

# EOM NOTES

## Lecture 1 - 3/08 (Monday)

### Basics of Management

#### Organization

-> An organisation is a social system of people who are structured and managed to meet some goals. (common goals).

-> Organisations are ongoing and the structure determines the relationship between the functions and positions/roles. (filled by human resources)

-> Structure also subdivides roles, responsibilities, and authority to carry out the tasks.

-> Organisations are open systems which are affected by the environment outside its boundary.

#### Overview of organizational process - ITS COMPONENTS

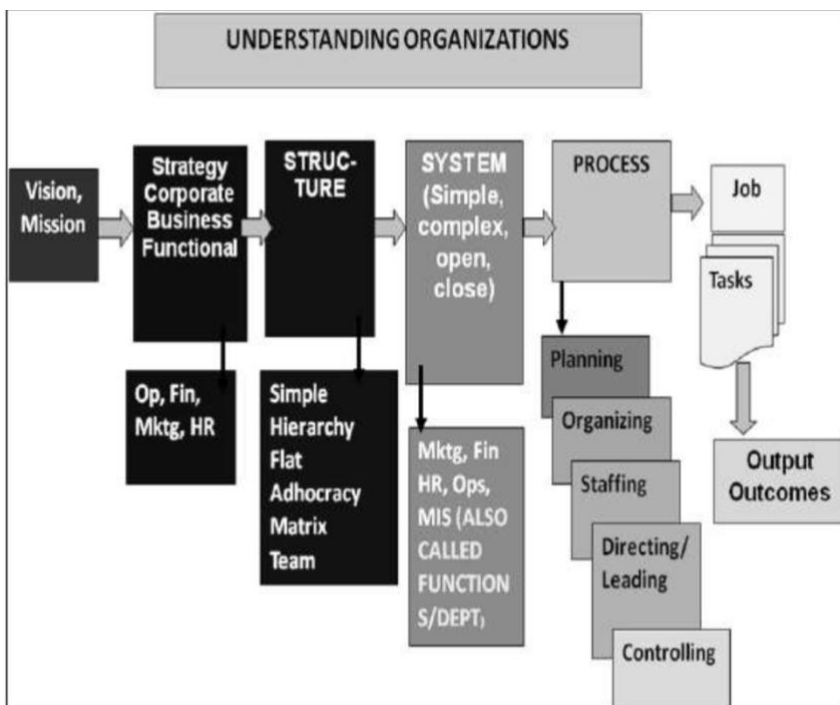


Fig. 1.1: Overview of the organizational Process

The common goal of the organization is nothing but vision and mission.

Vision - something futuristic - something you see yourself or your business to be in 10/20 years.

Mission - Basic tasks of an organizations  
Eg: Car manufacturing companies.

Mission - basic tasks - to manufacture quality cars.

Vision - In 10 years, ABC company wants to be one of the top 10 car manufacturing companies.

**Vision and mission:** A formal definition of the purpose of the organisation and what it wants to achieve. Usually it is in a written form and becomes a lighthouse for the organisation to navigate itself. Every organizations should have vision & mission (Purpose)

Based on vision and missions there will be plans or strategies (at strategical level, corporate level, business level, functional level).

**Strategy:** The grand plan which may pertain to the corporate, business or functional area such as marketing. This is a way of achieving the vision and mission. Course of action created to achieve a long term goal.

There are different **departments** (Op, Fin, Mktg, HR). Depts. can be formed in many ways.

**Structure:** The way various departments are organised. It indicates how these departments communicate with each other.

**System:** It indicates how the input is converted into output using a series of processes together called the throughput. Systems are independent yet interdependent.

**Process:** The series of logical actions in a system that converts the input into an output. (Different functions of management). Then at last you have output. - Planning, Organizing, Staffing, Directing, Controlling.

To achieve vision - many activities/tasks performed. Group Similar task = **Job**. Jobs grouped & put in logical sequence = **Process**

Process use i/p and convert it to o/p  
i/p + logical processes + o/p = **System**

For example, the manufacturing system of tables and chairs has an input of wood, nails, knowledge of the carpenter, etc, a series of processes or throughput such as cutting the wood, making the grooves, connecting them, and the output.

The input of wood comes only because someone has purchased it and brought it to the location and this is based on the purchase system. So, the output of the purchase system is the input for the manufacturing system and that of the manufacturing for the marketing system, etc.

There has to be internal communication and control within a system and also b/w 2 or more systems.

**Structure controls the way we interact within and in between systems.**

The structure depends on the strategy, i.e., if the strategy is to make the chair making very innovative, then everyone need to talk to everyone else and act accordingly but if it is to be made very cost effective and run like a machine without much innovation, then this type of communication is not necessary and you may adopt a hierarchical structure. The strategy itself is based on the vision and mission.

Vision <-> Goals

Mission <-> Objectives

### **Business Organization**

Nature of a business -> Providing a service or a product for PROFITS. (profit is a motive)

-> Involves buying & selling or providing quality service

-> Focus on customer satisfaction

-> Creative & dynamic (becoz environment is changing - tech/nature/market fluctuations etc.)

### **Factors of Production**

Land, Labor, Capital, and Enterprise. - These resources are in scarcity - Need to use them efficiently, effectively, & optimally so that o/p is greater than the i/p.

**Operating cost** - acquiring and using these four resources to make and sell goods and services determines a company's operating costs.

### **Classification of industries (industrial activities)**

**Primary** -> These industries extract raw materials directly from the earth or sea. eg - Agriculture, mining, fishing

**Secondary** -> These industries process and manufacture products from raw materials. eg - iron & Steel industry, Car manufacturing,

**Tertiary** -> These industries provide a service. eg - Retailing, Teaching, Dentistry, Hospitals, Banking, Online Delivery

**Quaternary Industries** -> These industries incorporate a high degree of research and technology in their processes and employ highly qualified people. Biotechnology and computer programming are examples of quaternary industries.

Classify based on the activities of the company.

For a company to be profitable, the value of the outputs must be greater than the cost of the inputs  
I/P are converted to o/p via a some processes.

### **How do industries choose location?**

Cheap Land, Cheap Labor, Availability of cheap raw materials, less taxes, transport facility, water facility, proximity of retailers. These factors are weighed up and the industry is located at the site of greatest profit.

## **Industry: Summary**

- > Industry can be classified into four main categories: primary, secondary, tertiary and quaternary.
- > Employment structure varies between areas, countries and over time.
- > There are links between all of the main industrial categories.
- > Industrial location depends upon a range of physical and human and economic factors.
- > The decision for choosing a site is usually determined by the site that will give the greatest profit.

## **Management**

### **Definition**

- > Management is the art of getting things done through others
- > To manage is to forecast, to plan, to organize, to command, to co-ordinate and to control. - Henry Fayol
- > Management is a multipurpose organ that manages a business, manages managers and manages worker and work- Peter Drucker
- > "**Management** is an art of knowing what is to be done and seeing that it is done in the best possible manner." -F W Taylor

### **The Importance of Management**

Make decisions – utilization of resources – achieve objectives via 5 functions  
Helps achieve mission & vision

### **Nature/ Characteristics of Management**

Universal Process - Used Everywhere, in every field small or big.

Continuous Process -

Group Phenomenon

Multidisciplinary - used in almost every branch

Creative - use different techniques to get higher process (manage resource optimally). Managing/ motivating your employees - creativity required.

Purposeful - have a goal to be attained in efficient manner.

Intangible

Social Process

### **Is management a science or an art?**

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

#### **Management as Science**

- Empirically derived
- Critically tested
- General principles
- Cause & effect relationship
- Universal applicability

#### **Management as an Art**

- Practical know how
- Personal skills
- Concrete results
- Creativity
- Perfection through practice
- Goal oriented

### **Is management a Profession?**

Both - Management fulfils many essentials of a profession, however, it is not a full-fledged Profession

### What Qualifies a Profession?

- > Existence of an organized and systematic body of knowledge
- > Formalized method of acquiring knowledge & skills
- > Existence of an apex level body with professionalization as its goal
- > Existence of an ethical code to regulate the behaviour of the members of the profession
- > Charging of fees based on service
- > A concern for social responsibilities

### Does management follow these characteristics of a profession? SOMEWHAT

- > There is a systematic & organized body of Knowledge
- > Competent education & training facilities do not exist. No minimum qualification for managers. MBAs may be preferred but not always.
- > Managers are known by their performance and not mere degrees.
- > The AIMA has prescribed a code of conduct for managers but it cannot take legal action against any manager who violates it.
- > Management Consultants do charge a fee for their services.
- > The ultimate goal of business is to maximize profit and not social welfare.

### Different Functions of Management (Process)

#### **Planning**

It bridges the gap between where we are and where we want to be. It helps facing future with confidence

#### **Organizing**

It involves grouping of task

It involves specialisation, delegation, span of control, and departmentalization

Grouping of tasks - subdividing the tasks. It will increase effectiveness & efficiency. Same tasks done many time leads to specialization. Delegation - transferring the authority to subordinates. Span of Control - Number of subordinates who will report to manager.

#### **Staffing**

Human resource management. Hiring right people for right job. It is devoted to acquiring, orientation, training, appraising, and compensating employees. Also involves forming Job Description by doing Job analysis.

#### **Directing**

It involves supervision, motivation, leadership (various styles), and communication. It is a very people oriented function of management

#### **Controlling**

It involves setting standards, measuring performance as per standards, finding deviations, and taking necessary corrective action. (Periodical performance review). Important to assess the set plan.

### **Lecture 2 - 6/08 (Thursday)**

### Henri Fayol's 14 Principles of management

**Do not confuse with 5 functions of management (above). This is different**

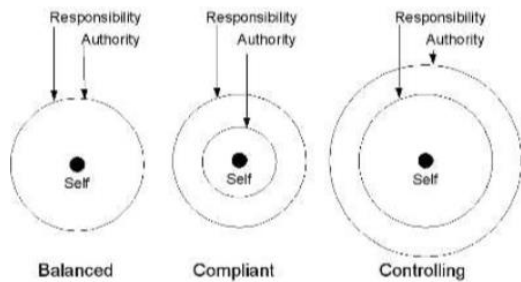
Principle - Fundamental truth. Establishes cause & effect relationship b/w 2 or more variables under a given situation. Serve as guide to thought & actions. Therefore, management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions. These principles are derived: -

- On the basis of observation and analysis i.e. practical experience of managers.
- By conducting experimental studies.

### 1) Division of Labour -

Work must be divided & subdivided and allotted to various persons according to their expertise. Leads to "Specialization of jobs", makes work simpler and increases efficiency. Individual acquires speed & accuracy in his performance. Specialization leads to efficiency & economy in spheres of business.

Easier management also.



### 2) Authority & Responsibility -

Authority refers to the right of superiors to get exactness from their subordinates whereas responsibility means obligation for the performance of the job assigned. These terms are coexisting. If authority is given to a person, he should also be made responsible and vice versa. Authority without responsibility = Irresponsible behaviour (Abuse of power, dictative).

responsibility without authority = person ineffective (confusion,

take superior for granted).

### 3) Unity of Command (Principle of One boss)

A sub-ordinate should receive orders and be accountable to one and only one boss at a time.

Not from more than 1 cuz - undermines authority, weakens discipline, divides loyalty, creates confusion, delays & chaos, escaping responsibilities, duplication of work, overlapping of efforts.

Avoid dual subordination unless necessary.

Provides the enterprise a disciplined, stable & orderly existence. Harmonious relation b/w superiors & subordinates.

### 4) Unity of Direction

"One head, one plan" - one plan for a group of activities having similar objectives. Related activities grouped together -> one plan of action for them -> under the charge of 1 manager.

Efforts of all the members of the organization should be directed towards common goal.

Without unity of direction, unity of action cannot be achieved.

Basis	Unity of command	Unity of direction
Meaning	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
Nature	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
Necessity	It is necessary for fixing responsibility of each subordinates.	It is necessary for sound organization.
Advantage	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.
Result	It leads to better superior sub-ordinate relationship.	It leads to smooth running of the enterprise.

In fact, unity of command is not possible without unity of direction.

Example - unity of direction - There is one plan for HR dept. and only 1 HR director.

Unity of command - Developers should report only to development team head.

Therefore it is obvious that they are different from each other but they are dependent on each other i.e. unity of direction is a pre-requisite for unity of command. But it does not automatically comes from the unity of direction.

### 5) Equity

Equity - opportunities are provided according to an individual's needs and capabilities or potential.

"Combination of Fairness, kindness, justice".

Eg - incentives to one who performs extra. More attention to a weaker employee.

Managers should be fair & impartial while dealing with the subordinates. Equity is imp. to create & maintain cordial relations b/w managers & subordinates.

But equity does not mean total absence of harshness. At times force and harshness might become necessary for the sake of equity

## 6) Order

Proper & systematic of things (material order) and people (social order).

Material order- There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.

Social order- Selection and appointment of most suitable person on the suitable job. There should be a specific place for every one and everyone should have a specific place so that they can easily be contacted whenever need arises.

## 7) Discipline

sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise subordinate should respect their superiors and obey their order. Discipline also required on the part of management.

Discipline can be enforced if -

- There are good superiors at all levels.
- There are clear & fair agreements with workers.
- Sanctions (punishments) are judiciously applied.

## 8) Initiative

Workers should be encouraged. They should show eagerness to initiate actions on their own.

Provide opportunity for employees to suggest ideas, experiences, and new methods of work.

Develops and atmos. of trust, understanding - people enjoy working - adds zeal & energy

Can be encouraged with help of monetary & non-monetary incentives.

Employees will realise their capabilities & feel an active part of the organization.

## 9) Fair remuneration

Remuneration to the workers should be fair, reasonable, satisfactory & rewarding of the efforts.

In accord with satisfaction of employer & employee.

Wages based on - living cost, work assigned, financial position of business, wage rate prevailing etc.

Other benefits - Free education, medical & residential facilities.

## 10) Stability of Tenure

Stable & secure workforce - asset.

Reduce employee turnover (no. of people leaving the company)

Avg stable employee >> outstanding temporary employee.

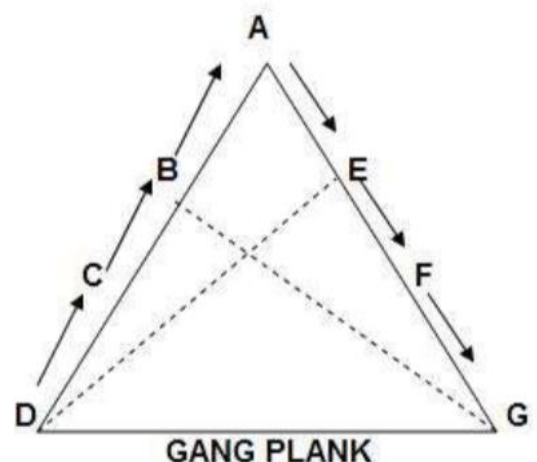
Do not move employees from one job pos to another - fixed service period

Cuz time required to get used to new work & succeed. Remove early - not be able to render worthwhile services. Time, effort, money - waste.

Stability of job creates team spirit and a sense of belongingness among workers -> increases quality of work

## 11) Scalar Chain

Definition -> The chain of superiors ranging from the ultimate authority to the lowest.



Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain. Ensures orderly flow of information.

But, during convenience & urgency, this path = cut short and this short cut is known as Gang Plank. After emergency is resolved - report back to actual superior.

A Gang Plank is a temporary arrangement between two different points to facilitate quick & easy communication. Gang Plank clarifies that management principles are not rigid rather they are very flexible. They can be molded and modified as per the requirements of situations

#### 12) Sub-ordination of individual interest to general interest

Organization much bigger than individual. Interest of org. should prevail.

As far as possible, reconciliation should be achieved between individual and group interests.

In case of conflicts, individual interest must be sacrificed.

In order to achieve this attitude, it is essential that

- Employees should be honest & sincere.
- Proper & regular supervision of work.
- Reconciliation of mutual differences and clashes by mutual agreement.

#### 13) Espirit De' Corps (achieved through unity of command)

Promotes team spirit - Harmony in group, mutual understanding among members.

Inspires workers to work harder.

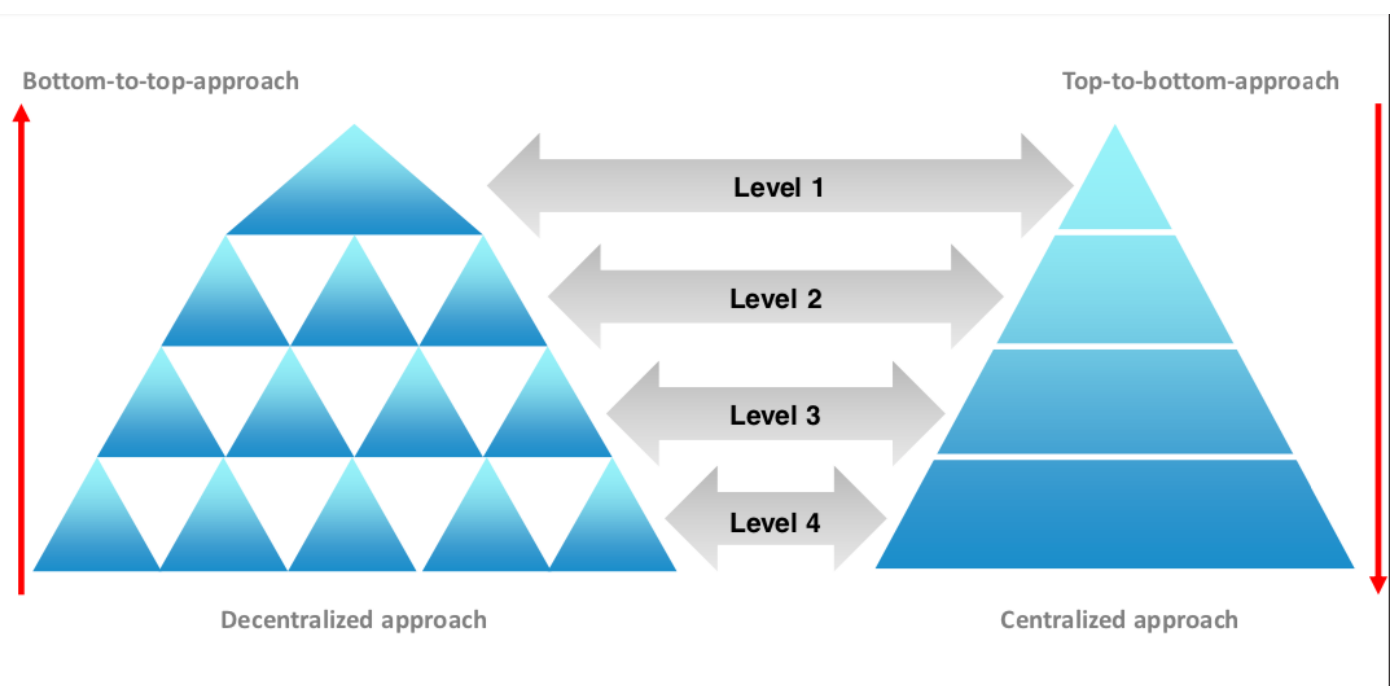
Caution against dividing employees into competing groups - damage worker's morale.

To inculcate it -

- > Proper coordination of work at all levels.
- > Encourage subordinates to develop informal relations
- > Create enthusiasm, keenness
- > Reward efficient employees. Chance to improve for those not upto the mark.
- > Make subordinate believe that their work is of importance to business & society.

Caution against written comm. Use face to face more. No place for misunderstanding. Worker enjoy work.

#### 14) Centralization & de-centralization



Centralization means concentration of authority at the top level. In other words, centralization is a situation in which top management retains most of the decision making authority.

Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.

Degree of centralization or decentralization depends on no. of factors like size of business, experience of superiors, dependability & ability of subordinates etc.

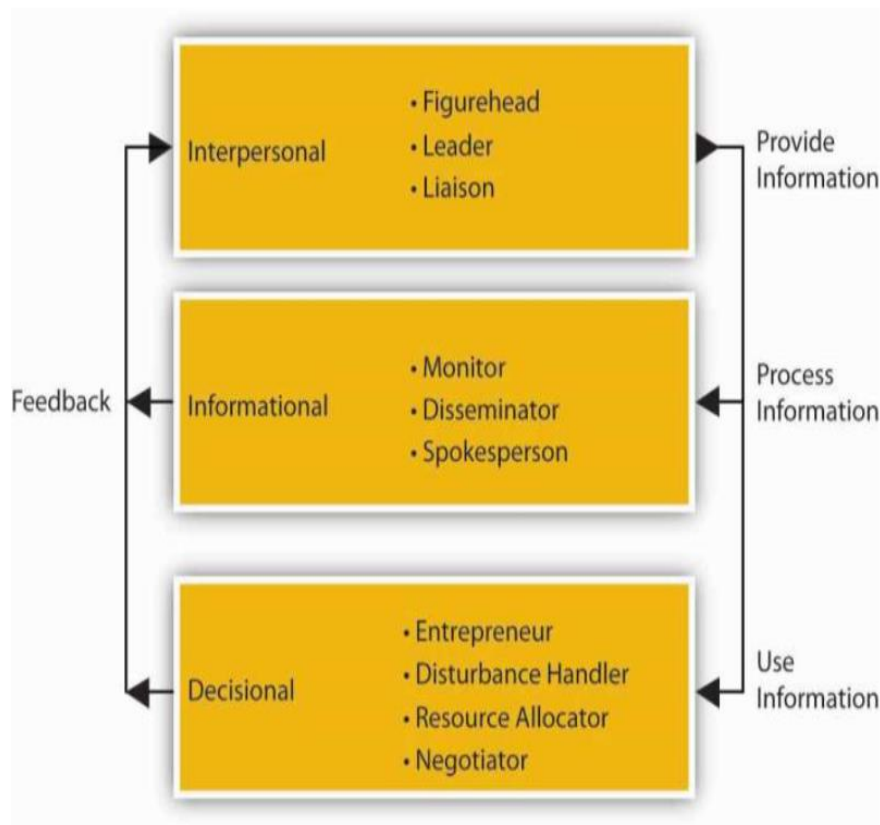
Anything which increases the role of subordinate is decentralization & anything which decreases it is centralization

Fayol suggested that absolute centralization or decentralization is not feasible

**All the principles need not be followed in an organization. But most of them or some variations are valued.**

### Lecture 3 - 10/08 (Monday)

**Manager** -> Plans, organizes, coordinates, and controls.



### **Managerial Roles**

In Henry Mintzberg's model managers play 10 roles

#### **1) Interpersonal Roles -**

a) Figurehead role - must perform some duties of ceremonial nature.  
eg - Ribbon ceremony, taking customer to lunch etc.

Can be routine, involving little serious comm. & no important decision making.

Important for smooth functioning.

b) Leader Role - he is responsible for the work of people of his unit  
Actions are -

-> Responsible for hiring, training his staff

-> motivate, encourage employees, somehow reconcile their individual needs with the goals of the organization.

-> He formally/ informally shows employee how to do things. Formal authority vests him with great potential power; leadership determines in large part how much of it he will realize.

#### c) Liaison Role

Acts as a Coordinator/ Link b/w people - inside the organization (b/w depts.) or outside the org.  
Manager makes contacts outside his vertical chain of command



Managers spend as much time with peers and other people outside their units as they do with their own subordinates, and surprisingly little time with their own superiors.

The manager cultivates such contacts largely to **find information**

The liaison role is devoted to building up the manager's own external information system – informal, private, verbal, but nevertheless effective.

Eg - VP of Sales meets with VP of Finance.

## 2) Informational Role - Processing the information

### a) Monitor Role

Tries to seek (scan, gather) info from liaison contacts, subordinates,. Receives unsolicited. info as a result of network of personal contacts (developed as a liaison). Interrogates them.^

Eg - getting info about my dept. from a middle level manager.

Good part of info - verbal. (gossip, hearsay, speculation). By virtue of his contacts, the manager has a natural advantage in collecting this soft information for his organization

### b) Disseminator Role

Share & distribute info gather from outsiders or subordinates.

The manager passes some of his privileged information directly to his subordinates, who would otherwise have no access to it

When his subordinates lack easy contact with one another, the manager will sometimes pass information from one to another.

Usually (but not always) done within the organization cuz info in the first place is gathered for the use of employees.

### c) Spokesman Role

External Communication - send some info outside the unit. Formally transmit the unit.

Must inform & satisfy the influential people who control his organizational unit.

[You act as a representative to the people outside]

Eg - Directors and shareholders must be advised about financial performance

consumer groups must be assured that the organization is fulfilling its social responsibility

## 3) Decisional Role

### a) entrepreneurial role

Describes the manager as the voluntary initiator of change (new tech/ new idea).

Manager seeks to improve his unit and to adopt it to changing conditions in the environment.

In his monitor role, the president is constantly on the lookout for new ideas. When a good one appears, he initiates a development project. The chief executive appears to maintain a kind of inventory of the development projects that he himself supervises.

### b) disturbance handler role

Disturbance handler role depicts the manager involuntarily responding to pressures.

Not initiated by manager. Must act cuz pressure of the situation is too severe to ignore

eg - a strike looms, a major customer has gone bankrupt,

Disturbances arise not only because poor managers ignore situations until they reach crisis proportions, but also because good managers cannot possibly anticipate all the consequences of the actions they take.

### c) Resource allocator role

Tries to allocate resources. decides who will receive what in his organizational unit. Most important resource the manager allocates is his own time.

The manager is also charged with designing his unit's structure, that pattern of formal relationships that determines how work is to be divided and coordinated.

Examples - Fund allocation, Space allocation, Resource/people needed for a job, how long a project will take, time spent on a project by an individual, equipment/supplies needed for the project

### d) negotiator role

Enters into negotiation with other groups or other dept or other org or anyone (within or outside the organization) as a representation of the company.

managers spend considerable time in negotiations.

example - negotiate union contractor, long term relationship with the supplier, negotiation b/w 2 people.

Some disturbance occurs -> Manager Responds as disturbance handler - negotiates as negotiator.

### Examples

1) Finance head tries to know status of his dept -> Monitor Role, informational

2) Manager has to take client for a lunch -> Figurehead, interpersonal

3) Sales head is given report to stakeholders -> Spokesperson, informational

4) Brings new technology ->

Entrepreneur, Decisional

5) Head of sales dept coordinates with finance dept to make sure new customer has credit req. to place an order -> Liaison, interpersonal (cuz he is trying to create link)



### Types of Managers

#### 1) First-line managers

Responsible for day-to-day operations. Supervise people performing activities required to make the good r service.

#### 2) Middle managers

Supervise first-line managers. Are responsible to find the best way to use departmental resources to achieve goals. – Are answerable to top level managers

#### 3) Top managers

Responsible for the performance of all departments and have cross-departmental responsibility.

Establish organizational goals and monitor middle managers.

Form top management team along with the CEO and COO

### Skills Requirement in Managers

Technical Skills - Ability to use specific knowledge or method or techniques in performing any work

First line - Max technical skills they will interact with non-managerial staff directly.

Top level - Least max tech skills.

Communication skills - ability to provide info and communicate orally or in written form. Required equally at all levels.

Human skill - Ability of a manager to understand, work and get along with others. Required equally at all levels.

Analytical skills - Ability of a manager to use logic, scientific approach or technique in some problem or analysis of a problem, or opportunity. Imp at all levels, but relatively more at top levels. Low level managers operate at stable env. Top level - more unstable, dynamic env.

Decision Making ability - Selecting a course of action designed to a specific problems. Max at top, least req at low. Becoz major decisions are made at top (hierarchical structure). Middle level employ decisions made by higher level managers.

Conceptual skills - Ability of manager to understand the complexities of the overall organization & how each dept. & unit fit in the organization. More at top, less at lower level.

### **Time spent by each of the managerial levels for various functions of managements**

**Planning & organizing** - Maximum at top, and reduces as we go down

**controlling** - almost equal (no significant Difference)

**Leading** - Great deal of time for first line managers. Less at top. Why? Directly deal with employees with less trained. Supervising them takes great deal of time. Top level will monitor middle level - less time cuz he himself is a manager.

### **Corporate social Responsibility (CSR)**

Corporate social responsibility comes from integration of three words:- 'corporate,' 'social,' and 'responsibility.

**Corporate:** Organized business

**Social:** Everything dealing with the people

**Responsibility:** Accountability between the two.

CSR is the Corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.

The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate social responsibility may also be referred to as "**corporate citizenship**" and can involve incurring short-term costs that do not provide an immediate financial benefit, but instead promote positive social and environmental change.

### **DRIVERS OF CSR**

1. Employees and shareholders awareness
2. Brand equity
3. Ethical marketing practices and social awareness
4. The environment consciousness
5. Energy conservation and global warming
6. Responsibility towards the government

Increased employee satisfaction leads to employee competence which results in superior service delivery and customer satisfaction.

It takes decades for business organizations to build goodwill and trust in the minds of customers and shareholders.

Building an ethically responsible culture can reduce the chances of employees indulging in unfair practices within the organization by emphasizing on professionalism and transparency.

Socially responsible investments, effective communication, employee participation, fairness, and promotions, adequate compensation and personal development.

#### Ethical Concerns which need immediate attention

- Violation of consumer rights
- Exploitation of employees
- Protection of environment
- Exploitation of child labor
- Exploitation of women
- Misleading advertisements
- Production of hazardous products
- Ensuring Transparency in various departments
- Illegal trade practices
- Indulging in Corruption and unfair practices by Management
- Exploitation of scarce natural resources
- Violation of Intellectual Property Rights

#### KELLOG'S CSR INITIATIVES

- Protecting our environment.
- Selling nutritious products and advocating healthy lifestyles.
- Acting with integrity and adhering to the highest ethical standards.
- Promoting diversity in our work force and partnering with diverse suppliers.
- Ensuring a safe, healthy workplace.

#### Lecture 4 - 13/08 (Thursday)

#### Functions of management (in detail now)

##### 1) Planning

Bridging the gap b/w where we are and where we want to be.

How? - Plan = A plan is a predetermined course of action which provides purpose and direction of an organization. It answers Questions like What, how, where, when, etc.

It involves Making a systematic process for achieving the organization's goals.

It is a basic management function which enables one to select the purpose of the business, and how the resources should be mustered to achieve that purpose to include using the available resources optimally to do that.

implies goal setting for the organization keeping in mind the constraints, opportunities, and threats as much as what the person or business which is planning wants to do.

Thus, a plan is a blueprint for goal achievement, a blue print that specifies the necessary resource allocations, schedules, tasks, and other actions to achieve the purpose.

##### 2) Organizing

Identification and classification of the required activities

Grouping of activities necessary to attain objectives

Assignment of each grouping to a manager with authority and the provision of coordination

Nature of organizing - Differentiated Functions, Division of Work & Specialization, Composition of individuals & groups, orientation towards goals, continuity.

Benefits of Organizing - Achieve specialization, increases efficiency & productivity, achieve organizations goal, facilitate diversification & growth, Optimum utilization of Resources

Planning, Staffing, Directing and Controlling cannot be implemented without proper organization

### **3) Staffing**

Human resource management - Right kind of people for right kind of job

It involves manning the organizational structure through proper and effective appraisal, selection and development of people to fill the roles designed into the structure (designed via organization).

It is the management function devoted to acquiring, training, appraising, and compensating employees.

#### **How to ensure staffing?**

Proper HR / manpower planning, Simple & clear JD (what is the duties/ resp. involved, skillset, qualifications req.), Recruiting right person, Communicate employer's expectation. regular performance appraisal (review them to motivate them to improve performance - give incentives, improvement for weaker ones, eliminate poor ones), consistency, discipline with due process

#### **Nature and purpose of Staffing:**

"It is defined as filling and keeping filled, positions in the organizational structure"

It includes:

- > Identifying work force requirements.
- > Inventorying the people available. (check available HR and how many need more) - done during manpower planning
- > job analysis Recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating and training or otherwise developing both candidates & current job holders to accomplish their tasks effectively & efficiently.

### **4) Directing**

Process in which the managers instruct, guide, & oversee the performance of the workers to achieve predetermined goals. "heart of management process"

#### **It Involves -**

- > Telling people what is to be done & how to do it;
- > issuing instructions & orders to subordinates to carry out their assignments as scheduled
- > supervising their activities;
- > inspiring them to contribute towards the achievement of organizational objectives
- > providing leadership.

#### **Components of Directing**

- > Supervision: Directing efforts of employees & other resources to accomplish stated work outputs
- > Motivation: Move person to action. Continue him in the course of action
- > Leadership: continuous process of influencing behaviour.
- > Communication: Transfer of info from one to another - transmit ideas, facts, thoughts, feelings & values

#### **Steps in Directing Process:**

- > Supervising Employees
- > Decision Making
- > Guiding the employees through effective leadership
- > Communication & motivation

### Benefits of Directing

- > Initiates actions to get desired results
- > Attempts to get maximum out of employees
- > Helps accepting & adapting changes
- > Helps achieving organizational goals through effective supervision, motivation, leadership, & communication

### 5) Controlling

Measurement and correction of performance

Ensure that an organization's objectives and plans are accomplished.



Function of both lower and upper level - all have responsibility for the execution of plans.

### Characteristics of Controlling

Continuous process - evaluate & check for deviation many times.

Management process, forward looking, pervasive, tool for achieving organization activities, linked with planning

### Circularity of managerial functions / management

Manager functions all the 5 functions cont. regardless of his position (or levels - amount & time may differ) in the organization. Functions of management do not occur in step by step fashion. At any time can be engaged in several different activities simultaneously. These functions will flow one into each other & there is no clear line of demarcation - when one ends and other starts.

### Universality of managerial functions / management

Functions of one manager applies to all managers. Managerial knowledge or experience are transferable from dept. to dept. or from one enterprise to another. All manager perform all 5 functions regardless of their level or position.

**Productivity** - O/p to i/p ratio within a time period with due consideration for quality

**Efficiency** - Achievement of the ends with least amount of resources. "Doing the things right".

**Effectiveness** - Achievement of objectives. "Doing the right things". Right objective, decisions, plans.

**Ques)** Write a mission & vision statement for your business, one CSR initiative

### SOLAR APPLIANCE COMPANY

**Mission** - Manufacturing & sale of solar appliances currently operating in 5 states.

**vision** - By 2030, be India's largest solar appliance manufacturing firm by 2025 & expand to 20 states.

### Hierarchy

Lowest level manager - agents who go out to vendors.

Distributors - manages these agents

Regional Manager

National Manager

**CSR initiative** - Help 10 villages to transfer from non-renewable to renewable resources

What are the 5 S's?

## What are the 5S's?

Japanese 5S's (Hiroyuki Hirano -1990)	English Translation	American 5S Standard
<b>Seiri</b>	Put Things in Order	<b>Sort</b>
<b>Seiton</b>	Proper Arrangement	<b>Straighten</b> Set in Order, Simplify
<b>Seiso</b>	Clean	<b>Shine</b> Scrub, Sweep
<b>Seiketsu</b>	Purity	<b>Standardize</b>
<b>Shitsuke</b>	Commitment	<b>Sustain</b> Discipline

### Lecture 4 - 17/08 (Monday)

#### Planning

Bridging the gap b/w where we are and where we want to be.

How? - Plan = A plan is a predetermined course of action which provides purpose and direction of an organization. It answers Questions like What, how, where, when, etc.

It involves Making a systematic process for achieving the organization's goals.

#### Steps in Planning (overview) - Detailed later

- 1) Establishment of Objectives
- 2) Establishment of Planning Premises
- 3) Choice of alternative course of action
- 4) Formulation of derivative plans
- 5) Securing co-operation
- 6) Follow-up / appraisal of plans

#### Importance of Planning - Why? (Overview) Detailed later

- 1) Resource Allocation
- 2) Provides Direction
- 3) Reduces Uncertainties
- 4) Minimizes impulsive & arbitrary decisions

#### Challenges while Planning

- 1) Difficulty in accurate Premising
- 2) Problems of Rapid Change (Dynamic Env. - having backup plan)
- 3) Internal Inflexibilities - Psychological
  - Policy & Procedural
- 4) External Inflexibilities - Political Climate
  - Difficulty in accurate premising
  - Policy & Procedural
- 5) Time & Cost factors

#### Characteristics of an Effective Plan

- 1) Linked to Long Term Objectives of the organization. Have sub-goals for them & plan for them.
- 2) Simple & Feasible - so that easy understood & followed.

- 3) Direction for Action - Plans must be action oriented
- 4) Flexible - Consistent, but also flexible enough to meet the demands of the dynamic env.
- 5) Consistent - Don't change unless necessary. Deviations -> Tracked & Controlled.

It is a basic management function which enables one to select the purpose of the business, and how the resources should be mustered to achieve that purpose to include using the available resources optimally to do that.

implies goal setting for the organization keeping in mind the constraints, opportunities, and threats as much as what the person or business which is planning wants to do.

Thus, a plan is a blueprint for goal achievement, a blue print that specifies the necessary resource allocations, schedules, tasks, and other actions to achieve the purpose.

Goal -> Desired future state that org. attempts to reach.

Goals imp - cuz org. exists for a purpose, and goals define and state that purpose/

Goals specify future ends; plans specify the means to do that

### **Planning answers six basic questions in regard to any activity:**

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

### **Planning is important because -**

- 1) Helps management to clarify, focus, and research their businesses or project's development and prospects.
- 2) Provides a considered and logical framework within which a business can develop and pursue business.
- 3) Offers benchmark - to measure & review actual performance
- 4) Helps to avoid mistakes or recognize hidden opportunities.
- 5) In business, it guides the development of products, management, finances, and most importantly, markets and competition.
- 6) Forecast future & makes goals visible
- 7) Bridges b/w where we are and where we want to go

### **Detailed Steps in Planning [important]**

- 1) Being aware of opportunities - customer needs, market, competition, strengths (+ve attributes - place companies at adv.), weaknesses (drawbacks holds back from getting advantage), resources, work force, govt. policies, social env, political env. Collect info on all these and analyse it.
- 2) Establishing objectives - what org wants to do or accomplish and in relation to which market segment. Done for each key areas of operations & then sub areas.
- 3) Developing Premises - Deciding env. in which the plan will operate. (Different operating conditions which your anticipating). External env. is created by political factors to include legislation, legal framework.
- 4) Determining alternate course - identify most promising alternative to accomplish org. goals
- 5) Evaluating alternative courses - Compare them to find out which will meet goals at optimal cost and max profit keeping sustainability into mind.
- 6) Selecting a course
- 7) Formulating plans - Implies making plans that support the course of action by buying equipment, space, type of HR etc.
- 8) Quantifying plans by budgeting - Identifying cost, how financial resources will be mobilised, capital expenditure, operational expenditure, working capital etc.



## Types of Plans:

### 1) Purposes/ Mission:

identifies the basic function or task of an enterprise or agency or any part of it

eg - NASA – Get A Person To The Moon Before Russians

Mission Of Oil Company : Are To Search For Oil And To Produce ,Refine, Market Petroleum Product.

### 2) objectives:

-> Important ends towards which organizational and individual activities are directed

-> Verifiable objectives - facilitate measurement of the surplus as well as the effectiveness and efficiency of managerial actions after some time.

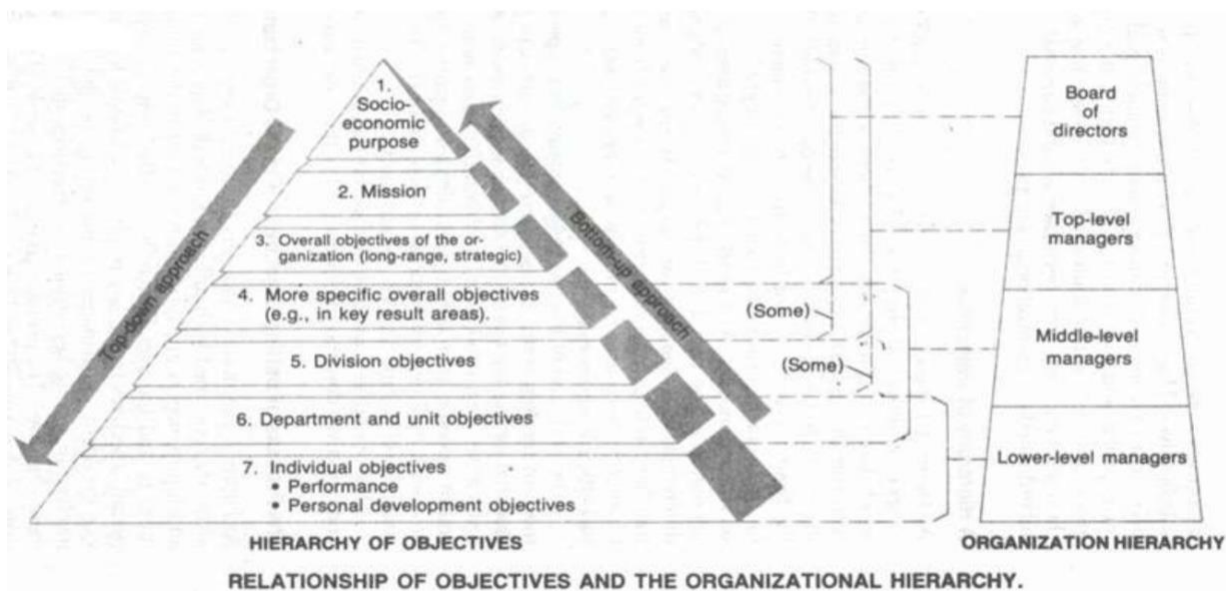
Ex - overall objectives of a university

-> attracting highly qualified students

-> offering basic training in professional field

-> granting phd degrees.

2 Approaches of objectives - it will have some hierarchy.



Top Down Approach – Upper Level Managers Determine The Objectives For Subordinates.

Bottom Up Approaches – Subordinates Initiate The Setting Of Objectives For Their Positions And Present Them To Their Superior

### 3) Policies

-> Plans that are general statements or understanding which guide or channel thinking in decision making. (Furnishes broad guidelines to be followed in decision making)

-> Not all policies are statement, they are often merely implied from the actions of managers

-> Policies define an area within which a decision is to be made and ensure that the decision will be consistent with and contribute to the objective

-> They help decide issues before they become problems

Examples are

-> Policies of hiring university trained engineers

-> encourage employee suggestion

-> Setting competitive prices

-> Promoting from within

## POLICIES HELP IN DECISION MAKING

### **4) Procedures**

Establish a required method of handling future activities

Guides to actions, rather than to thinking

They detail exact manner in which certain activities must be accomplished.

Outlines step by step guideline to action

Eg- company policies may grant vacation to employees ; procedures to implement this policy will provide for scheduling vacation to avoid any disruption of work.

### **5) Rules**

Spell out specific actions or non-actions - hence allowing no discretion

Simplest type of plan

guide actions without specifying time sequence

may or may not be part of procedure

eg - no smoking

### **6) Programs**

Programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets.

Outlines variety of inter departmental activities that must be coordinated to achieve the goal.

### **7) Budgets**

-> Budgets are the statement of expected results expressed in numerical terms, referred as numberized programs.

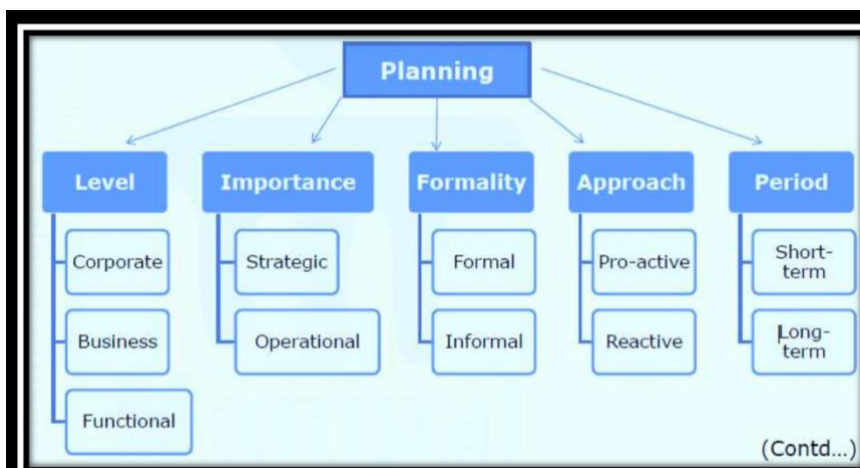
-> Can be in terms of - No of labor hours, financial terms, unit of production, machine-hours.

-> Budgets usually implements a program , it may in itself be a program

-> Fixed or flexible budgets—depends on level of output

-> Program budgets—the agencies and each dept. Within the agencies identifies the goals.

-> Zero based budgets—combination of variable and program budgets



### **Types of Planning**

1) **Based on level** - integrated, future oriented plans covering long term objectives & ways to do these at various levels such as corporate, functional & business levels.

2) **Based in importance** -> Crucial, future oriented, help org. fulfil its vision are strategic plans. (Done by top level - for entire org. Formulate overall

goals, vision, mission, allocate resources etc.)

Short term plans made for day-to-day functioning such as production, purchase, operation etc. are called operational plans. Done for line-managers

### **3) Based on formality**

Planning if as per steps documented in a structured way -> Formal plan,

Else -> informal plan

### **4) Based on approach**

plans made anticipating an incident -> pro-active plan. It provides initiative

Plan made as a consequence of an event or action of the competition -> Reactive plan Brings org. back to balance after it is lost.

### **5) Based on period**

every org. fulfil some needs of society. Based on time period to fulfil each need - short (1-2 years), medium (upto 5 years), and long term plans (8-20 years).

### **Another method of classifying Plans**

#### **1) Breadth of use**

##### **Strategic -**

- > Apply broadly to the entire organization.
- > Establish the organization's overall objectives.
- > Seek to position the organization in terms of its environment.
- > Provide direction to drive an organization's efforts to achieve its goals.
- > Serve as the basis for the tactical plans.
- > Cover extended periods of time.
- > Are less specific in their details.

##### **Tactical -**

- > Apply to specific parts of the organization.
- > Are derived from strategic objectives.
- > Specify the details of how the overall objectives are to be achieved.
- > Cover shorter periods of time.
- > Must be updated continuously to meet current challenges.
- > Are more specific.

#### **Finding a Job**

Perhaps your goal is to find a new job as part of a long-term plan for financial stability. There are several different strategies you can use to find a job, including:

- Using your current skills to find a new job
- Becoming an apprentice for a trade
- Going to college for a new career.

If you decide on a strategy to use your current skills in a different job, then your tactics might include:

- Updating your résumé
- Telling your friends that you want a new job so they can help you
- Looking at job postings in newspapers or on the Internet.

In this situation, as in most cases, you'll probably use a few different tactics as part of your strategy to find a job. And in the process, you might decide that some tactics don't work well so you'll abandon them and try new tactics.

#### **4) Time frame**

long term, short term

#### **3) Specificity**

##### **directional -**

Flexible plans that set out general guidelines.

"Go from here to there" (outcome-focus)

##### **specific -**

Plans that have clearly defined objectives and leave no room for misinterpretation.

"What, when, where, how much, and by whom" (process- focus)

Eg: Lesson Plan

#### 4) Frequency of use -

##### single use -

A plan that is used to meet the needs of a particular or unique situation.  
Created in response to non-programmed decision that managers make.  
eg - Single-day sales advertisement, Projects, Programs, Budgets

##### standing -

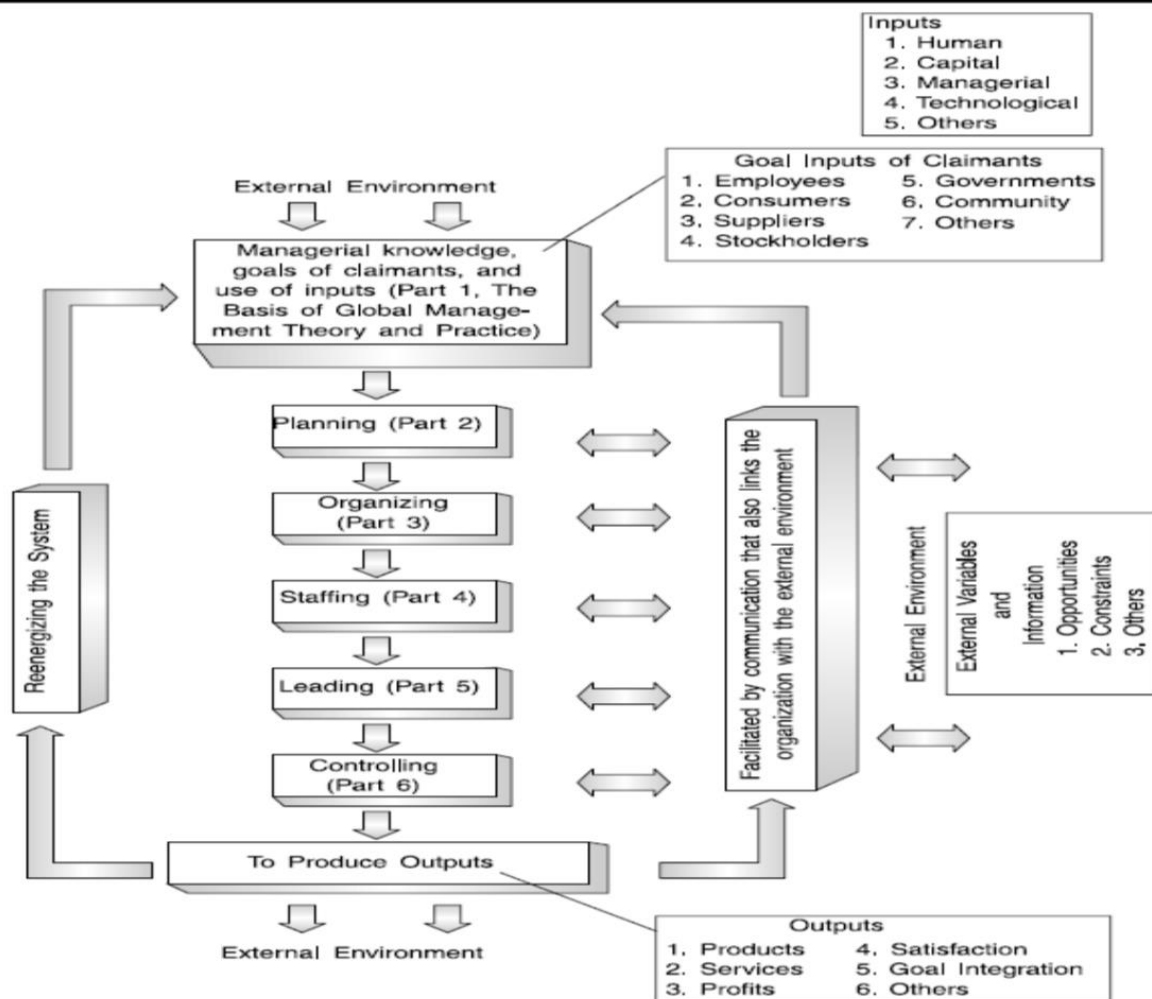
A plan that is ongoing and provides guidance for repeatedly performed actions in an organization.  
Created in response to programmed decision that managers make.  
eg- Customer satisfaction policy, Procedures, Policies, Rules

**These classifications are not mutually exclusive.**

Upper-level managers develop strategic plans that apply to the entire organization, establish overall objectives, and position the organization within its environment.

Lower-level managers focus on tactical plans that specify how the overall objectives will be achieved. These plans differ in time frame and scope: operational plans are limited in scope and are measured daily, weekly, or monthly; strategic plans are broader, less specific and encompass five or more years.

#### The systems approach to the management process/ The Systems Model of Management



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Systems approach (or view) of management process implies connecting the management process to the external environment and viewing it as a system that is existing in the overall system.

#### Inputs and Claimants

The inputs from the external environment

- People (Human inputs, efforts)
- Capital
- Managerial skills
- Technical knowledge and skills

Goal inputs of claimants must also be fulfilled - Different expectations from different claimants/ stakeholders must be fulfilled.

- Employees, Consumers, Suppliers, Stockholders, Governments, Community, etc.

### Process

inputs -> 5 Basic functions of management -> Output

### Outputs

Products, services, profits, satisfaction, integration of the goals of claimants to the enterprise.

### External variables

Opportunities in external env., constraints, threats.

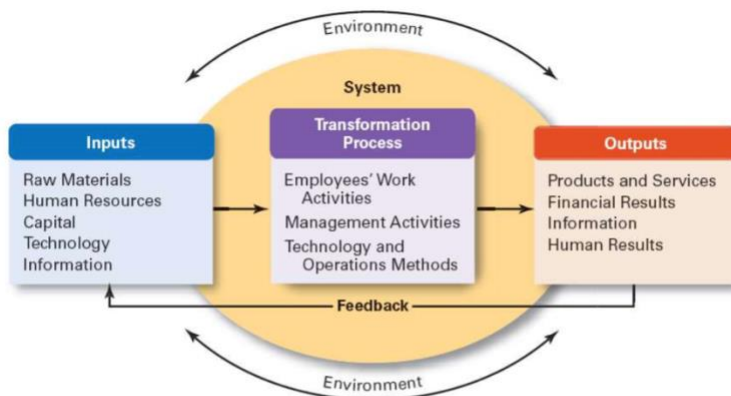
Effective managers regularly scan the external environment

### The Communication System

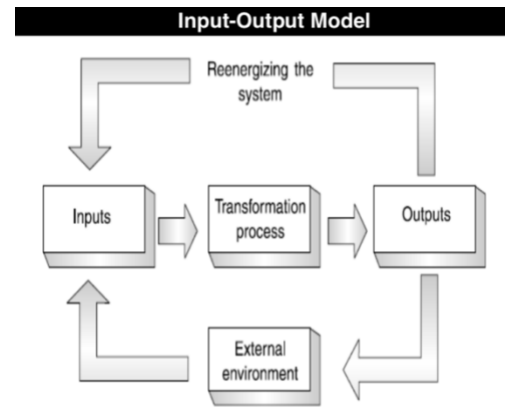
Communication integrates the managerial functions

It determines whether events and performance conform to plans

It is communication that makes managing possible.



Being close with the stakeholder: Hero



Links the system with external env. also.

### Reenergizing the System

In the systems model of the management process, some of the outputs become inputs again.

eg - profits fed into sys as investment

### The Managerial Transformation Process

The task of managers is to transform the inputs, in an effective and efficient manner, into outputs.

**Management by objectives (MBO)** - management model - aims to improve performance of an organization by clearly defining objectives at every level that are agreed to by both management and employees.

**common features of the organizational objectives**

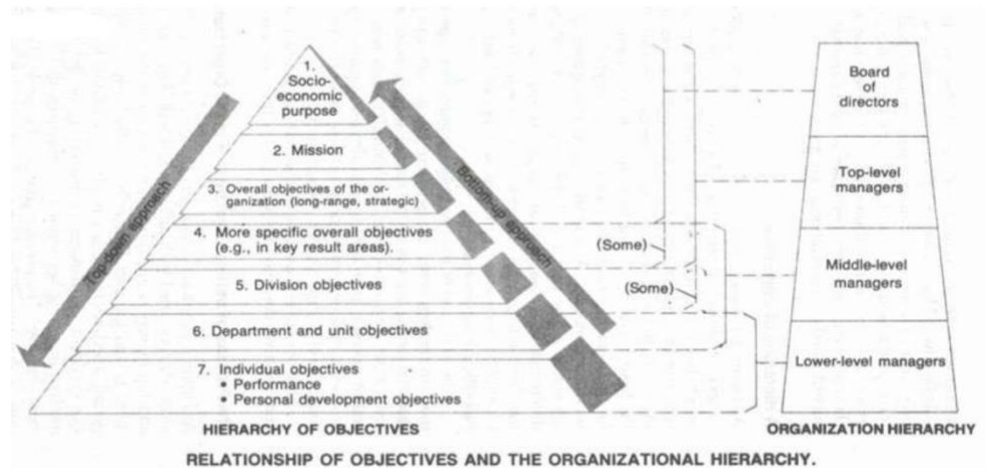
- > Verifiable and quantified objectives (see whether you have achieved or not after a fixed time)
- > Hierarchy of objectives
- > Network of objectives - interrelation b/w various objectives to help achieve organizational goal.
- > Multiplicity of objectives - many obj. in each level

**Related to diagram**

**Socio-economic purposes**

such as contributing to the welfare of people by providing goods and services at reasonable price with enough profit.

**Key result areas:** An area in which performance is essential for the success of the enterprise.



**S.M.A.R.T Approach** - followed while setting objectives - MBO Specific, Measurable, Achievable, Realistic, Time bound

**Definition of MBO** - It is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives.

A method whereby managers and employees define objectives for every department, project, and person, and use them to monitor the performance

There is hierarchy of objectives. Different and mutually agreed objectives are set at every level. Verified at every stage. Superior & subordinate jointly discuss objectives & based on results take actions (rewards & incentives etc.)

Objectives must be clear and verifiable.

**MBO emphasizes on the following :**

Performance appraisal - verify at the end / periodically.

Short term objectives and motivation

Long term planning - strategic plan based on which you have short term objectives

**Process of MBO:**

Setting preliminary objectives at the top

Clarifying organizational roles

Setting subordinates objectives

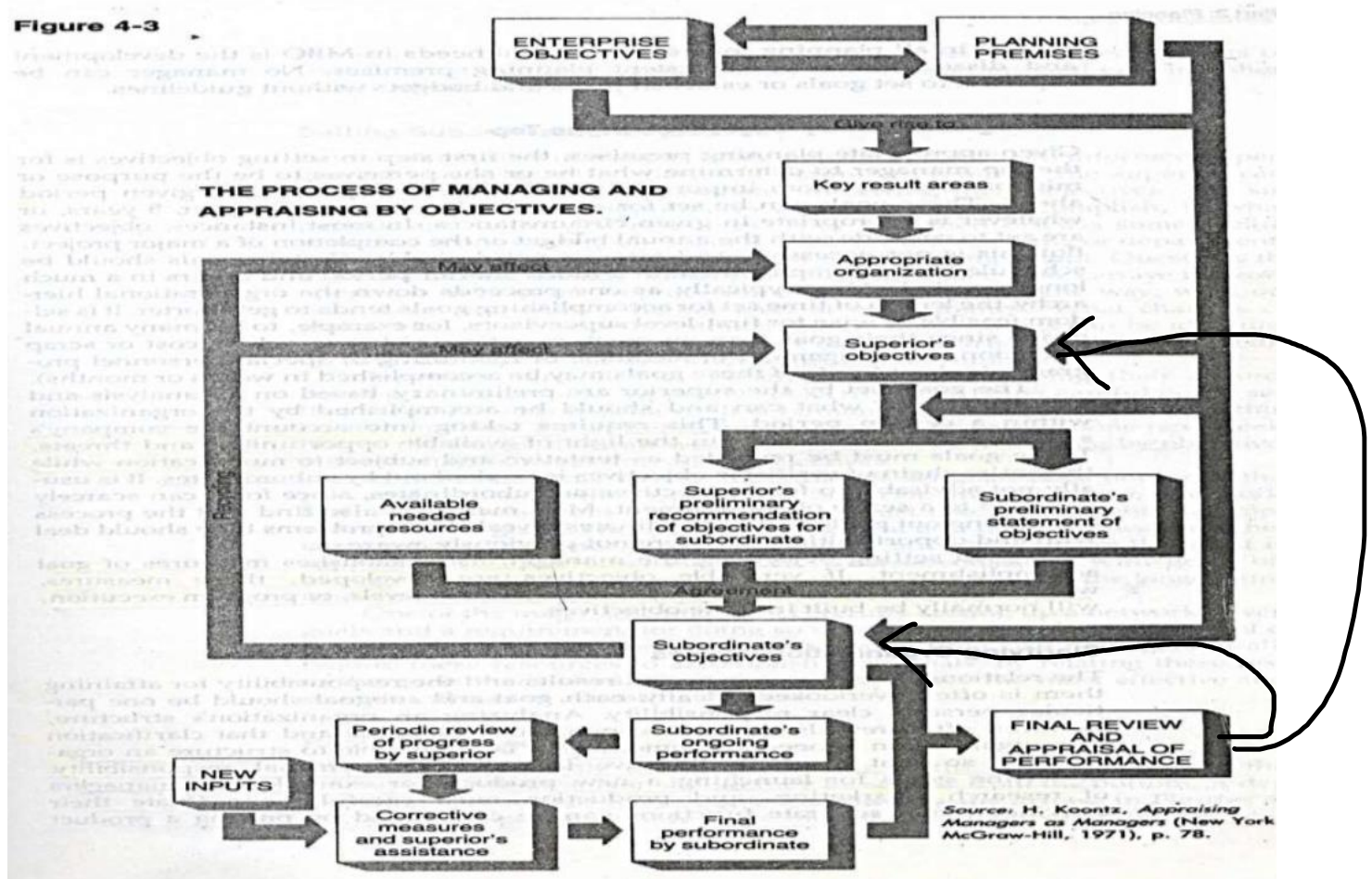
Recycling of objectives

**Diagram Process of MBO:**

Process starts with setting up overall objectives for whole enterprise and also deciding on planning premises along with various assumptions made for various alternatives. These give rise to key result areas.



Figure 4-3



Proper organization and clarification of various organizational role is done next. It leads to superior's objectives and then subordinate's objective. Based on avail.& needed resources, superior's preliminary recommendation of objectives for subordinate and subordinate's preliminary statement of objectives and their agreement leads to setting up of subordinate's objectives. After subordinate's ongoing performance there is periodic review and along with new inputs corrective measures along with superior's assistance are applied. Final performance by subordinate is sent for final review and appraisal of performance. Using feedback the objectives of subordinate or superior may be adjusted (recycling of objectives).

**Key result areas:** An area in which performance is essential for the success of the enterprise.

**Key result areas for business (Peter Drucker)**

- Market standing
- Innovation
- Productivity
- Physical and financial resources
- Profitability
- Managerial performance and development
- Worker performance and attitude
- Public responsibility

**Additional Areas:**

1. Service
2. Quality

**Quantifiable objectives** - time bound must be given and objective should be measurable.

**Examples of non - verifiable and verifiable objectives [Important]**

Always write factor, measure and timeline - for verifiable/ quantifiable objective - you can be asked to write this for various key result areas

## Examples of Nonverifiable and Verifiable Objectives

Nonverifiable objectives	Verifiable objectives
1. To make a reasonable profit	1. To achieve a return on investment of 12% at the end of the current fiscal year
2. To improve communication	2. To issue a two-page monthly newsletter beginning July 1, 2018 involving not more than 40 working hours of preparation time (after the first issue)
3. To improve productivity of the production department	3. To increase production output by 5% by December 31, 2018 without additional costs and while maintaining the current quality level
4. To develop better managers	4. To design and conduct a 40-hour in-house program on the "fundamentals of management," to be completed by October 1, 2018 involving not more than 200 working hours of the management development staff and with at least 90% of the 100 managers passing the exam (specified)
5. To install a computer system	5. To install a computerized control system in the production department by December 31, 2018 requiring not more than 500 working hours of systems analysis and operating with not more than 10% downtime during the first 3 months

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### Setting employee objectives

- Identify an employee's key job tasks.
- Establish specific and challenging goals for each key task.
- Allow the employee to actively participate.
- Prioritize goals.
- Build in feedback mechanisms to assess goal progress.
- Link rewards to goal attainment.

### Guidelines for setting objectives

- 1) Do obj. cover main features of the job?
- 2) Is this list of obj. too long? Combine some?
- 3) Are obj. verifiable
- 4) Do obj. indicate -
  - a) Quantity
  - b) Quality (How well/ Specific characteristics)
  - c) Time
  - d) Cost
- 5) Are obj. challenging yet reasonable
- 6) Are priorities assigned to obj.
- 7) Does the set of obj. also include
  - a) improvement obj.
  - b) Personal dev. obj.
- 8) Are obj. coordinated with those of other managers & org. units? Are they consistent with obj. of superior/dept/company?
- 9) Have I Communicate obj. to those who need to be informed
- 10) Are Short term obj. consistent with long term
- 11) Are assumptions underlying obj. identified Clearly?
- 12) Are obj. expressed clearly and in writing
- 13) Do. the obj. provide for timely feedback so that necessary corrective steps can be taken
- 14) Are my resources and authority sufficient for achieving the obj.?
- 15) Have I given individuals who are expected to achieve a chance to suggest?
- 16) Do my coordinates have control over aspects for which they are assigned responsibility?

### Benefits of MBO

- Need for planning will be recognized.
- Provides for objectives and accountability for performance.



- It encourages participative management.
- It helps in job enrichment. (Since diff. short & long term obj. at every level)
- It provides for a good feedback system.

### Objectives of MBO

- To identify problems and opportunities in business.
- To convert identified opportunities into clear goals.
- To set up a system to convert these goals into achievements.
- To review the organization in the light of the objectives.
- To establish the objectives of each job and unit.
- To clarify the policies and systems to accomplish the objectives.
- To set up a review system.

### Weakness of MBO

- > Failure to teach the philosophy of MBO
- > Failure to give guidelines to goal setters
- > Difficulty of setting goals
- > Emphasis on short run goals (lose track from long term goals)
- > Difficulty to explain employees
- > Danger of inflexibility
- > Desire to make goals verifiable people may use quantitative goals and attempt to use numbers in areas where they are not applicable

#### ☐ Benefits

- Leader/subordinate efforts are focused on activities that will lead to goal attainment
- Performance improved up and down the chain
- Motivated people

#### ☐ Problems

- Change adversely affects planning
- Low morale reduces effectiveness
- Lower level goals take precedence
- Over-centralized authority limits participation
- Paperwork

### **Lecture 6 - 24/08 (Monday)**

Only discussion on previous lecture and Assignment

#### Verifiable Objective examples -

Profitability - Achieve 10% increase on the profit if prev. year by this year

Work performance and attitude - Increase comm. by having semi-annual dinners to improve work place harmony and coordination (DOUBT)

market standing - increase the market standing from 50 to 75% by end of 2025 by expanding the workforce not more than 15%

Public resp. - establish wind farm in 500 villages in India by 2030 using a budget of \$10 billion.

Managerial performance & development - be listed in fortune top 500 best work places to work at before the start of the next hiring season.

Public resp. - Invest at least 10 million \$ in the start-up space & positively impact at least 10 diff. start-up before the end of the fiscal year.

Physical and Financial resources - invest 25 mil in leasing bigger office space to accommodate a larger work force by the end of the next year

### **27/08 Thursday - No class**

### **Lecture 7 - 31/08 (Monday)**

#### 3 levels of Strategy

- Corporate level strategy: What business we are in?
- Business level strategy or competitive strategy: How do we compete?
- Functional-level strategy: How do we support business level strategy?

## Strategic Planning Tools

4 tools we will discuss - are related but distinct. Managers should use one or combination of tools.

### I) Critical question analysis

Here you try to ask basic questions so that you can plan ahead and get clarity of what is required. Some of the questions can be-

"key questions that serve as guides for establishing strategy"

example of critical ques analysis:

- What is our business?
- Who are our customers?
- What do our customers want?
- How much will our customers buy and at what price?
- Do we wish to be a product leader?
- Do we wish to develop our own new products?

The key questions that serve as guides for establishing a marketing strategy are: [Example]

- Where are our customers and why do they buy?
- How do our customers buy?
- How is it best for us to sell?
- Do we have something to offer that competitors do not? (USP - unique selling proposition)

Answers will automatically help you to formulate a strategy or a plan.

### II) SWOT Analysis

-> Acronym for Strengths, Weaknesses, Opportunities, and Threats. These aspects of the business are understood are

-> Analyse the situation (by looking for various internal & external factors to your business) & have a strategy based on it.

-> Used as framework for organizing and using data and information gained from situation analysis of internal and external environment.

-> Technique that enables a group / individual to move from everyday problems / traditional strategies to a fresh perspective.

#### Strengths

-> Characteristics of the business or a team that give it an advantage over others in the industry. [+ve tangible and intangible attributes, **Internal** to an org.]

-> Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.

-> Examples - Abundant financial resources, Well-known brand name, Economies of scale, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.

#### Weakness

-> **Internal** negative factors - place firm at a disadv. relative to others.

-> Poses an obstacle, detracts org. from achieving the obj. (attain core goal)

-> Weaknesses - factors which do not meet the standards we feel they should meet. However, weaknesses - controllable. Must be minimized and eliminated.

-> Examples - Limited financial resources, Weak spending on R & D, Very narrow product line, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills, Under-trained employees.

## Opportunities

- > **External** factors (+ve) provide a chance to make higher profits in the env. They present a reason for an org. to exist & develop.
- > Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- > Examples - Rapid market growth, Rival firms are complacent, Changing customer needs/tastes, New uses for product discovered, Economic boom, Government deregulation, Sales decline for a substitute product.
- > Some opportunities can become threats & vice-versa (depends on how you utilise it). Hence org. - careful & recognize the opportunities & grasp when they arise. May arise from market, competition, industry/government and technology.

## Threats

- > **External** elements in the environment that could cause trouble for the business - External factors, beyond an organization's control (weakness can be controlled), which could place the organization's mission or operation at risk. When a threat comes, the stability and survival can be at stake
- > Arise when conditions in external environment jeopardize the reliability and profitability of the organization's business.
- > Compound the vulnerability when they relate to the weaknesses.
- > Examples - Entry of foreign competitors, Introduction of new substitute products, Product life cycle in decline, Changing customer needs/tastes, Rival firms adopt new strategies, Increased government regulation, Economic downturn.

## GOALS - after analysis

- Make most of your strengths
- Circumvent your weakness
- Capitalize on your opportunities
- Manage your threats

**in exam - a case will be given and you will have to give Strengths, weakness, opp, threats.**

**OR**

**Jumbled list of Strengths, weakness, opp., threats will be given you will have to categorize it.**

**Question - Assume that a car manufacturing company has recently launched its electrical vehicle (EV) products. Perform a SWOT analysis for the same.**

## Strengths

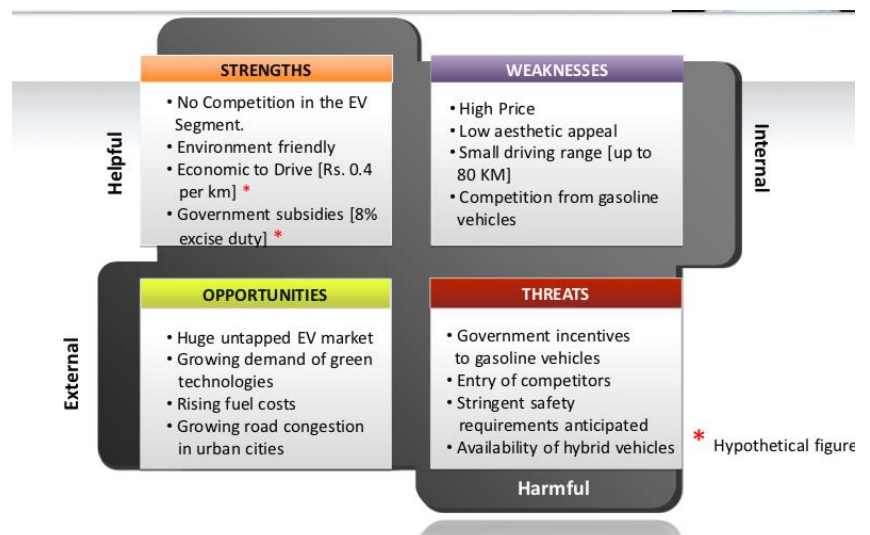
- No Competition in the EV Segment.
- Environment friendly
- Economic to Drive [Rs. 0.4 per km]
- Government subsidies [8% excise duty]

## Weakness

- High Price
- Low aesthetic appeal
- Small driving range [up to 80 KM]
- Competition from gasoline vehicles

## Opportunities

- Huge untapped EV market
- Growing demand of green technologies
- Rising fuel costs
- Growing road congestion in urban cities



## Threats

Government incentives to gasoline vehicles

Entry of competitors

Stringent safety requirements anticipated

Availability of hybrid vehicles

## Lecture 8 - 3/09 (Thursday)

### TWOS Matrix

Acronym - Strength, Weakness, Opportunities, Threats.

In step 1 - identify them

Then we have to come out with these 4 alternative strategies to tackle negative attributes & take adv. of +ve attributes.

The WT Strategy

The WO Strategy

The ST Strategy

The SO Strategy

1) **The WT Strategy** - both are negative factors. You want to minimize weakness and threats. Hence, it is called mini-mini strategy. Aims to minimize both.

Example strategies- joint venture (2 companies combines its operations)

liquidation (dissolve & sell off your assets to cover up the losses)

retrenchment strategy (used to reduce diversity or overall size of the operations of the company - used to cut expenses with goal of becoming more financially stable business - involves withdrawing from certain markets or discontinuation of selling certain products or service.)

### 2) **The WO Strategy**

Minimize weakness, maximize opportunities (Mini-Maxi). - Development strategy to overcome (minimize) your weakness in order to take advantage of opportunities.

eg - HR is not so good (weakness), & there are company that can outsource = then you can minimize your weakness (bad HR) by taking advantage of external opportunities (i.e. go for outsourcing).

### 3) **The ST strategy**

Maximize strength and reduce your threats (Maxi-Mini) - Involves use of strengths to cope with the threats or to avoid threats.

Eg - use technological skills to cope with the threats of new product improved by their competitor; Utilise R&D team to cope with the threat which is entry of foreign competitor.

### 4) **The SO Strategy**

Every company wants to be in this position.

Increase both - Maxi - Maxi. Potentially the most successful strategy;

utilizing the company's strengths to take advantage of opportunities

Aim of company to move from all other strategies (1,2,3) to 4.

In case if TWOS matrix will be asked for a case study. Write required things in these boxes. Write "HOW" you will use that strategy.

Eg. - Strength: Marketing,

Threats: foreign competitor,

TOWS Matrix for Strategy Formulation

<div>Internal factors</div> <div>External factors</div>	Internal strengths (S) e.g., strengths in management operations, finance, marketing, R&D, engineering	Internal weaknesses (W) e.g., weaknesses in areas shown in the box of "strengths"
	SO strategy: Maxi- Maxi Potentially the most successful strategy, utilizing the organization's strengths to take advantage of opportunities	WO strategy: Mini-Maxi e.g., Developmental strategy to overcome weaknesses in order to take advantage of opportunities
External Opportunities (O) (Consider risks also) e.g., current and future economic condition, political and social changes, new products, services and technology	ST strategy: Maxi-Mini e.g., use of strengths to cope with threats or to avoid threats	WT strategy: Mini- Mini e.g., retrenchment, liquidation, or joint venture to minimize both weaknesses and threats
External threats (T) e.g., lack of energy, competition, and areas similar to those shown in the "opportunities" box above		

ST Strategy - Market our product to cope with the foreign competitor.

4 alternative strategies - TWOS Analysis

4 emerging strategies - business portfolio analysis

**DO NOT GET CONFUSED**

### **III) Business Portfolio Analysis**

-> Business portfolio matrix or the growth share matrix - by Boston Consulting Group (BCG)

-> Businesses or products are classified as low or high performers depending upon their market growth rate and relative market share. Based on classification decisions and strategies can be made.

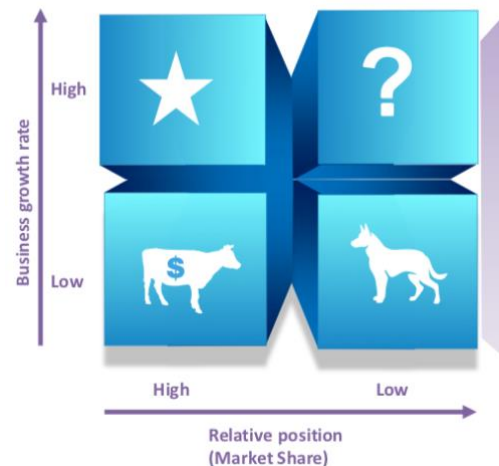
-> It is a portfolio planning model - based on observation that companies business units can be classified into 4 categories - Stars, Question marks, cash cows, dogs - based on market growth and market share relative to the next best competitor.

-> BCG Matrix was developed.

-> Also called BCG growth/ share matrix

-> Each of the firm's Strategic Business Units (SBUs) is plotted on a two-dimensional grid in which the axes are relative market share and industry growth rate. OR instead of SBU, product portfolio analysis can also be done.

-> The grid is broken into two quadrants. It is a most renowned corporate portfolio analysis tool.



According to the BCG Matrix, business could be divided into high or low depending upon their industry growth and relative market share.

Market Share -> Your company's share in the market (eg - your company is phone manufacturer, there will be many manufacturers of phone - what is your share in that)

Relative Market Share -> your share divided by leading competitor's market share

Relative Market Share -> SBU Sales this year / leading competitor's sales this year

Market growth rate - sales this year compared to sales last year.

Market Growth Rate = Change in Market Size / Original market size (This is not related to company, but is about the market). Projected growth rate of that primary market over the next 5 years.

Both measures must be calculated for each SBU. The dimension of business strength, relative market share, will measure comparative advantage indicated by market dominance. The key theory underlying this is existence of an experience curve and that market share is achieved due to overall cost leadership.

### **STARS**

-> SBUs or products with High Growth, High Market Share

-> Leaders in business and have long term growth potential.

-> Require heavy investment, to maintain its large market share

-> Leads to large amount of cash consumption (because of it lies in growing market, demand is very high) and cash generation (because of high market share)

-> Attempts should be made to hold the market share otherwise the star will become a CASH COW.

### **CASH COWS**

-> SBUs or products with Low growth, High market share

-> Have limited long-run potential but represent a source.

-> Foundation of the company and often the stars of yesterday.

-> Generate more cash than required. (Low investment cuz low growth demand)

- > Extract the profits by investing as little cash as possible
- > Located in an industry that is mature, not growing or declining.
- > Source of income for stars and question marks.

### DOGS

- > SBUs or products with Low growth, Low market share
- > Dogs are the cash traps.
- > Weak position, limited potential - they should be divested
- > Dogs do not have potential to bring in much cash.
- > Number of dogs in the company should be minimized.
- > Business is situated at a declining stage.

### QUESTION MARKS

- > SBUs or products with High growth, Low market share
- > Most businesses start off as question marks.
- > They will absorb great amounts of cash if the market share remains unchanged, (low). [Lot of investment to rise from question mark to stars]
- > Why question marks?
- > Question marks have potential to become star and eventually cash cow but can also become a dog.
- > Investments should be high for question marks.

Any product will go through 4 phases -

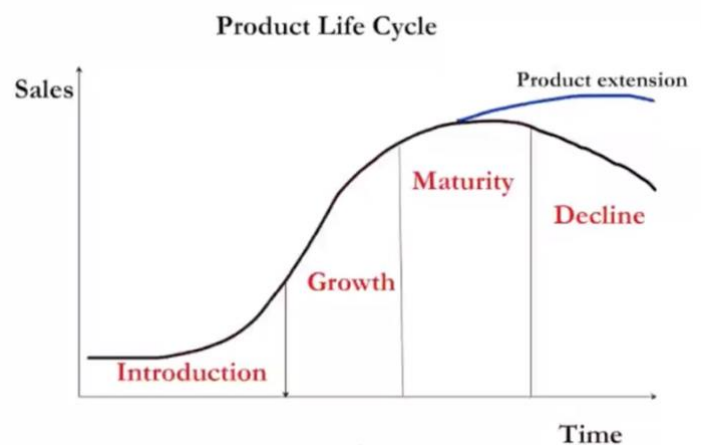
Introduction - newly launched product, Growth - sales is increasing (market capture inc.), maturity - product is well-known, growth rate is low, and market share is really high, and Decline - Demand for the product declines.

Stars - Growth phase of the product.

Cash cows - Maturity phase of the product.

Dogs - Decline

Question Marks - Introduction



### 4 Strategies emerging from BCG Matrix are -

- > **Build** - put investment to build business or increase the sale of products - Used for Question marks so that they can reach star stage
- > **Hold/ Maintain** -> Used for stars
- > **Harvest** -> Aims at maximize remaining profits with minimal or no further investment - used for cash cows
- > **Divest** -> Aims at selling off the business unit completely or closing it down cuz business unit is making losses and has no further chance to make profits. -> Used for Dogs

Firms often harvest a business unit before selling it off. Afterwards they use the profits derived out of harvesting and divesting into investing another profitable SBU.

### Main Steps in BCG

- Identifying and dividing a company into SBU or different range of product.
- Assessing and comparing the prospects of each SBU or products according to two criteria :
  1. SBU'S or product's relative market share.
  2. Growth rate OF SBU'S or product's industry.
- Classifying the SBU'S or products on the basis of BCG matrix
- Developing strategic objectives for each SBU or product.



## Why BCG Matrix?

To assess :

- > Profiles of products/businesses
- > The cash demands of products
- > The development cycles of products
- > Resource allocation (investment) and divestment decisions.

## BCG Matrix Application

- > Can help to understand a frequently made strategy mistake - having a one size fits all strategy approach - such as generic growth target or generic return on capital for entire corp.
- > Cash Cows Business units will reach their profit target easily. Even worse - they are often allowed to reinvest substantial cash amounts in their mature businesses.
- > Dogs Business units - fighting impossible battle - hopeless attempts to turn the business around - investment wasted
- > Question marks and stars receive only mediocre funds. Can never become cash cows. Inadequate invested sums of money are a waste of money
- > Either these SBUs should receive enough investment funds to enable them to achieve a real market dominance and become Cash Cows (or Stars), or otherwise companies are advised to disinvest. They can then try to get any possible cash from the Question Marks that were not selected

## Business Portfolio Analysis Benefits

- > Simple, easy to understand,
- > Helps to quickly and simply screen open opportunities and allows to think to make most of them
- > helpful in identifying how corporate cash resources can best be used to maximize future growth & profitability of company.

## Business Portfolio Analysis Limitations

- > use on 2 dimension - Relative market share & market growth rate
- > problems may arise in getting these data ^
- > High market share does not mean profits all the time
- > Business with low market share can be profitable too
- > It neglects the effects of synergy between business units
- > market growth rate not the only indicator of attractiveness of market
- > No clear definition of what constitutes a market
- > Model Neglects small competitors that have fast growing market shares



## BCG MATRIX EXAMPLES


YONEX -

Shuttle corks -> Will be used in every tournaments and new tournaments coming up in INDIA -> "STAR"  
Nets -> Won't be increasing or decreasing cuz courts are established and only those nets are replaced -> "CASH COWS"

Grips -> Not being used by people now a days - "DOGS"

Training Equipment -> New thing by Yonex and Already there by other companies such as Nike. "QUES MARK".

## Examples

STATUS	COMPANIES				
					
Cash-Cow	AXE, Vaseline, Petroleum Jelly	Cigarettes	Cerelac	Chayawanprash, Vatika Amla, Hajmola	Ariel, Vicks, Tide
Star	Lux, Sun-Silk, Fair& Lovely, Ponds, Kissan Ketchup, Surf-Excel, Annapurna Atta	Paperboards/ Packaging, Agri-Business	Nescafe, Maggi Noodles	Real Fruit Juice, Active Fruit Juice, Dabur Red Toothpaste	Gillette, Pantene, Head & Shoulders, Pamper, Whisper
Question	Rin, Pepsodent, Domex	Automotive, Furniture, Financial, Tobacco, Food	Milo, Kit-Kat, Munch, Maggi Soup, Nestle Butter, Nesvita, Nestle Maggi Ketchup.	Odomos, Sanifresh, Oxylife Facial	Olay
Dog	Wheel	ITC InfoTech	Nestea, Milkybar	Dabur Gulabari, Burst Fruit Juice	

### Growth strategies

- > **Direct Expansion** -> Increasing a company's size, revenues, operation, or workforce
- > **Merger** -> Occurs whe 2 companues, usually of similar size, combine their resources to form a new company.
- > **Acquisition** -> When a larger companies buys a smaller one and incorporates the acquired company's operations into its own.

### IV) Porters Generic Model (Porter's Model for Industry Analysis)

#### 3 generic competitive strategies

##### 1) Overall Cost Leadership strategy -

- > offer products at low price than your competitors and still manage to make profits & hence gain competitive advantage.
- > Org. will keep a close watch on costs in areas such as research and development, sales and services.
- > By keeping costs low, the organization is able to sell its products at low prices and still make a profit
- > Timex - low cost simple watches.

##### 2) Differentiation strategy

- > seeks to distinguish from competitors by offering something unique through the quality of products or services
- > Firms that are successfully able to implement a differentiation strategy are able to charge more than competitors because customers are willing to pay more to obtain the extra value they perceive
- > eg - Rolex, Porsche

##### 3) Focused Strategy

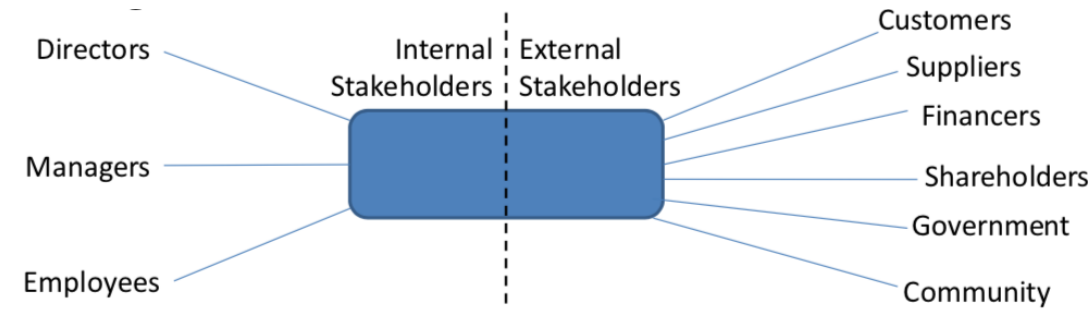
- > A company adopting a focused strategy concentrates on a specific regional market, product line, or group of buyers. This strategy may have either a differentiation focus, whereby the firm differentiates its products in the focus market, or on overall leadership focus, whereby the firm manufactures and sells its products at low cost in the focus market.

- > Longines - follows focus differentiation strategy for only female watches which are highly jewelled.
- > Fisher-price -> focus differentiation strategy to sell electronic calculators with large, bright colored buttons to the parents of preschoolers.



## Strategic Planning Process

- > Stakeholder - influences the org. or gets influenced by the org. Has a stake in the firm.
- > 'stake' refers to a share or interest, specially financial, in property, a person or a business venture
- > Stakeholders - internal or external



- > They influence - final selection of strategy & its formulation.
- > Crucial for managers to analyze their relative imp. & expectations (Goal inputs of claimants)
- > purpose pf business is to provide value for a broad range of stake holders.

## Various stake holders & their interests (examples of value provided)

- > Stock holders = stock price appreciation and dividends
- > Customers = Products & services
- > Employees = Employment, wages, personal growth opportunities
- > Suppliers = Revenue through sales, growth opportunities
- > Local Community = Jobs, economic & civic development
- > Society at Large = Economic health & security, env. protection
- > Trade associations = Political strength, operating funds

## Fiscal & Social Responsibility

- > A firm's obligations to stock holders is referred as **fiscal responsibility**, while obligations to firm's stake holders is known as **social responsibility**.
- > Management should strike an acceptable balance b/w these
- > Stock Holder is purely financial
- > All other responsibilities (discussed above) are social resp.

## Strategy

"Means to an end. The end concerns the purpose and objectives of the organization." -J. L. Thompson

"The word strategy is used to describe the direction that the organization chooses to follow in order to fulfill its mission." -R. Bennet

"The major courses of action that an organization takes to achieve its goals are called strategies." - Hellriegel, Jackson, Slocum

## Policies v/s Strategy

- > Policies guide managers in using discretion in decision making.
- > Strategies are broad and general programs of action/ courses of action that imply commitment of resources for the purpose of reaching long-term objectives.
- > The essence of policy is discretion.
- > Strategy concerns the direction in which human and material resources will be applied in order to increase the chance of achieving selected objectives

### Certain Policies & Strategies can be same

Example: Develop only those new products that fit into company's market structure.

Growth through acquisition or growth through expansion.

### Strategies and policies give direction to plans.

-> They provide a framework for plans and serve as the basis for the development of tactics (action plans or operational plans) and other managerial activities. Eg:- Develop only those new products that fit into company's market structure.

-> If managers are to be effective, strategies and policies must be put into practice by means of operational plans. Tactics are the action plans through which strategies are executed.

### Differences b/w Strategies and Policies

<u>Basis for Comparison</u>	<u>Strategy</u>	<u>Policy</u>
Meaning	Comprehensive plan, made to accomplish the org. goals	Guiding principle, that helps the org. to take logical decision
What is it?	Action Plan	Action Principle
Nature	Flexible	Fixed, allow certain exceptional situations
Orientation	Action	Decision
Formulation	Top & Middle level management	Top level management
Approach	Extroverted	Introverted

### Areas of strategizing

New or changed products and services

Marketing - (imp cuz whole revenue depends on sales)

Growth

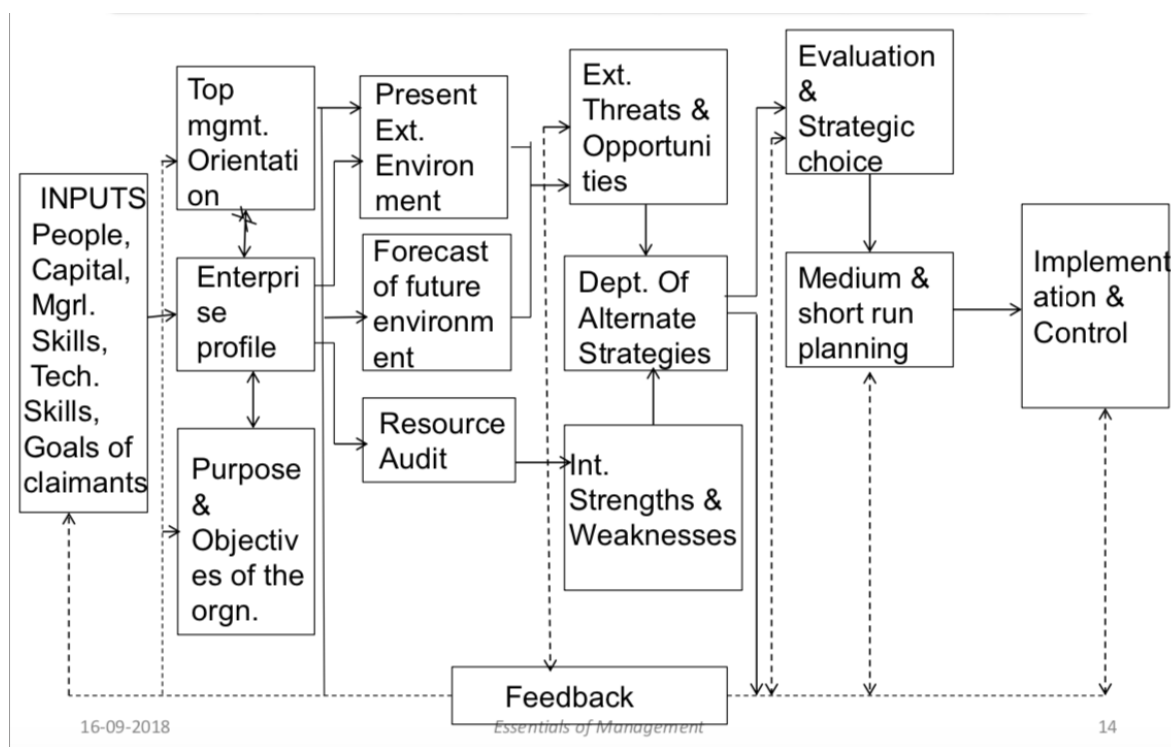
Finance

Organization

Personnel

Public relations

### Strategic Planning Process (IMPORTANT)



Similar to system model of management

First part is the different inputs - people, capital, managerial & tech. skills, goals of claimants (stakeholders)

Next phase contains enterprise profile -> Starting point for determining where the company is and where it should go. Top managers decide enterprise's mission, clarify geographic region i.e. whether it should operate in selected regions throughout the home country or various countries. Managers assess the competitive position of their firm. Framing of the mission statement, purpose & objective of the organization is done in this phase.

Next phase is scanning for various external factors i.e. present and future external env. should be assessed in terms of opportunities & threats. Evaluation focuses on competitive situation as well as economic, social, political, legal, demographic & geographic factors. Basically looking for external opportunities & threats. Resource audits is nothing but assessing what is avail. within the org. and what more is required. It forms internal strengths & weakness.

Based on these external threats & opportunities as well as internal strengths & weaknesses are formed.

Based on this the next phase - development of alternate strategies is achieved. Then in the next phases different alternative strategies are evaluated carefully. Right strategy is chosen amongst these. Risk involved in decision is taken into consideration and some profitable venture may not be chosen due to risk or time constraint. Contingency plans (backup plans) are also made. Testing for consistency and preparing Contingency plans are very important. During all phases of strategic planning consistency testing is essential. Contingency plans are needed because future is uncertain. For ex - strategy may be prepared with an assumption that GDP will increase by 3% annually for next 3 years. A contingency plan may also be made which includes a scenario of major recession.

Next thing is medium & short term planning. This then leads to implementation and controlling is done.

(Other functions of management required for implementation - organizing, staffing, controlling etc.)

Feedback is also very important and they are shown by loops in the diagram.

### **Tools to develop Strategy (already discussed)**

- > Critical question analysis
- > SWOT analysis
- > Business portfolio analysis
- > Porter's Model for Industry Analysis

## **Lecture 10 - 10/09 (Thursday)**

### **Organizing as a Function of Management**

#### **What is organizing**

It Involves

- > Identification and classification of the required activities
- > Grouping of activities necessary to attain objectives
- > Assignment of each grouping to a manager with authority and the provision of coordination

#### **Nature of Organizing**

- > Differentiated Functions
- > Oriented towards goals
- > Division of work & specialization
- > Composition of individuals & groups
- > Continuity

#### **Components of Organizing**

- > Division of Labour = Dividing whole job into various task & Assigning resp. for each activity to an individual/ group. Becomes Specialization when the responsibility for a specific task lies with a designated expert in that field.

- > Delegation of authority = Process managers use delegation to transfer authority to positions below them. Current Trend - encourage delegation from highest to lowest possible levels (Decentralized approach). Improves flexibility.
- > Departmentalization = basis on which individuals are grouped into depts & depts in overall org.
- > Span of Control = number of subordinates a supervisor has. Factors that affect span of control - geographical, location, capability of workers, similarity of task.

### **Steps in Organizing**

1. Identification of activities of the org.
2. Organizing the activities.
3. Classification of the authority.
4. Building relationship b/w authority & responsibility. (Balance b/w them)

### **Benefits of organizing**

- > Helps to achieve organizational goals
- > Optimum utilization of Resources
- > Planning, Staffing, Directing and Controlling cannot be implemented without proper organization
- > Facilitates Growth & Diversification

### **Nature & purpose of organizing**

- > Verifiable objectives
- > Clear idea of major duties & activities
- > An understood area of discretion or authority so that person in a role knows that he can do to accomplish goals
- > Organization implies formalized, intentional internal structure of roles & positions

### **Urwick's 10 principles of Organization**

- 1) Principle of Unity and objective - Organization structure - effective if it facilitates the contribution of individuals in the attainment of enterprise objectives.
- 2) Principle of efficiency - efficient if facilitates accomplishment of objectives at min cost
- 3) Principle of specialization - Employee allotted to a function suited to his aptitude & skills (1 group, 1 func)
- 4) Principle of coordination: Built in procedures for coordination between the roles of various sections.
- 5) Principle of authority: Clear line of authority from the supreme to the lowest managerial line.
- 6) Principle of delegation: Authority must be delegated as much as down in the organizations. Decisions must be made at the lowest competent level.
- 7) Unity of command: Each person should be accountable to a single supervisor.
- 8) Span of management: No superior at higher level must have more than six immediate subordinates.
- 9) Principle of exception: Higher management should deal with exceptionally complex problems. All the routine matters should be dealt with lower level managers.
- 10) Principle of flexibility: Organizational structure should be adaptable to changes in nature of business and technology, and procedures.

### **Formal and informal organization**

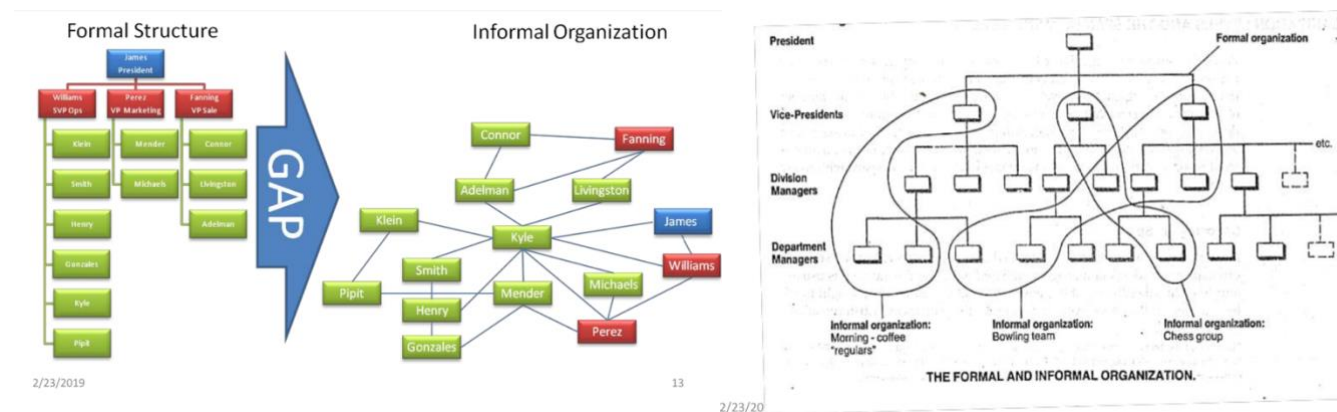
Formal - intentional structure of roles & position in a formally organized enterprise.

Informal organization - is a network of personal and social relations not established/required by the formal organization but arising spontaneously as people associate with one another. (Not appear in organiz. chart)

### **Differences b/w formal & informal organization**

<b><u>Formal organization</u></b>	<b><u>Informal organization</u></b>
Designed & created by top management	Comes up on its own
Planned one	Not planned, created spontaneously
Authority & resp. fixed & defined	Authority is generally based on personal acceptance

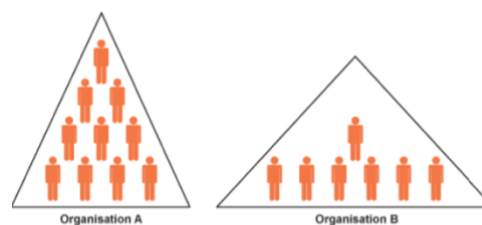
Requires office to func.	Functions through people
Rigid, definite, has a written constitution	Flexible, no such fixed rigid constitution



Easier to ask help from informal organization.

### How informal organization supports formal organization?

- > Easier & effective communication and understanding b/w employees or b/w subordinate & manager.
- > Employees and their talents can be understood in a better way due to informal associations & can be later used in formal situations.
- > Informal work groups can lighten the workload of formal manager and fill in the gaps in the manager's abilities
- > Employees can blend well in the formal organization
- > Relationships are formed across various levels



### Tall & Flat Organizations

Tall - many levels of authority, narrow spans of control (less subordinates per supervisor), many levels.

Flat - fewer levels, wide span of control (more subordinates per supervisor), fewer levels.

### Span of Control

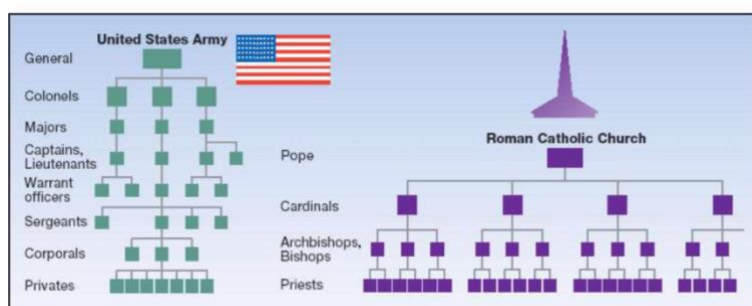
-> No. of subordinates who report directly to an executive or supervisor

-> Difference in Span of Control have direct implications on the shape of organization.

-> Organizations must find optimal span of control to be effective

Narrow enough to permit managers to maintain control over subordinates

Wide enough so that the possibility of micromanaging is minimized



In the diagram span of control of colonels =

1. (No. of subordinates reporting directly to the supervisor)

### Factors effecting span of control

Optimal span of control - depending on following factors

- 1) Subordinate training = Well trained subordinate - less time of superior = Broader span feasible
- 2) Delegation of authority = If manager clearly delegates authority, then a subordinate can get it done with a min. superior's time & attention. So, you can go for broader span.
- 3) Planning = Clear Policies to guide decisions for subordinate = less dependency on superior's time => broader span. If plans are not accurate, then his decision may require considerable guidance, hence Narrow span.

- 4) Rate of change = Dynamic industry calls for narrow span - if stable business, broader span.
- 5) Communication techniques = Broader span if manager can communicate effectively, otherwise narrow.
- 6) Kind of activity = Imp & complicated activities, then narrow/small span
- 7) Kind of organization = Centralized organization requires narrow span. In Decentralized decisions are made at lower level and there is freedom of action, then broader span.
- 8) Organization level - If delegation of authority at lower level, then wider span of control

Some other factors will be training of managers & their ability.

### Patterns of Departmentation

#### 1. Departmentation by Simple numbers

- > Structural departmentation. Involves grouping all person who are to perform same duties & put them under supervision of a manager.
- > Mainly concerns with number of people involved in each group, not what they do, where or what they work.
- Age old method & rapidly falling into disuse - construction, old armies.
- > Declined cuz
  - 1) Tech. advancing fast - demand for more specialized & different skills.
  - 2) Groups composed of specialized personnel are more frequently more efficient than merely based on numbers.
- > Useful only at lowest level of organization structure

#### 2. Departmentation by Time

- > Suitable for lower level of organization
- > Oldest form structuring organization
- > Grouping of activities based on time
- > Use of shifts is common - as normal workloads become insufficient & ineffective
- > Eg - Hospitals, Production facilities (like steel)

#### Advantages

- > services offered 24x7 instead of 8hr shifts. (Many shifts are imp. normal workforce become ineffective & inefficient.)
- > Process which needs continuous cycle of operation does not get interrupted
- > Expensive capital equipment can be used more than 8hrs/day
- > Student - classes day, work @ night

#### Limitations

- > Supervising night shifts = difficult
- > Fatigue factor, difficult to change biological clock for many employees
- > Several shifts may lead to coordination and communication problem
- > Payment of overtime can increase the cost of production or services rendered

1 & 2 are old methods

Following are newer methods

#### 3. Departmentation by Enterprise functions (Functional Departmentation)

- > Most widely used form of departmentalization
- > Groups activities by function (job) [simple number was based on person's duties, this is based on enterprise's functions - Finance, HR, etc].
- > Consistent with the idea of Specialization & division of work (Similar activities placed together in 1 dept., & under single chain of command)

-> Facilitates coordination, since a supervisor is in charge of 1 major area of activity. There is a head for entire dept. & he supervises all activities of that dept regardless of location, plan, and any other factor.

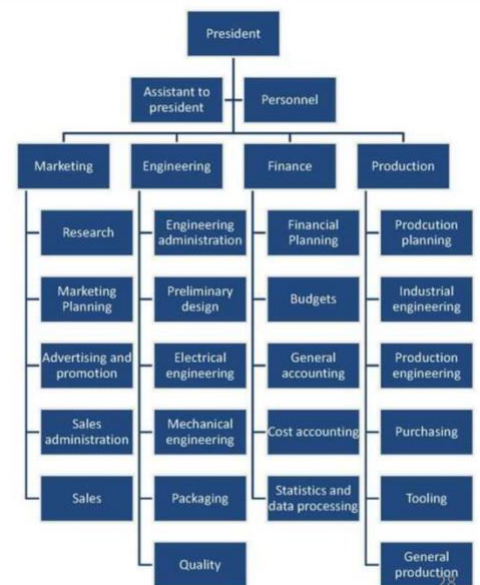
-> Easier to achieve coordination (as compared to same funcs. performed in various dept. under various supervisors)

### Strengths

- > Allows economies of scale within functional departments
- > Enables in-depth knowledge and skill development
- > Enables organization to accomplish functional goals
- > best with only 1 or few products

### Weakness

- > Slow response time to env. changes
- > May cause decision to pile on top, hierarchy overload
- > Leads to poor horizontal coordination among depts.
- > Overspecialization narrows down the viewpoints of persons.
- > Less innovation
- > Restricted view of organizational goals



#### 4. Departmentation by Territory/Geography (Geographical departmentation)

- > grouping activities on basis of territory if customer's are geographically dispersed/ those operate over wide geographic areas.
- > Eg - Coca-Cola = reflected company's operation in 2 broad geographic areas - America & International
- > In the figure you can see subdivision is then based on functions, i.e. many types of departmentalization can be used.



### Advantages

- > Places responsibility at lower levels
- > Places emphasis on local markets & problems
- > Improves co-ordination in a region
- > Take advantage of economies of local operation
- > Better face-to-face communication with local interest
- > Furnishes measurable training ground for general managers

### Limitations

- > Requires more persons with General manager abilities
- > Tends to make maintenance of economic central services difficult
- > Increases problem of top management control

#### 5. Departmentation by Product/Service

- > Dept. made based on different types of products.
- > Product departmentation can also be a useful guide for grouping activities in service businesses.
- > eg - Food product company divides its operations into frozen food dept., dairy products dept., produce dept, etc.
- > Each product or group of closely related products are considered as relatively autonomous integrated (?) unit within the complete framework of the company.





### Advantages

- > Permits for expansion & diversification of products & services.
- > Improves coordination of functional units

### Disadvantages

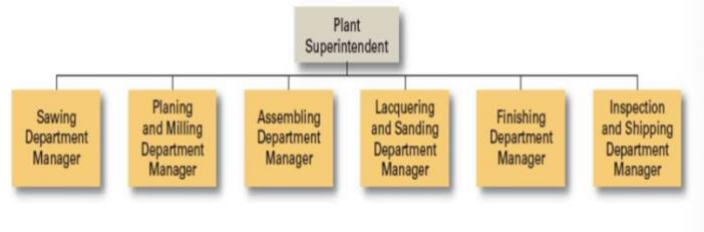
- > There can be duplication of service & staff activities
- > Requires more people with general manager abilities

## 6. Process/Equipment Departmentation

- > Dept made based on the process in manufacturing a product or based on the various equipment used.
- > Companies where electronic data processing is involved can also make use of this type of departmentalization.

### Disadvantages

- > Suitable only for few types of products especially for manufacturing sector where diff. equipment & processes are involved in manufacturing.
- > Coordination of various dept. can become difficult
- > Not suitable for developing general managers



### Advantages

- > More efficient flow of work activities.
- > Can utilise special skills, use specialized technologies & can help to achieve economic advantage.

## 7. Customer Departmentation

- > Depts. made on basis of types of customers or common customers
- > Used by organization that have a special need to provide better service to different types of customers.
- > Assumption is that customers in each department have a common set of problems and needs that can best be met by specialists.



### Advantage

- > Encourages focus & concentration on customer needs.
- > Gives customer a feeling that they have an understanding supplier.
- > Can develop expertise in customers' field or area (?)

### Disadvantage

- > Diff. to coordinate operations to complete various different customer demands
- > Requires managers & staff to be expert in customer's problems.
- > Customer groups may not always be clearly defined.

## 8. Matrix Departmentation

- > Matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure.
- > One type horizontally, another type vertically.
- > One person can become part of 2 depts.
- > The essence of a matrix organization is combination of functional & product or project patterns of departmentation in the same organization structure.

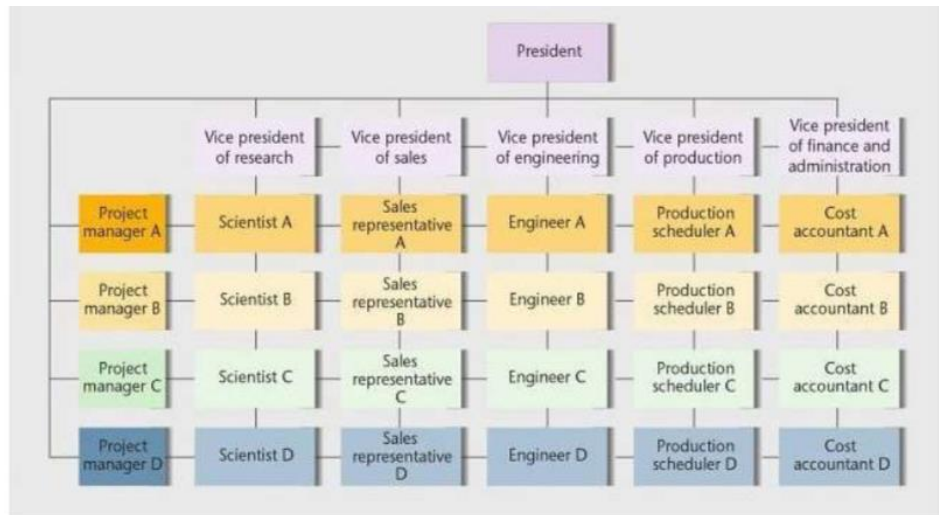


### Advantage

- > Oriented towards end results
- > Professional identification is maintained
- > Pinpoints product profit responsibility

### Disadvantages

- > Unity of Command is violated (One person is reporting to 2 managers)
- > Conflict in organization authority exists
- > Requires manager effective in Human relations



At some level, some type of departmentalization may be there and some other type at some other level. Many types can be used.

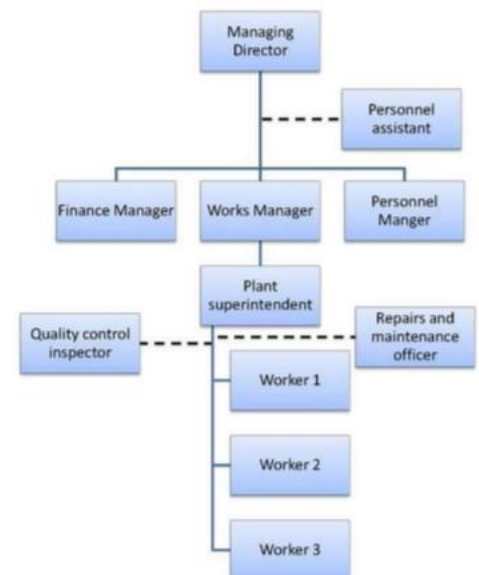
### Line Organization Structure

- > Oldest type of organization
- > different names = military, vertical, scalar departmental organization.
- > person with greatest decision making authority at top, least at bottom. In b/w other levels of management such as intermediate or supervisory



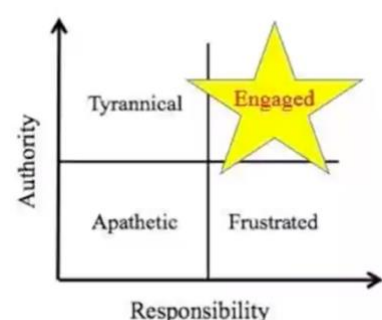
### Line & staff organization

- > One where specialist advisers, in the form of functional managers, assist the line managers in the performance of their responsibilities.
- > Line executives are people who have direct control over the subordinates under them. Staff executives have no such authority. Rather, they are meant to aid and advise the line managers at the same level.
- > Line and staff functions frequently overlap. Most staff executives may also simultaneously be line and functional executives.
- > Dotted line represent staff executives. Personal Assistance is staff manager for managing director. Quality control inspector & repairs and maintenance officer are staff managers for plant superintendent.



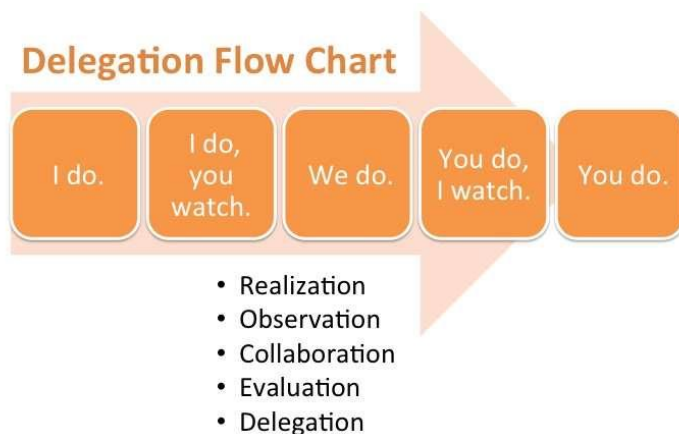
### Delegation of Authority

- > Authority: right to give orders or commands to get the work done.
- > "Rightful legal power to request subordinates to do certain thing or to refrain from doing so, and if he doesn't follow these instructions the manager is in a position, if need be, to take disciplinary action, even to discharge the subordinate."
- > Responsibility (Duty) - It means obligation, liability, or activity or accountability.
- > "It may be defined as the obligation of a subordinate, to whom a supervisor has assigned a task, to perform the service required."



-> Delegation: "The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks and creating the obligation for the subordinate to carry out the task"

### **Delegation of authority - Flow chart**



### **Principles of Delegation**

1. Delegation to go by results expected -> Before assigning duties & delegating authority to subordinate, manager should be clear in his mind of the expectations.
2. Responsibility is absolute -> Manager can only delegate authority. Responsibility is never delegated.
3. Select appropriate sub ordinate for delegation
4. Authority to match responsibility and vice versa: An inadequate unauthorized subordinate can't succeed in accomplishing the assigned task

### **Process of Delegation**

1. The determination of results expected from persons in a position
2. The assignment of tasks to persons in a position
3. The delegation of authority for accomplishing these tasks
4. Creating the obligation for the subordinate to perform the duties assigned

### **Why managers don't delegate**

1. None better than I
2. I will be exposed
3. The company can't do without me
4. I am the master
5. Why take the risk
6. None of the subordinates is capable
7. What if he proves better than me

### **Decentralization of Authority**

->Decentralization is the tendency to disperse decision making authority (towards overall structure or lower levels) in an organized structure

-> It is a fundamental aspect of delegation; to the extent the authority is not delegated, it is centralized

-> It requires careful selection of which decisions to push down into the structure and which to hold near the top, specific policy making to guide the decision making.

### **Benefits of decentralization**

1. Relieves top management of the burden of decision making
2. Encourages decision making and assumption of authority and responsibility
3. Gives manager more freedom and independence in decision making
4. Promotes establishment and use of broad controls which may increase motivation
5. Makes comparison of performance of different organizational units possible
6. Facilitates setting up of profit centers
7. Facilitates product diversifications
8. Promotes development of general managers
9. Aids in adaptation to a fast changing environment

### **Limitations of decentralization**

1. Limited by the availability of qualified managers
2. Involves considerable expense for training managers
3. Makes it more difficult to have a uniform policy
4. Increases complexity of coordination of decentralized organizational units
5. Result in loss of some control by upper level managers
6. Limited by inadequate control techniques
7. Constrained by inadequate planning and control systems
8. Limited by external forces

### **Centralization of Authority**

->Includes withholding the authority by few persons at central points.

->Definition by Louis Allen : centralization is the systematic and consistent reservation of authority at central points in the organization.

### **Benefits of centralization**

1. Top management can take vital decisions affecting the entire organizations
2. Having a uniform policy and coordination of all activities are possible
3. High-level people in the organization can take more effective and intelligent decisions
4. Crises and emergency situations can be secured
5. Duplication of effort can be avoided
6. Control and communication becomes easier

### **Limitations of centralization**

1. Decisions are not taken by the people who face situations and problems in their area.
2. Lower and middle level management will not have interest and initiative in the job.
3. Top management unnecessarily has to waste a lot of time and energy on unimportant and routine matters.
4. It hampers effective communication

### **Difference b/w Authority & Responsibility**

<b><u>Authority</u></b>	<b><u>Responsibility</u></b>
Authority is the power or right to give orders, make decisions, and enforce obedience.	Responsibility is the state or fact of having a duty to deal with something, or of having control over someone. It is an obligation
It is power.	It is a duty.
Here, orders and commands play a vital role.	Here, duties and obedience play a vital role
It stays for a longer period as compared to responsibility.	It gets completed with the completion of the task so it has a shorter period.
It flows downwards.	It flows upwards
It can be delegated to others.	It cannot be delegated.
The right of a manager to command his subordinates.	The obligation of a subordinate to complete an assigned work

### **Type of question -> Given case study - draw departmentations**

**OR**

### **Given departmentization identify which type of departmentization it is**

14/09 Monday No class

Lecture 11 - 17/09 (Thursday)

## **Staffing as Function of Management**

### **Staffing**

- > It involves manning the organizational structure through proper and effective appraisal, selection and development of people to fill the role.
- > Staffing is the process of hiring, positioning and overseeing employees in an organisation.
- > Also known as HR management. management function devoted to acquiring, training, appraising, and compensating employees.

### **Components of staffing**

1. **Strategic HR Planning** - process that identifies current and future HR needs for an organization to achieve its goals. Serves as a link b/w HR management & overall strategic plan of an organization
2. **Recruitment** - process of attracting, screening, and selecting qualified people for a job
3. **Selection** - Employee selection is process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people.

### **How to ensure successful staffing?**

1. Simple & clear Job Description - helps in attracting candidates & recruitment process becomes easier
2. Consistency
3. Recruiting the right person
4. Communicating Employer's expectations
5. Discipline with due process
6. Regular performance appraisal (Reviewing periodically)

### **Nature & purpose of staffing**

It is defined as filling and keeping filled, positions in the organizational structure

It includes

- > Identifying work force requirements (HR requirements)
- > Inventorying the people available (Current avail. people & how much more and what kind of needed)
- > Recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating and training or otherwise developing both candidates & current job holders to accomplish their tasks effectively & efficiently

### **Activities of staffing (important)**

1. Manpower Planning (what is the workforce required) - HR planning
2. Recruiting
3. Selecting
4. Training
5. Placing
6. Orienting - Induction
7. Promoting
8. Appraising

## **Human Resource Management**

The integration of all processes, programs, and systems in an organization that ensure staff are acquired and used in an effective way.

### **Staffing (Human Resource Management)**

HR is multidisciplinary: It applies the disciplines of

- > Economics (deal with wages, markets, resources)
- > Psychology (motivation, satisfaction)
- > Sociology (organization structure, culture)
- > Law (min. wage, labor contracts, labour unions)

### **What HR Professionals Do?**

- > HR planning
- > Recruitment & Selection
- > Training and development
- > Compensation & Performance review
- > Labor relations

**HR Planning** - assessing current Human resources, assessing the future resource needs and developing a program to meet needs.

**Job** - Consists of a group of tasks that must be performed for an organization to achieve its goals

**Position** - Collection of tasks and responsibilities performed by one person; there is a position for every individual in an organization

**Job analysis** - Systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. It tells how, when & where the job is to be performed.

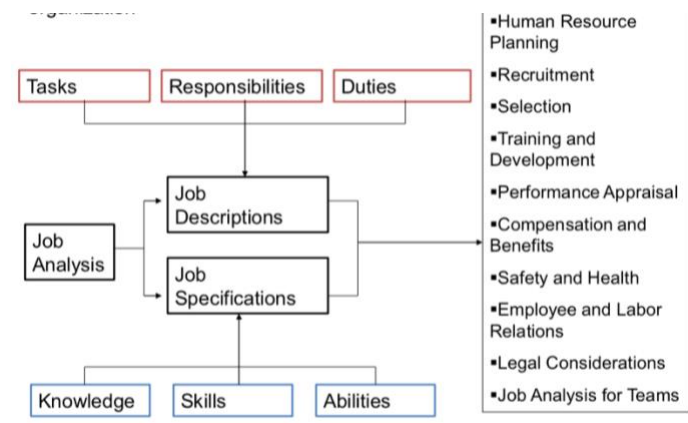
**Job description** – document providing information regarding tasks, duties, and responsibilities of job.

**Job specification** – minimum qualifications (knowledge, skillset, abilities required by candidate) to perform a particular job

### **Job Analysis**

Systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. Only if organization is clear about the job, then it can have easy and successful recruiting process.

It identifies specific activities performed in a job, characteristics of the person, work situation, materials and equipment required for the job to be performed satisfactorily.



### **Following questions are asked/ discussed**

- > What skills are needed?
- > What should be the qualification?
- > What are desirable abilities?
- > What should be the work experience?
- > What are his/her responsibilities?
- > Job analysis includes the preparation of Job descriptions and Job specifications.

### **Job Description may include**

- > Job title
- > Job location
- > Job summary
- > Reporting to
- > Working conditions
- > Job duties
- > Machines to be used
- > Hazards

### **Job specification may include**

- > Qualifications
- > Experience

- > Training
- > Skills
- > Emotional characteristics
- > Sensory demands

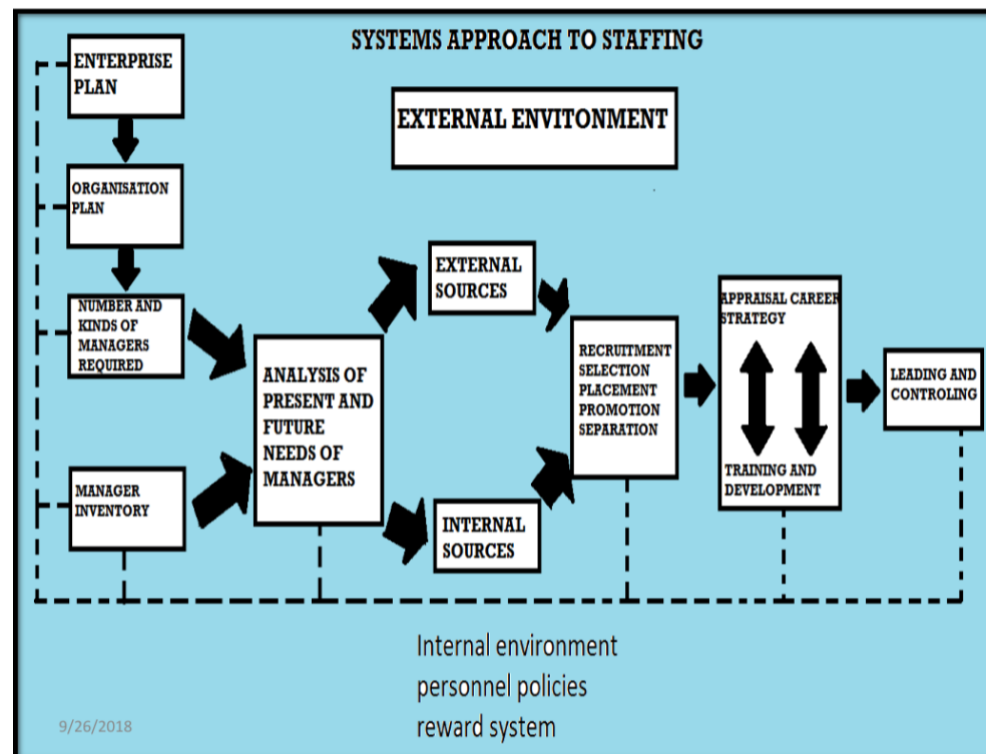
### In exam you may be asked to write Job Desp. & specification for a case study

#### Job Evaluation

- > Determines relative worth of a particular job compared to other jobs in the organization.
  - > All jobs are compared & classified in terms of their relative importance based on skills, qualifications, stressfulness, difficulty, responsibility, working conditions are the factors.
  - > Higher rated jobs are have higher compensation
- The process of determining how much a job should be paid, balancing two goals.
- > Internal Equity: Paying different jobs differently, based on what the job entails.
  - > External Equity: Paying satisfactory performers what the market is paying.

#### Systems approach to staffing

- > The figure clearly shows how the managerial function of staffing relates to the total management system.
- > Specifically the enterprise plans become the basis for organizational plans, which are necessary to achieve the enterprise objectives.
- > The present and the projected enterprise structure determines the number and kind of managers required.
- > Other factors used to determine no. & kind of managers - external sources such as economic, social and other internal forces.
- > These demands for managers are compared with available talent through the management inventory. Compare avail recourses & required i.e. analysis of future needs of managers.



- > On the basis of this analysis, external and internal sources are utilized in the process of recruitment, selection, placement, promotion etc.
- > Recruitment, selection, placement, promotion, separation is done.
- > Other aspects of staffing include appraisal, career strategy, training and development of managers.
- > Staffing in the model affects the functions of leading and controlling. Proper staffing facilitates leading and controlling.

Staffing requires an open system approach - carried out within the enterprise which is linked to the external environment. Hence both internal & external factors affect this process. Some internal factors are personnel policies, organization climate, reward system. etc External factors can be technological, legal, political, economic factors, etc.

#### The number of managers required in an enterprise depends upon the following factors:

- Size
- Complexity of organizational structure
- Plans of the enterprise
- Rate of turnover (No. of managers leaving the company) of managerial personnel.



## **Advertisement**

What / Where would the ideal candidate look for?

Places & sources for adv. - Internet, Newspaper, Company website, staff referral, Agency, Competitor

## **Recruitment**

- > Process of locating, identifying, & attracting capable candidates
- > Can be for current or future needs
- > Critical activity for some corporations
- > Recruitment means search for the prospective employees to suit the job requirements as represented by job specification.
- > Out of the prospective applicants right type of persons to match the jobs are selected for the job.
- > Under placement the selected person is placed on the job which is most suited to him.

## **Sources of recruitment**

### **1) Internal sources:**

1. Promotion/ Demotion
2. Transfer

- > These include personnel already on the pay-roll of an organization.
- > Whenever any vacancy occurs, somebody from within the organization is upgraded, transferred, promoted or sometimes demoted
- > Also includes personnel who were once on the pay-roll of the company but who plan to return or whom the company would like to rehire, such as those on leave of absence, those who quit voluntarily or those on production layoffs.
- > Present employee referrals (friends and relatives) is one internal modern source.

### **2) External sources outside the organization.**

The traditional external sources include:

- > Educational institutes(for young, mostly inexperienced potential employees)
- > Private employment agencies/consultants
- > Public employment exchanges
- > Professional organizations (maintain complete bio-data of experienced and professional members and provide the same to various organizations on requisition and clarify doubts).
- > Trade unions.
- > Waiting lists
- > Field trips
- > Labor contractors
- > Ex-employees
- > Casual applicants (some people apply casually through mail or hand over the application in the personnel department).

The modern external sources include:

- > Walk in
- > Head-hunters(or search consultants search for the best candidates especially for senior executive positions and give such information to the organizations)
- > Body shoppers or employee leasers (few hi-tech training institutes (NIIT Ltd) and professional organizations which are called body shoppers develop the pool of human resources and supply on lease basis)
- > Mergers and acquisitions
- > E-Recruitment (Naukri, Monster etc)

## **Various methods of recruitment in industry**

### **1) Direct**

- > Travelling recruits to educational and professional institutions, employee contacts and manned exhibits.
- > College recruitment done in co-operation with placement officer. Placement office helps in attracting

students, arranging interviews, furnishing space and providing student resumes.

- > For managerial, professional and sales personnel, campus interview is an extensive operation
- > Carefully prepared brochures describing the organizations & jobs are distributed among students.
- > Firms maintain contact with institutions' placement officials with a view to recruit staff regularly for different responsible positions.
- > Sometimes, firms directly solicit information from the concerned professors about students with an outstanding record.
- > Other direct methods include sending recruiters to conventions and seminars, setting up exhibits at fairs, and using mobile offices to go to the desired centres.

## **2) Indirect**

- > Advertising in newspaper, radio, TV, trade & professional journals, tech. magazines & brochures.
- > Senior posts are largely filled by advertising in newspapers and/or trade journals and magazines. local newspaper can be a good source of blue-collar workers, clerical employees and lower level administrative employees.
- > Higher the position is in the organization, or the more specialized the skills sought, the more widely dispersed advertisement is likely to be.
- > The advantage of advertisement is that all details about the job can be given in advertisement to allow self-screening by the prospective candidates.

## **3) Third Party**

- > Use of commercial or private employment agencies, state agencies, placement offices of schools, colleges and professional associations (companies do not travel to colleges in this. It is through) recruiting firms, management consulting firms etc.
- > Private employment agencies charge a small fee from an applicant. They bring employers and employees together.
- > Basically you are taking help of some third party

## **Selection**

Selection refers to picking from among the candidates the one that best meets the position requirements.

### **Various steps of the selection procedure: (Not mandatory to use all the steps - depends on the companies)**

#### **1. Initial or Preliminary interview**

- > Held in case of "at the gate candidates" (?)
- > Conducted by special interviewer (assistant in the personnel department) or a high caliber receptionist in the employment office.
- > Applicants are asked why they are applying for a job with this organisation. Salary requirements, education and experience can be obtained by asking.
- > Information thus provided by the candidate may be related to the job or personal specifications regarding education, experience, salary expected, aptitude towards the job, age, physical appearance and other physical requirements.
- > If candidate meets req. of the organization - selected for further process.
- > Many firms do not bother to initiate paper work at this early stage. This type of interviews are known as stand-up interviews.
- > The main objectives of such interviews is to screen out undesirable/ unqualified candidates at the very outset.

#### **2. Application form**

- > Selection tool
- > provides factual info needed for evaluating the candidate's suitability.
- > Once hired, the data can become a part of the employee's record.

- > Written record of



- Identifying information
- Information regarding education
- Information regarding experience
- Expected salaries and allowances and other fringe benefits
- Information regarding community activities

### **3. Reference checks**

- > Names & address of former employees, 2-3 persons known to him, but not related
- > Referees may be called upon to give detailed information about candidate's capabilities.
- > If references are checked in the correct manner, a great deal can be learned about a person that an interview or tests can't elicit.

### **4. Employment selection & tests (Not mandatory to use all the tests - depends on the companies)**

- > Instruments to measure selected qualities & abilities in terms of job specification. Such tests provide a sample behavior that is used to draw inferences about the future behavior or performance of an individual.

#### Measures of Human characteristics

Physical Char - Height, weight, senses, visual activity

Abilities & skills - Dexterity, Mathematical ability, Verbal ability, Intelligence, Clerical Skills

Interests - Mechanical aptitude, mechanical interests, scientific interests, economic interests, cultural interest

Personality traits - Sociality, Dominance, Cooperativeness, Tolerance, Emotional stability.

### **Types of Psychological tests**

#### a) Aptitude Tests

- > measure whether an individual has capacity or latent ability to learn a given job if given adequate training. Used to determine their ability for effective job performance after the completion of the training period.
- > Such tests are more valid when an applicant has little or no experience along the lines of the job opening.

#### Types of Aptitude tests-

##### i) Intelligence (IQ) or mental tests:

- > measure intelligence quotient
- > measure capacity for comprehension, reasoning, word fluency, verbal comprehension, numbers, memory etc.

##### ii) Emotional quotient (EQ) Tests

Most of the organisations realised that emotional involvement and commitment of the employees determine their contribution to the company rather than their intelligence quotient.  
Handling stress, etc.

##### iii) Skill tests: measure the candidate's ability to do a job perfectly and intelligently.

- > Useful to select candidates to perform artistic jobs, product design, design of tools, machinery etc. And also for assembly work, testing and inspection also.

iv) Mechanical aptitude tests: measures the capacities of spatial visualisation, perceptual speed and knowledge of mechanical matter. These tests are useful for selecting apprentices, skilled mechanical employees, technicians etc.

- > Only useful for some type of jobs as mentioned above

v) Psychomotor tests: measure abilities like motor ability and eye hand coordination of candidates. These tests are used to select semi-skilled workers and workers for repetitive operations like packing and watch assembly. (Manufacturing industry mostly need this test)

vi) Clerical aptitude tests: Measure specific capacities involved in office work. Items of this test include spelling, computation, comprehension, copying, word measuring etc.

#### b) Achievement Tests

Conducted when applicants claim to know something as these tests are concerned with what one has accomplished. Useful to measure the value of a specific achievement when an organization wishes to employ experienced candidates.

##### Types of achievement test-

i) Job Knowledge test - candidate is tested in the knowledge of a particular job.

eg - if a junior lecturer applies for the job of a senior lecturer in commerce, he may be tested in job knowledge where he is asked questions about accountancy principles, banking, law, business management etc.

ii) Work Sample test: a portion of the actual work is given to the candidate as a test and the candidate is asked to do it

Eg - Post of a lecturer - then may be asked to deliver a lecture.

Thus, the candidate's achievement in his career is tested regarding his knowledge about the job and actual work experience.

#### c) Situational Test

-> evaluates a candidate in a similar real life situation

-> candidate is asked either to cope with the situation or solve critical situations of the job.

##### Types of situational test

i) Group discussion approach to solve a problem under which candidates are observed in the areas of initiating, leading, proposing valuable ideas, conciliating skills, oral communication skills, coordinating and concluding skills.

ii) In basket - The candidate in this test is supplied with actual letters, telephone and telegraphic message, reports and requirements by various officers of the organization, adequate information about the job and organization. The candidate is asked to take decisions on various items based on the in basket information regarding requirements in the memoranda.

iii) Interest tests: The purpose of this test is to find out whether a candidate is interested or disinterested in the job

-> and to find out in which area of the job range/occupation the candidate is interested.

-> The assumption of this test is that there is a high correlation between the interest of a candidate in a job and job success.

-> **Interest test can be a separate type altogether, & not a part of situational test.**

#### d) Personality tests

Measuring characteristics/traits of personality of an individual like emotional stability, self-confidence, tact, ambition, sociability, cooperativeness, aggressiveness, thoughtfulness, optimism, objectivity, patience, fear, distrust, initiative, judgment, sympathy, integrity etc. These are pen and paper tests.

##### Types of Personality test

i) Objective tests - Measure neurotic tendencies, self-sufficiency, dominance-submission, and self-confidence are suitable for group testing and can be scored objectively. (Yes/No, MCQ)

ii) Projective tests - candidate is asked to project his own interpretation into certain standard stimulus situations, basing on ambiguous pictures, figures etc. The way in which he responds to these stimuli depends on his own values, motives and personality.

#### e) Multi-dimensional testing:

Many companies have felt after globalisation that they need to test the candidates for multi-skills.

Organisations have to develop multi-dimensional testing to find out whether the candidates possess a variety of skills or not, able to apply them based on situation and functional requirement.

## **5. Interview**

Most widely used selection technique

-> Preliminary Interview - Informal Interview, unstructured Interview

-> Core Interview - Background information interview, Job & probing interview, Stress interview, Group discussion Interview, Formal & structured Interview, Panel Interview, Depth Interview

-> Decision Making interview

-> 2 way comm. enables the employer to view the total individual and appraise the candidate and his behavior.

-> idea about an applicant's personality (including his intelligence, breadth of interests and general attitudes towards life) can be obtained by a face-to-face contact.

-> In Stress Interview, the interviewer tests the candidate by putting him under stress and strain by interrupting the applicant from answering, criticizing his options, asking questions pertaining to unrelated areas, keeping silent for unduly long periods after he finished speaking etc. Stress during the middle portion of the interview gives effective results. Stress interview must be handled with utmost care and skill.

-> In DEPTH or ACTION Interview, experts test the candidate's knowledge in depth in core areas of job skills and knowledge.

### **Types of Interviews**

On Campus Interview -> Either those companies looking to fill specific positions, or those collecting more resumes.

-> TIPS - know company, do pre search, find nature of the interview, dress well, be energetic

Telephonic Interview -> for candidate not local / for prescreening

-> Typical or behavioural ques asked

-> If there is enough common ground then phone interviews are followed by in-person interviews.

-> TIPS - make sure call waiting is off, quiet room, no eatables, or chewing gums

### **Video Interviews**

-> When candidate is in different geographic location

-> TIPS - No bg noise, closed room, uninterrupted by family, Dress appropriately, good network.

1-on-1 Interviews -> Traditional form

-> Interviewer & interviewee

-> Usually conducted by your potential manager

-> Ques regarding skills or experience and generic like "tell me about yourself" or "Why would you be good for this job?"

Panel Interviews -> Objective - save time, to get the collective opinion of panel regarding the candidate

-> Panel = different representatives of company - HR, Operations, Planning

-> each panel member asks ques that represent relevancy from their position

Interview over a meal -> Employer + team members + you

-> usually open ended ques.

-> Great time to ask any questions (Prep. advance)

-> TIPS - Do not take leftovers home, best table manner, no need to offer to pay, don't order expensive or messy to eat, chew in small bites so as to not get caught with mouthful when questioned

Behavioural Interviews -> To see how you deal with certain problems

-> The logic behind the behavioral interview is that your future performance will be based on a past performance of a similar situation.

-> Ques - situation of job applying to. What would you do in X situation

**Stress Interviews** -> Common in sales position, rare these days

- > Deliberate attempt to see how you handle yourself under pressure
- > The interviewer may be sarcastic / argumentative / may keep you waiting
- > Do not take it personally & calmly answer each question.
- > Ask for clarification if you need it; never rush into an answer.

**Case Interviews** -> A situation/ Case given

- > No need to come up with ultimate solution. The interviewers are looking for how you apply your knowledge & skills to a real-life situation.
- > Speak aloud & show your thought process
- > Before answering a case interview question, ask questions for clarity.
- > Take notes and jot down thoughts as you work through.

## **6. Selection decision**

21/09 Monday No class

Lecture 12 - 24/09 (Thursday)

### **Training**

- > Act of increasing the knowledge and skill of an employee for doing a particular job.
- > The purpose of training is to achieve a change in the behaviour of those trained and to enable them to do their jobs in a better way. Training is not a one-step process but it is a continuous or never-ending process.
- > Training is different from education. Education is concerned with improving the general knowledge and understanding of the employee's total environment.
- > In some cases, training and education occur at the same time.

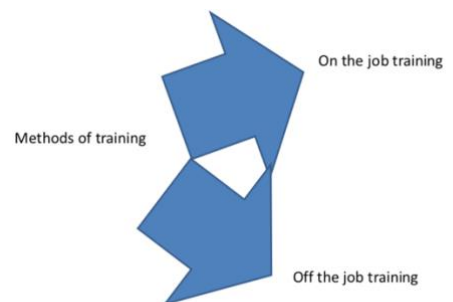
### **Categories of training methods**

1. **On the Job training** - Trainee learns on the actual equipment in use and in true environment of his job.

- > Most common for all levels
- > Objective - bring employee to at least a minimum standard performance in the shortest time possible.
- > Workers can learn to master the specific job

**On specific job (for job knowledge)** - most common job training program

- > **From experienced workmen** - watch & copy them. They can give instructions also.
- > **Training from superiors** - It is superior's duties when new employees are sent to their dept. Opportunity for employee to get acquainted with their new bosses. Bosses have opp. to judge abilities & possibilities of trainees



2. **Vestibule/ Classroom training** - Duplicates on the job situations in a company classroom.

- > A schooling facility organized within an industrial plant to teach specific skills to trainee workers.
- > When Amount of training exceeds capacity of line supervisor, a portion of this training is evolved from the line and assigned to staff through a vestibule school which is operated by the personnel department.
- > Large organizations frequently provide vestibule schools
- > widely used for factory production jobs, clerical and office jobs.
- > More individualized instruction can be given thereby, the student avoids the confusion and pressure of work situation and thus is able to concentrate on learning.

-> Expensive, but cost is justified if volume of training is large.

-> If machine or equipment in actual use is expensive, then cheap alternatives to train are very useful.

3. Apprenticeship programs - Employees are employed on a small stipend to learn the job first and after satisfactorily completing the training they are absorbed in the industry.

-> Designed for higher level of skill

-> Tend toward more education than vestibule school/ on the job training.

-> Combines on the job training & classroom instruction.

4. Work Simulation training - Simulation is a technique which duplicates, as nearly possible, the actual conditions encountered on a job. Most widely used in aeronautical/ defense settings.

-> Here actual conditions are simulated, whereas in vestibule schools, actual equipment (complete) is kept although duplicate.

-> But here, Simulates "near" similar conditions of job

5. Position rotation (for organizational knowledge)

Periodic rotation from 1 job to another. Objective - acquire a general background, broadening the background.

Limitations - productive work can suffer because of many changes.

6. Special project

Flexible training device.

Trainee may be asked to perform special assn. to learn work.

Sometime a task force is created consisting a no. of trainees representing different functions in an organization. Trainee acquire knowledge about work & assigned activities and also about whom and how to work with

7. Selective reading (for general knowledge)

Professional journal, books, exchange ideas

Advance knowledge & background.

Library is maintained for their own executive

Off the job training method

Trainee has to leave the work place.

Training purpose primary & any work done during this period is secondary

-> Special courses, and classes can be organized as a part of its executive development program

Courses can be established by the firm with instructors assigned to the training dept.

-> Can work with school & college to establish courses.

-> Special meetings & conferences (1/2 day on a special subject) - followed by group of 4-5 with discussion who can report back with conclusions

-> Case studies = common form of training - A case is written seeking to describe some actual situation.

They demand extensive analytical ability. Trainee has to analyze, filter out facts, analyse the issues & problems. Arrive at means for solving the problem. Useful for decision making skills

-> Brain storming = 6-12 people sit, leader states the clear problem & members think of alternative. No criticism is allowed & alternatives are recorded. One idea stimulates another. Even the most bizarre options are withheld. For generating ideas.

-> Lab training

-> Role playing = simulation, trainee is asked to play a part in a problem situation requiring interactions with others. Different roles assigned to different trainees. Escalates interaction. Large groups can be used.

-> Business games = Similar to role play, but focuses attention on administrative problem while role play focuses on feelings, interaction & rapport b/w trainees.

Gaming involves team assigned to operate something for a time and they make decisions such as fixing price, inventory level. Each team's decision are fed into comp. to simulate real market and it provides results. Winner (Highest profit).

-> Sensitivity Training - small group interaction under stress in an unstructured group causes people to become more sensitive to each other's feeling in order to develop reasonable group activity.

### **Different areas of training in an industry**

#### **For rank and File employees:**

- Job training
- Apprenticeship
- Pre-employment training
- Retraining

#### **For supervisory levels:**

supervisory skill training

Coaching

Special course and classes

Conferences

Job rotation

Brain storming

Case studies

Special projects and task forces

Simulation-role playing

Sensitivity training

#### **For management level:**

- Coaching
- Special courses and classes
- Conferences
- Job rotation
- Brainstorming
- Committee assignments
- Selective reading
- Case studies
- Multiple management
- Simulation-role playing gaming
- Sensitivity training

### **Induction**

-> Careful recruitment, screening, testing several application done -> selected & hired -> 2 months later he resigned cuz "did not feel a part of the company"

-> The right first impression is everything, and a poor employee induction can cost one dearly. It's a fact: those who don't start right don't tend to stick around long. And high turnover means the HR team must find new people all over again.

-> Effective induction = employee retained

-> proper training and welcoming = feel good about employer, fit in quickly with colleagues, readily contribute new ideas, represent company more confidently to business partners, customers, & suppliers.

### **Definition**

-> an induction program is the process used within many businesses to welcome new employees into the firm or organization and prepare them for their new role. An induction is planned to provide the new employee with the information he/she requires to settle down comfortably and efficiently into the firm.

-> It allows employee to get familiarized with basics of the organization, its policies and procedures, its



processes, its goals, vision, mission, values, compensation payout methods, reimbursement payout methods and the nature of business the organization is involved in.

-> basics focuses more on the information or knowledge that is immediately required for an employee to feel comfortable

-> Makes employee feel a part of the organization

-> Help employees to gain an understanding about the organizations work culture.

-> Induction provides an opportunity for both employer and new employee to confirm their decision to continue their professional association.

-> In any organization, employee turnover is seen to be the highest within the first 3 months. Induction is a good opportunity to build cohesiveness between the employee and the employer. The idea is to eliminate any chances of turnover.

### **Types of Induction**

An organization needs to make a strategic choice before designing an induction/orientation programme.

They are:

#### **1) Formal Induction**

structured programme which is executed when new employees join the firm

More elaborate, spread over a couple of weeks or months

3 stages

-> General intro to the organization often by HR

-> Specific orientation to the job & the dept. - by supervisor or manager

-> Follow up meeting to verify that the imp. issues have been addressed. Usually a week after joining b/w new employee & manager

#### **2) Informal Induction**

new employees are instructed to report to the HR department for an explanation of organization policies before being referred to the manager for on the job briefing on specific work process.

Employees put directly on job & are expected to adjust themselves on the new job & organization.

-> Brief, an hour or may be less

Example - A sales person is asked to go along with a tenured high performing sales person or his manager to make sales calls and learn about the product and the selling skills during the calls.

### **HRM vs HRD**

<b><u>Basis for comparison</u></b>	<b><u>HRM</u></b>	<b><u>HRD</u></b>
Meaning	Human resource management refers to application of principles of management to manage the people working in the organization	Human resource development means a continuous development function that intends to improve the performance of people working in the organization
What is it?	Management function	Subset of HRM
Function	Reactive	Proactive
Objective	To improve the performance of the employees	To develop the skills, knowledge & competency of employees
Process	Routine	Ongoing
Dependency	Independent	It is a subsystem
Concerned with	People only	Development of entire organization

### **Approaches to manager development**

- Planned Progression
- Job rotation
- Creation of “Assistant-to” positions
- Temporary promotions
- Committees & junior boards
- Coaching
- Conference programs
- University management programs

### **Important questions**

- External and Internal Sources of recruitment
- Direct and Indirect types of recruitment
- Importance and types of induction
- Types of tests during recruitment
- Types of Interviews
- Types of Training ( Vestibule, Apprenticeship etc., )
- Systems approach to staffing/Steps in staffing
- Job description/Job Specification/Job analysis

**Question:** Alan has started an advertising agency in Gurgoan. One of the page on his company’s website contains the following information, “Welcome to all the visitors of this page who are looking for an opportunity to make a career in the field of advertising. The openings are available in the company at various levels, so don’t miss the chance.” This page includes a link to provide further details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on. Through a continuous assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives and in relation to the number and type available, he gets the information on this page updated.  
In context of the above case:

- Identify and explain the steps in the staffing process being carried out by Alan by quoting lines from the paragraph.
- Name the concept that relates to the details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on.

**Question:** Do you agree that promotion within is more successful than bringing people from outside. Why or Why not?

### **Practice Question from organizing chapter**

Q1) Neha runs a factory wherein she manufactures shoes. The business have been doing well and she intends to expand by diversifying into leather bags as well as western formal wear thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one stop for working women.

Which type of structure would you recommend for her expanded organization and why? Draw the recommended organization structure.

**Q2)** A company X Ltd. Manufacturing cosmetics, which has enjoyed a prominent position in business, has grown in size. Its business was very good till 1991. But after that, new liberalized environment has seen entry of many MNCs in the sector. With the result, the market share of X Ltd. Has declined. The company had followed a very centralized business model, with Directors and divisional heads making even minor decisions. Before 1991, this business model had served the company very well as consumers had no choice. But now the company is under pressure to reform.

- a) What organization structure changes should the company bring about in order to retain its market share?
- b) How will the changes suggested by you help the firm? Keep in mind that the sector in which the company is FMCG.

**Q3)** Brian has worked for XYZ Company for a number of years and for the last four years he has been General Foreman in charge of assembly departments. His department has been rated high always in respect of efficiency and cost schedules. He is personally respected by his subordinate foremen and by staff personnel.

A week ago a new Supervisor Eshwar was transferred into assembly department from another department whose operations were discontinued. Eshwar had been a General Foreman in the other department and carried the same title in his new assignment. When the Plant Manager introduced Eshwar to Brian and his subordinate foremen he made no mention of Eshwar's specific duties. However in an earlier conversations in his office the Manager informed Eshwar that he would be responsible for the sub assembly areas while Brian would be responsible for the final assembly lines. The manager did not mention the details of the assignment to Brian because he had another 10 General Foremen reporting to him and was hard pressed for time. He assumed that the two men could work things without difficulty and in any event he planned to review their respective areas of responsibilities at the end of the week.

The day after his transfer into the area Eshwar began making changes in the existing system and giving instructions to various supervisors in the sub assembly areas in order to implement changes he felt were desirable. The supervisors reacted with dissatisfaction to the proposed change and immediately went to Brian to ask what was going on and who in charge of the department. Brian could not furnish any specific information but told supervisors to do as Eshwar instructed until he could discuss the matter with the plant manager.

1. What did Plant Manager do what was incorrect. How can he correct the situation? Discuss this with respect to principles of delegation
2. What was the reason for the inefficiency of the Plant Manager?
3. When Eshwar received his assignment did he handle the situation correctly?
4. Do you think that Brian did the right thing in having the men do as Eshwar had instructed? Should Brian talk to Eshwar before discussing the matter with the Manager?
5. Overall what kinds of reasons may be involved in the Plant Managers decision to assign an additional general foreman in the assembly department? Should the reason be communicated to the supervisors in the area?

**Q4)** Daewoo case study

Daewoo was founded in 1967 by its hardworking, relentlessly driven chairman Kim Woo-Choong. After its initial success in exporting textiles, the company expanded into trade, autos, machinery, consumer electronics, construction, heavy shipping, computers, telephones, and financial services, becoming Korea's fourth largest business group. it became a textile supplier for Sears, Christian Dior, Calvin Klein, and London Fog. it also engaged in a joint venture with General Motors (GM) to build the Le Mans car. However, labor and other problems limited car shipments. Chairman Kim's philosophy of hard work and the value placed in people were important factors in the firm's success. However, in the late 1980s and early 1990s, the company faced several problems. For one, Kim was concerned that, with the increasing prosperity of Koreans, the work force might lose the spirit of hard work. Moreover, there was growing discontent among younger workers and decreasing motivation. Through Kim's hands-off approach to managing, some of the companies in the Daewoo group went out of control. For example, in the unprofitable heavy shipping unit, he noticed many unnecessary expenses. The elimination of company-sponsored barbershops saved the company \$8 million a year. In general, Daewoo's work force was young and well educated. In contrast to similar positions in many other Korean companies, top positions at Daewoo were occupied by managers with no family ties. Although Daewoo was a major company with its 91,000 employees, it was not dominant in any one industry. The strategy of being a supplier for major

companies, such as Caterpillar, GM, and Boeing, may have led to opportunities being bypassed for becoming a major marketer of its own brands. Now in the 1990s, Kim was also looking at opportunities in Europe; for example, he formed a joint venture with a distribution company in France. The massive restructuring had already shown some positive effects. Kim sold some steel, financial, and real estate units. The hands-off managerial style had been replaced by a hands-on style, resulting in re-centralization. Managers were “retired” or otherwise let go. Thousands of positions were also eliminated. Things were looking better in 1991. The company lost money in 1988 and 1989 but made some profit in 1990 partly because of the sale of some major assets. The joint venture with GM registered a healthy growth. The company was also optimistic about the future of the new compact car Espero. Still, Daewoo had to cope with its labor costs and Japanese competition.

What looked good in the early 1990s dramatically changed in the latter part of that decade and especially in the years 2000 to 2002. In 2000, Ford planned to buy Daewoo Motor for some \$7billion. However, the deal fell apart later that year. Moreover, the company went bankrupt in November 2000. Chairman Kim mysteriously disappeared. He liked to think big, and he also left behind the company with big debts. Several billion dollars were also unaccounted for. With Ford out of the picture, GM entered seriously into negotiations with Daewoo, which was once Korea’s second biggest car maker. On April 30, 2002, GM agreed to buy the bankrupt company, which was renamed as GM-Daewoo. What is in it for GM? The acquisition is a key component of its global strategy. On the other hand, restructuring Daewoo is going to be a formidable task. The brand image has to be restored and the Korean market share of 10 percent (which was 37 percent in 1998) has to be improved. The product line also has to be

1. reviewed and complemented with new models. Moreover, GM-Daewoo can expect difficulties with Korea’s aggressive unions.  
What are the advantages and disadvantages of a hands-off, decentralized management approach?
2. What were some of the controllable and uncontrollable factors in this case? How should Mr. Kim have responded to those factors?
3. How can Daewoo stay competitive with the Japanese?
4. What do you think of Daewoo’s expansion into Europe? What are the advantages and risks for the company?
5. Why do you think GM acquired the company, while Ford did not?
6. What problems can GM-Daewoo expect in the future?

**Syllabus for sessional Till here - Continue this lecture from 51.45**

Lecture 13 - 28/09 (Monday)

Lecture 14 - 1/10 (Thursday)

05/10 Monday No class

Lecture 15 - 8/10 (Thursday)

Lecture 16 - 12/10 (Monday)

## LEADING - 3 parts - Motivation, Leadership & Communication

### Communication (1st part of leading)

According to Koontz,

Communication is nothing but transfer of info from the sender to the receiver, with info being understood by both of the sender & the receiver.

**Interpersonal communication** is the process of exchanging information and transmitting meaning between two people or in a small group of people.

**Organizational communication** is the process by which managers systematically give information and transmit meaning to large numbers of people within the organization and to relevant individuals and institutions outside it.

### Types of communication

#### • **Formal and Informal Communication** -

**Formal communication** is officially created procedure for the flow of communication between various positions in the organizational setup.

**Informal communication** is the one that is outside the formal recognised communication system such as communication between the workers during day to day work or outside of work.

#### • **Downward, Upward and Lateral Communication** -

**Downward** - Communication structure or hierarchy in which communication / information happens from the superior at higher levels to those at the lower levels. Downward communication is usually to communicate the policies, procedures, orders to the subordinate etc.

**Upward** - Information flows from the subordinate to the superior. These are in the form of reports (relating to the progress/ performance), etc.

**Lateral/Horizontal** - B/w persons of the same hierarchical level. Basic purpose is to affect coordination & functioning. It helps speed up information flow, removes misunderstanding, helps clarification, & coordinates the effort to achieve the set objectives in the enterprise.

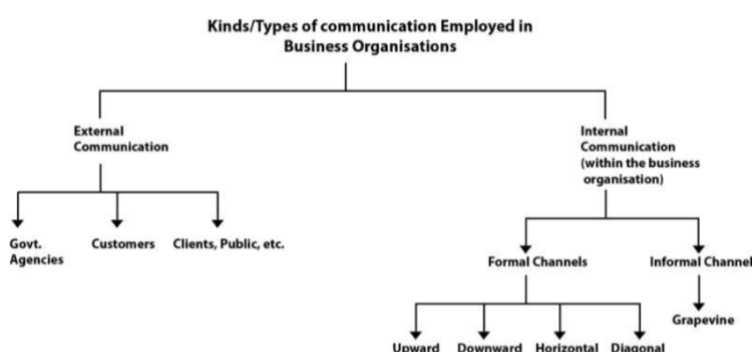
#### • **Oral and Written Communication** -

**Oral** - face to face communication b/w 2 persons or an individual and a group. Can be formal or informal. It is an effective method of conveying ideas, giving information or suggestions. Response is immediate & effect can be noted.

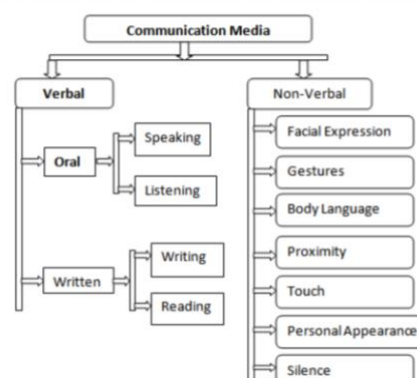
**Written** - also imp. Information, ideas, msgs, orders, reports etc are communicated in written form. It is effective when it is clear, complete & can be easily understood by the order party. It has adv. as these records can be used for future references. It may create a lot of paperwork (at times may be difficult to manage)

#### • **Electronic Communication**

Communication via various devices & technologies photocopying machine, phones, emails, computers,



### Communication-Types



such as  
etc.

## Difference b/w General and Business Communication

Subject	Business Communication	General Communication
Definition	Business communication deals with only business related information	General communication deals with all the information except business
Approach	Formal & direct in approach	Less formal & indirect in approach
Format	uses specific format for communication	different formats are used based in circumstance.
Personal touch	No scope for personal feeling in business msgs.	Personal feelings cover most of the part of general communication
Scope	It is involved with practical information which is impartial & objective	It may be involved with fictitious information and the scope is partial & subjective
Presentation	Business communication follows organizational policies	General communication does not follow any formality
Objective	The communication is made to take specific action	Here communication is done to inform receiver about certain issues
Type	It is official or organizational communication	It is personal communication
Feedback	Feedback is very important for the success of business communication	Not very much important

### Communication Barriers

A barrier to successful communication doesn't permit the transmission of accurate and full information at the receiving end.

A communication barrier breaks down, obstructs, delays, distorts and tends to give another colour to the information by the time it reaches the destination.

**1) Perceptual and Language Differences:** Perception is generally how each individual interprets the world around him. All generally want to receive messages which are significant to them. But any message which is against their values is not accepted. A same event may be taken differently by different individuals. For example : A person is on leave for a month due to personal reasons (family member being critical). The HR Manager might be in confusion whether to retain that employee or not, the immediate manager might think of replacement because his teams productivity is being hampered, the family members might take him as an emotional support

**2) Information Overload:** Managers are surrounded with a pool of information. It is essential to control this information flow else the information is likely to be misinterpreted or forgotten or overlooked. As a result communication is less effective.

**3) Inattention:** At times we just not listen, but only hear. For example a traveller may pay attention to one "NO PARKING" sign, but if such sign is put all over the city, he no longer listens to it. Thus, repetitive messages should be ignored for effective communication. Similarly if a superior is engrossed in his paper work and his subordinate explains him his problem, the superior may not get what he is saying and it leads to disappointment of subordinate.

**4) Time Pressures:** Often in organization the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened, or messages are partially given, i.e., not completely transferred. Thus sufficient time should be given for effective communication.

**5) Distraction/Noise:** Communication is also affected a lot by noise to distractions. Physical distractions are also there such as, poor lightning, uncomfortable sitting, unhygienic room also affects communication in a meeting. Similarly use of loud speakers interferes with communication.



**6) Emotions:** Emotional state at a particular point of time also affects communication. If the receiver feels that communicator is angry he interprets that the information being sent is very bad. While he takes it differently if the communicator is happy and jovial (in that case the message is interpreted to be good and interesting).

**7) Complexity in Organizational Structure:** Greater the hierarchy in an organization (i.e. more the number of managerial levels), more is the chances of communication getting destroyed. Only the people at the top level can see the overall picture while the people at low level just have knowledge about their own area and a little knowledge about other areas.

**8) Poor retention:** Human memory cannot function beyond a limit. One can't always retain what is being told specially if he is not interested or not attentive. This leads to communication breakdown

### **Overcoming barriers in Communication**

**1) Eliminating differences in perception:** The organization should ensure that it is recruiting right individuals on the job. It's the responsibility of the interviewer to ensure that the interviewee has command over the written and spoken language. There should be proper Induction program so that the policies of the company are clear to all the employees. There should be proper trainings conducted for required employees (for eg: Voice and Accent training).

**2) Use of Simple Language:** Use of simple and clear words should be emphasized. Use of ambiguous words and jargons should be avoided.

**3) Reduction and elimination of noise levels:** Noise is the main communication barrier which must be overcome on priority basis. It is essential to identify the source of noise and then eliminate that source.

**4) Active Listening:** Listen attentively and carefully. There is a difference between "listening" and "hearing". Active listening means hearing with proper understanding of the message that is heard. By asking questions the speaker can ensure whether his/her message is understood or not by the receiver in the same terms as intended by the speaker.

**5) Emotional State:** During communication one should make effective use of body language. He/she should not show their emotions while communication as the receiver might misinterpret the message being delivered. For example, if the conveyer of the message is in a bad mood then the receiver might think that the information being delivered is not good.

**6) Simple Organizational Structure:** The organizational structure should not be complex. The number of hierarchical levels should be optimum. There should be a ideal span of control within the organization. Simpler the organizational structure, more effective will be the communication.

**7) Avoid Information Overload:** The managers should know how to prioritize their work. They should not overload themselves with the work. They should spend quality time with their subordinates and should listen to their problems and feedbacks actively.

**8) Give Constructive Feedback:** Avoid giving negative feedback. The contents of the feedback might be negative, but it should be delivered constructively. Constructive feedback will lead to effective communication between the superior and subordinate.

**9) Proper Media Selection:** The managers should properly select the medium of communication. Simple messages should be conveyed orally, like: face to face interaction or meetings. Use of written means of communication should be encouraged for delivering complex messages. For significant messages reminders can be given by using written means of communication such as : Memos, Notices etc.

**10) Flexibility in meeting the targets:** For effective communication in an organization the managers should ensure that the individuals are meeting their targets timely without skipping the formal channels of communication. There should not be much pressure on employees to meet their targets.

## Motivation (2nd part of leading)

Motivation is anything that will inspire you or direct you towards achieving some goal.

Motive: Defined as an inner state that energizes, activates or moves and directs behavior towards goals

Motivation: The drive and effort to satisfy a want or a goal.

Satisfaction: The contentment experienced when a want is satisfied

-> As a leader, you inspire people to achieve (or move towards) the goal.

-> Whenever a group of people are working in a coordinated manner towards a group goal or organizational objectives, depending upon the degree of needs of satisfaction, people will behave and work. These needs may be primary or secondary needs to be satisfied by the organization in which the work.

-> It is management's duty for creation and maintenance of an environment in which, the individuals or groups work towards achievement of a common objective.

-> A manager cannot do this without knowing what motivates their employees/subordinates.

-> A manager/ management should try to understand human nature & basic needs in order to create climate for motivation.

## Theories of Motivation

### 1) Maslow's Theory:

It is called Hierarchy of needs or needs theory.

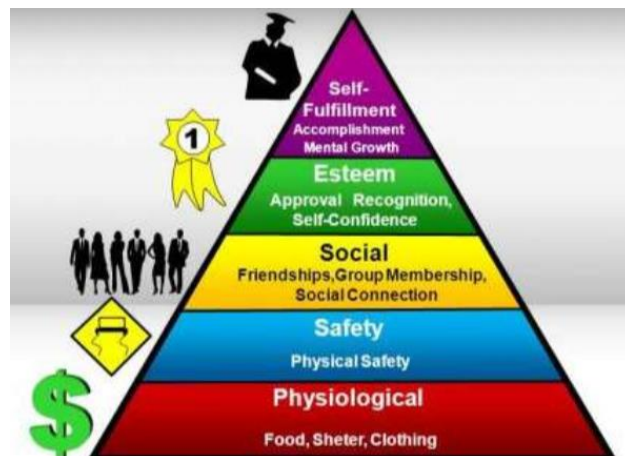
It is a motivational theory in psychology comprising a five tier model of human needs, often depicted as hierarchical levels within a pyramid.

Maslow wanted to understand what motivates people.

It is to understand different human needs.

Assumption - When the lower order needs are satisfied you are automatically motivated to go for higher order needs.

There is a hierarchy of five needs— **physiological, safety, social, esteem, and self-actualization**; as each need is substantially satisfied, the next need becomes dominant.



-> Physiological needs - basic needs for sustaining human life itself - such as food, water, warmth, shelter, sleep. Unless these needs are satisfied to the degree required, other needs will not motivate people.

-> Safety & security - needs to be free of physical danger & fear of loss of job, food, property, shelter. i.e. feeling of security. protection from elements, security, order, law, stability, freedom from fear.

-> Social Needs (Social acceptance/ Affiliations) - friendship, intimacy, trust and acceptance, receiving and

giving affection and love. Affiliating, being part of a group (family, friends, work). [Becoz humans are social beings]

-> Esteem needs - people tend to be want to held om esteem. (both by themselves & others). achievement, mastery, independence, status, dominance, prestige, self-respect, respect from others.

->Self-Actualization/ Self-fulfilment Needs - The drive to become what one is capable of becoming to maximise one's potential and to accomplish something. realizing personal potential, self-fulfillment, seeking personal growth and peak experiences.

These are divided into 2 categories:

Lower-Order Needs - Needs that are satisfied externally; physiological and safety needs.

Higher order needs - Needs that are satisfied internally; social, esteem, and self-actualization needs.

### Characteristics of self-actualizers

- They perceive reality efficiently and can tolerate uncertainty;
- Accept themselves and others for what they are;
- Spontaneous in thought and action;
- Problem-centered (not self-centered);
- Able to look at life objectively;
- Highly creative;
- Concerned for the welfare of humanity;
- Establish deep satisfying interpersonal relationships with a few people;
- Democratic attitudes;
- Strong moral/ethical standards.

Manager needs to understand each employee's needs - to which level (category) they belong - and they need to satisfy it accordingly to motivate the employees.

### How to satisfy each needs?

-> Physiological needs - by providing food, water, place to stay, workplace, etc.

-> Safety needs - by providing job security & taking various safety measures should be taken up.

-> Social needs - by promoting team spirit, conducting events involving social connection, group membership etc.

-> Esteem needs- by giving chance for creativity, responsibility & respect

-> Self-fulfilment - give opportunity to take decision for autonomy & creativity.

### Theory X and Theory Y by Douglas McGregor

-> McGregor argued that if managers treated employees as responsible, intelligent, and productive, they would become just that.

-> Theory was important in understanding of how to manage people.

Your management style is strongly influenced by your beliefs and assumptions about what motivates members of your team: If you believe that team members dislike work, you will tend towards an authoritarian style of management. On the other hand, if you assume that employees take pride in doing a good job, you will tend to adopt a more participative style.

So, the assumption here is that there are 2 categories of people - 1 is those who dislike work and they try to escape responsibilities. Another - who like work & voluntarily seek for responsibility, they take pride in doing a good job.

Based on these 2 categories you will try to manage or motivate the people.

Theory X (Traditional Belief) - Assumes that employees dislike work, have little capacity for creativity, lack ambition, lack self-motivation, avoid responsibility, and must be directed and coerced to perform. It

involves negative assumptions about people that managers often use as a basis for dealing with their subordinates.

Managers use more of authoritarian style

### Theory Y (Belief based on research)

Assumes that employees like work, seek responsibility, are capable of making decisions, and exercise self-direction and self-control when committed to a goal. It involves +ve assumptions about people that managers should strive to use.

Managers use more of a participative style.

### Theory X Managers and Theory X Workers

-> Leadership has to be firmly, even cruelly and autocratic with tight supervision.

-> Workers tend to slack off work at every opportunity.

### Theory Y Managers and Theory Y Workers

-> No need for Managers to motivate people. Managers of today build and maintain a healthy 'Y' work environment.

-> Workers consult with each other about his work ideas, preferences, methods and progress.

### Herzberg 2 factor theory (Motivation-Hygiene)

-> According to this theory, he has categorised, 2 factors - hygiene & motivation factors.

-> These factors are associated with job satisfaction & dissatisfaction.

-> Intrinsic factors are related to job satisfaction, while **extrinsic factors are associated with dissatisfaction.**

-> He is considering 2 things - having no dissatisfaction & having satisfaction. Both have different factors.

i.e. there are different factors that keep employees satisfied and different factors that keep employees dissatisfied. Hence, there is difference b/w not being dissatisfied and being actually satisfied.

### Hygiene Factors

Factors—such as

-> company policy and administration,

-> quality of supervision,

-> salary, wages, other benefits

-> Good interpersonal relationships

-> Job Security

-> Working condition

-> Work-life balance

—that, when adequate in a job, placate workers. When factors are adequate, people will not be

dissatisfied. Results in general

satisfaction/ prevention of

dissatisfaction.

### Motivator factors

Factors -- such as

-> Sense of personal achievement

-> Status

-> Recognition

-> Challenging stimulating work

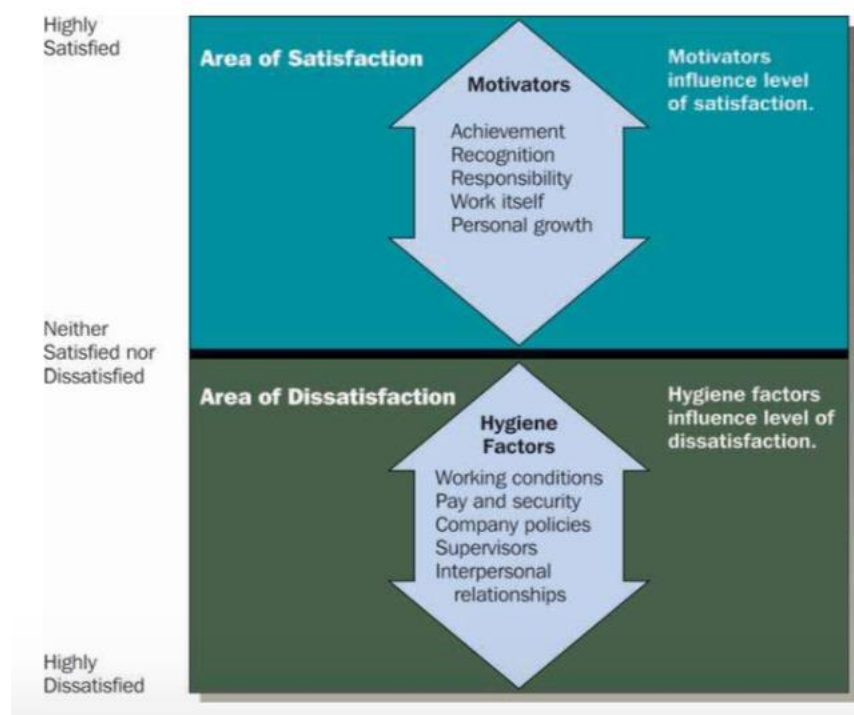
-> Responsibility

-> Opportunity for advancement

-> Promotion

-> Growth

-- Provide high motivation, high satisfaction, strong commitment



- > Keeping employees not dissatisfied & keeping them satisfied is different.
- > Motivators influence level of satisfaction.
- > Hygiene factors influence level of dissatisfaction.

### Comparison Maslow vs Herzberg's Theory

Hygiene Factors corresponds to bottom 3 needs of Maslow - physiological needs, safety & security, belonging & love.

Motivators correspond to self-actualization, esteem. (top 2 needs of Maslow)



Q) What is the difference in keeping employees not dissatisfied and keeping them satisfied?

### Motivational Techniques [Positive]

- > Praise the workers and give them due credit for all good work .
- > Take sincere interest in subordinates as individual persons.
- > Promote healthy competition among the individual employees.
- > Find ways to develop and utilize the appeal of pride in or about the workplace.
- > Delegate substantial amount of responsibility to the subordinates.
- > Fix fair wages and monetary individual or group incentives for employees.
- > Permitting employees to participate in the management matters as well.
- > Formulate a suitable suggestion system.
- > Provide opportunities for growth and promotion.
- > Promoting good & satisfying interpersonal relationships at work.
- > Formulating consistent, clear & fair managing policies.
- > Good working conditions

### Motivational Techniques [Negative]

- > Reprimanding the employees
- > Demotion
- > Fines
- > Lay-offs
- > Discharge from duty

**The proper proportioning of positive and negative techniques is the mark of a skilful manager.**

### Special Motivational techniques

- > Money: Economists and most managers have tended to place money high on the scale of motivators, but behavioural scientists place it low
- > Positive reinforcement: Rewards, Recognition
- > Job enrichment: Challenging work
- > Participation

### Leadership (3rd part of leading)

Leadership is defined as influence, that is the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals."

### What is leadership?

- > Leading people

- > Influencing people
- > Commanding people
- > Guiding people

## **Managers vs Leaders**

### **Managers**

- Focus on things
- Do things right
- Plan
- Organize
- Direct
- Control
- Follows the rules

### **Leaders**

- Focus on people
- Do the right things
- Inspire
- Influence
- Motivate
- Build
- Shape entities

## **Ingredients of Leadership [Important]**

- > The ability to use power effectively and in a responsible manner.
- > The ability to understand that human beings (employees) have different motivation forces at different times and different situations. So an effective leader must use various methods to motivate depending on the situation.
- > The ability to inspire.
- > The ability to act in a manner that will develop a climate conducive to responding to and affecting motivations.

## **Qualities of an effective leader**

- > Shouldn't be arrogant
- > Shouldn't be miserly
- > Should be as open as possible with subordinates
- > Should ensure his troops understand what is expected of them
- > Should promote competency and inspire
- > Must be able to see things from others point of view
- > Must consider the needs of the organization above his or her own

## **Theories on leadership behavior and styles**

We will learn 4 theories

- > Leadership based on the use of authority
- > Likert's 4-systems of managing
- > The managerial grid
- > Leadership involving a variety of styles, ranging from a maximum to a minimum use of power and influence.

### **1) Leadership Styles based on Use of Authority:**

- > Leadership style is the manner and approach of providing direction, implementing plans, and motivating people.
- > Kurt Lewin (1939) led a group of researchers to identify different styles of leadership.



-> This early study has been very influential and established three major leadership styles.

- a) Autocratic leader
- b) Democratic/participative leader
- c) Free reign leader

#### a) Autocratic Leadership

-> Authoritarian style

-> The authority is centralized by the leader regarding decision making.

-> Leader takes a decision and announces it.

-> Leaders may or may not give a detailed explanation of the decision.

-> The Autocratic leader commands and expects

compliance, is positive and leads by ability to withhold or give rewards and punishment.

-> Authority is centralized

-> This style is used when leaders tell their employees what they want and how they want it accomplished, without getting the advice of their followers.

-> Some of the appropriate conditions to use it is when you have all the information to solve the problem, you are short on time, and your employees are well motivated.

-> The autocrat leadership style manages the direction of all goals and work, with little to no input from the team.

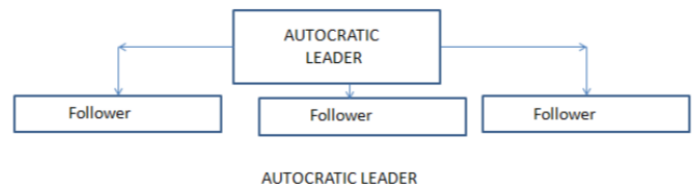
-> They have all the power to make decisions, and they use it.

-> They don't worry about input, and do not leave room for subordinates to sub-manage.

-> The authoritarian style should normally only be used on rare occasions.

-> For example: Military, manufacturing, construction

### Autocratic leadership



#### b) Democratic/Participative leader

-> Based on the principle of participation of subordinates in the decision making process.

-> when the subordinates are involved in the decision making process. They're encouraged to contribute to the organizational objectives & share responsibility.

-> Advantages can be - subordinates are highly motivated when their ideas are given or incorporated in the decision making process. Also enhances productivity. It provides stability in the organization as it raises the morale of the employees or subordinates.

-> Democratic leadership produces less aggressive behaviour, less dependence on the leader, more group initiative, and more productive behaviour than the other 2 types of leaderships.

-> The Democratic/Participative leader consults with subordinates on proposed actions and decisions and encourages participation from them.

-> This style involves the leader including one or more employees in the decision making process (determining what to do and how to do it).

-> However, the leader maintains the final decision making authority.

-> Using this style is not a sign of weakness, rather it is a sign of strength that your employees will respect.

-> This is normally used when you have part of the information, and your employees have other parts.

-> Note that a leader is not expected to know everything — this is why you employ knowledgeable and skillful employees.

-> Using this style is of mutual benefit — it allows them to become part of the team and allows you to make better decisions.



#### c) Free reign leader/ delegative style

-> Complete freedom is given to the subordinates.

-> Supervisor just frames the policy & gives full freedom to the subordinates to



implement it.

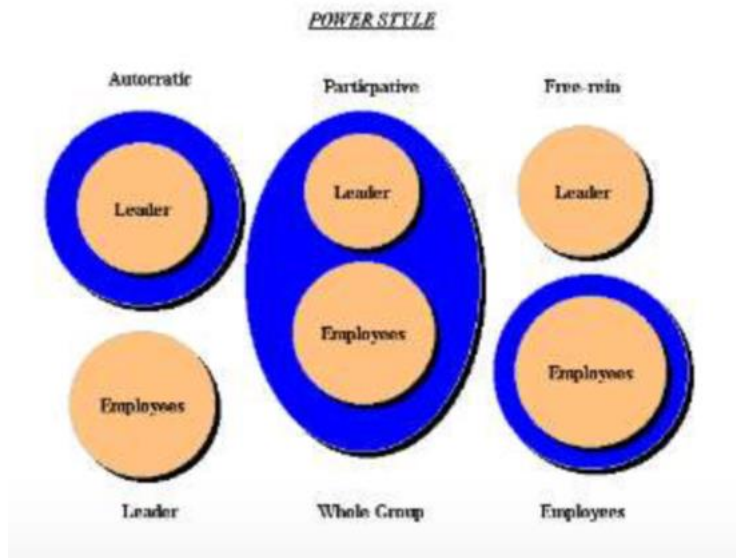
-> Usually not practical. It is used in a small group of highly intelligent & experienced people.

-> The Free-rein leader uses his/her power very little, if at all giving subordinates a high degree of independence in their operations. Such leaders depend largely on subordinates to set their own goals and the means of achieving them.

-> In this style, the leader allows the employees to make the decisions.

-> However, the leader is still responsible for the decisions that are made.

-> This is used when employees are able to analyze the situation and determine what needs to be done and how to do it.



### Forces that influence the style to be used included:

- How much time is available.
- Are relationships based on respect and trust or on disrespect?
- Who has the information — you, your employees, or both?
- How well your employees are trained and how well you know the task.
- Internal conflicts.
- Stress levels.
- Type of task. Is it structured, unstructured, complicated, or simple?
- Laws or established procedures such as training plans.

### 2) Likert's 4 systems of managing

Prof. Likert of University of Michigan has suggested the following four systems of management

-> System 1 management - "exploitative-authoritative"

-> System 2 management - "Benevolent Authoritative"

-> System 3 management - "Consultative"

-> System 4 management - "Participative"

### System 1 - Exploitative Authoritative

-> Responsibility lies in the hands of the people at the upper levels of the hierarchy.

-> The superior has no (or little) trust and confidence in subordinates.

-> The decisions are imposed on subordinates and they do not feel free at all to discuss things about the job with their superior.

-> The teamwork or communication is very little and the motivation is based on threats.

-> System 1 management is described as "exploitative authoritative", its managers are highly autocratic, have little trust in subordinates, motivate people through fear and punishment and only occasional rewards, engage in downward communication, and limit decision making to the top.

### **System 2 management is called "Benevolent Authoritative".**

- > Its managers are also autocratic but have a patronizing confidence and trust in subordinates, motivate with rewards and some fear and punishment, permit some upward communication, ask some ideas and opinions from subordinates, and allow some delegation of decision making but with close control.
- > The responsibility lies at the managerial levels but not at the lower levels of the organizational hierarchy.
- > The superior has confidence and trust in subordinates.
- > Here again, the subordinates do not feel free to discuss things about the job with their superior.
- > The teamwork or communication is very little and motivation is based on a system of rewards.
- > Meaning of Benevolent is compassionate, caring

### **System 3 management is referred to as "Consultative"**

- > In this system have substantial but not complete confidence and trust in subordinates, usually try to make use of subordinates ideas and opinions, use rewards for motivation with occasional punishment and some participation, engage in communication flow both up and down, make broad policy and general decisions at the top while allowing specific decisions to be made at lower levels, and act consultatively in other ways.
- > Responsibility is spread widely through the organizational hierarchy.
- > The superior has substantial but not complete confidence in subordinates.
- > Some amount of discussion about job related things takes place between the superior and subordinates.
- > There is a fair amount of teamwork, and communication takes place vertically and horizontally.
- > The motivation is based on rewards and involvement in the job.

### **System 4 management. - Participative**

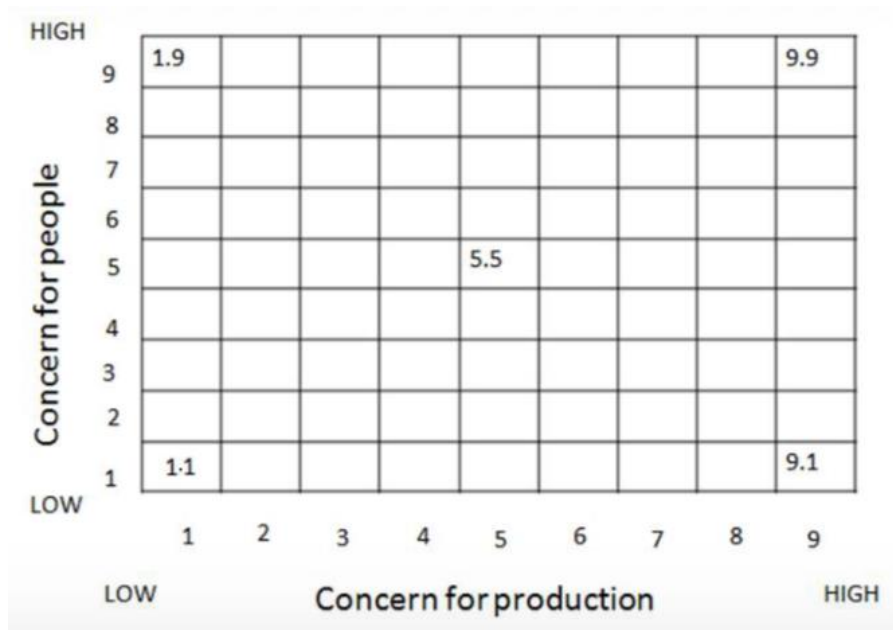
- > As the most participative of all and referred to as "participative group". Here managers have complete trust and confidence in subordinates in all matters, they always get ideas opinions from subordinates and constructively use them. They also give economic rewards on the basis of group participation & involvement in areas such as setting goals & appraising progress towards goals. They engage in much communication down and up with peers, encourage decision making throughout the organization, and operate among themselves and with their subordinates as a group.
- > Responsibility for achieving the organizational goals is widespread throughout the organizational hierarchy.
- > There is a high level of confidence that the superior has in his subordinates.
- > There is a high level of teamwork, communication, and participation.

### **Likert's Conclusion**

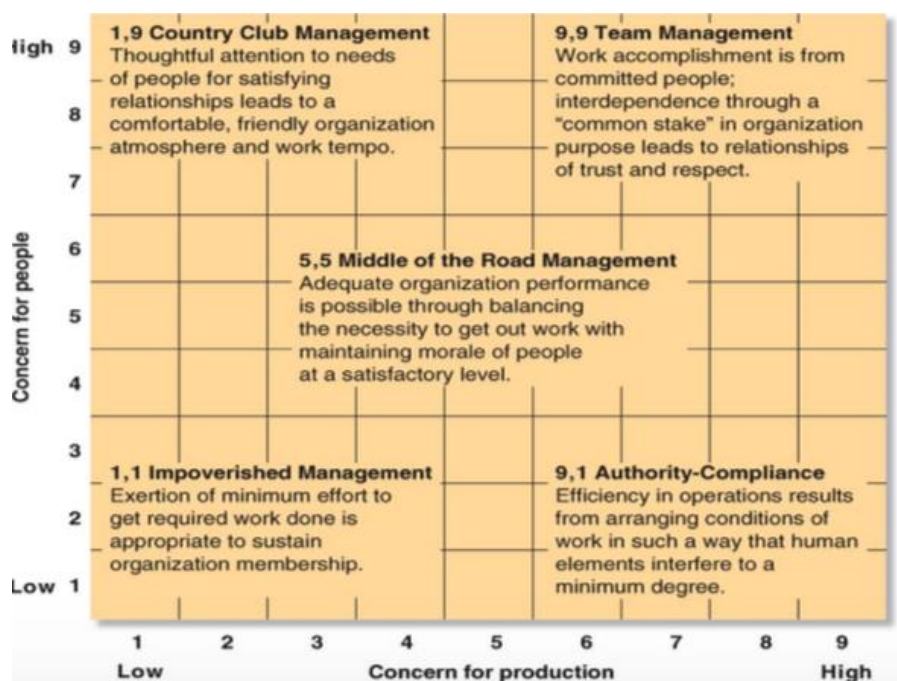
In general, Likert found that those managers who applied the system 4 approach to their operations had greatest success as leaders. Moreover, he noted that departments and companies managed by the system 4 approach were more effective in setting goals and achieving them and were generally more productive.

### **3) The Managerial Grid**

- > A well-known approach to leadership, developed by Robert Blake and J. Mouton.
- > The grid shown in the figure, has been used throughout the world as a means of training managers to move towards an ideal style of behaviour and of identifying various combinations of leadership styles.
- > This grid has 2 dimensions. vertical axis represents concern for people. i.e. similar to employees centred and horizontal axis is concern for production i.e. - job centred.
- > The phrase concern for is meant to convey how managers are concerned about production or how they are concerned about people and not such things as like how much production they're concerned about getting out of a group.
- > According to this grid there are 5 styles.



**1.1 Management (Impoverished management)** - minimum effort is required to get work done and sustain organizational morale. Manager concern themselves very little with either people or production. Minimum involvement with people or production. The primary objectives of managers are to avoid getting in trouble. They have abandoned their jobs and only act as messengers communicating info from superiors and subordinates & they go with the flow & make sure that they are not held accountable for the mistakes.



**1.9 Management (country club management)** – It is one in which managers have little or no concern for production but are concerned only for people. Thoughtful attention to needs of people leads to a friendly and comfortable organizational atmosphere and work tempo. Managers try to create a secure & comfortable atmosphere and trust their subordinates will respond +vely. They promote an environment in which everyone is relaxed, friendly and happy and no one is concerned about putting forth coordinated effort to accomplish the enterprise objectives. Environment may not necessarily be productive.

### **9.1 Management (Authority compliance) –**

Here the managers are concerned only with developing an efficient operation, who have little or no concern for people, and who are quite autocratic in their style of leadership. They don't consider employees personal needs to be relevant to achieving the organisations objectives. Concern for people is low & for production is high. Efficiency results from arranging work in such a way that human elements have little effort. They use their legitimate and coercive powers to pressurize the subordinates to meet the production targets. They believe that operational efficiency results from arranging the work so that employees nearly have to follow orders.

Might be useful when production is falling. But good managers realise that it is only a temporary solution.

### **9.9 Management (Team Management) –**

The managers here display in their actions the highest possible dedication both to people and to production. Concern for both people & production are both high. They are real team managers who are able to mesh the production needs of the enterprise with the needs of the individuals. Work accomplished is from committed people with interdependence through a common stake in organization purpose & with trust and respect.

By using these 4 extreme styles as points of reference, every managerial technique, approach or style can be placed somewhere on the grid clearly.

### **5.5 Management(Middle of the roads) –**

-> Adequate performance through balance of work requirements & maintaining satisfactory morale.

-> Here the managers have medium concern for production and for people. They obtain adequate, but not outstanding morale and production. They do not set goals too high and they are likely to have rather benevolently autocratic attitude toward people.

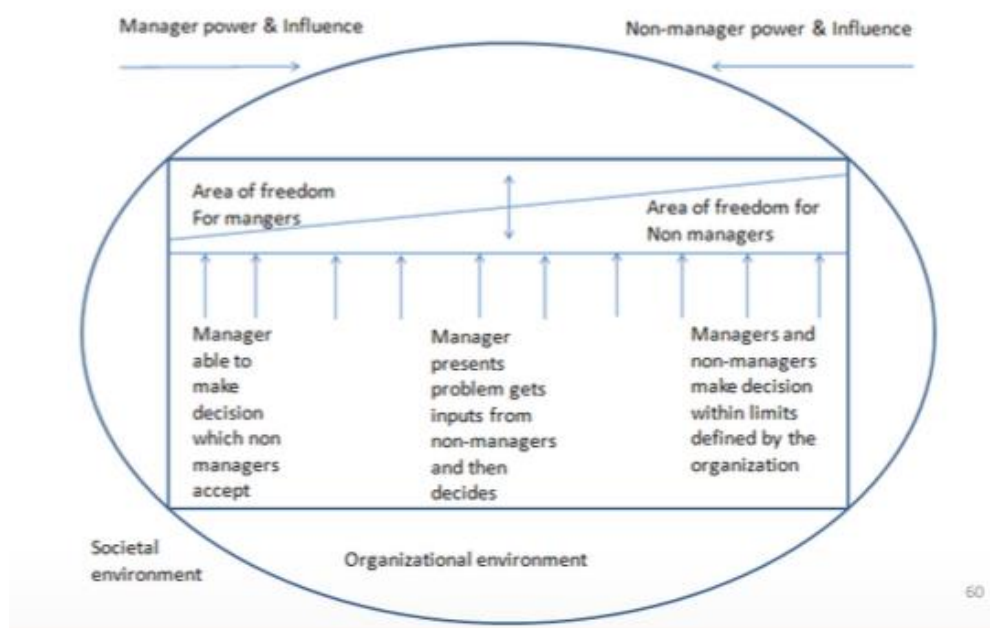
-> Basically leaders seek a balance b/w workers' needs and organizations productivity goals.

### **4) Leadership as a continuum (The continuum Theory)**

-> Developed by Robert

Tannenbaum and W. H. Schmidt.

They see leadership as involving a variety of styles, ranging from one that is highly boss centred to one that is that is highly subordinate centred. The styles vary with the degree of freedom a leader/manager grants to subordinates. Thus instead of suggesting a choice between the two styles of leadership – Authoritarian and democratic – this approach offers a range of styles.



-> There is area of freedom for

managers & non-managers. So based on the freedom to make decisions based on that variety/ range of styles is given, instead of choosing a particular style.

-> So it ranges from "managers are able to make decisions which non managers accept" till "the managers and non-managers make the decisions within the limits defined by the organization."

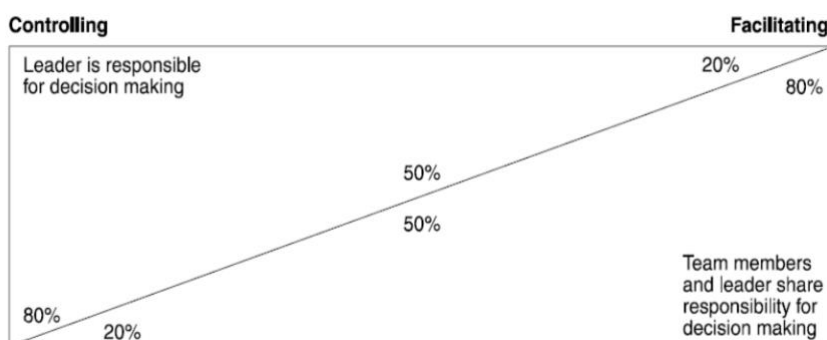
-> In between there is - "Managers and non-managers make decision within limits defined by the organization."

-> Then there are two things affecting - one is organizational environment (policies, procedures, work, work culture, atmosphere at the work place), and societal environment.

-> On one end you can have "controlling", and other "facilitating."

-> Controlling leader's role - tell, sell, direct, decide, delegate, solve problems, set goals, use authority to get things done

-> Facilitating leader's role - listen, ask questions, direct group process, coach, teach, build consensus, share in goal setting, share in decision making, empower others to get things done.





- > The continuum theory recognizes which style of leadership is appropriate, depending on the leader, followers and the situation faced by the organization.
- > Ellipse is placed around the model to represent the influences on style imposed by both the organizational environment and societal environment.

## Lecture 14 - 1/10 (Thursday)

### New chapter - Controlling as a function of management

- > Controlling is verifying whether everything occurs in conformity with the plan adopted, the instruction issued and principles established.
- > It is the measurement and correction of performance in order to ensure that an organization's objectives & plans are accomplished.
- > It is a function of every manager both at lower & upper level since all have responsibility for execution of plans.



- > It has for object to point out weaknesses and errors in order to rectify them and prevent recurrence.
- > It appears on everything, things, people, and actions.
- > Controlling involves setting up standards, measuring the actual performance, comparing it to the standards set. Taking corrective action if there is any deviation.

- > According to Henry Fayol, controlling consists of verifying whether everything occurs in confirmative with the plan adopted, instruction issued and principles established. t has objective to point out weaknesses and errors in order to rectify them and prevent recurrence. It appears on everything, every people and actions. It's a continuous process.

### Characterstics of Controlling

- > Continuous Process
- > Management Process
- > Forward Looking
- > Pervasive
- > Tool for achieving organizational activities
- > Linked with planning (because we are going to compare it to the plan adopted)

### Steps in controlling

- 1) Establishment of standards: standard acts as a basis of comparison of actual performance. So setting standard is a part of planning & also important component of controlling. Various standards are set in the planning stage and are expressed in terms of time, quality, quantity, cost. Standards may be tangible or intangible. Can be very specific or vague.
- 2) Actual Performance
- 3) Measuring actual performance: There are various standards, so measurement also done in various ways according to the standards.
- 4) Compare actual performance vs standards
- 5) Identification of deviation - Manager should focus on these areas and control is very much necessary when such deviation takes place. This is known as management by exception.
- 6) Analysis of causes of deviation - very important cuz without this corrective action cannot be determined



7) Program of corrective actions - so that deviations do not occur again in future. Actions may relate to correction of men, machine, schedule, materials, methods, standards, or any other management functions.

### 8) Implementation of corrections

In short (steps)

Establishment of standards -> Fixation of standards -> Comparing actual performance with standard performance -> Identifying & communication deviations -> Helping employees correct deviations

### **3 Types of control**

1) Feedforward control (Pre Control)- It is the input stage where you anticipate problems before they occur. allows managers to anticipate problems before they arise. Used to create policies, procedures, rules. Aimed at eliminating any undesirable results.

2) Concurrent stage (Real time information control) - at conversion stage, the problems are managed as they occur. Give managers immediate feedback on how efficiently inputs are being transformed into outputs. Easy due to availability of computers. System can report anytime the status of production, labour, delays, etc. Can related to both employee performance & equipment, machines, etc.

3) Feedback control - output stage, the problem has already occurred and you are managing them by taking corrective measures. Control that gives managers information about customers' reactions to goods and services. Measure performance, compare & take actions. This type is not good because of the time lags in the correction process. Several factors over a historical time is looked over to measure performance.

**Management control techniques** (Ma'am said its just theory, you have to understand only. Not solve nay problems)

Classified under three basic categories:

- 1) Budgetary controls
- 2) Non-budgetary controls
- 3) Network techniques

#### **I) Budgetary Controls**

-> A process of finding out what is being done and comparing the actual results with the budgeted. (i.e. numbered programs, done in numerical terms)

-> That is plan is compared in terms of budget.

-> This is done in order to approve accomplishments or to remedy differences by adjustment or correction.

-> Types: Fixed budget, Flexible

Production budget, Materials budget, Labor budget, Capital expenditure budget.

#### **II) Non budgetary controls**

-> Traditional control strategies, not connected with the budgets.

-> Cost Control

-> Internal audit control

-> External audit control

-> Break-even point analysis

-> Personal observation (management by walking around statistical data, special reports & analysis)

#### **III) Network Techniques**

-> Programme Evaluation and Review Technique (PERT)

-> Critical Path Method (CPM)

We will see these 3 in detail now

#### **I) Budget: Definition & Concept**

-> **Budget:** is a single-use plan that details the resources – usually financial, that will be required to complete a program, project, or other organizational activity.

-> All the plans are in terms of numbers.

-> The report can be viewed by the manager and can take required action.



## **Types of Budgets**

### **1) Financial Budget** - Sources & uses of cash

- a) Cash flow, or cash budget - All sources of cash income or expenditure in monthly, weekly, or daily periods
- b) Capital expenditure budget - Costs of major assets such as plant, machinery, or land
- c) Balance sheet budget - Forecast of the organization's assets and liabilities in the event all other budgets are met

A financial budget indicates the organization expects to get its cash for the common time period and how it plans to use it.

### **2) Operating budget** - concerned with the planned operations in financial matters

- a) Sales or revenue budget - Income the organization expects to receive from normal operations (the sales of the products)
- b) Expense budget - Anticipated expenses for the organization during the coming time period (operational period)
- c) Profit budget - Anticipated differences between the sales or revenues and expenses (Profit = revenue - expense)

An operating budget is concerned with planned operations within the organization.

### **3) Non-monetary budget** - Planned operations in non-financial terms

- a) Labour budget - Hours of direct labor available for use
- b) Space budget - Square feet of space available for various functions
- c) Production budget - Number of units to be produced during the coming time period

A non-monetary budget is a budget expressed in non-financial terms, such as units of outputs, hours of direct labor, machine hours or square foot allocations.

## **II) Non-budgetary control devices**

-> There are many traditional control strategies that are not connected with budgets.

-> Personal observation (Management by walking around) - an experienced manager can gain a lot of information from personal observation - even by an occasional walk in the plant or observing his employees. This is important as charts, statistics and just looking at them does not always give full picture and may not be enough.

-> Statistical data - easy to understand if present in terms of graphs in such a way that comparison with the set standards can be made. By looking at chart/ graph, manager can extrapolate where things are going.

-> Special reports and analysis - In some areas routine accounting and statistical reports may be inadequate, so these reports help in specific problem areas.

-> Operational audit (Internal audit) - Regular and independent appraisal by staff or internal auditors of the accounting dept. or the financial dept. Used to assure themselves that accounts properly reflect the fact, policies, procedures, use of authority, quality of management, effectiveness of methods etc.

## **III) Network Techniques**

### **1) Programme Evaluation and Review Technique (PERT)**

In this planning, scheduling, organising, coordinating, and controlling of uncertain activities take place. The technique studies and represents the tasks undertaken to complete a project, to identify the least time for completing a task and minimum time required to complete the whole project.

### **2) Critical Path Method (CPM)**

It is an algorithm used for planning, scheduling, coordination, and control of activities in a project. Here, it is assumed that the activity duration are fixed & certain. CPM is used to compute the earliest and latest possible start time for each activity.

-> Basic purpose of these techniques are to find optimal solution or time & cost by which you can complete the project.

## **Overall Control**

-> Controls are designed for specific things: policies, employee selection, training, etc. where we wish the performance to conform the plans. The whole objective of control is to see that whatever the plan is made, the execution is according to the plan.

-> Such controls apply to a part of enterprise and do not measure total accomplishments against total odds.

## **Overall control devices**

1) **Budget Summaries & reports** - A budget summary is a resume of all the individual budgets, reflects company plans so that sales volume, costs, profits, utilization of capital, and return on investment may be seen in a proper relationship.

2) **Profit and loss control** - Profit and loss control usually is practicable for only major segments of a company.

-> Since it is a statement of all revenues and expenses for a given time, it is a true summary of the results of business operations.

-> In other words list of expenses & revenues.

3) **Return on investment**

-> One of the most successfully used control techniques.

-> Considers profit, not as an absolute item, but as a return on the capital employed in the business.

-> Focuses on managerial attention on the business- making the best profit possible on the capital available.

-> Basically how much you have gained on your investment through revenue.

-> Advantage of ROI to control overall performance could be - profit & loss control is understood & also focuses on managerial attention on the central objective of the business, making the best profit.

## **Dangers in Budgeting**

1) **Over-budgeting** – There is a danger of over-budgeting through spelling out minor expenses in detail and depriving managers of needed freedom in managing their departments. i.e. if there is budgeting for every tiny things then, it deprives managers of the required freedom in managing their depts.

2) **Over-riding enterprise objectives/goals** – Another danger lies in allowing budgetary goals to become more important than enterprise goals. In this zest to keep within budget limits, managers may forget that they owe primarily to enterprise objectives. In actual the aim of the budgetary goals is to be more efficient in achieving enterprise's objectives.

3) **Hiding inefficiency** – it may be used to hide inefficiencies of managers.

4) **Causing Inflexibility** – it is one of the greatest dangers in budgets. flexibility in decisions will be lost due to budgets and decision will become rigid. Hence, all the decisions cannot be taken purely on the basis of budget as it may cause inflexibility in taking decisions.

## **Critical control Points & Standards** -

Controlling is a function of every manager from president to supervisor. The basic control process involves 3 steps

- establishing standards
- Measuring performance
- Correcting variations from standards & plans

-> **Standards** are yardsticks against which actual or expected performance is measured.

-> There are many activities for which it is difficult to develop accurate standards and there are many activities that are hard to measure.

-> In a simple operation, manager controls through careful personal observation of the work being done, but in most operations this is not possible because of the complexity of the operation and manager has better work to do better work to do than just the personal observation, so it cannot be done all the time.

So a manager must choose certain points for special attention - i.e. critical control points & standards. Then

he wants to be sure that the whole operation is proceeding as planned. So it is important to see to that the whole operation is proceeding as planned. The points selected for this control should be critical. So with such standards managers can handle larger group of subordinates which results in cost savings and improvement of communication.

-> The points selected for control should be critical. The principle of critical point control states that – “Effective control requires attention to those factors critical to evaluating performance against plans”.

Following are the types of Critical Point Standards used:

**1) Physical standards** – they are non-monetary measurements and are common at the operating level, where materials are used, labour is employed, services are rendered, and goods are produced. They may reflect quantities such as labour hours per unit of output, Kg of fuel per HP power generated, units of production per machine hour etc. it may also reflect quantities such as hardness of bearings, closeness of tolerances, durability of fabrics etc.

**2) Cost standards** – cost standards are monetary measurements, and like physical standards, are common at the operating level. They attach monetary values to the costs of operations. ***It reflects various costs as direct & indirect cost per unit produced, labour cost per unit, material cost per unit, machine hour cost etc.***

**3) Capital standards** – there are a variety of capital standards, all arising from the application of monetary measurements to physical items. They have to do with the capital invested in the firm rather than with operating costs & are therefore primarily related to balance sheet rather than to income statement. ***Most widely used capital standards are Return on Investment (ROI). ROI standard for new investment as well as for overall control***

The ***Balance Sheet will disclose other capital standards*** such as current assets to current liabilities ratio, debt to net worth ratio, fixed investment to total investment ratio, receivables to payables ratio (Both cash & credit), size & turnover of inventories.

**4) Revenue standards** – they arise from attaching monetary values to sales. They may include standards such as revenue per bus passenger mile, average sales per salesmen or customer etc.

**5) Program standards** – a manager may be assigned to install a variable budget from a program for formally following the development of new products, or a program for improving the quality of a sales force. Although a subjective judgment may have to be applied in appraising program performance, timing & other factors can be used as objective standards.

**6) Intangible standards** – ***More difficult to set these standards since these standards are not expressed either in physical or monetary measurements.***

These questions can help set intangible standards

-> What can one use for determining whether the advertising program meets both short & long run objectives?

-> Whether the public relations program is successful?

-> Are supervisors loyal to the company objectives? etc.

-> Is office staff alert?

-> Whether any Public relation program, if set, is successful or not?

-> Many intangible standards exist in business. Considerable judgment, trial & error, and even an occasion may be used for setting and using the intangible standards.

In all the questions discussed, human relationships count & hard to measure. For ex - what is good?

-> Managerial controls over interpersonal relationships may have to base on intangible standards/ judgement/ trial & error

**7) Goals as standards** – the quantitative goals set by the organization act as standards, since these set goals are tangible and can be suitably used as standards for the purpose of control. (Similar to quantitative goals/ standards)

**8) Strategic plans as control points for strategic controls** – strategic plans drawn by organizations may also act as standards and used as critical points for strategic control purposes.

### **Direct & preventive controls**

**Direct control** - Consists of developing standards for desired performance and then comparing actual performances against it. The normal procedure is to trace the cause of an unsatisfactory result back to the persons responsible for it and get them to correct their practices.

**Preventive control** - an attempt is made to prevent negative deviations from standards by developing better managers at all levels who skilfully apply the fundamentals of management. The preventive control principle states: The higher the quality of managers & their subordinates, the less will be the need for direct controls.

#### **Assumptions of principle of preventive control:**

- > Qualified managers make a minimum of errors
- > Managerial performance can be measured and management concepts, principles & techniques are useful diagnostic standards in measuring managerial performance.
- > The application of management fundamentals can be evaluated.

Variable budgets & zero based budget

ROI

Developing excellent managers

Some self-study topics are left - waiting for ma'am to upload slides.

05/10 Monday No class

Lecture 15 - 8/10 (Thursday) - 27 mins

### **Managerial practices in Japan & USA & Application of Theory Z**

- > William Ouchi, a management researcher developed this new theory of management in the 1980s
- > According to this theory he combined the two styles of management - Japanese management style & American style.
- > Theory Z is a business management theory that integrates Japanese and American business practices.
- > The Japanese business emphasis is on collective decision making, whereas the American emphasis is on individual responsibility.
- > Japan has adopted managerial practices that are quite different from those of other economically advanced countries in the western world.

#### **Japanese Type Organization**

- > Lifetime employment (Permanent employment with great concern for individual employees). This gives employees security & a feeling of belonging. It brings the culturally induced concept of harmony to the enterprise resulting in employee loyalty & close identification with the aims of the company.
- > Collective decision making
- > Collective responsibility
- > Slow evaluation and promotion
- > Implicit (understood, implied) control mechanisms. Whereas in US style, it is very clear.
- > Non-specialized career path
- > Holistic concern for employee as a person

### American Type Organization

- > Short-term employment
- > Individual decision –making
- > Individual responsibility
- > Rapid evaluation and promotion
- > Explicit (clear, precise, unambiguous) control mechanisms
- > Specialized career path
- > Segmented concern for employee as an employee.

### Theory Z Type Organization

- > Long-term employment
- > Consensual, participative decision-making
- > Individual responsibility
- > Slow evaluation and promotion
- > Implicit, informal control with explicit, formalized measures
- > Moderately specialized career path
- > Holistic concern, including family

### Entrepreneurship

#### Entrepreneurs

→ Risk-taking individuals who take actions to pursue opportunities and situations others may fail to recognize or may view as problems or threats.

#### Entrepreneurship

→ Strategic thinking and risk-taking behavior that results in the creation of new opportunities for individuals and/or organizations.

Entrepreneurs are ...

→ Founders of businesses that become large-scale enterprises.

– People who:

- Buy a local franchise outlet
- Open a small retail shop
- Operate a self-employed service business

→ People who introduce a new product or operational change in an existing organization.

#### Personal traits/ Typical characteristics of entrepreneurs:

- Internal locus of control - i.e. strong internal force and who have control over their beliefs and what their future is about.
- High energy level
- High need for achievement
- Tolerance for ambiguity
- Self-confidence
- Readiness for uncertainty
- Passion and action-orientation
- Self-reliance and desire for independence
- Flexibility



### **Typical entrepreneurial backgrounds and experiences:**

- Parents were entrepreneurs or self-employed.
- Families encouraged responsibility, initiative, and independence.
- Have tried more than one business venture.
- Have relevant personal or career experience.
- Become entrepreneurs between 22 and 45 years of age.
- Have strong interests in creative production and enterprise control.
- Seek independence and sense of mastery.

### **Common myths about entrepreneurs:**

- Entrepreneurs are born, not made.
- Entrepreneurs are gamblers.
- Money is the key to entrepreneurial success.
- You have to be young to be an entrepreneur.
- You must have a degree in business to be an entrepreneur.

### **HISTORY**

The word 'entrepreneur' is derived from the French word 'entreprendre' which means 'to undertake'. In the early 16<sup>th</sup> century the French men who organised and led military expeditions were referred to as 'entrepreneur'. After 1700, the term was applied to other types of adventures, mainly civil engineering like constructions of roads etc.

### **Definitions**

**Richard Cantillon:** The term entrepreneur, which most people recognize as meaning someone who organizes and assumes the risk of a business in return for the profits, appears to have been introduced by **J.B.SAY:** Is another Frenchman, expanded Cantillon's ideas and conceptualised the entrepreneur as an organiser of the business firm, central to its distributive and productive functions.

**E.E.HAGEN:** The entrepreneur is an economic man, who tries to maximise his profits by innovations.

**GALBRAITH:** 'People are poor because they prefer in that way'. An entrepreneur must accept the challenge and should be willing hard to achieve something.

### **Some characteristics of an entrepreneur**

1. Calculated Risk-taker
2. Innovator
3. Organiser
4. Creative
5. Achievement Motivated
6. Technically Competent
7. Self-confident
8. Socially Responsible
9. Optimistic
10. Equipped with Capability to drive
11. Blessed with Mental Ability
12. Human Relations Ability
13. Communication Ability
14. Decision-Making
15. Business Planning
16. A venture Capitalist
17. Visionary
18. Entrepreneur make significant differences

19. Ability to Spot and Exploit Opportunities
20. Courage to Face Adversities
21. Leadership---An essential trait of the entrepreneur

### **Manager vs Leader**

#### **Manager Characteristics**

- > Administers
- > A copy
- > Maintain
- > Focus on systems and structure
- > Relies on control
- > Short-range view
- > Asks how and when
- > Eye on the bottom line
- > Imitates
- > Accepts the status quo
- > Classic good soldier
- > Does things right

#### **Leader Characteristics**

- > Innovates
- > An original
- > Develops
- > Focuses on people
- > Inspires trust
- > Long-range perspective
- > Asks what and why
- > Eye on the horizon
- > Originates
- > Challenges the status quo
- > Own person
- > Does the right thing

### **Working profile of entrepreneur**

#### **Characteristics**

- > Self-confidence
- > Drive
- > Task-result oriented & Risk-taker
- > Mental Ability
- > Leadership
- > Human Relations Ability
- > Originality
- > Communication Ability

#### **Traits**

- > Confidence, Independence, Optimism, Individuality.
- > Responsibility, Vigour, Initiative, persistence, Ambition.
- > Need for achievement, Profit- oriented, Energy.
- > Risk taking ability, Likes challenges.
- > Overall intelligence(IQ),Creative thinking, Analytical thinking ability.
- > Leadership behaviour, Gets along with others, Responsive to situations, Criticism.
- > Emotional stability, Healthy personal relations, Sociability, Tactfulness, Consideration.
- > Innovative, Creative, Resourceful, knowledge.
- > Perceptive, Foresight, Future oriented.



## **Types of Entrepreneur**

### **1. According to the Type of Business**

- i. **Business entrepreneur**: Business entrepreneurs are those entrepreneurs who conceive the idea of a new product or service and then translate their ideas into reality.
- ii. **Trading entrepreneur**: As the very name indicates trading entrepreneur is concerned with trading activities and not manufacturing.
- iii. **Industrial entrepreneur**: As the very name indicates, an industrial entrepreneur is one who sets up an industrial unit.
- iv. **Corporate entrepreneur**: Corporate entrepreneur is the one who plans, develops and manages a corporate body.
- v. **Agricultural entrepreneur**: Agricultural entrepreneur is the one who is engaged in the agricultural activities.

### **2. According to Motivation**

- i. **Pure entrepreneur**: Pure entrepreneur is one who may or may not possess an aptitude for entrepreneurship but is tempted by the monetary rewards or profits to be earned from the business venture.
- ii. **Induced entrepreneur**: Induced entrepreneur is attracted by the various incentives, subsidies and facilities offered by the government.

### **3. According to the use of technology**

- i. **Technical entrepreneur**: The strength of a technical entrepreneur is in his skill in production techniques. He concentrates more on production than on marketing.
- ii. **Non-technical entrepreneur**: Unlike technical entrepreneur, non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternative strategies of the marketing and distribution to promote his business.
- iii. **Professional entrepreneur**: Professional entrepreneur means an entrepreneur who is interested in floating a business but does not want to manage or operate it.

### **4. According to the stages of development**

- i. **First generation entrepreneur**: First generation entrepreneur are those entrepreneur who do not possess any entrepreneurial background.
- ii. **Second generation entrepreneur**: Second generation entrepreneur are those entrepreneurs who inherit the family business firms and pass it from one generation to another.
- iii. **Classical entrepreneur**: A classical entrepreneur is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the unit but with or without an element of growth.

### **5. Classification Given by Danhof**

- i. **Innovating entrepreneur**: Innovative entrepreneurs are generally aggressive and possess the art of cleverly putting the attractive possibilities into practice.
- ii. **Imitative entrepreneurs**: Imitative entrepreneurs are characterized by readiness to adopt successful innovations inaugurated by successful innovating entrepreneurs.
- iii. **Fabian entrepreneur**: Fabian entrepreneurs are cautious and skeptical in experimenting change in their enterprises. Such entrepreneurs are shy, lazy and lethargic.
- iv. **Drone entrepreneur**: Drone entrepreneurs are characterized by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns.

### **6. According to Capital ownership**

- i. **Private entrepreneur**: When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the

group is called as private entrepreneur/entrepreneurs.

ii. State entrepreneur: As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.

iii. Joint entrepreneur: Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.

#### 7. According to gender and age

-> Man entrepreneur

-> Woman entrepreneur

-> Young entrepreneur

-> Old entrepreneur

-> Middle-aged entrepreneur

#### 8. According to Area

i. Urban entrepreneur

ii. Rural entrepreneur

#### 9. According to scale

i. Large scale industry entrepreneur

ii. Medium scale industry entrepreneur

iii. Small scale industry entrepreneur

iv. Tiny industry entrepreneur

#### Intrapreneur

-> The term 'intrapreneur' was coined in the United States of America in the late seventies.

-> Gifford Pinchot defined intrapreneurs as the persons who resigned from their well-paid executive positions to launch their own ventures. Gifford devised the way by which such executives could be retained in the industry and their entrepreneurial urge was also satisfied by their bosses.

-> So a system was devised whereby such executives would operate as entrepreneurs with full independence and autonomy but within the organisation.

#### Difference b/w entrepreneur and intrapreneur

1. An entrepreneur is an independence person who starts his venture and bears full risk of his failure and enjoys the fruit of his success whereas intrapreneur is partially independent and is sponsored by the corporation in which he is working. He is also not liable to bear the losses in case of his failure.
2. An entrepreneur raises the finance from various sources and also guarantees their return whereas an intrapreneur does not own responsibility to raise the capital or to return it.
3. An entrepreneur has no relation with any organisation whereas an intrapreneur operates within the organisation where he is working.

#### Functions of an Entrepreneur

There has been a great deal of confusion and contradiction in literature on the functions of an entrepreneur.

#### FUNCTIONS

1. Innovations: J.Schumpeter has made substantial contribution to the literature of entrepreneurship. The process of innovations may be in the form of:

- a) Introduction of a new product.
- b) Use of new methods of production.
- c) Opening of a new market.

- d) The conquest of new source of supply of raw material.
- e) A new form of organisation.

2. Risk-taking: Richard cantillon states that entrepreneur is an agent who buys means of production at certain prices and sells them at uncertain prices.

The entrepreneur performs the function of reducing uncertainty in his plan of investment and expansion of the enterprise.

J.b. Say also stresses risk-taking as the specific function of an entrepreneur.

3. Decision Maker: Entrepreneur as a decision maker describes the following functions of an entrepreneur.

- a) The determination of objectives of an enterprise and the change of those objectives as conditions required or made advantageous,
- b) The development of an organisation including efficient relations with subordinates and all employees.
- c) Securing adequate financial resources, the relations with existing and potential Investors.
- d) The acquisition of efficient technological equipment and the revision of it as new machinery appears,
- e) The development of a market for the products and the devising of new products to meet or anticipate consumer's demand,
- f) The maintenance of good relations with public authorities and with society at large.

4. Organisation and Management: Marshall recognized organisation and management of the enterprise as the important functions of an entrepreneur.

When the organisation grows bigger, the entrepreneur effectively delegates authority and finds responsibility at various levels of management. The network of decision making becomes more complex.

-> The functions of organisation and management includes:

- a) Planning of an enterprise,
- b) Co-ordination, administration and control,
- c) Routine type of supervision.

#### DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER

<b>Basis</b>	<b>Entrepreneurs</b>	<b>Managers</b>
Status	An entrepreneur is the owner of his enterprise. He makes his own investment and owns his business.	A manager is just an employee in the enterprise which is owned and run by entrepreneur.
Target	The main target of an entrepreneur is to start his venture by setting up as a sole- trader or firm or a company.	The main goal or motive of a manager is give his services to an enterprise set up by someone else i.e. an entrepreneur.
Decision Making	All of the policies and strategic decisions, like those comprising of expansion diversification, take-over etc are taken by the entrepreneur.	While all those managerial, operational decisions which would have impact on the short-and medium- term results are taken by the managers.
Rectification of wrong decisions	The wrong decisions taken by the entrepreneur may not be rectifiable and may result in losses or even closure of the unit	Whereas the wrong decisions taken by the managers can be amended and rectified by the entrepreneur.
Innovations	An entrepreneur innovates and exploits his innovation commercially	A manager is merely an officer or an executive who is appointed for the promotion of the unit.
Risk-Bearing	An entrepreneur being the owner of his unit undertakes all risks and uncertainty of running his enterprise.	manager doesn't bear any risk because he is paid fixed salary.
Skills	The skill expected from an entrepreneur is in the form of	Whereas manger depends on public dealing abilities and conceptual abilities.

	creativity, innovation, desire for high achievement, intuition etc.	
Qualification	An entrepreneur doesn't need to have distinct degree from a reputed university.	On the other hand, a manager now a days need to possess degree in the stream of management theory and practice.
Rewards	The reward of an entrepreneur is the profit earned by him.	A manager gets his monthly salary as his reward for the services rendered by him.

**TO BECOME A SUCCESSFUL ENTREPRENEUR**

- > Acquire sufficient and all-round knowledge about an enterprise you intend to start.
- > Be conservative in calculating income and lavish in calculating expenditure.
- > Don't expect quick and easy returns from your venture.
- > Be prepared for delegation of work when needed.
- > Take moderate risks; neither too high nor too low.
- > Plan systematically and march ahead step by step according to the plan to achieve your goal.
- > Time management is necessary to maximum utilisation of your resources.
- > Collect maximum information about your competitor on continuous basis.
- > Don't avoid or run away from problems.
- > Take the help of experts and experienced persons or entrepreneur, when in doubt.

Lecture 16 - 12/10 (Monday) - 36 mins

15/10

19/10 (Monday) No Class - midterm  
 22/10 No Class - midterm  
 26/10 (Monday) No Class - Dussehra  
 29/10 No Class  
 2/11 (Monday) No class - only assn  
 5/11 No class  
 9/11 (Monday) No class  
 12/11 No class  
 16/11 (Monday) No class

# Professional Ethics and Global Issues

Semester V / VI

HUM 3152

Essentials of Management

# Professional Ethics

- Senses of Engineering Ethics
- Variety of moral issues
- Types of inquiry
- Moral dilemmas
- Moral Autonomy
- Kohlberg's theory
- Gilligan's theory
- Consensus and Controversy
- Models of professional roles
- Theories about right action
- Self-interest
- Customs and Religion
- Uses of Ethical Theories

# Senses of Engineering Ethics

- Engineering ethics is defined by the codes and standards of conduct endorsed by engineering (professional) societies with respect to the particular set of beliefs, attitudes and habits displayed by the individual or group.
- Engineering Ethics is the activity and discipline aimed at
  - Understanding the moral values that ought to guide engineering profession or practice
  - Resolving moral issues in engineering
  - Justifying the moral judgments in engineering (deals with set of moral problems and issues connected with engineering)



# Senses of Engineering Ethics

- There are two different senses (meanings) of engineering ethics, namely the **Normative** and the **Descriptive** senses.
- The **normative** sense include:
  - Knowing moral values, finding accurate solutions to moral problems and justifying moral judgments in engineering practices
  - Study of decisions, policies, and values that are morally desirable in the engineering practice and research
  - Using codes of ethics and standards and applying them in their transactions by engineers.
- The **descriptive** sense refers to what specific individual or group of engineers believe and act, without justifying their beliefs or actions.

# Variety of moral issues

- The reasons how moral issues (problems) arise in a profession or why people behave unethically may be classified into three categories:
  1. Resource Crunch
  2. Opportunity
  3. Attitude

# Variety of moral issues

## 1)Resource Crunch:

- Due to pressure, through time limits, availability of money or budgetary constraints, and technology decay or obsolescence.
- Pressure from the government to complete the project in time (e.g., before the elections), reduction in the budget because of sudden war or natural calamity (e.g., Tsunami) and obsolescence due to technological innovation by the competitor lead to manipulation and unsafe and unethical execution of projects.

# Variety of moral issues

## 2) Opportunity:

- Double standards or behavior of the employers towards the employees and public. The unethical behaviors of World Com (in USA), Enron (in USA as well as India) executives in 2002 resulted in bankruptcy for those companies.
- Management projecting their own interests more than that of their employees. Some organizations over-emphasize short-term gains and results at the expense of themselves and others.
- Emphasis on results and gains at the expense of the employees.
- Management by objectives, without focus on empowerment and improvement of the infrastructure. This is best encountered by developing policies that allow 'conscience keepers' and whistle blowers and appointing ombudsman, who can work confidentially with people to solve the unethical problems internally.

## Variety of moral issues

### 3) Attitude:

- Poor attitude of the employees set in due to
  - (a) Low morale of the employees because of dissatisfaction and downsizing
  - (b) Absence of grievance redressal mechanism
  - (c) Lack of promotion or career development policies or denied promotions
  - (d) Lack of transparency
  - (e) Absence of recognition and reward system
  - (f) Poor working environments

## Variety of moral issues

- Some of the directions to promote positive attitudes among the employees are:
  - Giving ethics training for all
  - Recognizing ethical conduct in work place
  - Including ethics in performance appraisal
  - Encouraging open discussion on ethical issues
- To get firm and positive effect, ethical standards must be set and adopted by the senior management with input from all personnel.

# Types of inquiry

- The three types of inquiry in solving ethical problems are:
  1. Normative Inquiry
  2. Conceptual Inquiry
  3. Factual or Descriptive Inquiry



# Types of inquiry

## 1) Normative Inquiry:

- It seeks to identify and justify the morally-desirable norms or standards that should guide individuals and groups.
- It also has the theoretical goal of justifying particular moral judgments.
- Normative questions are about what ought to be and what is good, based on moral values. For example,
  1. How far does the obligation of engineers to protect public safety extend in any given situation?
  2. When, if ever, should engineers be expected to blow whistle on dangerous practices of their employers?
  3. Whose values ought to be primary in making judgment about acceptable risks in design for a public transport system or a nuclear plant? Is it of management, senior engineers, government, voters or all of them?

# Types of inquiry

## 2) Conceptual Enquiry:

- It is directed to clarify the meaning of concepts or ideas or principles that are expressed by words or by questions and statements. For example,
  - (a) What is meant by safety?
  - (b) How is it related to risk?
  - (c) What is a bribe?
  - (d) What is a profession?
- When moral concepts are discussed, normative and conceptual issues are closely interconnected.

# Types of inquiry

## 3) Factual or descriptive Inquiry:

- It is aimed to obtain facts needed for understanding and resolving value issues. Researchers conduct factual inquiries using mathematical or statistical techniques.
- The inquiry provide important information on business realities, engineering practice, and the effectiveness of professional societies in fostering moral conduct, the procedures used in risk assessment, and psychological profiles of engineers.
- The facts provide not only the reasons for moral problems but also enable us to develop alternative ways of resolving moral problems. For example,
  1. How were the benefits assessed?
  2. What are procedures followed in risk assessment?
  3. What are short-term and long-term effects of drinking water being polluted?

# Moral dilemmas

- Dilemmas are situations in which moral reasons come into conflict, or in which the application of moral values are problems, and one is not clear of the immediate choice or solution of the problems.
- The three complex situations leading to moral dilemmas are:
  1. The problem of vagueness: One is unable to distinguish between good and bad (right or wrong) principle. Good means an action that is obligatory. For example, code of ethics specifies that one should obey the laws and follow standards. Refuse bribe or accept the gift, and maintain confidentiality
  2. The problem of conflicting reasons: One is unable to choose between two good moral solutions. One has to fix priority, through knowledge or value system.
  3. The problem of disagreement: There may be two or more solutions and none of them mandatory. These solutions may be better or worse in some respects but not in all aspects. One has to interpret, apply different morally reasons, and analyze and rank the decisions. Select the best suitable, under the existing and the most probable conditions.

# Moral Autonomy

- Moral autonomy is defined as, decisions and actions exercised on the basis of moral concern for other people and recognition of good moral reasons.
- Alternatively, moral autonomy means 'self determinant or independent'. The autonomous people hold moral beliefs and attitudes based on their critical reflection rather than on passive adoption of the conventions of the society or profession.
- Autonomy which is the independence in making decisions and actions, is different from authority. Authority provides freedom for action, specified within limits, depending on the situation.
- Moral autonomy and respect for authority can coexist. They are not against each other.
- If the authority of the engineer and the moral autonomy of the operator are in conflict, a consensus is obtained by the two, upon discussion and mutual understanding their limits.

# Moral Autonomy

The engineering skills related to moral autonomy are listed as follows:

- Proficiency in recognizing moral problems in engineering and ability to distinguish as well as relate them to problems in law, economics, and religion
- Skill in comprehending, clarifying, and critically-assessing arguments on different aspects of moral issues
- Ability to form consistent and comprehensive view points based on facts
- Awareness of alternate responses to the issues and creative solutions for practical difficulties
- Sensitivity to genuine difficulties and subtleties, including willingness to undergo and tolerate some uncertainty while making decisions
- Using rational dialogue in resolving moral conflicts and developing tolerance of different perspectives among morally reasonable people
- Maintaining moral integrity

# Kohlberg's theory

- Moral development in human being occurs over age and experience.
- Kohlberg suggested there are three levels of moral development based on the type of reasoning and motivation of the individuals in response to moral questions.
  1. Pre-conventional level
  2. Conventional level
  3. Post-conventional level

# Kohlberg's theory

## 1) Pre-conventional level:

- At this level, right conduct for an individual is regarded as whatever directly benefits oneself.
- Individuals are motivated by obedience or the desire to avoid punishment or to satisfy their own needs or by the influence by power on them.
- All young children exhibit this tendency.



# Kohlberg's theory

## 2) Conventional level:

- At the conventional level, people respect the law and authority.
- Rules and norms of one's family or group or society is accepted, as the standard of morality.
- Individuals in this level want to please or satisfy, and get approval by others and to meet the expectations of the society, rather than their self interest (Eg: good boy, good girl).
- Loyalty is regarded as most important.
- Many adults do not go beyond this level.

# Kohlberg's theory

## 3) Post-conventional level:

- At the post-conventional level, people are called autonomous.
- They think originally and want to live by universally good principles and welfare of others. They have no self-interest.
- They live by principled conscience. They follow the golden rule, 'Do unto others as you would have them do unto you'.
- They maintain moral integrity, self-respect and respect for others. Kohlberg believed that individuals could only progress through these stages, one stage at a time.
- He believed that most of the moral development occurs through social interactions.

## Gilligan's theory

- Carol Gilligan found that Kohlberg's theory had a strong male bias. According to Gilligan's studies, men had a tendency to solve problems by applying abstract moral principles.
- Men were found to resolve moral dilemma by choosing the most important moral rule, overriding other rules.
- In contrast, women gave importance to preserve personal relationships with all the people involved.
- The context oriented emphasis on maintaining personal relationships was called the ethics of care, in contrast with the ethics of rules and rights adopted by men.
- Gilligan revised the three levels of moral development of Kohlberg, as stages of growth towards ethics of caring.

# Gilligan's theory

- The pre-conventional level, which is same as that of Kohlberg's first one, right conduct, is viewed in a selfish manner solely as what is good for oneself.
- The second level called conventional level, the importance is on not hurting others, and willing to sacrifice one's own interest and help others.
- This is the characteristic feature of women. At the post-conventional level, a reasoned balance is found between caring about others and pursuing the self-interest.
- The balance one's own need and the needs of others, is aimed while maintaining relationship based on mutual caring.
- This is achieved by context-oriented reasoning, rather than by hierarchy of rules.

# Kohlberg's theory & Gilligan's theory

The theories of moral development by Kohlberg and Gilligan differ in the following respects:

<i>Kohlberg's Theory</i>	<i>Carol Gilligan's Theory</i>
<i>A. Basic Aspects</i>	
<ol style="list-style-type: none"> <li>1. Is based on the study on men.</li> <li>2. Men give importance to moral rule.</li> <li>3. Ethics of rules and rights.</li> </ol>	<ol style="list-style-type: none"> <li>1. Is based on the study on men and women</li> <li>2. Women always want to keep up the personal relationships with all the persons involved in the situations.</li> <li>3. Women give attention to circumstances leading to critical situations rather than rules: (context-oriented and ethics of care)</li> </ol>
<i>B Characteristic Features</i>	
<ol style="list-style-type: none"> <li>1. Justice</li> <li>2. Factual</li> <li>3. Right or wrong</li> <li>4. Logic only</li> <li>5. Logic and rule-based</li> <li>6. Less of caring</li> <li>7. Matter of fact (practical)</li> <li>8. Present focus</li> <li>9. Strict rules</li> <li>10. Independence</li> <li>11. Rigid</li> <li>12. Taking a commanding role</li> <li>13. Transactional approach</li> </ol>	<ol style="list-style-type: none"> <li>1. Reason</li> <li>2. Emotional</li> <li>3. Impact on relationships</li> <li>4. Compassion too</li> <li>5. Caring and concern</li> <li>6. More of caring</li> <li>7. Abstract</li> <li>8. Future focus</li> <li>9. Making exceptions</li> <li>10. Dependence</li> <li>11. Human-oriented</li> <li>12. Shying away from decision-making</li> <li>13. Transformational approach</li> </ol>

# Consensus and Controversy

The moral judgment may lead to conflicts if they are not delivered properly without hurting the feelings of the persons involved. There are two stages after the judgment. The stages are described below:

## Consensus

This is that state where people come into agreement with the judgment given by getting convinced with the moral reasons. This will leave the persons with a feel that justice has been done, the verdict may favor any party.

## Controversy

This is that state where the persons involved in an issue are not satisfied by the verdict and might feel that it was decided on partial interests. This will leave the people with a sense of dissatisfaction that justice was not done, which might lead to another conflict.

# Models of professional roles

There are several role models to whom the engineers are attracted. These models provoke their thinking, attitudes and actions.

1. Savior : The engineer as a savior, save the society from poverty, illiteracy, wastage, inefficiency, ill health, human (labor) dignity and lead it to prosperity, through technological development and social planning. For example, R.L. Stevenson.
2. Guardian: He guards the interests of the poor and general public. As one who is conversant with technology development, is given the authority befitting his expertise to determine what is best suited to the society. For example, Lawrence of Arabia (an engineer).
3. Bureaucratic Servant: A person who is loyal and can solve problems when they occur using his own skills, is a Bureaucratic servant. An engineer who can be a loyal person to the organization and also the one who solves the technical problems the company encounters, using his special skills can be termed as a Bureaucratic servant. The company relies on his decision-making capability for the future growth.

# Models of professional roles

- 4. Social Servant: It is one who exhibits social responsibility. The engineer translates the interest and aspirations of the society into a reality, remembering that his true master is the society at large. For example, Sir M. Viswesvarayya.
- 4. Social Enabler and Catalyst : One who changes the society through technology. The engineer must assist the management and the society to understand their needs and make informed decisions on the desirable technological development and minimize the negative effects of technology on people and their living environment. Thus, he shines as a social enabler and a catalyst for further growth. For example, Sri. Sundarlal Bahuguna.
- 4. Game Player: A person who plays a game according to the rules given is a Game player in general. An engineer who acts as neither a servant nor a master, but provides his services and plans his works according to the economic game rules in a given time, can be termed as a Game player. He is smart enough to handle the economic conditions of the company.



# Theories about right action

Several ethical theories have been developed over different times, each of them stressing certain ethical principles or features. Each stresses a view and many a times, we find that these theories converge and reinforce the ethics, in deciding upon the actions and justifying the results.

1. Utilitarian Theory
2. Duty Ethics theory
3. Rights Theory
4. The Virtue Theory
5. Self- realization Ethics
6. Justice (Fairness) Theory

# Theories about right action

## 1) Utilitarian Theory:

- The standard of right conduct is maximization of good consequences. Good consequences mean either 'utilities' or the 'balance of good over evil'.
- This approach weighs the costs and benefits. Right actions are the ones that produce the greatest satisfaction of the preferences of the affected persons. In analyzing an issue in this approach, we have to:
  - (a) Identify the various courses of action available to us.
  - (b) Ask who will be affected by each action and what benefits or harms will be derived from each.
  - (c) Choose the action that will produce the greatest benefits and the least harm. The ethical action is the one that provides the greatest good for the greatest number.

# Theories about right action

## 2) Duty Ethics theory:

- The duty ethics theory, proposed by Immanuel Kant (1724-1804) states, that actions are consequences of performance of one's duties such as, 'being honest', 'not cause suffering of others', 'being fair to others including the meek and weak', 'being grateful', 'keeping promises' etc.
- The stress is on the universal principle of respect for autonomy i.e., respect and rationality of persons.
- As per Kant we have duties to ourselves, as we are rational and autonomous beings. We have a duty not to commit suicide; a duty to develop our talents and a duty to avoid harmful drugs.

# Theories about right action

## 3) Rights Theory:

- Rights are entitlement to act or to have another individual act in a certain way. Minimally, rights serve as a protective barrier, shielding individuals from unjustified infringement of their moral agency by others. For every right, we have a corresponding duty of noninterference.
- The RIGHTS approach to ethics has its roots in the 18th century philosopher Immanuel Kant, who focused on the individual's right to choose for oneself. People are not objects to be manipulated; it is a violation of human dignity to use people in ways they do not freely choose.

# Theories about right action

## 4) The Virtue Theory:

This emphasizes on the character rather than the rights or duties. The character is the pattern of virtues (morally-desirable features). The theory advocated by Aristotle, stressed on the tendency to act at proper balance between extremes of conduct, emotion, desire, attitudes to find the golden mean between the extremes of 'excess' or 'deficiency'.

<i>Virtue</i>	<i>Excess</i>	<i>Golden mean</i>	<i>Deficient</i>
Truthfulness (governs communication)	Revealing all in violation of tact and confidentiality	Necessary and sufficient, to proper person	Secretive
Courage (face danger, risk)	Roguishness, bold	Firm and humble	Cowardice
Generosity (giving)	Wasting resources	Give, in appropriate measure	Miserly
Friendliness (governs relationship)	Without anger, effusive	Within decent limits	Bad-tempered
Green environment	Exploitation	Protection	Neglect
Work and earn	Tiresome work (strained)	Balance of work and leisure	Lazy (no work) and more pay

# Theories about right action

## 5) Self- realization Ethics:

- Right action consists in seeking self-fulfillment.
- In one version of this theory, the self to be realized is defined by caring relationships with other individuals and society.
- In another version called *ethical egoism*, the right action consists in always promoting what is good for oneself.
- No caring and society relationships are assumed.

# Theories about right action

## 6) Justice (Fairness) Theory:

- The justice or fairness approach to ethics has its roots in the teachings of the ancient Greek philosopher Aristotle, who said that “equals should be treated equally and unequal unequally.”
- The basic moral question in this approach is: How fair is an action? Does it treat everyone in the same way, or does it show favoritism and discrimination?
- Issues create controversies simply because we do not bother to check the fairness or justice.
- Favoritism gives benefits to some people without a justifiable reason for singling them out; discrimination imposes burdens on people who are no different from those on whom burdens are not imposed.

# Self-interest

- Self-interest is being good and acceptable to oneself. It is pursuing what is good for oneself.
- It is very ethical to possess self-interest.
- As per utilitarian theory, this interest should provide for the respect of others also.
- Duty ethics recognizes this aspect as duties to ourselves.
- Then only one can help others. Right ethicist stresses our rights to pursue our own good.
- Virtue ethics also accepts the importance of self-respect as link to social practices.



# Customs and Religion

- Religions have played major roles in shaping moral views and moral values, over geographical regions. Christianity has influenced the Western countries, Islam in the Middle-East countries, Buddhism and Hinduism in Asia, and Confucianism in China.
- Further, there is a strong psychological link between the moral and religious beliefs of people following various religions and faiths. Religions support moral responsibility.
- They have set high moral standards. Faith in the religions provides trust and this trust inspires people to be moral.

# Uses of Ethical Theories

The ethical theories are useful in many respects.

1. In understanding moral dilemma. They provide clarity, consistency, systematic and comprehensive understanding.
2. Ethical theories aid in identifying the moral considerations or reasons that constitute a dilemma.
3. Ethical theories provide a more precise sense of what kinds of information are relevant to solving moral dilemmas.
4. It provides helpful practical guidance in moral issues towards the solution. Sometimes it offer ways to rank the relevant moral considerations in order of importance and thereby provide at least rough guidance in solving moral problems.
5. Justifying professional obligations and decisions.
6. By providing frameworks for development of moral arguments ,the theories strengthen our ability to reach balanced and insightful judgments.

# Global Issues

- Multinational Corporations
- Environmental Ethics
- Computer Ethics
- Weapons Development
- Engineers as Managers
- Consulting Engineers
- Engineers as Expert Witnesses and Advisors
- Moral Leadership
- Code of Conduct
- Corporate Social Responsibility

# Multinational Corporations

- Organizations, who have established business in more than one country, are called Multinational Corporation. The headquarters are in the home country and the business is extended in many host countries.
- The Western organizations doing business in the less-economically developed (developing, and overpopulated) countries gain the advantage of inexpensive labor, availability of natural resources, conducive-tax atmosphere, and virgin market for the products.
- At the same time, the developing countries are also benefited by fresh job opportunities, jobs with higher remuneration and challenges, transfer of technology, and several social benefits by the wealth developed.
- But this happens invariably with some social and cultural disturbance. Loss of jobs for the home country, and loss or exploitation of natural resources, political instability for the host countries are some of the threats of globalization.

# Multinational Corporations

The economic and environmental conditions of the home and host countries may vary. But the multinational institutions have to adopt appropriate measures not to disturb or dislocate the social and living conditions and cultures of the home countries. A few principles are enlisted here:

- MNC should respect the basic human rights of the people of the host countries.
- The activities of the MNC should give economic and transfer technical benefits, and implement welfare measures of the workers of the host countries.
- The business practices of the multinational organizations should improve and promote morally justified institutions in the host countries.
- The multinationals must respect the laws and political set up, besides cultures and promote the cultures of the host countries.
- The multinational organizations should provide a fair remuneration to the employees of the host countries. If the remuneration is high as that of home country, this may create tensions and if it is too low it will lead to exploitation.
- Multinational institutions should provide necessary safety for the workers when they are engaged in hazardous activities and 'informed consent' should be obtained from them. Adequate compensation should be paid to them for the additional risks undertaken.

# Environmental Ethics

Environmental ethics is the study of

- moral issues concerning the environment, and
- moral perspectives, beliefs, or attitudes concerning those issues.

Engineers in the past are known for their negligence of environment, in their activities. It has become important now that engineers design eco- friendly tools, machines, sustainable products, processes, and projects. These are essential now to

- ensure protection (safety) of environment
- prevent the degradation of environment, and
- slow down the exploitation of the natural resources, so that the future generation can survive.

# Environmental Ethics

Engineers as experimenters have certain duties towards environmental ethics, namely:

1. Environmental impact assessment: One major but sure and unintended effect of technology is wastage and the resulting pollution of land, water, air and even space. Study how the industry and technology affects the environment.
2. Establish standards: Study and to fix the tolerable and actual pollution levels.
3. Counter measures: Study what the protective or eliminating measures are available for immediate implementation
4. Environmental awareness: Study on how to educate the people on environmental practices, issues, and possible remedies.

# Computer Ethics

- Computer ethics is defined as
  - study and analysis of nature and social impact of computer technology
  - formulation and justification of policies, for ethical use of computers.
- This subject has become relevant to the professionals such as designers of computers, programmers, system analysts, system managers, and operators.
- The use of computers have raised a host of moral concerns such as free speech, privacy, intellectual property right, and physical as well as mental harm.



# Computer Ethics

Different types of problems found in computer ethics are:

1. Computer as the Instrument of Unethical Acts: Breaking privacy, information or data of the individuals accessed or erased or the ownership changed, fraud a bank or a client, by accessing and withdrawing money from other's bank account.
2. Computer as the Object of Unethical Act: Hacking, spreading virus, health hazards.
3. Problems Related to the Autonomous Nature of Computer: Security risk, loss of human lives (automated defense system).

# Weapons Development

Military activities including the world wars have stimulated the growth of technology. The growth of Internet amply illustrates this fact. Engineers involve in weapons development because of the following reasons:

1. It gives one job with high salary.
2. One takes pride and honor in participating in the activities towards the defense of the nation (patriotic fervor).
3. One believes the he fights a war on terrorism and thereby contribute to peace and stability of the country. Ironically, the wars have never won peace, only peace can win peace!
4. By research and development, the engineer is reducing or eliminating the risk from enemy weapons, and saving one's country from disaster.
5. By building-up arsenals and show of force, a country can force the rogue country, towards regulation.

# Engineers as Managers

The characteristics of engineers as managers are:

- Promote an ethical climate, through framing organization policies, responsibilities and by personal attitudes and obligations.
- Resolving conflicts, by evolving priority, developing mutual understanding, generating various alternative solutions to problems.
- Social responsibility to stakeholders, customers and employers. They act to develop wealth as well as the welfare of the society.

# Engineers as Managers

Managing conflicts: Most of the conflicts can be resolved by following the principles listed here,

## 1. People

Separate people from the problem. It implies that the views of all concerned should be obtained. The questions such as what, why, and when the error was committed is more important than to know who committed it. This impersonal approach will lead to not only early solution but also others will be prevented from committing errors.

## 2. Interests

Focus must be only on interest i.e., the ethical attitudes or motives and not on the positions (i.e., stated views). A supplier may require commission larger than usual prevailing rate for an agricultural product. But the past analysis may tell us that the material is not cultivated regularly and the monsoon poses some additional risk towards the supply. Mutual interests must be respected to a maximum level. What is right is more important than who is right!

# Engineers as Managers

## 3. Options

Generate various options as solutions to the problem. This helps a manager to try the next best solution should the first one fails. Decision on alternate solutions can be taken more easily and without loss of time.

## 4. Evaluation

The evaluation of the results should be based on some specified objectives such as efficiency, quality, and customer satisfaction. More important is that the means, not only the goals, should be ethical.

# Consulting Engineers

The consulting engineers have ethical responsibilities different from the salaried engineers, as follows:

- Advertising: The consulting engineers are directly responsible for advertising their services, even if they employ other consultants to assist them. But in many organizations, this responsibility is with the advertising executives and the personnel department. They are allowed to advertise but to avoid deceptive ones.

# Consulting Engineers

- Competitive Bidding: It means offering a price, and get something in return for the service offered. The organizations have a pool of engineers. The expertise can be shared and the bidding is made more realistic. But the individual consultants have to develop creative designs and build their reputation steadily and carefully, over a period of time. The clients will have to choose between the reputed organizations and proven qualifications of the company and the expertise of the consultants. Although competent, the younger consultants are thus slightly at a disadvantage.

# Consulting Engineers

- Contingency Fee: This is the fee or commission paid to the consultant, when one is successful in saving the expenses for the client. A sense of honesty and fairness is required in fixing this fee. The NSPE Code III 6 (a) says that the engineers shall not propose or accept a commission on a contingent basis where their judgment may be compromised. The fee may be either as an agreed amount or a fixed percentage of the savings realized. But in the contingency fee-agreements, the judgment of the consultant may be biased. The consultant may be tempted to specify inferior materials or design methods to cut the construction cost. This fee may motivate the consultants to effect saving in the costs to the clients, through reasonably moral and technological means.



# Consulting Engineers

- Safety and Client's Needs: The greater freedom for the consulting engineers in decision making on safety aspects, and difficulties concerning truthfulness are the matters to be given attention. For example, in design-only projects, the consulting engineers may design something and have no role in the construction. Sometimes, difficulties may crop-up during construction due to non-availability of suitable materials, some shortcuts in construction, and lack of necessary and adequate supervision and inspection. Properly-trained supervision is needed, but may not happen, unless it is provided. Further, the contractor may not understand and/or be willing to modify the original design to serve the clients best.

# Engineers as Expert Witnesses and Advisors

- Frequently engineers are required to act as consultants and provide expert opinion and views in many legal cases of the past events.
- They are required to explain the causes of accidents, malfunctions and other technological behavior of structures, machines, and instruments, e.g., personal injury while using an instrument, defective product, traffic accident, structure or building collapse, and damage to the property, are some of the cases where testimonies are needed.

# Engineers as Expert Witnesses and Advisors

1. The expert-witness is required to exhibit the responsibility of confidentiality just as they do in the consulting roles. They can not divulge the findings of the investigation to the opposite side, unless it is required by the court of law.
2. More important is that as witness they are not required to volunteer evidence favorable to the opponent. They must answer questions truthfully, need not elaborate, and remain neutral until the details are asked for further.
3. They should be objective to discover the truth and communicate them honestly.
4. The stand of the experts depends on the shared understanding created within the society. The legal system should be respected and at the same time, they should act in conformance with the professional standards as obtained from the code of ethics.
5. The experts should earnestly be impartial in identifying and interpreting the observed data, recorded data, and the industrial standards. They should not distort the truth, even under pressure.

# Engineers as Expert Witnesses and Advisors

## Engineers as Advisors:

For an engineer to be an advisor, should study the costs and benefits of all alternatives in objective manner, study economic viability, technical feasibility, operational feasibility and social acceptability, follow honesty, and technical complicity leading to moral complicity. Then after analyzing the factors that lead to such things and also the consequences that occur, engineers can work as an advisor.

# Moral Leadership

Moral leadership is essentially required for the engineers, for the reasons listed as follows:

1. It is leading a group of people towards the achievement of global and objectives. The goals as well as the means are to be moral. For example, Hitler and Stalin were leaders, but only in an instrumental sense and certainly not on moral sense.
2. The leadership shall direct and motivate the group to move through morally desirable ways.
3. They lead by thinking ahead in time, and morally creative towards new applications, extension and putting values into practice. 'Morally creative' means the identification of the most important values as applicable to the situation, bringing clarity within the groups through proper communication, and putting those values into practice.
4. They sustain professional interest, among social diversity and cross-disciplinary complexity. They contribute to the professional societies, their professions, and to their communities.

# Code of Conduct

- Engineering is an important and learned profession. As members of this profession, engineers are expected to exhibit the higher standards of honesty and integrity.
- Engineering has a direct and vital impact on the quality of life for all people. Accordingly, the services provided by engineers require honesty, impartiality, fairness, and equity, and must be dedicated to the protection of then public health, safety, and welfare.
- Engineer must perform under a standard of professional behavior that requires adherence to the highest principles of ethical conduct.

# Code of Conduct

- I Fundamental Canons
- Engineers in the fulfillment of their professional duties shall
  1. hold paramount the safety, health, and welfare of the public.
  2. perform services only in areas of their competence.
  3. issue public statements only in objective and truthful manner.
  4. act for each employer or client as faithful agents or trustees.
  5. avoid deceptive acts.
  6. conduct themselves honorably, responsibly, ethically, and lawfully so as to enhance the honor, reputation, and usefulness of the profession.

# Code of Conduct

- II Rules of Practice
  1. Engineers shall hold paramount the safety, health, and welfare of the public.
  2. Engineers shall perform services only in the areas of their competence.
  3. Engineers shall issue public statements only in an objective and truthful manner.
  4. Engineers shall act for each employer or client as faithful agents or trustees
  5. Engineers shall avoid deceptive acts



# Code of Conduct

- III Professional Obligations

1. Engineers shall be guided in all their relation by the highest standards of honesty and integrity.
2. Engineers shall at all times strive to serve the public interest.
3. Engineers shall avoid all conduct or practice that deceives the public.
4. Engineers shall not disclose, without consent, confidential information concerning the business affairs or technical processes of any present or former client or employer, or public body on which they serve.
6. Engineers shall not attempt to obtain employment or advancement or professional engagements by untruthfully criticizing other engineers, or by other improper methods.
7. Engineers shall not attempt to injure, maliciously or falsely, directly or indirectly, the professional reputation, prospects, practice, or employment of other engineers. Engineers who believe others are guilty of unethical or illegal practice shall report such information to the proper authority for action.
8. Engineers shall accept personal responsibility for their professional activities, provided, however, the engineers may seek indemnification for services arising out of their practice for other than gross negligence, where the engineer's interests can not otherwise be protected.

# Corporate Social Responsibility

- A company has an economic responsibility: it must earn a return for its stockholders within the confines of the law.
- However, corporate social responsibility means that organizations have also ethical and societal responsibilities that go beyond their economic responsibilities.
- CSR requires organizations to expand their understandings of their responsibilities to include other stakeholders such as employees, customers, suppliers, local communities, state governments, international organizations, etc.
- Ethics could be seen as a crucial component of individual and group behaviors at the heart of organizations' responsibilities.