’ him to slay popularly.
- Group membership is also enjoyed as committees allow’ the supervisor to spread the responsibility for decision-making.

### 5. (9,9) Team Leadership-High Production and High People

This style of Leadership, the manager pays high concern to both people and production. Motivation is high. This soft style is based on the propositions of Theory Y of Douglas McGregor. The manager encourages teamwork and commitment among employees.

- This style emphasizes making employees feel part of the company-family and involving them in understanding the organizational purpose and determining production needs. This method relies heavily on making employees feel they are constructive parts of the company.
- And this will result in a team environment organization based on trust and respect, which leads to high satisfaction and motivation and, as a result, high production.
- In a (9, 9) system the manager strives for sound and imaginative opinions, letting others partake in the decision making the process.
- He is not afraid to use ideas that are divergent from his own, but rather focuses on the value of the ideas. Emotions and thoughts are used to solve problems through teamwork because this supervisor is concerned with arriving only at the best possible solutions.
- A (9, 9) oriented manager is capable of acting sensibly to bring about effective results, maintaining consistency but finding innovative solutions to fit unique problems, and unusual circumstances”.
- Another of the manager’s primary goals in this system is to identify barriers that his subordinates may be encountering and then finding a way to remove them.
- This creates a team environment based on trust and respect which leads to high satisfaction and high satisfaction and motivation and, as a result, high production.

### **Advantages of the Managerial Grid Model**

- Managers help to analyze their leadership styles through a technique known as grid training.
- It can help leaders understand their natural leadership style.
- Managers identify how they respect their concern for production and people.

### **Disadvantages of the Managerial Grid Model**

- The model is overly simplistic. There are many facets to management and leadership that aren't included in the model.
- This model is focused on the leader and doesn't pay attention to other factors, such as the development level of your team, the situation the organization is in, or the culture of the organization.

## **9.3 Keywords**

**Behavior** – The way in which one acts or conducts oneself, especially towards others.

**Manager** – a person responsible for controlling or administering an organization or group of staff.

**Team** – A group of players forming one side in a competitive game or sport.

**Production** – The action of making or manufacturing from components or raw materials, or the process of being so manufactured.

**People** - The members of a particular nation, community, or ethnic group.

## **9.4 Self-Assessment Questions**

1. Briefly discuss the Managerial grid leadership style?
2. Explain in detail about Continuum of leadership behavior with suitable examples?

## **9.5 Further Readings**

1. Management and Leadership in Social Work: A Competency Based Approach by Todd W. Rofuth, May, 2019
2. Leadership and Management in the Hospitality Industry by Robert H. Woods and Judy Z. King, Jan, 2010
3. Leadership in Organizations (8th Edition) by Gary A. Yukl , Jan, 2012

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## **Lesson – 10**

### **LIFE-CYCLE, FOUR SYSTEMS OF MANAGEMENT LEADERSHIP, LEADERSHIP SKILLS & FUNCTIONS OF LEADER**

#### **10.0 Objectives**

After studying this lesson, you should be able to:

- Know the situational approach Leadership
- Clearly understand the Four systems of management leadership
- Learn the Leadership skills in organizations
- Understand the Functions of leader

#### **Structure**

- 10.1 Life-Cycle or situational approach
- 10.2 Four systems of management leadership
- 10.3 Leadership skills
- 10.4 Functions of a leader in Tourism.
- 10.5 Keywords
- 10.6 Self-Assessment Questions
- 10.7 Further Readings

#### **10.1 Life-Cycle or situational approach**

Leaders are essentially people who know their goals and have the power to influence the thoughts and actions of others to garner their support and cooperation to achieve these goals. In-case of leaders, these goals are rarely personal and generally to serve the larger good.

Ever since man was a hunter-gatherer and lived in closely-knit groups, they had leaders who led the hunting expeditions and took greater risk than the rest of the group members. In turn, they were bestowed with a larger share of hunting, respect and a higher position in the group. With changing times, how leadership is perceived has also changed, but, it remains an important aspect of social fabric nevertheless.

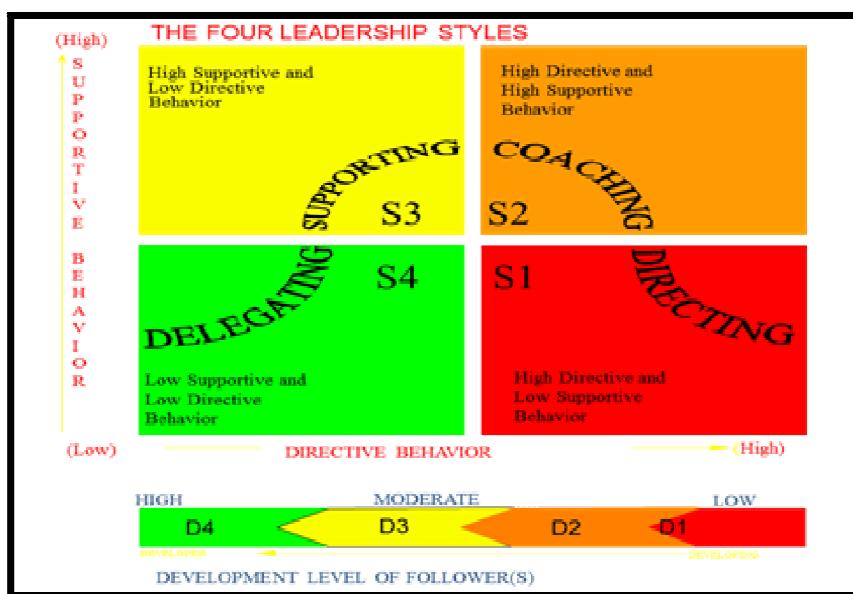
The initial theories proposed that leaders are born and cannot be created, there are certain distinct characteristics possessed by few men which make them leaders. This theory says that the same leadership style cannot be practiced in all situations, depending upon the circumstance and environmental context the leadership style also changes. The pioneers of this theory were Kenneth Blanchard and Paul Hersey.

**The model encourages the leaders to analyze a particular situation in-depth and then lead most appropriately, suitable for that situation.** The three aspects that need could be considered in a situation are:

- Employees' competences
- Maturity of the employees
- The Complexity of the task
- Leadership style

**Situational Leadership model has been divided into 4 types:**

- **S1: Telling** - Telling style is associated with leaders who minutely supervise their followers, constantly instructing them about why, how and when of the tasks that need to be performed.
- **S2: Selling** - Selling style is when a leader provides controlled direction and is a little more open and allows two-way communication between him/herself and the followers thus ensuring that the followers buy in the process and work towards the desired goals.
- **S3: Participating** - This style is characterized when the leaders seek the opinion and participation of the followers to establish how a task should be performed. The leader, in this case, tries creating a relationship with the followers.
- **S4: Delegating** - In this case, the leader plays a role in decisions that are taken but passes on or delegates the responsibilities of carrying out tasks to his followers. The leader, however, monitors and reviews the process.



**Fig -10.1 Situational Leadership model**

The developmental level of the follower is an important indication for a leader to decide the most appropriate leadership style for them:

- **D4 - High Competence, High Commitment** - The followers who are identified in this category are the ones who have high competence and high commitment towards tasks to be performed. It might happen so that they turn out better than their leaders in performing these tasks. (E.g. cricketing legend Sachin Tendulkar playing in the Indian cricket team under the captainship of Mahendra Singh Dhoni)
- **D3 - High Competence, Variable Commitment** - This category consists of followers who have the competence to do the job but their commitment level is inconsistent. They also tend to lack the confidence to go out and perform the task alone. (E.g. President Barack Obama)
- **D2 - Some Competence, Low Commitment** - In this case, the followers have a certain level of competence which might be sufficient to do the job but they are low on commitment towards the tasks. Despite having relevant skills to perform the task they seek external help when faced with new situations. (A team member made the trainer for new joiners)
- **D1 - Low Competence, High Commitment** - This category of followers may not have the specific skill required but they display a high level of commitment towards the task they have to perform, with confidence and motivation, they figure out ways to complete the tasks. (E.g. Mohandas Karamchand Gandhi, a lawyer by profession who spearheaded the Indian Freedom Struggle)

The above information regarding the style of leadership and the type of followers sure has a correlation to each other which forms the basis of situational leadership. So, a situational leader would try to accommodate his leadership style as per the situation and the level of competence and commitment of his followers. This information is also an important aspect to consider when senior leaders act as coaches for their subordinates in the organizations.

## **10.2 Likert's Management System (Four systems of management leadership)**

Rensis Likert and his associates studied the patterns and styles of managers for three decades at the University of Michigan, USA, and identified a four-fold model of management systems. The model was developed based on a questionnaire administered to managers in

over 200 organizations and research into the performance characteristics of different types of organizations. The four systems of management system or the four leadership styles identified by Likert are:

- **System 1 - Exploitative Authoritative:** Responsibility lies in the hands of the people at the upper echelons of the hierarchy. The superior has no trust and confidence in subordinates. The decisions are imposed on subordinates and they do not feel free at all to discuss things about the job with their superior. The teamwork or communication is very little and the motivation is based on threats.
- **System 2 - Benevolent Authoritative:** The responsibility lies at the managerial levels but not at the lower levels of the organizational hierarchy. The superior has condescending confidence and trust in subordinates (master-servant relationship). Here again, the subordinates do not feel free to discuss things about the job with their superior. The teamwork or communication is very little and motivation is based on a system of rewards.
- **System 3 - Consultative:** Responsibility is spread widely through the organizational hierarchy. The superior has substantial but not complete confidence in subordinates. Some amount of discussion about job-related things takes place between the superior and subordinates. There is a fair amount of teamwork, and communication takes place vertically and horizontally. The motivation is based on rewards and involvement in the job.
- **System 4 - Participative:** Responsibility for achieving the organizational goals is widespread throughout the organizational hierarchy. There is a high level of confidence that the superior has in his subordinates. There is a high level of teamwork, communication, and participation.

The nature of these above four management systems has been described by Likert through a profile of organizational characteristics. In this profile, the four management systems have been compared with one another based on certain organizational variables which are:

- Leadership processes
- Motivational forces
- Communication process
- Interaction-influence process
- Decision-making process
- Goal-setting or ordering

- Control processes

Based on this profile, Likert administered a questionnaire to several employees belonging to different organizations and from different managerial positions (both line and staff). His studies confirmed that the departments or units employing management practices within Systems 1 and 2 were the least productive, and the departments or units employing management practices within Systems 3 and 4 were the most productive.

**Advantages:-**With the help of the profile developed by Likert, it became possible to quantify the results of the work done in the field of group dynamics. The Likert theory also facilitated the measurement of the “soft” areas of management, such as trust and communication.

### 10.3 Leadership skills

- 1) **Communication** - As a leader, you need to be able to clearly and succinctly explain to your employees everything from organizational goals to specific tasks. Leaders must master all forms of communication, including one-on-one, departmental, and full-staff conversations, as well as communication via the phone, email, and social media.
- 2) **Motivation** - Leaders need to inspire their workers to go the extra mile for their organizations; just paying a fair salary to employees is typically not enough inspiration (although it is important too). There are many ways to motivate your workers: you may build employee self-esteem through recognition and rewards, or by giving employees new responsibilities to increase their investment in the company. Leaders must learn what motivators work best for their employees or team members to encourage productivity
- 3) **Delegating** - Leaders who try to take on too many tasks by themselves will struggle to get anything done. These leaders often fear that delegating tasks is a sign of weakness, when in fact it is a sign of a strong leader.
- 4) **Positivity** - A positive attitude helps create a happy and healthy work environment, even during busy times.
- 5) **Trustworthiness** - Employees need to be able to feel comfortable coming to their manager or leader with questions and concerns. Employees will only trust leaders they respect.
- 6) **Responsibility** - A leader is responsible for both the successes and failures of his or her team.

- 7) **Time Management** -Effective leaders will always be in a position to manage their time well. They would know the difference between 'urgent' and 'important'.
- 8) Commitment
- 9) Creativity
- 10) Be Courageous

#### 10.4 Functions of Leadership

The leadership is the ability to influence the behavior of others towards the attainment of common goals. Leadership is also viewed as a process wherein a leader directs the followers to achieve shared aims. Effective leadership is indispensable for productive and efficient outcomes of teamwork. There are various styles of leadership that relatively common functions.

**The major functions of a leader during their leadership are as follows:**

1. **Policy- Making:** The foremost function of a leader is to make a policy for the smooth running of the work by the followers. The policy includes principles and rules for running the machinery of teamwork. It also defines the course of action adopted for the effective delivery of contributions by the followers. He devises the entire working mechanism for his followers.
2. **Organizing:** Another function of a leader is to organize the followers into a group to handle the tasks efficiently. Every individual has certain abilities. It is very important to bring all the individuals together to make the best of their collective abilities. The leader brings together the followers to combines their abilities to achieve the major task effectively.
3. **Planning – Goals and strategies:** The leader sets goals and plans strategies to achieve these goals. The planning includes cost planning, time planning, and resource planning. It is to make a roadmap to help the follower how and when to utilize the resources to achieve goals.
4. **Mobilization:** The important function of a leader is mobilization – to engage followers in work. Once a plan is made, the followers need to execute the planned strategies. It requires a leader to help the followers to initiate and engage in the work to accomplish the goals in planned time and resources.
5. **Direction and Guidance:** A leader gives a direction to the followers and keeps them on track to move in the right direction. The leader offers constant guidance to the followers to help them make the best of their efforts.

6. **Motivation:** A leader is a constant source of motivation for the followers. The leader inspires the followers to keep going for long. The leader motivates them to raise their spirit towards the attainment of the goals. The leader may also design various bonuses, appreciation certificates, allowances and benefits for the motivation of followers.
7. **Problem Solving:** The leader solves the problems that arise at various stages. Some problems are expected while some are unexpected. The leader is always ready to face challenging situations. The leader has solutions and alternatives strategy plans for unexpected situations.
8. **Group Representation:** A leader serves as a representative for his followers. The group of followers needs to have a representative to represent them while interacting with other groups and individuals.
9. **Controlling internal relationships – Arbitration and Mediation:** For a good working environment, there should be good relationships among the followers. It is also a fact that sometimes due to differences; mutual conflicts arise among the followers which need to be resolved. The leader works as a mediator to resolves such conflicts of followers and to help them reach a mutual agreement on issues.
10. **Controlling rewards and penalties:** The followers receive various benefits and penalties based on their performances. The purpose of these rewards and penalties is to motivate followers or to refrain the followers from irresponsible behavior. The leader controls the awards and penalties based on the efficiency and productivity of the followers.
11. **Role Model:** A leader is a role model for his followers. The leader possesses all the qualities and capabilities required for tackling various challenges. He has the perseverance to keep going until the achievement of his objects. Due to these qualities, he serves as a source of inspiration for his followers. He is viewed as their ideal by the followers.
12. **Devising an ideology:** An ideology is a set of ideas, beliefs, and opinions which reflect the crux of an endeavor. The followers require an ideology to follow. Without an ideology, an endeavor is meaningless. The leaders devise the best ideology depending upon the nature of endeavors undertaken by the followers and the goals to achieve.

**13. Facilitation:** The overall function of a leader in the facilitation of the followers. A leader influences the followers and shapes the behaviors of the followers to facilitate them towards the accomplishment of the planned task. The purpose of leadership is not only to direct the followers towards action but also to facilitate them in those actions either by guiding or involving personally with the followers in those actions whenever required.

## 10.5 Keywords

**Leadership** – The action of leading a group of people or an organization.

**Skill** – The ability to do something well; expertise

**Influence** – The capacity to have an effect on the character, development, behavior of someone or something, or the effect itself.

**Control** – The power to influence or direct people's behavior

**Motivation** – A reason for acting or behaving in a particular way.

**Guidance** – Advice or information aimed at resolving a problem or difficulty, especially as given by someone in authority.

## 10.6 Self-Assessment Questions

1. Write a brief note on four systems of management leadership?
2. Explain the Functions of a leader in Tourism?

## 10.7 Further Readings

1. Management, McGraw Hill, International Edition, Tokyo, Hampton, 1992
2. Stoner & Wankel (1999), Management, Prentice Hall India, New Delhi.

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## **Lesson-11**

# **INDIVIDUAL BEHAVIOUR AND DIFFERENCES**

### **11.0 Objectives**

**After studying the lesson, you should be able to:**

- Understand the individual behavior and its differences.
- Know the different personality characteristics.
- Understand the components and types of Attitudes

### **Structure:**

- 11.1 Introduction
- 11.2 Individual Behavior
- 11.3 Personality
- 11.4 Attitude
- 11.5 Values
- 11.6 Key Words
- 11.7 Self-Assessment questions
- 11.8 Further Readings

### **11.1 Introduction**

Organizational Behavior is the study of human behavior in organizational settings. Organizational behaviour is the basis of human resource management and development. One of the main goals of organizational behavior is to revitalize organizational theory and develop a better conceptualization of organizational life. Organizational behavior is the study of the variables influencing human development.

Human resource management, is activated, directed and channelized by the application of the knowledge of organizational behaviour which has become a field of study, research and application for the development of human resources and the organization as a whole.

### **Definitions of OB**

“Organizational behaviour is directly concerned with the understanding, production and control of human behaviour in organizations.”—Fred Luthans.

“Organizational behaviour is a field of study that investigates the impact that individuals, groups and structure have on behaviour within the organizations for the purpose of applying such knowledge toward improving an organization’s effectiveness.”—Stephens P. Robbins.

Finally we define Organizational behavior as organization of individual's behaviour in relation to physical means and resources so as to achieve the desired objective of the organization.

### **Organizational behavior revolves around two fundamental components:**

1. The nature of the man.
2. The nature of the organization.

Organizational behaviour in the study of human behaviour in the organizations. Whenever an individual joins an organization he brings with him unique set of personal characteristics, experiences from other organizations and a personal background. At the first stage organizational behaviour must look at the unique perspective that each individual brings to the work setting. The second stage of organizational behaviour is to study the dynamics of how the incoming individuals interact with the broader organization. No individual can work in isolation. He comes into contact with other individuals and the organization in a variety of ways. The individual who joins a new organization has to come into contact with the co-workers, managers, formal policies and procedures of the organization etc.

## **11.2 Individual Behavior**

Organizational behavior is the study of both group and individual behavior within an organization. Individual behavior can be defined as a mix of responses to external and internal stimuli. It is the way a person reacts in different situations and the way someone expresses different emotions like anger, happiness, love, etc. This field of study scans human behavior in the working atmosphere. It determines its effect on job structure, performance, communication, motivation, leadership, decision making abilities etc. The way an individual behaves and behavior as a group have two perspectives – internal and external.

### **Causes of Individual Behavior**

Certain individual characteristics are responsible for the way a person behaves in daily life situations as well as reacts to any emergency situations. These characteristics are categorized as

1. Inherited characteristics
2. Learned characteristics

### **Inherited Characteristics**

The features individuals acquire from their parents or from forefathers are the inherited characteristics. In other words, the gifted features an individual possesses by birth is considered as inherited characteristics.

Following features are considered as inherited characteristics –

- a) Color of a person's eye
- b) Religion/Race of a person
- c) Shape of the nose
- d) Shape of earlobes

### **Learned Characteristics**

Nobody learns everything by birth. First our school is our home, then our society followed by our educational institutions. The characteristics an individual acquires by observing, practicing and learning from others and the surroundings is known as learned characteristics.

It consists of the following features

- a) Perception – Result of different senses like feeling, hearing etc.
- b) Values – Influences perception of a situation, decision making process.
- c) Personality – Patterns of thinking, feeling, understanding and behaving.
- d) Attitude – The way Positive or negative one expressing his thought.

### **Factors Influencing Individual Behavior and differences**

The key factors influencing an individual's behavior and attitude in personal as well as social life are

1. Abilities
2. Gender
3. Race and Culture
4. Perception
5. Attribution
6. Attitude

#### **1. Abilities**

Abilities are the traits a person learns from the environment around as well as the traits a person is gifted with by birth. These traits are broadly classified as –

- a) Intellectual abilities
- b) Physical abilities
- c) Self-awareness abilities

In order to understand how these affect a person's behavior, we need to know what these abilities are.

- a. **Intellectual abilities** – It personifies a person's intelligence, verbal and analytical reasoning abilities, memory as well as verbal comprehension.
- b. **Physical abilities** – It personalizes a person's physical strength, stamina, body coordination as well as motor skills.
- c. **Self-awareness abilities** – It symbolizes how a person feels about the task, while a manager's perception of abilities decides the kind of work that needs to be allotted to an individual.

Thus the psychological, physical, self-assurance traits owned by a person defines the behavior of a person in social and personal life.

## 2. Gender

Research proves that men and women both stand equal in terms of job performance and mental abilities. However, society still emphasizes differences between the two genders. Absenteeism is one area in an organization where differences are found as women are considered to be the primary caregiver for children. This factor that might influence work allocation and evaluation in an organization is the manager's perception and personal values. An organization encourages both genders to work efficiently towards the company's goal and no special promotion or demotion is given or tolerated for any specific gender.

## 3. Race & Culture

Race is a group of people sharing similar physical features. It is used to define types of persons according to perceived traits. For example – Indian, African. On the other hand, culture can be defined as the traits, ideas, customs and traditions one follows either as a person or in a group. For example – Celebrating a festival. In today's diverse work culture, the management as well as staff should learn and accept different cultures, values, and common protocols to create more comfortable corporate culture.

## 4. Perception

Perception is an intellectual process of transforming sensory stimuli into meaningful information. It is the process of interpreting something that we see or hear in our mind and use it later to judge a situation, person, group, etc.

## 5. Attribution

Attribution is the course of observing behavior followed by determining its cause based on individual's personality or situation. Attribution framework uses the following two criteria

- a. **Consensus** – the extent to which people in the same situation might react similarly.

- b. **Distinctiveness** – the extent to which a person's behavior can be associated to situations or personality.
- 6. Attitude** - Attitude is the abstract learnt reaction or say response of a person's entire cognitive process over a time span.

### 11.3 Personality

Personality is known by the conduct, behavior, movements and everything else concerning the individual. Personality is derived from Latin word “Persona” which means mask. The personality implies psychological and social character that an individual acquires by hereditary biological endowment which provides him the basis for development and social growth. The term personality is used in various senses. Generally, it is used to indicate the external outlook of an individual. In philosophy it means the internal quality. But in social psychology the term personality indicates neither the external or outward pattern nor does it indicate the internal quality. It means an integrated whole. Personality is a sum of physical, mental and social qualities in integrated manner.

#### Determinants of Personality

Many things influence in the development of personality. But major influencing factors are biological factors and environmental factors.

##### 1. Biological factors

- a) **Physique and Personality:** Various things influence the development of the personality such as; height, weight, physical defects, etc.
- b) **Intelligence:** Intelligence is the thinking power of human. Intelligence is the hereditary. Due to intelligence, human is now in road towards development. Persons who are very intelligent can make better adjustment in around them. There is relationship between intelligence and personality.
- c) **Gender Differences:** Gender differences play a vital role in the development of individuals personality. Generally boys are more assertive, tough minded and vigorous. They show interest in winning also in outdoor activities. Girls are interested in less vigorous games. They remain quite and show interest in personal or physical appearance.
- d) **Nervous System:** Other major system which plays important role is nervous system. Nervous System controls or limits one's learning capacity. It is evident that development of personality is influenced by nature of nervous system.

## 2. Environmental Factors

- a) **Geographical environment:** Individuals personality is influenced by the geographical conditions.
- b) **Childhood experiences:** It is of vital importance in shaping personality. When in childhood, the individual is hunted by tensions and emotions, it influences its development.,
- c) **School:** School plays a major role in the development of personality. Most precious thing is the teachers personality i.e the attitudes, beliefs, habits, how teacher teaches to an individual really affects the development of personality of human being. Also,It plays a vital role.
- d) **Culture:** Personality is the image or mirror of culture. Culture plays a great role in the development of personality.

## 11.4 Attitude

Attitude represent a person's like or dislike for anything. Attitudes are simply expressions of much we like or dislike various things. Attitudes represent our evaluations, preferences or rejections based on the information we receive. Attitude may be defined as 'an enduring predisposition or readiness to react or behave in a particular manner to a given object or situation, idea, material or person'.

### Components of Attitude:

1. **Cognitive:** It involves the knowledge or information about a person or object, etc., and his belief about it.
2. **Affective:** Refers to feeling aspect, i.e. how he feels about it
3. **Conative:** Refers to action tendency, i.e. how he behaves with it

### Types of Attitudes:

Attitudes are of three types:

1. **Positive:** A favorable attitude—liking people, objects, situation, etc.
2. **Negative:** An unfavorable attitude—does not like people/ objects, etc.
3. **Neutral:** Neither favorable nor unfavorable

### Sources of Attitudes

1. **Direct Personal Experience** – A person's direct experience with the attitude object determines his attitude towards it. The personal experience of an individual, whether it is favorable or unfavorable, will affect his attitude deeply. These attitudes which are based on personal experience are difficult to change.

2. **Association** – Sometimes an individual comes across a new attitude object which may be associated with an old attitude object. In such a case, the attitude towards the old attitude object may be transferred towards the new attitude object. For example, if a new worker remains most of the time in the company of a worker, who is in the good books of the supervisor, and towards whom the supervisor has a positive attitude, the supervisor is likely to develop a favorable attitude towards the new worker also.
3. **Family and Peer Groups** – Attitudes like values are acquired from parents, teachers and peer group members. In the early years of an individual, he begins modeling the attitudes after those whom he admires, respects or may even fear. The way the family and friends behave will shape the attitudes and behavior.
4. **Economic Status and Occupations** – The economic status and occupational position of the individual also affect his attitude formation. The socio-economic background influences the individual's present and future attitudes.
5. **Mass Communications** – Attitudes are generally less stable as compared to values. Advertising messages for example, attempt to alter the attitude of the people toward a certain product or service.
6. **Beliefs** – A belief is an assumed truth, i.e. a psychological state in which an individual holds a proposition or premise to be true. Beliefs are fundamental positions rooted deep within human beings. A belief is the acceptance of a statement or claim as true; they influence entire world view and shape everything else that we do. Beliefs are generated through experience, experimentation, reflection or generalization. One's beliefs can also be influenced by external agents who are authorities in specific areas. Depending on the circumstances and the individuals involved, beliefs can develop quickly or slowly, and individual experience plays a large role in what one believes. Individual beliefs tend to be substantiated by facts, circumstances, and experience. Because of this, beliefs can be changed by the introduction of new facts, changing circumstances, and evolving experience.

#### Types of organizational beliefs

- Spiritual beliefs
- Moral beliefs
- Social beliefs
- Intellectual beliefs
- Economic beliefs

- Political beliefs

## 11.5 Values

Values spring from beliefs. They can be defined as broad global principles that govern appropriate courses of action or outcomes. They govern what's right or wrong in specific contexts, determining attitudes and behaviour. Value system has a major influence on a person's behavior and attitude and serves as broad guidelines in all situations.

### Characteristics of Value

- Values are different for each person
- These can provide standards of competence and morality.
- These can go beyond specific situations or persons.
- Personal values can be influenced by culture, tradition, and a combination of internal and external factors.
- Values are loaded with effective thoughts about ideas, objects, behavior, etc
- Values can differ from culture to culture
- They influence people's behavior and serve as criteria for evaluating the actions of others.
- They have a great role to play in the conduct of social life

The values that are important to people tend to affect the types of decisions they make, how they perceive their environment, and their actual behaviors.

### Types of Values

There are two types of values;

- a) **Terminal Values**-These are values that we think are most important or most desirable. These refer to desirable end states of existence, the goals a person would like to achieve during his or her lifetime. They include happiness, self-respect, recognition, inner harmony, leading a prosperous life, and professional excellence.
- b) **Instrumental Values**- Instrumental values deal with views on acceptable modes and means for achieving the terminal values. These include being honest, sincere, ethical, and being ambitious. These values are more focused on personality traits and character.

**Sources of Values** – A significant portion of the values formed during early years from parents, teachers, friends, and others. There are so many sources from which we can acquire different values.

### Sources of values are

- **Family:** Family is a great source of values. A child learns his first value from his family.
- **Friends and peers:** Friends and peers play a vital role in achieving values.
- **Community or society:** As a part of society, a person learns values from society or different groups of the society.
- **School:** As a learner, school and teachers also play a very important role in introducing values.
- **Media:** Media such as – Print media, Electronic media also play the role of increasing values in the mind of people.
- **Relatives:** Relative also helps to create values in the minds of people.
- **Organization:** Different organizations and institutions also play a vital role in creating value.

## 11.6 Key Words

**Behavior** – The way in which a person behaves in response to a particular situation or stimulus.

**Organization** – An entity comprising multiple people, such as an institution or an association that has a particular purpose.

**Ability** - Power or capacity to do or act physically, mentally, legally, morally, financially, etc.

**Competence** – Competence in an activity or occupation because of one's skill, training, or other qualification.

**Values** – Collective conceptions of what is considered good, desirable, and proper or bad, undesirable, and improper in a culture

## 11.7 Self-Assessment Questions

1. Determine the causes for Individual behavior.
2. Examine the determinants of personality
3. Discuss the components, sources and types of values.

## 1.7 Further readings

1. Koonz and Weirich:Principles of Management, Tata McGraw Hill, New Delhi
2. Rao, VSP: Management Text and cases”, Excel books, New Delhi
3. LM Prasad: Principles and practice of Management,Sultan Chand Publishers,New Delhi

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## **Lesson- 12**

# **PERCEPTION**

### **Objectives**

After studying the lesson, you should be able to:

- Understand the Nature and factors effecting perception.
- Analyze the elements of perceptions.
- Gain an overall knowledge on perceptual selectivity

### **Structure**

12.1 Meaning and Nature of Perception

12.2 Factors Influencing Perception

12.3 Perceptual Selectivity

12.4 Perceptual Errors

12.5 Key Words

12.6 Self-Assessment Questions

12.7 Further Readings

### **12.1 Perception**

Perception is an intellectual process of transforming sensory stimuli to meaningful information. It is the process of interpreting something that we see or hear in our mind and use it later to judge and give a verdict on a situation, person, group etc. It can be defined as a process which involves seeing, receiving, selecting, organising, interpreting and giving meaning to the environment. Perception means perceiving, i.e., giving meaning to the environment around us.

#### **Nature of perception**

- Perception is the intellectual process.
- Perception is the basic cognitive or psychological process.
- Perception is a subjective process. Therefore, different people may perceive the same environment differently based on what particular aspects of the situation they choose to selectively absorb, how they organize this information and the manner in which they interpret it to obtain a grasp of the situation
- Perception is determined by both physiological and psychological characteristics of the human being

## Perception Process

. The different stages are

- Receiving
- Selecting
- Organizing
- Interpreting

- a) **Receiving** – Receiving is the first and most important stage in the process of perception. It is the initial stage in which a person collects all information and receives the information through the sense organs.
- b) **Selecting** – Selecting is the second stage in the process. Here a person doesn't receive the data randomly but selectively. A person selects some information with his interest or needs. The selection of data is dominated by various external and internal factors.
- External factors – the factors that influence the perception of an individual externally are intensity, size, contrast, movement, repetition, familiarity, and novelty.
- Internal factors – the factors that influence the perception of an individual internally are psychological requirements, learning, background, experience, self-acceptance, and interest.
- c) **Organizing** – Keeping things in order or say in a synchronized way is organizing. In order to make sense of the data received, it is important to organize them. We can organize the data by Grouping them on the basis of their similarity, proximity, closure, continuity. Establishing a figure ground is the basic process in perception. Here figure means what is kept as main focus and ground is background stimuli.
- d) **Interpreting** – Finally, we have the process of interpreting which means forming an idea about a particular object depending upon the need or interest. Interpretation means that the information we have sensed and organized, is finally given a meaning by turning it into something that can be categorized. It includes stereotyping, halo effect etc.

### 12.2 Factors Influencing Perception of an Individual

- **Size:** Bigger size attracts the attention of the perceiver
- **Intensity:** A loud sound, strong odour or bright light is noticed more as compared to a soft sound, weak odour or dim light.

- **Self-concept:** The way a person views the world depends a great deal on the concept or image he has about himself. The concept plays an internal role in perceptual selectivity.
- **Beliefs:** A person's beliefs have a profound influence on his perception. Thus, a fact is conceived not on what it is but what a person believes it to be.
- **Expectations:** These affect what a person perceives. A technical manager may expect ignorance about the technical features of a product from non-technical people.
- **Inner Needs:** The need is a feeling of tension or discomfort when one thinks he is missing something. People with different needs experience different stimuli.

### 12.3 Perceptual Selectivity

There are many stimuli demanding attention of the individual at the same time and that individual can sense only a limited amount of stimuli at a time. Perceptual selection is the process by which people filter out irrelevant or less significant information so that they can deal with the most important matters. Perceptual Selection is determined by

- External Factors
- Internal Factors

#### Different external Factors affecting perceptual selection are:

- a) **Size:** The larger the size, the more likely it is to be perceived. The tallest person in the office will invariably be noticed.
- b) **Intensity:** The more intense an external factor (bright light, loud noise, high pitch sound etc.) the more likely it is to be perceived. One may notice that the TV commercials always have high pitch as compared to normal telecast.
- c) **Contrast:** External factors that stand out against the background or things that are not which people expect are more likely to be perceived.
- d) **Motion:** A moving factor is more likely to be perceived than stationary factor. Films (motion pictures) attract people more than a static picture.
- e) **Repetition:** A repeated factor is more likely to be noticed. Marketing managers use this principle in trying to get attention of the prospective customers.
- f) **Novelty and familiarity:** Either novelty or familiarity can attract attention. People would quickly notice a person riding an elephant on a busy street in Delhi. On the other hand, one is likely to spot a familiar face in a crowd or a familiar voice even if there is a lot of noise and confusion.

g) A combination of these or similar factor may be operating at any time to affect perception. Along with the internal factors, they determine whether any particular stimulus is more or less likely to be noticed.

#### **Internal factors affecting perceptual selection:**

- a) **Personality:** Personality has an interesting influence on what and how people perceive. For example, conscientious people tend to pay more attention to external environmental cues than does a less careful person. Less cautious persons are impulsive, careless, and irresponsible. They see their environment as hectic and unstable which affects the way they make perceptual selections. On the other hand, more conscious people organize their perceptions into neat categories, allowing themselves to retrieve data quickly and in an organized manner. In other words, they are careful, methodical, and disciplined in making perceptual selections.
- b) **Learning:** Learning determines the development of perceptual sets. A perceptual set is an expectation of a particular interpretation based on past experiences with the same or an identical object. In organizational settings, past experiences of the managers and employees influence their perceptions to a great extent.
- c) **Motivation:** A person's most urgent needs and desires at any particular time can influence perception. People perceive things that promise to help satisfy their needs and that they have found rewarding in the past. Also, according to Pollyanna principle, people process pleasant event more efficiently and accurately than they do unpleasant events. For example, an employee who receives both positive and negative feedback during the appraisal meeting may more easily and clearly remember the positive statements than the negative ones.

### **12.4 Perceptual Errors**

- **Similarity error:** People are predisposed towards those having similar traits, socio-economic-cultural background.
- **Contrast error:** People tend to compare among the available resources and thus arrive at a conclusion that might be far from the objective reality.
- **Race/gender/age bias:** People's perception may be tempered by their prejudices vis-à-vis race, gender, and age.
- **First impression error:** People may hold a long-term view about a person or thing based on first impression.

- **Perceptual defense:** People tend to defend the way they perceive things. Once established, a person's way of viewing the world may become highly resistant to change.
- **Stereotyping:** It is the belief that all members of a specific groups share similar traits and behaviour. Most often, a person is put into a stereotype because the perceiver knows only the overall category to which the person belongs.
- **Halo effect:** Under halo effect, a person is perceived on the basis of a single view.

## 12.5 Key Words

- **Perception-** The way in which something is regarded, understood, or interpreted
- **Individual-** Individual means relating to one person or thing, rather than to a large group.
- **Motivation-** encourages persons to give their best performance and help in reaching enterprise goals
- **Personality-** The combination of characteristics or qualities that form an individual's distinctive character.
- **Perceptual error-** A perceptual error is the inability to judge humans, things or situations fairly and accurately.

## 12.6 Self-Assessment Questions

1. Examine the nature and factors influencing Perception.
2. Discuss different external Factors affecting perceptual selection
3. What is perceptual selection? Determine different perceptual errors.

## 12.7 Further Readings

1. Koonz and Weihrich :Principles of Management, Tata McGraw Hill, New Delhi
2. Rao, VSP: Management Text and cases, Excel books, New Delhi
3. LM Prasad: Principles and practice of Management,Sultan Chand Publishers,New Delhi

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## **Lesson-13**

# **TRANSACTIONAL ANALYSIS & JOHARI WINDOW**

### **Objectives**

After studying the lesson, you should be able to:

- Understand the elements of Transaction analysis
- Apply the concept of Transaction analysis in organizational setting
- Understand the concept and application of Johari Window

### **Structure**

13.1 Transaction Analysis

13.2 Transaction Types

13.3 Johari Window

13.4 Applications of Johari Window

13.5 Key Words

13.6 Self-Assessment questions

13.7 Further Readings

### **13.1 Transactional Analysis**

Transactional analysis is the study of individual in the organization when he is interacting with other individual on social front or professional front. Eric Berne observed that there are several persons within one person and therefore an individual transacts in different ways with different persons in different situations. The Transaction analysis is based on two notions, first that we have three parts or 'ego-states' to our 'personality', and secondly that these converse with one another i.e 'transactions'.

**Ego States** - Every one of us displays behaviour which falls into one of three categories.

**1. Parent Ego State** – The Parent ego state is created by the messages an individual receive from his parents. This means it is different for every one of us. A child takes in huge amounts of information from parents. This information is internalized in the Parent ego state. It is divided into two parts:

- a) **Controlling Parent** – This is the parent who tells us what to do. At its best, it provides us with vital advice and guidance on how to live our lives. At worst it manifests in stifling, critical behaviour.

**b) Nurturing Parent** – This is the parent who cares for us. When done properly we feel cherished and supported, but too much and we are smothered.

**2. Child Ego State** - In a similar way, Child ego state represents how we felt as a child when growing up. It represents our joy, our creativity our worries and our fears. Again, it is divided into two distinct parts:

**a) Adapted Child** - This is the child that responds to the rules set out by parents. Depending on the choice the child makes, it will either play by the rules or rebel. When a mother tells her son to sit up straight at the table, the child may do so because he knows his mother will be pleased with him.

**b) Natural Child** - This refers to the way we behave when we are free and unrestricted by any rules. It allows us to be creative, joyous and carefree. However, if behaviour oversteps social boundaries it could cause embarrassment or offence.

**3. Adult Ego State** – It is the Adult ego state which allows us to interact with others without playing games. When we are in Adult we work without emotion to gather information, process it and act accordingly. A strong Adult ego state orchestrates the other ego states in a way which limits their negative effects, and makes use of the positive ones. It is this ego state we must seek out when we find ourselves in a (psychological) game. This means that when an individual is in an argument and reacting from the Child ego state (emotional), he must find a way to communicate from the Adult ego state.

## 13.2 Transaction Types

When we interact with each other, there are three types of transactions:

- 1) Parallel (Complementary)
- 2) Crossed
- 3) Hidden (Ulterior)

**Parallel (Complementary)** - Parallel or complementary transactions are those where the individuals respond as expected. This means when an individual address someone's Child ego state from his Parent ego state, he expect them to respond from their Child ego state.

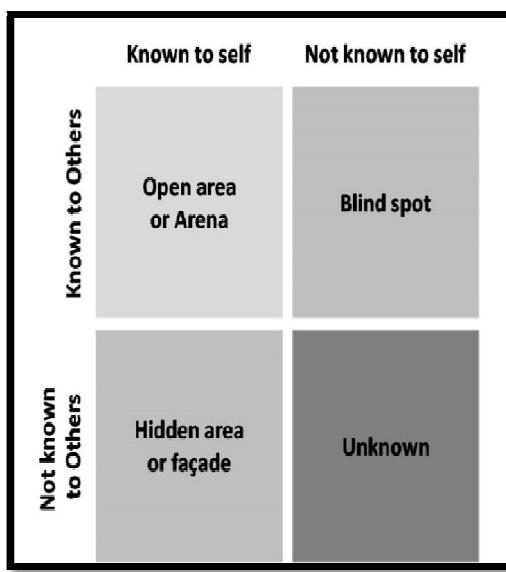
**Crossed** – These are transactions in which the respondent comes from an ego state which is not the one ‘expected’ by the initiator.

**Hidden (Ulterior)** – Hidden transactions are the ones which appear to be straightforward communications but which actually contain an unspoken message that carries with it a hidden agenda. It is these transactions which mostly lead to games being played. They can often be

seen in personal relationships and avoiding them can require some discipline from the individuals involved.

### 13.3 Johari Window

The Johari window model is used to enhance the individual's perception on others. This model is based on two ideas- trust can be acquired by revealing information about you to others and learning yourselves from their feedbacks. The 'Johari' window model is a convenient method used to achieve this task of understanding and enhancing communication between the members in a group. American psychologists Joseph Luft and Harry Ingham developed this model in 1955.



**Fig 13.1 The Johari Window Model**

Each person is represented by the Johari model through four quadrants or window pane. Each four window panes signifies personal information, feelings, motivation and whether that information is known or unknown to oneself or others in four viewpoints.

The method of conveying and accepting feedback is interpreted in this model. Two of these panes represent self and the other two represent the part unknown to self but to others. The information transfers from one pane to the other as the result of mutual trust which can be achieved through socializing and the feedback got from other members of the group.

1. **Open/self-area or arena** – Here the information about the person his attitudes, behaviour, emotions, feelings, skills and views will be known by the person as well as by others. This is mainly the area where all the communications occur and the larger the arena becomes the more effectual and dynamic the relationship will be. 'Feedback

solicitation' is a process which occurs by understanding and listening to the feedback from another person. Through this way the open area can be increased horizontally decreasing the blind spot. The size of the arena can also be increased downwards and thus by reducing the hidden and unknown areas through revealing one's feelings to other person.

2. **Blind self or blind spot** – This area speaks the information about yourselves that others know in a group but you will be unaware of it. Others may interpret yourselves differently than you expect. The blind spot is reduced for an efficient communication through seeking feedback from others.
3. **Hidden area or façade** – Information that is known to you but will be kept unknown from others. This can be any personal information which you feel reluctant to reveal. This includes feelings, past experiences, fears, secrets etc. we keep some of our feelings and information as private as it affects the relationships and thus the hidden area must be reduced by moving the information to the open areas.
4. **Unknown area** – The Information which are unaware to yourselves as well as others. This includes the information, feelings, capabilities, talents etc. This can be due to traumatic past experiences or events which can be unknown for a lifetime. The person will be unaware till he discovers his hidden qualities and capabilities or through observation of others. Open communication is also an effective way to decrease the unknown area and thus to communicate effectively.

### 13.4 Different Applications of Johari Window are

1. Self-Awareness
2. Personal Development
3. Improving Communications
4. Interpersonal Relationships
5. Group Dynamics
6. Group Development; And
7. Inter Group Relationships

#### Strengths of the Johari Window

- Easy to grasp, flexible outcomes.
- The method catalyses open information sharing.
- The method will create a shared reference point.

### **Limitations of the Johari Window.**

- Some things are perhaps better not communicated (your sexual behavior, mental health problems or large-scale failures).
- Some people may pass on the information they received further than you desire.
- Some people may react negatively.
- Using the JW is a useless exercise if it is not linked to activities that reinforce positive behavior, or that correct negative behaviors.

### **13.5 Keywords**

**Ego state**-An ego state is a way in which an individual think, feel and behave, making up personality at a given time.

**Parent egostate**-Is a set of feelings, attitudes and behaviour taken from the parents and other significant parental figures in the environment.

**Adult Ego State**-Is the set of feelings, attitudes and behaviours that are in direct response to the here-and-now reality.

**Transaction analysis**-Transactional analysis is a psychoanalytic theory and method of therapy wherein social transactions are analyzed to determine the ego state.

**Feedback**- Process in which the effect or output of an action is 'returned'

**Interpersonal relationship**-An interpersonal relationship is a strong, deep, or close association or acquaintance between two or more people that may range in duration from brief to enduring.

### **13.6 Self-Assessment questions**

1. How do you understand the elements of Transaction analysis?
2. Discuss the elements of Transaction Analysis.
3. Examine the model of Johari Window. Also determine its applications?

### **13.7 Further Readings**

1. Koonz and Weihrich :Principles of Management, Tata McGraw Hill, New Delhi
2. Rao, VSP: Management Text and cases, Excel books, New Delhi
3. LM Prasad: Principles and practice of Management, Sultan Chand Publishers, New Delhi

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## **Lesson – 14**

# **STRESS MANAGEMENT**

### **14.0 Objectives**

After studying the lesson, you should be able to:

- Understand the concept and symptoms of stress.
- Analyze the factors that causes stress.
- Identify the strategies to manage stress.

### **Structure**

14.1 Meaning and Symptoms of Stress

14.2 Causes of Stress

14.3 Importance of stress Management and strategies to manage stress at workplace

14.4 Key Words

14.5 Self-Assessment Questions

14.6 Further Readings

### **14.1 Stress Management**

Stress has been defined in different ways over the years. Originally, it was conceived of as pressure from the environment, then as strain within the person. The generally accepted definition today is one of interaction between the situation and the individual. It is the psychological and physical state that results when the resources of the individual are not sufficient to cope with the demands and pressures of the situation. Thus, stress is more likely in some situations than others and in some individuals than others. Stress can undermine the achievement of goals, both for individuals and for organizations.

Workers experience stressful circumstances all the time--including working conditions, work expectations, and interpersonal interactions. Though workers in modern organizations are not typically faced with the life and death consequences faced by early humans, modern workers share the same biology and continue to react to the stressors they encounter at work. People experience stress both psychologically and physically. Stress in and of itself is neither good nor bad. Rather it is the quality and quantity of stress that predict its positive or negative valence.

### **Symptoms of Stress**

Some of the symptoms of stress at workplace are as follows-

- Absenteeism, escaping from work responsibilities, arriving late, leaving early, etc.

- Deterioration in work performance, more of error prone work, memory loss, etc.
- Cribbing, over-reacting, arguing, getting irritated, anxiety, etc.
- Deteriorating health, more of accidents, etc.
- Improper eating habits (over-eating or under-eating), excessive smoking and drinking, sleeplessness, etc.

## 14.2 Causes of Stress

- a) **Organizational factors-** With the growth in organizational stress and complexity, there is increase in organizational factors also which cause stress among employees.
- b) **Individual factors-** There are various expectations which the family members, peer, superior and subordinates have from the employee. Failure to understand such expectations or to convey such expectations lead to role ambiguity/role conflict which in turn causes employee stress.
- c) **Job concerning factors-** Certain factors related to job which cause stress among employees are
  - Monotonous nature of job
  - Unsafe and unhealthy working conditions
  - Lack of confidentiality
  - Crowding

## 14.3 Stress management

Stress is basically the tension or anxiety caused by any sort of pressure in everyday life. The ability to handle or minimize the physical and emotional effects of such anxiety is known as one's stress management skills. The importance given to stress management skills in workplace can be guessed from the fact that employers, in many countries, have been burdened with a legal responsibility of recognizing as well as coping with the workplace stress in order to ensure good mental and physical health of employees in organization.

**Importance of Stress Management** – A certain level of stress is always present in any workplace. As soon as the level of stress escalates to a point that it becomes dangerous for the well-being of the organization as well as employees, stress management becomes important. It has the following benefits:

- a) **Enables you to motivate employees better.** Stressful situation can have a devastating effect on the morale of employees, causing increased absenteeism and employee turnover. However, good stress management skills help the morale of

employees to stay intact so that they are more motivated and better focused on their jobs and performance.

- b) **Reduced chances of workplace conflicts.** Among many other factors contributing to workplace conflicts such as differences in opinions, backgrounds and personalities, the increased level of stress also plays a major role. It shatters the workplace relationships, undermining the overall culture. However, effective stress management skills prevent such distractions and builds teamwork, making everyone's lives easier and fun.
- c) **Improves productivity even in stressful situations.** Since the employee morale and workplace relationships remain intact, stress management skills are considered to be one of the major contributors to the improved productivity. With ideal stress management skills, there will be lesser chances of customer complaints or poor decision-making even in the most stressful circumstances

### **Organizational strategies for managing stress**

- Encouraging more of organizational communication with the employees so that there is no role ambiguity/conflict. Effective communication can also change employee views. Managers can use better signs and symbols which are not misinterpreted by the employees.
- Encourage employees' participation in decision-making. This will reduce role stress.
- Grant the employees greater independence, meaningful and timely feedback, and greater responsibility.
- The organizational goals should be realistic, stimulating and particular. The employees must be given feedback on how well they are heading towards these goals.
- Encourage decentralization.
- Have a fair and just distribution of incentives and salary structure.
- Promote job rotation and job enrichment.
- Create a just and safe working environment

### **14.4 Key Words**

**Stress-** A state of mental or emotional strain or tension resulting from adverse or demanding circumstances.

**Stress management** –A wide spectrum of techniques and psychotherapies aimed at controlling a person's level of stress.

**Organizational complexity**-The amount of differentiation that exists within different elements constituting the organization.

**Job enrichment** - a common motivational technique used by organizations to give an employee greater satisfaction in his work

### 14.5 Self-Assessment Questions

1. What are the symptoms and Causes of Stress?
2. Discuss the importance of Stress Management in Organizations.
3. Elaborate the organizational strategies for Managing stress at work place.

### 14.6 Further readings

1. Bratton, J: Introduction to work and organizational behavior (Third edition). Palgrave Macmillan. New Delhi
2. Robbins, S. P., & Judge, T: Essentials of organizational behavior (Twelfth edition). Pearson. New Delhi

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## **Lesson – 15**

# **GROUP BEHAVIOUR**

### **15.0 Objectives**

**After studying the lesson, you should be able to:**

- Understand the group behavior in Organization.
- Understand the stages in group formation
- Get an overall idea on work groups in the organization

### **Structure**

- 15.1 Group Behavior
- 15.2 Types Of Groups
- 15.3 Stages Of Group Formation
- 15.4 Work Groups
- 15.5 Group Cohesiveness
- 15.6 Work Groups
- 15.7 Key Words
- 15.8 Self-Assessment questions
- 15.9 Further Readings

### **15.1 Group Behaviour**

Individuals form groups. They live in groups. They move in groups. They work in groups. They influence work and work behaviour. They cannot be ignored. Groups exert significant influence on the organization. They are inseparable from organization. Groups form foundation of human resources. The study of group behaviour is important. Individual and group behaviour differs from each other. Group behaviour affects productivity.

The importance of group behaviour has been realized from time to time. Elton Mayo and his associates way back in 1920 conducted the famous Hawthorne experiments and came to know that the group behaviour have major impact on productivity.

**Group** – A group can be defined as two or more interacting and interdependent individuals who come together to achieve particular objectives. A group behavior can be stated as a course of action a group takes as a family.

#### **Features of groups**

- It consists of two or more people

- It involves in interaction and communications between people
- All members of groups have collective identity
- Every member of group have common goals and objectives

### Functions of groups

The major functions performed by groups are

- Socialization of employees
- For getting job done
- Decision making

## 15.2 Types of Groups

There are two types of groups individuals form. They are formal groups and informal groups.

Let us know about these groups.

### 1. Formal Groups

These are the type of work groups created by the organization and have designated work assignments and rooted tasks. The behavior of such groups is directed toward achieving organizational goals. Formal groups can be further classified into sub-groups

- a) **Command Group** – It is a group consisting of individuals who report directly to the manager. It consists of superiors and subordinates. Subordinates reporting to superior.
- b) **Task group** – Those working together to finish a job or task is known as a task group. Examples are task force and project groups.
- c) **Committees**-These are ad-hoc groups formed to analyze and solve particular organization problems.

### 2. Informal Groups

These groups are formed with friendships and common interests. These can be further classified into two sub-groups –

- a) **Interest Group** – It is a group formed by individuals working together to achieve a specific objective.
- b) **Friendship group** – Those brought together because of their shared interests or common characteristics is known as friendship group.
- c) **Reference groups**- These are group of people, a person refers to while taking decisions. i.e a person uses and refers another group while taking decisions.

### Why Do People Join Groups

There is no particular reason answering why individuals join groups. Group helps individuals to feel stronger, have fewer self-doubts, and be more contrary to threats. The following point helps us understand the need of joining a group by individuals.

- Security mirrors strength in numbers.
- Status pinpoints a prestige that comes from belonging to a specific group.
- Inclusion in a group is considered as important as it provides recognition and status.
- Self-esteem transmits people's feeling of self-worth.
- Membership can sometimes raise feelings of self-esteem like being accepted into a highly valued group.
- Affiliation with groups can meet one's social needs.
- Work groups significantly contribute to meet the need for friendships and social relations.
- One of the appealing attitudes of groups is that they represent power.
- What mostly cannot be achieved individually becomes possible with group effort.
- Power might be aimed to protect themselves from unreasonable demands.
- Informal groups additionally provide options for individuals to practice power.
- Finally, people may join a group for goal achievement.

### 15.3 Stages of Group Formation

- **Forming** – Groups need time to get started. Members must get to know each other, learn what work the group must do and consider what their respective roles might be. A meeting or two may be organized for a group to move through this forming stage. There will be time for members to negotiate rules and work after the first meeting.
- **Storming** – In this second stage of storming, a group needs time to debate different ideas from members. Some may win over others to their point of view through their powerful personalities. Ultimately, to make progress, a group must define its problem and how it will reach a solution.
- **Norming** – If the group can move past the storming stage, rules and regulations are framed so that the group can move forward with a common purpose and strategy. Members can also agree on rules for how the group will function. Compromise is necessary for a group to achieve its task.

- **Performing** – Here the members know their colleagues' strengths and weaknesses well, divide work into tasks effectively and hold accountability, and achieve their deadlines on schedule. Many members also derive positive self-esteem from belonging to the group and helping it to achieve.
- **Adjourning** – Once the task for which the group is formulated is performed, the group will be disassociated.

### **Factors Governing Formation of Groups**

**Personal Traits** – The first and foremost factor that governs formation of group is personal traits. People join groups because they find commonality of interests, beliefs, values and attitudes. People of common beliefs, interests, values and attitudes come together and form group.

**Identical Objective** – The people with similar objectives have strong feeling to come together and form groups. Executives pick up people and assign them activities in sales or marketing or advertising. This enables people to come together and interact and they share the burden of each other while working together. They know each other well and having the same objectives can form a group.

**Emerging Leadership** – People form groups, a potent of leaders emerge from the group. When people come together they choose someone to lead them. The leader gets accepted by the people. People follow him because they feel that he will safeguard their interests. The leaders get authority from their followers. The leader hence assumes power. He emerges because of group. The role of leaders is quite significant and important to the members of group.

**Interaction** – People get opportunity to interact in a group. The need for interaction is very strong among people. Through interaction, social relationship is developed. A desire to have an interaction is a potential reason to form a group.

**Group Norms** – Norm refers to group behaviour standard, beliefs, attitudes, traditions, expectations shared by group members. According to Michael Argyle, “Group norms are rules or guidelines of accepted behaviour which are established by a group and used to monitor the behaviour of its members.” The group norms determine how members of group should behave. They determine the behaviour of group. Group norms regulate the behaviour of group. Group norms help in understanding the group behaviour.

- **Norms cannot be violated.** Any violation of group norms by any member invites criticism and imposing of authorizations. Group norms are framed to achieve objectives of the group. Norms enhance social interaction. Group norms establish role relationships.

➤ **Group norms can be social, ethical in nature.** Group norms portray certain image of its members. Norms provide a base for controlling behaviour of group members. Norms applied to all the members uniformly and all members are expected strictly adhere to them. Norms in certain companies prescribe for a typical kind of dress for its members. Individual members and group benefit from the norms. They make the members to identify themselves with the group. Norms play a significant role in disciplining the members of a group so that they work regularly.

### **How norms are developed?**

The development of norms takes place because of experience of some senior members of the group. The behaviour of the members also plays an important role in setting norms. Norms are developed through decisions, supervisors instructions to his subordinates and some critical incidents in member's life. Norms need to be enforced strictly because they ensure survival of group.

### **15.4 Group Cohesiveness**

Cohesiveness is an important characteristic of group. Rensis Likert has defined cohesiveness as “the attractiveness of the members to the group or resistance of the members to leaving it”. It refers to the attachment of the members with the group.

According to K. Aswathappa, “cohesiveness is understood as the extent of liking each member has towards others and how far everyone wants to remain as a member of the group.” It is a degree of attachment among members of the group and to group membership. Attractiveness is the key to cohesiveness. Cohesive group attract membership from new members. It also changes in degree over time.

#### **Factors affecting cohesiveness:**

There are some factors that affect cohesiveness of group.

1. **Group Formation Factors** – The factors which are responsible for group formation such as common interests, shared goals, etc. serve as the base for cohesiveness.
2. **Interaction** – Interaction between the group members makes the group more cohesive.
3. **Difficulty in Membership** – Some groups take great care in selecting their members and making admission to them very difficult. Difficulty in getting membership increases cohesiveness of group. Such groups are valued by members and feel proud of being members.
4. **Success** – Success of individuals or shared objectives, member's pride about the success resulting in greater cohesion of the group.

5. Threat – When members of group feel threatened from any source, external in particular increases cohesiveness.
6. Size of Group – Size of the group affects its cohesiveness. Increased size of group decreases its cohesiveness and vice versa. Small size of group facilitates more interaction among the group members, hence more cohesiveness.
7. Continued Membership – Membership of the group is continued by its members for a longer period of time increases cohesiveness of group. New members do not get membership easily because of opposition from the old members.
8. Attitude and Values – Cohesiveness of group increases because of shared attitude and values. Everyone gets attracted towards the people having identical attitudes, values and beliefs. The sense of security and safety develops with the likeminded people.

## 15.5 Work Groups

Work group is a group of experts working together to achieve specified goals. The groups are domain-specific and focus on discussion or activity around a specific subject area. The work group sometimes refer to an interdisciplinary collaboration of researchers working on new activities that would be difficult to sustain under traditional funding mechanisms. Work groups come in a variety of types and sizes, cutting across different contexts, functions, internal processes, and external linkages.

However, several features provide a foundation for a basic definition.

Work groups:

- a) Are composed of two or more individuals,
- b) Who exist to perform organizationally relevant tasks,
- c) Share one or more common goals,
- d) Interact socially,
- e) Exhibit task interdependencies (i.e., workflow, goals, outcomes),
- f) Maintain and manage boundaries
- g) Are embedded in an organizational context that sets boundaries, constrains the group, and influences exchanges with other units in the broader entity.

### Types of work groups

Previous researchers have defined work groups into six categories:

- (1) Production
- (2) Service
- (3) Management

(4) Project

(5) Action and Performing

(6) Advisory.

1. Production groups represent core employees who cyclically produce tangible products (e.g., automobile assembly) and vary on discretion from supervisor led to semi-autonomous to self-directed.
2. Service groups engage in repeated transactions with customers (e.g., airline attendants) who have different needs, making the nature of the transactions variable.
3. Senior managers of meaningful business units with primary responsibility for directing and coordinating lower level units under their authority comprise management groups.
4. Project groups are temporary entities that execute specialized time-constrained tasks and then disband (e.g., new product development).
5. Action and performing groups are composed of interdependent experts who engage in complex time-constrained performance events. Examples include aircrews, surgical groups, military units, and musicians.
6. Advisory groups consist of experts from different areas advising the other groups.

#### **Work groups function on three levels:**

- a) Dependent level
  - b) Independent level
  - c) Interdependent level
- a. **Dependent level** – Dependent level work groups are the traditional work unit or department groups with a supervisor who plays a strong role as the boss. Almost everyone has had some experience with this work setup, especially in a first job. Each person in a dependent-level work group has his or her own job and works under the close supervision of the boss. The boss is in charge and tells the employees the do's and don'ts in their jobs. Helping each other and covering for one another do not occur often and do so mostly under the direction of the supervisor. In fact, most problem solving, work assignments, and other decisions affecting the group come from the supervisor.
  - b. **Independent level** – Independent level work groups are the most common form of work groups on the business scene. Like a dependent-level work group, each person is responsible for his or her own main area. But unlike the dependent level, the supervisor or

manager tends not to function like the controlling boss. Instead, staff members work on their own assignments with general direction and minimal supervision.

- c. **Interdependent level** – The Members of an interdependent-level work group rely on each other to get the work done. Sometimes members have their own roles and at other times they share responsibilities. Yet, in either case, they coordinate with one another to produce an overall product or set of outcomes. When this interdependence exists, you have a team. And by capitalizing on interdependence, the team demonstrates the truth of the old saying: The whole is greater than the sum of its parts.

### 15.6 Key Words

- **Group-** A group can be defined as two or more interacting and interdependent individuals who come together to achieve particular objectives.
- **Group behavior-** A group behavior can be stated as a course of action a group takes as a family.
- **Group Cohesiveness-** is the degree to which the group members are attracted to each other and are motivated to stay in the groups,
- **Work group-** a group within a workforce who normally work together.
- **Formal group-** Formal groups are the ones that are created as per official authority
- **Informal group-** The Informal groups are those groups that get created spontaneously as soon as individuals start interacting with each other.

### 15.7 Self-Assessment Questions

1. Explain different types of groups. Also explain the reasons why people join in groups.
2. Discuss the factors governing the formation of groups in the organization.
3. Examine the significance of work groups in the organization.

### 15.8 Further readings

1. Brooks, Organizational behavior. Harlow, England: Prentice Hall/Financial Times. New Delhi.
2. Bratton, J: Introduction to work and organizational behavior (Third edition). Palgrave Macmillan. New Delhi
3. Robbins, S. P., & Judge, T: Essentials of organizational behavior (Twelfth edition). Pearson. New Delhi

Lesson Writer

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## **Lesson 16**

# **GROUP CONFLICTS AND NEGOTIATION**

### **16.0 Objectives**

After studying the lesson, you should be able to:

- Understand the causes and sources of Group conflicts
- Get an overall idea on conflict negotiation and characteristics
- To get an understanding on Conflict negotiation process

### **Structure**

16.1 Group Conflicts

16.2 Causes for Group Conflicts

16.3 Conflict Resolution Negotiation

16.4 Steps Of The Negotiation Process

16.5 Intergroup Behavior

16.6 Key Words

16.7 Self-Assessment Questions

16.8 Further Readings

### **16.1 Group Conflicts**

Group Conflict is an interpersonal problem that occurs between two or more members of a group, and affects results of group work, so the group does not perform at optimum levels. Group conflicts are caused by the situation when the balance between perceptions, goals, or/and values of the group is upset, therefore people can no more work together and no shared goals can be achieved in the group environment.

#### **Understanding Conflict**

Conflict is a part of human nature and it has many types and sources. Research has approached conflict in several different ways:

- a. The **Psycho-social approach** involves two levels: the micro –level (psychological) and the macro-level (sociological) approaches to understanding conflict. The psychological approach focuses on conflict within and among human beings as individuals, specifically on intrapersonal, interpersonal and small group behavior variables that affect conflict causes, dynamics and outcomes. The sociological approach focuses on conflict at group, department, division and organizational levels.

- b. The **Economic approach** applies models of economic rationality for analyzing situations of interdependence, the parties' alternative courses of action, possible outcomes and parties' preferences, and prescribes a rational choice behavior using concepts such as the game theory.
- c. Further, the **Descriptive approach** to conflicts deals with the causes, structure and process of conflict, whereas the **Normative approach** focuses on the desirable ways of dealing with conflict.

## 16.2 Causes for Group Conflicts

The causes of inter-group conflict are as follows:

- a. **Lack of Communication** – Faulty communication leads to suspicion and a lack of trust.
- b. **Relative Deprivation** – It arises due to comparison when members of a group feel that they do not have what they desire to have or are not doing well in comparison to other groups.
- c. **Belief of being Superior from the other** – It occurs when one party believes it is better than the other and every member wants to respect the norms of his/ her group.
- d. **Respect for Norms** – Conflict arises when there is a feeling that the other group violates norms.
- e. **Harm done in the Past** – Some harm done in the past could be the reason for conflict.
- f. **Biased Perception** – Feelings of 'they' and 'we' lead to biased perceptions.
- g. **Competition** – Groups compete over scarce resources both material resources e.g. territory and money as well as social resources e.g. respect and esteem.

## 16.3 Conflict Resolution

Some of the conflict resolution strategies are:

- **Introduction of Super-ordinate Goals** – A super-ordinate goal is mutually beneficial goal to both parties, hence both groups work cooperatively.
- **Changing Perceptions** – It can be reduced by altering perceptions and reactions through persuasion, educational and media appeals and portrayal of groups differently in society.
- **Increasing Intergroup Contacts** – This can be done by involving groups in conflict on neutral grounds through community projects and events.
- **Redrawing group Boundaries** – This can be done by creating conditions where group boundaries are re-defined and groups come to perceive themselves as belonging to a common group.

- **Negotiations** – This refers to reciprocal communications so as to reach an agreement in situations in which there is conflict.
- **Structural solutions** – Conflict can be reduced by redistributing societal resources based on equality, need and equity.
- **Respect for other group's norms** – In order to avoid events like communal riots between different groups, it is necessary to respect and be sensitive to norms of various social and ethnic groups.

### Sources of Conflict at Various Levels

Conflict can occur at several levels. It occurs within the individual, or between individuals and groups within the organization. Of course, there can be conflict between organizations, communities or nations, but this part is not our focus right now. We examine the sources of conflict at the different levels within organizations.

- **Intra-individual Conflict** – Conflict within the individual or intra-individual conflict is thought to arise from the person's goals or roles.
- **Goal Conflict** – Goal conflict stems from the goals or two different aspects of the same goal of an individual. One possibility is that a person identifies two mutually exclusive but equally attractive goals and cannot decide which one to approach. Another possibility is that there is one goal in front of the person and (s) he wants to move towards that goal for some reasons, but due to another set of reasons, (s) he also wants to avoid that goal. Lastly, when the situation demands that a person select one of two alternative goals, the person wants to avoid both of them. People who face goal conflict may reduce their performance when there are constraints on choice and time, but committed people might increase their efforts and optimize performance between conflicting goals.
- **Role Conflict** – Role conflict arises because of an incompatibility among the expectations that different people have from a person. There are various types of role conflict, for example, we experience inter-role conflict if conflicting demands are made from two/more roles that we play. Different aspects of the same role can also be incompatible, creating intra-role conflict. Role ambiguity can be created by lack of information about how a role is to be played by a person. Person-role conflict involves role obligations that contradict the values and preferences of the role holder. We have discussed this aspect in greater details in chapter on organizational roles and structure in the following module of this book.

- **Interpersonal Conflict** – Interpersonal conflict arises because of an incompatibility in the personality, styles and preferences of two or more interacting persons. It is also possible that these individuals do not share the same information about the issue of conflict. In an interdependent relationship or assignment, they may disagree about what is to be done as well as on how the task(s) should be done. There might also be a conflict over who should control and influence whom, how much and over what. When under stress for a long time, some people become irritable and lose their tolerance for conflict. In short, all interpersonal conflicts have been grouped into either task and process related conflicts or relationship conflicts. While performing non-routine tasks, task conflict can be actually good for collective performance, but relationship conflict, as it discourages the exchange of information between person, increase stress and anxiety in the parties involved in the conflict and increases antagonism and hostility, adversely affecting collective performance.
- **Structural Conflict** – Groups may struggle to determine or change who controls power, status and access to resources distributed unequally through the organization, and might come to conflict. Conflict arises in the work place when interdependent parties perceive that they have incompatible goals and scarce resources, and there is interference from the other party in goal achievement or gaining scarce resources. Moreover, when organizational rules are not clear over the determination of privileges and responsibilities, conflict intensifies. Often, the lower and higher levels of organizational hierarchy and formal and informal organizations get involved in conflict. Employees with different functional orientations develop difference in attitude, work culture and priorities, creating conflict between the departments of the same organization.

## 16.4 Negotiation

A process in which two or more parties attempt to reach acceptable agreement in a situation. Characterized by some level of disagreement. In an organizational context, negotiations may take place:

- Between two people
- Within a group
- Between groups
- Over the Internet

### Characteristics of Negotiation

- There are a minimum of two parties present in any negotiation.

- Both the parties have pre-determined goals which they wish to achieve.
- There is a clash of pre-determined goals, that is, some of the pre-determined goals are not shared by both the parties.
- There is an expectation of outcome by both the parties in any negotiation.
- Both the parties believe the outcome of the negotiation to be satisfactory.
- Both parties are willing to compromise, that is, modify their position.
- The incompatibility of goals may make the modification of positions difficult.
- The parties understand the purpose of negotiation

## 16.5 Steps of the Negotiation Process

In order to achieve a desirable outcome, it may be useful to follow a structured approach to negotiation. For example, in a work situation a meeting may need to be arranged in which all parties involved can come together. The negotiations process is made up of five steps: (1) preparation and planning (2) definition of ground rules (3) clarification and justification (4) Bargaining and problems and (5) closure and implementation.

1. **Preparation and planning:** Before you start negotiating you need to do your homework. What's the nature of the conflict? What's the history leading up to this negotiation? Who's involved and what are their perceptions of the conflict? What do you want from the negotiation? What are your goals?

Once you have gathered your information use it to develop a strategy. As part of your strategy, you should determine yours and the other side's Best Alternative to a Negotiated Agreement (BATNA). Your BATNA determines the lowest value acceptable to you for a negotiated agreement. Any offer you receive that is higher than your BATNA is better than an impasse. Conversely you shouldn't expect success in your negotiation effort unless you're able to make the other side an offer they find more attractive than their BATNA. If you go into your negotiation having a good idea of what the other party's BATNA is, even if you are not able to meet theirs, you might be able to get them to change it.

2. **Definition of Ground rules:** Once you have done your planning and developed strategy you are ready to begin defining the ground rules and procedures with the other party over the negotiation itself. Who will do the negotiating? Where will it take place? What time constraints, if any will apply? To what issues will negotiation be limited? Will there be a specific procedure to follow if an impasse is reached? During this phase, the parties will also exchange their initial proposals or demands.

3. **Clarification and Justification:** When initial positions have been exchanged both you and the other party will explain amplify, clarify, bolster and justify your original demands. This needn't be confrontational. Rather, it's an opportunity for educating and informing each other on the issues, why they are important and how each arrived their initial demands. This is the point at which you might want to provide the other party with any documentation that helps support your position.
4. **Bargaining and problem Solving:** The essence of the negotiations process is the actual give and take in trying to hash out an agreement. It is here where concessions will undoubtedly need to be made by both parties.
5. **Closure and implementation:** The final step in the negotiation process is formalizing the agreement that has been worked out and developing any procedures that are necessary for implementing and monitoring.

## 16.6 Intergroup Behavior

The organization consists of many groups created formally or informally. The existence of groups leads to intergroup competition. The whole phenomenon may be studied under two heads:

- I. What happens within the groups?
- II. What happens between competing groups?

### What Happens Within the Groups?

1. Each group becomes a closely knit organization by burying their internal bickering's and differences.
2. The group climate changes, it switches over from being informal, casual and playful to task oriented. It shifts from members' psychological needs to taste accomplishment.
3. Leadership changes, the group is not prepared to tolerate even the autocratic leadership.
4. Group becomes structured and organized.
5. Group expects more loyalty and conformity from members in order to present a solid front.

### What Happens Between Competing Groups?

Each group looks to other as a competitor rather than interdependent part of the same organization. Each group develops distributions of perceptions because of dominating competitiveness. It concentrates only on its good points and refuses to perceive its weaknesses. Similarly, it perceives only the bad points or the shortcomings of other groups, this feeling is so dominating that it is not prepared to consider the good of its competitors.

Intergroup hostility increases which leads to reducing intergroup interaction and communication. This leads to distortion in perception. When groups are forced into interaction they will only listen to their own representatives rather than of the other. Each will try to find faults of others.

Approaches to Inter-Group Relationship:

**Inter-Group relationship may be presented in two ways:**

1. As portrayed by Rensis Likert and
2. As stated by J. Thompson.

1) Likert's Approach: - According to Likert an organization encompasses a series of overlapping groups. Each group is linked with the rest of the organization by persons who hold membership in more than one group. These people are called 'linking pins' as they forge link between different groups. Though the success of decision making depends upon group process and interaction, occurring at different levels, yet everything revolves around the 'linking pins'. Apart from the linking pins, the Success of Organization depends on:

1. Good group process of decision making and
2. Supervision

Both these elements duly insulated by linking pins will generate intergroup confidence and trust; it will enhance the problem solving ability of the group which will result in better productivity level.

Thompson's Approach: - Though Likert theory is very well accepted but it is based on the assumption that there exists equal interdependence among different groups. Thompson suggests that there are three different kinds of interdependence among groups. These are:

- a) Pooled Interdependence: - Pooled Interdependence occurs when groups rely on each other only because they belong to the same parent organization. For example, the employees of Bata Shoe Company, Working at Ludhiana have no Interaction with their counterparts in Jammu, but both are interdependent because they are part and parcel of the Bata Organization. Success or failure of one may be reflected in another through the medium of the total organization system. Pooled interdependence, does not need any interaction between groups, hence conflict does not arise. Co-ordination may, however, be forged through standardization and the rules formulated by the parent office.
- b) Sequential Interdependence: - It means that the work of one group depends on the performance of another. For instance, the finished Job i.e., output of one group becomes

the input of another group. However, both groups are sustained by the organization. The interdependence is both pooled and sequential. This type of interdependence may be regulated by proper planning and controlling the chances are that conflicts between the groups are higher than pooled interdependence.

- c) **Reciprocal Interdependence:** - Reciprocal interdependence means that each group is dependent on each other. The operations of each group precede and act as pre-requisite to the functioning of other. For example, management and union relationship, where both depend on each other. Because each group relies on other to perform its job effectively, any problems between them may result in reduced productivity or decreased satisfaction. Reciprocal interdependence ought to be coordinated by mutual adjustment between the groups. It requires greater communication and understanding to avoid possible conflict.

## 16.7 Key Words

**Group conflict-** Is an interpersonal problem that occurs between two or more members of a group, and affects results of group work.

**Conflict resolution-** Is a way for two or more parties to find a peaceful solution to a disagreement among them.

**Role conflict-** A clash between two or more of a person's roles or incompatible features within the same role

**Negotiation-** A process in which two or more parties attempt to reach acceptable agreement in a situation characterized by some level of disagreement.

**Inter group behavior-** Refers to interactions between individuals in different social groups, and to interactions taking place between the groups themselves collectively.

## 16.8 Self-Assessment Questions

1. What is group conflict? Examine the reasons for group conflict.
2. Examine the role of negotiation in conflict resolution.
3. Determine the steps in Negotiation process.
4. How do you understand the concept of Inter group behavior?

## 16.9 Further Readings

1. Dessler, Gary: A Framework for Human Resource Management, Pearson/Prentice Hall, New Delhi.
2. Robbins, S. P: Organizational behaviour - Concepts, controversies, applications. New Delhi: Prentice – Hall of India Private Limited, New Delhi.

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## **Lesson – 17**

# **ORGANIZATIONAL CHANGE**

### **17.0 Objectives**

After studying the lesson, you should be able to:

- Understand the importance and factors of organizational change
- Get an overall focus on Management of organizational change
- An understanding on Organization development and its Interventions

### **Structure**

17.1 Organizational Change

17.2 Management Of Change

17.3 Resistance To Change

17.4 Organization Development

17.5 OD Values

17.6 OD Interventions

17.7 Key Words

17.8 Self-Assessment Questions

17.9 Further Readings

### **17.1 Organizational Change**

Organizational change can be defined as the alteration in structure, technology or people in an organization or behavior by an organization. Here we need to note that change in organizational culture is different from change in an organization. A new method or style or new rule is implemented here.

#### **Importance of Organizational Change**

There is a need of change in an organization because there is always a hope for further development, and in order to survive in a competitive market, the organization needs to be updated with changes. However, we have listed some reasons to explain why changes are deliberately made and carefully planned by the organization before implementation.

- It improves the means to satisfy the economic requirements of people.
- It enhances the profitability of organization.
- It promotes employee satisfaction and well-being.

**An organizational change occurs due to two major factors namely –**

- **External factors** – External factors are those factors that are present outside the firm but force the firm to change or implement a new law, rule etc. For example, all banks are bound to follow the rules laid down by the RBI.
- **Internal factors** – Internal factors are those factors that are caused or introduced inside an organization that forces a change. For example, no smoking in the workplace.

### **Types of Organizational Change**

Organizational change can be

- Change in structure
- Change in technology
- Change in people

## **17.2 Management of Change**

In large scale organizations, changes seldom occur without a bit of chaos. Usually change agents try to minimize it by imposing some order on the change process. Change becomes orderly when it is planned and implemented in a systematic way. The process of planned change comprises the following steps.

1. **Identify the need for Change:** First of all, the manager should identify the forces demanding change. These forces, thus, may be internal or external. Internal forces include:
  - a) Employee turnover.
  - b) Change related role conflicts.
  - c) Mounting problems from its growing size.
  - d) Any other internal changes (for example, introduction of new department due to expansion in sales, production etc).

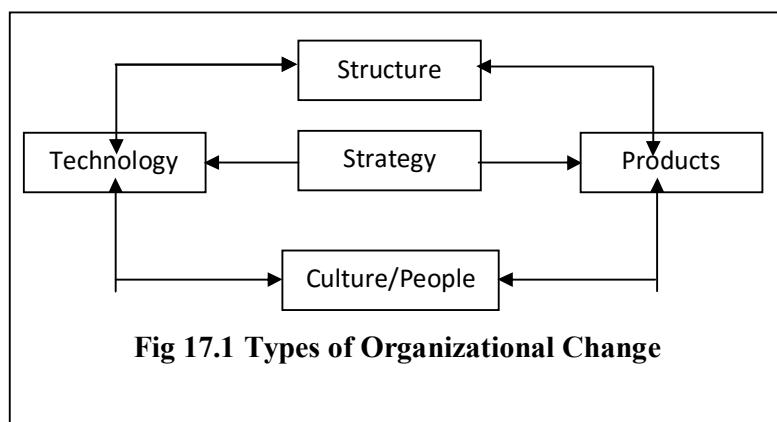
External forces demanding change, on the other hand, include

- a. Technological changes
- b. New marketing strategies
- c. New production techniques, etc.

The above forces may not demand change but some may require immediate and careful attention of management. The minor forces, therefore, must be isolated and the focus must shift to the major ones. Feedback information, control mechanisms generally

help in identifying where major gaps have occurred between the desired performance and the actual performance in key areas. A performance gap is the difference between what the organization wants to do and what it actually does. A careful examination of performance reports would help the manager put the finger on the problem causing trouble.

2. **Diagnose the Problem:** This step involves the identification of the root cause. "Most organizational problems have multiple causes, seldom is there a simple and obvious cause and seldom does only one perspective need to be considered." Several techniques may be used, therefore, for diagnosis, e.g. interviews, attitude surveys, team meetings, questionnaires, etc. Where the problem has wider implications and affects a large number of departments, organizational analysis is required. Organizational analysis includes exhaustive study of organizational goals, principles, practices and performance at a macro level. After such an exhaustive analysis, the change agent would be in a position to identify the areas where modifications have to be made. It must be realized here that a change in one part may affect other parts of the organization. A new product may require changes in technology, and a new technology may require new people, skills or a new structure.



3. **Plan the Change:** This is a crucial step in the management of change. It involves answering three important questions (i) when to bring the change (timing) (ii) how to bring the change (methods), and (iii) who will introduce the change (change agent).

While introducing change, reactions from people must be carefully assessed. People affected by change must be consulted; the likely impact should be explained patiently; sufficient time to pick up new skills should be given and adequate rewards to those who follow change should be indicated. As a rule, individuals should get information that will help them answer the following change-related questions (Kotter).

- Will I lose my job?

- Will my old skills become obsolete?
- Am I capable of producing effectively under the new system?
- Will my power and prestige decline?
- Will I be given more responsibility than I care to assume?
- Will I have to work longer hours?
- Will it force me betray or desert my old friends?
- In addition, selection of an appropriate method is essential to bring about changes in technology, products, structure, strategy or people.

Changing structure involves reorganization of the departments, re-specification of span of control, decentralization, etc. Changing task includes job enrichment, job specification and specialization and job redefinition or any other changes concerned with the task of employees. Changing technology involves introduction of new lines of production, installing new control system, instituting new selection and recruitment, etc. And finally, changing people comprises of training, meetings, development activities, etc.

The question as to who will bring the change involves the selection of a change agent who initiates necessary steps for bringing about change. These may include (Schein):

- a) Make clear the need for change or provide a climate in which group members feel free to identify such needs.
  - b) Permit and encourage relevant group participation in clarifying the needed changes.
  - c) State the objectives to be achieved by proposed changes.
  - d) Establish the broad guidelines for achieving the objectives.
  - e) Leave the details for implementing the proposed changes to the group in the organization or to the personnel who will be affected by change.
  - f) Indicate the benefits or rewards to the individuals or groups that are expected to accrue from the change.
  - g) Materialize the benefits or rewards, i.e., keep the promises made to those who made the change.
4. **Implement the change:** While implementing any change programme, managers encounter three programmes (Nadler and Tushman) – resistance, power and control. As explained previously, there is a problem of resistance to change. Again, change may undermine the balance of power in the organization and disrupt the existing control system.

### Implementation of change: Action steps

Problem	Implication	Action Steps
Resistance	Need to motivate	<ul style="list-style-type: none"> <li>➤ Invite participation from people</li> <li>➤ Offer appropriate rewards</li> <li>➤ Encourage open communication</li> <li>➤ Explain why change is essential</li> </ul>
Control	Need to manage the transition	<ul style="list-style-type: none"> <li>➤ Use multiple and consistent leverage points</li> <li>➤ Develop organizational arrangements for transition</li> <li>➤ Build in feedback machinations</li> </ul>
Power	Need to shape the political domain	<ul style="list-style-type: none"> <li>➤ Assure the support of key groups</li> <li>➤ Use leader behavior to get support of change</li> <li>➤ Use symbols and language</li> </ul>

Regardless of which approach is used (to change technology, design, task or people), the ability to sustain change depends primarily on how well the organization reinforces newly learned behaviours during and after the change effort. A combination of money, pats on the back, and stimulating job/growth opportunities help create a climate that reinforces new behaviours. Where the rewards are perceived to be fair, employees commit themselves to the ‘new ways of doing things’ whole heartedly.

**5. Follow-up and Feedback:** Management of change is incomplete without proper follow-up. Organization must evaluate the effects of change. Objectives must be present and be compared with the performance to see the degree of success in change. End results should be operationally defined and measurements must be done both before and after the implementation of change. This enables change agent to compare the performance after the introduction of change with the one prior to it. The change agent must make sure that the change is implemented in such a fashion as to maximize the benefits to the organization by the effective changes.

### 17.3 Resistance to change

Resistance to change may be individual or organizational. People resist change for a variety of reasons: fear of losing job, obsolescence of skills, disturbs the status quo and social relationships, etc. Organizations, too, resist changes because of resource constraints,

difficulty in bringing about structural, technological change, etc. Let's examine these in greater detail.

### Economic Reasons

1. **Fear of economic loss:** Employees often feel insecure about loss of employment and economic benefits such as:

- Fear of technological unemployment
- Fear of reduced work hours and consequently less pay
- Fear of demotion and thus reduced wages
- Fear of speed up and reduced incentive wages.

Machines, computers and Robots have destroyed thousands of jobs in the recent past. Employee fears in this regard, therefore, seem genuine and well-founded.

2. **Obsolescence of skills:** Change may render existing employee skills and knowledge obsolete. What they have been doing for ages together might be under threat. If employees feel that they do not possess requisite skills that are currently in demand, they resist changes quite seriously.

### Personal Reasons

1. **Fear of unknown:** Change is resisted often because of its unknown consequences. When people do not know exactly what happens they are likely to resist it with all their might. For example, a bank employee may resist posting to a rural branch because of the anxiety of unknown area. Female clerks in Indian banks often refuse promotions because promotion requires relocating. In all such cases, employees do not know how a change will affect them and worry about whether they will be able to meet the demands of a new procedure, technology or location.

2. **Status quo:** People like status quo because they have adjusted to the demands of a job over a period of time. Change would render all such experience, knowledge and learning somewhat useless. When introduced, change would require people to learn new or even difficult ways of doing things. This means loss of expected rewards, convenience and comforts. This kind of emotional turmoil forces them to embrace status quo arrangements passionately. Why to rock the boat and invite trouble?

3. **Self-interest and Ego-defensiveness:** Employees typically resist a change they believe will take away something of value. A proposed change in job design, structure or technology may lead to a perceived loss of power, prestige or company benefits. Many impending changes threaten the self-interests of some managers in the organization. A change may diminish their power and influence within the company, so they fight it. Again, a sales

person's suggestion to expand sales by offering seasonal discounts may be turned down by the branch manager who thinks the sales executive might steal the credit (different perceptions).

### Social Reasons

1. **Social displacement:** Change often causes social displacement of people by breaking informal groups and friendly relationships. Employees get emotionally upset when friendships breakdown. They dislike new adjustments, new groupings and new relationships brought forward by change efforts and resist vehemently.
2. **Peer pressure:** People may resist change because of peer pressure. As individuals they may like computerization, but refuse to accept it for the sake of the group. Any change that upsets group norms is likely to be opposed, even if it is known to have a positive impact.

### Organizational Issues

1. **Threat to Power and Influence:** Some people consider change as a potential threat to their position and influence in the organization. Novel ideas and the new use of resources can disrupt the power relationships and therefore, are often resisted at organizational level. Especially people who are occupying the top place in the organization resist some changes because any change might threaten their existing power. That is to say people resist change on the ground that it might affect their position-power.
2. **Organization Structure:** Some organizational structures have inherent forces acting against change. In a bureaucratic structure, for example, jobs are narrowly defined, lines of authority are clearly spelt out, and the information flows from top to the bottom. In such an organization novel, innovative ideas do not find favour and are screened out. The structural inertia favours stability and status quo rather than change and innovation.
3. **Resource Constraints:** Organization, many a time, operate under some resource constraints. If the resources, with which to operate, are available in abundance there will be no problem of introducing change. But the necessary financial, material and human resources may not be available to the organization to make the required changes.
4. **Sunk Costs:** The plight of some companies is such that heavy capital is blocked in the fixed assets. If an organization wishes to introduce change, then difficulty arises because of these sunk costs. Sunk costs are not restricted to physical things alone; further, they can be expressed in terms of people also. For instance, some members in the organization retain their jobs by virtue of enough seniority, though they do not

significantly contribute to the organization. Unless they are motivated properly to higher performance, the payments for their services (for example, fringe benefits, salaries, and other payments) represent the sunk costs for the organization.

### **Overcoming Resistance to Change**

Some of the approaches, at the individual as well as group level, designed to reduce resistance to change, may be listed thus:

1. **Education and Communication:** One of the easy ways to overcome resistance to change is to help employees understand the true need for a change as well as the logic behind it. Tell them clearly as to what is going to occur and why to dispel their fears. To this end, a manager should specifically explain:

- What the change is
- When it is to be introduced
- How it will be implemented
- Why the change is required
- What is the basic purpose of change
- How the change is going to help them, etc.

When employees realize the need for change and understand the logic behind it, they tend to accept it easily. However, it is a very time consuming approach. Managers have to explain everything patiently in order to gain acceptance from employees.

2. **Participation and Involvement:** Participation is another key concept in gaining acceptance. If people participate in what is happening, they will be more likely to go along. They get a chance to express their opinions freely, get their doubts clarified and understand the perspectives of others. As a result, uncertainty is reduced; self-interests and social relationships are threatened. Involving users and potential resisters in the change process has other benefits also. It helps managers identify potential problems and understand the differences in perceptions of change among employees. After a series of discussions, any change effort that is likely to be made is going to be accepted wholeheartedly. People generally support what they help create. People who participate will be committed to implementing change. However, it is a time consuming and costly exercise.

3. **Facilitation and Support:** Change agents can offer a range of supportive efforts to reduce resistance. Compassionate and sympathetic listening may be used to reduce employee's fears and anxieties. Managerial support can also come in the form of special, new-skills training; job stress counseling and compensating time-off. The approach,

obviously, rests on the belief that people have the ability to solve their own problems with the help of a sympathetic listener. The role of the manager as a facilitator is one of understanding and perhaps advising rather than passing judgment. This requires a somewhat permissive and friendly atmosphere.

4. **Negotiation and Agreement:** Sometimes management can neutralize potential or actual resistance by exchanging something of value for cooperation. It can offer rewards to those who go along with the change. It can also agree to protect those who will potentially be damaged by the change. Every attempt can be made to see that people do not lose their face in the change process. Unions and their representatives who bargain for their members should be allowed to air their opinions freely so as to have a clear picture of what they stand for. When management is able to strike a deal by offering something of value, an agreement is reached. Negotiation as a tactic works when resistance comes from a powerful source. It costs can be quite high when the field is wide open to several contending groups. As commented by Robbins “there is the risk that, once a change agent negotiates which one party to avoid resistance, he or she is open to the possibility of being blackmailed by other individuals in positions of power”.
5. **Manipulation and Co-optation:** Manipulation occurs when managers selectively withhold undesirable information, create false rumours, distort facts to get potential resisters accept the change. In Co-optation the change agent seeks to buy off the leaders of a resistance group by giving them a key role in the change process. This method, however, is not a form of participation because the change agent does not really want advice from those co-opted. In this sense, co-optation would prove to be a non-productive, self-defeating exercise. People who feel that they have been tricked, are not being treated fairly, or are being lied to, are likely to respond negatively to a change. Once the co-opted members discover the tactics, the change agent’s credibility may nose dive.
6. **Coercion:** In coercion, managers use formal power to force employees to change. Resisters are told to accept the change or lose rewards (threats of transfer, loss of promotions, negative recommendations) or even their jobs. This approach may not pay in the long run because employees feel like victims, are angry at change agents and may even sabotage the changes. In critical situation, where an urgent response is required, coercion works.

7. **Group Dynamics:** Forces operating within groups can be used to overcome resistance to change. A group can be very effective in changing members' attitudes, values and behavior especially in those areas as are related to the purpose of the group. In a group where members share perception that change is required, change can be easily implemented. The source of pressure for change lies within the group. Likewise, open communication with group members helps in resolving knotty issues amicably and implement the change smoothly.

## 17.4 Organization Development

Organization Development (OD) refers to a collection of planned-change efforts based on democratic values that aim at improving employee well-being and organizational effectiveness. According to Beckhard, OD can be defined as an organization-wise change effort that is (1) planned, (2) managed from top, (3) aimed at improving organizational effectiveness and (4) initiated through a change agent who is well versed in the behavioural sciences. Let's examine the features of OD based on these definitions.

1. **Long-range effort:** OD is not designed to solve – short-term, temporary or isolated problems. It is a long-term approach meant to elevate the organization to a higher level of functioning by improving the performance and satisfaction of organization members. OD programmes generally cover a period of three to five years.
2. **Broad-based:** OD is used broadly to describe a variety of change programmes. It essentially deals with a big picture – an organization. It is a sophisticated attempt to bring about a comprehensive change in the entire organization. In other words, it is concerned not only with changes in organizational design but also with changes in organisational philosophies, skills of individuals and groups.
3. **Dynamic process:** OD includes the effort to guide and direct change as well as to cope with or adapt to imposed change. OD recognizes the fact that the goals of the organization change and hence the methods of attaining them should also change. OD is thus, a dynamic process involving a considerable investment of time and energies. It is not merely a one-shot deal, it is rather an ongoing, interactive progress.
4. **Planned and proactive:** The change effort is planned and proactive, rather than reactive.
5. **Systems view:** OD utilizes systems thinking. It is based on open, adaptive systems concept. It recognizes that organization structure and managerial performance are mutually interdependent. The organization is treated as an interrelated whole and no part of the organization can be changed without affecting other parts.

6. **Research-based:** Most of the OD interventions are research-based. Change agents do not just interview the employees and introduce changes, rather they conduct surveys, collect data, evaluate and then take decisions. OD programmes are generally conducted by a special task force and involve the utilization of outside behavioural consultant's faculties.
7. **Goal setting and planning:** Since OD is concerned with the entire organization, the change agent defines the goals of the group and will see to it that together they all work to achieve them. Beckhard contends that healthy organizations tend to have goal setting at all levels.
8. **Educative Strategy:** OD draws heavily from other disciplines such as psychology, sociology and anthropology. It is based on theoretical inputs from all these disciplines and the research data developed by the change agent. The primary goal is to bring about a fundamental change in an organization's culture. "It is concerned with changing attitudes, perceptions, behaviours and expectations" (Griffin).
9. **Interventions:** OD relies on the use of interventions that aim at facilitating organizational change and enhance personal and organizational effectiveness.
10. **Change Agent:** OD efforts are initiated through a change agent. The change agent possesses sound knowledge of behavioural sciences and acts as a catalyst in helping the organization to approach old problems in new innovative ways.

#### Advantage and disadvantage of Internal and external Change Agents

Internal Agents	External Agents
<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>➤ Possess better knowledge of the organization.</li> <li>➤ Are more quickly available.</li> <li>➤ Require lower out-of-pocket costs.</li> <li>➤ Are a known quantity.</li> <li>➤ Have more control and authority.</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>➤ May be too close to the problem</li> <li>➤ May hold biased views</li> <li>➤ May create additional resistance if viewed as part of the problem</li> <li>➤ Must be reassigned; not available for</li> </ul>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>➤ Have more objective views of the organization.</li> <li>➤ Have more experience in dealing with diverse problems.</li> <li>➤ Can call on more individuals with diverse expertise. Have more technical knowledge, competence, and skills available.</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>➤ Have less knowledge of the organization</li> <li>➤ Require higher out-of-pocket costs</li> </ul>

other work	<ul style="list-style-type: none"> <li>➤ Are an unknown quantity</li> <li>➤ Have longer start-up-time</li> <li>➤ Reflect unfavorably on the image of management</li> </ul>
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### Objectives

According to W.French, they typical OD program tries to achieve the following objectives:

- Deepen the sense of organizational purpose (or vision) and align individuals with that purpose.
- Strengthen interpersonal trust, communication, cooperation, and support.
- Encourage a problem-solving rather than problem-avoiding approach to organizational problems.
- Develop a satisfying work experience capable of building enthusiasm.
- Supplement formal authority with authority based on personal knowledge and skill.
- Increase personal responsibility for planning and implementing.
- Encourage personal willingness to change.

### 17.5 OD Values

OD change efforts place a premium on humanistic values and goals consistent with these values. In fact, OD is a way of looking at the whole human side of organizational life. The emphasis of OD on human dimensions of organization is reflected in the following cardinal list of humanistic values. (Robbins)

- (a) **Respect for people:** Individuals are viewed as being responsible, conscientious, and caring. They should, therefore, be treated with dignity and respect.
- (b) **Trust and support:** The effective and healthy organization is characterized by trust, authenticity, openness, and a supportive climate.
- (c) **Power equalization:** Effective organizations de-emphasize hierarchical authority and control.
- (d) **Confrontation:** Problems shouldn't be swept under the rug. They should be openly confronted.
- (e) **Participation:** The more people, who will be affected by a change, are involved in the decisions surrounding that change, the more they will be committed to implementing those decisions.

Thus, OD develops a view of people in organization, which is radically different from the traditional approaches about organizations. (R.Tennenbaum and S.A.Davis)

### The OD Process

The OD process involves the following steps (already explained earlier elaborately).

1. **Problem identification:** Understanding and identification of the problem in the organization is the first step in OD process. The awareness of the problem includes knowledge of the possible organizational problems of growth, of human satisfaction and use of human resources and the problems of organizational effectiveness. Having understood exactly what the problem is, the OD practitioner can proceed to collect the necessary data to solve the problem.
2. **Collection of data:** Data gathering is perhaps the most important activity in the process of OD. Personal interviews, personal observations and questionnaires are the most common ways through which the data is collected.
3. **Diagnosis:** OD efforts begin with a diagnosis of the current situation. Usually, diagnosis should not be limited to a single problem. Often, important factors like attitudes, assumptions, available resources etc., must be taken into account in the diagnostic phase. For this purpose, attitude surveys can be undertaken. Such surveys will help identify the problem clearly as perceived by the organization members.
4. **Planning and implementation:** After diagnosing the problem, the OD expert turns his attention to the planning of change and implementing it. OD interventions come into picture here. Intervention is considered to be the action phase in OD processes. Intervention is a set of planned, programmed activities and techniques by which organizations and their clients collaborate in OD programme.
5. **Evaluation and Feedback:** Evaluation is helpful to know as to what has been done, whether correctly done or not, and show whether further works is needed before proceeding to the next stage. While evaluating, the change agent carefully observes the decisions taken, and their consequences in the organization. Any OD activity is incomplete without proper feedback. Feedback is the process of relaying evaluations to appropriate employees and groups by means of special sessions or reports.

**17.6 OD Interventions** – An intervention, in OD terms, is a systematic attempt to correct an organizational deficiency uncovered through diagnosis. Some of the important OD interventions may be stated thus:

#### Sensitivity or T Group Training

It is a technique for learning about one's self and others by observing and participating in a group situation. The T-group (T stands for Training) is a small group of ten

to twelve people assisted by a leader who acts as a catalyst and trainee for the group. These small groups may meet for two hours or more daily for a period of a week or longer, usually off the job site. There is no specified agenda. The leader merely creates an opportunity for group members to come out openly and express their ideas freely.

In an agenda-less discussion, the group members tend to be frustrated and often do not understand why they are ‘wasting’ their time. One of the participants may even say: ‘I don’t like to waste my time like this.’ Another may immediately retort: ‘What do you mean by that?’ A third one might reprimand the first one. ‘Are you mad?’ These remarks enable the first participant to realize gradually that a large part of the group disagrees with him. In this way, he is learning about people he has not known before. He is forced to examine his behavior and integrate with the expectations of others in the group. The basic purpose of sensitivity training is to increase the participant’s insight into his own behavior and the behavior of others by encouraging an open expression of feelings, in the trainer-guided T-group Laboratory. It says ‘open your eyes. Look at yourself. See how you look to others. Then decide what changes, if any, you want to make and in which direction you want to go’. The basic features of T-Group Training may be stated thus:

### **Features of T-group Training**

- T-group consists of 10 to 12 persons
- A leader acts as a catalyst and provides a free and open environment for discussion
- There is no specified agenda
- Members express ideas freely and openly
- The focus is on behavior rather than on duties
- The aim is to achieve behavior effectiveness in transactions with one’s environment

### **Team Building**

Organizations are made up of people working together to achieve some common goals. Since people are frequently required to work in groups, considerable attention has been focused on the team building technique in recent times. A team is developed wherever people have to work together to get results. A team is capable of accomplishing much more than the sum total of what the members are capable of accomplishing individually. Team work is stimulating; it encourages members to put in their best.

Teamwork has a ‘synergistic effect’, in that the individuals are working together to achieve more than what they could alone. Members share a common purpose which is clear to each team member. Teamwork, in any case, does not just happen; it needs continuous effort. The effort should also be enjoyable, funny and should result in a feeling of personal

satisfaction for every team member. Much of this job is done by the team leader who makes them realize that team interests are above personal aspirations. Another feature of the team is that it has ‘feel’ about it, a sort of team-ness. Members exchange feelings, opinions, and ideas freely, discuss openly and try to learn from each other. There is a pride, a sense of belonging to the team, which members find motivating.

Team Building is an attempt to assist the work group in becoming more adept by learning how (with the help of a leader) to identify, diagnose and solve its own problems. The basic purpose is to help group members examine their own behaviours and develop action plans which will improve task accomplishment.

**Process:** The following steps serve as a workable plan for team building:

1. Most team building meetings involve getting the work group together, away from the workplace, for an extended period of time, such as one to three days.
2. The group identifies the important problems, usually with the help of a consultant. Members contribute information concerning their individual perceptions of issues, problems, etc.
3. Having agreed on the key problems, discussion now shifts to specific tactics for overcoming these problems.
4. A schedule for future meetings is decided now (team building, remember is not a one-short deal). Assessments regarding the impact of the action plans agreed upon are done in subsequent sittings.

### **Survey Feedback**

Survey feedback consists of (1) collecting information (usually through an anonymous questionnaire) from members of an organization or work group; (2) organizing the data into an understandable and useful form; and (3) feedback to the employees who generate the data. The basic purpose of survey feedback is to assist the organization in diagnosing problems and developing action plans for problem solving. It also assists the group members to improve the relationships through discussion of common problem.

### Survey Feedback: Essential Steps

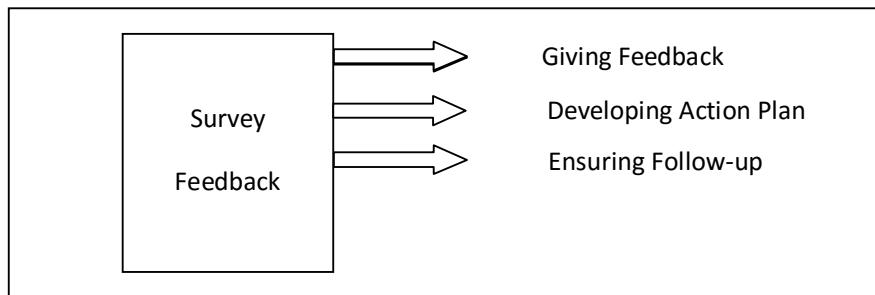


Fig 17.2 Survey Feedback

The survey feedback starts by obtaining the commitment and endorsement of top management. The survey may be conducted with or without the help of an outside consultant. Participants, during the first phase of the programme complete a standardized questionnaire. The survey feedback questionnaire includes standardized items relating to the members' perceptions and attitudes about a wide range of areas- including communication process, motivational conditions, decision-making practices, etc.

The questionnaire is then distributed to the respondents. The respondents may consist of all the members of the organization or only a sample of the membership. The data will be analyzed and a report of the data is prepared. All respondents receive the report of data which usually summarizes the Reponses for each organizational unit, department on work group, as well as their own responses. Then group discussions and problem solving meetings are held. In these meetings, the data of feedback will be discussed. Normally, these group sessions discuss the tabulated perceptions and attitudes of employees and identify various action steps for any problems and then implement the same in the organization.

- For survey feedback to be successful, management should ensure that:
- The questionnaire it employs must be valid and reliable.
- Employees must be willing to report their views and reactions honestly.
- The OD consultant conducting the programme must be skilled at interpreting the survey data.
- Top management must be willing to use the information it gathers.
- The sessions are conducted in a factual, task-oriented environment.
- Each group has enough discretion to consider and act upon its findings and analysis.
- Organizational members trust each other (it is because distrust leads to response bias).
- Participants do not feel deceived, manipulated or misrepresented.

## Process Consultation

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

### Steps in Process Consultation

According to Schein, the process of consultation normally proceeds along the following lines:

1. **Initial contact:** Here the client comes into contact with the consultant and specifies the problem that cannot be solved by normal organizational procedures or resources.
2. **Define the relationship:** After identifying the specific problem areas, the consultation and the client enter into a formal contract. The formal contract spells out the services, time and the fees of the consultant. Actually, this is also a psychological contract because both parties are involved in the satisfaction of certain expectations.
3. **Select the method of work:** It involves the clear-cut understanding of where and how the consultant will perform the job. Each individual employee in the organization is made aware of who the consultant is, so that he can help the consultant by furnishing the required information.
4. **Collection of data and diagnosis:** The consultant invests a great deal of time in collecting the relevant information. Normally, he gathers data through questionnaires, observation and personal interviews, etc., and then makes an in-depth diagnosis of the problems.
5. **Intervention:** Various interventions by the consultant such as agenda setting, feedback, coaching, and structural suggestions are made in process consultation-approach. During this phase, the solutions designed by the consultant will be translated into action in the organization.
6. **Reducing involvement and termination:** When the goals of OD intervention have been successfully achieved, the consultant leaves the organization by closing the formal contract with the client.

## 17.7 Key Words

- **Organizational change**-The process of changing an organization's strategies, processes, procedures, technologies, and culture, as well as the effect of such changes on the organization.
- **Employee turnover** -The number or percentage of workers who leave an organization and are replaced by new employees
- **Decentralization**-The movement of departments of a large organization away from a single administrative centre to other locations.
- **Resistance to change**- the action taken by individuals and groups when they perceive that a change that is occurring as a threat to them.
- **Organization Development (OD)** -Refers to a collection of planned-change efforts based on democratic values that aim at improving employee well-being and organizational effectiveness.
- **OD intervention**- A systematic attempt to correct an organizational deficiency uncovered through diagnosis.

## 17.8 Self-Assessment questions

1. Examine critically how you Manage change at the workplace.
2. What are the reasons for the resistance of change in the Organization?
3. Determine the strategies for overcoming resistance to change in the organization.
4. What is organizational development? Examine the features of organizational development.
5. Discuss the role of different OD interventions

## 17.9 Further readings

1. Bratton, J: Introduction to work and organizational behavior (Third edition). Palgrave Macmillan. New Delhi
2. Robbins, S. P., & Judge, T: Essentials of organizational behavior (Twelfth edition). Pearson. New Delhi

**Lesson Writer**

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