




## Unit 1 Evolution of Management Thought

	<b>Learning Outcome</b>
<p><b>After reading this unit, you will be able to:</b></p> <ul style="list-style-type: none"><li>• Explain the basic features of Management and Organisation</li><li>• Understand various approaches to Management Philosophy</li><li>• Know about Mathematical and Behavioural Serial Schools of Management</li><li>• Identify the Contributions and Limitations of Scientific Management</li><li>• State Administrative Management</li></ul>	

	<b>Time Required to Complete the unit</b>
<ol style="list-style-type: none"><li>1. 1<sup>st</sup> Reading: It will need 3 Hrs for reading a unit</li><li>2. 2<sup>nd</sup> Reading with understanding: It will need 4 Hrs for reading and understanding a unit</li><li>3. Self Assessment: It will need 3 Hrs for reading and understanding a unit</li><li>4. Assignment: It will need 2 Hrs for completing an assignment</li><li>5. Revision and Further Reading: It is a continuous process</li></ol>	

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## 1.1 Introduction

“The conventional definition of management is getting work done through people, but real management is developing people through work”.

~ Agha Hasan Abedi

Management has developed and grown in leaps and bounds from a nearly insignificant topic in the previous centuries, to one of the integral ones of our age and economy. Management has evolved into a powerful and innovative force on which our society depends for material support and national well-being. The period between 1700 and 1850 is highlighted by the industrial revolution and the writings of the classical economists. The advent of the factory system during this period highlighted, for the first time, the importance of direction as a managerial function. As factories and jobs increased and a distinctive work culture began to take shape, appropriate management of all this became imperative. This development brought along with it new questions and problems to which adequate solutions were required. To find appropriate solutions to these problems, people began to recognise management as a separate field of study.

In recent times, management has become a more scientific discipline having certain standardised principles and practices. The following is a breakdown of the evolution of management thought during its developmental period:

- Early management approaches which are represented by scientific management, the administrative management theory and the human relations movement
- Modern management approaches which are represented by scientific management, the administrative/management science approach, the systems approach and the contingency approach

## 1.2 Management and Organisation

Management in all business areas and organisational activities is the act of getting people together to accomplish desired goals and objectives efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing and controlling an organisation (a group of one or more people or entities) or efforts for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources.

The definitions by different management thinkers are as follows:

- Management is the accomplishment of results through the efforts of other people. (Lawrence A. Appley)
- Management is the art of getting things done through and with the people in formally organised groups. (Koontz H.)
- Management is a process of planning organising, actuating and controlling to determine and accomplish the objectives by the use of people and resources. (Terry G.)
- Management is the process by which managers create, direct, maintain and operate purposive organisations through systematic, coordinated, cooperative human effort. (McFarland)
- It is the coordination of all resources through the process of planning organising, directing and controlling in order to attain stated objectives. (Sisk)

Management has also been defined as a decision-making, rule-making and rule-enforcing body. According to Professor Moore, management means decision-making. Appley called it personnel administration. For the sake of simplicity and convenience, we can broadly define the term thus: management is concerned with resources, tasks and goals. It is the process of planning, organising, staffing, directing and controlling to accomplish organisational objectives through the coordinated use of human and material resources. These are explained below:

### **1.2.1 BASIC FEATURES OF MANAGEMENT**

- **Organised activities:** Management can be called as a process of organised activities. Organisation is required to ensure that two groups of people can be involved in the performance of activities. Management comes into existence when a group of people are involved in working towards a common objective and goal. The organised activities may take a mixture of forms ranging from a strongly structured organisation to a very relaxed organisation. It can be a company like Tata Iron and Steel Company or a local social club. Whatever types of organisations they may be, they all have one thing in common, they want to progress efficiently towards the achievement of their objectives, through the coordinated efforts of people. This is done by the management process. Therefore, management has no operational meaning in the case of an individual striving for his/her personal goal or objectives.
- **Existence of objectives:** Every group or organisation should have an objective or a set of objectives, which will serve as their ultimate goal. This is what they will strive for and all

their activities will be directed towards this. Without objectives, it becomes difficult to identify the direction in which organised group activities are headed. The existence of objectives is a basic criterion of every human organisation because all organisations are deliberate and purposive in creation and therefore, they should have some objectives. The objectives are established by the members of the group or the organisation. The organisational objectives are the desired state of affairs, which an organisation attempts to realise. This realisation of objectives is sought through the coordinated efforts of the people constituting an organisation.

- **Relationship among resources:** Organised activities meant to achieve common goals are brought about to establish certain relationships among the available resources. The resources in question are materialistic and otherwise, for instance money, machine, materials and people. All these resources are made available to those who manage; they utilise data and information, experience and doctrines for getting the desired results. Thus, the essence of management is the integration of the various organisational resources. However, since people at the operative level do the things by the use of various physical and other resources, it is more important for the management to take care of the integration of human resources. Thus, management is concerned with the proper consumption of human resources, which in turn, employs other resources.
- **Working with and through people:** Management entails engaging people and getting organisational objectives accomplished through them. The basic idea is to delegate and assign specific duties and responsibilities to subordinates. The superior-subordinate relationships are created because of organised activities. Through the process of assignment and reassignment of activities, concrete work is performed by the lower level operations people, which is the lowest level in the organisation. Thus, a sizeable proportion of management principles relates to how human beings can put enhanced endeavours into the organisation.
- **Decision-making:** Decision-making is one of the key management processes that enables getting work done by others at various levels, therefore increasing the output by delegating authority. Decision-making involves selection of the best alternative out of the available alternatives. If there is only one alternative, then the question of decision-making does not arise at all. The quality the decision selected by the manager, determines the organisation's performance and the future of the organisation. Therefore, the success or failure rate of a manager can be judged by the quality of decisions he/she makes.

There are various elements of the management process. These are generally classified as planning organising, staffing, directing and controlling. The coordinated performance of these leads to the realisation of organisational objective.

### **1.2.2 ORGANISATION**

An organisation a social arrangement, which pursues collective goals, controls its own performance, and has a boundary separating it from its environment. The word itself is derived from the Greek word organon, itself derived from the better-known word ergon. There is a variety of legal organisations, including corporations, governments, non-governmental organisations, international organisations, armed forces, charities, not-for-profit corporations, partnerships, cooperatives and universities.

Management is interested in organisation mainly from an instrumental point of view. For a company, organisation is a means to an end to achieve its goals, which are to create value for its stakeholders (stockholders, employees, customers, suppliers, community).

The history of organisation can be traced back to the origin of human existence. Several ancient temples, towns, civilizations e.g. Khajuraho temples, Harappa etc have been discovered by archaeologists, which prove the fact that these were constructed through the organised actions of several people. This shows the theory that complex organisations were in existence since ancient times holds true. Even in those times people worked cohesively for the accomplishment of common objectives / tasks / causes.

The emphasis is on the fact that organisations consist of individuals who work together and are dependent on one another, what brings them together is the common goal that they are striving to achieve.

Once an organisation is formed, it performs various important and useful functions. For example:

- It allocates tasks and responsibilities to its employees.
- It educates and notifies its employees about the rules and regulations and procedures, of the organisation, expectation of the company from them in respect of their jobs and performance.
- It makes the optimum use of technology and other resources required to run an organisation.
- It collects relevant information essential for problem solving and decision-making and also makes an attempt to efficiently convey the information to its employees.

- It exerts power and control on the employees so that they make maximum effort to meet their shared common goals.

### 1.2.3 BASIC FEATURES OF ORGANISATION

- **Identifiable aggregation of human beings:** The organisation is an identifiable aggregation of human beings. The identification is possible because such a group of individuals is not merely a number of persons collected at random, but is a group of persons who are interrelated. Identifiable aggregation does not translate to meaning all the individuals know each other personally, because in large organisations this is not feasible. The identifiable group of human beings determines the periphery of the organisation. This periphery differentiates the elements belonging to the organisation from other elements in its environment. However, the separation is hardly ever absolute i.e. some of the elements in the organisation will interact with its environment. The amount of interaction can be considered in terms of permeability of the organisation's boundary.
- **Deliberate and conscious creation:** The organisation is a group deliberately and consciously created by individuals. An implication of this kind of group is that the relationship between the organisation and its members is contractual. Members enter the organisation via the contract and they can be replaced i.e. unsatisfactory persons can be removed and replaced by others who can be assigned their tasks. The organisation can also reorganise or reallocate its personnel through promotions, demotions and transfers. Such purposeful and cognizant creations of human groups are dissimilar to casual or focused gatherings having transitory relationships like a mob and social units. Some minimal degree of such construction and reconstruction is found in all social units, but it is much higher in the case of organisations. Although such a distinction is only relative, it is an important one. Although other social units like family and community engage in similar deliberate planning, power centre and replaceable membership, but the extent to which these social units are consciously planned and deliberately structured with replaceable membership are much lower when compared to organisations. Thus, companies, armies, hospitals etc are included in the category of organisation, while tribes, families, friendship groups etc are excluded.
- **Purposive creation:** The organisation is a purposive creation i.e. all the organisations have some objectives or set of objectives that they work toward. The members of the group mutually agree upon the objectives. An organisation's objective is a desired state of affairs that the organisation attempts to realize. Organisations are contrived social

instruments through which society, or a portion of it, obtains things that either could not be obtained at all or could not be as acquired as effortlessly. Organisations are, thus, intermediate elements between needs and their satisfaction. The success or failure of an organisation is measured in terms of accomplishment of its objectives.

- **Coordination of activities:** In the organisation, there is regular supervision and coordination of the closely relevant activities of the members. This is necessary because all the members contribute to the mutually established goals. The focus of such supervision and coordination is not on the individuals of the organisation, but on their activities, because only certain activities of individuals are relevant to the achievement of a particular organisational objective. This is so because the same person can belong to many different organisations at the same time and in each one, only some of his activities are relevant. From this point of view, the organisation must explicate the activities or roles, which must be fulfilled in order to achieve the goal. Who performs this role may be irrelevant to the concept of organisation, although it will be relevant to how well the organisation actually operates.
- **Structure:** The coordination of human activities requires a structure wherein various individuals are allocated responsibilities. The structure establishes power centres, which coordinate and regulate concerted efforts of the organisation and channelise them towards its goals. It is evident that coordination among many diverse individuals is not possible without some means of controlling, guiding and modulating the various individuals or groups. The very idea of coordination implies that each individual or unit acquiesces to some kind of authority for the sake of achievement of the mutual objective. There is a hierarchy of authority, the expanse of which depends upon the size and nature of a particular organisation, there may be many centres of authority in the organisation under which individuals are structured. This does not mean that authority is always external; coordination can be achieved by self-disciplining activities, but some kind of authority is essential for coordination in the organisation. This may vary between complete self-discipline and complete autocracy.
- **Rationality:** There is rationality and judiciousness in the coordination of activities or behaviour. Every organisation has some specified norms and standards of behaviour. Such norms of behaviour are set up collectively by the individuals and everyone is expected to behave according to these paradigms or standards. The behaviour is governed by a reward and penalty system within the organisation, which acts as a



restrictive boundary, which the members have to adhere to. The desirable behaviour is rewarded and undesirable one is reprimanded.

- **Large size:** Some modern business organisations employ hundreds and thousands of workers. Many multinational or transactional business corporations are so large that their annual sales exceed the five-year plan outlays of many developing countries, including India's. They are involved at various levels and proffer a diversity of products of the same corporation. Obviously, this involves an investment of huge amounts of capital. The large size is a direct consequence of technological change and this, in turn, leads to the economies to scale.
- Business organisations earlier were generally very small, whereas modern business organisations are entities of scale. In the earlier organisations, there was sufficient transparency and a small chain of command allowed direct contact between the employer and the employees. However, modern business organisations have too many management levels to permit such unobstructed contact.
- **Complexity:** Modern business organisations involve huge capital and complicated technology. Their administration or supervision and operation are a complex management function. Every management level needs assistance from diverse specialists. Working harmoniously, cooperatively and productively for the mutual benefit of all is not an effortless accomplishment in such circumstances. This is in contrast to organisations in the past, most of which were simple in nature and used uncomplicated techniques of functioning. Elaborate rules and regulations were not needed for improving their administration.
- **Mutually agreed purpose:** All modern management activities are goal-directed activities. Therefore, there can be no business organisation without an ultimate aspiration. The purpose is mutually agreed upon by all participants and its successful accomplishment is in the interest of everyone. There are a number of secondary purposes or multipurposes. Even in single purpose organisations, there are a number of secondary purposes behind a primary one. Besides, there is a series of purposes or goals for the different modern management levels. In a modern organisation, whatever task is assigned to a level, the performance of that task becomes a sub-goal at that level. In the past, business organisations were generally uncomplicated and small and hence, single-ended. They often represented the owner's interest. Modern business organisations on the other hand are often large and have multiple branches in multiple locations. They

also represent the interests of all the participants like the shareholders, managers, workers, customers, suppliers etc.

- **Pattern of behaviour:** There is a chain of command of working in all modern business organisations. Organisations have built up hierarchical levels, standardised rules and procedures, communication networks etc. This ensures that the employees know what is expected of them so that they do not make unnecessary demands upon each other. The precedents, rules, regulations and procedures give guidelines for their behaviour. Consequently, there is consistency and homogeneity in their behaviour. Their methods of working are patterned. There is also universality in their patterns and practices as almost all modern organisations function nearly similarly, despite differences in the objectives, nature and setting.
- **Continuing system:** A modern organisation may outlast its creator by many years, even centuries. It is possible to replace and shift its parts. It will continue to survive if it is able to adapt itself to its environment. It does not matter who joins or leaves the organisation.
- **Differentiation:** In modern business organisations, the owner-manager alone cannot carry out the entire organisational work and therefore, he gets his work done by others to whom he assigns authority and responsibility. The work is so assigned and is not divided haphazardly. He makes a systematic division of labour and based on the nature of the particular category of work, he recruits people to handle that work. Similarly, if deemed necessary, further division of work takes place and each individual performs a task he is specialised to do. Thus, differentiation is established by task specialisation and determination of hierarchical levels. Each of these functional parts of an organisation deals with a different part of the environment and develops a cognitive point of view that reflects its adaptation to that part of the environment.
- **Import-conversion-export:** Every business organisation imports a specific set of human, material, capital, ideational resources. Organisations compete through the goods or services and through people, their ideas and the available natural resources and transform them into the requisite usable goods or services and export them to the environment. This cycle is called the input-throughput-output process.

These characteristics differentiate an organisation from other personal social units such as community, family, clan, friendship group etc. Modern organisations, though not all, tend to be large and multifaceted. Such characteristics are important from the point of view

of their management. In a large organisation, the employees fall into the structure of a number of hierarchies, which sometimes results in some specific problems besides the usual ones associated with every organisation, large or small. Such problems may be in the form of an increased distance between decision centres and actual operative levels. This feature makes the coordination less lucid. Besides, the intricacy of society also adds to its complexity, in the sense that a change in society generates changes in the organisation. This has become possible because of a general and steady change process towards betterment. The kinds of structure that have developed today, despite occasional societal challenges, are very different from those that were based on master-servant relationships.



### Study Notes



### Assessment

1. Define "Management".
2. Define "Organization"
3. State the difference between Management and Organization.



### Discussion

1. Discuss the Significant features of management and organization.

### 1.3 Management as Art and Science

The stream of management reveals characteristics of art and science, the two not mutually elite but complementary. Every discipline of science is complete only when it is applied for solving various kinds of problems faced by human beings in an organisation or in other fields. Management is the art of making people work more effectively to maximize their output. By the use of effective management skills people in an organisation work more efficiently as they are guided by the scientific principles and practices laid down by various researchers of management.


Management may be understood as an art on the following counts:

1. The knowledge of management like other art forms is completely application based. It is functional in certain situations resulting in improved results. In every situation, managers exert to deliver quality solutions and make quality decisions to attain the objectives of the organisation and they meet the target with minimum efforts and optimum utilisation of resources. Management knowledge can be personalised from manager to manager, he/she can modify it to make it his/her own, and hence application of this knowledge will also depend on individual discretion. However, the basic concepts, principles, theories and generalisations of management continue to be the same.
2. With continued application of management knowledge to realistic, everyday situations, the manager will gain experience. With time, the manager gathers more and more experience. This becomes his personal possession and it is non-transferrable. Consequently, managers who have more experience in applying the principles of management to everyday activities become more efficient in time and become an asset to the organisation. This is how they develop more skills and abilities by translating management knowledge into practice and procedure.
3. Application of management knowledge calls for innovativeness and creativity. Based on fundamentals of managerial knowledge, analytical abilities and farsightedness, the manager discovers innovative ideas, associations and efficient ways of undertaking tasks. This is aided by rigorous research and analysis, creative approach and scientific outlook on the part of managers.
4. One more reason for considering management as an art is that in many situations, theoretical knowledge of management may not be adequate or relevant for solving the problem. It may be due to the intricacy and complexity of the problem or size of the problem or may be its unique nature. In such a situation, the manager has to rely more


his past experience, insight, sixth sense and judgement. He may use 'rule of thumb' or trial and error method for solving such problems. Sometimes, the manager may streamline or reformulate the problem by applying creativity with a combination of personal experience and come up with a unique solution.


**Management as a science bears the following characteristics: -**

1. Management is the act of getting people together to accomplish desired goals and objectives efficiently and effectively. Management comprises planning, organising, staffing, leading or directing and controlling an organisation for accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources. Management comprises of a systematic conglomeration of knowledge of principles, generalisations, approaches and concepts to be applied to practical situations. This knowledge serves as the foundation for managers to understand the process of management and problems involved in it. The manager can supervise the situation or organisation in an organised and scientific manner only if he possesses sufficient knowledge of management and its principles. In the words of Peter Drucker, "Managers need systematic supply of organised body of knowledge for risk-taking decisions of business enterprise in a complex dynamic situation, wherein technology, economy and society are rapidly changing". Organisational and managerial needs, goals and values can be enhanced and their utility maximised via scientific knowledge.
2. The doctrines, generalisations and concepts of management have been developed and formulated based on observation, research, analysis and experimentation, as is the case with the principles of other sciences.
3. Like other sciences, management principles are also based on the relationship of cause and effect. They indicate that same cause under similar circumstance will produce same effect.

	<b>Study Notes</b>

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	<b>Assessment</b>
<ol style="list-style-type: none"><li>1. Explain Management as Art</li><li>2. Explain Management as Science</li></ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"><li>1. Visit at least five managers and discuss with them what is their opinion on “Management is Art or Science or both”</li></ol>	

## 1.4 Management as Profession

A profession is a vocation founded upon specialised educational training, the purpose of which is to supply unbiased counsel and service to others for a direct and definite compensation, wholly apart from expectation of other business gain. The essentials of a profession are that it provides specialised knowledge, formal education and training; it creates sense of social desire to serve society and teaches code of conduct etc.

Over the last few decades, factors such as growing size of business unit, separation of ownership from management, growing competition etc have led to an increased demand for professionally qualified managers. The task of manager has been quite definite and calls for people trained in handling such situations.

Management fulfils several essentials of a profession; even then it is not a full-fledged profession because of the following reasons:

- It does not restrict the entry in managerial jobs for account of one standard or other.
- No minimum qualifications have been prescribed for managers.
- No management association has the authority to grant a certificate of practice to various managers.

- All managers are supposed to abide by the code formulated by AIMA.
- Managers are responsible to many groups such as shareholders, employees and society. A regulatory code is necessary to keep a check and create boundaries, which cannot be flouted.
- Managers are known by their performance and not just their educational qualifications or university degrees.
- The ultimate goal of business is to maximise profit and not just social welfare. That is why Haymes has rightly remarked, "The slogan for management is becoming – 'He who serves best, also profits most'".



### Study Notes



### Assessment

1. What do you mean by "Profession"
2. What are essentials of a profession.



### Discussion

1. Discuss the points that make “Management a Profession”
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## 1.5 Management as Process

Management as a process refers to a series of inter-related functions, such as planning, organising staffing, leading and controlling. In actuality, managers are known by the work they do. A manager lays down the objectives of an organisation. He provides an environment that is helpful to team work and development. He offers incentives to those who perform better than others do and thus helps the organisation realise its goals. According to James Lundy, ‘Management is what management does’. Management process suggests that all managers perform certain functions in order to realise certain goals.

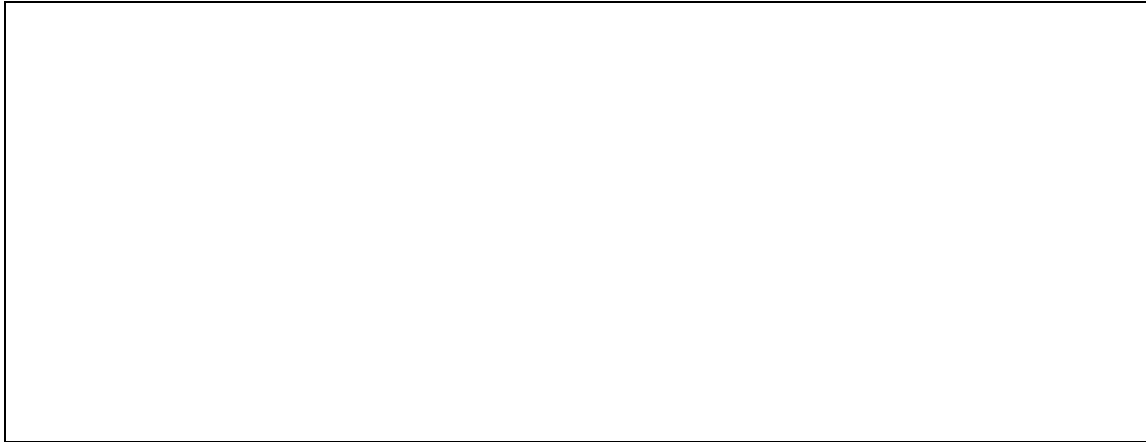
Management as a process is described as


- 1. Social process:** The primary function of management is to deal with the human element in the business. The human factor is the most sensitive factor of production. It stimulates and influences other factors of production in the business. Therefore, it is essential that the management deal with human factor with care and skill.
- 2. Integrating process:** Every business requires the accurate amalgamation of human, physical and financial resources. Management integrates the elements of men, machines, materials, methods and money to achieve organisational goals.
- 3. Continuous process:** Since business is a ceaseless and dynamic process, the management is also an incessant process. It is the continuous process of leading business activities in the pre-determined course. It involves verifying results at every stage with the objective set. Management always identifies the potential areas of difficulty and implements remedial measures before they become crisis in business.
- 4. Universal process:** Management functions are not restricted to business alone. They are important in every form of organisation, whether it is social, religious or cultural organisation. When there is an activity to be performed by a group, all managerial functions such as planning organising, directing and controlling become essential to make that group activity successful.




### Study Notes





	<b>Assessment</b>
<ol style="list-style-type: none"><li>1. How is management a social process?</li><li>2. How is Management a integrating process?</li></ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"><li>1. Discuss Management as never ending process.</li></ol>	

## 1.6 Management and Administration

### ADMINISTRATION

Administration can be defined as the common process of organising people and resources efficiently in order to express actions towards common goals and objectives. The five elements of administration are:

- **Planning:** The process of planning involves making decisions about what needs to be done, how it needs to be done and who should do it in advance. It maps the path from where the organisation is to where it wants to be. The planning function involves establishing goals and arranging them in logical order. Administrators have an interest in both short-term and long-term planning.

- **Organising:** The process of organising involves discovering the responsibilities to be carried out, delegating responsibilities to departments or divisions and maintaining organisational relationships. The organiser must consider the delegation of authority and the responsibility and span of control within managerial units.
- **Coordinating:** the process of coordinating involves keeping everything in order, sequence and harmony between the various managerial levels or departments in an organisation
- **Staffing:** The process of staffing involves selecting the right people at the right time for the right job or task.
- **Directing (Commanding):** The process of directing involves leading the people or members of the organisation in the correct direction, so that they can achieve the objectives of the organisation.
- **Controlling:** It is the process where the actual performance is measured with the standard performance and corrective actions are taken if there are any deviations.

## MANAGEMENT

Management is like investment. Managers have resources to invest their own time and skill as well as human and financial resources. The goal or function of management is maximum utilisation of those resources by getting things done efficiently. This does not entail being mechanical. The manager's style is not rigid, it is dynamic and situational. With highly skilled, self-motivated and experienced workers, the manager can be very empowering. Where the workforce is less skilled or motivated, the manager may need to monitor output more meticulously. Management simply makes the best use of all resources even when only an individual is in charge. Hence, management does not necessarily entail a dictatorial, controlling supervisor. Skilled managers know how to coach and motivate diverse employees. Getting things done through the right people is what they do.

The aim of management is to deliver results cost effectively as per the customer expectations and profitably, in the case of commercial organisations. Inspiring leaders move us to change direction, while inspiring managers motivate us to work harder.

Management is a vital function due to the complexity of modern organisational life. The need to coordinate the input of so many diverse stakeholders, experts and customers requires enormous patience as well as highly developed facilitative skills. Excellent managers know how to bring the right people together and by asking the right questions, draw the

best solutions out of them. Efficient facilitation requires managers to work very closely with all relevant stakeholders.

### **Differences between Management and Administration**


- Administration is concerned with the determination of major policies, while management is concerned with the execution of these policies.
- Administration is the thinking and the determination of functions, while management is the doing of these functions.
- Administration makes major decisions of the business while, management executes these decisions within the framework that is set by administration.
- Administration is a top-level activity of any business, while management is a middle level activity of any business.
- Administration is made up of the owners of the business who have invested their capital in it and receive profits as a reward, while management is a group of persons who render their skilled services to the business and get payments in form of salaries. This group of persons is termed as employees.
- Administration is a term that is common in governments, military, education and religious organisations, while management is a term that is common in business organisations.
- Administration is not concerned with directing human efforts in the implementation of plans and policies of any business organisation, while management is concerned with the directing of human efforts towards implementation of plans and policies of any business organisations.
- In Administration, planning and organisation functions are involved, while in management motivation and control functions are involved.


To summarise the distinctions, administration is concerned with the setting of major objectives, determination of policies and decisions while management executes these policies and decisions.



### **Study Notes**

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	<b>Assessment</b>
<ol style="list-style-type: none"><li>1. Define Administration.</li><li>2. What are the elements of Administration?</li></ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"><li>1. Discuss the difference between Management and Administration</li></ol>	

## 1.7 Various Approaches to Management Philosophy

### SCIENTIFIC MANAGEMENT

Frederick Winslow Taylor (1856-1915) is the father of scientific management. He exerted great influence on the development of management thought through his experiments and writings. During a career spanning 26 years, he arranged a series of experiments in three companies: Midvale Steel, Simonds Rolling Machine and Bethlehem Steel.

- **Time and motion study:** Since Taylor had been an operator himself; he knew how piecework workers used to hold back production to one-third its level. The workers feared that their employers would cut their piece rate as soon as there was a rise in production. The real trouble, Taylor thought, was that no one knew how much work was reasonable for a man to do. Therefore, he established the time and motion study, where

every job motion was supposed to be timed by using a stopwatch and shorter and fewer motions. Thus, the best way of keeping an account of work performance was found. This had replaced the old rule-of-thumb-knowledge of the worker.

- **Differential payment:** Taylor had founded the differential piecework system and the related incentives with production. Under this plan, a worker received a low piece rate if he produced the standard number of pieces and a high rate if he surpassed the standard. Taylor also comprehended that the attraction of a new high piece rate would encourage the workers to increase production.
- **Drastic reorganisation of supervision:** Taylor developed two new concepts: (i) Division of planning and doing and (ii) Functional foremanship. In those days, it was customary for each worker to plan his own work. The worker himself used to select his tools and decide the sequence of performance of operations. The foreman essentially told the worker what jobs were to be performed, not how they were to be performed. Taylor suggested that the work should be designed by a foreman and not by the worker. He stated that there were distinctive functions involved in doing any kind of job and that each of the foremen should give orders to the worker in his specialised field.
- **Scientific recruitment and training:** Taylor also gave importance to the scientific selection and development of the worker. He said that the management should develop and train every worker in order to bring out his best output and to enable him to perform a superior, more interesting and profitable class of work than he has done in the past.
- **Intimate and friendly cooperation between the management and workers:** Taylor said that, “a complete mental revolution” on the part of management and labour was necessary to make the organisation successful. Rather than argue over profits, they should both try to increase production. Consequently, profits will also increase manifold, which will leave no room for further disagreements. Taylor realised that both, the management and labour, had a common interest in maximising production.

Gantt identified the significance of the human element in productivity and suggested the concept of motivation. He introduced two new features in Taylor’s incentive scheme, which was found to have minimal motivational impact. First, every worker who finished a day’s assigned workload was to win a 50-cent bonus for that day. Second, the foreman was to get a bonus for each worker who achieved the daily standard, plus an extra bonus if all the workers reached it.

Frank and Lillian Gilbreth contributed to the scientific management movement as a team. They made motion and fatigue study their lifework. Using motion picture cameras, Frank Gilbreth tried to find the most economical motions for bricklaying. He classified all movements employed in industrial work into 17 basic types called 'Therbligs' (A Therblig is the name for one of a set of fundamental motions required for a worker to perform a manual operation or task. The set consists of 18 elements, each describing a standardised activity) and provided a shorthand symbol for each so that the analyst could easily and quickly jot down each motion as he observed the worker in action. The eighteen elements were: search, find, select, grasp, hold, position, assemble, use, disassemble, inspect, transport loaded, transport unloaded, pre-position for next operation, release load, unavoidable delay, avoidable delay, plan, rest to overcome fatigue. According to the Gilbreths, motion and fatigue studies increased workers' morale, physical benefits etc.

### **1.7.1 CONTRIBUTIONS AND LIMITATIONS OF SCIENTIFIC MANAGEMENT**

Firstly, through the time and motion studies we understand that the tools and physical activity concerned in a job can be made better balanced and organised. Secondly, scientific management discovered how important scientific selection of workers was and comprehended that without capability and training, a person cannot be expected to do his job properly. Finally, the significance that scientific management gave to work design encouraged managers to seek the 'one best way' of doing a job. Thus, scientific management has developed a rational approach to solve the organisation's problems and contributed a great deal to the professionalism of management.

Scientific management is criticised on the following grounds:

- Taylor's conviction that monetary incentives are strong enough to motivate workers for improved production has been proved wrong. No man is entirely 'an economic man' i.e. a man's behaviour is not always dictated by his financial needs. He has different types of needs such as security needs, *egoistic* needs or social needs which motivate him far more than his desire for money, at least after he has risen above the starvation level.
- Taylor's time and motion study is not accepted as entirely scientific.
- Newer methods and better tools and machines led to the removal of some workers, who found it challenging to get other jobs. This caused discontent among them.

### 1.7.2 ADMINISTRATIVE MANAGEMENT

While Taylor is considered the father of scientific management, Henri Fayol (1841-1925) is considered as the father of the administrative management theory, with a focus on the development of broad administrative principles applicable to general and higher managerial levels. Fayol was a French mining engineer-turned-leading industrialist and successful manager. In 1916, he authored a book in French titled *General and Industrialist Administration*.

Fayol opined that all actions of business enterprises could be divided into six groups: technical, commercial, financial, accounting, security and administrative or managerial. Fayol's primary focus was on this last managerial activity because he felt that managerial skills had been the most neglected aspect of business operations. He explained management in terms of five functions: planning, organising, commanding, coordinating and controlling.

Fayol's 14 principles of management are as under:

- **Division of work:** Division of work in the management process produces increased and improved performance with the same effect. Various functions of management like planning organising, directing and controlling cannot be performed efficiently by a single proprietor or by a group of directors. They must be entrusted to the specialists in the related fields.
- **Authority and responsibility:** A manager may exercise formal authority and personal power. Formal authority is derived from his official position, while personal power is the result of intelligence, experience, moral worth, ability to lead, past service etc. Responsibility is closely related to authority and it arises wherever authority is implemented. Both responsibility and authority are equally important.
- **Discipline:** Discipline is necessary for the smooth functioning of a business. By discipline, we mean the obedience to authority, adherence to the rules of service and norms of performance, reverence for agreements, sincere efforts for completing the delegated responsibility, deference for superiors etc. The best measures of maintaining discipline are (a) good supervisors at all levels, (b) transparent, unambiguous and unbiased agreement between the employer and (c) judicious application of penalties. In fact, discipline is what leaders make it.
- **Unity of command:** Every employee should receive orders from only one superior. There should be a clear-cut chain of command. .


- **Unity of direction:** This means that there must be complete congruency between individual and organisational goals on the one hand and between departmental and organisational goals on the other.
- **Subordination of individual interest to general interest:** In a firm, an individual is concerned with making the most of his own satisfaction through more money, recognition status etc.
- **Remuneration:** The remuneration paid to the employees of the firm should be fair. It should be based on general business conditions, cost of living, productivity and efficiency of the concerned employees and the capacity of the firm to pay. Just and adequate remuneration increases employee effectiveness and confidence and maintains good relations between them and the management. If the compensation is not sufficient, it will lead to dissatisfaction and employee relinquishment.
- **Centralisation:** If subordinates are given a greater role and importance in the management and organisation of the firm, it is known as decentralisation but if they are given a smaller role and importance, it is known as centralisation. The management must decide the degree of centralisation or decentralisation of authority based on the nature of the circumstances, size of the undertaking, the category of activities and the characteristic of the organisational structure. The objective or purpose should be the optimum utilisation of all faculties of the personnel.
- **Scalar chain:** As per this principle, the orders or communications should pass through proper channels of authority along the scalar chain.
- **Order:** To put things in an order takes effort. On the other hand, disorder does not require any effort. It evolves by itself. The management must bring about order, harmony and regulation in work through appropriate organisation. The management should observe the principle of 'right place for everything and for every man'. To view this principle, there is a need for the selection of competent personnel, right assignment of duties to employees and good organisation.
- **Equity:** Equity results from a mixture of kindness and justice. Employees expect the management to be equally just with everybody. It requires managers to be free from all prejudices, personal likes or dislikes. Equity provides healthy industrial relations between management and labour, which is necessary for the successful functioning of the enterprise.




- **Stability of tenure of personnel:** In order to motivate workers to perform additional and improved quality and quantity of work, it is necessary that they be assured of the security of their job by the management. If they have a fear of insecurity of their job, their morale will be low and they cannot deliver sufficient quality and quantity of work. Further, they will not have any sense of attachment to the firm and they will always be on the lookout for a job elsewhere.
- **Initiative:** Initiative is to think and implement a plan. The zeal and energy of employees is augmented by initiative. Innovation, which is the hallmark of technological progress, is possible only where the employees are encouraged to take initiative. According to Fayol, “initiative is one of the keenest satisfactions for an intelligent man to experience” and hence, he advises managers to give their employees ample scope to take the initiative. Employees should have a positive attitude and make suggestions freely.
- **Esprit de Corps:** This means team strength. Only when all the personnel unite as a team, is there scope for realising the objectives of the concern. Harmony and solidarity among the staff is a great source of strength for the undertaking. To achieve this, Fayol suggested two things. One, the motto of divide and rule should be avoided and two, verbal communication should be used for removing misunderstandings. Differences further deteriorate through written communication.



### Study Notes

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. Explain why F.W. Talyor is father of Scientific Management.</li> <li>2. Write note on Time and Motion Study</li> <li>3. State the highlights of Administrative management theory?</li> </ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss the contribution of F.W Talyor in Scientific Management. Also what criticisms were raised on it?</li> <li>2. Discuss the 14 principles of management by Fayol.</li> </ol>	

## 1.8 Mathematical and Behavioural Serial Schools of Management

### BEHAVIOURAL APPROACH

This approach is an enhanced and more developed version of the human relations approach to management. Douglas McGregor, Abraham Maslow, Kurt Lewin, Chester Barnard, Mary Parker Follett, George Romans, Rensis Likert, Chris Argyris and Warren Bennis are some of the foremost behavioural scientists who made significant contributions to the development of the behavioural approach to management. These scientists were more rigorously trained in various social sciences (such as psychology, sociology and anthropology). They use more sophisticated research methods.

Behavioural scientists consider organisations as groups of individuals with objectives. They have, conducted extensive studies of human groups- large and small. They have studied the problems relating to groups, process, and group cohesiveness and so on.

Behavioural scientists have completed vast studies on leadership. To behavioural scientists, the realistic model of human motivation is complex. This model suggests that different people react differently to the same situation or react the same way to different situations. The manager should alter and customise his approach to control people according to their individual needs.

The behavioural approach to organisational differences and change is quite practical. It recognises that (a) conflict is inevitable and sometimes is even desirable and should be faced with understanding and determination, (b) every organisational change involves technological and social aspects, also it is generally the social aspect of a change that people resist.

#### **MANAGEMENT SCHOOL OF THOUGHT**

A new school of thought known as the management process school came into existence, which drew motivation from Fayol. According to Harold Koontz and Cyril O'Donnell, "Management is a dynamic process of performing the functions of planning, organising, staffing, directing and controlling". They also believe that these functions and the principles on which they are based have general or universal applicability. Managers, whether they are managing directors or supervisors, perform the same functions of planning and control, although the degree of complexity may differ. Similarly, management functions are not confined to business enterprises alone but are applicable to all organisations wherever group accomplishment and enterprise is involved. Management theory is not culture-bound but is adaptable and flexible from one environment to another.

#### **1.8.1 THE HUMAN RELATIONS MOVEMENT**

Managers face many problems because employees do not follow predetermined and balanced patterns of behaviour. Thus, there is an increase in interest to help managers deal more effectively with the 'people side' of their organisations. The original inspiration for the movement, however, came from the Hawthorne experiments, which were done by Prof. Elton Mayo and his colleagues at the Western Electric Company's plant in Cicero, Illinois from 1927 to 1932.

The experiments are described below:

1. Illumination experiments
2. Relay assembly test room
3. Interviewing programme
4. Bank wiring test room

The following paragraphs briefly examine these experiments and their results.

- 1. Illumination experiments:** This was the initial step of this study. Experiments were conducted on a group of workers. When their productivity was measured at various levels of illumination, the results were unpredictable. Puzzled by this, the researchers

improved their methodology. This time, they set up two groups of workers in different buildings. One group, called the control group, worked under a consistent and constant level of illumination and the other group, called the test group, worked under changing levels of illumination. The post-test productivity was compared and it was found that production was affected by illumination.

**2. Relay assembly test room:** In this phase, the objective of the study was crucial. It now aimed at knowing not only the impact of illumination on production but also the impact of such factors as the length of the working day, relaxation intermission and their frequency and duration and other physical conditions. A group of six women workers, who were friendly with each other, were selected for this experiment. These women workers were asked to work in a very informal and relaxed atmosphere, with a supervisor-researcher present in a different room. The supervisor-researcher acted as their friend and guide. During the study, several variations were made in the working conditions to find which combination of conditions was the most ideal for production. Surprisingly, the researchers found that the production of the group had no correlation to the working conditions. Researchers then comprehended and established that this incident was due to the following factors:

- a. Feeling of importance and acknowledgement among the women because of their participation in the research and the attention they got.
- b. The familiarity in the small group and the relaxed and familiar interpersonal and social relations owing to the relative freedom from stringent supervision and rules.
- c. High group-cohesion among the women was also another factor.

**3. Interviewing programme:** The information about the informal group processes which were acquired in the second phase made them design the third phase. In this phase, they wanted to identify the basic factors responsible for human behaviour at work. For this, they interviewed more than 20,000 workers. This study revealed that the workers' social relations inside the organisation had a clear influence on their attitudes and behaviours.

**4. Bank wiring observation room:** Workers would produce only a certain amount and no more, thereby defeating the incentive system.

### 1.8.2 MATHEMATICAL/QUANTITATIVE APPROACH

- 1. Management science and MIS:** Management science (also called operations research) uses mathematical and statistical approaches to solve management problems. It originated during World War II, as strategists tried to apply scientific knowledge and methods to the complex problems of war. Industry began to apply management science after the war. George Dantzig developed linear programming, an algebraic method to determine the optimal allocation of scarce resources. Other tools used in industry include inventory control theory, goal programming, queuing models and simulation. The advent of the computer made many management science tools and concepts more practical and applicable for the industry. Increasingly, management science and management information systems (MIS) are interconnected. MIS focuses on providing needed information to managers in a useful format and at the proper time. Decision support systems (DSS) attempts to integrate decision models, data and the decision maker into a system that supports better management decisions.
- 2. Production and operations management:** This school focuses on the operation and control of the production process that transforms resources into finished goods and services. It has its roots in scientific management but it developed into an identifiable area of management study after World War II. It uses many tools of management science.

Operations management emphasises the productivity and quality of both manufacturing and service organisations. W. Edwards Deming exerted tremendous influence in shaping modern ideas about improving productivity and quality. Foremost areas of study within operations management include capacity-planning, facilities location, facilities layout, materials requirement planning, scheduling, purchasing and inventory control, quality control, computer integrated manufacturing, just-in-time inventory systems and flexible manufacturing systems.

### 1.8.3 SYSTEMS APPROACH

A recurrent drawback of the classical, behavioural and quantitative schools is that they lay more emphasis on one aspect of the organisation at the expense of another. However, it is difficult to know which aspect is most functional, constructive and appropriate in a given situation. What is needed is a singular expansive, detailed, conceptual framework that can help a manager diagnose a problem and decide which tool or combination of tools

will accomplish the task best. The systems approach helps in obtaining an integrated approach to management problems.

Some important contributors of the systems approach are Chester Barnard, George Homans, Philip Selznick and Herbert Simon. The following are the key concepts of this approach:

A system is a set of interdependent parts, which together form a unitary whole that performs some function. An organisation is also a system composed of four interdependent parts, namely, task, structure, people and technology.

A system can be either open or closed. A system is considered open if it interacts with its environment. All biological, human and social systems are open systems because they constantly intermingle with their environments. A system is considered closed if it does not interact with the environment. Physical and mechanical systems are closed systems because they are insulated from their external environment. Traditional organisation theorists regarded organisations as closed systems while, according to the modern view, organisations are open systems, constantly interacting with their environments.

Each system, including an organisation, has its own boundaries, which separate it from other systems in the environment. The boundaries for open systems are however, 'permeable' or penetrable, unlike those of the closed systems. They are quite flexible and adjustable, depending upon their activities. The confines for closed systems are rigid. The function of management is to act as a boundary-linking pin among the various subsystems within the organisational system, on the one hand and between the organisation and the external environmental system, on the other. In the context of a business organisation, it has many boundary contacts or 'interfaces' with many external systems like suppliers, creditors, customers, government agencies etc.

Every system has flows of information, material and energy. These enter the system from the environment as inputs and exit the system as outputs. The inputs of a business organisation are raw materials, equipment, human effort, technology and information. The organisation converts these inputs into outputs of goods, services and satisfactions. This process of change is known as 'throughput'.

It should be remembered that the output of a system is always more than the combined output of its parts. This is called 'synergy'. In organisational terms, synergy refers to the increase in productivity when separate departments within an organisation cooperate, coexist and interact as compared to the productivity when they acted in

isolation. In other words, as separate departments within an organisation cooperate and interact, they become more productive than if they had acted in isolation. For example, it is obviously more efficient for each department in a small firm to manage one finance department than for each department to have a separate finance department of its own.

#### 1.8.4 CONTINGENCY APPROACH

According to this approach, management values and concepts of various schools have no universal applications. In other words, there is no optimal or single best way of doing things under all conditions. Methods and techniques, which are highly effective in one situation, may not work in other situations. Results differ because situations differ. Accordingly, the contingency approach suggests that the task of managers is to try to identify which technique will best contribute to the attainment of management goals in a particular situation. Thus, managers have to employ a sort of situational sensitivity and practical selectivity.



#### Study Notes



#### Assessment

1. State the experiments included in Hawthorne experiments
2. Explain mathematical approach to management.
3. State the highlights of behavioural approach to management.



## Discussion

1. Explain systems approach to management and compare it with contingency approach.

## 1.9 Summary

Management in all business areas and organisational activities are the acts of getting people together to accomplish desired goals and objectives efficiently and effectively. Management comprises planning, organising, staffing, leading or directing, and controlling an organisation (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources.

### BASIC FEATURES OF MANAGEMENT

- **Organised activities:** Management can be known as a process of organised activities.
- **Existence of objectives:** Every group or organisation should have an objective or a set of objectives, which will serve as their ultimate goal. The objectives are established by the members of the group or the organisation. The organisational objectives are the desired state of affairs, which an organisation attempts to realise. This realisation of objectives is sought through the coordinated efforts of the people constituting an organisation.
- **Relationship among resources:** Organised activities meant to achieve common goals are brought about to establish certain relationships among the available resources.
- **Working with and through people:** Management entails engaging people and getting organisational objectives accomplished through them. The quality the decision selected by the manager, determines the organisation's performance and the future of the organisation. There are various elements of the management process.
- **Decision-making:** Decision-making is one of the key management processes that enables getting work done by others at various levels, therefore increasing the output by delegating authority. Decision-making involves selection of the best alternative out of the available alternatives.



## **MANAGEMENT AS ART AND SCIENCE**

Management is regarded as both art and science; the two are not mutually distinct but complementary. Every discipline of art is always supported by science, which is basic knowledge of that art. Similarly, every discipline of science is complete only when it is used in practice for solving various kinds of problems faced by human beings in an organisation or in other fields. Thus, these are complementary to each other.

## **MANAGEMENT AS PROFESSION**

A profession may be defined as an occupation that requires specialised knowledge and intensive academic preparations to which entry is regulated by a representative body. Over a large few decades, factors such as growing size of business unit, separation of ownership from management, growing competition etc have led to an increased demand for professionally qualified managers, thereby making management a profession.

## **MANAGEMENT AS PROCESS**

Management is a social, integrating, never-ending and universal process. It refers to a series of inter-related functions, such as planning, organising staffing, leading and controlling.

Eight distinctions between management and administration

- Administration is concerned with the determination of major policies while management executes these policies.
- Administration is the thinking and the determination of functions while management is the doing of these functions.
- Administration makes major decisions of the business while management executes these decisions within the framework that is set by administration.
- Administration is a top-level activity of any business while management is a middle level activity of any business.
- Administration is made up of the owners of the business who have invested their capital in it and receive profits as a reward while management is a group of persons who render their skilled services to the business and get payments in form of salaries. This group of persons is termed as employees.

- Administration is a term that is common in governments, military, education and religious organisations while management is a term that is common in business organisations.
- Administration is not concerned with directing human efforts in the implementation of plans and policies of any business organisation while management is concerned with the directing of human efforts towards implementation of plans and policies of any business organisations.
- In Administration, planning and organisation functions are involved while in management motivation and control functions are involved.

To summarise the distinctions, administration is concerned with the setting of major objectives, determination of policies and decisions while management executes these policies and decisions.

## **ORGANISATION**

An organisation is defined as the planned coordination of the activities of a number of people for the achievement of some common, explicit purpose or goal, through division of labour and function and through a hierarchy of authority and responsibility.

Basic features of management

- Identifiable aggregation of human beings
- Deliberate and conscious creation
- Purposive creation
- Coordination of activities
- Structure
- Rationality
- Large size
- Complexity
- Mutually agreed purpose
- Pattern of behaviour
- Continuing system
- Differentiation

- Import-conversion-export
- Efficiency and innovation

## **ADMINISTRATION**

Administration can be defined as the common process of organising people and resources efficiently in order to express actions toward common goals and objectives.

The five elements of administration are:

- Planning
- Organising
- Staffing
- Directing
- Controlling

## **VARIOUS APPROACHES TO MANAGEMENT**

### **SCIENTIFIC MANAGEMENT**

Frederick Winslow Taylor (1856-1915) is the father of scientific management.

Gantt identified the significance of the human element in productivity and suggested the concept of motivation. He introduced two new features in Taylor's incentive scheme, which was found to have very little motivational impact.

Frank and Lillian Gilbreth contributed to the scientific management movement as a team. They made motion and fatigue study their lifework. Using motion picture cameras, Frank Gilbreth tried to find the most economical motions for bricklaying. He classified all movements employed in industrial work into 17 basic types called "Therbligs" (A Therblig is the name for one of a set of fundamental motions required for a worker to perform a manual operation or task. The set consists of 18 elements, each describing a standardised activity)

### **CONTRIBUTIONS AND LIMITATIONS OF SCIENTIFIC MANAGEMENT**

Scientific management is criticised on the following grounds:

- Taylor's belief that monetary incentives are strong enough to motivate workers for improved production proved wrong.
- Taylor's time and motion study is not accepted as entirely scientific.

- New methods and better tools and machines led to the removal of workers, who found it difficult to get other jobs. This caused discontent among them.

#### **ADMINISTRATIVE MANAGEMENT**

While Taylor is considered the father of scientific management, Henri Fayol (1841-1925) is considered the father of administrative management theory with focus on the development of broad administrative principles applicable to general and higher managerial levels.

He explained management in terms of five functions: planning organising, commanding, coordinating and controlling.

Fayol's 14 principles of management are as under:

- Division of work
- Authority and responsibility
- Discipline
- Unity of direction
- Subordination of individual interest to general interest
- Remuneration
- Centralisation
- Scalar chain
- Order
- Equity
- Stability of tenure of personnel
- Initiative
- Esprit de Corps

#### **MANAGEMENT SCHOOL OF THOUGHT**

A new school of thought known as the Management Process School came into existence, which drew motivation from Fayol. Harold Koontz and Cyril O'Donnell are the champions of this school. Management theory is not culture-bound but is moveable from one environment to another.

## **THE HUMAN RELATIONS MOVEMENT**

Managers faced many problems because employees did not follow balanced patterns of behaviour. The experiments are described below:

- Illumination experiments
- Relay assembly test room
- Interviewing programme
- Bank wiring test room

## **MATHEMATICAL AND BEHAVIOURAL SCHOOLS OF MANAGEMENT**

- Behavioural approach
- Quantitative approach
- Systems approach
- Contingency approach

### **1.10 Self-Assessment Test**

#### **Broad Questions**

1. Explain the basic features of an organisation.
2. Explain the various approaches to management philosophy.
3. Distinguish between Management and Administration.
4. Explain Management as -
  - a. Profession
  - b. Science and Art
  - c. Process

#### **Short Notes**

- a. Management
- b. Organisation
- c. Administration
- d. Behavioural approach
- e. Quantitative approach

## **1.11 Further Reading**

1. Management, Koontz, H and Wechrich, McGraw Hill, 1995
2. Organisational Behaviour, Luthans F, McGraw Hill, 1995
3. Management, Robbins S P, Prentice Hall of India, 1996
4. Organisational Behaviour, Robbins S P, Prentice Hall of India, 1996
5. Emotional Intelligence at Work, Singh, Dalip, Sage Publications, 2001
6. Psychological Dimensions of Organisational Behaviour, Staw, Prentice Hall Inc., 1995
7. Management, Stoner, J., Prentice Hall of India, 1996

## Assignment


Explain all the mathematical and behavioural schools of management.


[illegible]


[illegible]



## Unit 2      Management Approaches and Managerial Skills

	<b>Learning Outcome</b>
<p><b>After reading this unit, you will be able to:</b></p> <ul style="list-style-type: none"><li>• Define System Approach</li><li>• Discuss Contingency Approach</li><li>• Explain Managerial Process</li><li>• Identify functions of Managers</li><li>• Explain the role of Top level Executive</li></ul>	

	<b>Time Required to Complete the unit</b>
<ol style="list-style-type: none"><li>1. 1<sup>st</sup> Reading: It will need 3 Hrs for reading a unit</li><li>2. 2<sup>nd</sup> Reading with understanding: It will need 4 Hrs for reading and understanding a unit</li><li>3. Self Assessment: It will need 3 Hrs for reading and understanding a unit</li><li>4. Assignment: It will need 2 Hrs for completing an assignment</li><li>5. Revision and Further Reading: It is a continuous process</li></ol>	

	<b>Content Map</b>
<p><b>2.1 Introduction</b></p> <p><b>2.2 System and Contingency Approach for Understanding an Organisation</b></p> <p>2.2.1 Features of Systems Approach</p> <p>2.2.2 Features of Contingency Approach</p> <p><b>2.3 Managerial Process and Functions of Managers</b></p>	

## **2.4 Skills and Roles in an Organisation**

2.4.1 Role of Top Level Executive

2.4.2 Characteristics of a CEO

## **2.5 Summary**

## **2.6 Self-Assessment Test**

## **2.7 Further Reading**

## **2.1 Introduction**

Classical management theorists like Henri Fayol and Frederick Taylor singled out management principles, which they envisaged would guarantee success to all companies. The classical approach was defied by management thinkers in the 1950s and 1960s who deemed their approach was inflexible and devoid of environmental contingencies. Although the criticisms were largely invalid, they spawned what has come to be called the contingency school of management. The following sections provide brief overviews of the possible views essential for organisation theory and leadership.

## **2.2 System and Contingency Approach for Understanding an Organisation**

### **SYSTEMS APPROACH**

A common drawback of the classical, behavioural and quantitative schools is that they weigh down one characteristic of the organisation at the expense of others. While the classical approach emphasises the 'task' and 'structure', the behavioural approach emphasises 'people' and the quantitative approach emphasises 'mathematical' decision-making'.

The whole system faces functional inability in the absence of proper knowledge of the respective parts. Every part bears a relation of interdependence to every other part. In other words, rather than individually dealing with the various parts of one organisation, the systems approach aims to give enables the manager to percieve the organisation as a whole. The employees of the research and development, manufacturing or the marketing division of a company, should perceive the company en bloc since the activities of either part of the company influence the activities of other parts.

If the business has managed to grow beyond the start-up stage, it will certainly demand new things you may not provide. Hence, there will surely come a time, when you distance yourself from the chain of command, put a management team in command and, as per requirements bring in external consultants for assisting in development of the systems approach, necessary for ensuring the company is in good shape in the long run.

People need order, structure and predictability; they need to know their agenda for the day when they come to the office each day. Business should be predictable and organised. A business eventually attains a state when it has sufficient funds to sustain itself and, when it attains that state, it drifts from that critical stage of its inception with all the

problem-solving challenges and initiates development of a whole new set of needs - management, stability and structure.

In other words, it is delegation. However, delegating authority is not devoid of complications: it is very complicated to alter the way you run business your business - going from one-person rule to professional management.

The first challenge may well be to find someone else to manage the transition to professional management for you. This does not signify you have to seek out a new CEO, but a new management system. If your strengths do not lie in convening or facilitating meetings - for instance, presiding over a staff-meeting with 10 people discussing how things should be done - then it would be advisable to appoint someone else to lead the process like a manager type, or a consultant type who specialise in such transitions. In the end, if you are an entrepreneur, a long-range plan is a week; for a manager, a short-range plan is a year.

Another challenge you could face over this transition is to redefine your role in the business. Identify your strengths and work on them. If you are good at sales be the face of the business to the key customers. If it is product development, be ready to be involved in identifying market opportunities and analysing customer base for its needs. Perhaps there is an export market that needs some investigation? Get on a plane and speak to the key people.

If you aim to hand over 100 % of your authority to the management team, monitor this turning point. In some businesses, the decision-making can shift from 100 % to zero i.e. wherein you do not have to make any decisions at all. This does necessitate a certain approach such as: 'As long as the managers stay within the budget and meet the financial goals, why should I care how they do it?'

Feedback is an important mechanism that enables a system to adapt and fine-tune according to the changing conditions of its environment and to control its operations. The operations of the system should be initiated and feedback must be given to the appropriate people so that their work can be assessed and if required corrected.

### **2.2.1 FEATURES OF SYSTEMS APPROACH**

1. An organisation comprises of many sub-systems.
2. All the sub-systems are inter- related.
3. The sub-parts should be studied in their inter-relationships rather than in isolation.

4. The organisation provides a demarcating line that separates it from other systems. It determines the internal and external parts.
5. The organisation is responsive to environmental effect. It is vulnerable to the changes in environment.
6. An organisation is a system consisting of many interrelated and interdependent parts or sub-systems. These elements are then arranged in an orderly fashion.
7. As a system, an organisation draws inputs (energy, information, materials, etc) from its environment. It transforms these inputs and returns the output into the environment in the form of goods and services.
8. Every system is a part of a super system.
9. Organisation is an open system and it interacts with its environment. It is also a dynamic system as the equilibrium in it is always changing.
10. Management is expected to regulate and adjust the system to secure better performance.
11. Management is multidisciplinary as it draws and integrates knowledge from various disciplines.

#### **CONTINGENCY APPROACH**

The contingency approach is the second approach (the first being the systems approach) that attempts to integrate the various schools of management thought.

Many term management as profession, although it does not possess all the features of a profession. Therefore, it is suggested to identify whether management is a profession. The word profession has been given various meanings and different people attach different characteristics to it. For example, in an early definition, Carr-Saunders claims that a profession "may perhaps be defined as an occupation based upon specialised intellectual study and training, the purpose of which is to supply skilled service or advice to others for a definite fee or salary".

A "Contingency Plan" is a plan developed for a specific situation when things "could" go wrong or are going wrong. Contingency plans include specific strategies, initiatives and actions designed to deal with identified variances to assumptions. These variances usually bring about a particular problem, emergency, or state of affairs. The plan also includes a monitoring process and "triggers" for initiating planned actions, which are necessary for helping businesses recover from serious incidents or economic crisis in the minimal time

with minimal cost and disruption. Contingency Planning is a management process that recognizes potential impacts that threaten an organization and provide a framework for building resilience and the capability for an effective response and possible recovery if required. After completion of the initial contingency planning session, ownership must decide upon the contingency planning team that will execute the plan. An effective contingency plan must be fully integrated into the organization as an embedded management process.

### **2.2.2 FEATURES OF CONTINGENCY APPROACH**

1. Management is externally situational: the conditions of the situation will determine which techniques and control system should be designed to fit the particular situation.
2. Management is entirely situational.
3. There is no best way of doing anything.
4. One needs to adapt himself to the circumstances.
5. It is a kind of “if” “then” approach.
6. It is practically suited.
7. Management policies and procedures should respond to environment.
8. Managers should understand that there is no best way of managing. It dispels the universal validity of principles.

### **ECONOMIC TURBULENCE MAY DEMAND CONTINGENCY PLANNING**

Contingency planning is often essential and unavoidable during economic turbulence. However, the creation of a sound contingency plan is a complex undertaking, involving a number of stages and discrete activities. For example, initially it is necessary to understand the underlying risks and the potential impacts of market decline. This turns into a building block upon which a sensible business continuity plan must be built. Every aspect of the plan must be carefully managed to ensure that it does not fall short of recovery and maintain the company's stability.

Ownership must decide who will be part of the contingency planning team to develop and execute the plan. Additionally, tactical questions and objectives include;

- How will meetings be run (e.g. pure status reporting up front)
- Who will record the notes, etc

- Frequency and agenda for team meetings
- Operating principles while the plan is in effect (e.g. team approval of expenditures over a certain amount)
- How to address accountability and progress measurements

#### **MULTIPLE BUDGETS**

Multiple budget process is the platform for contingency planning in event of a financial crisis . This contingency budgeting process is survival action planning and should not be overlooked. It should not enter into with a careless approach.

#### **OBJECTIVES INCLUDE**

- Gross margin improvement
- Increased market share
- Decreased overhead
- Cost containment - Death by a Thousand Cuts
- Stable customer service
- Supply chain management
- Retrenchment - reduction in force if necessary

#### **SO WHERE DO WE START?**

##### **Step #1**

All budgets are generally launched with a sales forecast. Go back to the Vice President of Sales and request a new, realistic forecast. Incidentally, the sales management is intimately involved in this process. Chances are the new realistic forecast received from the sales force will be highly optimistic. It is inherently difficult for salespersons to forecast anything other than solid growth regardless of conditions. This is especially true if their incentive is based on revenue growth. The Chief Financial Officer (CFO) takes that forecast and using historical percentages creates a proforma (a projected Profit and Loss statement based on the forecast). Unless your sales force is unique and turned in a forecast portraying no growth or a revenue decline, this forecast and proforma becomes a foundation for your "Optimistic Budget."

## **Step # 2**

The next step is to take the current year's actual performance and extend it through year-end and determine the profitability or the extent of loss expected. Additionally, take the prior year's actual Profit and Loss statement and post it openly in the "War Room." or a convenient, confidential place for your contingency planning team to meet regularly and develop your plan. It is termed as the "War Room" because there can be a lot of blood shedding involved in a situation when the company faces substantial economic crisis.

Formulate a proforma for a realistic forecast and a catastrophic forecast similar to the optimistic forecast. These three proforma's become the platforms to build your three new budgets. If you are in the first half of the year, you use last year's actual numbers as a basis for determining your three new budgets. If you are in the latter half of the current year and can accurately predict year-end results without the impact of any of the changes discussed in your assessment process then use that annualized proforma as your basis point.

To conclude, the three budgets you need to prepare are called "The Catastrophic Budget," "The Realistic Budget," and "The Optimistic Budget."

### **THE OPTIMISTIC BUDGET CALCULATION**

In calculating the necessary expense reduction and margin improvement the optimistic budget takes your platform year proforma revenue as the forecast. You could alter it by a small percentage according to individual circumstance. The idea is to demonstrate credibility in recognition of the possibility that conditions can become much better than anticipated. In that event, you are prepared to execute according to plan. Your budgeted revenue becomes a higher number utilizing historical data and percentages; you calculate your gross profit. You then take your platform year's budgeted total expense (without any restructuring adjustment) and subtract that from the gross profit. This shows your resulting pretax profit or loss.

### **THE REALISTIC BUDGET CALCULATION**

In calculating your necessary expense reduction and margin improvement the realistic budget takes your platform year proforma revenue and decreases it 5 to 20%. This may vary according to individual circumstance. The idea is to demonstrate credibility in recognition of the possibility that conditions could worsen much more than anticipated. In that event, you are prepared to execute according to plan. Your budgeted revenue becomes a lower number recognizing economic turbulence; next you calculate your gross profit. You



then take your platform year's budgeted total expense (without any restructuring adjustment) and subtract that from the gross profit. This shows your resulting pretax loss or profit.

Your objective in making a presentation to your bank should be to convince them that you will end the next year with an achievement somewhere between the realistic budget and the optimistic budget. If your presentation is well formulated, backed up by facts with definitive initiatives and action plans, the bank will probably believe that you will end the next year somewhere between the realistic budget and the catastrophic budget. That is fine, as it signifies that means you have stopped the bleeding and will end the year a stronger company, in control of your destiny and with the ability of turning the following into a very profitable year.

#### **THE CATASTROPHIC BUDGET CALCULATION**

In calculating your necessary expense reduction and margin improvement, the catastrophic budget takes your platform year proforma revenue and reduces it in accordance with your forecast. ( 20 - 50% decline) This may vary according to individual circumstance. The idea is to demonstrate credibility in recognition of the possibility that conditions can become exceptionally worse than anticipated. In that event, you are prepared to minimize your losses by initiating your catastrophic budget. Your budgeted revenue becomes a reduced number from your platform year (based on economic predictions-this reduction could be substantial). Utilizing historical data and percentages, you calculate your gross profit. You then take your platform year's budgeted total expense (without any restructuring adjustment) and subtract that from the gross profit. This shows your resulting profit or most likely your resulting pretax loss.

#### **CLOSING THE GAP**

The three budgets indicate exactly how much cost reduction will be necessary to meet specific profit objectives established for each budget. The catastrophic budget may actually acknowledge a forecasted loss or break-even at best. Now it is time to close the gap and create the actual contingency plan. This plan should list detailed strategic initiatives, action plans, critical constraints, milestones and key performance indicators to be used in the accountability process. All numbers and spreadsheets showing data crunching must back-up the contingency plan. The basic methods used to "close the gap" are:

- Reduction in force
- Cost containment (death by a 1000 cuts)

Gross profit improvements may not be realistic due to the market dynamics during economic turbulence. However, pricing and purchasing opportunities should be explored to determine if changes in process, control or effectiveness can contribute to an increase in profit margins. Many times closer management of the pricing system alone can produce an increase in profit margins without increasing prices. This could contribute to closing the GAP. Each budget should be categorized to reflect how the "Gap" (deficit) is to be closed.

## **OPERATIONAL STRATEGY**

### **Red Light-Yellow Light-Green Light**

Once the budgets are complete and the GAP closures (cost reduction initiatives) are identified, you must determine the timeline for execution and at what stage of economic crisis the company is in. How do you know when to initiate further cost reductions, when to relax and when to be vigilant? In turbulent economic times, you must be able to act and react quickly. You will be observing numerous indicators. Interpretation and understanding of these measurement tools is critical. These indicators may include among others:

#### **Internal**

- Cash to cash cycle
- Operating profit
- DSO-accounts receivable
- Payables ageing-trend line
- Gross margin %
- Gross margin revenue
- Quote activity
- Backlog
- Book to ship ratios
- Head count
- Specific initiatives
- Budget analysis
- Book to quote ratios

## **External**

- Interest rates
- Manufacturing backlog
- Purchasing managers index
- Business publication reports
- Government statistical web sites
- Association reports

The red light, yellow light, green light scenario establishes what mode you should be operating in based on the key indicators you have established.

Red Light - Catastrophic Plan

Yellow Light - Realistic Plan


Green Light - Optimistic Plan


In a contingency situation you automatically implement the realistic plan in a precautionary status. You are in the yellow light mode. You determine when and if you move to either the red or green mode by tracking your indicators.


## **WINDOW OF OPPORTUNITY**

The state of the economy is a fact. How you feel about that fact and what it means to you personally is a belief. Your beliefs have a major impact on your employee's attitude. Beliefs that drive your sales behaviours are the keys to becoming successful in a down economy. If you believe that this economic crisis can provide you with opportunities, then your attitude will drive the behaviour of your employees.

This is Not the Time to Panic. Yes, there are economic problems, but there are also opportunities! Leadership during these tough economic times is about not panicking. Deliberate leadership, clear thinking and solid contingency planning strategies will lead to success and recovery. Panic leads to failure. As a leader you need to be deliberate, thoughtful and take the actions necessary to stabilize the future of your individual business.

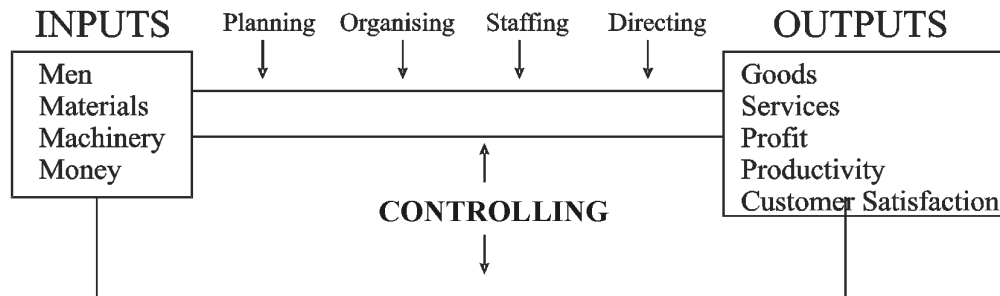
	<b>Study Notes</b>

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. What is systems approach</li> <li>2. What are the features of systems approach</li> <li>3. What are the main elements of contingency plan?</li> <li>4. What are the steps in the process of preparing multiple budgets in contingency plan?</li> </ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss the importance of contingency planning in economic turbulence</li> </ol>	

## 2.3 Managerial Process and Functions of Managers

Management as a process refers to a series of inter-related functions, such as planning, organising, staffing, leading and controlling. Actually, managers are known by the work they do. According to James Lundy, 'Management is what management does'. The management process suggests that all managers perform certain functions to realise certain goals.



**Fig. 2.1: The Process of Management**

Management, it should be noted, is a social process because it is concerned with relations among people at work. A manager sets the objectives of an organisation. He provides an environment that is helpful for group action. He offers incentives to those who perform well and thus helps the organisation realise its goals.

The term 'management' is used to denote individuals who manage the affairs of an organisation. Expressions such as management has declared a lockout, management takes a tough stand against workers, often hit newspaper headlines. When such statements are made, the reference is actually made to the people who manage the affairs of an organisation. Thus, as a group of people, management includes all those who are accountable for making decisions and supervising the work of others.

The process represents the continuing functions or primary activities undertaken by managers. These functions are listed as planning, organising, leading and controlling. We already know that the second part of the definition- coordinating the work of others- is what distinguishes a managerial position from a non managerial one. In addition, management involves the efficient and effective completion of organisational work activities or at least that's what managers aspire to do. The process is explained below:

1. **Planning:** Planning involves mapping out the process of achieving a given goal. It looks ahead and prepares for the future. It is a process of settling on the business objectives and charting out the methods of attaining those objectives. In other words, it is the determination of what is to be done, for the organisation as a whole and for every division, section or sub-unit of the organisation. Thus, planning is a function which is performed by managers at all levels-top, middle and supervisory. Plans can be long-term plans, for five or ten years or short-term plans for a smaller period. Plans made by the centre or first line manager cover a much shorter period like the next day's work or a two-hour meeting that is scheduled for the following week.

- 2. Organising:** To organise a business is to equip it completely. This includes its functioning, employees, raw materials, tools, capital etc. All this may be divided into two main sections, the human organisation and the material organisation. Once managers have established objectives and developed plans to achieve them, they must design and develop a human organisation that will be able to successfully conduct those plans. According to Allen, this organisation refers to the "structure which results from identifying and grouping work defining and delegating responsibility and authority and establishing relationships".
- 3. Staffing:** This may also be considered an essential function concerning the structuring the human organisation. In staffing, the manager endeavour to find the right person for each job. Staffing fixes a manager's responsibility to recruit and to ascertain availability of sufficient manpower available to fill the various job vacancies in the organisation. Staffing involves the selection and training of future managers and an appropriate system of payment. Staffing is a continual process since people may leave, be terminated, retire or die. Often, changes in the organisation generate new positions, which must be filled.

It must be noted that dissimilar objectives require special kinds of organising to achieve them. For example, an organisation for scientific research needs to be different from an organisation manufacturing bicycles. Producing bicycles requires assembly-line techniques, whereas scientific research needs groups of scientists and experts in different disciplines. Such groups cannot be organised on an assembly-line source.

- 4. Directing:** After planning, establishing and staffing the organisation, the next step is to define its objectives. This function can be termed as leading, directing, motivating, actuating and so on. Irrespective of the name used to identify this function, the manager explains to his people their respective roles and assists them do it to the best of their ability. Directing thus includes three sub-functions: communication, leadership and motivation. According to Theo Haimann, "Communication is the process of passing information and understanding from one person to another". Leadership is the process by which a manager guides and influences the work of his subordinates. Motivation refers to internal and external factors that stimulate desire and energy in people to be continually interested in and committed to a job, role or subject and aim to attain a goal. It is the act of motivating or inspiring workers to accomplish their task effectively. Two categories of incentive are financial and non-financial incentive.

**5. Controlling:** The manager must ensure that everything happens in consistency with the plans, the instructions provided and the principles established. The controlling element of management includes the following three elements:

- Establishing standards of performance
- Measuring current performance and juxtaposing it with the established standards
- Rectifying performances that do not meet standards

Thus, controlling is a vital function of management.

**6. Innovation:** In recent times, although it is not essential for an organisation to grow larger, it is necessary for managers to constantly grow better. This makes innovation an important function of a manager. Innovation means developing new thoughts that may also bring about the creation and innovation of new products or identifying new uses for the old ones. Thus, a salesperson who can persuade Eskimos to purchase refrigerators to prevent food from freezing is as much an innovator as the one who invents a new product. However, innovation can not be regarded as a separate function but only as a part of planning.

**7. Representation:** Managers are expected to devote a part of his time to represent his organisation before various groups that have some stake in the organisation. These stakeholders can be government officials, labour unions, financial institutions, suppliers, customers etc. They wield influence over the organisation. A manager should win the trust of such stakeholders by successfully handling the social impact of his organisation.

Efficiency refers to obtaining maximum output from minimum inputs. Managers are concerned with the efficient use of inadequate input resources such as people, money and equipment as they deal with them. For instance, at the Beiersdorf Inc. factory in Cincinnati, where employees make body braces and supports, canes, walkers, crutches and other medical assistance products, efficient manufacturing techniques were implemented by cutting inventory levels, reducing the amount of time to manufacture products and lowering product reject rates. These efficient work practices paid off as the company was named one of Industry week's best plants. From this perspective, efficiency is often referred to as "doing things right" that is, not wasting resources. However, it is not enough just to be efficient. Management is also concerned with being effective and completing activities to ensure attainment of organisational goals. Effectiveness is often described as "doing the right things", i.e. those work activities that will help the organisation reach its goals. For instance, at the Beiersdorf factory, goals

included open communication between managers and employees and cutting costs. These goals were pursued and achieved through various work programmes. Management is concerned with achieving the objectives, high efficiency and high effectiveness in the organisations. Poor management takes place due to both, inadequacy and ineffectiveness.

A manager may have the authority to employ fire employees or motivate them. In larger companies, a manager not only recommends such action to the next level of management but also has the ability to change the job assignments of team members. The following are the functions of the manager:


**Planning:** This step involves realizing how a particular goal is to be achieved. For instance, the organisation aims to enhance company sales. The manager first needs to decide the respective steps for accomplishing that goal. These steps may include increasing advertising, inventory and sales staff. These necessary steps are created into a plan. When the plan is set, the manager can follow it to achieve the goal of increasing company sales.

**Organising:** After setting the plan, a manager needs to classify his team and materials according to his plan. Assigning work and issuing authority are two important elements of organising.

**Staffing:** After a manager establishes the needs of his department, he could opt to fill the positions by recruiting, selecting, training and developing employees. A manager in a large organisation regularly works with the company's human resources department to accomplish this aim.

**Leading:** A manager should also be a leader. He should be able to plan, organise, staff and lead. Leading involves motivating, communicating, guiding and encouraging. It requires the manager to train, assist and solve the problem with the employees.

**Controlling:** Even after setting the other elements, a manager's job is not finished. He needs to continuously check results against the objectives and take corrective actions for the deviations.

	<b>Study Notes</b>



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### Assessment

1. What the functions of Management.
2. Explain the process of management.



### Discussion

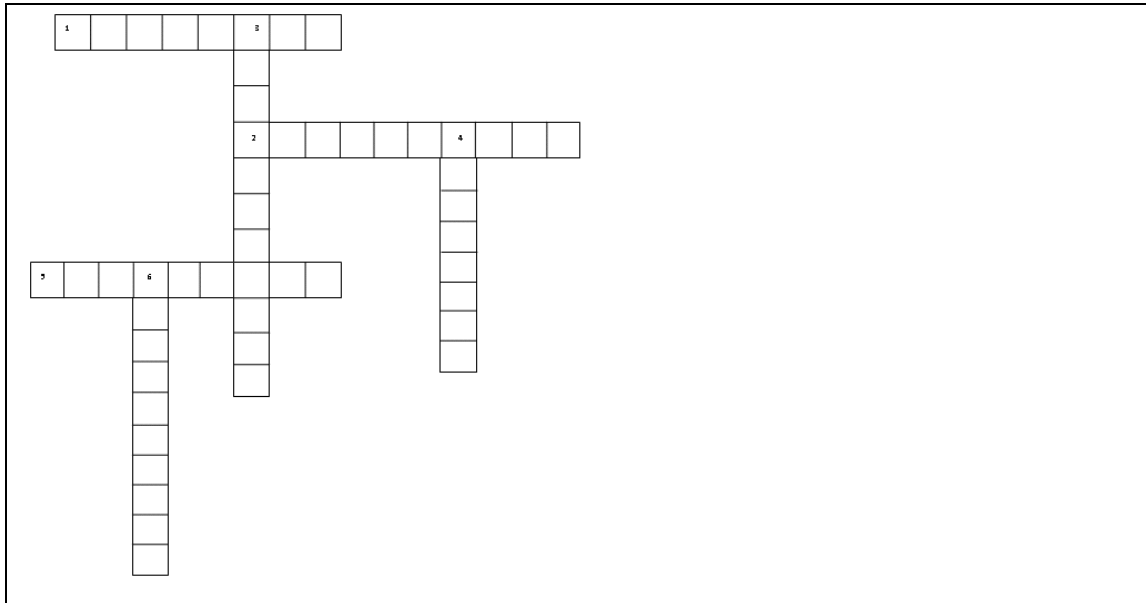
1. Solve the following puzzle:

#### Across:

1. Deciding future course of action
2. Systematize functions and orderly arrangement of authority and responsibility in organization
5. Guiding towards achievement of objectives.

#### Down:

3. Improvisation of products and services.
4. Choosing right people for right job.
6. Optimum utilization of resources.

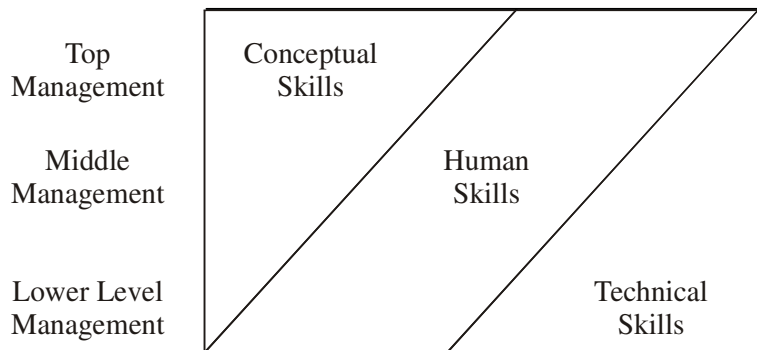


## 2.4 Skills and Roles in an Organisation

The skills and roles required in an organisation are:

- **Technical skill** is the ability to use the tools, procedures or techniques of a specialised field. Technical skill is considered very crucial to the effectiveness of lower level managers because they are in direct contact with employees performing work. An activity within the firm, for instance, the success of a drilling supervisor of an oilrig depends a great deal on his technical knowledge of drilling. However, as one moves to senior levels of management within the organisation, the significance of technical skills reduces because the manager has less direct contact with day-to-day problems and activities. Thus, the president of an oil company does not need to know much about the technical details of drilling for oil or refining it.
- **Human skill** is the ability to work with, understand and motivate other people. This skill is essential at every level of management within the organisation, but it is particularly important at lower levels of management where the supervisor has frequent contact with the operational personnel.
- **Conceptual skill** is the mental ability to organise and combine the organisation's interest and activities. It refers to the ability to see the 'big picture' i.e. to understand how a change in any given part can affect the whole organisation. For instance, a production supervisor in a manufacturing plant, is likely to need more technical skill than the company president because he or she will have to deal with the mundane manufacturing

problems that could arise. Alternatively, the importance of conceptual skill increases as we rise in the ranks of management. The superiority of the manager in the hierarchy, denotes the extent of his involvement in the broad, long-term decisions that affect large parts of the organisation. For the upper management that handles the responsibility for overall performance, conceptual skill is probably the most important skill of all. Human skill is a vital aspect for every level of the organisation, as to get the work done through others; high technical or conceptual skills are not very valuable if they cannot be utilised for inspiring and influencing other organisational members. Supporting Katz's contention that specific skills are more important at some levels than at others is A Study of Managerial Roles and Behaviour by Jerdee and Carroll. More than four hundred managers from all levels of management and a variety of types and sizes of business estimate time taken for eight management tasks: planning, investigating, coordinating, evaluating, supervising, staffing, negotiating and representing. Most of the lower and middle level managers responded that supervising was their dominant activity, while most top managers claimed that they spend proportionately more time on planning.



**Fig. 2.2: Skills and Roles in an Organisation**

- **Design skill:** Koontz and Weibrich added one more skill to the above list. Design skill is the ability to solve problems in ways that will assist the organisation. At higher levels, managers should be able to do more than see a problem; they should be able to design a workable solution to a problem in the light of realities they face. If managers merely see a problem and become problem watchers, they will be unsuccessful.
- **Institution Building Skills:** Top executives are usually regarded as the people who make the major decisions in an organisation. They often have disjointed and widely varied tasks, ranging from figurehead duties to conducting meetings. They also have external duties, including such varied ones as testifying at legislative hearings, greeting important

customers, presiding at retirement luncheons and serving on the board of directors of agencies or institutions like a local college. The major duty of the top executive is to deal with broad organisational matters and major projects such as long-range planning and the development of the organisation's strategy. Decisions such as expanding a plant, dropping a major product or purchasing a mother company are made at this level. Broadly speaking, they are expected to utilise human and non-human resources to achieve their organisation's goals and services with the intention of serving customers. In short, they must build institutions.

#### **2.4.1 ROLE OF TOP LEVEL EXECUTIVE**

According to Prof. Pareek (1981), top-level executives perform eight key roles while building institutions of lasting value, as indicated below:

- 1. Identity creating role:** Top-level executives must create an identity for their organisation in the market place. Such an impact can be created by serving employees through excellent welfare measures, developing enviable marketing skills or fostering technological innovations. In short, they must 'carve out a niche' for themselves in the market place.
- 2. Enabling role:** Top-level executives must develop their resources (men, materials, equipment and other facilities) in the service of an organisation. A good atmosphere at the workplace must be created where employees would be motivated to make optimum contributions to the organisation.
- 3. Synergising role:** Synergy denotes that the sum total is greater than the sum of the parts. In organisational terms, synergy signifies that as various departments within a company assist each other and communicate with one another. They become more prolific in achieving result together rather than each operating individually. For example, in movie making each individual works in unison to ensure successful completion of the end product i.e a film and director is in the synergising role, he synergises all the people working together.
- 4. Balancing role:** The top executive must be able to strike a harmonious balance between conformity and creativity within the organisation. Conformity, when conducted in a rigid and scrupulous manner, may affect negatively affect employee behaviour and destroy the creative potential of employees. The chief executive, therefore, must encourage his employees to advance towards new directions and respond to new challenges in a dynamic way instead of merely employing rules and regulations in a mechanical manner.

5. **Linkage-building role:** The chief executive must be able to develop appropriate linkages between the organisation and outside constituencies such as the government, financial institutions etc as it could be a complex task for the organisation to obtain licenses, expand business activity, research and to commence rural development programmes without the support of these.
6. **Futuristic role:** The organisation be aware of market opportunities and encash at an appropriate. The chief executive must prepare the organisation for future challenges in a practical way. The chief executive must be able to guide the firm in the face of competitive and hostile market situations.
7. **Creating an impact:** The chief executive must create an impact of the organisation on others through superior technology, marketing skills, innovative abilities etc.
8. **Instilling an attitude of personal responsibility:** The chief executive must be able to instill a sense of pride and importance in the subordinates by making them realize that they are shouldering responsibility in a very important field of work essential to the society.
9. **Understanding trends:** According to several recent surveys, managerial work in the future is likely to be affected by the growing internationalisation of business. The lower and middle level managers require and use a greater degree of technical skill than higher level managers, while higher level managers require and use a greater degree of conceptual skill. Human skills are important at all managerial levels.

A manager's responsibility is to channelise the efforts of the group towards directing their abilities for achieving the planned outcomes.

A manager should be able to plan and direct the work of a group of individuals, evaluating their work and taking remedial action. Managers may direct workers directly or they may direct several supervisors who direct the workers. It is more important for the manager to manage the workers.

#### 10. Interpersonal Role

- **Figurehead:** Every manager must perform some duties of a traditional nature, such as greeting dignitaries, attending the weddings of employees, taking an important customer to lunch and so on.
- **Leader:** As a leader, every manager must encourage his employees, to strive towards aligning their interpersonal requirements with the goal of organisation.

- **Liaison:** Every manager must develop contacts outside his vertical chain of command to collate information for his organisation.

### 11. Informational Role

- **Monitor:** As a monitor, the manager must continuously examine his environment for information, interview his liaison contact and his subordinate and receive voluntary information, a large proportion of it owing to the network of personal contacts he has developed.
- **Disseminator:** As a disseminator, the manager furnishes certain information directly to his subordinates who would otherwise be clueless about it.
- **Disseminator:** In this role, the manager informs with the purpose of satisfying various groups and people who influence his organisation. He informs his shareholders about the financial performance of the organisation, assures consumer groups that the organisation is fulfilling its social responsibilities and reassures the government that the organisation is abiding by the law.

### 12. Decision Role

- **Entrepreneur:** The manager constantly attempts to innovate, to enable smooth adaptation of changes in the environment.
- **Disturbance Handler:** The manager must seek solutions of various unanticipated problems – a strike may loom large, a major customer may go bankrupt etc.
- **Resource Allocator:** The manager must segregate work and delegate authority among his subordinates. In the process, a lot of confusion is avoided and people start working towards completion of tasks.
- **Negotiator:** The manager spends a considerable amount of time in negotiations. As a representative of the company, he may negotiate with the union leader over a new strike, or with the foremen regarding negotiation of workers grievances etc.

### 2.4.2 CHARACTERISTICS OF A CEO

In the competitive world, a Chief Executive Officer plays a vital role. He is expected to possess certain exceptional qualities. Given below are some essential qualities of a CEO:

- **Aptitude:** He should possess the aptitude of perceiving the company as “whole” both, when observed externally or internally. He should be able to assimilate and connect together all the resources and internal - external factors of business like people, Management Process and Organisational Behaviour


economy, governments, markets, customers, employees, technology, business associates, etc. His assumptions or paradigms regarding all these factors must be accurate, as the company could face the consequences of inaccurate or discrepant data in the future


- **Vision:** He should have the ability to foretell factors conducive or not conducive to the organisation foresee and accordingly systematize the necessary decisions and actions. He must be able to visualize requirements and non-requirements of the company business and accordingly find the right answers.
- **Confidence:** Every CEO should be confident about his decisions. After envisioning the changes needed, he should have sufficient mettle to pilot those changes.
- **Ethics:** CEO should have the ability to uphold high standards of ethics even under difficult times.
- **Branding:** CEO should always work towards creating better image of his organisation. He must ensure that the organization is legally faultless i.e. always on the right side of the law.
- **Result-oriented:** CEO should be both result oriented and process oriented. When implemented, the two together set ground for long term as well as short term achievements.
- **Strategy:** CEO should excel in strategic planning and goal setting. Chalking out strategies and goals for the organization serves as a road maps to guide its people. Thus, it is essential that a CEO possesses the necessary skills and strategy to bring about necessary changes.
- **Communication:** CEO should be able to effectually communicate with various people at variant levels. This includes his keen listening abilities and interpersonal relations, consensus and team building skills.
- **Judgement:** CEO should be good in his analysis, judgments, decision making and firmness.


Some of the successful CEO's in India are as under:

1. Ratan Tata	Chairman of TATA Group
2. Mukesh Ambani	Reliance Industries
3. Nandan Nilekani	CEO Infosys

4. Azim Premji	CEO Wipro
5. Mukesh Ambani	Reliance
6. Sunil Mittal	Bharti Airtel
7. K.V. Kamath	ICICI Bank
8. Kumar mangalam Birla	Birla Group
9. Rahul Bajaj	Bajaj Group
10. Lakshmi N Mittal	Mittal Steel

	<b>Study Notes</b>

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. List the skills required by manager in an organization.</li> <li>2. What is the Interpersonal role of a manager?</li> <li>3. State any three important role of a manager in any organization. Explain why.</li> <li>4. List the qualities of CEO.</li> </ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss the skills required at Middle level of management.</li> <li>2. Study the biography of any CEO and comment on qualities that brought him success.</li> </ol>	



## 2.5 Summary

### CONTINGENCY PLAN

Contingency plans include specific strategies, initiatives and actions designed to address identified variances to assumptions. The plan also includes a monitoring process and "triggers" for initiating planned actions. After completion of the initial contingency planning session, ownership must settle on the individuals to be included in the contingency planning team for execution of the plan. An effective contingency plan must be fully integrated into the organization as an embedded management process.

### FUNCTIONS OF A MANAGER

**Planning:** Determining how a particular goal is to be achieved.

**Organising:** After setting the plan, a manager should classify his team and materials according to his plan. Assigning work and issuing authority are two important elements of organising.

**Staffing:** After establishing the needs of his department, the manager could plan to fill the positions by recruiting, selecting, training and developing employees. Usually, a manager in a large organisation works with the company's human resources department to accomplish this aim.

**Leading:** A manager should plan organise and staff the team to ensure hassle free achievement of goals. Leading involves motivating, communicating, guiding and encouraging. It requires the manager to train, assist and solve the problem with the employees.

**Controlling:** A manager's job is incomplete even after the other elements are set properly. He needs to continuously juxtapose results with the objectives and take corrective actions for the deviations.

### ROLE OF TOP LEVEL EXECUTIVE

- Figurehead
- Leader
- Liaison
- Informational Role

- Monitor
- Disseminator
- Entrepreneur
- Disturbance handler
- Resources allocator
- Negotiator

#### SKILLS REQUIRED IN AN ORGANISATION

**Technical skill** is the ability to use the tools, procedures or techniques of a specialised field.

**Human skill** is the ability to work with, understand and motivate other people.

**Conceptual skill** is the mental ability to organise and combine the organisation's interest and activities.

Roles of a top level executive

- Identity creating role
- Enabling role
- Synergising role
- Balancing role
- Linkage building role
- Futuristic role
- Creating an impact
- Instilling an attitude of personal responsibility

#### CHARACTERISTICS OF A CEO

CEO should have the aptitude of looking at the company as “whole”: when perceived internally and externally. He should have a great vision and be very courageous. The CEO oversees branding of the organisation and formulates result oriented strategies to ensure

positive results both at the organisational level and beyond it. CEO is expected to be good in his analysis, judgments, decision-making and decisiveness.

## **2.6 Self-Assessment Test**

### **Broad Questions**

1. Describe in detail the systems approach in organisation.
2. Explain the Contingency approach in organisation?.
3. Explain the functions of managers.

### **Short Notes**

- a. Characteristics of a CEO
- b. Conceptual skills
- c. Interpersonal role of manager
- d. Decision role of manager
- e. Human Skills

## **2.7 Further Reading**


1. Management, Koontz, H and Wehrich, McGraw Hill, 1995
2. Organisational Behaviour, Luthans F, McGraw Hill, 1995
3. Management, Robbins S P, Prentice Hall of India, 1996
4. Organisational Behaviour, Robbins S P, Prentice Hall of India, 1996
5. Emotional Intelligence at Work, Singh, Dalip, Sage Publications, 2001
6. Psychological Dimensions of Organisational Behaviour, Staw, Prentice Hall Inc., 1995
7. Management, Stoner, J., Prentice Hall of India, 1996


## Assignment


Assume that you are a production manager in a reputed organisation. Explain in detail your managerial roles that are in the organisation.

[illegible]

## Unit 3 Individual Behaviour and Personality

	<b>Learning Outcome</b>
<p><b>After reading this unit, you will be able to:</b></p> <ul style="list-style-type: none"><li>• Understand Concept Of Personality</li><li>• Define Perception</li><li>• Differentiate Between Values, Attitudes And Learning</li><li>• Explain Emotional Intelligence In Organisation</li><li>• Determine Learning Behaviour</li></ul>	

	<b>Time Required to Complete the unit</b>
<ol style="list-style-type: none"><li>1. 1<sup>st</sup> Reading: It will need 3 Hrs for reading a unit</li><li>2. 2<sup>nd</sup> Reading with understanding: It will need 4 Hrs for reading and understanding a unit</li><li>3. Self Assessment: It will need 3 Hrs for reading and understanding a unit</li><li>4. Assignment: It will need 2 Hrs for completing an assignment</li><li>5. Revision and Further Reading: It is a continuous process</li></ol>	

	<b>Content Map</b>
<p><b>3.1 Introduction</b></p> <p><b>3.2 Concept of Personality</b></p> <p>3.2.1 Determinants of Personality</p> <p>3.2.2 Types of Personality</p>	

<b>3.3</b>	<b>Perception</b>
<b>3.4</b>	<b>Values, Attitudes and Learning</b>
<b>3.5</b>	<b>Learning Behaviour</b>
<b>3.6</b>	<b>Emotional Intelligence in the Organisation</b>
<b>3.7</b>	<b>Summary</b>
<b>3.8</b>	<b>Self-Assessment Test</b>
<b>3.9</b>	<b>Further Reading</b>

### 3.1 Introduction

Personality has an influence on the work of an individual. In jobs, particularly with high human relation content, where almost the entire day is dedicated to interacting with other people, personality is a major determinant of what will be done and how it will be done. Personality of every individual is revealed in the manner he works with his superior, his subordinates and other people. As a result, when job requirement changes, everyone has to adjust to a whole series of changes in the same way and thus goal is achieved. Consequently, the functions of the organisation vary from structure designer point of view and the organisation in actuality reflects the personality of employing holding key jobs. This affects the individual performance as well as organisational performance.

The behaviour of an individual is a very important factor for the organisation as there is a pool of employees belonging to variant backgrounds and work in a common place. Therefore, it affects the work in the organisation. Behind the assumption that the managers must understand human behaviour lies the assumption that it is orderly, not arbitrary, systematic and not random. It is also an assumption that human behaviour is caused. As one person's behaviour also affects another person's behaviour, it suggests that human beings are not self-contained entities but are affected by larger systems – groups, families, society etc.

The concept of causality is essential for managers who must predict organisational behaviour as a basis for managerial action. Concept learning, also known as concept attainment, is largely based on the works of the cognitive psychologist Jerome Bruner. Bruner, Goodnow, & Austin (1967) defined concept attainment (or concept learning) as “the search for and listing of attributes that can be used to distinguish exemplars from non exemplars of various categories”.

The nature of human behaviour is complex and in understanding the behaviour of people, they should be studied in their totality by taking a total man concept. This concept is essentially a combination of all factors affecting human behaviour. It recognised that any attempt at generalisation usually falls short of the mark because people are different. Of both individual and environmental variables that are measured, there can be:

- Differences in behaviour in an individual over time
- Differences in behaviour among individuals given the same set of stimuli.

### 3.2 Concept of Personality

The term personality has been derived from the Latin word 'per sonare' which means 'to speak through'. This Latin term denotes masks used by actors in ancient Greece and Rome. Thus, the term personality is used in terms of influencing others through external appearance. However, mere external appearance, though important for personality characteristics, does not constitute the whole personality. According to Ruch, personality should include:

- External appearance and behaviour or social stimulus value
- Inner awareness of self as a permanent organising force
- The particular pattern or organisation of measurable traits, both inner and outer

Considering these aspects, personality may be defined in terms of organised behaviour as predisposition to react to a certain stimulus in a certain manner. This may be in the form of constant response to environmental stimuli. The unique way of responding to day-to-day life situations is the result of human behaviour.

Accordingly, personality embraces all the unique traits and patterns of adjustment of the individual in his relationship with others and his environment. This refers to the structuring of personality and its dynamic qualities. Personality represents a process of change and more precisely, relates to the psychological growth and development of the individual

Given below are Bonners six factors of classifying the nature of personality within the context of change and development:

- Human behaviour is composed of acts.
- Personality visualised as a whole actualises itself in a particular environment.
- It is distinguished by self-consistency.
- It is formed in a time integrating structure.
- It is goal directed behaviour.
- It is a process of becoming.



### 3.2.1 DETERMINANTS OF PERSONALITY

The various decisive factors of personality determination are as under:

1. **Heredity:** Certain genetic factors influence certain aspects of personality. For instance, looks, health, habits, behaviour, etc are certain characteristics that can be traced to hereditary in various cases. The development of our personality is based on how we deal with others' reactions to us (e.g. our appearance) and our inherited traits.
2. **Culture:** The culture and values in our surroundings extensively tend to shape our personal values and preference. Thus, people born in different cultures tend to develop different types of personalities, which consecutively influence their behaviour to a great extent. India, with a rich diversity of cultural background serves as a good study on this. For example, Gujaraties are more enterprising than individuals from other states, Punjabi are more industrious and hardworking, Bengalies are more creative and with an intellectual bend and the likes. Thus, culture also plays a vital role in determining the personality of an individual
3. **Family Background:** The socio-economic status of the family, the number of children in the family, birth order, background, education of the parents influence the personality of a person to a considerable extent. For example, it is always presumed that the son of businessman would possess business skills irrespective of whether he becomes a businessman or professional. Similarly, an individual belonging to a background of politicians is a good orator.

It is observed that first-borns usually have different experiences, during childhood than those born later; Members in the family mould the character of all children, almost from birth, in several ways -by expressing and expecting their children to conform to their own values, through role modelling and through various reinforcement strategies such as rewards and punishments, which are judiciously dispensed.

4. **Experiences in Life:** Whether one trusts or mistrusts others, is tight fisted or generous, have a high or low self-esteem, etc is at least partially related to the past experiences the individual has had and sometimes shapes the personality of that individual
5. **Friend Circle or Company:** It is known fact the "A person is known by the company kept by him". People are influenced by the company they keep and tend to join members who have common interests, attitudes and values. From childhood, the people we interact with affect us. First, our parents and siblings, then our teachers and classmates,

later our friends and social group and etc. The influence of these various individuals and groups shapes our personality. Our constant desire to belong to a particular group, will coerce many of us to change certain aspects of our personality (for instance, we may have to become less aggressive, more cooperative, etc.). Thus, our personality is shaped that way right throughout our lives and at least by some of the people and groups we interact with.

### **3.2.2 TYPES OF PERSONALITY**

Personality type refers to the psychological categorization of diverse types of individuals. These are sometimes illustrious from personality traits, with the latter symbolizing a smaller grouping of behavioural tendencies. Types sometimes involve qualitative distinction between people, whereas traits might be construed as quantitative distinction. According to type theories, for example, introverts and extraverts are two essentially different categories of people. According to trait theories, introversion and extraversion are part of a continuous dimension, with many people in the middle.

While typologies of all sorts have existed throughout history, one of the more influential ideas originated in the theoretical work of Carl Jung, published as *Psychological Types* in 1921.

Jung's interest in typology spawned from his desire to reconcile the theories of Sigmund Freud and Alfred Adler and to define how his own perspective differed from theirs. Jung wrote, "In attempting to answer this question, I came across the problem of types; for it is one's psychological type which from the outset determines and limits a person's judgment." (Jung, [1961] 1989:207) He concluded that Freud's theory was extraverted and Adler's introverted. (Jung, [1921] 1971: par. 91) Jung was convinced that acrimony between the Adlerian and Freudian camps was due to this unrecognized existence of different fundamental psychological attitudes, which led Jung "to conceive the two controversial theories of neurosis as manifestations of a type-antagonism."

### **FOUR FUNCTIONS OF CONSCIOUSNESS**

In the book, Jung categorized people into primary types of psychological function.

Jung proposed the existence of two dichotomous pairs of cognitive functions:

- The "rational" (judging) functions: thinking and feeling
- The "irrational" (perceiving) functions: sensing and intuition

Jung went on to suggest that these functions are expressed in either an introverted or an extroverted form.

**Jung proposed four main functions of consciousness:**

- Two perceiving functions: Sensation and Intuition
- Two judging functions: Thinking and Feeling

According to Jung, the psyche is an apparatus for adaptation and orientation and comprises of different psychic functions. Among these, he distinguishes four basic functions:

- Sensation - perception using sense organs;
- Intuition - perceiving in unconscious way or perception of unconscious contents.
- Thinking - function of intellectual cognition; the forming of logical conclusions;
- Feeling - function of subjective estimation;

Thinking and feeling functions are rational, while sensation and intuition are non-rational. According to Jung, rationality consists of figurative thoughts, feelings or actions with reason — a point of view based on objective value, which is set by practical experience. Non-rationality is not based in reason. Jung notes that elementary facts are also non-rational, not because they are illogical but because, as thoughts, they are not judgments.

**Attitudes: Extraversion (E)/Introversion (I)**

Analytical psychology distinguishes several psychological types or temperaments.

- Extravert (Jung's spelling is "extravert", which most dictionaries also use; the variant "extrovert" is not preferred)
- Introvert

Extraversion means "outward-turning" and introversion means "inward-turning". These specific definitions vary from the popular usage of the words.

The preferences for extraversion and introversion are often termed as attitudes. Each of the cognitive functions can operate in the external world of behaviour, action, people and things (extraverted attitude) or the internal world of ideas and reflection (introverted attitude).

People who prefer extraversion draw energy from action. They tend to act first, then reflect, then act further. If they are inactive, their motivation tends to decline. To rebuild their energy, extraverts need breaks from time spent in retrospection. Conversely, those

who prefer introversion expend energy through action: they prefer to reflect, then act, then reflect again. To rebuild their energy, introverts need quiet time alone, away from activity.

The extravert's flow is directed outward toward people and objects and the introvert's is directed inward toward concepts and ideas. Contrasting characteristics between extraverts and introverts include the following:

- Extraverts are action oriented, while introverts are thought oriented.
- Extraverts seek breadth of knowledge and influence, while introverts seek depth of knowledge and influence.
- Extraverts often prefer frequent interaction, while introverts prefer substantial interaction.
- Extraverts recharge and get their energy from spending time with people, while introverts recharge and get their energy from spending time in isolation.

The attitude type could be thought of as the flow of psychic energy. Generally, an introverted person's energy is directed inward, toward concepts and ideas whereas an extraverted person's energy is directed outward, towards other people and objects. There are several contrasting characteristics between extraverts and introverts: extraverts desire breadth and are action-oriented, while introverts seek depth and are self-oriented.

The functions are modified by two main attitude types: extraversion and introversion. In any person, the degree of introversion/extraversion of one function can be quite different from that of another function.

### **Functions: Sensing (S)/Intuition (N) and Thinking (T)/Feeling (F)**

Jung identified two pairs of psychological functions:

- The two perceiving functions, sensing and intuition
- The two judging functions, thinking and feeling

Sensing and intuition are the information gathering (perceiving) functions. They describe how new information is understood and interpreted. Individuals who prefer sensing, are more likely to trust information that is in the present, tangible and concrete: i.e., information that can be comprehended by the five senses. They tend to doubt 'out of the blue' hunches. They prefer to keep an eye for details and facts. For them, the meaning is in the data. Alternatively, those who prefer intuition tend to trust abstract or theoretical information that can be associated with other information (either recollected or discovered

by seeking a wider context or pattern). They may be more interested in forthcoming possibilities. They tend to trust those flashes of insight that seem to arise from the unconscious mind. The meaning lies in how the data is associated with the pattern or theory.

Thinking and feeling are the decision-making functions. The thinking and feeling functions are both used for making rational decisions, based on the data received from their information-gathering functions (sensing or intuition). People who prefer thinking tend to decide things from a more detached standpoint, measuring the decision by what seems reasonable, logical, causal, consistent and matching a given set of rules. Those who prefer 'feeling' tend to make decisions by associating or empathizing with the situation, looking at it 'from the inside' and weighing the situation to achieve, on balance, the greatest harmony, consensus and fit, after taking the needs of the people involved into consideration.

As noted earlier, people who prefer thinking do not necessarily, "think better" than their feeling counterparts; the opposite preference is considered an equally rational way of coming to decisions (and, in any case, the MBTI assessment is a measure of preference, not ability). Similarly, those who prefer feeling do not necessarily have "better" emotional reactions than their thinking counterparts do.

#### **DOMINANT FUNCTION**

All four functions are used at different times depending on the circumstances. However, one of these four functions is used more dominantly and proficiently than the other three, in a more conscious and confident way. This dominant function is supported by the secondary (auxiliary) function and to a lesser degree the tertiary function. The fourth and least conscious function is always the opposite of the dominant function. Myers called this inferior function the shadow.

Jung's typological model regards psychological type similar to left or right-handedness: individuals are either born with or develop certain preferred ways of thinking and acting. These psychological differences are sorted into four opposite pairs, or dichotomies, with a resulting 16 possible psychological types. People tend to find using their opposite psychological preferences more difficult, even if they can become more proficient (and therefore behaviorally flexible) with practice and development.

The four functions operate in conjunction with the attitudes (extraversion and introversion). Each function is used in either an extroverted or an introverted way. A person whose dominant function is extraverted intuition, for example, uses intuition differently compared to someone whose dominant function is introverted intuition.

### **The eight psychological types**

Jung theorized that the dominant function characterizes consciousness, while its opposite is characterised with repressed and characterizes unconscious behaviour. Generally, we have a tendency to favour our most developed, dominant function, while we can broaden our personality by enhancing the others. In relation to this, Jung noted that the unconscious often tends to reveal itself most easily through a person's least developed, inferior function. The encounter with the unconscious and development of the underdeveloped function(s) thus tend to advance.

The eight psychological types are as follows:

- Extraverted sensation
- Introverted sensation
- Extraverted intuition
- Introverted intuition
- Extraverted thinking
- Introverted thinking
- Extraverted feeling
- Introverted feeling

In Psychological Types, Jung specifies the effects of tensions between the complexes associated with the dominant and inferior differentiating functions in highly and even extremely one-sided types.

The important personality aspects that determine what type of performance will be achieved or what kind of behaviour is depicted at work are

1. Self esteem
2. Need patterns
3. Machiavellianism
4. Locus of control
5. Introversion-extroversion
6. Type A and B personalities
7. Achievement orientation
8. Risk taking
9. Self monitoring
10. Tolerance for ambiguity

#### **1. Self Esteem**

It refers to the feeling of high regard for one's self. It varies from person to person. It is directly related to the desire for success. People with high self –esteem believe that they

have the abilities to undertake challenging jobs. They prefer to choose jobs that are unconventional in nature.

On the other hand, people with low self-esteem are more vulnerable to external influences than those with high self esteem.

## **2. Need Patterns**

According to Abraham Maslow, human needs are divided into five levels with each level representing a group of needs. The basic level of needs comprises of the primary or physiological needs. A person's thought process is monopolised by these needs when they are unsatisfied. Once they are satisfied, they do not work as a motivator. In the context of an organisation, these are represented by employees' concern for salary and basic working conditions.

## **3. Machiavellianism**

This term Machiavellianism is derived from the writings of Nicolo Machiavelli, it refers to an individual's tendency to manipulate people. Such people are keen to take part in organisational politics. They are also experts in interpersonal game – playing, power tactics and identifying influence systems in the organisation. Machiavellians perform well in jobs which require bargaining skills (labour negotiation), where there are large rewards for winning (commission sales).

## **4. Locus of Control**

Locus of Controls is an individual's belief, whether events are within one's control (internal locus of control) or are determined by forces beyond one's control (external locus of control).

Research has proved that the externals (those who believe that events are determined by external factors) are less satisfied with their jobs, have higher absenteeism rates, are distanced from work surroundings and are less involved on their jobs. Internals (those who believe that events are under their control), on the other hand, have more control on their own behaviour, are more active in obtaining information for decisions and are more socially active.

## **5. Introversion and Extroversion**

These are the most common descriptions of personality traits. They are generally associated with an individual's sociability and interpersonal orientation. Both introverts and extroverts have different career orientations and require different organisational environment to maximise their performance. Extroverts are apposite for positions that require long hours of interaction with others. In contrast, introverts are more inclined to

excel at tasks that require thought and analytical skills. It is seen that managerial positions are generally occupied by extroverts.

## **6. Type A and Type B Personality**

Type A personality symbolises a person who is perpetually in haste, is extremely competitive and often hostile and irritable.

Type B personality is a person who is relaxed, incompetent and easygoing.

The performance of people possessing either of the two types of personality also varies. While type 'As' are hardworking and competitive, type 'B' that rise in hierarchy in the organisation. Successful salespersons are usually Type 'As', while senior executives are normally of type B. The reason is quite simple if we try to analyse their personalities. Executive positions are usually assigned to those who are wise rather than those who are merely hasty or in a hurry to reach their destination / target or those who are tactful than those who are hostile or given to those who are creative rather than to those who are merely active in a competitive strife.

## **7. Achievement Orientation**

This is another type of personality trait and varies among people. It can also be used for predicting the behaviour of people. It is a proven fact that employees, with a high need to achieve, continually attempt to improve their manner of conducting work. They always aim to overcome difficulties, simultaneously, after completion of the task, they want to believe the resultant success is owing to their actions. An 'easy to do' task that does not seem like a challenge will not be accepted by such people. Correspondingly, a difficult task that has a high risk is not appealing for these people, as the failure rate is likely to be higher. Hence, they prefer to perform tasks that are moderately difficult.

On the work front, high achievers will show better performance in the presence of moderate difficulty, rapid performance feedback and direct relationship between effort and reward. This implies that high achievers are successful in careers in sales, sports or management.

## **8. Risk Taking**

People differ in their ardour to accept possibilities. Whether it is a risk averter or a risk taker, both are individualistic. The extent of a risk-taking tendency can be used for aligning specific job demands. For example, a share broker in a brokerage firm will execute



tasks better if he has high risk-taking characteristics, while, in contrast, the same individual may not be successful as an employee of an audit firm.

### **9. Self Monitoring**


This refers to the ability of an individual to rectify his behaviour with respect to external factors. People with high self-monitoring characteristics can adapt by altering their behaviour according to external and situational factors. Such individuals can clearly make distinctions in their behaviour patterns whether it is in their public, personal and private lives. Further, the high self-monitors tend to pay closer attention to the behaviours of others and are more capable of conforming to adverse situations.


### **10. Tolerance for Ambiguity**

Based on personality uniqueness, some people can stomach a high level of uncertainty without being subjected to excessive stress and function effectively. On the other hand, people having a low tolerance for ambiguity may be effective in structured work setting and find it impossible to operate effectively when things are rapidly changing and there is a dearth of information regarding future events. Usually managers have to work in an environment full of uncertainty owing to rapid changes; therefore, they have to employ high level of tolerance for ambiguity.



#### **Study Notes**

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. What do you mean by term “Personality”</li> <li>2. State the determinants of personality.</li> <li>3. State the functions of consciousness by Jung.</li> <li>4. What is Type A and Type B personality.</li> </ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss the types of Personality trait. Give examples for each type.</li> </ol>	

### 3.3 Perception

Comprehension is based on perception and every individual has comprehension (understanding).

#### 1. Factors in perception:

Personality and perception are dictated by society and social values play an significant part. An individual constitutes of values, attitudes and needs.

**A. Values:** Values are related to status and conduct. Considering the fact that values are important on a personal as well as social level, consciously or sub-consciously, we judge people and utilize it as a standard criterion for guiding a person's action. Values are essential in life and when converted into action they become attitudes.

#### B. Attitudes:

Attitudes lead to prejudice. Attitudes are:

- a. Cognitive: One perceives things according to oneself. This is based on one's knowledge level. A changing behavioural pattern brings about an alteration in attitude. Attitudes can be formed by:
  - Cultural indicators

- Economic indicators
- Social circumstances

In the case of family, there are other indicators.

- Religion
  - Caste
  - Education
  - Beliefs
- b. Affective (emotional)
  - c. Conative (behavioural)

### **C. Needs:**

In our infant stages, we respond only to basic necessities. Our survival depends upon the fulfilment of these needs. An individual' comprises of attitudes and its parameters. Demographic, competency parameters, i.e. abilities, aptitudes and skills can measure competency.

Power and authority: Authority is entrusted on and power is a function of authority.

### **AIDA**

A- Awareness

I- Interest

D- Desire

A-Action

Sensory information is mostly representative.

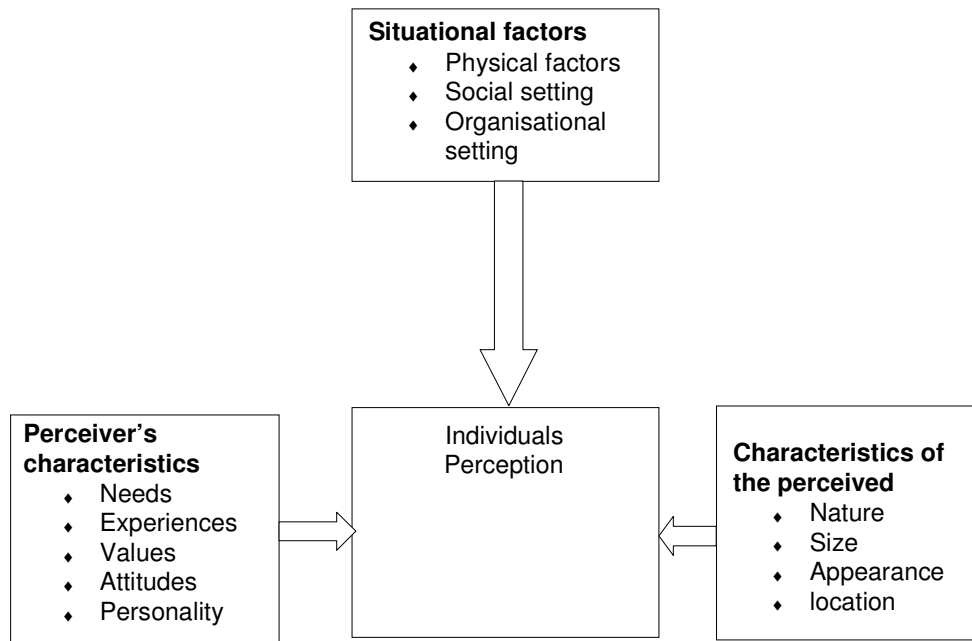
Characteristics of perception are:

1. Perception is experiential: Analysis is done based on experiments.
2. Perception is selective: This is based on:
  - a. Experiences
  - b. Expectations
  - c. Attitudes

- d. Values
  - e. Beliefs
3. Perception is inferential: By perceiving things we draw conclusions. These conclusions are based on incomplete information.
  4. Perception is evaluative: No perception is objective; it always evaluates.
  5. Perception is contextual: Context affects the cognitive structure.

Perception changes what humans see into a different version of reality, which finally corrupts the way humans identify the truth. When people view something with a preconceived notion about it, they tend to adhere to these notions, irrespective of their presence. The problem arises when individuals cannot comprehend the new information without the inherent bias of their previous knowledge. An individual's knowledge develops his or her reality as much as the truth because the human mind only considers aspects that have been exposed. When the mind observes objects without comprehending them, it tends to associate the new object with something that it already identifies in order to process its observation.

Perception basically contains three elements viz, the individual, the object and the situation. Perception is an act of seeing and interpreting the visuals. It is the process by which an individual receives information about the environment. Perception is a process of receiving and interpreting stimuli. This process is affected by several factors and can be illustrated in the figure given below:




**Fig. 3.1: Factors Influencing Perception**


The perceptual process begins with stimuli received through sensory organs. Most of these stimuli are hidden and the rest are organized and interpreted based on numerous information – processing activities. The outcome of the process is either


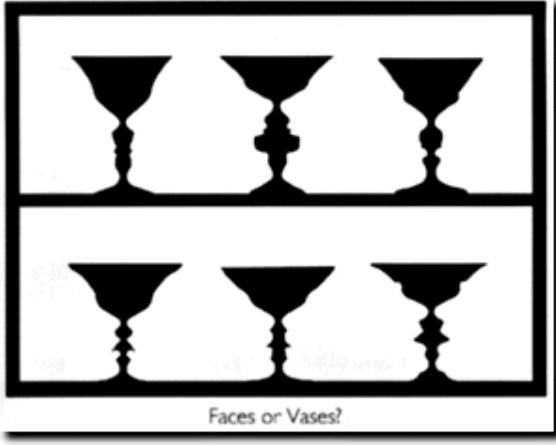
- Covert i.e. attitudes, motivation or feeling
- Overt i.e., behaviour

In an organisation, manager and employee' experiences and learning strongly influences their perceptions. For example, managers, taking decisions on a matter of importance, are influenced by their functional background . A person belonging to a finance background would emphasise on the finance aspect of the problem / situation and so on.

	<b>Study Notes</b>

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	<b>Assessment</b>
<ol style="list-style-type: none"><li>1. Define "Perception"</li><li>2. What are the features of Perception?</li><li>3. Explain the term "AIDA"</li><li>4. Explain the factors affecting Perception of a person.</li></ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"><li>1. Photographer Zeke Berman has created this intriguing collage using silhouettes of real people. You are required to find whether these are Faces or Vases. (Answer depends on how you perceive the picture, whether you see white or black)</li></ol>	
	

### 3.4 Values, Attitudes and Learning

Values are an integral part of every culture. Along with a worldview and personality, they generate behaviour. Being part of a society that shares an ordinary set of principles creates opportunity and certainty without which a culture would crumble and its members would lose their individual identity and good judgement. Values inform people what is good, helpful, essential, useful, attractive, advantageous, appropriate etc. They serve as answer to questions like 'why people do what they do?' Values help people solve common human problems for survival. Eventually, they turn into the roots of society that groups of people find significant in their day to day lives. Values can be positive or negative; some are destructive. To understand people of other cultures, we must recognize the values, beliefs and assumptions that motivate their behaviour. Although values are associated with the norms of a society, they are more universal and theoretical than norms.

#### ATTITUDES

Attitudes are the beliefs, feelings and tendencies of an individual or group of individuals towards things, thoughts and people.

Managers focus on the attitudes of people towards others and their subsequent relevance and implication. Only after understanding the characteristics and features of attitudes, can managers understand the behaviour of their subordinates. The implications of attitudes are:

- Attitudes are cultured over a period of time
- Attitudes refer to the approach or belief of a group of people or an individual
- By accepting the views and belief, one can understand the tendency towards given aspects of the world
- Attitudes can swing from one extreme to another, i.e. from positive to negative
- Attitudes are an integral part of an individual
- Every individual, irrespective of his intelligence or status, holds attitudes

Concept of Attitude - "An attitude is mental state of readiness, learned and organised through experience, exerting a specific influence on person's response to people, object and situations with which it is related"

"Attitudes are learned predispositions towards aspects of our environment. They may be positively or negatively directed towards certain people, service or institutions".

Attitudes and prejudices are synonymous, i.e. an attitude may involve a prejudice in which we presume an issue with biased considerations of all the evidence. It can be both positive and negative.

The most important aspect of attitude is that it is acquired and never inherited. There are several sources of acquiring attitude namely:

- Attitudes formed on the basis of experience are extremely difficult to change.
- Classical conditioning. People develop associations between various subjects and the emotional reactions that accompany them. This fact is utilized by advertisers extensively by attempting to associate a product they want consumers to buy with a positive feeling or event. Another learning process - operant conditioning highlights attitude acquisition. Attitudes can be reinforced, either by verbal or non verbal means and have a tendency to sustain. In contrast, an attitude can also be abandoned, e.g. when it invites ridicule from others.
- Vicarious learning refers to the formation of attitudes by observing the behaviour of others and the consequences of that behaviour. Children learn the attitudes of their parents through explicit (vicarious) learning. In addition, they also learn attitudes vicariously through television, movies and other such media. Movies portraying violence reinforce positive attitude towards aggression. Similarly, the depiction of women as submissive to men will shape and fuel sexist attitudes.
- Family and peer groups: Attitudes towards the opposite sex, religion, tolerance, prejudice, education, occupation, political inclinations etc, are due to the resultant acceptance or rejection of attitudes held by members of our family. Similarly, attitudes are acquired from our peer groups in religious places, colleges, organisations etc.
- Neighbourhood: Our neighbourhood consists of people and we acknowledge their actions and conform to them or we deny them and possibly rebel or oppose them. This conformity or rebellion in some respects is the evidence of the attitudes we hold.
- Economic status and occupation: Our economic and occupational positions also contribute to attitude-formation. They are responsible for our attitudes towards unions, management and our belief that certain laws are "good" or "bad". In short, our socio-economic background influences our present and future attitudes.



It is a proven fact that to be successful everyone, right from a student to an executive, a parent, a teacher, a salesperson, an employer or employee, cannot succeed without positive attitude.

In case of an organisation, positive attitudes have several benefits. They:

- Augment productivity
- Foster teamwork
- Rectify problems
- Create a congenial atmosphere
- Breed loyalty
- Amplify profits
- Foster better relationship with employees, employers and customers
- Improve quality
- Reduce stress
- Bestow the individual with a pleasant personality

The organisation is an association of human beings. A major problem confronted by most organisations today is augmenting the efforts and contributions of these human beings. Since human behaviour is a decisive factor for efforts and contributions, individuals overseeing management of organisations must familiarise with human behaviour. Behaviour is how you conduct yourself. More precisely, it can be defined as the observable and measurable activity of human beings. Innumerable human activities qualify under this category. For example, decision-making is a mental process, operating a machine is a physical process etc.


#### **LEARNING**


Learning is a vital psychological process that determines human behaviour.. The human species, unlike other animals, possesses an extremely high proportion of unused mental capacity at birth. They possess very few instincts or innate response tendencies compared to lower animals. This may be detrimental to man, as he has greater capability for adaptation in response to altered survival conditions because of his learning capacity. As such, learning becomes an important concept in the study of human behaviour.

In very simple terms, learning is considered as modification through practice, training and /or experience. The above argument needs to be supplemented by the fact that learning has several other components.

Learning involves change. This change may be good or bad (from the organisation's point of view). Further, the change may not be visible unless the new behaviour reoccurs in a similar situation. Hence, learning is not constantly reflected in presentation.

Another aspect of learning is that all changes we notice do not replicate learning. Only after ascertaining the permanency of a change can one state the occurrence of learning. Owing to this fact, temporary changes in behaviour, due to fatigue, tension or drugs cannot be termed as learning.

	<b>Study Notes</b>

	<b>Assessment</b>
<ol style="list-style-type: none"><li>1. Define Attitudes, Values and Learning</li><li>2. What are the different sources of acquiring attitude?</li></ol>	



## Discussion

1. Discuss the benefits of positive attitudes in Organisation. Explain with examples.

### 3.5 Learning Behaviour


Further, learning is reflected in behaviour. If change occurs in the thought process or attitudes of an individual, but not in his behaviour, it cannot be termed as learning. The learning needs to produce a potential change in behaviour and not necessarily a change in behaviour itself. (This is because, due to lack of motivation, the individual may not show evidence of a changed behaviour.)


Alterations in behaviour should be triggered by training, experience or practice. Changes in behaviour due to physical damage or disease cannot be called learning. To conclude, the behaviour would probably disappear if it is not reinforced by way of practice or experience. Further, learning is an ongoing process and not confined to educational institutes.


Among the various principles of learning, the most important principle is motivation. According to the basic concept of motivation, learning does not occur in the absence of motivation. In addition to motivation, reinforcement has to be utilised for enhancing the desirability level of behaviour. Reinforcement can be done in both positive and negative ways.

Punishment is an effort to eliminate or weaken superfluous behaviour. An individual can be reprimanded or punished by applying a negative consequence (punishers) or withholding a positive consequence triggered by an undesirable behaviour. While applying the punishment method to change behaviour, one has remember that although it may impede an undesirable behaviour of an employee, the potential negative outcome may be greater than the cost of undesirable behaviour. Some of the potential negative effects of punishment are:-

- Recurrence of undesirable behaviour
- Undesirable emotional reaction
- Aggressive behaviour
- High turnover and absenteeism

	<b>Study Notes</b>

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. Explain the method of punishment in learning.</li> <li>2. What role does motivation play in learning?</li> <li>3. What is Reinforcement?</li> </ol>	

	<b>Discussion</b>
Discuss the difference between learning and Attitude.	

### 3.6 Emotional Intelligence in the Organisation

Emotional intelligence is an essential element in self-leadership and in leadership of others. It requires one to be self-aware and have strong empathy for others. Emotionally intelligent individuals are known to be particularly proficient at regulating emotion. This is used as a nominal process for attaining particular goals, as it can be altered to more adaptive mood states. Conversely, such emotionally intelligent individuals can perk up their moods and the moods of others that in turn encourage others to achieve worthwhile

objectives. In certain circumstances, these skills are channelled antisocially and utilised in to controlling others.


Lastly, emotional intelligence assists in problem solving. Salovey and Mayer (1990) proposed that individuals tend to differ greatly in systematizing their emotions for problem solving. Emotions and moods have a subtle influence over the strategies involved in problem solving. They concluded that with a positive mood, a greater degree of flexibility in future planning can be achieved. This will enable better research for capitalizing on future opportunities. Similarly, they claimed that a good mood is beneficial in creative thinking as it augments an individual's ability for developing category-organising principles. Unfortunately, the reverse of these abilities have a trend to hold true for individuals in negative moods.


In 1995, Daniel Goleman, a science journalist and psychologist by profession, published 'Emotional Intelligence', which was which based on Mayer and Salovey's work who coined the term in 1990 and popularised the EI concept.


Emotional intelligence is based on research within a mixture of areas, in particular, Social Psychology. This impressive body of research continues to grow and develop. It may veer more in the direction of Goleman's 'corporate' approach which focuses on personality traits and implies that emotionally intelligent individuals are ambitious, enthusiastic and committed to achieving their goals. Individuals with emotional intelligence communicate with others with kindness and empathy, have strong social skills and use this emotional awareness to express their actions and behaviour.

The four areas of emotional intelligence, as identified by Mayer and Salovey, are as follows:

- Identifying emotions: The ability to identify one's feelings and the feelings of those around them
- Using emotions: The ability to assist an emotion and reason with it (use it to support thought and decisions)
- Understanding emotions: Emotional knowledge, the ability to classify and understand what Mayer and Salovey term "emotional chains"—the transition of one emotion to another
- Managing emotions: The ability to self-regulate emotions and control them in others

	<b>Study Notes</b>

	<b>Assessment</b>
1. Mention the four areas of emotional intelligence established by Mayer and Salovey.	

	<b>Discussion</b>
1. Discuss importance of Emotional Intelligence in organisation.	

### 3.7 Summary

#### PERSONALITY

The term personality has been derived from the Latin word 'per sonare' which means 'to speak through'. This Latin term denotes the masks used by actors in ancient Greece and Rome. Thus, the term 'personality' is used in terms of influencing others through external appearance. However, sheer external appearance, though important for personality characteristics, does not make the whole personality. According to Ruch, personality should include:

- External appearance and behaviour or social stimulus value
- Inner awareness of self as a permanent organising force

- The particular pattern or organisation of measurable traits, both inner and outer

Bonner provides six factors to classify the nature of personality within the context of change and development: These are:

- Human behaviour is composed of acts.
- Personality visualised as a whole actualises itself in a particular environment.
- It is distinguished by self-consistency.
- It is formed in a time integrating structure.
- It is goal-directed behaviour.
- It is a process of becoming.

Jung defined eight personality types:

- Extroverted Sensing (modern types: ESFP, ESTP)
- Introverted Sensing (modern types: ISTJ, ISFJ)
- Extroverted Intuition (modern types: ENFP, ENTP)
- Introverted Intuition (modern types: INFJ, INTJ)
- Extroverted Thinking (modern types: ESTJ, ENTJ)
- Introverted Thinking (modern types: ISTP, INTP)
- Extroverted Feeling (modern types: ESFJ, ENFJ)
- Introverted Feeling (modern types: INFP, ISFP)

The determinants of personality are Heredity, Culture, Family Background, Experiences in Life, Friend Circle or Company

Some of the important personality factors that conclude what kind of performance will be achieved or what kind of behaviour is exhibited at work are

- Self esteem
- Need patterns
- Machiavellianism

- Locus of control
- Introversion-extroversion,
- Type A and B personalities
- Achievement orientation
- Risk taking
- Self monitoring
- Tolerance for ambiguity

**Perception:** Comprehension is based on perception and every individual has the ability of comprehension (understanding).

#### **FACTORS IN PERCEPTION**

- Values
- Attitudes
- Perception is inferential
- Perception is evaluative
- Perception is contextual

Perception contains three elements viz. the individual, the object and the situation. Perception is an act of seeing what is there to be seen. It is influenced by the individual since he performs the act of “seeing” and “choosing the object to be seen”.

Attitudes are the beliefs, feelings and tendencies of an individual or group of individuals towards things, thoughts and people.

“An attitude is mental state of readiness, learned and organised through experience, exerting a specific influence on person’s response to people, object and situations with which it is related”.

“Attitudes are learned predispositions towards aspects of our environment. They may be positively or negatively directed towards certain people, service or institutions”.

Benefits of positive attitudes

- Augment productivity
- Foster teamwork



- Solve problems
- Create congenial atmosphere
- Breed loyalty
- Increase profits
- Foster better relationships with employees, employers and customers
- Enhance quality
- Reduce stress
- Give a person a pleasing personality

### **LEARNING**

It is another important psychological process determining human behaviour. The human species, unlike other animals, possesses an extremely high proportion of unused mental capacity at birth. As such, learning becomes an important concept in the study of human behaviour.

## **3.8 Self-Assessment Test**

### **Broad Questions**

1. Explain the determinants of personality in detail.
2. What do you understand by perception? Explain the characteristic of perception.

### **Short Notes**

- a. Concept of personality
- b. Values
- c. Learning Behaviour
- d. Emotional intelligence on an organisation
- e. Attitudes

## **3.9 Further Reading**

1. Management, Koontz, H and Wechrich, McGraw Hill, 1995
2. Organisational Behaviour, Luthans F, McGraw Hill, 1995
3. Management, Robbins S P, Prentice Hall of India, 1996

4. Organisational Behaviour, Robbins S P, Prentice Hall of India, 1996
5. Emotional Intelligence at Work, Singh, Dalip, Sage Publications, 2001
6. Psychological Dimensions of Organisational Behaviour, Staw, Prentice Hall Inc., 1995
7. Management, Stoner, J., Prentice Hall of India, 1996

## Assignment


Explain in detail different types of personalities.


[illegible]


[illegible]

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## Unit 4      Group Dynamics and Group Behaviour

	<b>Learning Outcome</b>
<p><b>After reading this unit, you will be able to :</b></p> <ul style="list-style-type: none"><li>• Interpret leadership concept</li><li>• Identify group dynamics</li><li>• Define Group cohesiveness</li><li>• Specify the qualities of a leader</li><li>• Summarise group decision making</li></ul>	

	<b>Time Required to Complete the unit</b>
<ol style="list-style-type: none"><li>1. 1<sup>st</sup> Reading: It will need 3 Hrs for reading a unit</li><li>2. 2<sup>nd</sup> Reading with understanding: It will need 4 Hrs for reading and understanding a unit</li><li>3. Self Assessment: It will need 3 Hrs for reading and understanding a unit</li><li>4. Assignment: It will need 2 Hrs for completing an assignment</li><li>5. Revision and Further Reading: It is a continuous process</li></ol>	

	<b>Content Map</b>
<p><b>4.1 Introduction</b></p> <p><b>4.2 Group Dynamics</b></p> <p>4.2.1 Types of Groups</p>	

<b>4.3</b>	<b>Understanding Group Processes</b>
<b>4.4</b>	<b>Group Cohesiveness</b>
<b>4.5</b>	<b>Group Decision Making</b>
4.5.1	Group Decision Making Methods
4.5.2	Advantages and Disadvantages
<b>4.6</b>	<b>Leadership Theory</b>
4.6.1	Leadership Qualities
4.6.2	Theories of Leadership
<b>4.7</b>	<b>Summary</b>
<b>4.8</b>	<b>Self-Assessment Test</b>
<b>4.9</b>	<b>Further Reading</b>

## 4.1 Introduction

Since the revolutionary work of Hawthorne over five decades ago, behavioural scientists have been concentrating on learning of a group in myriad situations of work. The outcome of numerous studies into the different aspects of the behaviour of groups is a considerable store of useful and practical knowledge about the workings and dynamics of groups. Group dynamics can be useful to training and analysis (as is often the case in experimental, outdoor and exploration learning). Community might undervalue the significance of culture and group memberships on their lives.

Distinctive areas of study are incorporated in the learning of group efficiency, inter-group opposition and group cohesiveness. In modern organisations, group dynamics is important, as it is utilized as a medium for problem-solving. Teamwork and the use of groups in certain situations generally aids in boosting creativity and productivity of an organisation.

## 4.2 Group Dynamics

From the organizational point of view, the term dynamics means “force”. It refers to the forces operating in the organizations or in groups. The social process by which people interact face to face within small groups is called group dynamics. Thus, group dynamics is concerned with the face-to-face communication of individuals.

According to the normative view, group dynamics describes how a group should be organized and conducted. Group dynamics is viewed from the perspective of the material nature of the group, its formation, its structure and process, its operation and its effect on individual members, other groups and the organization. This view is more pervasive in nature.

There are various definitions available to explain the constitution of a group. According to Schein (1988) 'a group is any number of people who:

- Interact With One Another;
- Are Psychologically Aware Of One Another
- Perceive Themselves To Be A Group

(Katzenbach and Smith, 1994) explains group as ‘a small number of people with complementary skills who are committed to a common purpose, performance and goals and approach for which they hold themselves mutually accountable’.

The economic concept of team production (Alchian and Demsetz, 1972) would stress the interdependency of skills rather than the human resource element of commitment, but it is important that the team contain the right mixture of individuals and skills. The most important factors in the behaviour of groups are the size of groups, leadership of groups, cohesiveness of groups, personality of members and their motivation, group norms, individual roles, environment in terms of physical and organizational culture as well as social factors, etc.

#### **4.2.1 TYPES OF GROUPS**

In every organisation's groups are primarily classified into formal or informal groups. They are further sub-classified into various other groups. Given below is a detailed classification of groups in an organisation:

##### **1. Formal Group:**

Formal groups were formed by the management to undertake duties in the quest of organizations goals. These are part of the organizational structure and are deliberately formed by organisation for enhanced productivity. The pattern of communication is also defined and the rules are laid down to regulate the behaviour of group members. Formal group may be constituted on temporary basis for fulfilling certain specified objectives. When such objectives are fulfilled, they disappear. Examples are temporary committees, task force etc.

Formal groups may be further divided into command groups, task groups and functional groups.

**a. Command groups:** Command groups are determined by the organizational chart. It consists of an administrator and the assistant that report to that administrator. The example of a command group is a Finance Department Head and the Financial assistants and other members in that department.

**b. Task groups:** Any group of people who work towards achieving a common assignment is called as Task Group. Here members are brought together to achieve a short- term assignment within a specified period. Task groups are also commonly referred to as task forces. The organization appoints members and subsequently assigns the goals and tasks to be achieved. Examples of assigned tasks are the introduction of a new product line, the changes in production process, or the expansion process. Other common task groups are ad hoc committees, project committee and standing committees. Ad hoc committees are short-term groups formed to resolve a specific



complaint or formulate a new process. Project groups are similar to ad hoc committees and normally separate after the group completes the allotted task. In project groups, the standing committees are more permanent compared to ad hoc committees. They maintain longer life spans by shifting members into the group.

- c. Functional groups:** A functional group is created by the organization to achieve definite goals, but within an indefinite period. Functional groups are existent even after existing goals and objectives are attained. For instance, functional groups would be a Human Resource department, a production department, or an accounting department.

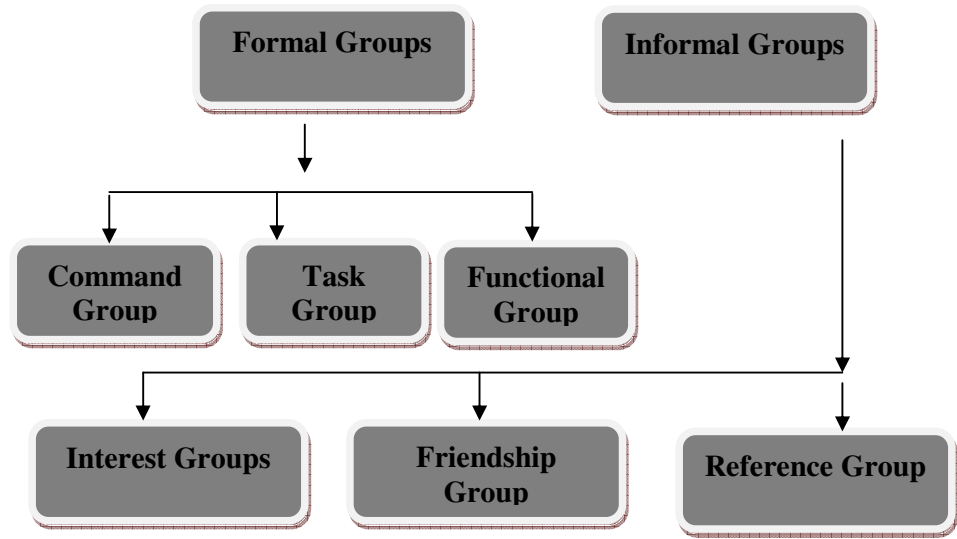
## **2. Informal Groups:**

Informal groups are groups, which have flexible roles, less rules and have participative leadership as opposed to formal organizational groups. These groups are set by employees themselves in accordance with their needs. In contrast to formal groups, informal groups are formed naturally, according to the shared interests and shared values of individuals. They are formed for reasons in addition to the existent accomplishment of organizational goals and have a unspecified time span. Informal groups are not chosen by the organization, hence members can frequently issue invitations to others. Informal groups have great influence on the organization and generate positive or negative effects. For instance, employees who start informal groups can have discussions about improvement of production processes or about how to create shortcuts. And these shortcuts may very well endanger quality, leading to a negative effect. Informal groups can take the form of interest groups, friendship groups or reference groups.


**Interest groups:** The members of interest groups need not necessarily belong to a common department of the organisation but team up for common interests. The goals and objectives of group interests are specific to every group and may not be related to organizational goals and objectives. For example, student interest groups formed for educational purpose like revision of a particular management subject.


**Friendship groups:** Friendship groups are formed by members who enjoy similar social activities, beliefs, religious values, or other common connection. They enjoy each other's company and often meet after work to participate in these activities. For example, a group of employees who form a friendship group may have an exercise group, a basketball team or a fortnightly or monthly informal get-together.


**Reference groups:** These groups are formed automatically but not with purpose. It is formed to compare each other. According to Cherrington, the main purposes of reference groups are social validation and social comparison. Social validation permits members to justify their attitudes and values while social comparison assists individuals in appraising their own actions by evaluating themselves to others. Members belonging to these groups have a strong influence on their colleague's behaviour. By weighing themselves against their colleague's, individuals can verify the acceptability of the behaviour, attitudes and values. As discussed earlier, there is a great distinction between Reference Groups and other groups as these do not actually convene or form voluntarily. For example, the reference group for a new employee of an organization may be a group of employees that work in a different department or ex-employees.



**Fig. 4.1: Types of Group**

	<b>Study Notes</b>
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	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. Explain the term "Group Dynamics"</li> <li>2. Define "Group"</li> </ol>	


	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss various types of Groups in organization and their formation.</li> </ol>	


### 4.3 Understanding Group Process


Groups of individuals unite for achieving common goals or objectives, either as a committee or as some other group and pass various predictable stages initiated before actual useful work can be done.

Aspects of group process include:

- Patterns of communication and coordination
- Patterns of influence
- Roles / relationship
- Patterns of dominance (e.g. who leads, who defers)
- Balance of task focus vs. social focus
- Level of group effectiveness
- Conflict Management
- Emotional state of the group as a whole
- Decision-making is the mental process (cognitive process) that brings about the selection of a course of accomplishment between numerous alternatives. Every decision-making process generates a final choice. The output can be an action or an opinion of choice.

	<b>Study Notes</b>

	<b>Assessment</b>
What do individuals unite for?	

	<b>Discussion</b>
Which are the two most important aspects of group process? Why?	

## 4.4 Group Cohesiveness

Group Cohesiveness refers to the attachment of group members and their inclination wish to continue as a part of the group. Several factors affect group cohesiveness. The more difficult it is to obtain group membership the more interrelated is the group. Groups become cohesive when they are competing with other groups or confront a severe external threat to survival. Smaller groups and groups that spend considerable time together are likely to be more cohesive.

Cohesiveness in work groups affects, employee satisfaction, non-attendance and higher productivity. Highly cohesive groups may be detrimental to organizational performance if their goals are asymmetrical to organizational goals. A major drawback of


highly cohesive groups is that members of the group The major problem with highly cohesive groups is that the members of the group have a propensity to exert pressure on their colleagues each other to settle for an agreement in decision making. Consequently, careless judgments, impractical evaluation of alternative courses of action and a lack of practicability is observed. This could bring about various decision-making issues; some of them are listed below:


1. Inaccurate assessments of the problem
2. Incomplete information search
3. Prejudice in dissemination of information
4. Inadequate development of alternatives
5. Failure to analyse the risks of an ideal choice

It is proved that groups perform better compared to individuals when the tasks involved require assorted skills, experience and decision-making. Groups are often more adaptable and can quickly gather, achieve goals and disband or move on to another set of objectives. Organizations have found that groups also have motivational aspects. They tend to actively participate in decision-making and problem-solving activities leading to increased productivity.



### Study Notes

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. What is Group Cohesiveness</li> <li>2. What are the various aspects of group process</li> </ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss the impact of Group Cohesiveness in Organisation.</li> </ol>	

## 4.5 Group Decision Making

Decision making in groups is occasionally individually examined as process and outcome. Process refers to the group interactions. Some relevant ideas include coalitions among participants, together with, influence and persuasion. Employing politics is often judged negatively, but it is an ideal way of addressing problems when preferences among actors are in conflict, when avoidable dependencies exist, in the absence of super-ordinate authorities and when the technical or scientific merit of the options is ambiguous.

Group decision-making should be distinguished from the concepts of teams, teamwork and independent teams. Generally, although the words "team" and "group" are used interchangeably, there is a difference between the two. A distinction among them would be that teams act more collectively and achieve greater synergy of effort. Katzenback and Smith implied the exact differences between decision-making groups and teams:

- A team has shared leadership roles while a group has a definite leader.
- A team has both individual and collective accountability while a member of a group has individual accountability.
- A team measures performance directly through the members collective work product while the group measures effectiveness indirectly.
- A team discusses, decides and does real work while a group discusses, decides and delegates.

#### **4.5.1 GROUP DECISION MAKING METHODS**

Various group decision-making methods or measures can be used by groups. Each method or measure is known to develop the decision-making procedure in some way. The methods are given below:

##### **BRAINSTORMING**

Brainstorming is a group creativity technique designed for generation of numerous ideas for resolving a problem.

Although brainstorming has become a popular group technique, when applied in a traditional group setting, researchers have failed to find evidence of its effectiveness for enhancing quantity or quality of ideas generated. Owing to problems like distraction, social loafing, evaluation apprehension and production blocking, conventional brainstorming groups are relatively more effective than other types of groups and are less effective compared to individuals working independently. Although traditional brainstorming does not increase the productivity of groups (as measured by the number of ideas generated), it may still present benefits, for example boosting morale, enhancing work enjoyment and improving team work.

##### **DIALECTICAL INQUIRY**

Dialectical inquiry is a group decision-making technique that ensures complete understanding of the probably alternatives. The group is divided into two parts and it discusses the advantages and disadvantages of the proposed solutions or decisions. Similarly, devil's advocacy, a group decision-making method, necessitates any member of the group to highlight the potential problems and furnish a subsequent proposed resolution. These techniques are designed for building confidence, to ensure the group considers all possible consequences of its decision.

##### **NOMINAL GROUP TECHNIQUE**

The nominal group technique is a planned decision making process wherein members mandatorily compose a complete list of their ideas or future alternatives in writing. The group members usually record their ideas privately. After completion of the recording, each group member is sequentially asked to provide items from his list until all ideas or alternatives have been publicly recorded on a flip chart or marker board. Often, at this stage of the process, oral exchanges are limited to explanations—assessment or analysis of listed ideas is unacceptable. The group discusses all the proposals and the listed

alternatives and allots some form of ranking or rating in order of preference. As in the case of brainstorming, criticism of proposals is prohibited which helps in overcoming individuals' reluctance to share their ideas.

#### **DELPHI TECHNIQUE**

The Delphi technique is a group decision-making process that is used by decision-making groups when the individual members are in separate locations. The technique was developed at Rand Corporation. The individuals in the Delphi "group" are usually selected because they possess specific knowledge or expertise of the problem. In the Delphi technique, every group member is asked to provide individual ideas, input and/or option to the decision problem in clear stages. These inputs may be provided in various ways such as e-mail, fax or online in a discussion room or electronic bulletin board. After each stage, the group members ask questions and alternatives are ranked or rated in some manner. After certain rounds, the group finally arrives at a common stance for the ideal course of action.

#### **4.5.2 ADVANTAGES AND DISADVANTAGES**

##### **Advantages**

- If well organised, a heterogeneous group can advance towards definite group conclusions.
- Participants are motivated to get involved in the group because they believe they are eventually affected.
- More ideas can be generated in a shorter period. This paves the way for a full range of individual thoughts and concerns.
- Allows contribution from people of different backgrounds and experiences
- All participants get an equal opportunity to express opinions and ideas in a friendly setting.
- Aids individual generation of ideas without suppression by any dominant group member
- Stimulates creative thinking and effective dialogue
- Facilitates clarification of ideas

##### **Disadvantages**

- Unclear wording or inadequate group discussion may lead to an overlap of ideas.
- Strong personalities may dominate if leadership skills are not exercised.




- The process may require follow-up survey, observations or documentary analysis due to insufficient data.
- This technique is not suitable for routine meetings, bargaining, negotiation or coordination.


Groupthink, is one of the most frequently cited problems. Irving Janis, in his 1972 book, *Victims of Groupthink*, defines it as "deterioration of mental efficiency, reality testing and moral judgment resulting from in-group pressure". Groupthink occurs when persons in a group feel they are forced to conform to what seems to be the main observation in the group. Dissenting views to those of the majority's opinion are concealed and optional courses of action are not completely explored.


Research suggests that positive characteristics of groups provide groupthink. Firstly, in the absence of a predefined process for development and evaluation of alternatives, there is a higher possibility of incomplete set of alternatives being considered and that incomplete exploration of different courses of action. Many of the formal decision-making processes (e.g. nominal group technique and brainstorming) are designed, partially, for reducing the probability of groupthink by ensuring that group members offer and consider a large number of decision alternatives. Secondly, if an authoritative leader dominates the group, other group members may promptly conform to the main view. Additionally, groupthink may if the group is under stress and/or time constraints. Finally, studies recommend that well-organised groups are more prone to engage in groupthink.

Group division is another possible disadvantage of group decision-making. The group tends to come together for bringing about significant solutions to a problem. An example of polarisation is the "risky shift" phenomenon, which occurs when the group decision is undefined compared to individual decisions.. This is due to the fact that many individuals in a group occasionally are unable to experience accountability and responsibility for the events of the group compared to decisions taken independently by them.

Decision-making in groups is a reality of organisational life for many individuals. Since, many individuals spend some fraction of their time in decision-making groups, groups are the subject of research studies each year. In addition to this, there is much more to learn about the development and functioning of groups. Research focuses on learning processes that will make group decision-making more expert and effective. It may also study how the internal nature of groups and the external contingencies faced by groups modify their process in these organisations.

	<b>Study Notes</b>

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. What are the methods of Group Decision Making?</li> <li>2. What do you mean by “Group decision- making?”</li> <li>3. What are the advantages of Group Decision-making?</li> </ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss the problems of Group Decision-making.</li> </ol>	

## 4.6 Leadership Theory

Leadership is the sum of functions performed by executives as individuals and as a group. Leadership is defined as the "interpersonal influence exercised in a situation towards and directed through communication process, towards the attainment of a specialised goal or goals". Leadership is an important component for a successful organisation. The

successful organisation has a feature that distinguishes it from an unproductive organisation: an active and efficient leadership

#### **4.6.1 LEADERSHIP QUALITIES**

George R. Terry (Principles of Management) gives the following characteristics to a good leader:

- Energy
- Emotional stability
- Knowledge of human relations
- Empathy
- Objectivity
- Personal motivation
- Communication skill
- Teaching ability
- Social skill
- Technical competence

Viscount Slim gives the following six characteristics of leadership, which he considers common in a civil or military environment:

- Courage
- Will power
- Judgment
- Flexibility
- Knowledge
- Integrity

According to Chester Barnard, the qualities of a good leader are:

- Vitality and endurance
- Decisiveness
- Persuasiveness

- Stability in behaviour
- Intellectual ability
- Knowledge

## **4.6.2 THEORIES OF LEADERSHIP**

### **1. Trait Theories of Leadership**

The scientific analysis of leadership was initiated by concentrating on leaders themselves. The vital question that this theoretical approach attempted to answer was: What are the characteristics or traits that transform a person into a leader? The “great person” theory of leadership believed that individuals are born either with or without the essential character for leadership.

Finally, the “great person” theory gave birth to an additional practical trait approach to leadership. Under the influence of the behaviourist school of psychological thought, researchers realised that leadership traits are not innate but can also be acquired through learning and experience. Thereon the focus Attention shifted towards the quest for universal traits possessed by leaders. In general, the results of this research attempt were very unsatisfactory.

Even though the trait approach is essential for managerial leadership, the results are still ambiguous. A major obstacle is the managers' predisposition that they are aware of the qualities of a successful leader. Obviously, almost all adjectives can be used for describing a successful leader. However, it should be accepted that there are semantic limitations and that there is no proof of a cause-and-effect relationship between practical traits and successful leadership.

Similar to the trait theories of personality, the trait approach to leadership has provided some descriptive insight but has little analytical or predictive value. The trait approach is energetic but now the significance has moved away from individuality traits and toward job-related skills.

### **2. Behavioural Theory of Leadership**

According to the behavioural theory, powerful leadership is the effect of successful role behaviour. Leadership is depicted through an individual's acts rather than his traits.

Thus, four essential elements leaders, followers, goal and environment have an effect on each other in determining suitable behaviour. Leadership acts may be viewed in

two ways. Some acts are functional to leadership and some are dysfunctional. The dysfunctional acts are also essential in leadership because they discourage workers to work in unison. In general, a leader will not act in this way. The dysfunctional acts are as follows:

- Inability to accept subordinate's ideas
- Display of emotional immaturity
- Poor human relations
- Poor communications

A leader uses three skills viz, technical, human and conceptual to guide his team members. Technical skills refer to a person's knowledge and proficiency in any type of process or technique. Human skill lies in the ability to interact effectively with people and to build teamwork. Conceptual skill deals with ideas and enables a manager to deal successfully with abstractions, to set up models and devise plans. Some of the aspects of functional behaviour for a successful leader can be briefly listed as below:

- Establishing goals
- Motivating employees for achieving goals
- Raising the level of morale
- Building team spirit
- Effective communication

The basic difference between trait approach and behavioural approach is that the former emphasises some particular trait to be possessed by the leader, while the latter emphasises certain behaviour by him. Leader behaviour studies were devised to ascertain how certain behaviour affects the performance and satisfaction of followers. Trait theories laid emphasis on personal characteristics and aimed to demarcate leaders from non-leaders. Leadership behaviour theories, on the other hand, laid emphasis on the study of how a leader conducts himself and ultimately affects on the performance and satisfaction of his followers.

The Ohio State University study and the University of Michigan study are two important behavioural theories.

## OHIO STATE UNIVERSITY STUDY

The main objective of the study was to identify the major dimensions of leadership and to investigate the effect of leader behaviour on employee performance and satisfaction. Discussed below are two leadership dimensions that have emerged through this study:

### INITIATING STRUCTURE

This refers to leader behaviour that defines and organises the group tasks, assigns the tasks to employees and supervises their activities.

## THE UNIVERSITY OF MICHIGAN STUDY

This study produced an identical conclusion to Ohio State Studies. Researchers made a distinction between two different dimensions of leadership viz.

- Production-centred
- Employee – centred

**Production-centred** leaders, as the name suggests, set stringent work standards, systematised tasks down to the last details, recommend work methods and meticulously monitor performance of the subordinates.

**Employee-centred** leaders encourage employee participation in goal setting and in other work-related decisions and help to ensure high performance by inspiring respect and trust.

The production-centred leadership factor and the initiating-leadership structure factor measure work orientation, while the employee-oriented factor and the consideration factor measure people orientation. It is true that favourable behaviour provides greater satisfaction to the followers and the person can be recognised as a leader. Nevertheless, this approach has one drawback, i.e. certain behaviour may be successful at one time, while it may not be efficient at other times. This means the time factor is a fundamental element that has not been considered or measured here.

### 3. Situational Theory of Leadership

After the trait approach failed in the overall theory of leadership, interest turned to the situational aspects of leadership. Social psychologists initiated the search for situational variables that affect leadership: roles, skill, behaviour and followers' performance and satisfaction. It was evident for people studying the leadership phenomenon that predicting leadership effectiveness was more complex than identifying a few traits or preferable

behaviours. The failure to obtain consistent results led to a focus on situational or contingency theories of leadership. As the name implies, contingency theories of leadership are derived from the assumption that the most effective behaviour for leaders to undertake is dependent upon characteristics of the situation in which the leaders find themselves.

The three most popular contingency theories of leadership are:

- Fiedler's contingency model
- Path-goal theory
- Situational leadership theory

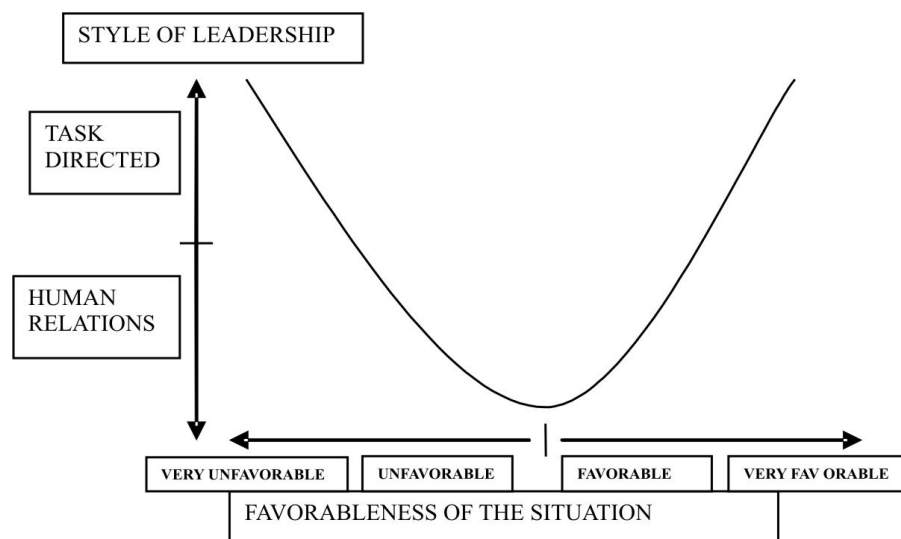
#### 4. Fiedler's Contingency Model of Leadership Effectiveness

Fiedler's model assumes that effectiveness of a leader depends upon:

- His motivational style
- The favourableness of the situation

##### LEADER'S MOTIVATIONAL TRAITS

Leaders differ in their motivational styles. Some believe accomplishing the task and are therefore, task-oriented individuals. These leaders are authoritarian in their approach. Some others are relation-motivated and believe in coping with others. These leaders believe in a participative style of functioning.



**Fig. 4.2: Essentials of Relation-Oriented and Task-Oriented Leadership Styles**

**Table 4.1: Leadership Styles**

Relations Oriented	Task Oriented
Good interpersonal skills	Emphasis on task accomplishment
Sensitive to the needs & feelings of Others	Use of power
Consultation with subordinates	Task structure
Open communication with Subordinates	No consultations with subordinates

### **5. Situational Factors**

According to Fiedler, the situation is favourable to the leader when he has influence and control over his subordinates' performance.

When leader–member relations, i.e. the relationship between the leader and subordinate, are good and the leader can trust the loyalty of his subordinates, the influence and control of the leader are high.

- **Task structure:** This factor implies that when the task has well-defined goals, methods of operation that can be easily defined and accomplishment can be easily measured, then it leads to an ideal solution.
- **Position power:** This comprises formal authority and reward power. Authority is necessary to demand needed resources for accomplishment of the task. In addition, reward power is necessary as a reward for good performance and punishment for negligence on the part of subordinates. Leaders, basically, are motivated by either interpersonal relations or task–goal accomplishment. The situational favourableness is the extent to which the leader has control over the situations.

To test the hypothesis that was formulated from earlier research finding, Fiedler developed what he called the contingency model of leadership effectiveness. This model contained the relationship between leadership style and the favourableness of the situation. Situational favourableness was given by Fiedler in terms of derived dimensions.

Situations are favourable to the leader if all three of the above dimensions are high. In other words, if the leader is accepted by follower, the task is very structured, everything is



“spelled out” and a great deal of authority and power is formally attributed to the leader’s position, then the situation can be termed as favourable. If the opposite exists, the situation will be very unfavourable for the leader.

Fiedler was certain that the right opportunity in combination with the leadership style determines effectiveness. Through the analysis of research finding, Fiedler discovered that under extremely favourable and unfavourable situations, the task-directed or hard-nosed, type of leader was most effective. However, when the situation was only moderately favourable or unfavourable, the human relations or lenient, type of leader was most effective.

## **6. Path Goal Theory**

Path Goal Theory was developed by Robert House According to this theory the job of a leader is to use structure, support and rewards to create a conducive work environment for assisting employees in achieving the organisation’s target goals. The leader has to elucidate goals to the subordinates and clear the path for realising the goals. The theory is rightly termed “path goal”, as the major concern of this theory is how the leader influences the subordinates’ perceptions towards their respective work goals, personal goals and paths to goal attainment.

## **7. Situational Leadership Theory**

The Situational Leadership theory was developed by Paul Hersey and Kenneth Blanchard who provided a situational model of leadership, which adds "maturity" of the group as a possibility variable that deserves due consideration and attention. According to these them, the situational leadership requires adjusting the leader’s emphasis on task behaviour (i.e. giving guidance and direction) and relationship behaviour (i.e. offering socio-emotional support) according to the maturity of the followers in performing their tasks. In the context of this definition, the word ‘maturity’ is not related to age or emotional stability and experience but is to be considered as:

- Yearning for achievement
- Enthusiasm to accept responsibility
- Task-related ability and experience

While determining the leadership style, it is important to note that goals and knowledge of the followers are important variables. According to Hersey and Blanchard, the relationship between leader and the subordinate moves through a kind of life cycle, i.e. as

the subordinates develop and mature, the managers have to change their leadership style during all stages each part of the cycle. To illustrate further, in the initial phase when subordinates have recently joined the organisation, it is important for the manager to adopt the high task orientation approach, as the subordinates need to be instructed about their tasks and organisation's rules and regulations. This style of leadership is called the "directing" or "telling" approach.

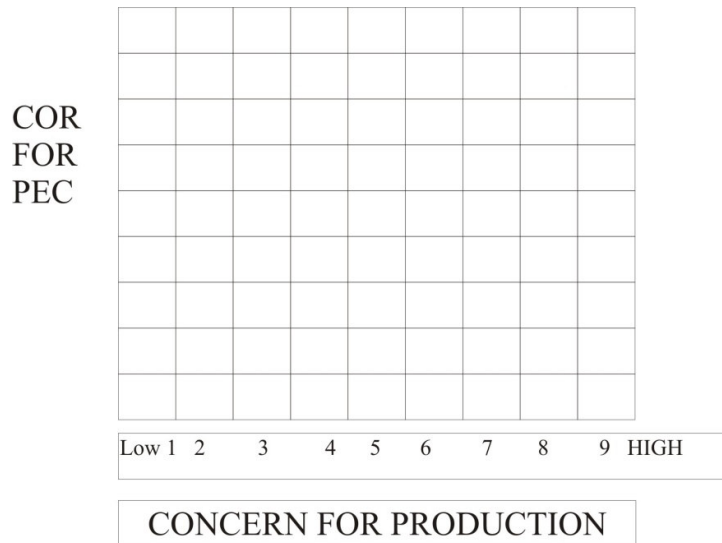
As the subordinates gain additional knowledge about their tasks, it is essential to maintain task-oriented management. This is because the subordinates are not yet fully prepared or willing to accept full responsibility of the task assigned to them. As the manager familiarises with the subordinates, his trust in and support of the subordinates increases and he can further encourage the subordinate. At this stage, the manager may decide to choose or initiate an employee-oriented behaviour. This style is popularly known as the "selling" or "coaching" approach to leadership.

The next phase is known as "participating" or "supporting" style of leadership. At this stage, the subordinate's ability and achievement motivation levels start rising and actively begin to seek more responsibility of their own accord. The manager would continue being supportive and considerate to ensure the subordinates' resolution for greater responsibility is strengthened. The final stage is known as "delegating", in which the manager can reduce the amount of support and encouragement as subordinates gradually become more confident, self-directing and experienced. Now subordinates do not need or expect a directive relationship with their manager as they are on their own.

The situational leadership theory has become extremely popular in the current dynamic business situation as it recommends a leadership style, which is dynamic, flexible, and not static in nature. It is important to assess the ability towards motivation and experience of subordinates on a continuous basis to determine appropriate style or combination under flexible and varying conditions of the environment. This theory is one of the most popular leadership training modules today. Blanchard's successful book 'One Minute Manager' has further ensured that many organisations make use of the model.

## **8. Managerial Grid Theory of Leadership**


As given by Blake and Mouton, this is a two-dimensional grid where the vertical axis corresponds to 'concern for people' and the horizontal axis corresponds to 'concern for production'.




**Fig. 4.3: Managerial Grid**


The 1.1 (row number. column number) manager who has minimum concern for people and production is sometimes referred to one who has the “poor” style. The opposite is the 9.9 manager, who has maximum concern for both people and production. The 9.1 is the “task manager” while 1.9 is the “country-club manager”. The theory does not, in effect, look for the most effective style of leadership; rather, it aims to identify the leadership styles of practicing managers.

Leadership is the main factor for successfully building a business. Here, we are more concerned about the manager as a leader. Without a good leader, the organisation cannot function efficiently and effectively. The organisation is mainly a planned creation of human beings for certain specified objectives and the activities of its members must be directed. Any diversion from this will lead to inefficiency in the organisation. The direction of activities is effected by the leader in the organisation.

	<b>Study Notes</b>

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	<b>Assessment</b>
<ol style="list-style-type: none"><li>1. Explain the concept of Leadership?</li><li>2. List the qualities of good leader.</li><li>3. Explain any two theories of Leadership</li><li>4. Write notes on :<ol style="list-style-type: none"><li>a. Contingency theories of leadership</li><li>b. Managerial Grid Theory of Leadership</li><li>c. OHIO State University Study</li></ol></li></ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"><li>1. Discuss who according to you is the most efficient leader, a “Production centred leader” or “Employee centred leader”.</li></ol>	

## 4.7 Summary

### GROUP DYNAMICS

Group dynamics deals with how groups develop. There are a number of theories that try to explain the reason for the formation of groups. According to the theory of George Homans, groups develop based on activities, sentiments and interactions. Essentially, the conjecture means that while individuals divide universal behaviour, they will have more communication and will develop attitudes (positive or negative) towards all.

## **TYPES OF GROUPS**

There are two major types of groups namely, formal and informal groups that are further classified into command groups, task groups, functional groups, interest groups, friendship groups and reference groups.

## **GROUP COHESIVENESS**

Cohesiveness refers to the bonding of group members and their desire to remain part of the group. Several factors have an effect on the amount of group cohesiveness like serious competition with other groups or when groups face a severe external threat to survival, spending more time together can increase cohesiveness. Cohesiveness can influence organisation largely both positively and negatively.

## **COMMUNAL SWITCH OVER THEORY**

Communal Switch Over theory offers a substitute clarification for group expansion. This theory suggests that the relationships formed by individuals are based on an implicit expectation of mutually beneficial exchanges based on trust and felt obligation

## **GROUP PROCESS**

Groups of individuals come together to achieve a goal or objective, either as a committee or some other grouping and go through several expected stages before useful work can be done.

## **DECISION MAKING**

Decision-making is the mental process (cognitive process) that results in the selection of a course of accomplishment between numerous alternatives. Every decision-making process produces a final choice. The output can be an action or an opinion of choice.

## **GROUP DECISION MAKING METHODS**

### **BRAINSTORMING**

Brainstorming involves group members verbally suggesting ideas or alternative courses of action.

### **DIALECTICAL INQUIRY**

Dialectical inquiry is a group decision-making technique that ensures full thought of alternatives.

#### **NOMINAL GROUP TECHNIQUE**

The nominal group technique is a planned decision making process wherein members must compulsorily formulate a list of their ideas or future alternatives.

#### **DELPHI TECHNIQUE**

The Delphi technique is a group decision-making process that is used by decision-making groups when the individual members are in separate locations.

#### **LEADERSHIP**

It may be defined in expressions of totality of the functions done by executives as individuals and as a whole group.

#### **Theories of Leadership**

Trait Theories of Leadership

Behavioural Theory of Leadership

Situational Theory of Leadership

Fielder's Contingency Model of Leadership Effectiveness

Path Goal Theory

Situational Leadership Theory

Managerial Grid Theory of Leadership

### **4.8 Self-Assessment Test**

#### **Broad Questions**

1. What is Group Dynamics? Explain the various types of groups.
2. Explain the group decision-making methods.
3. Explain the theories of leadership

#### **Short Notes**

- a. Group Cohesiveness
- b. Group process
- c. Advantages of group decision making
- d. Managerial Grid Theory

e. Delphi Technique

## **4.9 Further Reading**

1. Management, Koontz, H and Wehrich, McGraw Hill, 1995
2. Organisational Behaviour, Luthans F, McGraw Hill, 1995
3. Management, Robbins S P, Prentice Hall of India, 1996
4. Organisational Behaviour, Robbins S P, Prentice Hall of India, 1996
5. Emotional Intelligence at Work, Singh, Dalip, Sage Publications, 2001
6. Psychological Dimensions of Organisational Behaviour, Staw, Prentice Hall Inc., 1995
7. Management, Stoner, J., Prentice Hall of India, 1996

## Assignment

Compare leadership style of Azim Premji, Managing Director of Wipro with that of Narayan Murthy of Infosys and comment on what makes them great leaders.

[illegible]



## **Case Study on Leadership Style**

The Queen of daily soaps Ekta Kapoor introduced a new era in television. With the success of "Kahani Ghar Ghar Ki", "Kyunki Saas Bhi Kabhi Bahu Thi". and many more daily soaps, Balaji Telefilms was a roaring success.

Ekta Kapoor's production story Kahaani Teri Meri, started on Sony Entertainment Television on January 2003 at 9:30 pm. It was over-hyped and proclaimed to be a larger than life arrangement than any show on air that time on television." This serial was launched as a replacement for another serial of same banner namely 'Kutumb' that was again popular. But despite the lavish sets and having the advantage of being Ekta Kapoor's pet project, Kahani Teri Meri was not able to establish its place. Even after 3 months on air in a prime time, its TRPs were lower than anticipated, which made analysts wonder whether the Ekta's magic was fading away.

The program listings on various channels in 2002 depicted the hold Balaji Telefilms Ltd. had on television viewers. Ekta Kapoor' daily soaps aired on channels like Star Plus, Zee TV, Sony Entertainment Television as well as regional channels like Gemini TV, Sun TV, etc. BALAJI TELEFILMS LTD grew rapidly since 1994, when it first began operations. The rate of growth increased after the company went in for a public issue in 2000.

### **Establishing her mark in Television Industry**

Ekta introduced Indian television audiences to daily soaps when there was trend of weekly episodes. Ekta, the face and brain of BTL was entirely responsible for the position BTL was able to achieve in the television market. Most of the achievements of BTL could be traced back to Ekta, the creative director at BTL. In 2001, Ekta was selected by the Confederation of Indian Industries, (CII) to head the committee on entertainment. She also received a number of awards over the years. Some of the awards are "Ernst and Young Entrepreneur of the Year" (in 2001), "Corporate Excellence" from Bharat Petroleum (in 2002), "Rajiv Gandhi Award" (in 2002). In 2001, Asiaweek magazine included her in the list of "Asia's 50 most Powerful Communicators".

### **Leadership Style**

Ekta is a completely straightforward person. She ensures she is closely involved with every segment of her daily soaps, be it the script, cast and crew, sets, the costume and make-up, or the advertising and promotion of her daily soaps. As the creative head at BTL, she provided all the ideas. Although she did not actually write the scripts,, she managed a team of creative directors and executive producers who wrote them.

She personally auditioned the cast of the daily soaps, as she completely trusted her ability for choosing the right faces for the right characters.

### **Criticisms**

Ekta faced a lot of aggravation for her serials as well as her attitude. On the human resources front, Ekta is supposedly totally unpredictable. She acquired the image of a tormenter and most of her subordinates were reluctant to approach her cabin. Earlier, she was constantly in news for her dominant managerial style and her tyranny.

### **You are required to answer following question:**

1. What made Ekta Click?
2. Why could BTL not sustain its success?
3. Is Ekta's leadership style responsible for downward trend in BTL? Explain.
4. Comment on Ekta's leadership style and make suggestions for the same.

## Unit 5      Organisational System Design and Structure



### Learning Outcome

**After reading this unit, you will be able to:**

- Define organisational system
- Explain design of the organisation
- Differentiate between structure of the organisation
- Describe different organisational structures
- State matrix organisation structure



### Time Required to Complete the unit

1. 1<sup>st</sup> Reading: It will need 3 Hrs for reading a unit
2. 2<sup>nd</sup> Reading with understanding: It will need 4 Hrs for reading and understanding a unit
3. Self Assessment: It will need 3 Hrs for reading and understanding a unit
4. Assignment: It will need 2 Hrs for completing an assignment
5. Revision and Further Reading: It is a continuous process



### Content Map

#### **5.1 Introduction**

#### **5.2 Organisation Structure**

- 5.2.1 Line Organisation Structure
- 5.2.2 Line and Staff Organisation Structure
- 5.2.3 Functional Organisation Structure

	5.2.4	Divisional Organisation Structure
	5.2.5	Project Organisation Structure
	5.2.6	Matrix Organisation Structure
<b>5.3</b>		<b>Design of the Organisational System</b>
<b>5.4</b>		<b>Summary</b>
<b>5.5</b>		<b>Self-Assessment Test</b>
<b>5.6</b>		<b>Further Reading</b>

## 5.1 Introduction

Organising is the process of combining, coordinating and assembling the activities of a group for seeking common goals. It involves the establishment of working relationships through assigning activities and delegating authority. The delegate is known as the superior, while the individual to whom authority is delegated becomes the subordinate. This is known as an authority relationship or one of superior and subordinate. Organising may be regarded as the process of determining every individual's tasks and the reporting of the same. It consists of division of work among the members of the organisation and is an indication of superior and subordinate relationships among them.

### Definitions:

A few definitions of organising are given below:

**Allen** "Organising is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively together in accomplishing objectives".

**Oliver** "As a process of combining the work which individuals or a group have to perform with the facilities necessary for its execution, that the duties so performed provides the best channel for the efficient, systematic, positive and coordinated application of available efforts".

**Theo Haimann** "Organising is a process of defining and grouping the activities of the enterprise and establishing authority relation among them. In performing the organisation function, the manager defines, departmentalises and assigns activities so that they can be most effectively executed".

**Koontz and O'Donnell** "Organising involves, the establishment of an internal structure of roles, by identifying and listing the activities required to achieve the purpose of a enterprise, the grouping of these activities, the assignment of such group of activities to manager, the delegation of authority to carry out and provision for coordination of authority relationship horizontally and vertically in the organisation structure".

"Organising is a process of dividing up of activities which are necessary to any purpose and arranging them in group which are assigned to individuals". — Urwick

When the stages end, a formal structure known as organisational structure comes into existence.

## 5.2 Organisation Structure

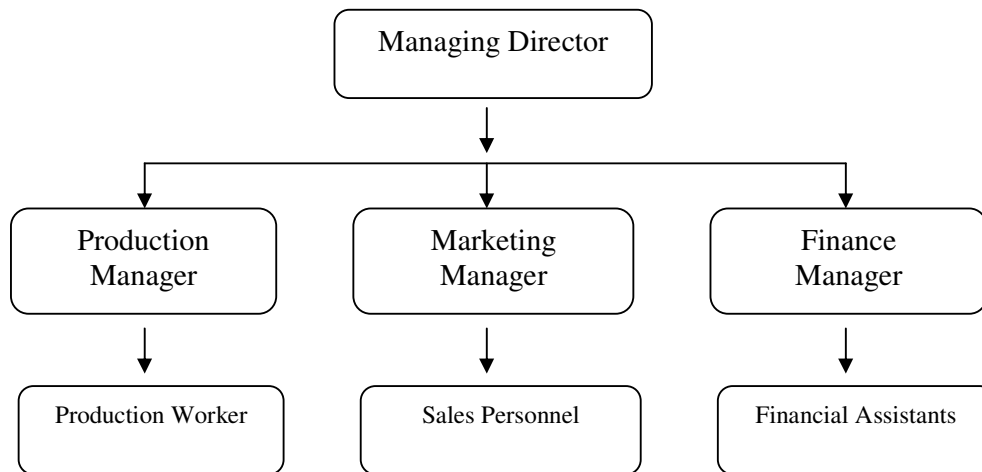
The design of an organisation's structure is considered to be a choice from a large number of alternatives. An organisational structure has various forms; however, not all forms are suitable for all situations, as the differences in contextual variables affect the organisation structure. Considering this viewpoint, managers must be aware of the various alternatives, to enable an appropriate choice of the suitable structure for their organisations.

Classification of the organisation structure is based on various activities for formation of departments and units in the organisation. There are seven types of organisation structure: line, line and staff, functional, divisional, project, matrix and free form (virtual organisation). Each of these structures, emphasises a different arrangement of organisational activities. Some of these are designed on the mechanistic pattern, e.g. line, line and staff structures, while some are designed on the organic or dynamic pattern, e.g. matrix and free-form structures. Others have a combination of both mechanistic and organic patterns in varying degrees. Further, some of the structures are basic, for example, functional, divisional etc; some emerge because of overlays that denote superimposition of one element over another, e.g., matrix structure. In addition to the basic organisation structure, organisations may create committees taking personnel from different departments that have dissimilar processes.

### 5.2.1 LINE ORGANISATION STRUCTURE

Line organisation structure, also known as military, scalar or vertical organisation is perhaps the oldest form. According to this concept, every organisation or hierarchy derived from a scalar process must have a single head that commands it. Executives hold the ultimate responsibility for the end result and possesses the authority to delegate. Line organisation can be designed in two ways:

- **Pure Line Organisation:** Similar activities are performed at a particular level.
- **Departmental Line Organisation:** Activities are divided into different departments based on similarity of activities. One departmental superintendent heads each department. All individuals in the department are subject to control by the departmental head. The basic objective of this form is to have uniform control, authority and responsibility.



**Fig: 5.1 Line Organisation**

The characteristics of Line organisation are as under:

1. Simplest form of organization
2. Top-down line of authority
3. Specialized and supportive services do not occur in these organization
4. Unified control by the line officers can be maintained, as they can independently take decisions in their areas and spheres
5. Line organizations always help in improving communication and bringing stability to a concern

#### **Merits**

Line organisation structure has the following merits or advantages:

- **Simplicity:** This organisation is quite simple in both understanding and implementation. Every person is aware of what is expected of him. Since a person is receiving orders and instructions from one superior, he is not confused about his role and responsibility in the organisation.
- **Discipline:** Since every position is subject to control by its immediate superior position, often the maintenance of discipline is easy. Unity of command and unity of direction foster discipline among people in the organisation.
- **Prompt Decision:** Almost all decisions in such organisations are taken by concerned the superiors. This makes the decision-making process easier and less prolonged. Moreover,

since they do not have to consult or seek advice from others', they can make quick decisions.

- **Orderly Communication:** Line organisation follows the scalar chain method of communication. This denotes that to and fro communication in the organisation will pass through the immediate superiors.
- **Easy Supervision and Control:** The line organisation facilitates easy supervision and control, as every subordinate is controlled by a single superior. The superior has direct and close contact with his subordinates who facilitate supervision and control.
- **Economical:** The line organisation is relatively economical, as it does not employ staff specialists who tend to be expensive especially for small organisations. Every person in the organisation is directly responsible for his contribution to the organisational objectives.

### **Demerits**

Given below are some demerits of Line organisations:

- **Lack of Specialisation:** Line organisations do not offer scope for specialisation. A manager has to execute a variety of functions that may not be necessarily closely interrelated. Any manager, irrespective of his qualities, cannot deal with the various intricacies of the business system. As a result, managers are unable to make a valid decision for requirements in the organisation. Thus, the quality of management is not very satisfactory in this type of organisation structure.
- **Absence of Conceptual Thinking:** Managers in such systems face time-deficiency for conceptual thinking, essential for organisational growth and development, as they are engrossed in their mundane managerial problems. Considering the limitations and numerous responsibilities, individuals are unable to meet the diversified and varied demands of his functions. Very often, managers are also involved in non-managerial functions that not only hamper their efficiency but leave little scope for concentrating on long-term problems of the organisation.
- **Autocratic Approach:** The line organisation is based on the autocratic approach of the authority i.e. being direct and demanding high levels of compliance from subordinates. This approach gives little consideration to the subordinates, which ultimately dampens their spirit to contribute. This may also result in one-way communication, i.e. only



downward communication and the manager at the top may sometimes be devoid of the actual knowledge of the situation.

- **Problems of Coordination:** Coordination among various activities and the departments is achieved through a horizontal relationship, whereas the line organisation stresses only on a vertical relationship. Thus, there is an acute problem of coordination, particularly in a large organisation.

### 5.2.2 LINE AND STAFF ORGANISATION STRUCTURE

Line and staff organisation refers to a pattern where the staff specialists direct the line managers to perform their duties. When an executive has added responsibilities, conducting these additional tasks requires the services of specialists, which he cannot provide because of his limited capabilities on these fronts. Such advice is provided to line managers by staff personnel who are generally specialists in their fields. The departments are only advisory in nature. They have the right to recommend, but not the authority to execute, their preference on other departments.

In actual practice, it is difficult to determine which departments are line or staff. The problem can generally be solved by classification of activities in an organisation: (i) Substantive (direct) in its contribution to the organisation's overall objectives and (ii) Objective (indirect) in its contribution. The departments performing the former set of activities are line ones and those performing the latter group of activities are staff ones.

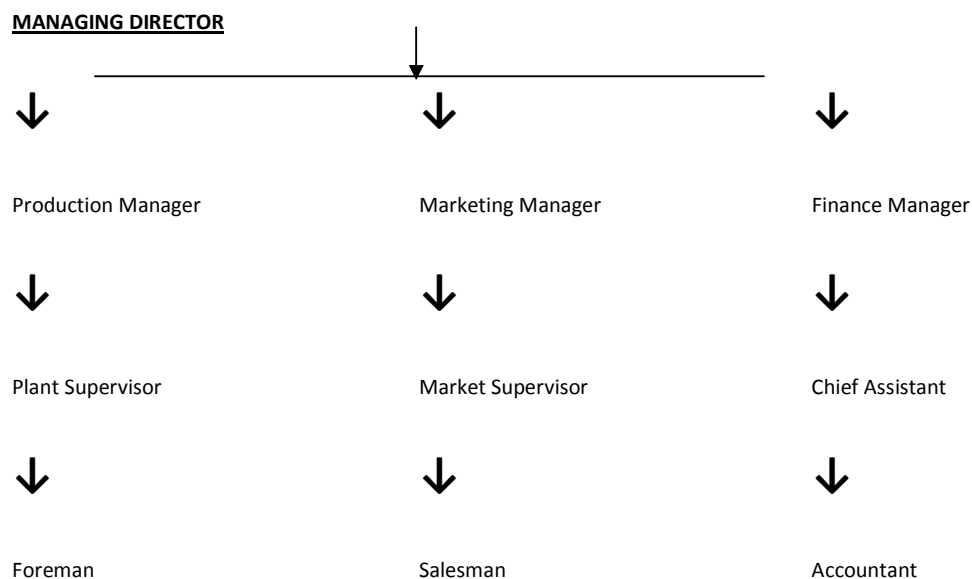


FIG: 5.2 LINE ORGANISATION STRUCTURE

Line organisation structure has the following characteristics:

1. There are two types of staff :
  - a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
  - b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization occurs in line and staff organization.
4. The organization is divided into various functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern :
  - a. Line Authority
  - b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counsellors.

#### **Merits**

The line and staff structure offers the following advantages:

- **Planned Specialisation:** The line and staff structure is based upon the principle of specialisation. The line managers are responsible for operations contributing directly to the achievement of organisational objectives whereas staff members provide expert advice on matters of their concerns. Thus, there is room for creative thinking and generation of new ideas and actions are vital to the organisation. It is said that 'the routine that keeps the ship of industry at creative thought is the motive power that gives it headway'.
- **Quality Decisions:** The quality of decisions in the line and staff structure is high because the decisions are made after careful consideration and thought. Advice is taken from each expert and it is reflected in the decisions taken.
- **Prospect for Personal Growth:** The system of organising presents ample prospects for efficient personnel to grow in the organisation. In addition, it also provides opportunity to concentrate on a particular area, thereby increasing personal efficiency. This is also

according to personal liking, i.e. an individual is expected to work better in his or her field of work.

### **Demerits**

Given below are some basic problems and limitations of the line and staff structure:

- **Lack of Well-defined Authority:** Although it is easy to talk about line and staff authority, often in practice, it becomes difficult to differentiate between the two, as in actual practice the authority is often diffused. Thus, the managers may be unclear about what they are expected to do or the actual area of operation under their authority. Thus, confusion may be created in the organisation.
- **Line and Staff Conflicts:** The main problem of the line and staff structure is the conflicts between line and staff managers. Such conflicts may be due to various reasons and sometimes the organisational conflicts may be taken as personal conflicts that could cause interpersonal problems.

### **5.2.3 FUNCTIONAL ORGANISATION STRUCTURE**

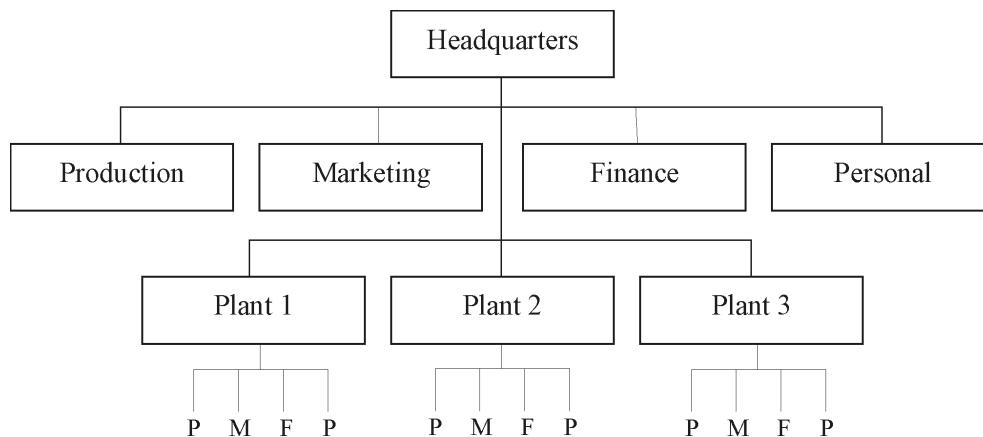
The functional organisation structure is widely used in medium and large organisations with limited number of products. This structure is based on the idea that the organisation performs certain basic functions in order to conduct its operations. It is a normal tendency for the organisation to begin its operations by emphasising the kind of work it must do to achieve its objectives. As it expands, division of labour leads to specialisation, the organisation has more work to do; it adds new specialities and further divides its presently employed specialties.

Functional structure is created by combining the activities i.e. including the functions that are required for the achievement of organisational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature and importance. The basic or major functions are essential for the organisation. For example, in a manufacturing organisation, production and marketing are basic functions, marketing may be again divided into marketing research, advertising, sales promotion etc. Thus, the process of functional differentiation may continue through successive levels in the organisation. Apart from basic and secondary functions, departments are also created to capitalize on specialisation and support basic and secondary activities. These departments may be created and placed according to their role in the organisation. For example, if the organisation emphasises product development and innovation, then the research and development department may be given a high status.

Authority relationships in a functional structure may be in the form of line and staff and functional. In fact, the concept of functional authority is appropriate for functional structure. Thus, functional structure is characterised by the following:

- Specialisation according to functions
- Emphasis on sub-goals
- Pyramidal growth of the organisation
- Line and staff division
- Functional authority relationships among various departments
- Limited span of management and tall structure

The organisation chart of the functional structure is presented in Figure 5.3



**Fig. 5.3: Functional Organisation Structure**

#### **PROBLEMS IN FUNCTIONAL STRUCTURE**

The relative advantages of the functional structure are like doubled-edged swords; they can cut both ways. In some circumstances, they can lead to disadvantages. For example, the organisation may lead to parochialism and goal displacement or control and coordination may lead to overload for a manager. Therefore, if a certain characteristic is stressed upon, there may be dysfunctional behaviour of that feature. The functional structure is not suitable to an organisation that takes up diversification into a new activity, which could be different from the activities being performed by the section. Thus, diversification cannot be managed properly within the context of functional structure; or at least at some level, there may be violation of functional structure.

## 5.2.4 DIVISIONAL ORGANISATION STRUCTURE

The second basic structural form employed by organisations is the divisional structure. While growth through expansion of the same line of business forces a small organisation to organise on functional basis, growth through geographic and product diversification necessitates the adoption of the divisional structure. In India, many companies have diversified into unrelated businesses and have found the functional structure quite unsuitable. For example, companies like D.C.M. Limited, Voltas Limited, Century Spinning Mills, Gwalior Rayon etc., adopted the divisional structure.

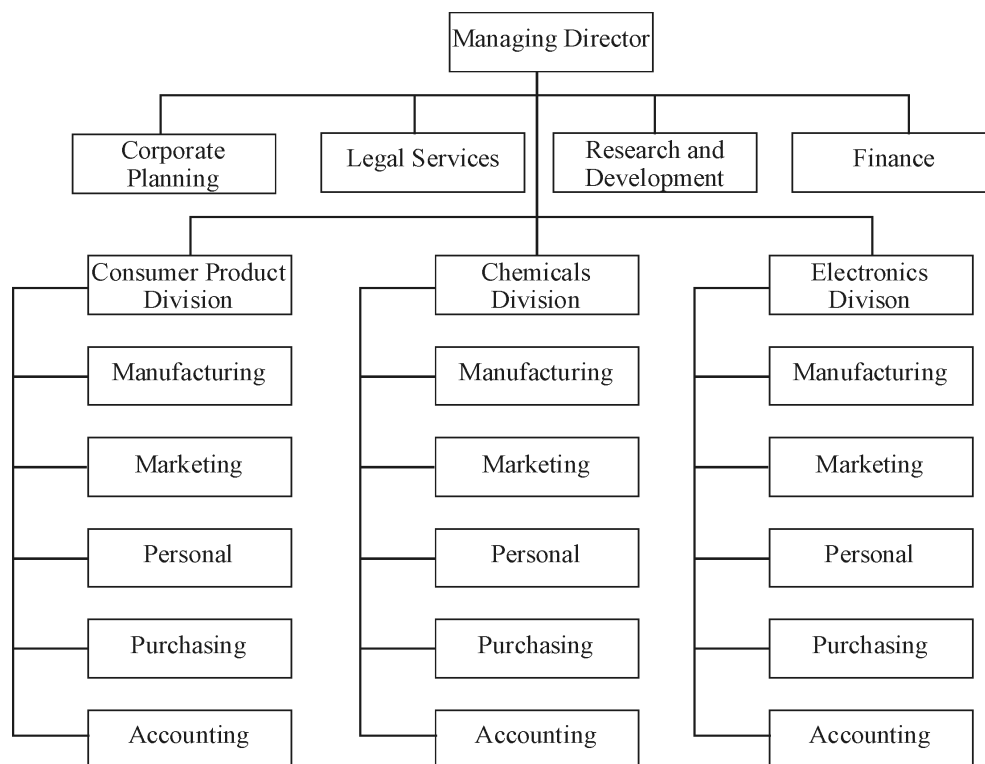
The divisional structure, also called profit decentralisation by Newman and others, is built around business units. In this form, the organisation is divided into several autonomous units. Each unit is relatively self-contained; it has the resources to operate other divisions independently. For example, each division has its own manufacturing, engineering, marketing departments etc. Each unit/ division is headed by a manager who is responsible for the organisation's investment in facilities, capital and people as well as for unit's development and performance. Divisional structure is similar to dividing an organisation into several smaller organisations, but it is not identical, as each smaller organisation is not completely independent. Each unit is not a separate legal entity; it is still part of the organisation. Each unit is directly accountable to the organisation.

### BASIS OF DIVISIONALISATION

Organisations can be created on different bases. Earlier, the two traditional bases were product and territory. Later, many organisations moved from these bases and went on to create divisions based on strategic business units. In each of these bases, functions evolved and therefore, different departments were created.

- **Product Divisionalisation:** In this form, each major product or product line is organised as a separate unit. Each unit has its own functional structure for various activities necessary for the product. Multi-product organisations use this as a basis for divisionalisation. This is appropriate specially when each product is relatively complex and a large amount of capital is required for each product. The product requires different type of efforts when compared to others in terms of marketing and/or production. For example, Century Mills has separate divisions for textiles, cement and shipping. Reliance Industries Limited has six product divisions: textiles, polyester, fibre intermediates, polymers, chemical, oil, and gas. Each division caters to different customers and has different types of competition.

- Territorial Segregation:** In this form, regional offices are established as separate units. Each regional office has its own set of functional departments and operates under the strategic policies and guidelines established by the corporate management. This is useful for those organisations whose activities are geographically spread such as banking, transport, insurance etc. For example, Life Insurance Corporation of India runs its life insurance business based on territorial segregation in which the entire geographical area of the country has been divided into five zones—eastern, central, northern, southern and western. Each zone has been further divided into an appropriate number of divisions, for example, north-zone into four divisions located at Jalandhar, Chandigarh, New Delhi and Ajmer. Each division has a number of branches at different places covered by the division concerned.
- Strategic Business Unit:** In multi-product or multi-geographical area companies, divisions are created in the form of various strategic business units (SBUs). General Electric Company (GEC) of USA, in order to manage its multi-product business, evolved the SBU concept. The fundamental concept in SBU is to identify the independent product/market segments served by an organisation. Thus, different SBUs are involved in *distinct strategic business areas* with each area serving a distinct segment of the environment.



**Fig. 5.4: Divisional Organisation Structure**

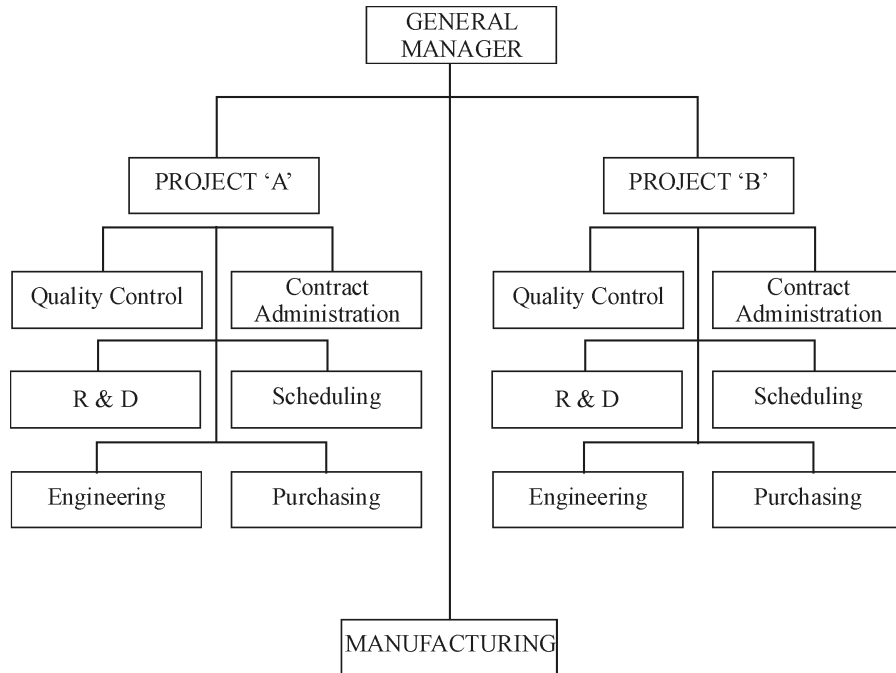
### **5.2.5 PROJECT ORGANISATION STRUCTURE**

Major reform in the traditional functional structure comes from a group of related structures having titles such as project management, programme management, systems organisation, product management, brand management and matrix structure. A common feature is that all of them provide a horizontal grouping of a number of functions that might otherwise be labelled functional departments and exercising staff and functional authority. Out of these, project organisation structure and matrix organisation structure have become quite popular. The basic idea behind these structures is that since the environment changes very rapidly, the organisation must undertake various activities on a project basis, i.e. adding the required ones and deleting the unnecessary ones.

Thus, the organisation can be an organic-adaptive one. The project work can be managed in two forms of organisation: pure project organisation and matrix organisation. The pure project organisation is suitable for taking a small number of larger projects with a long duration so that a separate division can be created for each project. Matrix organisation, on the other hand, is suitable for taking a large number of smaller projects and the activities of various projects can be accomplished through the creation of temporary departments.

Project organisation is similar to the divisional structure except that, in the latter, various divisions are created on permanent basis; while in the former, they are created only for the lifetime of a project. When a particular project is completed, the concerned division may be dissolved. However, if a project continues for a long time, it might become permanent to certain extent. For example, Middleton observes, "A project organisation can also be the beginning of an organisation cycle".

The establishment of the project organisation calls for the appointment of a project manager who is responsible for completion of the project. He coordinates the activities of the project. He prescribes what is to be done, when it is to be done and the amount of resources that are required. The functional personnel are drawn from various functional departments and functional managers decide who in their department will perform the task and how it will be done. Thus, the project manager is a unifying and focal point for the project activities.



**Fig. 5.5: Project Organisation Structure**

A project manager does not have vertical authority on the personnel drawn from various functional departments, unlike a divisional manager who has line authority over the people working in various functional departments assigned to his division. In the absence of any vertical authority, the project manager must convince the functional employees to help him in completing the project within the stipulated time.

#### **Problems in Project Organisation**

In fact, many of the flexibilities of project organisation may turn into problems if arrangements are not made for overcoming these problems. A project manager has to face unusual problems resulting from the management of the project. The following problems are usually experienced in project organisation:

- Project organisation creates feelings of insecurity and uncertainty among people in the organisation. It has an *ad hoc* arrangement with a limited life. Therefore, a doubt arises in one's mind: what will happen after the project is over.
- People are not able to identify themselves with any particular department in the organisation because they do not have a permanent tenure for any project.
- Often, the project manager faces numerous problems because he has to shoulder the responsibility without any authority. Therefore, he has to rely on his personal qualities



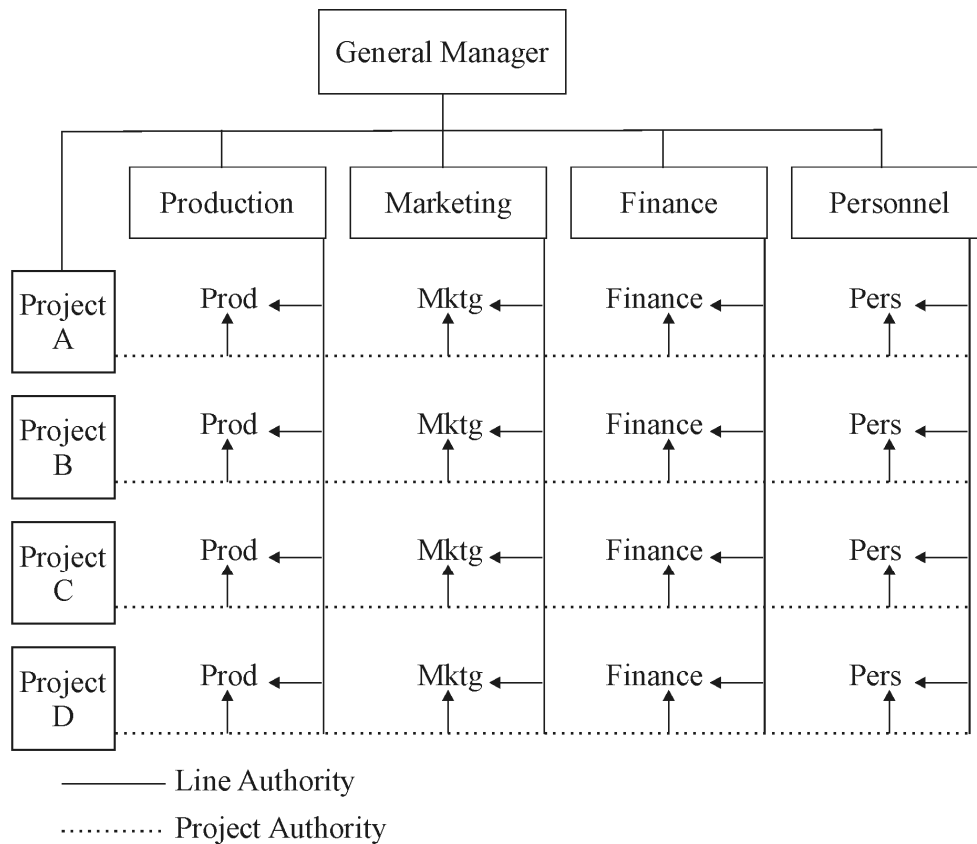
rather than on his official authority. Hence, in hostile organisational climate, there is a high chance of his failure.

### **5.2.6 MATRIX ORGANISATION STRUCTURE**

Matrix organisation structure is a violation of unity of command and therefore, concepts related to the principle of unity of command are violated. Matrix structure is the realisation of the two-dimensional structure that emanates directly from two dimensions of authority. Two complementary structures— pure project structure and functional structure—are merged together to create the matrix structure. The matrix structure includes multiple command, the related support mechanism and associated organisational culture and behaviour. It has many organisational projects on command system, whole organisational processes and behaviour.

#### **DESIGN OF MATRIX STRUCTURE**

In the matrix organisation structure, a project manager is selected to organise and coordinate the activities of the project. Personnel are drawn from their respective functional departments. Upon completion of the project, these people may return to their original departments for further assignments. Thus, each functional staff has two superiors—his administrative head and his project manager. During his assignment to a project, he works under the coordinative command of the project manager and he may be called upon by his permanent superior to perform certain services needed in the project. Thus, a subordinate in the matrix structure may receive instructions from two bosses. Therefore, he must coordinate the instructions received from two or even more bosses. Similarly, a matrix superior has to share the facilities with others. He reports in a direct line to the superior but does not have a complete line of command below.



**Fig. 5.6: Matrix Organisation Structure**

### Problems in Matrix Structure

The matrix structure faces many problems in practice due to its flexibility. Given below are some obstacles in matrix structure and the subsequent measures managers should take adequate precautions to overcome them:


- A power struggle is always present in the matrix structure. The essence of the matrix structure is dual command and to survive such a form there needs to be a balance of power. However, the power balance shifts constantly as people try to maximise their benefits. This results in a power struggle among people, which could turn dysfunctional if the top management does not play an active role in balancing the power.
- Matrix structure can develop anarchy if not managed properly. People have to work under multiple commands. Besides, there may be informal relations among the people. Thus, the whole concept of flexibility may result in problems as people may be confused about their tasks and contributions.


- The structure may not work very well when there is an economic crunch. In the case of an economic crunch, the organisation may not be in the same position (that it was in earlier) as there may be many changes in the market position, pressure on profit margin and financial problems. In order to overcome these problems, the organisation may be required to change its strategy, which may not correspond to matrix structure. For example, the decision process has to be centralised to facilitate quick decisions in event of opposition.
- If the matrix organisation structure is not followed properly, there is a delay in decision-making. The decision-making process is such that many people are involved in the decision; each person may hold veto power or may not approve because of the power struggle and conflict. In this situation, the top management may remain busy in solving the internal problems of the organisation and find less time for external affairs.
- At the initial level, the matrix structure becomes expensive due to of top-heavy management. It does seem to double up management because of a dual chain of command. However, this is only an initial problem and in the end, this can be offset by the benefits accrued from the matrix structure.

A perusal of the various problems suggests that many of these problems arise due to faulty implementation of matrix structure. If it is implemented with proper perspective, many problems will dissolve. As discussed earlier, the matrix is not merely a structure but includes systems, culture and behaviour that must be in accordance with the matrix philosophy.



### Study Notes

	<b>Assessment</b>
<ol style="list-style-type: none"> <li>1. Define “Organizing”</li> <li>2. Explain the term Organizational Structure. What are the points to be remembered at the time of preparing Organizational Structure?</li> <li>3. Explain various types of organizational structure along with its advantages and disadvantages.</li> <li>4. What are the bases of division in organization?</li> </ol>	

	<b>Discussion</b>
<ol style="list-style-type: none"> <li>1. Discuss what type of Organizational Structure is maintained by following companies: <ol style="list-style-type: none"> <li>a. Voltas Ltd.</li> <li>b. Reliance Industries Ltd.</li> <li>c. Wipro Technologies Ltd.</li> </ol> <p>Also, draw organizational structure of these companies.</p> </li> <li>2. Draw functional organizational structure of any of the industry of your choice.</li> <li>3. Draw organizational structure of a project of “Constructing a highway”</li> <li>4. List any two companies that have Matrix organizational structure. Study them in detail.</li> </ol>	

### 5.3 Design of the Organisational System

To design means to function according to a plan. The design establishes the relationships among the various parts of the organization (or the system), linking them together and outlining the composite whole. The design includes arranging physical facilities and technological processes to carry out production and auxiliary activities. It also determines the nature of the task, the job or the work to be performed by the people in the organization. Therefore, the design must consider the network of communication that will unite technology, structure, and people into a coordinated effort, a total system.

The design of a new organization is only the first phase of the design function. The scope of system design also covers the function of "redesign", which implies assessing the existing system to improve its effectiveness and efficiency.

#### **DESIGN PROCESS**

An organization develops its broad objectives first and then creates the organizational and technological systems and subsystems necessary to achieve its general objectives and more specific goals. This often involves designing complex networks of systems in precise hierarchies. One basic goal of systems management is to optimize the total system. If a change in the performance of a subsystem reduces the effectiveness or efficiency of the total system, even though it may improve the operation of the subsystem, it should not be introduced. Thus, the design of subsystems is confined by the nature of the output that the next level in the system's hierarchy necessitates.

Each subsystem's objectives serve those of the next higher system in the hierarchy. Therefore, in view of such major subsystem relationships, the total mission must be subdivided into segments having distinct and measurable units of input and output developed on a scale where operations are economical. Determining the total combination and nature of subsystems necessary to complete the task, although possibly not as glamorous as outlining total systems objectives, is the key to achieving effective and efficient operations or organizational goals.

#### **CONSTRAINTS ON THE DESIGN**


Constraints place limits on the design and operation of systems. The external environment tends to influence any open or flexible system. This external influence, in turn, places constraints on the design of many of the organization's subsystems. For example, ecologists can influence management's plans in the location of a new production plant and also affect the design of the manufacturing process as it relates to the disposal of wastes. Federal and state regulations may dictate the nature of cost reporting, which could determine the nature of the internal management information system. In effect, each system is a subset of a higher-level system, which may dictate or influence design and operating decisions.


The organization's general design and operating policies will also determine the limits within which each subsystem must function. Examples of such policies may include top management's standards of social and ethical conduct, the amount of capital and/or resources available for each subsystem, the kind of input furnished by external systems in


addition to other subsystems of the organization and the nature of output outlined for each subsystem as its contribution to organizational goals.

The production process also may restrict details of the design, i.e. the technology available to process the input or the layout prescribed by the use of a particular process. For example, the transformation or decomposition of nitrogen pentoxide ( $\text{N}_2\text{O}_5$ ) in a carbon tetrachloride ( $\text{CCl}_4$ ) solution requires a specific temperature in order to maintain a predictable reaction. Such processing may require computer control, which in turn will determine the character of plant layout and air conditioning facilities.

The constraints mentioned above are only a few illustrations of potential limitations on design. It is important to recognize such constraints early in the design process and either work around them or attempt to eliminate them.

	<b>Study Notes</b>

	<b>Assessment</b>
1. What are the factors hampering design of organisational structure.	

	<b>Discussion</b>
1. Discuss the process of designing Organisational Structure.	

## 5.4 Summary

Organising is a process of combining, coordinating and assembling the activities of a group for seeking common goals. It implies the establishment of work relationships, which is done by assigning activities and delegating authority. Organising may be regarded as a process of determining who does what and who reports to whom.

“Organising is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively together in accomplishing objectives”.— **Allen**

### **ORGANISATION STRUCTURE**

The design of an organisation structure is considered a matter of choice among a large number of alternatives.

### **LINE ORGANISATION STRUCTURE**

Line organisation structure is also known as a military, scalar or vertical organisation and perhaps is the oldest form. Line organisation can be designed in two ways:

- Pure Line Organisation
- Departmental Line Organisation

### **MERITS**

Line organisation structure has the following merits or advantages.

- Simplicity
- Discipline
- Prompt Decision
- Orderly Communication
- Easy Supervision and Control
- Economical
- Overall Development of the Managers

### **DEMERITS**

Line organisations offer many problems and limitations, which are as follows:

- Lack of Specialisation
- Absence of Conceptual Thinking
- Autocratic Approach
- Problems of Coordination

#### **LINE AND STAFF ORGANISATION STRUCTURE**

Line and staff organisation refers to a pattern where the staff specialists direct line managers to conduct their duties.

##### **MERITS**

- Planned Specialisation
- Quality Decisions
- Prospect for Personal Growth

##### **DEMERITS**

- Lack of Well-Defined Authority
- Line and Staff Conflicts

#### **FUNCTIONAL ORGANISATION STRUCTURE**

Functional structure is created by combining the activities, including the functions that are required for the achievement of organisational objectives

#### **DIVISIONAL ORGANISATION STRUCTURE**

The second basic structural form employed by organisations is the divisional structure. Divisional structure, also called profit decentralisation by Newman and others, is built around business units. Each unit is not a separate legal entity; it is still part of the organisation. Each unit is directly accountable to the organisation.

##### **BASIS OF DIVISIONALISATION**

There are different bases on which various divisions in an organisation can be created. The two traditional bases are product and territorial.

**Product Divisionalisation:** Each major product or product line is organised as a separate unit. Every division caters to different customers and has different types of competition.



**Territorial Divisionalisation:** In this form, regional offices are established as separate units. Each division has a number of branches at different places that are covered by the division concerned.

**Strategic Business Unit:** In multi-product or multi-geographical area companies, divisions are created in the form of various strategic business units (SBUs). Thus, different SBUs are involved in distinct strategic business areas with each area serving the distinct segment of the environment.

#### **PROJECT ORGANISATION STRUCTURE**

Project organisation appears similar to the divisional structure except that in the latter, various divisions are created on a permanent basis while in the former they are created only for the lifetime of a project.

#### **MATRIX ORGANISATION STRUCTURE**

Matrix organisation structure is essentially a violation of unity of command and therefore, whole classical concepts related to the principle of unity of command are violated. It has many organisational projects on command system, whole organisational processes and behaviour.

#### **DESIGN OF ORGANISATIONAL SYSTEM**

To design" means to function according to a plan. The design establishes the relationships among the various parts of the organization (or the system), linking them together and outlining the composite whole. The design includes arranging physical facilities and technological processes to carry out production and auxiliary activities. It also determines the nature of the task, the job, or the work to be performed by the people in the organization.

### **5.5 Self-Assessment test**

#### **Broad Questions**

1. Explain various types of organisation structure in detail.
2. What do you understand by design of the organisational system? Explain in detail.

#### **Short Notes**

- a. Characteristics of Line and staff organisation structure
- b. Merits of Project organisation structure

- c. Process of designing organisational system
- d. Matrix organisation structure
- e. Advantages of organisational structure
- f. Organisational structure

## **5.6 Further Reading**

1. Management, Koontz, H and Wechrich, McGraw Hill, 1995
2. Organisational Behaviour, Luthans F, McGraw Hill, 1995
3. Management, Robbins S P, Prentice Hall of India, 1996
4. Organisational Behaviour, Robbins S P, Prentice Hall of India, 1996
5. Emotional Intelligence at Work, Singh, Dalip, Sage Publications, 2001
6. Psychological Dimensions of Organisational Behaviour, Staw, Prentice Hall Inc., 1995
7. Management, Stoner, J., Prentice Hall of India, 1996

## Assignment

Study the organisational structure of Indian railways and determine its type.

[illegible]

## **Glossary**

<b>Management:</b>	The ability of getting work done from people.
<b>Administration:</b>	The performance or management of business operations
<b>Organisation:</b>	The planned coordination of the activities of a number of people for the achievement of some common, explicit purpose or goal.
<b>Brainstorming:</b>	A method to generate a list of ideas. The goal is to get all participants to share ideas without filtering the ideas. Another hope is that ideas provided by some will trigger new ideas in others.
<b>Scalar Chain:</b>	A principle wherein order and communication pass through proper chain of command.
<b>Esprit de Corps:</b>	A term which emphasis "Union is Strength".
<b>Planning:</b>	It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.
<b>Staffing:</b>	The process by which organizations meet their human resource needs, including forecasting future requirements, recruiting and selecting candidates and orienting new employees
<b>Innovations:</b>	The managed effort of an organization to develop new products or services or new uses for existing products or services.
<b>Leadership:</b>	Influencing others to act towards the attainment of a goal.
<b>Controlling:</b>	It is concerned with monitoring employees' activities, keeping the organization on track towards its goals, and making corrections as required.
<b>Coordination:</b>	Orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose.

<b>Directing:</b>	It deals with the steps a manager takes (guiding, supervising, motivating, etc) to get subordinates and others to carry out plans
<b>Personality:</b>	The totality of somebody's attitudes, interests, behavioural patterns, emotional responses, social roles, and other individual traits that endure over long periods of time.
<b>Group Dynamics:</b>	The study of groups, and a general term for group processes.
<b>Group Cohesiveness:</b>	The force bringing group members closer together.
<b>Organisation Structure:</b>	The internal lines of authority and communication within an organization, which define how programs and departments are managed, which types of activities are carried out by which programs or departments, and the functional and supervisory relationships between the staff and the manager of those departments.
<b>Organisational Chart:</b>	A chart showing the working relationships of all staff positions within an organization or program and the formal supervisory structure and reporting relationships between different functions and positions of the management and staff.
<b>Machiavellianism:</b>	It is individual's tendency to manipulate people. This term is derived from the writings of Nicolo Machiavelli.
<b>Perception:</b>	It is the process of attaining awareness or understanding of sensory information.
<b>Contingency Approach:</b>	An approach that implies that management values and concepts of various schools have no universal applications.
<b>Systems Approach:</b>	It is a management approach that enables the leadership to see the company as a unified part or a major section of the larger outside corporate environment.

**Scientific Management:**

An approach that emphasizes the scientific study.