

UNIVERSITY GRANTS COMMISSION

COMMERCE

CODE: 08

UNIT – 6: BUSINESS MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

SYLLABUS

Sub Unit – 1: PRINCIPLES AND FUNCTIONS OF MANAGEMENT

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6.1.2	The Importance of the Principles of Management
6.1.3	Functions of Management

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Sub Unit – 5: CORPORATE GOVERNANCE AND BUSINESS ETHICS

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SL. NO	TOPICS
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SL. NO	TOPICS
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SL. NO	TOPICS
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Sub Unit – 11: ORGANIZATIONAL CULTURE: ORGANIZATIONAL DEVELOPMENT AND ORGANIZATIONAL CHANGE

SL. NO	TOPICS
6.11.1	Organizational Development
6.11.2	Organizational Change

Section – 1: Units at a Glance

Sub Unit – 1: PRINCIPLES AND FUNCTIONS OF MANAGEMENT

Fayol's 14 Principles of Management

14 principles of Management are statements that are based on a fundamental truth. These principles of management serve as a guideline for decision-making and management actions. They are drawn up by means of observations and analyses of events that managers encounter in practice. Henri Fayol was able to synthesize 14 principles of management after years of study.

Functions of Management

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc

Sub Unit – 2: ORGANIZATION STRUCTURE: FORMAL AND INFORMAL ORGANIZATIONS; SPAN OF CONTROL

Meaning of Organizational Structure: An organizational structure defines how activities such as task allocation, coordination, and supervision are directed toward the achievement of organizational aims.

Formal Organization Structure: The **Formal organizational structure** (also just **organizational structure**) is an officially codified hierarchical arrangement of relationships between different jobs within the organizational units and relationships between departments within the organization.

Informal Organization Structure: An informal organization is the social structure of the organization, as opposed to the formal structure of an organization. It establishes how an organization functions from a practical standpoint.

Span of Control: The Span of Control (also known as span of management) is the number of employees a manager can supervise as effectively as possible. The addition of new hierarchical layers makes the organizational structure steeper.

Graicunas Theory of Span of Control: V.A. Graicunas a French management Consultant, made a study on superior-subordinate relationship, however, not based on empirical observations. He developed a mathematical formula to analyse this relationship. He suggested that the number of possible relationships increases with the number in the number of subordinates.

Sub Unit – 3: RESPONSIBILITY AND AUTHORITY: DELEGATION OF AUTHORITY AND DECENTRALIZATION

Authority and Responsibility: Authority is the power to give orders and get it obeyed or in other words it is the power to take decisions. Responsibility means state of being accountable or answerable for any obligation, trust, debt or something or in other words it means obligation to complete a job assigned on time and in best way.

Delegation of Authority: Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation:

Authority

Responsibility

Accountability

Principles of Delegation:

The Scalar Principle

Functional Definition

The Delegation Based on Expected Results

Unity of Command

Authority Level

Absoluteness of Responsibility

Parity of Authority and Responsibility

Decentralization: Decentralization is the process by which the activities of an organization, particularly those regarding planning and decision making, are distributed or delegated away from a central, authoritative location or group.

Concepts of decentralization have been applied to group dynamics and management science in private businesses and organizations, political science, law and public administration, economics, money and technology.

Sub Unit – 4: MOTIVATION AND LEADERSHIP: CONCEPT AND THEORIES

Concept of Motivation: Motivation may be defined as a planned managerial process, which stimulates people to work to the best of their capabilities, by providing them with motives, which are based on their unfulfilled needs.

Maslow's Need Hierarchy Theory: It is probably safe to say that the most well-known theory of motivation is Maslow's need hierarchy theory. Maslow's theory is based on the human needs. Drawing chiefly on his clinical experience, he classified all human needs into a hierarchical manner from the lower to the higher order.

In essence, he believed that once a given level of need is satisfied, it no longer serves to motivate man. Then, the next higher level of need has to be activated in order to motivate the man.

Herzberg's Motivation Hygiene Theory: The psychologist Frederick Herzberg extended the work of Maslow and proposed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory. Herzberg conducted a widely reported motivational study on 200 accountants and engineers employed by firms in and around Western Pennsylvania.

McClelland's Need Theory: Another well-known need-based theory of motivation, as opposed to hierarchy of needs of satisfaction-dissatisfaction, is the theory developed by McClelland and his associates'.

He found that people who acquire a particular need behave differently from those who do not have. His theory focuses on Murray's three needs; achievement, power and affiliation.

McGregor's Participation Theory: Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labeled Theory Y.

Vroom's Expectancy Theory: One of the most widely accepted explanations of motivation is offered by Victor Vroom in his Expectancy Theory" It is a cognitive process theory of motivation. The theory is founded on the basic notions that people will be motivated to exert a high level of effort when they believe there are relationships between the effort they put forth, the performance they achieve, and the outcomes/ rewards they receive.

Porter and Lawler's Expectancy Theory: In fact, Porter and Lawler's theory is an improvement over Vroom's expectancy theory. They posit that motivation does not equal satisfaction or performance. The model suggested by them encounters some of the simplistic traditional assumptions made about the positive relationship between satisfaction and performance. They proposed a multi-variate model to explain the complex relationship that exists between satisfaction and performance.

Concept of Leadership: Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more organized and logical meaning Leadership is a process whereby an individual influences a group of individuals to achieve a common goal.

Trait Theories of Leadership: Similar in some ways to Great Man theories, trait theories assume that people inherit certain qualities and traits that make them better suited to leadership. Trait theories often identify a particular personality or behavioral characteristics shared by leaders.

Situational Theories of Leadership: Situational theories propose that leaders choose the best course of action based upon situational variables. Different styles of leadership may be more appropriate for certain types of decision-making.

Behavioral Theories: Behavioral theories of leadership are based upon the belief that great leaders are made, not born.

Participative Theories: Participative leadership theories suggest that the ideal leadership style is one that takes the input of others into account. These leaders encourage participation and contributions from group members and help group members feel more relevant and committed to the decision-making process.

Sub Unit – 5: CORPORATE GOVERNANCE AND BUSINESS ETHICS

Meaning of Corporate Governance: Corporate Governance refers to the way a corporation is governed. It is the technique by which companies are directed and managed. It means carrying the business as per the stakeholders' desires. It is actually conducted by the board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.

Principles of Corporate Governance:

Transparency

Accountability

Independence

Definition of Business Ethics: Business Ethics refers to carrying business as per self-acknowledged moral standards. It is actually a structure of moral principles and code of conduct applicable to a business. Business ethics are applicable not only to the manner the business relates to a customer but also to the society at large. It is the worth of right and wrong things from business point of view.

Principles of Business Ethics: Below is a list of some significant ethical principles to be followed for a successful business-

1. Protect the basic rights of the employees/workers.
2. Follow health, safety and environmental standards.
3. Continuously improvise the products, operations and production facilities to optimize the resource consumption
4. Do not replicate the packaging style so as to mislead the consumers.
5. Indulge in truthful and reliable advertising.
6. Strictly adhere to the product safety standards.
7. Accept new ideas. Encourage feedback from both employees as well as customers.
8. Present factual information. Maintain accurate and true business records.
9. Treat everyone (employees, partners and customers) with respect and integrity.
10. The mission and vision of the company should be very clear to it.
11. Do not get engaged in business relationships that lead to conflicts of interest.
Discourage black marketing, corruption and hoarding.
12. Meet all the commitments and obligations timely.
13. Encourage free and open competition. Do not ruin competitors' image by fraudulent practices.

14. The policies and procedures of the Company should be updated regularly.
15. Maintain confidentiality of personal data and proprietary records held by the company.
16. Do not accept child labour, forced labour or any other human right abuses.

Sub Unit – 6: HUMAN RESOURCE MANAGEMENT (HRM)

Concept of HRM: Human resource management (HRM) is the practice of recruiting, hiring, deploying and managing an organization's employees. HRM is often referred to simply as human resources (**HR**).

Functions of HRM: Since every organization is made of people, HRM is all about acquiring services of people, developing their skills, motivating them to the foremost level and making sure that they continue to maintain their commitment towards the organization.

In short, HRM is concerned with the management of employees from recruitment to retirement. Although there are many functions of human resource management, here is a list of its five major functions:

Recruitment and selection

Orientation

Maintaining good working conditions

Managing employee relations

Training and development

Human Resource Planning: Human resource planning (HRP) is the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset quality employees. **Human resources** planning ensure the best fit between employees and jobs while avoiding manpower shortages or surpluses.

There are four key steps of the HRP process. They include analyzing present labor supply, **forecasting** labor demand, balancing projected labor demand with supply, and supporting organizational goals. HRP helps companies are an important investment for any business as it allows companies to remain both productive and profitable.

Recruitment refers to the overall process of attracting, short listing, selecting and appointing suitable candidates for jobs (either permanent or temporary) within an organization. Recruitment can also refer to processes involved in choosing individuals for unpaid roles.

Selection is the process of choosing the most suitable candidate for the vacant position in the organization. In other words, selection means weeding out unsuitable applicants and selecting those individuals with prerequisite qualifications and capabilities to fill the jobs in the organization.

Training and Development: Training and development involves improving the effectiveness of organizations and the individuals and teams within them. Training may be viewed as related to immediate changes in organizational effectiveness via organized instruction, while development is related to the progress of longer-term organizational and employee goals. While

training and development technically have differing definitions, the two are oftentimes used interchangeably and/or together.

Succession Planning: Succession planning is a process for identifying and developing new leaders who can replace old leaders when they leave retire or die. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Taken narrowly, "replacement planning" for key roles is the heart of succession planning.

Sub Unit – 7: COMPENSATION MANAGEMENT

Job Evaluation: In simple words, job evaluation is the rating of jobs in an organisation. This is the process of establishing the value or worth of jobs in a job hierarchy. It attempts to compare the relative intrinsic value or worth of jobs within an organisation. Thus, job evaluation is a comparative process.

Incentives: The incentive is a positive motivational influence on a person that helps improve his performance. Thus, it can be said that all the measures taken by the management to improve the performance of its employees are incentives. The incentives can be broadly classified as financial incentives and non-financial incentives.

Fringe Benefits: Fringe benefits are additions to compensation that companies give their employees. Some fringe benefits are given universally to all employees of a company while others may be offered only to those at executive levels. Some benefits are awarded to compensate employees for costs related to their work while others are geared to general job satisfaction.

Sub Unit – 8: PERFORMANCE APPRAISAL INCLUDING 360 DEGREE

PERFORMANCE APPRAISAL

Concept of Performance Appraisal: A performance appraisal is a regular review of an employee's job performance and overall contribution to a company. Also known as an "annual review," "performance review or evaluation," or "employee appraisal," a performance appraisal evaluates an employee's skills, achievements and growth, or lack thereof.

Method of Performance Appraisal: In the process of designing performance appraisal process, it is important to identify the best method for assessment. There are a number of methods introduced to gauge the quantity and quality of work performed by an individual. These methods are broadly classified into two categories:

Traditional Methods:

- 1. Rating Scale Method**
- 2. Essay Appraisal Method**
- 3. Ranking Method**
- 4. Critical Incident Method**
- 5. Confidential Report System**
- 6. Check List Method**

7. Graphic Rating Scale Method

Modern Methods:

1. The BARS Method

2. Human Resource Accounting Method

3. MBO (Management by Objectives)

360 Degree Performance Appraisal: The 360 degree performance appraisal system is a way to make sure the appraisal is done in a full-fledged way considering all the elements surrounded to the employee. The 360 degree performance appraisal policy is very complicated and difficult to implement.

Sub Unit – 9: COLLECTIVE BARGAINING AND WORKERS’ PARTICIPATION IN MANAGEMENT

Concept of Collective Bargaining: Collective bargaining is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers' compensation and rights for workers. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong.

Collective Bargaining Involves:

- (i) Negotiations
- (ii) Drafting
- (iii) Administration
- (iv) Interpretation of documents written by employers, employees and the union representatives
- (v) Organizational Trade Unions with open mind.

Forms of Collective Bargaining:

The working of collective bargaining assumes various forms. In the **first place**, bargaining may be between the single employer and the single union, this is known as single plant bargaining. This form prevails in the United States as well as in India.

Secondly, the bargaining may be between a single firm having several plants and workers employed in all those plants. This form is called multiple plants bargaining where workers bargain with the common employer through different unions.

Thirdly, instead of a separate union bargaining with separate employer, all the unions belonging to the same industry bargain through their federation with the employer's federation of that industry. This is known as multiple employer bargaining which is possible both at the local and regional levels. Instances in India of this industry-wide bargaining are found in the textile industry.

Worker's Participation in Management: Workers' participation may, broadly be taken to cover all terms of association of workers and their representatives with the decision-making process, ranging from exchange of information, consultations, decisions and negotiations to

more institutionalized forms such as the presence of workers' members on management or supervisory boards or even management by workers themselves.

Sub Unit – 10: PERSONALITY

Perception: Perception (from the Latin *perceptio*) is the organization, identification, and interpretation of sensory information in order to represent and understand the presented information, or the environment.

Attitudes: Attitude can be defined as a mental or neural state of readiness organized through experience influencing dynamically or directly the individuals' response to all objects and situations with which it is related.

Emotions: The word "emotion" derives from the Latin word *emovere*, which means simply "to move." As such, emotions represent an organization's basic biological responses to environmental stimuli.

Group Dynamics: **Group dynamics** is a system of behaviors and psychological processes occurring within a social group (*intragroup dynamics*), or between social groups (*intergroup dynamics*). The study of group dynamics can be useful in understanding decision-making behaviour, tracking the spread of diseases in society, creating effective therapy techniques, and following the emergence and popularity of new ideas and technologies.

Power and Politics: Power and politics in organizations are a reality that no organization can ignore. Though the evolution of the modern corporation and the concomitant rise of the managerial class with a professional way of running the firms is touted to be one of the contributory factors for the decline on power politics in organizations, one cannot just simply say that there are no power centers or people with vested interests even in the most professionally run and managed firms.

Conflict is a process that involves people disagreeing. Researchers have noted that conflict is like the common cold. Everyone knows what it is, but understanding its causes and how to treat it is much more challenging.

Negotiation is a dialogue between two or more people or parties intended to reach a beneficial outcome over one or more issues where a conflict exists with respect to at least one of these issues. Negotiation is an interaction and process between entities who compromise to agree on matters of mutual interest, while optimizing their individual utilities.

Stress Management: Stress management is a wide spectrum of techniques and psychotherapies aimed at controlling a person's level of stress, especially chronic stress, usually for the purpose of and for the motive of improving everyday functioning.

Sub Unit – 11: ORGANIZATIONAL CULTURE: ORGANIZATIONAL DEVELOPMENT AND ORGANIZATIONAL CHANGE

Concept of Organizational Development: Organizational development can be defined as an objective-based methodology used to initiate a change of systems in an entity. Organizational development is achieved through a shift in communication processes or their supporting architecture. The behavior of employees allows professionals to examine and observe the work environment and anticipate change, which is then effected to accomplish sound organizational development.

Organizational Development Process: A conventional approach in the organizational development process is the action research model. The model is used by many organizations to guide the OD process. It entails what its name describes – research and action.

However, there is much more to the OD process than just research and engagement. There are multiple loops used to transmit feedback, and it is why organizational development is receptive to change.

Concept of Organizational Change: Organizational change refers to any alteration that occurs in total work environment. Organizational change is an important characteristic of most organisations. An organization must develop adaptability to change otherwise it will either be left behind or be swept away by the forces of change. Organizational change is inevitable in a progressive culture. Modern organizations are highly dynamic, versatile and adaptive to the multiplicity of changes.

Response to Organizational Change: Every change is responded by the people working in the organization. These responses may be positive or negative depending upon the fact as how they affect people.

Before introducing a change, the manager should study and understand employee's attitudes so as to create a positive response. Three sets of factors-psychological, personal and social-govern the attitude of people.

Resistance to Organizational Change: Resistance to change is perhaps one of the baffling problems a manager encounters because it can take many shapes. People may resign, they may show tardiness, loss of motivation to work, increased absenteeism, request for transfer, wild-cat strikes, shoddy work, reduction in productivity etc.

Section – 2: Key Statements

Every candidates appearing for NET/SET examination should follow these key (main) points those can help them a better understanding regarding this unit very quickly.

Basic Key Statements: 14 principles of Management (6.1.1), Unity of Command (6.1.1), Unity of Direction (6.1.1), Functions of Management (6.1.3), Organizational Structure (6.2.1), Span of Control (6.2.4), Authority and Responsibility (6.3.1), Delegation of Authority (6.3.3), Decentralization (6.3.4), Motivation (6.4.1), Concept of Leadership (6.4.5), Meaning of Corporate Governance (6.5.1), SEBI (6.5.4), Definition of Business Ethics (6.5.5), Human resource management (6.6.1), Recruitment (6.6.2), Human Resource Planning (6.6.3), Training and Development (6.6.5), Succession Planning (6.6.6), Job Evaluation (6.7.1), Incentives and Fringe Benefits (6.7.2), Concept of Performance Appraisal (6.8.1), 360 Degree Performance Appraisal (6.8.8), Collective Bargaining (6.9.1), Worker's Participation in Management (6.9.2), 6.10.1 Perception (6.10.1), Attitudes (6.10.2), Emotions (6.10.3), Group Dynamics (6.10.4), Conflict (6.10. 6), Negotiation (6.10. 6), Stress Management (6.10.7), 6.11.1 Organizational Development (6.11.1), Organizational Change (6.11.2).

Standard Key Statements: Scalar Chain (6.1.1), Esprit de Corps (6.1.1), POSDCORB (6.1.3), Graicunas Theory of Span of Control (6.2.4), Esteem Needs (6.4.4), Self-Actualization Needs (6.4.4), Profit-Sharing (6.7.2).

Advanced Key Statements: Co-ordination (6.2.2), Direct Single Relationship (6.2.4), Direct Group Relationships (6.2.4), Cross Relationship (6.2.4), Accountability (6.3.3), Herzberg's Motivation Hygiene Theory (6.4.4), Maslow's Need Hierarchy Theory (6.4.4), McGregor's Participation Theory (6.4.4), Vroom's Expectancy Theory (6.4.4), Trait Theories (6.4.8), Contingency Theories (6.4.8), Situational Theories (6.4.8), Behavioral Theories (6.4.8), Audit Committee (6.5.4), Ranking / Grading Method (6.7.1), Factor Comparison / Weight-in-Money Method (6.7.1), Point Rating Method (6.7.1), Rating Scale Method (6.8.7), Ranking Method (6.8.7), Graphic Rating Scale Method (6.8.7), MBO (6.8.7).

[N.B. – Values in parenthesis are the reference number]

Section – 3: Key Facts and Figures

Sub Unit - 1:

PRINCIPLES AND FUNCTIONS OF MANAGEMENT

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Management is essential to any organization that wishes to be efficient and achieve its aims. Without someone in a position of authority there would be organizational anarchy with no structure and very little, if any focus. It has been said that management has four basic functions – planning, organizing, leading and controlling. Common sense dictates that without these principles of management being in place an organization would have trouble achieving its aims, or even coming up with aims in the first place! A classic theory on the principles of management was written by Henri Fayol. It seeks to divide management into 14 principles. We'll take a look at these basic principles of management and explain them in easy to understand terminology.

In the last century, organizations already had to deal with management in practice. In the early 1900s, large organizations, such as production factories, had to be managed too. At the time there were only few (external) management tools, models and methods available.

Thanks to scientists like Henri Fayol (1841-1925) the first foundations were laid for modern scientific management. These first concepts, also called principles of management are the underlying factors for successful management. Henri Fayol explored this comprehensively and, as a result, he synthesized the 14 principles of management. Henri Fayol 's principles of management and research were published in the book '*General and Industrial Management*' (1916).

6.1.1 Fayol's 14 Principles of Management

14 principles of Management are statements that are based on a fundamental truth. These principles of management serve as a guideline for decision-making and management actions. They are drawn up by means of observations and analyses of events that managers encounter in practice. Henri Fayol was able to synthesize 14 principles of management after years of study.

Division of Work: In practice, employees are specialized in different areas and they have different skills. Different levels of expertise can be distinguished within the knowledge areas (from generalist to specialist). Personal and professional developments support this. According to Henri Fayol specialization promotes efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed. This

management principle of the 14 principles of management is applicable to both technical and managerial activities.

Authority and Responsibility: In order to get things done in an organization, management has the authority to give orders to the employees. Of course with this authority comes responsibility. According to Henri Fayol, the accompanying power or authority gives the management the right to give orders to the subordinates. The responsibility can be traced back from performance and it is therefore necessary to make agreements about this. In other words, authority and responsibility go together and they are two sides of the same coin.

Discipline: This third principle of the 14 principles of management is about obedience. It is often a part of the core values of a mission and vision in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

Unity of Command: The management principle 'Unity of command' means that an individual employee should receive orders from one manager and that the employee is answerable to that manager. If tasks and related responsibilities are given to the employee by more than one manager, this may lead to confusion which may lead to possible conflicts for employees. By using this principle, the responsibility for mistakes can be established more easily.

Unity of Direction: This management principle of the 14 principles of management is all about focus and unity. All employees deliver the same activities that can be linked to the same objectives. All activities must be carried out by one group that forms a team. These activities must be described in a plan of action. The manager is ultimately responsible for this plan and he monitors the progress of the defined and planned activities. Focus areas are the efforts made by the employees and coordination.

Subordination of Individual Interest: There are always all kinds of interests in an organization. In order to have an organization function well, Henri Fayol indicated that personal interests are subordinate to the interests of the organization (ethics). The primary focus is on the organizational objectives and not on those of the individual. This applies to all levels of the entire organization, including the managers.

Remuneration: Motivation and productivity are close to one another as far as the smooth running of an organization is concerned. This management principle of the 14 principles of management argues that the remuneration should be sufficient to keep employees motivated and productive. There are two types of remuneration namely non-monetary (a compliment, more responsibilities, credits) and monetary (compensation, bonus or other financial compensation). Ultimately, it is about rewarding the efforts that have been made.

The Degree of Centralization: Management and authority for decision-making process must be properly balanced in an organization. This depends on the volume and size of an organization including its hierarchy. Centralization implies the concentration of decision making authority at the top management (executive board). Sharing of authorities for the decision-making process with lower levels (middle and lower management), is referred to as

decentralization by **Henri Fayol**. **Henri Fayol** indicated that an organization should strive for a good balance in this.

Scalar Chain: Hierarchy presents itself in any given organization. This varies from senior management (executive board) to the lowest levels in the organization. **Henri Fayol**'s "hierarchy" management principle states that there should be a clear line in the area of authority (from top to bottom and all managers at all levels). This can be seen as a type of management structure. Each employee can contact a manager or a superior in an emergency situation without challenging the hierarchy. Especially, when it concerns reports about calamities to the immediate managers/superiors.

Order: According to this principle of the 14 principles of management, employees in an organization must have the right resources at their disposal so that they can function properly in an organization. In addition to social order (responsibility of the managers) the work environment must be safe, clean and tidy.

Equity: The management principle of equity often occurs in the core values of an organization. According to **Henri Fayol**, employees must be treated kindly and equally. Employees must be in the right place in the organization to do things right. Managers should supervise and monitor this process and they should treat employees fairly and impartially.

Stability of Tenure of Personnel: This management principle of the 14 principles of management represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

Initiative: **Henri Fayol** argued that with this management principle employees should be allowed to express new ideas. This encourages interest and involvement and creates added value for the company. Employee initiatives are a source of strength for the organization according to **Henri Fayol**. This encourages the employees to be involved and interested.

Esprit de Corps: The management principle 'esprit de corps' of the 14 principles of management stands for striving for the involvement and unity of the employees. Managers are responsible for the development of morale in the workplace; individually and in the area of communication. Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding.

The 14 principles of management can be used to manage organizations and are useful tools for forecasting, planning, process management, organization management, decision-making, coordination and control. Although they are obvious, many of these matters are still used based on common sense in current management practices in organizations. It remains a practical list with focus areas that are based on **Henri Fayol**'s research which still applies today due to a number of logical principles.

6.1.2 The Importance of the Principles of Management

Having a clear management structure in place is vital for any successful organization. Efficient and well intentioned management sets the tone for the rest of the staff. It is common for the attitude approach of managers to filter through the entire organization, so having managers working in an exemplary way is an excellent example for employees to follow.

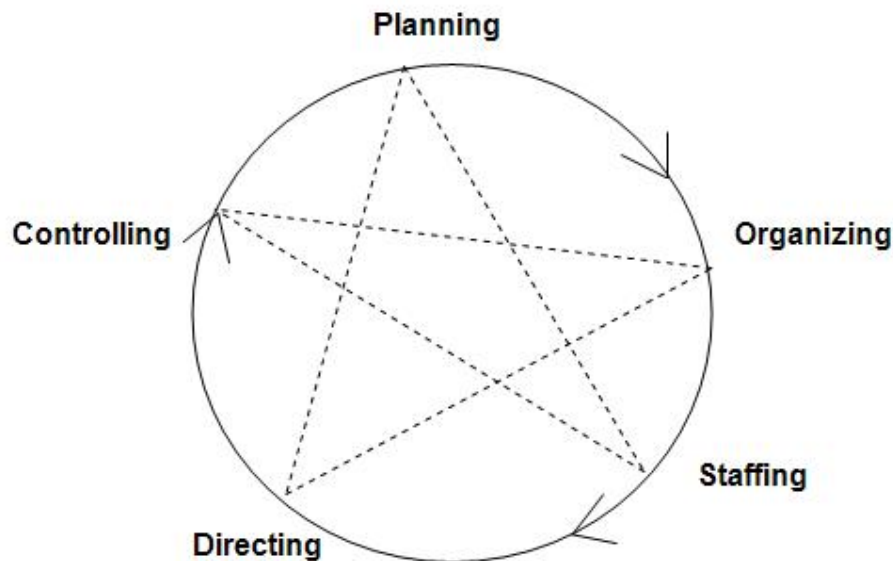
6.1.3 Functions of Management

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manager irrespective of his level or status.

Different experts have classified functions of management. According to *George & Jerry*, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ‘**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning, Organizing, Staffing, Directing and Controlling**.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



Planning: It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is

necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

Organizing: It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. 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”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

Staffing: It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O’Donell, “Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed under the structure”. Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

Directing: It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

Controlling: It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. According to Koontz & O’Donell “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

- a. Establishment of standard performance.
- b. Measurement of actual performance.
- c. Comparison of actual performance with the standards and finding out deviation if any.
- d. Corrective action.

Previous Year Question**Sept. – 2016 (Paper – II)**

1. According to Henry Fayol, which of the following qualities are required in a manager?

- (1) Physical, mental, moral, educational, technical and experience
- (2) Physical, mental, moral, administrative, technical and experience
- (3) Physical, mental, moral, conceptual, technical and experience
- (4) Physical, mental, moral, conceptual, technical and commercial

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	21	1	6.1.1

Jan. – 2017 (Paper – II)

1. Which of the following statements relating to Henry Fayol are correct ?

Statement I : Authority and responsibility are related and former arises from latter.

Statement II : Espirit de Corps is an extension of the principle of unity of command.

Statement III : Unity of command means only one command at a time.

Statement IV : There are fourteen basic principles identified by Henry Fayol.

Codes :

- (1) Statements I, II and IV
- (2) Statements II and III
- (3) Statements I and IV
- (4) Statements II and IV

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	25	4	6.1.1

Nov. – 2017 (Paper – II)

1. Statement (I): Management is not just a creature of the economy; it is a creator as well.
Statement (II): He who can manage, can manage anything.

Code :

- (1) Statement (I) is correct but (II) is incorrect.
- (2) Statement (II) is correct but (I) is incorrect.
- (3) Both the statements (I) and (II) are incorrect.
- (4) Both the statements (I) and (II) are correct.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	22	4	6.1

June 2019

1. Promoting team spirit, harmony and unity within the organization is the principle of

- (1) Order
- (2) Scalar Chain
- (3) Esprit de corps
- (4) Equity

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	16	3	6.1.1

Sub Unit - 2:

ORGANIZATION STRUCTURE: FORMAL AND INFORMAL ORGANIZATIONS; SPAN OF CONTROL

.....

6.2.1 Meaning of Organizational Structure: An organizational structure defines how activities such as task allocation, coordination, and supervision are directed toward the achievement of organizational aims.

Organizational structure affects organizational action and provides the foundation on which standard operating procedures and routines rest. It determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organization's actions. Organizational structure can also be considered as the viewing glass or perspective through which individuals see their organization and its environment.

Organizations are a variant of clustered entities.

An organization can be structured in many different ways, depending on its objectives. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup, and individual.

Organizations need to be efficient, flexible, innovative and caring in order to achieve a sustainable competitive advantage.

6.2.2 Formal Organization Structure: The **Formal organizational structure** (also just **organizational structure**) is an officially codified hierarchical arrangement of relationships between different jobs within the organizational units and relationships between departments within the organization. It includes hierarchical relationships and assigns competence, ties and responsibilities. A formal organizational structure is necessary for the management of a bigger number of people, because it unites different business activities, processes and people and formalizes their relationships to achieve the common objectives of the organization. There is no optimal organizational structure. There are only organizational structures that optimize the deployment of management and staff to achieve the organization's goals.

The **formal organizational structure** of an organization is a type of a social network. Depending on the type and size, there are different typologies of formal organizational structures.

The formal organizational structure includes:

- Functional Organizational Structure
- Linear Organizational Structure
- Matrix Organizational Structure
- Staff & Line Organizational Structure

Features of Formal Organization:

- (1) The formal organizational structure is created intentionally by the process of organizing.
- (2) The purpose of formal organization structure is achievement of organizational goal.
- (3) In formal organizational structure each individual is assigned a specific job.
- (4) In formal organization every individual is assigned a fixed authority or decision-making power.
- (5) Formal organizational structure results in creation of superior-subordinate relations.
- (6) Formal organizational structure creates a scalar chain of communication in the organization.

Advantages of Formal Organization:

Systematic Working: Formal organization structure results in systematic and smooth functioning of an organization.

Achievement of Organizational Objectives: Formal organizational structure is established to achieve organizational objectives.

No Overlapping of Work: In formal organization structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.

Co-ordination: Formal organizational structure results in coordinating the activities of various departments.

Creation of Chain of Command: Formal organizational structure clearly defines superior subordinate relationship, i.e., who reports to whom.

More Emphasis on Work: Formal organizational structure lays more emphasis on work than interpersonal relations.

Disadvantages of Formal Organization:

Delay in Action: While following scalar chain and chain of command actions get delayed in formal structure.

Ignores Social Needs of Employees: Formal organizational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.

Emphasis on Work Only: Formal organizational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

6.2.3 Informal Organization Structure: An informal organization is the social structure of the organization, as opposed to the formal structure of an organization. It establishes how an organization functions from a practical standpoint. The informal organization can work in concurrence with the formal organizational structure, parallel with it, or against it.

It's primarily a social creature - made up of the sum total of social norms, relationships, and interactions that affect how an organization works. While a formal organization is cold and impersonal, an informal organization is intensely personal. It's all about social interactions and relationships between the members. Members of an informal organization can certainly hold official offices and have formal duties, but they also bring their own values, personal interests and assumptions into the equation of how they act. Members develop friendships, alliances, enemies, trusted sources of information, and preferences on how tasks should be performed.

These social influences may cause a member of the informal organization to work in conjunction with the organization, in parallel with it, or even against it. In some respects, you can think of an informal organization as:

- An organization *within* the formal organization working with it
- An organization *beside* the formal organization working towards the same goals but not necessarily together
- Or an organization working *outside* the formal organization and *against* it

The structure of an informal organization is usually quite different from its formal counterpart. Its structure is usually fluid and rather flat. Decisions are often made collectively rather than unilaterally by one leader. Cohesion is often established through trust and reciprocity between members. An informal organization is also able to be dynamic, responsive, and adaptable to change, because formal rules and hierarchy don't pin it down.

Features of informal Organization:

- (1) Informal organizational structure gets created automatically without any intended efforts of managers.
- (2) Informal organizational structure is formed by the employees to get psychological satisfaction.
- (3) Informal organizational structure does not follow any fixed path of flow of authority or communication.
- (4) Source of information cannot be known under informal structure as any person can communicate with anyone in the organization.
- (5) The existence of informal organizational structure depends on the formal organization structure.

Advantages of Informal Organization:

Fast Communication: Informal structure does not follow scalar chain so there can be faster spread of communication.

Fulfills Social Needs: Informal communication gives due importance to psychological and social need of employees which motivate the employees.

Correct Feedback: Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

Strategic Use of Informal Organization. Informal organization can be used to get benefits in the formal organization in the following way:

1. The knowledge of informal group can be used to gather support of employees and improve their performance.
2. Through grapevine important information can be transmitted quickly.
3. By cooperating with the informal groups the managers can skillfully take the advantage of both formal and informal organisations.

Disadvantages of Informal Organization:

Spread Rumours: According to a survey 70% of information spread through informal organizational structure is rumors which may mislead the employees.

No Systematic Working: Informal structure does not form a structure for smooth working of an organization.

May Bring Negative Results: If informal organization opposes the policies and changes of management, then it becomes very difficult to implement them in organization.

More Emphasis to Individual Interest: Informal structure gives more importance to satisfaction of individual interest as compared to organizational interest.

6.2.4 Span of Control: The Span of Control (also known as span of management) is the number of employees a manager can supervise as effectively as possible. The addition of new hierarchical layers makes the organizational structure steeper.

A large Span of Control leads to a flatter organizational structure, which results in lower costs. A small span of control creates a steeper organizational structure, which requires more managers and which will consequently be more expensive for the organization. It is therefore useful for an organization if its managers have a large span of control.

The Span of Control always involves two dimensions:

Horizontal dimension: This is the number of direct subordinates a manager actually supervises. This is also referred to as Span of Control.

Vertical dimension: This is the number of levels that are (in) directly managed. It refers to the extent to which the manager's wishes trickle down to the lowest levels of the organization. This is also known as Depth of Control. It is mainly aimed at the extent of communication between a manager and his subordinates in the levels he is responsible for. Without a good leader, downward communication can be impaired.

Graicunas Theory of Span of Control: V.A. Graicunas a French management Consultant, made a study on superior-subordinate relationship, however, not based on empirical observations. He developed a mathematical formula to analyse this relationship. He suggested that the number of possible relationships increases with the number in the number of subordinates.

Graicemas has identified three specific kinds of superior-subordinate relationships in every organisation and leading to the question as to the number of subordinates which a superior can effectively manage.

They are:

1. Direct Single Relationship: This refers to relationships that are easily and clearly recognized by the individuals who are his immediate subordinates. They are equal to the number of subordinates supervised. For example, if A has three subordinates, there would be three direct single relationships. This has been identified as Number of direct relationships = n .

2. Direct Group Relationships: This means the group relationships between the superior and each possible combination of subordinates. A manager has occasions to consult, confer, advise, inform or discuss with every subordinate or any number of them or all of them in attendance. This type of relationship arises between the superior and his group of subordinates in all possible combinations.

Example: A manager having three subordinates would have three direct group relationships. Formula = $n(2^{n-1} - 1)$ where n represents the number of subordinates.

3. Cross Relationship: Cross relationships are mutual relationships among subordinates necessary for working under the same superior. This result from the need of the subordinates of a common superior to consult with one another.

Resulting from the above analysis of the three kinds of relationships, Graicunas developed the following formula to give the total number of all the three kinds of relationships where n = number of subordinates.

$$n(2^{n/2} + n + 1)$$

The significance of Graicunas contribution is that he initiated the principle of restriction of the span of delegated authority on account of maximum limit to the potential burdens set up simply by innate limitations of the capacity of human mind. From this analysis he deduced a 'reasonable span' restricted to five or six subordinates. Thus he stimulated thinking on this aspect of organization structure which, later on, became the subject of much discussion in management literature.

Though Graicunas gave mathematical formula for finding out the number of relationships, his approach suffers from the following shortcomings:

- (a) Mathematical precision of the formula is debatable. Relationships increase with the increase in the number of subordinates but not in a precise formula.
- (b) Graicunas has ignored the frequency of relationships and the strain they generate.
- (c) He has left out certain possible relationships.
- (d) He has failed to identify the factors which govern or determine the span of management.

Span of control refers to the number of subordinates an executive can supervise. The concept is the central theme of the classical theory. Proper span of control is considered necessary for effective co-ordination. The classical theory has advocated a narrow span than a large one because an executive must have intimate and direct contact with his subordinates. The ideal ratio may be 15 to 25 subordinates for the first level supervision and 5 to 8 subordinates in executive spans.

Factors affecting Span of Control: The factors affecting span of control are as follows:

1. Geographical dispersion, if the branches of a business are widely dispersed, then the manager will find it difficult to supervise each of them, as such the span of control will be smaller.
2. Capability of employees: if employees are highly capable, need little supervision, and can be left on their own, e.g., Theory Y type of people, they need not be supervised closely as they are motivated and take initiative to work; as such, the span of control may be broader.
3. Capability of managers, an experienced manager with good understanding of the tasks, good knowledge of the workers and good relationships with the workers, will be able to supervise more workers

4. Value-add of the manager: a manager that is adding value by training and developing new skills in the workers will need a more narrow span of control than one who is focused only on performance management (this is the reverse of the capability of workers point above)
5. Similarity of task: if the tasks that the subordinates are performing are similar, then the span of control can be wider, as the manager can supervise them all at the same time.
6. Volume of other tasks: if the manager has other responsibilities, such as membership of committees, involvement in other projects, liaising with stakeholders, the number of direct reports will need to be smaller
7. Required administrative tasks: if the manager is required to have regular face-to-face meetings, complete appraisal and development plans, discuss remuneration benefits, write job descriptions and employment contracts, explain employment policy changes, and other administrative task:, span of control may be reduced.
8. Business process streamlining, effectiveness, and efficiency can reduce the span of control.

Previous Year Question
June – 2015 (Paper – II)

1. Areas of establishing objectives under MBO are:

- | | |
|---------------------------|---------------------------|
| i. Market standing | iv. Public accountability |
| ii. Innovation | v. Productivity |
| iii. Industrial relations | vi. Industrial policy |

Codes:

1. iii, iv, v, and vi
3. i, ii, v, and vi
2. i, ii, iv, and v
4. ii, iii, iv, and v

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	23	2	6.2

Dec. – 2015 (Paper – III)

1. Matrix organization structure is essentially a violation of the principle of:

1. Unity of command
2. Scalar chain
3. Unity of direction
4. Division of labour

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	25	1	6.2

Sept. – 2016 (Paper – II)

1. Match List – I and List – II on the basis of Graicuna's formulae of relationships, if the number of subordinates is 'n':

List – I

- a. Direct single relationship
- b. Cross relationships
- c. Direct Group relationships
- d. Total relationships

List – II

- i. n
- ii. $n(n - 1)$
- iii. $n(2^{n-1} - 1)$
- iv. $n(2^{n \div 2})$

Codes: a b c d

- (1) i iv ii iii
- (2) i ii iii iv
- (3) i iv iii ii
- (4) i iii ii iv

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	23	2	6.2.4

December 2018

1. Choose the correct code for the following statements correct or incorrect.

Statement I: An identifiable group of people contributing their efforts towards attainment of goals is called organization.

Statement II: In its broadest sense, organization refers to the relationship between the various factors present in a given Endeavour.

Code:

Options:-

1. Statement II is correct, but I is incorrect.
2. Statement I is correct, but II is incorrect.
3. Both the statements I and II are correct.
4. Both the statements I and II are incorrect.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	5	3	6.2

December 2019

1. The informal group's communication system is called
1. Group Dynamics
 2. Grapevine
 3. Exchange
 4. Interaction

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	9	2	6.2.3

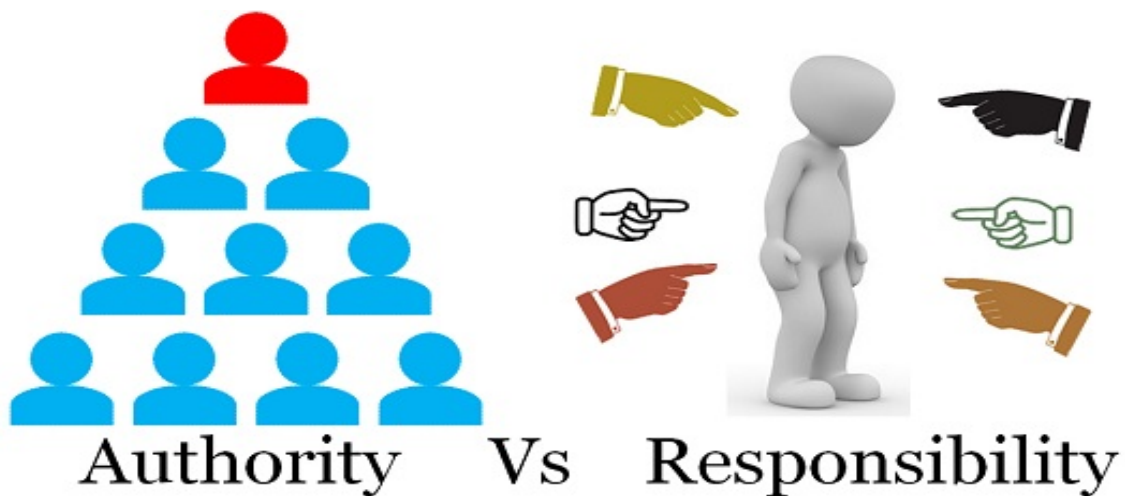
Sub Unit – 3:

RESPONSIBILITY AND AUTHORITY: DELEGATION OF AUTHORITY AND DECENTRALIZATION

.....

6.3.1 Authority and Responsibility: Authority is the power to give orders and get it obeyed or in other words it is the power to take decisions. Responsibility means state of being accountable or answerable for any obligation, trust, debt or something or in other words it means obligation to complete a job assigned on time and in best way.

Difference between Authority and Responsibility



One of the objectives of the management is to establish a sound organizational structure and to do this, effective authority and responsibility relationship should be created, i.e. Who is accountable to whom? Who are superior and subordinate? Who can give orders? Whenever authority is used, responsibility ensues. **Authority** is the legal right to give the command, order or instruction and compel the subordinates to do a certain act.

On the other hand, **Responsibility** is the outcome of authority. It entails the obligation of the subordinate, who has been assigned the duty by his superior.

Thus, these two are coextensive and commonly misconstrued by the people, however, they are different. This article attempts to describe the difference between authority and responsibility, take a read.

6.3.2 Key Differences between Authority and Responsibility

The following points are noteworthy so far as the difference between authority and responsibility is concerned:

1. The power or right, inherent to a particular job or position, to give orders, enforce rules, make decisions and obtain conformity, is called authority. Duty or obligation to undertake and complete a task satisfactorily, assigned by the senior or established by one's own commitment or circumstances is called responsibility.
2. Authority refers to the legal right of the manager to give orders and expect obedience from subordinates. On the other hand, responsibility is the corollary, i.e. result of the authority.
3. The position of an individual in an organization determines his/her authority, i.e. the higher the position of a person in the corporate ladder, the more is the authority and vice versa. As against this, the superior-subordinate relationship forms the basis for responsibility.
4. While authority is delegated, by the superior to subordinates, responsibility is assumed, i.e. it is inherent in the task assigned.
5. Authority needs the ability to give orders and instructions, whereas responsibility demands the ability of compliance or obedience, to follow orders.
6. Authority flows downward, i.e. the extent of authority is greatest at the top level and lowest at the low level. On the contrary, the responsibility exacts upward, i.e. from bottom to top, the subordinate will be responsible to superior.
7. The purpose of the authority is to take decisions and execute them. Conversely, responsibility aims at executing duties assigned by the superior.
8. Authority is inherent with the position, and so it continues for a long period. Unlike responsibility, which is attached to the task assigned and hence it is short-lived, it ends as soon as the task accomplishes successfully.

While assigning certain responsibility to an employee, the required amount of authority should also be conferred on him so that he/she can be able to perform it.

Hence, the delegation of authority can only be effective when it matches with the assigned responsibility, i.e. if the authority assigned to a person is greater than the responsibility; it ultimately results in the misuse of authority. Likewise, if the responsibility assigned is greater than the authority, then also the tasks will not be carried out properly due to the lack of necessary authority, thus making it ineffective. So, a balance should be maintained between the authority and responsibility.

6.3.3 Delegation of Authority: A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as

subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

- **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well-defined. All people who have the authority should know what is the scope of their authority is and they shouldn't miss utilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.
- **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. If he doesn't accomplish tasks assigned as expected, then also he is answerable for that.
- **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

For achieving delegation, a manager has to work in a system and has to perform following steps:

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Steps in Delegation of Authority: Delegation of authority is the base of superior-subordinate relationship, it involves following steps:

1. **Assignment of Duties** - The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.
2. **Granting of authority** - Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.
3. **Creating Responsibility and Accountability** - The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the other hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Therefore every manager, i.e., the delegator has to follow a system to finish up the delegation process. Equally important is the delegate's role which means his responsibility and accountability is attached with the authority over to here.

Principles of Delegation: The primary aim of delegating authority is to achieve results. Without it, then the entire process would be a waste of time. So, for delegation of power to be effective, these are principles management must follow.

- **The Scalar Principle:** The line of authority should be clear for everything to progress accordingly. In other words, there should be an ultimate authority that is clearly defined. Plus the subordinates should also know whom to run to when things get out of hand. They should also have a clear idea as to who can delegate authority to them.
- **Functional Definition:** Dual subordination can cause huge conflict amongst subordinates, as well as between them and a higher authority. It can also lead to the division of loyalty, and no one would be willing to take credit for the outcome or result produced. However, the best thing to do is to define what the job entails and the expected outcome. Tasks that are also similar can be in the same group. And each person should be made to understand the role they are to perform too.

- **The Delegation Based on Expected Results:** Authority delegated to subordinates, in this case, is based on result expected. In other words, the authority vested on the said subordinate should be enough to perform the said duty and achieve the result the manager expects.
- **Unity of Command:** This principle tries to explain that a subordinate should report to only one superior. Though the subordinate might receive instructions or order from other superiors, it may lead to conflict, confusion and make the process more difficult. So the relationship between authority and responsibility must be clarified.
- **Authority Level:** This principle takes a look at the situation whereby managers after delegating authority to subordinates get tempted to make specific decisions for them. For the delegation of power to have an impact and produce the expected results, the subordinates should be made to understand the rights they have. They should also be left to take decisions themselves instead of referring to higher authority.
- **Absoluteness of Responsibility:** According to this principle, once the subordinate accepts the power delegated, his or her responsibility becomes absolute to the said superior. But that doesn't mean that the delegation of authority will make the superior's responsibility to decrease. Authority not responsibility is what the manager, delegates. That said, the manager will still be held accountable for the outcome of the work or responsibility delegated.
- **Parity of Authority and Responsibility:** Authority is the power or right to perform an assignment while responsibility is the obligation given to an individual to accomplish the said assignment. That said management needs to balance both to achieve the expected result. In other words, there should be a logical connection between responsibility and authority delegated.

Benefits of Delegation of Authority:

- **Basis of Effective Functioning:** Delegation lays down the basis of effective functioning of an organization. By establishing structural relationships throughout the organization, delegation helps in securing co-ordination of various activities for accomplishing the enterprise objectives.
- **Reduction in Work-Burden of the Chief Executive:** Delegation reduces the executive burden by way of relieving the superior of the need to attend to minor or routine duties. It, thus, enables him to devote greater attention and effort towards broader and more important responsibilities.
- **Benefits of Specialized Service:** Delegation enables the manager to utilize the specialized knowledge and experience of the persons at lower levels.
- **Efficient Running of Branches:** In the modern world, where a business rarely confines its activities to a single place, only delegation can provide the key to smooth and efficient running of the various branches of the business at places far and near.

- **Aid to Expansion and Diversification of Business:** As delegation provides the means of extending and multiplying the limited capacity of the superior, it is instrumental for encouraging expansion and diversification of the business.
- **Aid to Employee Development:** Delegation permits the subordinates to enlarge their jobs, to develop their capacity and to broaden their understanding. By forcing the subordinates to assume greater responsibilities and to make important decisions, the superior insists on the development of subordinates executive talents. Delegation improves the morale of the subordinates by way of raising their status and importance in the organization.

Problems in Delegation of Authority: Delegation is apparently a simple process, but, in practice, certain difficulties and problems generally crop up to hamper this process. This is often partly on account of the superior manager's attitude towards delegating authority and partly due to the subordinate's hesitation in accepting delegation.

These difficulties or obstacles in the way of proper delegation may be summarized as follows:

(A) Reluctance on the Part of the Executives:

A superior manager is likely to delegate less authority in the following situations:

- **Superiority complex:** Some executives tend to feel that they can do the jobs better themselves, and, for this reason, they do not delegate their authority. They consider themselves indispensable—neither they respect the ideas of others nor do they give the subordinates a chance to prove their merit.
- **Maintenance of tight control:** A manager does not delegate authority because he wants to maintain tight control over the operation assigned to him.
- **Lack of confidence in the subordinates:** A manager may not delegate authority because he feels that his subordinates are not capable and reliable. He lacks confidence in his subordinates. If delegation is not made, the future manager has no opportunity to gain experience. Confidence is built up gradually and on the basis of success.
- **Lack of ability to direct:** Many managers have difficulty in giving suitable directions to guide the efforts of the subordinates. Sometimes the boss may like to delegate authority but may not be able to do it effectively due to his inability to identify, interpret and communicate the essential features of his plans. So, an executive who lacks ability to direct cannot delegate.
- **Absence of control techniques that warn of coming troubles:** In the cases where the executive in charge of operations has practically no means of knowing serious difficulties in the working of the organization in advance, he may hesitate in delegating authority.
- **Conservative and cautious temperament:** A conservative and over-cautious manager will never like to take any risk. Since delegation of the task to a subordinate involves some elements of chance or risk, the executive may hesitate to delegate anything to anyone.

- **Fear of exposure:** A superior manager, specially an incompetent one, may not like to delegate simply because adequate delegation may reveal his weakness and shortcomings. This may happen especially when the superior has poor operating procedures, methods and practices. He feels that delegation may undermine his influence and prestige in the organisation. He keeps all the authority to himself for fear of being exposed.
- **Fear of the subordinates:** A manager may not delegate adequate authority because of his fears of the subordinates. The fear of a subordinate's growth may be real. It can take two forms. First, the subordinate might show that he can perform the superior's work so well that he becomes entitled to the manager's position, status or prestige. Second, the subordinate's increasing ability might earn him a promotion to some other part of the organization and the superior may lose his best subordinate. In this case, the superior may adopt a defensive behaviour. He simply fails to delegate the kind of authority that would have such a result.
- **Love for authority:** A superior may not delegate his authority especially if he is an autocrat. Such a manager has intense desire to dominate others, to make his importance felt in the organization, and to see that his subordinates come frequently for approval. He thinks that delegation will lead to reduction of his influence in the organization.

(B) Reluctance on the Part of the Subordinates: **The subordinates may not always like to accept delegation and shoulder responsibility.**

A subordinate may shrink from accepting authority for the following reasons:

- **Dependence on the boss for decisions:** If a subordinate finds it easier to depend upon his boss for taking decisions while tackling problems, he may avoid accepting authority even when his boss is ready to delegate it,
- **Fear of criticism:** The subordinates sometimes fear criticism on the part of their superiors. This fear is often justified. In fact, some superiors tend to criticize any action taken by a subordinate and even a small genuine mistake. This discourages initiative, causes resentment, and destroys a subordinate's self-confidence.
- **Lack of information or resources:** A subordinate will generally be unwilling to accept authority when adequate information, working facilities, and resources required for the proper performance of a task are not available.
- **Lack of self-confidence and fear of failure:** A subordinate who does not possess self-confidence will generally try to shirk responsibility even though the executive is prepared to delegate. Such subordinates often feel that they will fail, and so, do not want additional responsibilities through delegation.
- **Inadequacy of positive incentive:** A subordinate hesitates in accepting more work delegated to him by the boss if he does not get sufficient positive incentives in the form of recognition, credit, and other rewards.

- **Over-work:** When the subordinates are already over-burdened with duties, they may avoid delegation because they feel that they will not be able to do an additional task along with those which they presently have been assigned. This may be a perfectly legitimate reason.

Barriers to Delegation of Authority: Though delegation enhances efficiency of the organization by dividing work amongst organizational members (according to their capabilities), it is not free from obstacles.

Various barriers to delegation can be grouped in three main headings.

These are:

- I. Barriers related to superiors or delegator,
- II. Barriers related to subordinates or delegate, and
- III. Barriers related to organization.

I. Barriers related to Superiors: Despite knowing how important it is to delegate, superiors sometimes do not delegate work to subordinates.

This is because of the following reasons:

- **Wanting to do things personally:** Some managers do not delegate because they feel they can do the work better than others. Since ultimate responsibility is that of the delegator, they prefer doing the work themselves rather than getting it done through others. This also helps in maintaining control over the activities assigned to subordinates. The delegator enjoys doing the work and makes his importance felt in the organization by showing his busyness in the office.
- **Insecurity:** If managers feel that subordinates perform better than them, they avoid delegation. The exposure of their inabilities to take good decisions creates a feeling of insecurity and, therefore, they fear to delegate. This happens in organisations where work procedures and methods are not sound. A weak operating system usually stops the managers from revealing their shortcomings to the subordinates.
- **Retention of power:** Some managers like to take responsibility, make their importance felt by everyone in the organization and want the subordinates to come to them to get their problems solved. Their desire to retain power and dominate is a hindrance to the effective delegation process. Such managers are usually autocratic in nature. They abstain from delegation and prefer to direct people personally.
- **Lack of confidence in subordinates:** The reward for risk is return. Unless managers assume the risk of subordinates not performing well, they cannot contribute to the development of skilled managers in future. A manager who does not take risk in subordinates and lacks confidence in them will not be able to delegate effectively. Delegation is based on trust between superior and subordinates. Negative attitude towards subordinates obstructs delegation as superior lacks confidence in the ability of subordinates.

- **Unwillingness to set standards of control:** Having delegated the duties, managers remain accountable for overall performance of the work. They supervise the activities of subordinates to ensure that actual performance is in conformity with planned performance. A manager who fails to establish standards of control will not be able to effectively delegate to subordinates.
- **Personal factors:** Autocratic managers usually do not delegate to keep tight control over the activities of subordinates. Democratic leaders prefer to delegate as they believe in participation of employees in the decision-making process.

Managers usually follow past precedents in creating an environment friendly to delegation. If their managers delegate to them, they also trust their subordinates in making delegation effective. If their managers did not trust them in delegating the tasks, they also do not delegate the tasks further.

II. Barriers Related to Subordinates:

Subordinates present the following barriers to effective delegation:

- **Lack of confidence:** Some subordinates do not want to take responsibility for the fear of not being able to perform well. They lack confidence and do not want to take any risk. They prefer to depend on their bosses to make decisions.
- **Fear of making mistakes:** Some subordinates fear that if they make mistakes in carrying out the delegated responsibilities, their superiors will criticize them for unfavourable outcomes. This fear dissuades them from taking added responsibility.
- **Lack of incentives:** Motivation (through financial and non-financial incentives) makes delegation effective. Subordinates are reluctant to accept delegation in the absence of incentives.
- **Absence of access to resources:** If subordinates do not have access to resources (financial and non-financial) to carry out their work, they will not accept delegation of responsibilities. This happens when there is delegation of responsibility without commensurate authority.
- **Convenience:** Sometimes subordinates prefer the work is done by superiors rather than assuming responsibility for the same, for the sake of convenience. They simply want their bosses to make the decisions.

III. Barriers Related to Organization:

The barriers related to organization structure are as follows:

- **Size of the organization:** A small-sized organization will not have too many jobs to delegate to subordinates. It is, thus, not responsive to delegation of tasks.
- **No precedent of delegation:** Merely because organisations have not earlier been following the practice of delegation sometimes makes them continue with the practice of not delegating the jobs.
- **Degree of centralization or decentralization:** Efficient delegation is affected by the degree to which organization distributes the decision-making power to various

organizational units. A highly centralized organization is obstructive to the process of effective delegation.

Guiding Factors for Effective Delegation of Authority

- **Determine Goals:** Assignments should be clearly defined in terms of goals or results expected. If the person is to accept the delegation enthusiastically, he should be provided with detailed information with emphasis that his work is both necessary and important. So, it is only after a clarification of all these objectives that persons receiving authority would do justice to the jobs assigned to them.
- **Clarify of Responsibility and Authority:** If a manager is to perform efficiently he needs to know what his job is and with how much authority, he has to perform it. Further, a supervisor who is not sure of his authority will evade issues or take every question to his chief for decision. The essence of the whole problem is to put in writing the authority-responsibility relationship of each manager and also the limitations on authority of each position.
- **Motivate Subordinates:** This is a moving force in delegation. To get the best results, it is the duty of every manager to see that subordinates are motivated to do their jobs willingly and with enthusiasm. Unless they are given definite assurances and are motivated by better wages, improved working conditions, early promotion etc., any attempt for delegating authority and responsibility would not be effective.
- **Provide Training:** Delegation is rather a difficult process and can be achieved only by getting necessary training. Manager should give proper training to his subordinates to accept delegation.

However, training in delegation involves the following steps so that it can be accepted effectively:

- (a) Appraisal of current performance in delegation.
- (b) Counseling for improvement.
- (c) Coaching on the job.
- **Establish adequate control:** Control system in effective delegation should be such which can free the executives from routine inspections yet enable him to maintain his accountability. In this the subordinates should be encouraged to follow the means of self control. They should be given an idea of the predetermined standards expected of them.
- **Pre-requisites for self-control:**
 - (a) Subordinates must participate in setting the standards.
 - (b) Subordinates should understand and accept the standards thus established.
 - (c) From time to time subordinate should be furnished with reliable information and they should also have access to that information.
 - (d) Subordinates should know the daily cost of performance of their work so as to enable them to make sound control decisions for keeping their costs in line.

(e) Finally, subordinates should be given thorough training for measuring up of performance and reporting the reasons in case of variances.

- **Require completed work:** **Under this doctrine, the subordinates expect from his boss to make a clearly understood delegation so that for every step in the process of work, they need not consult their boss and thereby delay the whole matter. At the same time, the manager plans for guidance, coaching and communication**

The doctrine of completed work will be effective and meaningful provided the manager delegating the work:

- (a) Makes a clear-cut assignment.
- (b) Delegates the details of co-ordination.
- (c) Specifies proper information required.
- (d) Provides counseling and guidance.
- (e) Requires a finished package.
- **Two-Way communication:** There should be two-way communication between the superior and the subordinate. The superior must give the instructions in clear and unambiguous words and he must allow the subordinate to seek clarification and guidance whenever the latter feels some difficulty.
- **Adherence to the principle of delegation:** Strict adherence to the principles of delegation (like parity of authority and responsibility, unity of command and absoluteness of accountability), is most essential for achieving success in delegation.

6.3.4 Decentralization: Decentralization is the process by which the activities of an organization, particularly those regarding planning and decision making, are distributed or delegated away from a central, authoritative location or group.

Concepts of decentralization have been applied to group dynamics and management science in private businesses and organizations, political science, law and public administration, economics, money and technology.

Advantages of Decentralization

- **Motivation of Subordinates:** **Decentralization improves the level of job satisfaction as well as employee morale, especially amongst the lower level managers.**
Furthermore, it strives to satisfy the varying requirements for participation, independence, and status. Decentralization also promotes a spirit of group cohesiveness and spirit.
- **Growth and Diversification:** Under decentralization, every single product division attains sufficient autonomy to exercise their creative flair. In this way, the top-level management can create healthy competition amongst different divisions. While carrying out a discussion on the advantages and disadvantages of decentralization, it is imperative to note that it aids subordinates in exercising their own judgment. They even develop managerial skills and help in solving the succession problem which ultimately ensures the growth and continuity of an organization.

- **Quick Decision Making:** Another important pointer in the advantages and disadvantages of decentralization is that decisions are taken and executed by authorized personnel. This, in turn, results in faster and accurate decisions which are well aware of the real scenario. Efficient Communication The wider span of management under decentralization leads to fewer hierarchical level. This makes the communication system more efficient as intimate relationships develop between superiors and subordinates.
- **Ease of Expansion:** Decentralization can add inertia to the expansion process of a growing business. This might often result in the opening of new business units in varying geographical locations. Decentralization unleashes the fullest potential of the organization and can react easily to area-specific requirements.
- **Better Supervision and Control:** Lower level managers can alter production schedules and work assignments with adequate authority. They can even take disciplinary actions and recommend the promotion of their peers. This, in turn, leads to greater efficiency in supervision. Performance evaluation of each decentralized unit helps in exercising adequate control.
- **Satisfaction of Human needs:** Decentralization serves as an important tool for satisfying our basic need of independence, power, prestige, and status. A cadre of satisfied manager is build up by this satisfaction as they feel responsible towards the company's betterment.
- **Relief to top executives:** Top executives can focus more on more on the executive level work like planning and decision making if the lower level employees take all the responsibilities on their own. This relieves their workload which eventually is for the greater good of the organization.

Disadvantages of Decentralization

- **Difficult to Co-ordinate:** While talking about the advantages and disadvantages of decentralization, it is imperative to note that substantial autonomy is enjoyed by every single division. This, in turn, makes it difficult to coordinate the overall activity.
- **External Factors:** The trade union movement, market uncertainties, and government intervention might make it impossible to benefit the most out of decentralization.
- **Narrow Product Lines:** Decentralized product lines need to be adequately broad so that autonomous units can flourish within the same. This might not be of much help in small business houses having narrow product lines. Lower levels in the organization also lack competent managers thus adding to the difficulty quotient.
- **Expensive:** In decentralization, every employee takes responsibility for the better of the organization so they work harder to achieve the entire organizational objective. In return, they have to be paid more which sometimes proves to be very expensive for the company.

Types of Decentralization: Types of decentralization include political, administrative, fiscal, and market decentralization. Drawing distinctions between these various concepts is useful for highlighting the many dimensions to successful decentralization and the need for coordination among them. Nevertheless, there is clearly overlap in defining any of these terms and the precise definitions are not as important as the need for a comprehensive approach. Political, administrative, fiscal and market decentralization can also appear in different forms and combinations across countries, within countries and even within sectors.

- **Political Decentralization:** Political decentralization aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that the selection of representatives from local electoral jurisdictions allows citizens to know better their political representatives and allows elected officials to know better the needs and desires of their constituents.

Political decentralization often requires constitutional or statutory reforms, the development of pluralistic political parties, the strengthening of legislatures, creation of local political units, and the encouragement of effective public interest groups.

- **Administrative Decentralization:** Administrative decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of **certain** public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities.

The three major forms of administrative decentralization -- deconcentration, delegation, and devolution -- each have different characteristics.

Deconcentration: Deconcentration--which is often considered to be the weakest form of decentralization and is used most frequently in unitary states-- redistributes decision making authority and financial and management responsibilities among different levels of the **central** government. It can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.

Delegation: Delegation is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.

Devolution: A third type of administrative decentralization is devolution. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization.

- **Fiscal Decentralization:** Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues – either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. Fiscal decentralization can take many forms, including a) self-financing or cost recovery through user charges, b) co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labor contributions; c) expansion of local revenues through property or sales taxes, or indirect charges; d) intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and e) authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority.
- **Economic or Market Decentralization:** The most complete forms of decentralization from a government's perspective are privatization and deregulation because they shift responsibility for functions from the public to the private sector. Privatization and deregulation are usually, but not always, accompanied by economic liberalization and

market development policies. They allow functions that had been primarily or exclusively the responsibility of government to be carried out by businesses, community groups, cooperatives, private voluntary associations, and other non-government organizations.

Privatization: Privatization can range in scope from leaving the provision of goods and services entirely to the free operation of the market to "public-private partnerships" in which government and the private sector cooperate to provide services or infrastructure. Privatization can include: 1) allowing private enterprises to perform functions that had previously been monopolized by government; 2) contracting out the provision or management of public services or facilities to commercial enterprises indeed, there is a wide range of possible ways in which function can be organized and many examples of within public sector and public-private institutional forms, particularly in infrastructure; 3) financing public sector programs through the capital market (with adequate regulation or measures to prevent situations where the central government bears the risk for this borrowing) and allowing private organizations to participate; and 4) transferring responsibility for providing services from the public to the private sector through the divestiture of state-owned enterprises.

Deregulation: Deregulation reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that in the past had been provided by the government or by regulated monopolies. In recent years privatization and deregulation have become more attractive alternatives to governments in developing countries. Local governments are also privatizing by contracting out service provision or administration.

Importance of Decentralization

- **Develop initiative among subordinates:** Passing of authority at middle and lower level shows the trust and faith of top level in their subordinates and this trust and faith motivate the employees working at different levels as they are allowed to take decisions without seeking the approval of superiors.
- **Develop managerial talent for future:** In the decentralization managers working at lower and middle level also learn the art of making decisions. They get the experience of performing activities of top executives and learn to manage the authority given to them. So, decentralization process prepares the managers working at lower and middle level to perform the task of top level. So, whenever there is vacant job position at top level management, the managers working at lower or middle level can be promoted. This is how it levels talent for future.
- **Quick decision-making:** In the decentralization process decision-making is not restricted in few hands only but decision-making power is entrusted to all the managers who are taking actions or performing the activities. This leads to faster decision because employees who have to perform the activities are allowed to take decision also.

- **Relief to top level management:** In the process of decentralization top level managers are not overburdened with the responsibilities and authority as they systematically pass the authority and responsibilities at different levels and they become free to concentrate on core and important issues.
- **Facilitates growth:** Decentralization grants more autonomy or freedom to lower level. This helps the subordinates to do the work in the manner best suited for their department. When each department is doing to their best then productivity increases and it will generate more revenue which can be used for expansion.
- **Better control:** In decentralization employees working at different levels take their own decisions and they are personally accountable for their decisions, they cannot pass the blame to their superiors. With decentralization better control can be exercised through Score Card, Management Information System, etc.
- **Promotes initiative and creativity:** The initiative directly depends on the authority. When the employees at every level are given greater degree of autonomy and authority according to their responsibilities, this helps them to take initiative. On the other hand, when lower and middle level executives are performing the task of top level executives then it brings creativity.
- **Improved team work:** In decentralization all the managers and employees are sharing the decision-making powers; all are given some kind of autonomy and freedom of action. This sharing of decision and freedom of action integrate the employees as one team and develop team spirit among the employees.

Making Decentralization Effective

- **Costliness of Decisions:** **The costliness of decisions is the most important factor influencing the degree of decentralization. In general, the decisions involving heavy cost or investment will most probably be made at the higher levels of management.**

This cost may be expressed in the terms of money value or it may be reckoned in such intangibles as the company's reputation, its competitive position or the effect on the employees' morale. Decisions involving risk will not be delegated but in turn will be made at the top managerial positions. The decision for the purchase of capital goods i.e., machinery or equipment will be made at higher levels, whereas the decision to purchase items of routine nature will be made by the purchasing department.

- ***Uniformity of Policy:*** **Uniformity of the organization's policy determines the degree of decentralization. If a company intends to keep uniform policies in the organization then policies should be consistent. Where there is decentralization, the company will not be in a position to take the advantages of uniformity of policies because of different habits and talents on the part of different persons.**
- ***Economic Size:*** **Larger the size of a business unit, the greater will be the number of departments and as a result, decentralization would be preferred in large sized units. The burden on the top management will be much less and they will be in a position to concentrate on crucial matters.**
- ***Availability of Managers:*** The shortage of managerial manpower necessarily restricts the extent of decentralization. The dispersal of decision-making and leadership requires the availability of persons who can discharge their obligations as per the authority delegated.
- ***History of the Enterprise:*** To what extent authority in an organization will be centralized depends upon the way the business has been built up. If an organization has appointed a set of departments with the departmental heads being vested with the authority to achieve the objectives, it sets the example of decentralization.
- ***The Philosophy of the Management:*** The character of the top leader and the philosophy possessed by him will have an important influence on the extent to which authority in an enterprise is centralized or decentralized. It is necessary that the leaders should have broad vision which will have a lasting effect on the organizational structure.
- ***Decentralization of Performance:*** The nature of operations also determines the extent of decentralization i.e., whether the operations of the organization are concentrated at the one place or in a region or dispersed to different territories. If the enterprise activities are dispersed over to different territories it will prosper by this policy of decentralization.
- ***Environmental Influences:*** **Most of the factors determining the extent of decentralization dealt so far are related to the organization. In addition there are many other factors which are external to the business yet have an impact on the degree of decentralization, such as, government controls, tax policies and national unionism.**

Sub Unit - 4:

MOTIVATION AND LEADERSHIP: CONCEPT AND THEORIES

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6.4.1 Concept of Motivation: The term motivation is derived from the word ‘motive’. The word ‘motive’ as a noun means an objective, as a verb this word means moving into action. Therefore, motives are forces which induce people to act in a way, so as to ensure the fulfillment of a particular human need at a time. Behind every human action there is a motive. Therefore, management must provide motives to people to make them work for the organization.

Motivation may be defined as a planned managerial process, which stimulates people to work to the best of their capabilities, by providing them with motives, which are based on their unfulfilled needs.

“Motivation means a process of stimulating people to action to accomplish desired goods.” — William G. Scott

“Motivation is the process of attempting to influence others to do your will through the possibility of gain or reward.” — Flippo

Motivation is, in fact, pressing the right button to get the desired human behaviour.

6.4.2 Features of Motivation:

Motivation is a personal and internal feeling: Motivation is a psychological phenomenon which generates within an individual.

Motivation is need based: If there are no needs of an individual, the process of motivation fails. It is a behavioural concept that directs human behaviour towards certain goals.

Motivation is a continuous process: Because human wants are unlimited, therefore motivation is an ongoing process.

Motivation may be positive or negative: A positive motivation promotes incentives to people while a negative motivation threatens the enforcement of disincentives.

Motivation is a planned process: People differ in their approach, to respond to the process of motivation; as no two individuals could be motivated in an exactly similar manner. Accordingly, motivation is a psychological concept and a complex process.

Motivation is different from job satisfaction.

The process of motivation is illustrated in the figure given below:

Figure 15.1 shows an employee has a need or urge for promotion to a higher position. If this need is strong, the employee will fix his goal and find alternatives to reach the goal. He might have two alternatives, namely, (i) hard work and (ii) enhancement of qualification (e.g., getting MBA) and hard work.

He might choose the second alternative and succeed in getting promotion (goal achievement) thus, his need for promotion would be satisfied and he would start again for the satisfaction of a new need.

6.4.3: Significance / Importance of Motivation: Motivation is an integral part of the process of direction.

While directing his subordinate, a manager must create and sustain in them the desire to work for the specified objectives:

High Efficiency: **A good motivational system releases the immense untapped reservoirs of physical and mental capabilities. A number of studies have shown that motivation plays a crucial role in determining the level of performance. “Poorly motivated people can nullify the soundest organization.” said Allen.**

By satisfying human needs motivation helps in increasing productivity. Better utilization of resources lowers cost of operations. Motivation is always goal directed. Therefore, higher the level of motivation, greater is the degree of goal accomplishment.

Better Image: **A firm that provides opportunities for financial and personal advancement has a better image in the employment market. People prefer to work for an enterprise because of opportunity for development, and sympathetic outlook. This helps in attracting qualified personnel and simplifies the staffing function.**

Facilitates Change: **Effective motivation helps to overcome resistance to change and negative attitude on the part of employees like restriction of output. Satisfied workers take interest in new organizational goals and are more receptive to changes that management wants to introduce in order to improve efficiency of operations.**

Human Relations: **Effective motivation creates job satisfaction which results in cordial relations between employer and employees. Industrial disputes, labour absenteeism and turnover are reduced with consequent benefits. Motivation helps to solve the central problem of management, i.e., effective use of human resources. Without motivation the workers may not put their best efforts and may seek satisfaction of their needs outside the organization.**

The success of any organization depends upon the optimum utilization of resources. The utilization of physical resources depends upon the ability to work and the willingness to work of the employees. In practice, ability is not the problem but necessary will to work is lacking. Motivation is the main tool for building such a will. It is for this reason that Rensis Likert said, “Motivation is the core of management.” It is the key to management in action.

6.4.4 Theories of Motivation: Some of the most important theories of motivation are as follows: 1. Maslow’s Need Hierarchy Theory 2. Herzberg’s Motivation Hygiene Theory 3. McClelland’s Need Theory 4. McGregor’s Participation Theory 5. Urwick’s Theory Z 6. Argyris’s Theory 7. Vroom’s Expectancy Theory 8. Porter and Lawler’s Expectancy Theory. These are discussed in briefly as follows:

Maslow’s Need Hierarchy Theory: It is probably safe to say that the most well-known theory of motivation is Maslow’s need hierarchy theory Maslow’s theory is based on the human needs.

Drawing chiefly on his clinical experience, he classified all human needs into a hierarchical manner from the lower to the higher order.

In essence, he believed that once a given level of need is satisfied, it no longer serves to motivate man. Then, the next higher level of need has to be activated in order to motivate the man. Maslow identified five levels in his need hierarchy as shown below:

Physiological Needs: These needs are basic to human life and, hence, include food, clothing, shelter, air, water and necessities of life. These needs relate to the survival and maintenance of human life. They exert tremendous influence on human behaviour. These needs are to be met first at least partly before higher level needs emerge. Once physiological needs are satisfied, they no longer motivate the man.

Safety Needs: After satisfying the physiological needs, the next needs felt are called safety and security needs. These needs find expression in such desires as economic security and protection from physical dangers. Meeting these needs requires more money and, hence, the individual is prompted to work more. Like physiological needs, these become inactive once they are satisfied.

Social Needs: Man is a social being. He is, therefore, interested in social interaction, companionship, belongingness, etc. It is this socializing and belongingness why individuals prefer to work in groups and especially older people go to work.

Esteem Needs: These needs refer to self-esteem and self-respect. They include such needs which indicate self-confidence, achievement, competence, knowledge and independence. The fulfillment of esteem needs leads to self-confidence, strength and capability of being useful in the organization. However, inability to fulfill these needs results in feeling like inferiority, weakness and helplessness.

Self-Actualization Needs: This level represents the culmination of all the lower, intermediate, and higher needs of human beings. In other words, the final step under the need hierarchy model is the need for self-actualization. This refers to fulfillment.

The term self-actualization was coined by Kurt Goldstein and means to become actualized in what one is potentially good at. In effect, self-actualization is the person's motivation to transform perception of self into reality.

According to Maslow, the human needs follow a definite sequence of domination. The second need does not arise until the first is reasonably satisfied, and the third need does not emerge until the first two needs have been reasonably satisfied and it goes on. The other side of the need hierarchy is that human needs are unlimited. However, Maslow's need hierarchy-theory is not without its detractors.

The main criticisms of the theory include the following:

- The needs may or may not follow a definite hierarchical order. So to say, there may be overlapping in need hierarchy. For example, even if safety need is not satisfied, the social need may emerge.
- The need priority model may not apply at all times in all places.
- Researches show that man's behaviour at any time is mostly guided by multiplicity of behaviour. Hence, Maslow's preposition that one need is satisfied at one time is also of doubtful validity.
- In case of some people, the level of motivation may be permanently lower. For example, a person suffering from chronic unemployment may remain satisfied for the rest of his life if only he/she can get enough food.

Notwithstanding, Maslow's need hierarchy theory has received wide recognition, particularly among practicing managers. This can be attributed to the theory's intuitive logic and easy to understand. One researcher came to the conclusion that theories that are intuitively strong die hard'.

Herzberg's Motivation Hygiene Theory: The psychologist Frederick Herzberg extended the work of Maslow and proposed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory. Herzberg conducted a widely reported motivational study on 200 accountants and engineers employed by firms in and around Western Pennsylvania.

He asked these people to describe two important incidents at their jobs:

- (1) When did you feel particularly good about your job, and
- (2) When did you feel exceptionally bad about your job? He used the critical incident method of obtaining data.

The responses when analyzed were found quite interesting and fairly consistent. The replies respondents gave when they felt good about their jobs were significantly different from the replies given when they felt bad. Reported good feelings were generally associated with job satisfaction, whereas bad feeling with job dissatisfaction. Herzberg labelled the job satisfiers motivators, and he called job dissatisfies hygiene or maintenance factors. Taken together, the motivators and hygiene factors have become known as Herzberg's two-factor theory of motivation

According to Herzberg, the opposite of satisfaction is not dissatisfaction. The underlying reason, he says, is that removal of dissatisfying characteristics from a job does not necessarily make the job satisfying. He believes in the existence of a dual continuum. The opposite of 'satisfaction' is 'no satisfaction' and the opposite of 'dissatisfaction' is 'no dissatisfaction'.

According to Herzberg, today's motivators are tomorrow's hygiene because the latter stop influencing the behaviour of persons when they get them. Accordingly, one's hygiene may be the motivator of another.

However, Herzberg's model is labeled with the following criticism also:

- People generally tend to take credit themselves when things go well. They blame failure on the external environment.
- The theory basically explains job satisfaction, not motivation.
- Even job satisfaction is not measured on an overall basis. It is not unlikely that a person may dislike part of his/ her job, still thinks the job acceptable.
- This theory neglects situational variable to motivate an individual.

Because of its ubiquitous nature, salary commonly shows up as a motivator as well as hygiene. Regardless of criticism, Herzberg's 'two-factor motivation theory' has been widely read and a few managers seem untamable with his recommendations. The main use of his recommendations lies in planning and controlling of employees work.

McClelland's Need Theory: Another well-known need-based theory of motivation, as opposed to hierarchy of needs of satisfaction-dissatisfaction, is the theory developed by McClelland and his associates'. McClelland developed his theory based on Henry Murray's developed long list of motives and manifest needs used in his early studies of personality. McClelland's need-theory is closely associated with learning theory, because he believed that needs are learned or acquired by the kinds of events people experienced in their environment and culture.

He found that people who acquire a particular need behave differently from those who do not have. His theory focuses on Murray's three needs; achievement, power and affiliation. In the literature, these three needs are abbreviated "n Ach", "n Pow", and "n Aff" respectively'.

They are defined as follows:

***Need for Achievement:* This is the drive to excel, to achieve in relation to a set of standard, and to strive to succeed. In other words, need for achievement is a behaviour directed toward competition with a standard of excellence. McClelland found that people with a high need for achievement perform better than those with a moderate or low need for achievement, and noted regional / national differences in achievement motivation.**

Through his research, McClelland identified the following three characteristics of high-need achievers:

- High-need achievers have a strong desire to assume personal responsibility for performing a task for finding a solution to a problem.
- High-need achievers tend to set moderately difficult goals and take calculated risks.
- High-need achievers have a strong desire for performance feedback.

***Need for Power:* The need for power is concerned with making an impact on others, the desire to influence others, the urge to change people, and the desire to make a difference in life. People with a high need for power are people who like to be in control of people and events. This results in ultimate satisfaction to man.**

People who have a high need for power are characterized by:

- A desire to influence and direct somebody else.
- A desire to exercise control over others.
- A concern for maintaining leader-follower relations.

***Need for Affiliation:* The need for affiliation is defined as a desire to establish and maintain friendly and warm relations with other people'. The need for affiliation, in many ways, is similar to Maslow's social needs.**

The people with high need for affiliation have these characteristics:

- They have a strong desire for acceptance and approval from others.
- They tend to conform to the wishes of those people whose friendship and companionship they value.
- They value the feelings of others.

McGregor's Participation Theory: Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labeled Theory Y.

Theory X is based on the following assumptions:

- People are by nature indolent. That is, they like to work as little as possible.
- People lack ambition, dislike responsibility, and prefer to be directed by others.
- People are inherently self-centered and indifferent to organizational needs and goals.
- People are generally gullible and not very sharp and bright.

On the contrary, Theory Y assumes that:

- People are not by nature passive or resistant to organizational goals.
- They want to assume responsibility.
- They want their organization to succeed.
- People are capable of directing their own behaviour.
- They have need for achievement.

What McGregor tried to dramatize through his theory X and Y is to outline the extremes to draw the fencing within which the organizational man is usually seen to behave. The fact remains that no organizational man would actually belong either to theory X or theory Y. In reality, he/she shares the traits of both. What actually happens is that man swings from one set or properties to the other with changes in his mood and motives in changing environment.

Urwick's Theory Z: Much after the propositions of theories X and Y by McGregor, the three theorists Urwick, Rangnekar, and Ouchi-propounded the third theory labeled as Z theory.

The two propositions in Urwick's theory are that:

- Each individual should know the organizational goals precisely and the amount of contribution through his efforts towards these goals.
- Each individual should also know that the relation of organizational goals is going to satisfy his/her needs positively.

In Urwick's view, the above two make people ready to behave positively to accomplish both organizational and individual goals.

However, Ouchi's Theory Z has attracted the lot of attention of management practitioners as well as researchers. It must be noted that Z does not stand for anything, is merely the last alphabet in the English Language.

Theory Z is based on the following four postulates:

- Strong Bond between Organization and Employees
- Employee Participation and Involvement
- No Formal Organization Structure
- Human Resource Development

Ouchi's Theory Z represents the adoption of Japanese management practices (group decision making, social cohesion, job security, holistic concern for employees, etc.) by the American companies. In India, Maruti-Suzuki, Hero-Honda, etc., apply the postulates of theory Z.

Argyris's Theory: Argyris has developed his motivation theory based on proposition how management practices affect the individual behaviour and growth. In his view, the seven changes taking place in an individual personality make him/her a mature one. In other words, personality of individual develops

<i>Immaturity</i>	<i>Maturity</i>
Passivity Dependence Capable of behaving in a few ways Shallow interest Short-term perspective Subordinate position Lack of self-awareness	Activity Independence Capable of behaving in many ways Deep interest Long-term perspective Superordinate position Self-awareness and control

Argyris views that immaturity exists in individuals mainly because of organizational setting and management practices such as task specialization, chain of command, unity of direction, and span of management. In order to make individuals grow mature, he proposes gradual shift from the existing pyramidal organization structure to humanistic system; from existing management system to the more flexible and participative management.

He states that such situation will satisfy not only their physiological and safety needs, but also will motivate them to make ready to make more use of their physiological and safety needs. But also will motivate them to make ready to make more use of their potential in accomplishing organizational goals.

Vroom's Expectancy Theory: One of the most widely accepted explanations of motivation is offered by Victor Vroom in his Expectancy Theory. It is a cognitive process theory of motivation. The theory is founded on the basic notions that people will be motivated to exert a high level of effort when they believe there are relationships between the effort they put forth, the performance they achieve, and the outcomes/ rewards they receive.

Thus, the key constructs in the expectancy theory of motivation are:

Valence: **Valence, according to Vroom, means the value or strength one places on a particular outcome or reward.**

Expectancy: **It relates efforts to performance.**

Instrumentality: **By instrumentality, Vroom means, the belief that performance is related to rewards.**

Thus, Vroom's motivation can also be expressed in the form of an equation as follows:

Motivation = Valence x Expectancy x Instrumentality

Being the model multiplicative in nature, all the three variables must have high positive values to imply motivated performance choice. If any one of the variables approaches to zero level, the possibility of the so motivated performance also touches zero level.

However, Vroom's expectancy theory has its critics. The important ones are:

- Critics like Porter and Lawler labeled it as a theory of cognitive hedonism which proposes that individual cognitively chooses the course of action that leads to the greatest degree of pleasure or the smallest degree of pain.
- The assumption that people are rational and calculating makes the theory idealistic.
- The expectancy theory does not describe individual and situational differences.

But the valence or value people place on various rewards varies. For example, one employee prefers salary to benefits, whereas another person prefers to just the reverse. The valence for the same reward varies from situation to situation.

In spite of all these critics, the greatest point in the expectancy theory is that it explains why significant segment of workforce exerts low levels of efforts in carrying out job responsibilities.

Porter and Lawler's Expectancy Theory: In fact, Porter and Lawler's theory is an improvement over Vroom's expectancy theory. They posit that motivation does not equal satisfaction or performance. The model suggested by them encounters some of the simplistic traditional assumptions made about the positive relationship between satisfaction and performance. They proposed a multi-variate model to explain the complex relationship that exists between satisfaction and performance.

What is the main point in Porter and Lawler's model is that effort or motivation does not lead directly to performance. It is intact, mediated by abilities and traits and by role perceptions. Ultimately, performance leads to satisfaction.

There are three main elements in this model. Let us briefly discuss these one by one.

Effort: Effort refers to the amount of energy an employee exerts on a given task. How much effort an employee will put in a task is determined by two factors-

- Value of reward and
- Perception of effort-reward probability.

Performance: One's effort leads to his/her performance. Both may be equal or may not be. However the amount of performance is determined by the amount of labour and the ability and role perception of the employee. Thus, if an employee possesses less ability and/or makes wrong role perception, his/her performance may be low in spite of his putting in great efforts.

Satisfaction:

Performance leads to satisfaction. The level of satisfaction depends upon the amount of rewards one achieves. If the amount of actual rewards meet or exceed perceived equitable rewards, the employee will feel satisfied. On the contrary, if actual rewards fall short of perceived ones, he/she will be dissatisfied.

Rewards may be of two kinds—*intrinsic* and *extrinsic* rewards. Examples of *intrinsic* rewards are such as sense of accomplishment and self-actualization. As regards *extrinsic* rewards, these may include working conditions and status. A fair degree of research supports that, the *intrinsic* rewards are much more likely to produce attitudes about satisfaction that are related to performance.

There is no denying of the fact that the motivation model proposed by Porter and Lawler is quite complex than other models of motivation. In fact motivation itself is not a simple cause-effect relationship rather it is a complex phenomenon. Porter and Lawler have attempted to measure variables such as the values of possible rewards, the perception of effort-rewards probabilities and role perceptions in deriving satisfaction.

They recommended that the managers should carefully reassess their reward system and structure. The effort-performance-reward-satisfaction should be made integral to the entire system of managing men in organization.

6.4.5 Concept of Leadership: Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more organized and logical meaning Leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Leaders carry out this process by applying their leadership knowledge and skills.

6.4.6 Features of Leadership

- ***Influence the behaviour of others:*** Leadership is an ability of an individual to influence the behaviour of other employees in the organization to achieve a common purpose or goal so that they are willingly co-operating with each other for the fulfillment of the same.
- ***Inter-personal process:*** It is an interpersonal process between the leader and the followers. The relationship between the leader and the followers decides how efficiently and effectively the targets of the organization would be met.
- ***Attainment of common organizational goals:*** The purpose of leadership is to guide the people in an organization to work towards the attainment of common organizational goals. The leader brings the people and their efforts together to achieve common goals.
- ***Continuous process:*** Leadership is a continuous process. A leader has to guide his employees every time and also monitor them in order to make sure that their efforts are going in the same direction and that they are not deviating from their goals.
- ***Group process:*** It is a group process that involves two or more people together interacting with each other. A leader cannot lead without the followers.
- ***Dependent on the situation:*** It is situation bound as it all depends upon tackling the situations present. Thus, there is no single best style of leadership.

6.4.7 Importance of Leadership

- ***Initiating Action:*** Leadership starts from the very beginning, even before the work actually starts. A leader is a person who communicates the policies and plans to the subordinates to start the work.
- ***Providing Motivation:*** A leader motivates the employees by giving them financial and non-financial incentives and gets the work done efficiently. Motivation is the driving force in an individual's life.
- ***Providing guidance:*** A leader not only supervises the employees but also guides them in their work. He instructs the subordinates on how to perform their work effectively so that their efforts don't get wasted.
- ***Creating confidence:*** A leader acknowledges the efforts of the employees, explains to them their role clearly and guides them to achieve their goals. He also resolves the complaints and problems of the employees, thereby building confidence in them regarding the organization.
- ***Building work environment:*** A good leader should maintain personal contacts with the employees and should hear their problems and solve them. He always listens to the point of view of the employees and in case of disagreement persuades them to agree with him by giving suitable clarifications. In case of conflicts, he handles them carefully and does not allow it to adversely affect the entity. A positive and efficient work environment helps in stable growth of the organization.

- **Co-ordination:** A leader reconciles the personal interests of the employees with the organizational goals and achieves co-ordination in the entity.
- **Creating Successors:** A leader trains his subordinates in such a manner that they can succeed him in future easily in his absence. He creates more leaders.
- **Induces change:** A leader persuades, clarifies and inspires employees to accept any change in the organization without much resistance and discontentment. He makes sure that employees don't feel insecure about the changes.

Often, the success of an organization is attributed to its leaders. But, one must not forget that it's the followers who make a leader successful by accepting his leadership. Thus, leaders and followers collectively play a key role to make leadership successful.

6.4.8 Theories of Leadership: While many different leadership theories have emerged, most can be classified as one of eight major types:

- **"Great Man" Theories:** Have you ever heard someone described as "born to lead?" According to this point of view, great leaders are simply born with the necessary internal characteristics such as charisma, confidence, intelligence, and social skills that make them natural-born leaders.
Great man theories assume that the capacity for leadership is inherent – that great leaders are born, not made. These theories often portray great leaders as heroic, mythic and destined to rise to leadership when needed. The term "Great Man" was used because, at the time, leadership was thought of primarily as a male quality, especially in terms of military leadership. Such theories suggest that people cannot really learn how to become strong leaders. It's either something you are born with or born without. It is very much a nature (as opposed to nurture) approach to explaining leadership.
- **Trait Theories:** Similar in some ways to Great Man theories, trait theories assume that people inherit certain qualities and traits that make them better suited to leadership. Trait theories often identify a particular personality or behavioral characteristics shared by leaders. For example, traits like extroversion, self-confidence, and courage are all traits that could potentially be linked to great leaders.
If particular traits are key features of leadership, then how do we explain people who possess those qualities but are not leaders? This question is one of the difficulties in using trait theories to explain leadership. There are plenty of people who possess the personality traits associated with leadership, yet many of these people never seek out positions of leadership. There are also people who lack some of the key traits often associated with effective leadership yet still excel at leading groups.
- **Contingency Theories:** Contingency theories of leadership focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation. According to this theory, no leadership style is best in all situations.

Leadership researchers White and Hodgson suggest that truly effective leadership is not just about the qualities of the leader, it is about striking the right balance between behaviors, needs, and context.² Good leaders are able to assess the needs of their followers, take stock of the situation, and then adjust their behaviors accordingly. Success depends on a number of variables including the leadership style, qualities of the followers and aspects of the situation.

- **Situational Theories :** Situational theories propose that leaders choose the best course of action based upon situational variables. Different styles of leadership may be more appropriate for certain types of decision-making. For example, in a situation where the leader is the most knowledgeable and experienced member of a group, an authoritarian style might be most appropriate. In other instances where group members are skilled experts, a democratic style would be more effective.
- **Behavioral Theories :** Behavioral theories of leadership are based upon the belief that great leaders are made, not born. Consider it the flip-side of the Great Man theories. Rooted in behaviorism, this leadership theory focuses on the actions of leaders, not on mental qualities or internal states. According to this theory, people can *learn* to become leaders through teaching and observation.
- **Participative Theories:** Participative leadership theories suggest that the ideal leadership style is one that takes the input of others into account. These leaders encourage participation and contributions from group members and help group members feel more relevant and committed to the decision-making process. In participative theories, however, the leader retains the right to allow the input of others.
- **Management Theories:** Management theories, also known as transactional theories, focus on the role of supervision, organization and group performance. These theories base leadership on a system of rewards and punishments. Managerial theories are often used in business; when employees are successful, they are rewarded; when they fail, they are reprimanded or punished.
- **Relationship Theories:** Relationship theories, also known as transformational theories, focus upon the connections formed between leaders and followers. Transformational leaders motivate and inspire people by helping group members see the importance and higher good of the task. These leaders are focused on the performance of group members, but also want each person to fulfill his or her potential. Leaders with this style often have high ethical and moral standards.

Previous Year Question**Nov. – 2017 (Paper – II)**

1. Who among the following is not associated with theories of motivation ?

- (1) A.H. Maslow
- (2) Cris Argyris
- (3) Frederick Herzberg
- (4) Peter F. Drucker

2. As per the Herzberg's Hygiene Theory of motivation, which among the following is not a motivational factor ?

- (1) Recognition
- (2) Working Conditions
- (3) Responsibility
- (4) Achievements

3. According to Hersey and Blanchard's situational approach to leadership, the participating style of leadership has:

- (1) High task and low relationship orientation.
- (2) High task and high relationship orientation.
- (3) Low task and high relationship orientation.
- (4) Low task and low relationship orientation.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	24	4	6.4.4
2.	25	2	6.4.4
3.	25	3	6.4.8

July- 2018 (Paper-II)

1. Functional Leadership Theory is associated with:

- (1) Hackman and Walton and McGrath
- (2) Bernard and Ordway Tead
- (3) Koontz and O'Donnell
- (4) Alford and Beatty

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	35	1	6.4.8

Sub Unit - 5:

CORPORATE GOVERNANCE AND BUSINESS ETHICS

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6.5.1 Meaning of Corporate Governance: Corporate Governance refers to the way a corporation is governed. It is the technique by which companies are directed and managed. It means carrying the business as per the stakeholders' desires. It is actually conducted by the board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.

Corporate Governance is the interaction between various participants (shareholders, board of directors, and company's management) in shaping corporation's performance and the way it is proceeding towards.

Corporate Governance ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.

Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment.

6.5.2 Benefits of Corporate Governance

- Good corporate governance ensures corporate success and economic growth.
- Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
- It lowers the capital cost.
- There is a positive impact on the share price.
- It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
- Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
- It helps in brand formation and development.
- It ensures organization in managed in a manner that fits the best interests of all.

6.5.3 Principles of Corporate Governance (or major issues involved in corporate governance)

- **Transparency:** Transparency means the quality of something which enables one to understand the truth easily. In the context of corporate governance, it implies an accurate, adequate and timely disclosure of relevant information about the operating results etc. of the corporate enterprise to the stakeholders.

In fact, transparency is the foundation of corporate governance; which helps to develop a high level of public confidence in the corporate sector. For ensuring transparency in corporate administration, a company should publish relevant information about corporate affairs in leading newspapers, e.g., on a quarterly or half yearly or annual basis.

- **Accountability:** Accountability is a liability to explain the results of one's decisions taken in the interest of others. In the context of corporate governance, accountability implies the responsibility of the Chairman, the Board of Directors and the chief executive for the use of company's resources (over which they have authority) in the best interest of company and its stakeholders.
- **Independence:** Good corporate governance requires independence on the part of the top management of the corporation i.e. the Board of Directors must be strong non-partisan body; so that it can take all corporate decisions based on business prudence. Without the top management of the company being independent; good corporate governance is only a mere dream.

6.5.4 SEBI Code of Corporate Governance: To promote good corporate governance, SEBI (Securities and Exchange Board of India) constituted a committee on corporate governance under the chairmanship of Kumar Mangalam Birla. On the basis of the recommendations of this committee, SEBI issued certain guidelines on corporate governance; which are required to be incorporated in the listing agreement between the company and the stock exchange.

Board of Directors:

- The Board of Directors of the company shall have an optimum combination of executive and non-executive directors.
- The number of independent directors would depend on whether the chairman is executive or non-executive.

In case of non-executive chairman, at least, one third of the Board should comprise of independent directors; and in case of executive chairman, at least, half of the Board should comprise of independent directors.

The expression 'independent directors' means directors, who apart from receiving director's remuneration, do not have any other material pecuniary relationship with the company.

Audit Committee: The company shall form an independent audit committee whose constitution would be as follows:

- It shall have minimum three members, all being non-executive directors, with the majority of them being independent, and at least one director having financial and accounting knowledge.
- The Chairman of the committee will be an independent director.
- The Chairman shall be present at the Annual General Meeting to answer shareholders' queries.

The audit committee shall have powers which should include the following:

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if considered necessary.

(3) The role of audit committee should include the following:

- Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor.
- Reviewing the adequacy of internal audit function
- Discussing with external auditors, before the audit commences, the nature and scope of audit; as well as to have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.

Remuneration of Directors: The following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the Annual Report:

- (i) All elements of remuneration package of all the directors i.e. salary, benefits, bonus, stock options, pension etc.
- (ii) Details of fixed component and performance linked incentives, along with performance criteria.

Board Procedure Some Points in this Regards are:

- Board meetings shall be held at least, four times a year, with a maximum gap of 4 months between any two meetings.
- A director shall not be a member of more than 10 committees or act as chairman of more than five committees, across all companies, in which he is a director.

Management: A Management Discussion and Analysis Report should form part of the annual report to the shareholders; containing discussion on the following matters (within the limits set by the company's competitive position).

- Opportunities and threats
- Segment-wise or product-wise performance
- Risks and concerns
- Discussion on financial performance with respect to operational performance

Shareholders:

(i) In case of appointment of a new director or reappointment of a director, shareholders must be provided with the following information:

- A brief resume (summary) of the director
- Nature of his expertise
- Number of companies in which he holds the directorship and membership of committees of the Board.

(ii) A Board Committee under the chairmanship of non-executive director shall be formed to specifically look into the redressing of shareholders and investors' complaints like transfer of shares, non-receipt of Balance Sheet or declared dividends etc. This committee shall be designated as 'Shareholders / Investors Grievance Committee'.

Report on Corporate Governance: There shall be a separate section on corporate governance in the Annual Report of the company, with a detailed report on corporate governance.

Compliance: The company shall obtain a certificate from the auditors of the company regarding the compliance of conditions of corporate governance. This certificate shall be annexed with the Directors' Report sent to shareholders and also sent to the stock exchange.

6.5.5 Definition of Business Ethics: Business Ethics refers to carrying business as per self-acknowledged moral standards. It is actually a structure of moral principles and code of conduct applicable to a business. Business ethics are applicable not only to the manner the business relates to a customer but also to the society at large. It is the worth of right and wrong things from business point of view.

Business ethics not only talk about the code of conduct at workplace but also with the clients and associates. Companies which present factual information, respect everyone and thoroughly adhere to the rules and regulations are renowned for high ethical standards. Business ethics implies conducting business in a manner beneficial to the societal as well as business interests. Every strategic decision has a moral consequence. The main aim of business ethics is to provide people with the means for dealing with the moral complications. Ethical decisions in a business have implications such as satisfied work force, high sales, low regulation cost, more customers and high goodwill.

Some of ethical issues for business are relation of employees and employers, interaction between organization and customers, interaction between organization and shareholders, work environment, environmental issues, bribes, employees rights protection, product safety etc.

6.5.6 Principles of Business Ethics: Below is a list of some significant ethical principles to be followed for a successful business-

- Protect the basic rights of the employees/workers.
- Follow health, safety and environmental standards.
- Continuously improvise the products, operations and production facilities to optimize the resource consumption.

- Do not replicate the packaging style so as to mislead the consumers.
- Indulge in truthful and reliable advertising.
- Strictly adhere to the product safety standards.
- Accept new ideas. Encourage feedback from both employees as well as customers.
- Present factual information. Maintain accurate and true business records.
- Treat everyone (employees, partners and customers) with respect and integrity.
- The mission and vision of the company should be very clear to it.
- Do not get engaged in business relationships that lead to conflicts of interest. Discourage black marketing, corruption and hoarding.
- Meet all the commitments and obligations timely.
- Encourage free and open competition. Do not ruin competitors' image by fraudulent practices.
- The policies and procedures of the Company should be updated regularly.
- Maintain confidentiality of personal data and proprietary records held by the company.
- Do not accept child labour, forced labour or any other human right abuses.

Previous Year Question**June – 2015 (Paper – III)**

1. Find out the correct combination of statements with regard to business ethics.
 - a. Business ethics is the behaviour that a business adheres to in its daily dealings.
 - b. The ethics of a particular business can be diverse.
 - c. Business ethics has normative and descriptive dimensions.
 1. Only a and b
 2. Only a and c
 3. Only b and c
 4. All a, b, and c

2. Which one of the following is not correct about business ethics?
 1. Business ethics reflects the philosophy of business.
 2. Business ethics is a form of applied ethics.
 3. Business ethics are governed by the Govt. policies.
 4. Ethics are the standards which govern decisions on daily basis.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	24	4	6.5
2.	25	3	6.5

July – 2016 (Paper – III)

1. Which of the following is related to the practical means of determining a moral course of action ?

- (1) Meta ethics
- (2) Virtue ethics
- (3) Normative ethics
- (4) Applied ethics

2. A training technique in which trainees are first shown good management techniques in a film, are asked to play roles in a simulated situation, and are then given feedback and praise by their supervisor is known as.

- (1) Behaviour modelling
- (2) Role playing
- (3) In-house development center
- (4) Management game

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	20	3	6.5
2.	30	1	6.5

Nov. – 2017 (Paper – III)

1. Which of the following statements are correct ? Indicate the correct code.

Statement (I): Virtue ethics is a form of ethical approach associated with Aristotle which stresses the importance of developing virtuous principles, 'right' character and the pursuit of a virtuous life.

Statement (II): Utilitarianism is an ethical approach where an action is right if, and only if, it conforms to the principle of utility, whereby utility is minimised and pain and unhappiness minimised more than any alternative.

Statement (III): 'Deontological Ethics' is an ethical approach where rightness or wrongness of an action or decision is not judged to be based exclusively on the consequences of that action or decision.

Code:

- (1) (I), (II) and (III)
- (2) (I) and (II)
- (3) (I) and (III)
- (4) (II) and (III)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	54	3	6.5

July 2018 (Paper – II)

1. Which among the following is not a correct statement with regard to Corporate Governance in India ?

- (1) Every company must appoint an individual or firm as auditor.
- (2) The independent directors must attend at least three meetings a year.
- (3) One or more women directors are recommended for certain classes of companies.
- (4) The maximum number of permissible directors cannot exceed 15 in a public limited company.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	33	2	6.5

Sub Unit - 6:

HUMAN RESOURCE MANAGEMENT (HRM)

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6.6.1 Concept of HRM: Human resource management (HRM) is the practice of recruiting, hiring, deploying and managing an organization's employees. HRM is often referred to simply as human resources (HR). A company or organization's HR department is usually responsible for creating, putting into effect and overseeing policies governing workers and the relationship of the organization with its employees. The term human resources was first used in the early 1900s, and then more widely in the 1960s, to describe the people who work for the organization, in aggregate.

HRM is really employee management with an emphasis on those employees as assets of the business. In this context, employees are sometimes referred to as human capital. As with other business assets, the goal is to make effective use of employees, reducing risk and maximizing return on investment (ROI).

6.5.3 Role and Functions of HRM:

Role of HRM:

- **Recruitment:** One of the main functions of the HR team is to maintain staffing levels: to ensure the organization has the right people, in the right job, at the right time. This is a continuous task that shifts as an organization expands. This means that HR staff needs to have a firm understanding of the various roles within an organization, the qualifications necessary to fill specific roles, and a general idea of the type of person best suited to these roles.
- **Employee relations:** The lifeblood of any organization is its people. As we've written multiple times, engaged employees are more productive and can make a positive impact on a business' bottom line. To that end, the HR department is there as a liaison between the organization and employees, to make sure that employees are kept abreast of relevant information and that they, in turn, are represented by the HR team in any decisions that may impact them. A simple way of keeping staff up to date is a regular HR newsletter which details pertinent news and developments, as well as providing a forum for employees to engage.
- **Employment law compliance:** For every organization, complying with employment legislation is a requirement. From providing positive working conditions to ensuring fair work practices, the HR team is tasked with keeping an organization in line with workplace laws. This can often be a complex and every changing facet of the HR role as legislation can be tweaked sporadically if new cases or scenarios come to light.

- **Health and safety:** Promoting a safe workplace also comes under the realm of the HR department. In this role, the HR team is responsible for ensuring an organization complies with all health and safety legislation, that employee safety training is kept up to date and that workplace safety records are maintained. Promoting workplace safety is a necessary task in any organization, but it can often fall to the bottom of the priority list when employees are busy. HR departments can keep details fresh through regular communication; using video can be a good idea to capture attention and highlight particular guidelines.
- **Staff training and development:** Most organizations will have dedicated training for employees, from new hire induction training to providing leadership training to promoted staff members, and everything in between. A key aspect of a HR department is to facilitate workplace training, to make sure adequate training is being provided but also to encourage the ongoing development of employees through relevant training courses or workshops. Promoting employee development can play a significant role in staff retention and engagement and is a vital part of how a successful organization operates.

These five responsibilities traditionally made up the main functions of a HR department, however, we're now seeing a HR team that's more empowered, that enjoys a seat at the boardroom table, that's a key player in strategic planning. After all, the HR department will often have an unrivaled knowledge of an organization's greatest asset – its employees.

Functions of HRM: Since every organization is made of people, HRM is all about acquiring services of people, developing their skills, motivating them to the foremost level and making sure that they continue to maintain their commitment towards the organization.

In short, HRM is concerned with the management of employees from recruitment to retirement. Although there are many functions of human resource management, here is a list of its five major functions:

- **Recruitment and selection:** Recruitment is the process of captivating, screening, and selecting potential and qualified candidates based on objective criteria for a particular job. The goal of this process is to attract the qualified applicants and to encourage the unqualified applicants to opt themselves out.

Recruitment and selection process is very important to every organization because it reduces the costs of mistakes such as engaging incompetent, unmotivated, and under qualified employees. Firing the unqualified candidate and hiring the new employee is again an expensive process.

- **Orientation:** Many organizations do not provide a thorough orientation to the new employees. This is the fundamental step to help a new employee to adjust himself with the employer and with his new job. Employee orientation program should include the objectives and goals of the organization and how the employee can help to achieve the long-term and short-term goals of the organization.

Giving intensive orientation to the employee is one of the major functions of human resource management. The program should help the employee to know his assigned duties and his exact job description, job role, and the relationship of position to other positions in the organization. It gives clarification to the employee to take an active role in the organization.

- **Maintaining good working conditions:** It is the responsibility of the human resource management to provide good working conditions to the employee so that they may like the workplace and the work environment. It is the fundamental duty of the HR department to motivate the employees. The study has been found that employees don't contribute to the goals of the organization as much as they can. This is because of the lack of motivation.

Human resource management should come up with a system to provide financial and non-financial benefits to the employee from the various departments. Employee welfare is another concept which should be managed by HR team. Employee welfare promotes job satisfaction.

- **Managing employee relations:** Employees are the pillars of any organization. Employee relationship is a very broad concept and it is one of the crucial functions of human resource management. It also helps to foster good employee relations. They have the ability to influence behaviors and work outputs.

Management should organize activities which will help to know an employee at the personal and professional level. Well-planned employee relations will promote a healthy and balanced relation between the employee and the employer. It is the key for the organization to be successful.

- **Training and development:** Training and development are the indispensable functions of human resource management. It is the attempt to improve the current or future performance of an employee by increasing the ability of an employee through educating and increasing one's skills or knowledge in the particular subject.

6.6.3 Human Resource Planning: Human resource planning (HRP) is the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset quality employees. **Human resources** planning ensure the best fit between employees and jobs while avoiding manpower shortages or surpluses.

There are four key steps of the HRP process. They include analyzing present labor supply, **forecasting** labor demand, balancing projected labor demand with supply, and supporting organizational goals. HRP helps companies are an important investment for any business as it allows companies to remain both productive and profitable.

Features of Human Resource Planning:

- **Well Defined Objectives:** Enterprise's objectives and goals in its strategic planning and operating planning may form the objectives of human resource planning. Human resource needs are planned on the basis of company's goals. Besides, human resource planning has its own objectives like developing human resources, updating technical expertise, career planning of individual executives and people, ensuring better commitment of people and so on.
- **Determining Human Resource Needs:** **Human resource plan must incorporate the human resource needs of the enterprise. The thinking will have to be done in advance so that the persons are available at a time when they are required. For this purpose, an enterprise will have to undertake recruiting, selecting and training process also.**
- **Keeping Manpower Inventory:** **It includes the inventory of present manpower in the organization. The executive should know the persons who will be available to him for undertaking higher responsibilities in the near future.**
- **Adjusting Demand and Supply:** **Manpower needs have to be planned well in advance as suitable persons are available in future. If sufficient persons will not be available in future then efforts should be made to start recruitment process well in advance. The demand and supply of personnel should be planned in advance.**
- **Creating Proper Work Environment:** **Besides estimating and employing personnel, human resource planning also ensures that working conditions are created. Employees should like to work in the organization and they should get proper job satisfaction.**

Need and Importance of Human Resource Planning

- **Assessing Future Personnel Needs:** Whether it is surplus labour or labour shortage, it gives a picture of defective planning or absence of planning in an organization. A number of organizations, especially public sector units (PSUs) in India are facing the problem of surplus labour. It is the result of surplus labour that the companies later on offer schemes like Voluntary Retirement Scheme (VRS) to eliminate surplus staff. Thus, it is better to plan well about employees in advance. Through HRP, one can ensure the employment of proper number and type of personnel.

- **Foundation for Other HRM Functions:** HRP is the first step in all HRM functions. So, HRP provides the essential information needed for the other HRM functions like recruitment, selection, training and development, promotion, etc.
- **Coping with Change:** Changes in the business environment like competition, technology, government guidelines, global market, etc. bring changes in the nature of the job. This means changes in the demand of personnel, content of job, qualification and experience needed. HRP helps the organization in adjusting to new changes.
- **Investment Perspective:** As a result of change in the mindset of management, investment in human resources is viewed as a better concept in the long run success of the enterprise. Human assets can increase in value as opposed to physical assets. Thus, HRP is considered important for the proper planning of future employees.
- **Expansion and Diversification Plans:** During the expansion and diversification drives, more employees at various levels are needed. Through proper HRP, an organization comes to know about the exact requirement of personnel in future plans.
- **Employee Turnover:** Every organization suffers from the small turnover of labour, sometime or the other. This is high among young graduates in the private sector. This necessitates again doing manpower planning for further recruiting and hiring.
- **Conformity with Government Guidelines:** In order to protect the weaker sections of the society, the Indian Government has prescribed some norms for organizations to follow. For example, reservations for SC/ST, BC, physically handicapped, ex-servicemen, etc. in the jobs. While planning for fresh candidates, HR manager takes into consideration all the Government guidelines.
- **International Expansion Strategies:** International expansion strategies of an organization depend upon HRP. Under International Human Resource Management (IHRM), HRP becomes more challenging. An organization may want to fill the foreign subsidiary's key positions from its home country employees or from host-country or from a third country. All this demands very effective HRP.
- **Having Highly Talented Manpower Inventory:** Due to changing business environment, jobs have become more challenging and there is an increasing need for dynamic and ambitious employees to fill the positions. Efficient HRP is needed for attracting and retaining well qualified, highly skilled and talented employees.

Factors affecting Human Resource Plan: Several factors affect HRP. These factors can be classified into external factors and internal factors.

External Factors:

- **Government Policies** – Policies of the government like labour policy, industrial relations policy, policy towards reserving certain jobs for different communities and sons-of the soil, etc. affect the HRP.

- Level of Economic Development – Level of economic development determines the level of HRD in the country and thereby the supply of human resources in the future in the country.
- Business Environment – External business environmental factors influence the volume and mix of production and thereby the future demand for human resources.
- Level of Technology – Level of technology determines the kind of human resources required.
- International Factors – International factors like the demand for resources and supply of human resources in various countries.
- Outsourcing – Availability of outsourcing facilities with required skills and knowledge of people reduces the dependency on HRP and vice-versa.

Internal Factors:

- Company policies and strategies – Company policies and strategies relating to expansion, diversification, alliances, etc. determines the human resource demand in terms of quality and quantity.
- Human resource policies – Human resources policies of the company regarding quality of human resource, compensation level, quality of work-life, etc., influences human resource plan.
- Job analysis – Fundamentally, human resource plan is based on job analysis. Job description and job specification determines the kind of employees required.
- Time horizons – Companies with stable competitive environment can plan for the long run whereas the firms with unstable competitive environment can plan for only short-term range.
- Type and quality of information – Any planning process needs qualitative and accurate information. This is more so with human resource plan; strategic, organisational and specific information.
- Company's production operations policy – Company's policy regarding how much to produce and how much to buy from outside to prepare a final product influence the number and kind of people required.
- Trade unions – Influence of trade unions regarding number of working hours per week, recruitment sources, etc., affect the HRP.

Human Resource Planning at Different Levels: Different institutions make HRP at different levels for their own purposes, of which national level, industry level, unit level, departmental level and job level are important.

- National level – Generally, government at the centre plan for human resources at the national level. It forecasts the demand for and supply of human resource, for the entire nation.

- Sector level – Manpower requirements for a particular sector like agricultural sector, industrial sector or tertiary sector are projected based on the government policy, projected output/operations, etc.
- Industry level – Manpower needs of a particular industry like cement, textiles, chemical are predicted taking into account the output/operational level of that particular industry.
- Unit level – This covers the estimation of human resource needs of an organisation or company based on its corporate/business plan.
- Departmental level – This covers the manpower needs of a particular department in a company.
- Job level – Manpower needs of a particular job family within department like Mechanical Engineer is forecast at this level.
- Information technology – The impact of information technology on business activities, human resource requirement and human resource plan is significant. It requires multi skilled experts, preferably less in number.

Prerequisites for Human Resource Planning:

- There should be a proper linkage between HR plan and organizational plan.
- Top management support is essential.
- Proper balance should be kept between the qualitative and quantitative approaches to HRP.
- Involvement of operating managers is necessary.
- Proper alignment between short-term HR plans and long-term HR plans should be there.
- HR plan should have in-built flexibility in order to adopt environmental uncertainties.
- Time period of HR plan should be appropriate to needs and circumstances of the organization.

6.6.4 Recruitment and Selection:

Recruitment refers to the overall process of attracting, short listing, selecting and appointing suitable candidates for jobs (either permanent or temporary) within an organization. Recruitment can also refer to processes involved in choosing individuals for unpaid roles. Managers, human resource generalists and recruitment specialists may be tasked with carrying out recruitment, but in some cases public-sector employment agencies, commercial recruitment agencies, or specialist search consultancies are used to undertake parts of the process. Internet-based technologies which support all aspects of recruitment have become widespread.

Selection is the process of choosing the most suitable candidate for the vacant position in the organization. In other words, selection means weeding out unsuitable applicants and selecting

those individuals with prerequisite qualifications and capabilities to fill the jobs in the organization.

Process of Recruitment:

- Searching out the sources from where required persons will be available for recruitment. If young managers are to be recruited then institutions imparting instructions in business administration will be the best source.
- Developing the techniques to attract the suitable candidates. The goodwill and reputation of an organization in the market may be one method. The publicity about the company being a professional employer may also assist in stimulating candidates to apply.
- Using of good techniques to attract prospective candidates. There may be offers of attractive salaries, proper facilities for development, etc.
- The next stage in this process is to stimulate as many candidates as possible to apply for jobs. In order to select a best person, there is a need to attract more candidates.

Factors Influencing Recruitment: All enterprises, big or small, have to engage themselves in recruitment of persons. A number of factors influence this process.

- **Size of the Enterprise:** The number of persons to be recruited will depend upon the size of an enterprise. A big enterprise requires more persons at regular intervals while a small undertaking employs only a few employees. A big business house will always be in touch with sources of supply and shall try to attract more and more persons for making a proper selection. It can afford to spend more amounts in locating prospective candidates. So the size of an enterprise will affect the process of recruitment.
- **Employment Conditions:** The employment conditions in an economy greatly affect recruitment process. In under-developed economies, employment opportunities are limited and there is no dearth of prospective candidates. At the same time suitable candidates may not be available because of lack of educational and technical facilities. If the availability of persons is more, then selection from large number becomes easy. On the other hand, if there is a shortage of qualified technical persons, then it will be difficult to locate suitable persons.
- **Salary Structure and Working Conditions:** The wages offered and working conditions prevailing in an enterprise greatly influence the availability of personnel. If higher wages are paid as compared to similar concerns, the enterprise will not face any difficulty in making recruitments. An organization offering low wages can face the problem of labour turnover. The working conditions in an enterprise will determine job satisfaction of employees. An enterprise offering good working conditions like proper sanitation, lighting, ventilation, etc. would give more job satisfaction to employees and they may not leave their present job. On the other hand, if employees leave the jobs due to unsatisfactory working conditions, it will lead to fresh recruitment of new persons.

- **Rate of Growth:** The growth rate of an enterprise also affects recruitment process. An expanding concern will require regular employment of new employees. There will also be promotions of existing employees necessitating the filling up of those vacancies. A stagnant enterprise can recruit persons only when present incumbent vacates his position on retirement, etc.

Sources of Recruitment: The eligible and suitable candidates required for a particular job are available through various sources.

- **Retirements:** **The retired employees may be given the extension in their service in case of non-availability of suitable candidates for the post.**
- **Former employees:** **Former employees who had performed well during their tenure may be called back, and higher wages and incentives can be paid to them.**
- **Transfer:** **Employees may be transferred from one department to another wherever the post becomes vacant.**
- **Internal advertisement:** **The existing employees may be interested in taking up the vacant jobs. As they are working in the company since long time, they know about the specification and description of the vacant job. For their benefit, the advertisement within the company is circulated so that the employees will be intimated.**

External Sources of Recruitment:

- **Press advertisement:** A wide choice for selecting the appropriate candidate for the post is available through this source. It gives publicity to the vacant posts and the details about the job in the form of job description and job specification are made available to public in general.
- **Campus interviews:** It is the best possible method for companies to select students from various educational institutions. It is easy and economical. The company officials personally visit various institutes and select students eligible for a particular post through interviews. Students get a good opportunity to prove themselves and get selected for a good job.
- **Placement agencies:** A databank of candidates is sent to organizations for their selection purpose and agencies get commission in return.
- **Employment exchange:** People register themselves with government employment exchanges with their personal details. According to the needs and request of the organization, the candidates are sent for interviews.
- **Walk in interviews:** These interviews are declared by companies on the specific day and time and conducted for selection.
- **E-recruitment:** Various sites such as jobs.com, naukri.com, and monster.com are the available electronic sites on which candidates upload their resume and seek the jobs.
- **Competitors:** By offering better terms and conditions of service, the human resource managers try to get the employees working in the competitor's organization.

Steps in Selection Process: Typically selection process consists of the following steps but it is not necessary that all organization go through all these steps as per the requirement of the organization some steps can be skipped while performing the selection process.



- **Initial Screening:** The selection process often begins with an initial screening of applicants to remove individuals who obviously do not meet the position requirements. At this stage, a few straight forward questions are asked. An applicant may obviously be unqualified to fill the advertised position, but be well qualified to work in other open positions.
The Purpose of Screening is to decrease the number of applicants being considered for selection.
- **Completion of the Application Form:** Application Blank is a formal record of an individual's application for employment. The next step in the selection process may involve having the prospective employee complete an application for employment. This may be as brief as requiring only an applicant's name, address, and telephone number. In general terms, the application form gives a job-performance-related synopsis of applicants' life, skills and accomplishments.
The specific type of information may vary from firm to firm and even by job type within an organization. Application forms are a good way to quickly collect verifiable and fairly accurate historical data from the candidate.

- **Employment Tests:** Personnel testing is a valuable way to measure individual characteristics. Hundreds of tests have been developed to measure various dimensions of behavior. The tests measure mental abilities, knowledge, physical abilities, personality, interest, temperament, and other attitudes and behaviors. Evidence suggests that the use of tests is becoming more prevalent for assessing an applicant's qualifications and potential for success. Tests are used more in the public sector than in the private sector and in medium-sized and large companies than in small companies.
- **Job Interview:** An interview is a goal-oriented conversation in which the interviewer and applicant exchange information. The employment interview is especially significant because the applicants who reach this stage are considered to be the most promising candidates.
- **Conditional Job Offer:** Conditional job offer means a tentative job offer that becomes permanent after certain conditions are met. If a job applicant has passed each step of the selection process so far, a conditional job offer is usually made. In essence, the conditional job offer implies that if everything checks out – such as passing a certain medical, physical or substance abuse test – the conditional nature of the job offer will be removed and the offer will be permanent.
- **Background Investigation:** Background Investigation is intended to verify that information on the application form is correct and accurate. This step is used to check the accuracy of application form through former employers and references. Verification of education and legal status to work, credit history and criminal record are also made. Personal reference checks may provide additional insight into the information furnished by the applicant and allow verification of its accuracy. Past behavior is the best predictor of future behavior. It is important to gain as much information as possible about past behavior to understand what kinds of behavior one can expect in the future.

- **Medical/Physical Examination:** After the decision has been made to extend a job offer, the next phase of the selection process involves the completion of a medical/physical examination. This is an examination to determine an applicant's physical fitness for essential job performance. Typically, a job offer is contingent on successfully passing this examination.
- **Permanent Job Offer:** Individuals who perform successfully in the preceding steps are now considered eligible to receive the employment offer. The actual hiring decision should be made by the manager in the department where the vacancy exists.

Difference between Recruitment and Selection

Basis	Recruitment	Selection
Meaning	It is an activity of establishing contact between employers and applicants.	It is a process of picking up more competent and suitable employees.
Objective	It encourages large number of Candidates for a job.	It attempts at rejecting unsuitable candidates.
Process	It is a simple process.	It is a complicated process.
Hurdles	The candidates have not to cross over many hurdles.	Many hurdles have to be crossed.
Approach	It is a positive approach.	It is a negative approach.
Sequence	It proceeds selection.	It follows recruitment.
Economy	It is an economical method.	It is an expensive method.
Time Consuming	Less time is required.	More time is required.

6.6.5 Training and Development: Training and development involves improving the effectiveness of organizations and the individuals and teams within them. Training may be viewed as related to immediate changes in organizational effectiveness via organized instruction, while development is related to the progress of longer-term organizational and employee goals. While training and development technically have differing definitions, the two

are oftentimes used interchangeably and/or together. Training and development has historically been a topic within applied psychology but has within the last two decades become closely associated with human resources management, talent management, human resources development, instructional design, human factors, and knowledge management.

Advantages of Training and Development

Training and development has a cost attached to it. However, since it is beneficial for companies in the long run, they ensure employees are trained regularly. Some advantages are:

1. Helps employees develop new skills and increases their knowledge.
2. Improves efficiency and productivity of the individuals as well as the teams.
3. Proper training and development can remove bottle-necks in operations.
4. New & improved job positions can be created to make the organization leaner.
5. Keeps employees motivated and refreshes their goals, ambitions and contribution levels.

Disadvantages of training and development: Even though there are several advantages, some drawbacks of training and development are mentioned below:

1. It is an expensive process which includes arranging the correct trainers and engaging employees for non-revenue activities.
2. There is a risk that after the training and development session, the employee can quit the job.

Relation between Training and Development: There is a relation between training and development, and there is clear difference between the two based on goals to be achieved. Development is made to answer the training problems:

<i>TRAINING</i>	<i>DEVELOPMENT</i>
Training is meant for operatives	Development is meant for executives
It is reactive process	It is pro- active process
AIM: To develop additional skills	AIM: To develop the total personality
It is short term process	It is continuous process
OBJECTIVE: To meet the present need of an employee	OBJECTIVE: To meet the future need of an employee
Initiative is taken by the management	Initiative is taken by an individual.

Training and Development Process: Training and development is a continuous process as the skills, knowledge and quality of work needs constant improvement. Since businesses are changing rapidly, it is critical that companies focus on training their employees after constantly monitoring them & developing their overall personality.

Steps for training and development processes are:

1. Determine the need of training and development for individuals or teams
2. Establish specific objectives & goals which need to be achieved

3. Select the methods of training
 4. Conduct and implement the programs for employees
 5. Evaluate the output and performance post the training and development sessions.
 6. Keep monitoring and evaluating the performances and again see if more training is required.
- Hence, this concludes the definition of Training and Development along with its overview.

6.6.6 Succession Planning: Succession planning is a process for identifying and developing new leaders who can replace old leaders when they leave retire or die. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Taken narrowly, "replacement planning" for key roles is the heart of succession planning.

Steps in Succession Planning:

- **Be proactive with succession planning:** It can take time to find and prepare a promising candidate for a leadership role. As such, don't dawdle with this part of your plan. Even if you don't think you'll need a replacement in the near future, prepping someone to assume an important role creates an invaluable safety net.
- **Keep an open mind:** While the obvious successor may be the second in command, don't disregard other promising employees. Look for people who best display the skills necessary to thrive in higher positions, regardless of their current title.
- **Make the vision known:** Include potential managers in strategy conversations to help them acquire planning and leadership skills, as well as a broad vision of the organization and its objectives. Consider sharing your succession planning with human resources and your board of directors.
- **Offer regular feedback to protégés:** When someone uses well-honed presentation skills or outperforms on a project, make note of it. Keep track of these achievements in a top-performer file so you have something to reference the next time a management position opens. Diligently chronicling topics like strong work and achievement will also come in handy during performance reviews.
- **Provide training to peak performers:** As you identify your top performers, offer mentoring relationships, job shadowing and training, which are true articles of value to help them develop new skills and refine existing ones. Remember that good leaders not only need technical acumen but also strong interpersonal skills, including standout verbal and written communication abilities, as well as tact and diplomacy.
- **Do a trial run of your succession plan:** A vacation is a great time to have a potential successor step in to assume some responsibilities. The employee will gain experience while you learn how prepared the person is to take on a bigger role.

- **Use your plan to develop a hiring strategy:** Once you've identified internal employees as successors for key roles in your organization, take note of any talent gaps. In this way, the succession planning process can help you identify where to focus your recruiting efforts.

Last but not least, a succession plan is an investment in your company's future. If you are making plans to move up the ranks in the C-suite, bear in mind you'll need a successor, too, who's enthusiastic about being a boss. Knowing the importance of identifying potential future leaders and developing a succession plan, you help employees feel valued for their contributions and eager to realize their potential within the company.

Previous Year Question
June – 2015 (Paper – III)

1. Which one of the following is a traditional method for selection of personnel?

1. Interview
2. Selection test
3. Phrenology
4. Aptitude test

2. The method of training in crafts, trades and technical areas is known as:

1. Vestibule training
2. Coaching
3. Mentoring
4. Apprenticeship

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	37	3	6.6.4
2.	38	4	6.6.5

June – 2015 (Paper – II)

1. Which of the following is not a basic objective of HRM?

1. To attract HR into the organization.
2. To develop and motivate HR for better performance.
3. To have the reward and punishment system for HR.
4. To integrate and maintain HR in the organization.

2. What is 'gate hiring'?

1. To select people who approach on their own for employment in the organization.
2. To select people who are recommended by the employees.
3. To select people from public employment exchanges.
4. To select people supplied by labour contractors.

3. Matching essential managers and essential positions is a step in the process of:

1. Career cycle
2. Succession planning
3. Career planning
4. Career stages

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	36	3	6.6
2.	37	1	6.6.4
3.	38	2	6.6.6

Dec. – 2015 (Paper – II)

1. Which of the following is the most serious problem that might arise due to excessive reliance on internal recruitment?

1. Reduced job performance
2. High labour turnover
3. Lack of motivation
4. Internal resistance

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	37	4	6.6.4

July – 2016 (Paper – III)

1. Which of the following approaches is adopted for the valuation of human resource according to economic concept?

- (1) Replacement cost approach
- (2) Opportunity cost approach
- (3) Historical cost approach
- (4) None of the above

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	43	4	6.6

Jan. – 2017 (Paper – III)

1. **Assertion (A)** : Recruitment is positive while selection is negative in its application.

Reasoning (R) : Recruitment aims at increasing the job seekers while selection rejects a large number of unqualified applicants.

Codes:

- (1) (A) is correct, but (R) is not correct.
- (2) (A) and (R) both are correct, but (R) is not the right explanation of (A).
- (3) (A) and (R) both are correct and (R) is the right explanation of (A).
- (4) (A) and (R) both are incorrect.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	31	3	6.6.4

Nov. – 2017 (Paper – III)

1. Which one of the following is not a method of deciding acceptable level of reliability or consistency of measurement in selection methods ?

- (1) Regiocentric approach
- (2) Split half method
- (3) Test related method
- (4) Expectancy diagrams

2. Put the following steps of discrete selection process in correct sequence and select the correct code :

- (a) Preliminary interview
- (b) Completion of application blank
- (c) Background investigation
- (d) Physical examination
- (e) Employment tests
- (f) Comprehensive interview
- (g) Final employment decision

Code :

- (1) (b), (a), (c), (d), (e), (f), (g)
- (2) (b), (a), (e), (f), (c), (d), (g)
- (3) (a), (b), (e), (f), (c), (d), (g)
- (4) (a), (b), (d), (c), (e), (f), (g)

3. Bethel Maine of USA was the pioneer of which one of the following Laboratory training methods of employee training ?

- (1) Transactional Analysis
- (2) Business Games
- (3) Critical Incident Technique
- (4) T-group

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	30	1	6.6.4
2.	31	3	6.6.4
3.	56	4	6.6.5

July 2018 (Paper – II)

1. The VRIO framework, used in HR function in today's era, refers to four criteria. Identify the correct code which stands as correct explanation to VRIO as proposed by Barney.

- (1) Valence - Recruiting - Industrial relations - Opportunities
- (2) Vision - Rewards - Improvements - Options
- (3) Value - Rarity - Imitability - Organization
- (4) Versatile - Resource - Information - Outsourcing

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	51	3	6.6.2

December 2018

1. According to Donald Kirkpatrick, training programmes can be evaluated at four levels.

Indicate the code of correct sequence from the following:

1. Result
2. Reaction
3. Learning
4. Behavior

Choose the correct answer from the code given below:

Code:

1. (ii), (iii), (iv), (i)
2. (iv), (iii), (ii), (i)
3. (iii), (iv), (i), (ii)
4. (i), (ii), (iii), (iv)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	14	4	6.6.5

Sub Unit - 7:

COMPENSATION MANAGEMENT

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6.7.1 Job Evaluation: In simple words, job evaluation is the rating of jobs in an organisation. This is the process of establishing the value or worth of jobs in a job hierarchy. It attempts to compare the relative intrinsic value or worth of jobs within an organisation. Thus, job evaluation is a comparative process.

According to the International Labour Office (ILO) “Job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individual abilities or performance of the workers concerned”.

Objectives of job evaluation: **The main objective of job evaluation is to determine relative worth of different jobs in an organization to serve as a basis for developing equitable salary structure. States an ILO Report the aim of the majority of systems of job evaluation is to establish, on agreed logical basis, the relative values of different jobs in a given plant or machinery i.e. it aims at determining the relative worth of a job. The principle upon which all job evaluation schemes are based is that of describing and assessing the value of all jobs in the firms in terms of a number of factors, the relative importance of which varies from job to job.**

Provide a standard procedure for determining the relative worth of each job in a plant.

2. Determine equitable wage differentials between different jobs in the organisation.
3. Eliminate wage inequalities.
4. Ensure that like wages are paid to all qualified employees for like work.
5. Form a basis for fixing incentives and different bonus plans.
6. Serve as a useful reference for setting individual grievances regarding wage rates.
7. Provide information for work organization, employees’ selection, placement, training and numerous other similar problems.
8. Provide a benchmark for making career planning for the employees in the organization.

Procedure of Job evaluation: **Though the common objective of job evaluation is to establish the relative worth of jobs in a job hierarchy, there is no common procedure of job evaluation followed by all organisations. As such, the procedure of job evaluation varies from organization to organization.**

1. Preliminary Stage: This is the stage setting for job evaluation programme. In this stage, the required information’s obtained about present arrangements, decisions are made on the need for a new programme or revision of an existing one and a clear cut choice is made of the type of programme is to be used by the organization.

2. Planning Stage: In this stage, the evaluation programme is drawn up and the job holders to be affected are informed. Due arrangements are made for setting up joint working parties and the sample of jobs to be evaluated is selected.

3. Analysis Stage: This is the stage when required information about the sample of jobs is collected. This information serves as a basis for the internal and external evaluation of jobs.

4. Internal Evaluation Stage: Next to analysis stage is internal evaluation stage. In the internal evaluation stage, the sample of bench-mark jobs are ranked by means of the chosen evaluation scheme as drawn up at the planning stage. Jobs are then graded on the basis of data pending the collection of market rate data. Relative worth of jobs is ascertained by comparing grades between the jobs.

5. External Evaluation Stage: In this stage, information is collected on market rates at that time.

6. Design Stage: Having ascertained grades for jobs, salary structure is designed in this stage.

7. Grading Stage: This is the stage in which different jobs are slotted into the salary structure as designed in the preceding stage 6.

8. Developing and Maintaining Stage: This is the final stage in a job evaluation programme. In this stage, procedures for maintaining the salary structure are developed with a view to accommodate inflationary pressures in the salary levels, grading new jobs into the structure and regarding the existing jobs in the light of changes in their responsibilities and market rates. Advantages of job evaluation:

1. Job evaluation being a logical process and objective technique helps in developing an equitable and consistent wage and salary structure based on the relative worth of jobs in an organization.

2. By eliminating wage differentials within the organization, job evaluation helps in minimizing conflict between labour unions and management and, in turn, helps in promoting harmonious relations between them.

3. Job evaluation simplifies wage administration by establishing uniformity in wage rates.

4. It provides a logical basis for wage negotiations and collective bargaining.

5. In the case of new jobs, job evaluation facilitates spotting them into the existing wage and salary structure.

6. In the modern times of mechanization, performance depends much on the machines than on the worker himself/herself. In such cases, job evaluation provides the realistic basis for determination of wages.

7. The information generated by job evaluation may also be used for improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.

8. Job evaluation rates the job, not the workers. Organisations have large number of jobs with specializations. It is job evaluation here again which helps in rating all these jobs and determining the wages and salary and also removing ambiguity in them.

Drawbacks of job evaluation:

1. Job evaluation is susceptible because of human error and subjective judgment. While there is no standard list of factors to be considered for job evaluation, there are some factors that cannot be measured accurately.
2. There is a variation between wages fixed through job evaluation and market forces. Say Kerr and Fisher, the jobs which tend to rate high as compared with the market are those of junior, nurse and typist, while craft rates are relatively low. Weaker groups are better served by an evaluation plan than by the market, the former places the emphasis not on force but on equity”.
3. When job evaluation is applied for the first time in an organization, it creates doubts in the minds of workers whose jobs are evaluated and trade unions that it may do away with collective bargaining for fixing wage rates.
4. Job evaluation methods being lacking in scientific basis are often looked upon as suspicious about the efficacy of methods of job evaluation.
5. Job evaluation is a time-consuming process requiring specialised technical personnel to undertake it and, thus, is likely to be costly also.
6. Job evaluation is not found suitable for establishing the relative worth of the managerial jobs which are skill-oriented. But, these skills cannot be measured in quantitative terms.
7. Given the changes in job contents and work conditions, frequent evaluation of jobs is essential. This is not always so easy and simple.
8. Job evaluation leads to frequent and substantial changes in wage and salary structures. This, in turn, creates financial burden on organization.

Methods of Job Evaluation: There are many methods by which job evaluation is done.

1. **Ranking / Grading Method:** Under ranking method, jobs are organized in descending order of importance with the help of job description and job specification. The ranking of job is done by a committee of experts called raters. The ranking is done at departmental level, for every department the job is ranked in order of importance. The main benefits of this method are that it is simple, easily understood by all concerned and easy to operate, inexpensive and can be used conveniently in small establishments. The limitations include the degree of differences in the jobs. Sometimes it is based on the rater's general knowledge of the jobs. It is inappropriate for big company with a complex organisational structure.
2. **Factor Comparison / Weight-in-Money Method:** In this type of procedure, the jobs are ranked in the following way: Common key elements of different jobs are selected. These selected key elements are weighted and ranked. A monetary value is assigned to each element of all jobs. Then these monetary values of individual jobs are weighted. Then total value of each job is available. The major benefits if this methods are that it is more accurate and systematic as compared to simple ranking method. Different jobs also can be rated on the basis of common factors. The drawbacks of this method comprise that it is complicated, not easily explainable and expensive. Application of

weightage and monetary values may involve bias of rankers. It is difficult to install hence not used extensively.

3. **Point Rating Method:** In this method, each job is appraised separately, considering each of the job factors such as skill, effort, responsibility and working conditions and combining them into a single point score for each job. Main advantages are that it is analytical in its approach, it gives a quantitative value for each job. Basis and guidelines of valuation are standardized and codified in a user manual. Disadvantages include, manual used for rating the jobs needs periodical revision and update. It is difficult for application and unintelligible for workers.

Summary of job evaluation method:

Method	Procedure	Advantage	Disadvantage
Ranking	Rank order whole jobs for worth or compare pair of jobs	Simplest method; inexpensive easy to understand	Only general rating of worth-not very reliable; doesn't measure differences between jobs
Classification	Compare job descriptions to pre-established grade descriptors	Simple, easy to use for large numbers of jobs; one rating scale	Ambiguous. Overlapping grade descriptors
Point factor	Reduce general factors to sub-factors; Give each factor weights and points; 'Score jobs', use points to determine grades	More specific and larger numbers of factors; off the shelf plans available (e.g. Hay plan); more precise measurements	Time consuming process; more difficult to understand; greater opportunity to disagree

Principles of Job Evaluation: Job evaluation, as a scientific approach, is based upon certain sound principles. According to A.R. Kress, there are eight principles of job evaluation. They are:

1. **Rate the Job and Not Man:** Job evaluation deals with the job and not with the employee holding the position. Each job has certain definite and fixed elements. These elements should be rated on the basis of what job itself requires.
2. **Elements of Job should be Definite:** Each job, as stated already, should be divided into small elements. These elements should be fixed, definite and easily explainable. Besides, these elements should be very few in number. This will avoid any overlapping.
3. **Uniformity in Understanding:** Success in job rating is absolutely dependent on uniformity of understanding with regard to the definition of the elements and consistency in the selection of the degrees of those elements.
4. **Explained to the Employees:** Any job evaluation plan if implemented should be clearly explained to the foremen and employees. Clear-cut explanations and illustrations of the plan shall avoid misunderstanding and frustration.

5. Participation of the Foremen: The foremen should participate in the rating of the job in their own departments.

6. Co-operation from Employees: The co-operation from the employees is another condition precedent for the success of any job evaluation plan. The broad features can be discussed with the employees but the basic secrets should not be disclosed to them.

7. Talk only in Point Values: The purpose of discussion with the foremen and employees is to secure their confidence and to achieve this, avoid discussions of money value. Talk only point values and degree of each element. Discussion on money values will lead to juggling.

8. Avoid too many Occupational Wages: Too many occupational wages (or rate ranges for given labour grades) should not be established. It would be unwise to adopt an occupational wage for each in terms of point values.

6.7.2 Incentives and Fringe Benefits:

- **Incentives:** The incentive is a positive motivational influence on a person that helps improve his performance. Thus, it can be said that all the measures taken by the management to improve the performance of its employees are incentives. The incentives can be broadly classified as financial incentives and non-financial incentives.
- **Financial Incentives:** In today's socio-economic condition money has become a very important part of our lives. We need money to satisfy almost all our needs as it has purchasing power. Thus, financial incentives refer to those incentives which are in direct monetary form i.e. money or can be measured in monetary terms.
Financial incentives can be provided on an individual or group basis and satisfy the monetary and future security needs of individuals.

The most commonly used financial incentives are:

(a) Pay and Allowances: Salary is the basic incentive for every employee to work efficiently for an organization. Salary includes basic pay, dearness allowance, house rent allowance, and similar other allowances. Under the salary system, employees are given increments in basic pay every year and also an increase in their allowances from time-to-time. Sometimes these increments are based on the performance of the employee during the year.

(b) Bonus: It is a sum of money offered to an employee over and above the salary or wages as a reward for his good performance.

(c) Productivity linked Wage Incentives: Many wage incentives are linked with the increase in productivity at individual or group level. For example, a worker is paid 50 rupees per piece if he produces 50 pieces a day but if he produces more than 50 pieces a day, he is paid 5 rupees extra per piece. Thus, on the 51st piece, he will be paid 55 rupees.

(d) Profit-Sharing: Sometimes the employees are given a share in the profits of the organization. This motivates them to perform efficiently and give their best to increase the profits of the organization.

(e) **Retirement Benefits:** Retirement benefits like gratuity, pension, provident fund, leave encashment, etc. provide financial security to the employees post their retirement. Thus, they work properly when they are in service.

(f) **Stock Options or Co-partnership:** Under the Employees Stock Option Plan, the employee is offered the ordinary shares of the company at a price lower than its market price for a specified period of time. These are non-standardized offers and shares are issued as a private contract between the employer and employee. These are generally offered to management as a part of their managerial compensation package.

(g) **Commission:** Some organizations offer a commission in addition to the salary to employees for fulfilling the targets extremely well. This incentive encourages the employees to increase the client base of the organization.

(h) **Perquisites:** Several organizations offer perquisites and fringe benefits such as accommodation, car allowance, medical facilities, education facilities, recreational facilities, etc. in addition to the salary and allowances to its employees. These incentives also motivate the employees to work efficiently.

Non-Financial Incentives: Apart from the monetary and future security needs, an individual also has psychological, social and emotional needs. Satisfying these needs also plays an important role in their motivation. Non-financial incentives focus mainly on the fulfillment of these needs and thus cannot be measured in terms of money.

However, there are chances that a particular non-financial incentive may also involve the financial incentive as well. For example, when a person is promoted his psychological needs are fulfilled as he gets more authority, his status increases but at the same time, he has benefitted monetarily also as he gets a rise in salary.

The most common non-financial incentives are:

(a) **Status:** With reference to an organization, status refers to the position in the hierarchy of the organizational chart. The level of authority, responsibility, recognition, salary, perks, etc. determines the status of an employee in the organization.

A person at the top level management has more authority, responsibility, recognition and salary and vice-versa. Status satisfies the self-esteem and psychological needs of an individual and in turn, motivates him to work hard.

(b) **Organizational Climate:** Organizational climate refers to the environmental characteristics of an organization that are perceived by its employees about the organization and have a major influence on their behavior. Each organization has a different organizational climate that distinguishes it from other organizations.

(c) **Career Advancement Opportunity:** It is very important for an organization to have an appropriate skill development program and a sound promotion policy for its employees which works as a booster for them to perform well and get promoted.

Every employee desires growth in an organization and when he gets promotion as an appreciation of his work he is motivated to work better.

(d) Job Enrichment: It refers to the designing of jobs in such a way that it involves a higher level of knowledge and skill, a variety of work content, more autonomy and responsibility of employees, meaningful work experience and more opportunities of growth. When the job is interesting, it itself serves as a source of motivation.

(e) Job Security: Job security provides future stability and a sense of security among the employees. The employees are not worried about the future and thus work with more enthusiasm. Owing to the unemployment problem in our country, job security works as a great incentive for the employees. However, there is also a negative aspect of this incentive that employees tend to take their job for granted and not work efficiently.

(f) Employee Recognition Programmes: Recognition means acknowledgment and appreciation of work done by employees. Recognition in the organization boosts their self-esteem and they feel motivated. For example, declaring the best performer of the week or month, displaying their names on the notice board and giving them rewards, fall under the Employee recognition program.

(g) Employee Participation: Involving the employees in decision making regarding the issues related to them such as canteen committees, work committees, etc. also helps in motivating them and inducing a sense of belongingness in them.

(h) Employee Empowerment: Giving more autonomy and powers to subordinates also make them feel that they are important to the organization and in turn they serve the organization better.

Fringe Benefits: Fringe benefits are additions to compensation that companies give their employees. Some fringe **benefits** are given universally to all employees of a company while others may be offered only to those at executive levels. Some benefits are awarded to compensate employees for costs related to their work while others are geared to general job satisfaction.

In any case, employers use fringe benefits to help them recruit, motivate, and keep high-quality people.

Objectives of Fringe Benefits:

1. To recruit and retain the talented personnel in the organization.
2. To maintain sound industrial relations and avoid unrest in the organization.
3. To identify unsatisfied needs of the employees and convert those into satisfying needs by utilizing appropriate steps.
4. To protect social security of the employees during old age by providing provident fund, gratuity and pension.

As per Article 43 of the constitution of India, “All workers should be given living wage conditions of work ensuring decent standard of life and fuller enjoyment to ensure social and cultural opportunities.” Therefore fringe benefits act as a social level to the employees because worker is not a commodity. He is an active participant in programme of economic development and social reconstruction.

5. To develop a sense of belongingness among employees of the organization.
6. To comply various legislations related with fringe benefits which are formulated by central and state Government.

7. To ensure cooperation, loyalty and faithfulness among employees of the organization.
8. To develop Brand Image of the organization in the eyes of public.

Characters of Fringe Benefits:

- i. Fringe benefits are supplementary forms of compensation.
- ii. Such benefits are paid not as incentives but based on membership of the employees with the organization.
- iii. Benefits are linked to performance; these are extended as a condition of employment.
- iv. Such benefits raise the standards of living of employees, therefore, contributes to enrichment of quality of work life (QWL).
- v. Some of the benefits may be statutory while others may be voluntary.
- vi. Payment of fringe benefits in India are primarily made for reasons like, employee demands, presence of trade union, employers' preference to motivate employees, as social security measures and finally to create a motivating environment.

Classification of Fringe Benefits:

1. Employment Security: Benefits under this head include unemployment, insurance, technological adjustment pay, leave travel pay, overtime pay, level for negotiation, leave for maternity, leave for grievances, holidays, cost of living bonus, call-back pay, lay-off, retiring rooms, jobs to the sons/daughters of the employees and the like.

2. Health Protection: Benefits under this head include accident insurance, disability insurance, health insurance, hospitalization, life insurance, medical care, sick benefits, sick leave, etc.

3. Old Age and Retirement: Benefits under this category include deferred income plans, pension, gratuity, provident fund, old age assistance, old age counseling, and medical benefits for retired employees, traveling concession to retired employees, jobs to sons/daughters of the deceased employee and the like.

4. Personnel Identification, Participation and Stimulation: This category covers the benefits like anniversary awards, attendance bonus, canteen, cooperative credit societies, educational facilities, beauty parlor services, housing, income tax aid, counseling, quality bonus, recreational programs, stress counseling, safety measures, etc.

Other Miscellaneous Categories:**i. Payment for Time Not Worked:**

Benefits under this category include sick leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, bargaining time, travel time, etc.

ii. Extra Pay for Time Worked:

This category covers the benefits such as premium pay, incentive bonus, shift premium, old age insurance, profit sharing, unemployment compensation, Christmas bonus, Deewali or Pooja bonus, food cost subsidy, housing subsidy, recreation.

iii. Retrenchment Compensation:

The Industrial Disputes Act, 1947 provides for the payment of compensation in case of lay-off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers

have to give one month's notice or one month's wages to all the workers who are retrenched after one year's continuous service.

The compensation is paid at the rate of 15 days wage for every completed year of service with a maximum of 45 days wage in a year. Workers are eligible for compensation as stated above even in case of closing down of undertakings.

iv. Lay-Off Compensation:

Layoff is the temporary suspension or permanent termination of employment of an employee or a group of employees for business reasons, such as the decision that certain positions are no longer necessary or business slowdown or interruption in work.

Originally the term 'layoff' referred exclusively to a temporary interruption in work, as when factory work cyclically falls off. In case of lay-off, employees are entitled to lay-off compensation at the rate to 50% of the total of the basic wage and dearness allowance for the period of their lay-off except for weekly holidays. Lay-off compensation can normally be paid up to 45 days in a year.

Fringe Benefits offered by various organizations in India:

1. Hours of Work – As per Section 15 of the Factories Act, 1948, that no adult worker shall be allowed to work in a Factory for more than 48 hours in a week and more than 9 hours in a day.
2. Rest Period – Tea break or coffee break are allowed during the day to allow the worker to rest.
3. Holidays – As per the Factories Act, 1948, an adult worker shall have weekly paid holiday in general on Sunday or any other day in a week.
4. Shift Premium – Shift premium to the workers who are required to work during second and third shifts in a day.
5. Paid Vacation – Workers are eligible for paid vacation from 15 days to 30 days in a calendar year.
6. Holidays Pay – Independence Day, Republic Day, Gandhi Jayanti, Deepawali, Dusshera, Holi, Id and Christmas are gazetted paid holidays. Generally organizations after double the normal rate of the salary if the workers worked during these holidays.
7. Sick Leave – The employees are entitled to get full day when he is out of work due to sick for a 10 days in a calendar year.
8. Maternity Benefit – The Women are entitled to maternity leave for 12 weeks (six weeks before the delivery and six weeks after the delivery) in addition to cash benefit of 75 paise per day or twice of sickness benefit, whichever is higher.
9. Disable Benefit – The employees are entitled to get the benefit under Workmen's Compensation Act 1923, if he is disabled temporarily or permanently (partial or total) during employment injury or occupational diseases.
10. Absence Leave – The pay is provided to an employee if he is absent from the work place due to the participating in training and development programmes.

11. Canteens – Fully or partially subsidized food and refreshments is provided to the employees during working hours.
12. Transport Facilities – Many organizations are providing conveyance facilities to employees from their residence to work place and back.
13. Housing Facilities – The big houses are providing company owners housing or subsidized housing facilities to their employees.
14. Purchasing Facilities – Many of the large organizations has set up the consumer stores in the employee's colonies and supply all essential goods and services at fair prices.
15. Educational Service – Educational services include tuition fees refunds, scholarships, setting up of schools and colleges, libraries and many more. These facilities not only provide to the employees of the organization but also to their family members.
16. Medical Facilities – These include clinics, hospitals and counseling services. It reduces tiredness, absenteeism and employee turnover.
17. Financial and Legal Aid – Many organizations are provided loan funds, income-tax service, assistance in legal matters and group insurance plans to their employees.
18. Recreational Facilities – Organisations provide social clubs, arrange parties and picnics, reading rooms, libraries and entertainment programmes for their employees.
19. Travel Concessions – Many organizations are providing leave and travel concessions one time in a financial year to their employees.
20. Miscellaneous – Many organisations are providing other benefits to their employees such as Dipawali gifts, birthday gifts, pooja gifts and productivity or performance rewards, etc.

Previous Year Question**Jan. – 2017 (Paper – II)**

1. A statement containing items such as job title, location, summary, duties, materials used, working conditions etc., is called

- (1) Job specification
- (2) Job evaluation
- (3) Job description
- (4) Job analysis

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	38	3	6.7

Nov. – 2017 (Paper – II)

1. The Job Description Index (JDI) Technique is used for measuring which one of the following?
- (1) Job attitudes
 - (2) Job descriptions/definitions
 - (3) Job analysis records
 - (4) Job skill requirements

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	38	1	6.7

Sub Unit - 8:

PERFORMANCE APPRAISAL INCLUDING 360 DEGREE PERFORMANCE APPRAISAL

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6.8.1 Concept of Performance Appraisal: A performance appraisal is a regular review of an employee's job performance and overall contribution to a company. Also known as an "annual review," "performance review or evaluation," or "employee appraisal," a performance appraisal evaluates an employee's skills, achievements and growth, or lack thereof. Companies use performance appraisals to give employees big-picture feedback on their work and to justify pay increases and bonuses, as well as termination decisions. They can be conducted at any given time but tend to be annual, semi-annual or quarterly

6.8.2 Performance Appraisal Types: Most performance appraisals are top-down, meaning supervisors evaluate their staff with no input from the subject. But there are other types:

- Self assessment: Individuals rate their job performance and behavior.
- Peer assessment: An individual's work group rates his performance.
- 360-degree feedback assessment: Includes input from an individual, her supervisor and her peers.
- Negotiated appraisal: A newer trend, utilizes a mediator and attempts to moderate the adversarial nature of performance evaluations by allowing the subject to present first. Also focuses on what the individual is doing right before any criticism is given. This structure tends to be useful during conflicts between subordinates and supervisors.

6.8.3 Objectives of Performance Appraisal: Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

6.8.4 Advantages of Performance Appraisal: It is said that performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which include bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
 - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
 - b. The subordinates can also understand and create a trust and confidence in superiors.
 - c. It also helps in maintaining cordial and congenial labour management relationship.
 - d. It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

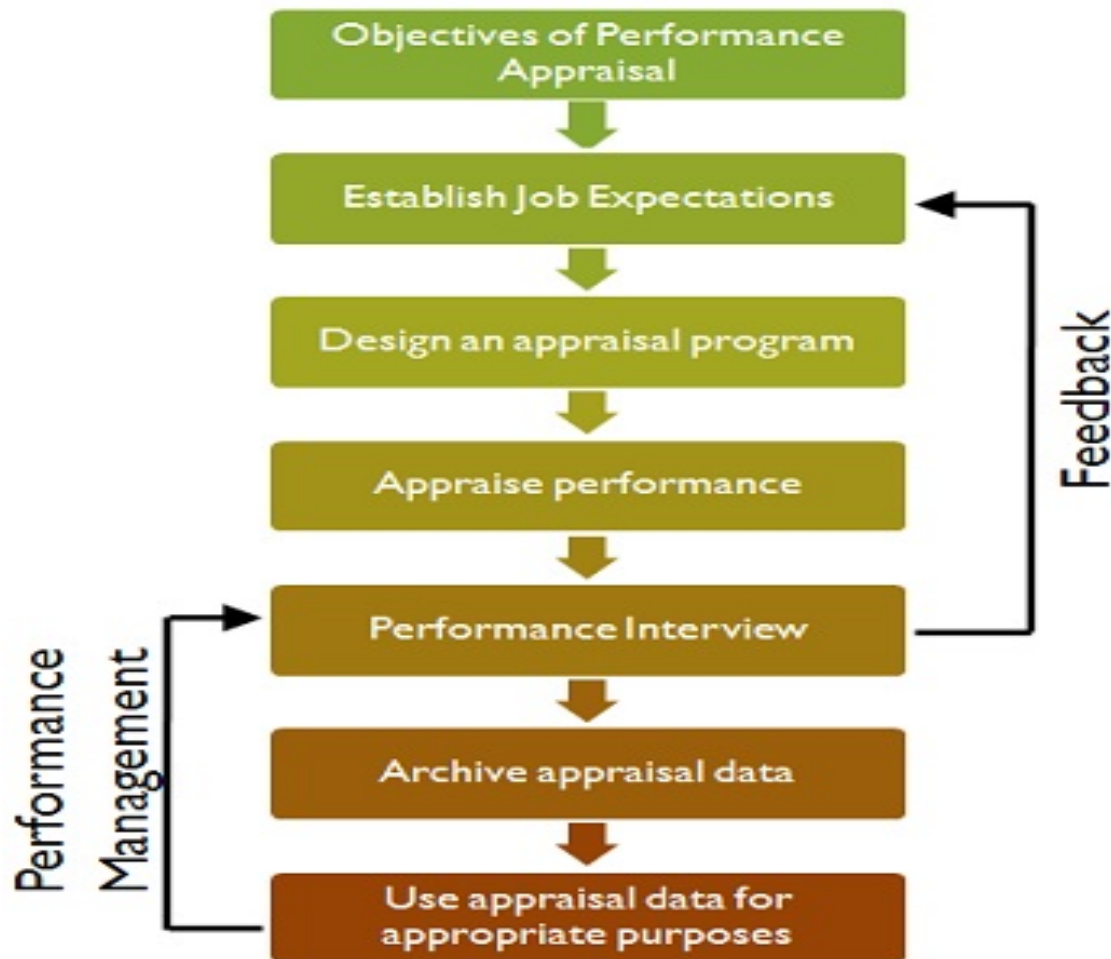
6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

6.8.5 Disadvantages of Performance Appraisal

1. If the factors being used in the performance appraisal are incorrect or not relevant, the appraisal will fail to provide any useful or effective data.
2. Sometimes, equal weightage is not given to important factors when performing an appraisal.

3. Some objective factors are very vague and difficult to gauge like attitude and initiative. There is no scientific method to measure these factors.
4. Managers are sometimes not qualified enough to correctly assess the employees and their abilities. Thus, these mistakes can be very detrimental to the growth of the company.

6.8.6 Performance Appraisal Process



The figure shown above is a standard performance appraisal process that takes place in an organization, wherein each step is important and arranged in a systematic manner. The process is conducted periodically, usually twice a year, i.e. semi-annually and annually called as mid-term review and annual review respectively.

6.8.7 Method of Performance Appraisal: In the process of designing performance appraisal process, it is important to identify the best method for assessment. There are a number of methods introduced to gauge the quantity and quality of work performed by an individual. These methods are broadly classified into two categories:

Traditional Methods:

1. Rating Scale Method: It is the most common method of assessing the performance. Under this method a scale is created from 1 to 10. The components of this method are traits like attitude, regularity, performance and accountability, which will be rated on a scale of 10. In India, many telecommunication industries are using this method to evaluate their employees. Here the employees are assessed as per the nature of the job or company. The number of points scored for all the traits are finally added; employee who scores more is regarded as good performer than the employee who has a descending score.

2. Essay Appraisal Method: It is also called the “free form method” because the superior gives a detailed description of its manpower’s performance. This will include supporting documents and examples of his/her performance. The main hitch of this method is that it is highly biased. The rater under this method may use Rating Scale method also to rate the weaknesses and strengths of an employee to validate his essay appraisal. This method is very time consuming as the rater should find enough time to collate all the documents. It is considered to be a non quantitative evaluation method of appraisal.

3. Ranking Method: Under this, the manager compares the performance of employees with other employees of the same rank or grade. A fixed percentage of employees are kept in different performance categories like excellent, average, below average, poor etc. This method is used when the managers have to make decision as to which person is the best worker for a given period, who has to be promoted, which employee is being laid off etc. Under such circumstances the Ranking Method comes handy to HR Managers in evaluating them correctly.

4. Critical Incident Method: As the name suggests these are based on events or incidents. Here logs are maintained for each employee to record the events or decisive incidents of behavior of employees. At the conclusion of the performance period these events are collated to find out the rating of the employees. The main drawback of this method is that the negative incidents are more obvious than the positive ones. Sometimes the employees will not like such close supervision by managers.

5. Confidential Report System: This method is very well known in government organizations. Here the superiors will write a confidential report on the subordinates with respect to his/her behavior and duties in the organization. This report will not be exposed to anyone, and finally will be referred the top management. In India this method is being used by most of the government organizations like the Armed Forces, Police department, CBI etc.

6. Check List Method: Under this method, the appraiser is given a set of metaphors to be used for rating the employees. This comprises of a list of questions based on which the rater evaluates the acts of the human resources.

7. Graphic Rating Scale Method: It is a widely accepted conventional technique of performance appraisal. Here the core traits of the employees are cautiously defined. These traits are assigned numbers on a scale of 5 to evaluate for a given appraisal period. The values of each trait is added to find out the best performer during the period of performance appraisal, the score will vary from person to person giving the appraiser a clear picture as to who is the best performer.

Modern Methods:

1. The BARS Method: This is called Behaviorally Anchored Rating Scale which is comparatively a new one. It's a combination of two methods like graphical rating scale and critical incident method. This method consists of a set of behavioral statements that explains the performance of the resources towards a particular job as good or bad. These statements are derived from critical incidents or events. Under this method the definite behavior is compared with the preferred behavior. The critical behavior thus obtained is given a numeric value based on which performance is rated.

2. Human Resource Accounting Method: This method measures the efficiency of personnel management behavior and how the people are used in an organization. This is handing over, budgeting and reporting of how much cost is involved in the acquisition of human resources, which includes salaries and wages. There is a saying, 'the human resources are the assets of an organization.' HRA method finds out net worth of these resources in monetary terms. Under this method the cost incurred on employees right from recruitment to induction is calculated and the contribution of employees which in this method is the total value added, is also calculated. The difference between the cost and input is considered to be the performance of the manpower hired; preferably the contribution from the employee's side should be greater than the cost incurred.

3. MBO (Management by Objectives): It is a process where in both the managers and subordinates recognize common goals and characterize the individual's responsibility towards achieving those goals. It is a shared goal setting method, along with setting these goals, the key constituent of MBO method is a constant performance review sessions that happens between managers and subordinates. This helps in evaluating the growth on regular basis.

6.8.8 360 Degree Performance Appraisal:

Definition of 360 Degree Performance Appraisal: The 360 degree performance appraisal system is a way to make sure the appraisal is done in a full-fledged way considering all the elements surrounded to the employee. The 360 degree performance appraisal policy is very complicated and difficult to implement. One may ask why organization should invest in 360 degree performance appraisal system? Here the answer, is for long term development of employee and to create a strong leadership front. The 360 degree performance appraisal method provides a holistic approach towards the performance of employee. It includes very important factors such as collaboration, teamwork and leadership. Development

plan based on the 360 degree performance appraisal system, effectively improve the overall performance of employee and productivity of organization. There are different steps which we follow in order to implement the 360 degree assessment. Clarity and effectiveness of the system is very important for an organization.

There exist 3 prime reasons due to which organization prefer to go for a 360 degree performance appraisal.

1. In order to get a enhance review about performance and prospective of the future leader.
2. To broaden the insight of manpower development and its needs.
3. In order to collect feedback from all the employees and to ensure the organizational justice.

Usually under 360 degree appraisal system the feedback is collected from peers subordinates customers managers and the team members of the employee. The feedback is collected using on job survey based on the performance of employees there exist four stages of a 360 degree appraisal. The first stages self appraisal followed by superior's appraisal then subordinates appraisal and lastly the peer appraisal.

6.8.9 Objectives of 360 degree performance appraisal: The objective of 360 degree feedback process differs from company to company however the main objective of 360 degree performance review used to evaluate the performance of employee in a holistic manner expert of this field often claim that a properly and effectively implemented 360 degree feedback process makes employee more comfortable with the organization and lead to their overall development along with boosting their performance.

In this Era use of 360 degree feedback system has brought a team oriented meaning to the organization. Organization is not restricted to bunch of people but it has become a bigger team. In a traditional way the appraisal was the responsibility of human resource management only, but now the objective of 360 degree performance appraisal is to collect anonymous feedback about the employee from their superiors, colleagues and peers also from the customer. This holistic approach helps to evaluate performance and well-being of employee who is working for the organization.

6.8.10 360 Degree Performance Appraisal Process: The steps of 360 degree feedback process may slightly vary from organization to organization. However the schedule of the 360 degree feedback process remains quite same. A timeline has been identified for 360 degree performance review which includes different steps which organization has to follow. The step starts with the communication about 360 degree performance appraisal method and it ends at the re-evaluation of participants.

1. Communicating the 360 degree performance review- It is very crucial to communicate the entire process to the stakeholders of the organization. The purpose and objective of 360 degree performance appraisal process should be clearly mentioned and explained to each and every participant. Also the process through which the feedback will be gathered and how the feedback will be utilized should be clearly conveyed to the stakeholders.

Time required- This process could take 2-3 weeks to communicate about the appraisal system. This can be done through in personal meeting with supervisors, managers, leaders and employees. Also it can be communicated through emails and employees should be encouraged to come forward if they have any queries related to 360 degree performance appraisal process.

2. Selection of raters- The selection of rater is one of the most important steps in 360 degree performance appraisal system. We have to choose enough number of participants in order to receive data which is relevant and comprehensive. The number of raters will depend on the employee's job profile and working relationship.

Time required- This process generally takes one to two weeks. The rater will include supervisors, direct reports, peers and perhaps some customers or clients.

3. Distribution of survey- Organizations can use online 360 degree feedback system which will allow a quicker distribution of questionnaire among the employees. The participants will receive an email with the link of questionnaire and notification. They can click on the link, start and complete the 360 degree review.

Time required- This may take one week in order to distribute survey among all the employees.

4. Submission of questionnaire- Once the survey is distributed, the participant will complete the survey online. The completed review will be provided to the evaluator. This process can take the longest time. The time required to submit a questionnaire depends on the number of raters which are involved, the job profile of employee and organization. It is highly recommended that a particular deadline should be assigned to the participant in order to quickly finish the process.

Time required- This process should take to 2-4 weeks in order to get completed feedback from the participant.

5. Completion of report- Once the review is been collected through the questionnaire method a confidential report is being produced. It depends on the delivery plan of organization sometimes once the report is ready it is directly sent to the participants or the result is been given through one-one feedback session.

Time required- if you are using an online system this very quick to produce the report, sometimes it takes 1 to 2 days.

6. Facilitation of feedback- It is recommended that the feedback should be given in a confidential manner by arranging the meeting with employee's manager or coach. This meeting will allow a great understanding about the feedback report and also provides an opportunity to discuss the strength of the employee and areas which need to be improved.

Time required- It depends on the in depth of the feedback session generally a meeting can last for 1 to 2 hours for each employee.

7. Completion of development plan- Once review is done the development plan should be created for each of the participant based on the feedback reviews received through 360 degree evaluation. It is important to develop an actionable plan which will help to improve the employee. The areas where the improvement is required should be identified as key areas based on which a training programs, workshop, coaching, conferences or mentoring should be arranged for the employee. The development of such plan helps employees to improve quickly. Time required- Generally completion of development program could take one to two weeks

8. Re- evaluating- 360 degree feedback system is not one of event; once you start the process it is important to see the consequences of the process. Specific goals and opportunities are outlined in the development program; it does make sense to check the progress. The re-evaluation of participant will enable the organization to see the changes and the area in which the employees are actually improved.

Time required- This process should be carried out after 8 to 12 months of 360 degree performance appraisal.

Previous Year Question
June- 2015 (Paper-III)

1. Behaviourally Anchored rating Scale is a technique used for:
1. Selection
 2. Succession planning
 3. Performance appraisal
 4. Recruitment

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	39	3	6.8

July- 2018 (Paper-II)

1. Which of the following code represents the full form of the term “BARS” in performance management systems ?

- (1) Business Appraisal and Rating Systems.
- (2) Balanced Assessment Reviewing Scorecard.
- (3) Behaviourally Anchored Rating Scale.
- (4) Benchmarking Appraisal Reviewing Strategy.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	85	3	6.8

Sub Unit - 9:

COLLECTIVE BARGAINING AND WORKERS' PARTICIPATION IN MANAGEMENT

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6.9.1 Collective Bargaining:

Concept of Collective Bargaining: Collective bargaining is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers' compensation and rights for workers. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong. The collective agreements reached by these negotiations usually set out wage scales, working hours, training, health and safety, overtime, grievance mechanisms, and rights to participate in workplace or company affairs.

Collective Bargaining Involves:

- (i) Negotiations
- (ii) Drafting
- (iii) Administration
- (iv) Interpretation of documents written by employers, employees and the union representatives
- (v) Organizational Trade Unions with open mind.

Forms of Collective Bargaining:

The working of collective bargaining assumes various forms. In the first place, bargaining may be between the single employer and the single union, this is known as single plant bargaining. This form prevails in the United States as well as in India.

Secondly, the bargaining may be between a single firm having several plants and workers employed in all those plants. This form is called multiple plants bargaining where workers bargain with the common employer through different unions.

Thirdly, instead of a separate union bargaining with separate employer, all the unions belonging to the same industry bargain through their federation with the employer's federation of that industry. This is known as multiple employer bargaining which is possible both at the local and regional levels. Instances in India of this industry-wide bargaining are found in the textile industry.

Essential Pre-Requisites for Collective Bargaining:

- (i) Existence of a strong representative trade union in the industry that believes in constitutional means for settling the disputes.
- (ii) Existence of a fact-finding approach and willingness to use new methods and tools for the solution of industrial problems. The negotiation should be based on facts and figures and both the parties should adopt constructive approach.

- (iii) Existence of strong and enlightened management which can integrate the different parties, i.e., employees, owners, consumers and society or Government.
- (iv) Agreement on basic objectives of the organisation between the employer and the employees and on mutual rights and liabilities should be there.
- (v) In order that collective bargaining functions properly, unfair labour practices must be avoided by both the parties.
- (vi) Proper records for the problem should be maintained.
- (vii) Collective bargaining should be best conducted at plant level. It means if there are more than one plant of the firm, the local management should be delegated proper authority to negotiate with the local trade union.
- (viii) There must be change in the attitude of employers and employees. They should realise that differences can be resolved peacefully on negotiating table without the assistance of third party.
- (ix) No party should take rigid attitude. They should enter into negotiation with a view to reaching an agreement.
- (x) When agreement is reached after negotiations, it must be in writing incorporating all term of the contract.

It may be emphasized here that the institution of collective bargaining represents a fair and democratic attempt at resolving mutual disputes. Wherever it becomes the normal mode of setting outstanding issues, industrial unrest with all its unpleasant consequences is minimized.

Main Features of Collective Bargaining:

- 1. It is a Group Action:** Collective bargaining is a group action as opposed to individual action. Both the parties of settlement are represented by their groups. Employer is represented by its delegates and, on the other side; employees are represented by their trade union.
- 2. It is a Continuous Process:** Collective bargaining is a continuous process and does not end with one agreement. It provides a mechanism for continuing and organised relationship between management and trade union. It is a process that goes on for 365 days of the year.
- 3. It is a Bipartite Process:** Collective bargaining is a two party process. Both the parties—employers and employees—collectively take some action. There is no intervention of any third party. It is mutual given-and-take rather than take-it-or-leave-it method of arriving at the settlement of a dispute.
- 4. It is a Process:** Collective bargaining is a process in the sense that it consists of a number of steps. The starting point is the presentation of charter of demands by the workers and the last step is the reaching of an agreement, or a contract which would serve as the basic law governing labour-management relations over a period of time in an enterprise.
- 5. It is Flexible and Mobile and not Fixed or Static:** It has fluidity. There is no hard and fast rule for reaching an agreement. There is ample scope for compromise. A spirit of give-and-take works unless final agreement acceptable to both the parties is reached.

6. It is Industrial Democracy at Work: Collective bargaining is based on the principle of industrial democracy where the labour union represents the workers in negotiations with the employer or employers. Industrial democracy is the government of labour with the consent of the governed—the workers. The principle of arbitrary unilateralism has given way to that of self-government in industry. Actually, collective bargaining is not a mere signing of an agreement granting seniority, vacations and wage increase, by sitting around a table.

7. It is Dynamic: It is relatively a new concept, and is growing, expanding and changing. In the past, it used to be emotional, turbulent and sentimental, but now it is scientific, factual and systematic.

8. It is a Complementary and not a Competitive Process: Collective bargaining is not a competitive process i.e., labour and management do not coopt while negotiating for the same object. It is essentially a complementary process i.e., each party needs something which the other party has, namely, labour can put greater productive effort and management has the capacity to pay for that effort and to organize and guide it for achieving the enterprise's objectives.

The behavioural scientists have made a good distinction between “distributive bargaining” and “integrative bargaining”. The former is the process of dividing up the cake which represents what has been produced by the joint efforts of management and labour.

In this process, if one party wins something, the other party, to continue the metaphor of the cake, has a relatively smaller size of the cake. So it is a win-lose' relationship. The integrative bargaining, on the other hand, is the process where both the parties can win—each party contributing something for the benefit of the other party.

9. It is an Art: Collective bargaining is an art, an advanced form of human relations.

Steps of collective bargaining:

- (1) The creation of the trade agreement,
- (2) The interpretation of the agreement, and
- (3) The enforcement of the agreement.

Each of these steps has its particular character and aim, and therefore, each requires a special kind of intellectual and moral activity and machinery.

1. The Creation of the Trade Agreement: In negotiating the contract, a union and management present their demands to each other, compromise their differences, and agree on the conditions under which the workers are to be employed for the duration of the contract. The coverage of collective bargaining is very uneven; in some industries almost all the workers are under agreement, while in others only a small portion of the employees of the firms are covered by the agreement.

The negotiating process is the part of collective bargaining more likely to make headline news and attract public attention; wage increases are announced, ominous predictions about price increase are reduction in employment are made.

2. The Interpretation of the Agreement: The administrative process is the day-to-day application of the provisions of the contract to the work situation. At the time of writing the contract, it is impossible to foresee all the special problems which will arise in applying its provisions. Sometimes, it is a matter of differing interpretations of specific clause in the contract, sometimes; it is a question of whether the dispute is even covered by the contract. Nevertheless, each case must somehow be settled. The spirit of the contract should not be violated.

3. Enforcement of the Agreement: Proper and timely enforcement of the contract is very essential for the success of collective bargaining. If a contract is enforced in such way that it reduces or nullifies the benefits expected by the parties, it will defeat basic purpose of collective bargaining. It may give rise to fresh industrial disputes. Hence, in the enforcement of the contract the spirit of the contract should not be violated.

However, new contracts may be written to meet the problems involved in the previous contract. Furthermore, as day-to-day problems are solved, they set precedents for handling similar problems in future. Such precedents are almost as important as the contract in controlling the working conditions. In short, collective bargaining is not an on-and-off relationship that is kept in cold storage except when new contracts are drafted.

Advantages of Collective Bargaining:

Perhaps the biggest advantage of this system is that, by reaching a formal agreement, both sides come to know exactly what to expect from each other and are aware of the rights they have. This can decrease the number of conflicts that happen later on. It also can make operations more efficient.

Employees who enter collective bargaining know they have some degree of protection from employer retaliation or being let go from the job. If the employer were dealing with just a handful of individuals, he might be able to afford to lose them. When he is dealing with the entire workforce, however, operations are at risk and he no longer can easily turn a deaf ear to what his employees are saying.

Even though employers might need to back down a little, this strategy gives them the benefit of being able to deal with just a small number of people at a time. This is very practical in larger companies where the employer might have dozens, hundreds or even thousands of workers on his payroll. Working with just a few representatives also can make the issues at hand seem more personal.

Agreements reached through these negotiations usually cover a period of at least a few years. People therefore have some consistency in their work environment and policies. This typically benefits the company's finance department because it knows that fewer items related to the budget might change.

On a broad scale, using this method well can result in more ethical way of doing business. It promotes ideas such as fairness and equality, for example. These concepts can spill over into other areas of a person's life, inspiring better general behavior towards others.

Disadvantages of Collective Bargaining:

A major drawback to using this type of negotiation system is that, even though everyone gets a say in what happens, ultimately, the majority rules, with only a few people determining what happens too many. This means that a large number of people, particularly in the general workforce, can be overshadowed and feel like their opinion doesn't really matter. In the worst case scenario, this can cause severe division and hostility in the group.

Secondly, it always requires at least two parties. Even though the system is supposed to pull both parties together, during the process of trying to reach an agreement, people can adopt us-versus-them mentality. When the negotiations are over, this way of looking at each other can be hard to set aside, and unity in the company can suffer.

Collective bargaining can also be costly, both in terms of time and money. Representatives have to discuss everything twice—once at the small representative meetings, and again when they relay information to the larger group. Paying outside arbitrators or other professionals quickly can run up a fairly big bill, and when someone else is brought in, things often get slower and more complex because even more people are involved.

Some people point out that these techniques have a tendency to restrict the power of employers. Employees often see this as a good thing, but from the company's perspective, it can make even basic processes difficult. It can make it a challenge to deal with individual workers, for example.

The goal of the system is always to reach a collaborative agreement, but sometimes tensions boil over. As a result, one or both parties might feel they have no choice but to muscle the other side into giving up. Workers might do this by going on strike, which hurts operations and cuts into profits. Businesses might do this by staging lockouts, which prevents members' of the workforce from doing their jobs and getting paid, negatively affecting income and overall quality of living.

Lastly, union dues are sometimes an issue. They reduce the amount of take-home pay a person has, because they usually are deducted right from his paycheck. When things are good in a company and people don't feel like they're getting anything from paying the dues, they usually become unhappier about the rates.

6.9.2 Worker's Participation in Management: Workers' participation may, broadly be taken to cover all terms of association of workers and their representatives with the decision-making process, ranging from exchange of information, consultations, decisions and negotiations to more institutionalized forms such as the presence of workers' members on management or supervisory boards or even management by workers themselves.

Characteristics: The following are the main characteristics of WPM:

1. Participation implies practices which increase the scope for employees' share of influence in decision-making process with the assumption of responsibility.
2. Participation presupposes willing acceptance of responsibility by workers.

3. Workers participate in management not as individuals but as a group through their representatives.
4. Worker's participation in management differs from collective bargaining in the sense that while the former is based on mutual trust, information sharing and mutual problem solving; the latter is essentially based on power play, pressure tactics, and negotiations.
5. The basic rationale for worker's participation in management is that workers invest their labour and their fates to their place of work. Thus, they contribute to the outcomes of organization. Hence, they have a legitimate right to share in decision-making activities of organization.

Objectives of Workers' Participation in Management:

1. Promote mutual understanding between management and workers, i.e., industrial harmony.
2. Establish and encourage good communication system at all levels.
3. Create and promote a sense of belongingness among workers.
4. Help handle resistance to change.
5. Induce a sense among workers to contribute their best for the cause of organisation.
6. Create a sense of commitment to decisions to which they were a party.

Advantages of Workers' Participation:

(a) Advantages to the Employees: These include a sense of identity and belongingness, motivation to perform better. When an organization performs better, he will have economic gains in terms of increased wages and incentives and better standard of living.

(b) Advantages to the Organization: These include, improved quality of decision-making, better implementation of the decisions, better quality performances, resulting in better profit, easier acceptability of change of technology etc., on the part of employees, better materialisation of creative ideas and suggestions.

Previous Year Question**Dec. – 2015 (Paper – III)**

1. The committees which promote worker's participation in management are usually established only at the:

1. Corporate level
2. Plant level
3. Shop floor level
4. All of the above

2. In which of the following types of collective bargaining, one party gains at the expense of the other?

1. Distributive bargaining
2. Integrative bargaining
3. Centralized bargaining
4. None of the above

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	37	4	6.9.2
2.	62	1	6.9.1

Sept. – 2016 (Paper – III)

1. Which of the following is the situation in collective bargaining when the parties are not able to move further towards settlement because one party is demanding more than the other party offers ?

- (1) Impasse
- (2) Arena
- (3) Rigid
- (4) Unmoving

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	60	1	6.9.1

Jan. – 2017 (Paper – III)

1. What is the term coined for the system of communication and consultation, either formal or informal, by which workers of an organization are kept informed, as and when required, about the affairs of the undertaking and through which they express their opinion and contribute to decision-making process of management ?

- (1) Collective Bargaining
- (2) Empowerment
- (3) Workers' participation in management
- (4) Welfare state

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	60	3	6.9.2

Sub Unit - 10

PERSONALITY

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6.10.1 Perception: Perception (from the Latin perceptio) is the organization, identification, and interpretation of sensory information in order to represent and understand the presented information, or the environment.

All perception involves signals that go through the nervous system, which in turn result from physical or chemical stimulation of the sensory system. For example, vision involves light striking the retina of the eye, smell is mediated by odor molecules, and hearing involves pressure waves.

Perception is not only the passive receipt of these signals, but it's also shaped by the recipient's learning, memory, expectation, and attention.

Perception can be split into two processes:

- (1) Processing the sensory input, which transforms this low-level information to higher-level information (e.g., extracts shapes for object recognition);
- (2) Processing which is connected with a person's concepts and expectations (or knowledge), restorative and selective mechanisms (such as attention) that influence perception.

Perception depends on complex functions of the nervous system, but subjectively seems mostly effortless because this processing happens outside conscious awareness.

Since the rise of experimental psychology in the 19th century, psychology's understanding of perception has progressed by combining a variety of techniques. Psychophysics quantitatively describes the relationships between the physical qualities of the sensory input and perception.^[6] Sensory neuroscience studies the neural mechanisms underlying perception. Perceptual systems can also be studied computationally, in terms of the information they process. Perceptual issues in philosophy include the extent to which sensory qualities such as sound, smell or color exist in objective reality rather than in the mind of the perceiver.

Although the senses were traditionally viewed as passive receptors, the study of illusions and ambiguous images has demonstrated that the brain's perceptual systems actively and pre-consciously attempt to make sense of their input.^[4] There is still active debate about the extent to which perception is an active process of hypothesis testing, analogous to science, or whether realistic sensory information is rich enough to make this process unnecessary.

The perceptual systems of the brain enable individuals to see the world around them as stable, even though the sensory information is typically incomplete and rapidly varying. Human and animal brains are structured in a modular way, with different areas processing different kinds of sensory information. Some of these modules take the form of sensory maps, mapping some

aspect of the world across part of the brain's surface. These different modules are interconnected and influence each other. For instance, taste is strongly influenced by smell.

6.10.2 Attitudes: Attitude can be defined as a mental or neural state of readiness organized through experience influencing dynamically or directly the individuals' response to all objects and situations with which it is related.

Some others have said that attitude is a learned or more or less organized tendency to respond in a persistent manner usually negatively or positively with reference to some situation, idea, object or class of such objects.

6.10.3 Emotions: The word "emotion" derives from the Latin word *emovere*, which means simply "to move." As such, emotions represent an organization's basic biological responses to environmental stimuli. In this regard, Frijda (1986) defined emotion in terms of psychological changes that an organism undergoes in readiness for action in response to stimuli. Schwarz and Clore (1983) note further that emotions represent in essence an organism's means to signal readiness for action.

In addition, emotions can be either positive or negative, with positive emotion usually signaling a safe situation and maintenance of a status quo, while negative emotions signal that something is awry and the organism needs to take action to resolve the situation. The problem with emotions, however, is that they emanate from basic psycho physiological processes deep in the limbic brain, and therefore are not fully under conscious control.

6.10.4 Group Dynamics: **Group dynamics** is a system of behaviors and psychological processes occurring within a social group (*intragroup dynamics*), or between social groups (*intergroup dynamics*). The study of group dynamics can be useful in understanding decision-making behaviour, tracking the spread of diseases in society, creating effective therapy techniques, and following the emergence and popularity of new ideas and technologies. Group dynamics are at the core of understanding racism, sexism, and other forms of social prejudice and discrimination. These applications of the field are studied in psychology, sociology, anthropology, political science, epidemiology, education, social work, business, and communication studies.

Characteristics of a Group:

Regardless of the size or the purpose, every group has similar characteristics:

- (a) 2 or more persons (if it is one person, it is not a group)
- (b) Formal social structure (the rules of the game are defined)
- (c) Common fate (they will swim together)
- (d) Common goals (the destiny is the same and emotionally connected)
- (e) Face-to-face interaction (they will talk with each other)
- (f) Interdependence (each one is complimentary to the other)

(g) Self-definition as group members (what one is who belongs to the group)

(h) Recognition by others (yes, you belong to the group).

Process/Stages of Group Development/Evolution: Group Development is a dynamic process. How do groups evolve? There is a process of five stages through which groups pass through. The process includes the five stages: forming, storming, forming, performing, and adjourning.

- **Forming:** The first stage in the life of a group is concerned with forming a group. This stage is characterized by members seeking either a work assignment (in a formal group) or other benefit, like status, affiliation, power, etc. (in an informal group). Members at this stage either engage in busy type of activity or show apathy.
- **Storming:** The next stage in this group is marked by the formation of dyads and triads. Members seek out familiar or similar individuals and begin a deeper sharing of self. Continued attention to the subgroup creates a differentiation in the group and tensions across the dyads / triads may appear. Pairing is a common phenomenon. There will be conflict about controlling the group.
- **Norming:** The third stage of group development is marked by a more serious concern about task performance. The dyads/triads begin to open up and seek out other members in the group. Efforts are made to establish various norms for task performance.

Members begin to take greater responsibility for their own group and relationship while the authority figure becomes relaxed. Once this stage is complete, a clear picture will emerge about hierarchy of leadership. The norming stage is over with the solidification of the group structure and a sense of group identity and camaraderie.

- **Performing:** This is a stage of a fully functional group where members see themselves as a group and get involved in the task. Each person makes a contribution and the authority figure is also seen as a part of the group. Group norms are followed and collective pressure is exerted to ensure the Process of Group effectiveness of the group.

The group may redefine its goals Development in the light of information from the outside environment and show an autonomous will to pursue those goals. The long-term viability of the group is established and nurtured.

- **Adjourning:** In the case of temporary groups, like project team, task force, or any other such group, which have a limited task at hand, also have a fifth stage, This is known as adjourning.

The group decides to disband. Some members may feel happy over the performance, and some may be unhappy over the stoppage of meeting with group members. Adjourning may also be referred to as mourning, i.e. mourning the adjournment of the group.

The readers must note that the four stages of group development mentioned above for permanent groups are merely suggestive. In reality, several stages may go on simultaneously.

Types of Groups: One way to classify the groups is by way of formality – formal and informal. While formal groups are established by an organization to achieve its goals, informal groups merge spontaneously. Formal groups may take the form of command groups, task groups, and functional groups.

1. Command Groups: Command groups are specified by the organizational chart and often consist of a supervisor and the subordinates that report to that supervisor. An example of a command group is a market research firm CEO and the research associates under him.

2. Task Groups: Task groups consist of people who work together to achieve a common task. Members are brought together to accomplish a narrow range of goals within a specified time period. Task groups are also commonly referred to as task forces. The organization appoints members and assigns the goals and tasks to be accomplished.

Examples of assigned tasks are the development of a new product, the improvement of a production process, or designing the syllabus under semester system.

Other common task groups are ad hoc committees, project groups, and standing committees. Ad hoc committees are temporary groups created to resolve a specific complaint or develop a process are normally disbanded after the group completes the assigned task.

3. Functional Groups: **A functional group is created by the organization to accomplish specific goals within an unspecified time frame. Functional groups remain in existence after achievement of current goals and objectives. Examples of functional groups would be a marketing department, a customer service department, or an accounting department.**

In contrast to formal groups, informal groups are formed naturally and in response to the common interests and shared values of individuals. They are created for purposes other than the accomplishment of organizational goals and do not have a specified time frame. Informal groups are not appointed by the organization and members can invite others to join from time to time.

Informal groups can have a strong influence in organizations that can either be positive or negative. For example, employees who form an informal group can either discuss how to improve a production process or how to create shortcuts that jeopardize quality.

Informal groups can take the form of interest groups, friendship groups, or reference groups.

i. Interest Group: Interest groups usually continue over time and may last longer than general informal groups. Members of interest groups may not be part of the same organizational department but they are bound together by some other common interest.

The goals and objectives of group interests are specific to each group and may not be related to organizational goals and objectives. An example of an interest group would be students who come together to form a study group for a specific class.

ii. Friendship Groups: Friendship groups are formed by members who enjoy similar social activities, political beliefs, religious values, or other common bonds. Members enjoy each other's company and often meet after work to participate in these activities. For example, a group of employees who form a friendship group may have a yoga group, a Rajasthani association in Delhi, or a kitty party lunch once a month.

iii. Reference Groups: A reference group is a type of group that people use to evaluate themselves. The main objectives of reference groups are to seek social validation and social comparison. Social validation allows individuals to justify their attitudes and values while social comparison helps individuals evaluate their own actions by comparing themselves to others. Reference groups have a strong influence on members' behavior. Such groups are formed voluntarily. Family, friends, and religious affiliations are strong reference groups for most individuals.

Factors Affecting Group Behaviour: The success or failure of a group depends upon so many factors. Group member resources, structure (group size, group roles, group norms, and group cohesiveness), group processes (the communication, group decision making processes, power dynamics, conflicting interactions, etc.) and group tasks (complexity and interdependence).

- **Group Member Resources:** The members' knowledge, abilities, skills; and personality characteristics (sociability, self-reliance, and independence) are the resources the group members bring in with them. The success depends upon these resources as useful to the task.
- **Group Size:** Group size can vary from 2 people to a very large number of people. Small groups of two to ten are thought to be more effective because each member has ample opportunity to take part and engage actively in the group. Large groups may waste time by deciding on processes and trying to decide who should participate next. Evidence supports the notion that as the size of the group increases, satisfaction increases up to a certain point. Increasing the size of a group beyond 10-12 members' results in decreased satisfaction. It is increasingly difficult for members of large groups to identify with one another and experience cohesion.
- **Group Roles:** In formal groups, roles are always predetermined and assigned to members. Each role shall have specific responsibilities and duties. There are, however, emergent roles that develop naturally to meet the needs of the groups. These emergent roles will often substitute the assigned roles as individuals begin to express themselves and become more assertive. Group roles can then be classified into work roles, maintenance roles, and blocking roles.

Work roles are task-oriented activities that involve accomplishing the group's goals. They involve a variety of specific roles such as initiator, informer, clarifier, summarizer, and reality tester.

Maintenance roles are social-emotional activities that help members maintain their involvement in the group and raise their personal commitment to the group. The maintenance roles are harmonizer, gatekeeper, consensus tester, encourager, and compromiser.

- **Group Processes: Decision-making by a group is superior, because group generates more information and knowledge, generates diverse alternatives, increases acceptance of a solution, and increases legitimacy. But it is also true, that decision making is like 'munde munde matirbhinna'.**

Decisions take longer time, minority is dominated, pressure is applied to conform to group decisions, and none is responsible for the decisions. Group processes also include communication, conflict management, and leadership that we shall discuss in details in the chapters to follow hereafter.

Informal Group vs. Formal Group: The two are different in very many ways.

Table 12. : Difference between formal and Informal Groups

<i>Basis</i>	<i>Formal Group</i>	<i>Informal Group</i>
Formation	Legally constituted, rationally designed, and consciously planned	Emerges naturally and spontaneously
Existence	Normally formal group does not arise because of informal Group	Informal group emerges while working in a Formal Group
Purpose	Well-defined and centres around survival, growth, profit, Service to Society	Ill-defined and centres around friendship, goodwill, unity and so on
Relationship	Superior-subordinate relationship	Personal and social relationship
Influenced by	Rationality and leaves no scope for personal, social, and emotional factors	Personal, social, and emotional factors
Communication	Unity of Command and line of authority followed	Pattern is grapevine, which is natural, haphazard and intricate
Leadership	Based on formal authority and position	Based on individual competence and group acceptance
Boundaries	Operates within set boundaries	No bounds, operates in different directions
Nature & Emphasis	Normative and idealistic, emphasis on efficiency, discipline, conformity, consistency and control bring in rigidity and bureaucracy in processes and practices	Reflects actual functioning, characterised by relative freedom, spontaneity, homeliness and warmth

6.10.5 Power and Politics: Power and politics in organizations are a reality that no organization can ignore. Though the evolution of the modern corporation and the concomitant rise of the managerial class with a professional way of running the firms is touted to be one of the contributory factors for the decline on power politics in organizations, one cannot just simply say that there are no power centers or people with vested interests even in the most professionally run and managed firms. The reason for this is that power and politics are as old as human nature and recorded history and hence, one cannot simply wish away the primal urge to resist those in power and in turn, try to impose the will by those in power. This is the interplay of forces within organizations wherein the top management and the senior leadership often tries to have it their way whereas those in the middle and those who have been passed over for promotion as CEOs and other C level positions try to resist such power moves.

6.10.6 Conflict and Negotiation:

- **Conflict** is a process that involves people disagreeing. Researchers have noted that conflict is like the common cold. Everyone knows what it is, but understanding its causes and how to treat it is much more challenging.
- **Negotiation** is a dialogue between two or more people or parties intended to reach a beneficial outcome over one or more issues where a conflict exists with respect to at least one of these issues. Negotiation is an interaction and process between entities who compromise to agree on matters of mutual interest, while optimizing their individual utilities. This beneficial outcome can be for all of the parties involved, or just for one or some of them. Negotiators need to understand negotiation process and other negotiators to increase their chances to close deals avoid conflicts, establishing relationship with other parties and gain profit.

Characteristics of Conflict:

1. Conflict is a Process: Conflict occurs in 'layers'. First layer is always misunderstanding. The other layers are differences of values, differences of viewpoint, differences of interest, and interpersonal differences. It is also called a process because it begins with one party perceiving the other to oppose or negatively affect its interests and ends with competing, collaborating, compromising or avoiding.

2. Conflict is Inevitable: Conflict exists everywhere. No two persons are the same. Hence they may have individual differences. And the differences may be because of values or otherwise, lead to conflict. Although inevitable, conflict can be minimized, diverted and/or resolved. Conflict develops because we are dealing with people's lives, jobs, children, pride, self-concept, ego and sense of mission. Conflict is inevitable and often good, for example, good teams always go through a "form, storm, norm and perform" period.

3. Conflict is a Normal Part of Life: Individuals, groups, and organisations have unlimited needs and different values but limited resources. Thus, this incompatibility is bound to lead to conflicts. The conflict is not a problem, but if it is poorly managed then it becomes a problem.

4. Perception: It must be perceived by the parties to it, otherwise it does not exist. In interpersonal interaction, perception is more important than reality. What we perceive and think affects our behaviour, attitudes, and communication.

5. Opposition: One party to the conflict must be perceiving or doing something the other party does not like or want.

6. Interdependence and Interaction: There must be some kind of real or perceived interdependence. Without interdependence there can be no interaction. Conflict occurs only when some kind of interaction takes place.

7. Everyone is inflicted with Conflict: Conflict may occur within an individual, between two or more individuals, groups or between organisations.

8. Conflict is not Unidimensional: It comes into different ways in accordance with degree of seriousness and capacity. At times, it may improve even a difficult situation.

Types of Conflict:

- ***On the basis of involvement:*** Conflicts may be intrapersonal (conflict with self), interpersonal (between two persons) and organisational. Organizational conflict, whether real or perceived, is of two types -intraorganizational and interorganizational. Interorganizational conflict occurs between two or more organizations.

Different businesses competing against each other are a good example of interorganizational conflict. Intraorganizational conflict is the conflict within an organization, and can be examined based upon level (e.g. department, work team, individual), and can be classified as interpersonal, intragroup and intergroup.

Interpersonal conflict—once again—whether it is substantive or affective, refers to conflict between two or more individuals (not representing the group of which they are a part of) of the same or different group at the same or different level, in an organization.

Interpersonal conflict can be divided into intergroup and intragroup conflict. While the former—intragroup—occurs between members of a group (or between subgroups within a group), intergroup—occurs between groups or units in an organization.

- ***On the basis of Scope:*** **Conflicts may be substantive and Affective. A substantive conflict is associated with the job, not individuals, while an affective conflict is drawn from emotions. Substantive conflicts may be over the facts of a situation, the method or means of achieving a solution to the problem, ends or goals, and values. Thus it includes task conflict and process conflict in its scope.**

Procedural conflicts can include disagreements about factors such as meeting dates and times, individual task assignments, group organization and leadership, and methods of resolving disagreements. Unresolved procedural conflicts can prevent work on collaborative projects. Substantive conflict can enhance collaborative decision-making. Substantive conflict is also called performance, task, issue, or active conflict.

On the other hand, an affective conflict (also called as relationship or opposite of agreeable conflict) deals with interpersonal relationships or incompatibilities and centres on emotions and frustration between parties.

Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful.

The two concepts are related to each other. If one could make a distinction between good and bad conflict, substantive would be good and affective conflict would be bad. Substantive conflict deals with disagreements among group members about the content of the tasks being performed or the performance itself.

- *On the basis of Results:* **Conflict can be Constructive or Destructive, creative or restricting, and positive or negative. Destructive conflicts are also known as dysfunctional conflicts, because such conflicts prevent a group from attaining its goals.**

Conflict is destructive when it takes attention away from other important activities, undermines morale or self-concept, polarises people and groups, reduces cooperation, increases or sharpens difference, and leads to irresponsible and harmful behaviour, such as fighting, name-calling.

On the other hand, constructive conflicts are also known as functional conflicts, because they support the group goals and help in improving performance. Conflict is constructive when it results in clarification of important problems and issues, results in solutions to problems, involves people in resolving issues important to them, causes authentic communication, helps release emotion, anxiety, and stress, builds cooperation among people through learning more about each other; joining in resolving the conflict, and helps individuals develop understanding and skills.

- *On the basis of Sharing by Groups:* **Conflicts may be Distributive and Integrative. Distributive conflict is approached as a distribution of a fixed amount of positive outcomes or resources, where one side will end up winning and the other losing, even if they do win some concessions.**

On the other hand, integrative – Groups utilizing the integrative model see conflict as a chance to integrate the needs and concerns of both groups and make the best outcome possible. This type of conflict has a greater emphasis on compromise than the distributive conflict. It has been found that the integrative conflict results in consistently better task related outcomes than the distributive conflict.

- *On the basis of Strategy:* **Conflicts may be competitive and cooperative. Competitive conflict is accumulative. The original issue that began the conflict becomes irrelevant. The original issue is more of a pretext than a cause of the conflict. Competitive conflict is marked by the desire to win the fight or argument, even if winning costs more and causes more pain than not fighting at all.**

Costs do not matter in competitive conflict, and therefore, irrationality remains its main mark. Competitive conflict is characterized by fear, which is one of the important ingredients in a conflict becoming irrational. If one is personally invested in the outcome, this too leads to irrational conclusions, especially if issues of self-esteem, whether personal or national, are involved.

Competitive conflict can either begin by, or be rationalized by, conflicts of ideology or principle. Even more, when the desire to win overtakes any specific reason for the conflict, irrationally develops.

Importantly in history, when powers are roughly equal, such as the World War I alliances were, conflict that becomes competitive and irrational nearly always develops. In economic competition customers are the winners and the firms may be at risk. But in sports competition is encouraged.

In a cooperative situation the goals are so linked that everybody 'sinks or swims' together, while in the competitive situation if one swims, the other must sink. A cooperative approach aligns with the process of interest-based or integrative bargaining, which leads parties to seek win-win solutions. Disputants that work cooperatively to negotiate a solution are more likely to develop a relationship of trust and come up with mutually beneficial options for settlement.

- *On the basis of Rights and Interests:* **Conflict of rights means where people are granted certain rights by law or by contract or by previous agreement or by established practice. If such a right is denied, it will lead to conflict. Such a conflict is settled by legal decision or arbitration, not negotiation.**

On the other hand conflict of interests means where a person or group demands certain privileges, but there is no law or right in existence. Such a dispute can be settled only through negotiation or collective bargaining.

Stages of Conflict: A manager must know various stages of conflict to handle it. The solution to conflict becomes easy before it becomes serious, if he knows of the real issue behind the conflict and how the conflict developed. Normally a conflict passes through the following stages:

- a. People recognise lack of resources, diversity of language or culture. Sensitiveness may possibly result in conflict.
- b. If there are serious differences between two or among more than two groups, the latent conflict in a competitive situation may turn out into conflict.
- c. An incident may trigger a latent conflict into an open conflict

d. Once a problem has been solved, the potential for conflict still remains in the aftermath. In fact the potential is bigger than before, if one party perceives that the resolution has resulted into win-lose situation.

Causes/ Reasons/Sources of Conflicts:

- **Cognitive (Recognition and Understanding) Dissonance (Difference of opinion):** It is a conflict between convergent (ability to narrow the number of possible solutions to a problem by applying logic and knowledge) and divergent thinking (thinking outwards instead of inward).
- **Status:** Status is a state, condition, or situation. When there is a need for status and a “wrong” person is promoted.
- **Incongruence:** A party is required to engage in an activity that is incongruent with his or her needs or interests.
- **Incompatibility:** A party holds behavioural preferences like attitudes, values, skills, goals, and perceptions, the satisfaction of which is incompatible with another person’s implementation of his or her preferences. Economics: Insufficient remuneration to employees.
- **Stress:** Conflicts from stress from external sources; i.e., functional or dysfunctional situations. Poor or Inadequate Organisational Structure and Lack of Teamwork.
- **Seeking Power:** Often a conflict for power struggle takes place when everyone wants to be a leader and nobody wants to be a follower.
- **Weak Leadership:** Conflict is bound to result if someone of less stature leads a more qualified and experienced worker. Arbitrary interpretation and application of rules and policies: Lack of transparency and openness creates dissatisfaction among the affected people.

Conflict Management Styles:

1. Avoidance (Leave-lose/win): It is non-assertive and non-cooperative. The manager may think or pretend that no conflict exists or just ignore it. This strategy is used when the effort to resolve is not worth the salt. But this approach over the time worsens the situation.

Avoidance might take the form of diplomatic sidestepping the issue or postponing resolution in time to come or simply withdrawing from a situation. A turtle is a symbol for avoidance, because it can avoid everything by pulling its head and legs into the shell to be off to everything.

2. Accommodating (Yield-lose/win): Accommodating is non-assertive and cooperative, just opposite of competing. To solve the conflict, if someone puts his interests last so as to satisfy concerns of other people by giving in, sacrificing, or accepting, or yielding to other’s view point, it is called accommodation.

However, being too accommodating too often can weaken your position to the point where your voice is never heard. There will be high relationship orientation. This style is also used when the new approach is to be used in the very near future. It may solve the conflict for the other party, but a conflict will begin in manager. This style is not objective.

A chameleon is a symbol of the accommodating style since it changes its color to match the color of its environment. By changing its color to accommodate its surroundings, the chameleon fits quietly into its environment.

3. Competing (Win/lose): The style is assertive and non-cooperative. A person puts his/her interests before anyone else's interests. It is also known as dominating style. One stands up for his rights and uses all the power to win his position. There is low relationship orientation. Managers, using this style, want others to follow his dictates or get his way.

This style can be used only when one's leadership is established. There would be low relationship orientation. Low relationships orientation a lion can be a symbol of a competitive style. The lion's roar helps the lion to satisfy its interests.

4. Compromising (Mini-win/mini-lose): It is some assertive and some cooperative. Compromise is on the path toward collaboration, somewhere between competition and accommodation. The style means mutual give-and-take to satisfy both parties, or both may say, "Something is better than nothing." It has equal distance between competing and accommodating.

There would be negotiated relationship orientation. When the objective is to move on, not to stop the journey, the manager may compromise. A zebra can be a symbol for the compromising style. A zebra's unique look seems to indicate that it didn't care if it was a black horse or a white horse, so it "split the difference" and chose black and white stripes.

5. Collaborating (Win/win): It is assertive as well as cooperative, just opposite of avoiding. It may also be called integrative style. This style focuses on satisfying the underlying concerns of both the parties, meeting many current needs by working together. Through this style, employees develop ownership and commitment. Sometimes this style gives birth to new mutual needs.

A manager should take following actions to minimize conflicts:

1. Regular Review of Job Descriptions: With the pace of change the job description must also change. But this will be possible only when the job descriptions are regularly reviewed.

2. Establish Rapport and build Relationship with all of Your Subordinates: For it, meet them at regular intervals; ask them about their achievements, problems, and challenges.

3. Regular Reports: A manager must get progress report about his subordinates regularly, indicating achievements, current needs and future scenario.

4. Training: Every manager needs to be provided training in interpersonal communication, conflict management, and delegation of authority.

5. Mutual Development of Procedures: For routine tasks, the procedures should be developed keeping in mind the inputs received from employees. If possible, encourage them to write. Such written procedures should be distributed to all concerned. If the need be, concerned employees be trained in those procedures.

6. Holding Regular Meetings: The managers need to hold regular management meetings to inform subordinates about new initiatives to be taken and the progress of current programmes.

7. Anonymous Suggestion Box: Consider such a box in which employees can provide suggestions.

Factors affecting Conflict Styles:

1. Gender: Some of us use assertive conflict modes because of our gender and particular kind of socialization. Some males, because they are male, were taught to “always stand up to someone, and, if you have to fight, then fight”. If one was socialized this way he will be more likely to use assertive conflict modes versus using cooperative modes.

2. Self-concept: The way we think and feel about ourselves and opinions about others affects as to how we approach conflict with the other person.

3. Expectations: If we believe that our team or the other person wants to resolve the conflict, we would be positive to resolve the conflict?

4. Position/Power: Where do we stand in power status relationship with the person we are in conflict? It means whether the other man is equal to, more than, or less than us in status.

5. Life Experience: Through knowledge and experience we might have gained skills about conflict and “conflict management understanding”. It enables us to determine what conflict mode to use with the particular person with whom we are in conflict.

6. Communication skills: The basic of conflict resolution and conflict management is how effectively we communicate. People using effective communication will be able to resolve conflicts with greater ease and success.

Stages in the negotiation process: However, negotiators need not sacrifice effective negotiation in favor of a positive relationship between parties. Rather than conceding, each side can appreciate that the other has emotions and motivations of their own and use this to their advantage in discussing the issue. In fact, perspective-taking can help move parties toward a more integrative solution. Fisher et al. illustrate a few techniques that effectively improve perspective-taking in their book *Getting to Yes*, and through the following, negotiators can separate people from the problem itself.

- **Put yourself in their shoes** – People tend to search for information that confirms his or her own beliefs and often ignore information that contradicts prior beliefs. In order to negotiate effectively, it is important to empathize with the other party's point of view. One should be open to other views and attempt to approach an issue from the perspective of the other.
- **Discuss each other's perceptions** – A more direct approach to understanding the other party is to explicitly discuss each other's perceptions. Each individual should openly and honestly share his or her perceptions without assigning blame or judgment to the other.
- **Find opportunities to act inconsistently with his or her views** – It is possible that the other party has prior perceptions and expectations about the other side. The other side can act in a way that directly contradicts those preconceptions, which can effectively send a message that the party is interested in an integrative negotiation.

- **Face-saving** – This approach refers to justifying a stance based on one's previously expressed principles and values in a negotiation. This approach to an issue is less arbitrary, and thus, it is more understandable from the opposing party's perspective.

Additionally, negotiators can use certain communication techniques to build a stronger relationship and develop more meaningful negotiation solution.

- **Active listening** – Listening is more than just hearing what the other side is saying. Active listening involves paying close attention to what is being said verbally and nonverbally. It involves periodically seeking further clarification from the person. By asking the person exactly what they mean, they may realize you are not simply walking through a routine, but rather take them seriously.
- **Speak for a purpose** – Too much information can be as harmful as too little. Before stating an important point, determine exactly what you wish you communicate to the other party. Determine the exact purpose that this shared information will serve.

6.10.7 Stress Management: Stress management is a wide spectrum of techniques and psychotherapies aimed at controlling a person's level of stress, especially chronic stress, usually for the purpose of and for the motive of improving everyday functioning. In this context, the term 'stress' refers only to a stress with significant negative consequences, or distress in the terminology advocated by Hans Selye, rather than what he calls eustress, a stress whose consequences are helpful or otherwise.

Stress produces numerous physical and mental symptoms which vary according to each individual's situational factors. These can include physical health decline as well as depression. The process of stress management is named as one of the keys to a happy and successful life in modern society.^[1] Although life provides numerous demands that can prove difficult to handle, stress management provides a number of ways to manage anxiety and maintain overall well-being.

Types of stress:

- **Acute stress** Acute stress is the most common form of stress among humans worldwide. Acute stress deals with the pressures of the near future or dealing with the very recent past. This type of stress is often misinterpreted for being a negative connotation. While this is the case in some circumstances, it is also a good thing to have some acute stress in life. Running or any other form of exercise is considered an acute stressor. Some exciting or exhilarating experiences such as riding a roller coaster is an acute stress but is usually very enjoyable. Acute stress is a short term stress and as a result, does not have enough time to do the damage that long term stress causes.

- **Chronic stress:** Chronic stress is unlike acute stress. It has a wearing effect on people that can become a very serious health risk if it continues over a long period of time. Chronic stress can lead to memory loss, damage spatial recognition and produce a decreased drive of eating. The severity varies from person to person and also gender difference can be an underlying factor. Women are able to take longer durations of stress than men without showing the same maladaptive changes. Men can deal with shorter stress duration better than women can but once males hit a certain threshold, the chances of them developing mental issues increases drastically.

Previous Year Question
Sept. – 2016 (Paper – III)

1. The tendency to perceive another person as belonging to a single class or category is known as
- (1) Stereotyping
 - (2) Halo effect
 - (3) Attribution
 - (4) Assimilation

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	17	1	6.10.1

Jan. – 2017 (Paper – III)

1. A descriptive thought that a person holds about something is called:

- (1) Belief
- (2) Learning
- (3) Attitude
- (4) Perception

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	53	1	6.10

Sub Unit - 11:

ORGANIZATIONAL CULTURE: ORGANIZATIONAL DEVELOPMENT AND ORGANIZATIONAL CHANGE

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6.11.1 Organizational Development:

Concept of Organizational Development: Organizational development can be defined as an objective-based methodology used to initiate a change of systems in an entity. Organizational development is achieved through a shift in communication processes or their supporting architecture. The behavior of employees allows professionals to examine and observe the work environment and anticipate change, which is then effected to accomplish sound organizational development.

Benefits of Organizational Development: Increasing productivity and efficiency comes with many benefits. However, the best way to encourage positive results is by using a well-thought-out organizational development structure. Organizational development is used to equip an organization with the right tools so that it can adapt and respond well to changes in the market. The benefits of organizational development include:

1. Continuous development: Entities that participate in organizational development continually develop their business models. Organizational development creates a constant pattern of improvement in which strategies are developed, evaluated, implemented, and assessed for quality.

In essence, the process builds a favorable environment in which a company can embrace change, both internally and externally. The change is leveraged to encourage periodic renewal.

2. Increased horizontal and vertical communication: Of considerable merit to organizational development is effective communication, interaction, and feedback in an organization. An efficient communication system aligns employees with mutual goals, values, and objectives. An open communication system enables employees to understand the importance of change in an organization. An active organizational development increases communication in an organization, and feedback is shared continuously shared to encourage improvement.

3. Employee growth: Organizational development places significant emphasis on effective communication to encourage employees to effect necessary changes. Many industry changes require employee development programs. As a result, many organizations are working towards improving the skills of their employees to equip them with market-relevant skills and the right attitude.

4. Enhancement of products and services: Innovation is one of the main benefits of organizational development, and it is often associated with the improvement of products and services. One approach to change is employee development, and its critical focal point is a reward for motivation and success.

In such a case, the engagement of employees is very high, which leads to innovation and productivity. Through competitive analysis, consumer expectations, and market research, organizational development promotes change.

5. Increased profit margins: Organizational development influences the bottom line in many different ways. As a result of increased productivity and innovation, profits and efficiency increase as well. Costs come down because the organization can manage turnover and absenteeism. After the alignment of an entity's objectives, it can focus entirely on development and product and service quality, leading to improvements in employee satisfaction.

Organizational Development Process: A conventional approach in the organizational development process is the action research model. The model is used by many organizations to guide the OD process. It entails what its name describes – research and action.

However, there is much more to the OD process than just research and engagement. There are multiple loops used to transmit feedback, and it is why organizational development is receptive to change.

Components of the Action Research Model: The action research model comprises six key components:

1. Problem diagnosis: The organization development process begins by recognizing problems. The method of diagnosis usually takes the form of data gathering, assessment of cause, as well as an initial investigation to ascertain options.

2. Feedback and assessment: The feedback and assessment step often involves proper investigation of identified problems so that there is a deep understanding of the challenge at hand. It can include an appraisal of documents, focus groups, customer or employee surveys, hiring consultants, and interviewing current employees. Information gathered is used to re-evaluate the challenges in the first step.

3. Planning: Once an organization defines and understands its challenge, an action plan is put together. The plan lays down all the intervention measures that are appropriate for the problem at hand. Usually, the measures include training seminars, workshops, team building, radical changes, as well as changing teams. Additionally, measurable objectives, which define the expected results, form an integral part of the overall plan.

4. Intervention and implementation: Once a plan is in place, the intervention phase commences. Since the organization development process is complicated, implementation processes follow suit. As an example, if training classes are preferred over other methods, test results will form the basis upon which the training process is evaluated. The objective at this point is to ensure the required changes takes place. If that is not the case, feedback is assessed and used to bring about the required change.

5. Evaluation: As soon as the intervention plan is complete, the outcome of the change in the organization is assessed. If the required change does not take place, the organization looks for the cause. Adjustments are made to ensure the obstacle is eliminated.

6. Success: Success denotes that the desired change took place. A proper plan and efficiency standards are put in place to ensure that the new switch is sustainable. Ongoing monitoring is needed to ensure that implemented changes last. Furthermore, as markets and organizations change, new problems can arise, leading to the push for further development. Great organizations evolve continuously.

Characteristics of Organizational Development:

1. Organizational development is an educational strategy for bringing a planned change.
2. It is related to real problems of the organization.
3. Laboratory training methods based on experienced behaviour are primarily used to bring change.
4. O.D. uses change agent (or consultant) to guide and affect the change. The role of change agent is to guide groups towards more effective group processes rather than telling them what to do. Change agents simply assist the group in problem solving processes and the groups solve the problems themselves.
5. There is a close working relationship between change agents and the people who are being changed.
6. O.D. seeks to build problem-solving capacity by improving group dynamics and problem confrontation.
7. O.D. reaches into all aspects of the organization culture in order to make it more humanly responsive.
8. O.D. is a long term approach (of 3 to 5 years period) and is meant to elevate the organization to a higher level of functioning by improving the performance and satisfaction of organization members.
9. O.D. is broad-based and describes a variety of change programmes. It is concerned not only with changes in organizational design but also with changes in organizational philosophies, skills of individuals and groups.
10. O.D. is a dynamic process. It recognises that the goals of the organization change and hence the methods of attaining them should also change.
11. O.D. utilizes systems thinking. It is based on open, adaptive systems concept. The organization is treated as an interrelated whole and no part of the organization can be changed without affecting other parts.
12. O.D. is research based. Change agents conduct surveys, collect data, evaluate and then decisions are taken.
13. O.D. uses group processes rather than individual process. It makes efforts to improve group performance.
14. O.D. is situational and contingency oriented.
15. Organization Development and Management Development are complementary rather than conflicting.

Steps in Organisational Development (O.D):

- 1. Problem identification—Diagnosis:** O.D. program starts with the identification of the problem in the organisation. Correct diagnosis of the problem will provide its causes and determine the future action needed.
- 2. Planning Strategy for Change:** O.D. consultant attempts to transform diagnosis of the problem into a proper action plan involving the overall goals for change, determination of basic approach for attaining these goals and the sequence of detailed scheme for implementing the approach.
- 3. Implementing the Change:** O.D. consultants play an important role in implementing change.
- 4. Evaluation:** O.D. is a long-term process. So there is a great need for careful monitoring to get process feedback whether the O.D. programme is going on well after its implementation or not. This will help in making suitable modifications, if necessary. For evaluation of O.D. programme, the use of critic sessions, appraisal of change efforts and comparison of pre- and post-training behavioural patterns are quite effective.

6.11.2 Organizational Change:

Concept of Organizational Change: Organizational change refers to any alteration that occurs in total work environment. Organizational change is an important characteristic of most organisations. An organization must develop adaptability to change otherwise it will either be left behind or be swept away by the forces of change. Organizational change is inevitable in a progressive culture. Modern organizations are highly dynamic, versatile and adaptive to the multiplicity of changes.

Organizational change refers to the alteration of structural relationships and roles of people in the organization. It is largely structural in nature. An enterprise can be changed in several ways. Its technology can be changed; its structure, its people and other elements can be changed. Organizational change calls for a change in the individual behaviour of the employees.

Causes of Organizational Change:

(A) External Pressures:

- i. Change in Technology and Equipment:** Advancements in technology is the major cause (i.e., external pressure) of change. Each technological alternative results in new forms of organization to meet and match the needs.
- ii. Market Situation:** Changes in market situation include rapidly changing goals, needs and desires of consumers, suppliers, unions etc. If an organization has to survive, it has to cope with changes in market situations.
- iii. Social and Political Changes:** Organizational units literally have no control over social and political changes in the country. Relations between government and business or drive for social equality are some factors which may compel for organizational change.

(B) Internal Pressures (Pressures for Change from Within the Organization):

i. Changes in the Managerial Personnel: One of the most frequent reasons for major changes in the organization is the change of executives at the top. No two managers have the same style, skills or managerial philosophies.

ii. Deficiencies in the Existing Organization: Many deficiencies are noticed in the organisations with the passage of time. A change is necessary to remove such deficiencies as lack of uniformity in the policies, obstacles in communication, any ambiguity etc.

iii. Other Factors: Certain other factors such as listed below also demand a change in the organization.

Employee's desire to share in decision-making

Employee's desire for higher wage rate

Improvement in working conditions, etc.

Response to Organizational Change: Every change is responded by the people working in the organization. These responses may be positive or negative depending upon the fact as how they affect people.

Before introducing a change, the manager should study and understand employee's attitudes so as to create a positive response. Three sets of factors-psychological, personal and social-govern the attitude of people.

Process of Organizational Change:

Unless the behavioural patterns of the employees change, the change will have a little impact on the effectiveness of the organization.

(1) Unfreezing: The essence of unfreezing phase is that the individual is made to realize that his beliefs, feelings and behaviour are no longer appropriate or relevant to the current situation in the organization. Once convinced, people may change their behaviour. Reward for those willing to change and punishment for others may help in this matter.

(2) Changing: Once convinced and ready to change, an individual, under this phase, learns to behave in new ways. He is first provided with the model in which he is to identify himself. Gradually he will accept that model and behave in the manner suggested by the model. In another process (known as internalisation), the individual is placed in a situation where new behaviour is demanded of him if he is to operate successfully.

(3) Refreezing: During this phase, a person has to practice and experiment with the new method of behaviour and see that it effectively blends with his other behavioural attitudes. Reinforcement, for creating a permanent set in the individual, is provided through either continuous or intermittent schedules.

Resistance to Organizational Change: Resistance to change is perhaps one of the baffling problems a manager encounters because it can take many shapes. People may resign, they may show tardiness, loss of motivation to work, increased absenteeism, request for transfer, wild-cat strikes, shoddy work, reduction in productivity etc.

Classification of Resistance to Change:

Resistance to change may be classified as:

1. Industrial Resistance
2. Organizational Resistance

1. Industrial Resistance: Individual resistance may be there because of the following reasons:

A. Economic Reasons:

(a) Obsolescence of Skills: When a person feels that with the introduction of newer processes, his skills will just become obsolete, he will resist the change. For example, a twenty years experienced accountant is quite likely to resist the introduction of a computer for preparing the wage bills because he feels that might affect his pay and position.

(b) Fear of Economic Loss: People resist change if it opens the possibility of lowering their income directly or indirectly.

B. Personal Reasons:

(a) Ego Defensiveness: A sales manager may turn down the suggestions of a salesman simply because the manager perceives that his ego may be deflated by accepting the suggestion.

(b) Status Quo: Most of the people feel comfortable with status quo and strongly resist change as it may involve uncertainty and risk.

(c) Fear of Unknown: Change presents unknown and unknown poses a constant threat and sores people. For fear of unknown, a manager may refuse promotion that requires his relocating in another state.

C. Social Reasons:

(a) Social Displacement: Introduction of change (e.g., relocating) may result in breaking up of work groups and thus result in disturbance of the existing social relationships of people.

(b) Peer Pressure: Whenever change is unwilling to the peers, they force the individual subordinate employees who are bent of accepting the change, to resist it.

2. Organizational Resistance: Resistance may also be present at organizational level. Some organizations are so designed that they resist innovations.

Some of the reasons of organizational resistance are:

(a) Threats to Power and Influence: Some people (especially sitting at the top levels) resist change because they feel that a change might affect their position, power and influence in the organization.

(b) Organizational Structure: Some organization structures (e.g., bureaucratic structure) have inbuilt mechanism for resistance to change.

(c) Resource Constraints: Non-availability of financial, material and human resources may also act as a resistance to change.

(d) Sunk Cost: In some companies, heavy capital is blocked in the fixed or permanent assets. If such an organization wishes to introduce change, then difficulty arises because of these sunk costs.

Overcoming Resistance to Organizational Change: **Change creates tension and emotional turmoil in the minds of employees. Change thus results in resistance quite frequently, negative reactions doom the success of the change program especially when a manager is unable to handle it properly.**

Some of the techniques to handle the change properly and to deal with resistance to change are:

(a) Education and Communication: One of the easiest techniques to overcome resistance to change is to educate the people who resist it. In many cases, people do not properly understand the change and hence become afraid of its consequences and resist change.

(b) Participation and Involvement: If subordinates are allowed to participate and involve themselves in the change process (decision-making regarding the implementation of the change), their misunderstandings about the consequences of change are cleared, they generally feel satisfied and do not oppose change.

(c) Support: Support may be facilitative and emotional. Managers sometimes deal with potential resistance by being supportive. This includes listening, providing emotional support, providing training in new skills etc.

(d) Incentives: Offering incentive is another fruitful way to overcome resistance to change.

(e) Manipulation: Managers generally indulge in manipulation when all other tactics have failed to overcome resistance to change.

(f) Coercion: At times, there is no way except to deal with resistance coercively. People are forced to accept change by threatening them with loss of their jobs, promotion possibilities and so forth.

Previous Year Question**Dec. – 2015 (Paper – II)**

1. The classical organization theory treats organization as a / an:

- (1) Open system
- (2) Closed System
- (3) Technical System
- (4) Macro System

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	23	2	6.11

Sept. – 2016 (Paper – III)

1. Which of the following is the ongoing process of systematically identifying, assessing and developing organisational leadership to enhance performance ?

- (1) Executive Planning
- (2) Role Planning
- (3) Replacement Planning
- (4) Succession Planning

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	55	4	6.11