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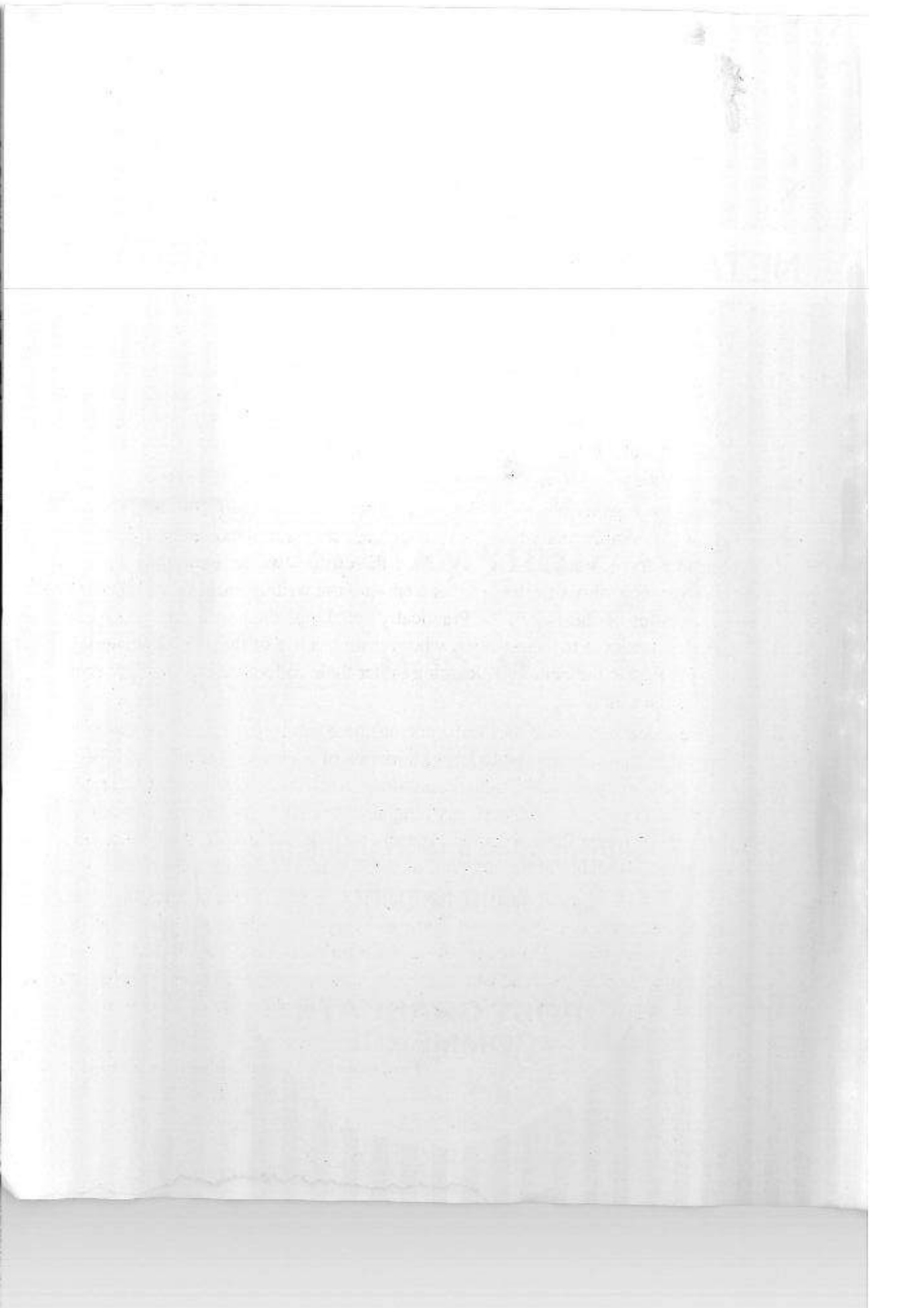
STUDY MATERIAL

M. COM.

PAPER - 1

Principles and Practice of Management

POST GRADUATE
COMMERCE

PREFACE

. In the curricular structure introduced by this University for students of Post- Graduate degree programme, the opportunity to pursue Post-Graduate course in any Subject introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis.

The accepted methodology of distance education has been followed in the preparation of these study materials. Cooperation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of a proper lay-out of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials, the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University.

Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

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Sixth Reprint : November, 2015

POST-GRADUATE : COMMERCE
[M. COM.]

Paper – 1
Modules 1 & 2
Principles and Practice of Management

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Module
1

Module
2

Unit 1 ❑ Management

Structure

1.1 Introduction

If you go through books of management, selected randomly, you will be puzzled and confused over the meaning of management. Different authors approach management differently, use different semantics and define management differently, but arrive at the same conclusion. The situation is like that of different sects of a religion reaching the God following different paths. Looking at the field it can be said that management is a body of knowledge, a function and tasks to be done.

Management body of knowledge or discipline is based on general principles which are variable in terms of business practice, Management discipline should allow for the fact that management may be practised in similar terms in all kinds of companies by all kinds of people. It is universalistic in character.[1]

Alternatively, management, instead of being a body of knowledge, is something which managers do.[2] These tasks contain fulfilling the specific purpose and mission

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1. Allen, Louis A., Management and Organization. P. 8
2. Urwick, Lyndall F., The Pattern of Management, 1957. P. 3

of the institution, making work productive and worker achieving, and managing social impacts and social responsibilities[3]. Drucker insists that the focus of management must be on the tasks.[4]

The scholars have logically and comprehensively grouped the tasks into several functions, viz., planning, organising, controlling, motivating, leading and communicating. Managers carry out these functions using the systematised body of knowledge. This course sees management at a function, known as Process Approach to management. Thus management is a distinct field of knowledge and managing is a distinct kind of work.

However, this distinct kind of work is carried out as a group effort, individuals managing their own affairs is not the right context of management[5]. Management divorced from organisation is no management[6]. Management is practised within an organisation where group efforts fructify.

1.2 Definition of Management

The Process Approach emphasises upon the art of doing the managerial functions. So it is logical to use the term "managing" in lieu of management. Managing is "the creation and maintenance of an internal environment in an enterprise where individuals working together in groups, can perform efficiently and effectively toward the attainment of group goals[7]. Such an internal environment can be created by performing the managerial functions noted earlier. The definition takes care of the group effot aspect which is exerted within an organisation and the aspect of organisation goals.

1.2.1. Basic Management Functions

Managerial functions are performed by all managers right through the first level to top level management. The coverage and significance of their functions depend upon the level of hierarchy at which they are performed. A bird's eye view about them is given below.

3. Drucker, Peter F., People and Performance : The Best of Peter Drucker, 1978. P. 28
4. Ibid, P. 35
5. Kast, Fremont E. and Jamees E. Rosenzweig, Organization and Management : A system Approach, 1970. P. 6
6. Drucker, Peter F., The Best of Peter Drucker, P. 27, Also Hersey, Paul and Kenneth H. Blanchard, Management of Organisation Behavior; Utilizing Human, Resource, 1986, P. 3
7. Koontz, Harold and Cyrill O'Donnell, Principles of Management : An Analysis of Managerial Function 1972, P. 1

Planning

Planning function demands that managers think through the organisation's goals and actions in advance. It involves selecting objectives, strategies, polices, programmes and procedures either for the entire organisation or for a segment of it. Plans are guides by which (1) and organisation obtains and commits the resources necessary to attain its objectives; (2) organisation's members carry on activities consistent with objectives selected; and (3) the organisation monitors progress towards the objectives.

Planning function starts with the selection of goals for the entire organisation. Goals are then established for each division, department etc., down the organisation hierarchy. Matching strategies, policies, programmes and procedures are decided after considering their feasibility.

Planning always refers to a time limit within which it must be completed. Time horizon for a supervisory level plan normally is a day and for a top level one may be 5 years or more. Planning implies coordinated effort towards achievement of the common objective.

Organising

Organising involves the establishment of an intentional structure of roles. It is a process of arranging and allocating work, authority and resources among the organisation's member to enable them to contribute to goal achievement. Organising produces a structure of role relationships in an organisation. The future plans are pursued through these structured relationships. Thus, organisation structure is not on end in itself, but an instrument for achieving enterprise objectives.

The organisation must fit the task – not - vice versa. An organisation engaged in software development needs a structure different from that of an organisation manufacturing locomotive engine.

The organisational roles must be manned. For manning the managerial roles right people are to be selected, trained and assigned to the roles. This part of organising manufacturing locomotive engine.

The organisational roles must be manned. For manning the managerial roles right people are to be selected, trained and assigned to the roles. This part of organising function in called Staffing.

Issues involved in organising are designing the structure, levels of management, degree of centralisation, delegation of authority, unity of command, span of control and line and staff relationship.

Controlling

Controlling is the measurement and correcting the activities of subordinates to ensure that events conform to plans. Control provides a means of checking the

progress of the plan and correcting any deviation from it. Thus planning and controlling go hand in hand.

Controlling function involves (1) establishing standards of performance; (2) measuring current performance; (3) comparing this performance to the established standards; and (4) taking corrective action. Through controlling function management keeps the organisation on track.

Control process is meaningless if there is no clear cut responsibility for identifying the area in which deviations have occurred and for taking corrective measures.

Control system varies with the types of factors to be controlled and their critical importance to the activities. The more critical the factors, the more complex is the control system.

Success of control mechanism depends upon the information system existing in the organisation. The information on the critical factors relating to activities when fed back to the manager triggers off corrective action.

Controls are used to measure physical quantities and monetary results as well. These are quantitative measures. Intangibles like morale, loyalty and commitment to work are evaluated as a part of control. This is qualitative measure.

Motivating

Without enduring commitment of members organisational goals remain unattained. Motivation contributes to a member's degree of commitment to work and motivation is a psychological characteristic. Motivating members of an organisation is a responsibility of managers. Motivating function is resorted to be managers to obtain desired behaviour from their subordinates.

Human behaviour is purposive. A particular behaviour is brought out by an individual to satisfy a specific need and as soon as that need is satisfactorily, not fully, gratified relevant behavior will stop. The needs, desires, and drives, collectively called motives, as the springhead of action determine the degree of effort an individual will make and channelise his effort to some objective. It is the task of the manager to direct individual's motive to a channel that helps him to fulfill his needs and in the process helps the organisation to achieve goals. His task also includes arousal of employee's motive to the required degree.

Traditionally it was believed that money in forms wage, salary and incentive schemes would motivative employees. The belief that man does not live by bread alone has taken shine of the money as motivator. Instead a large number motivation theories are in currency at the present moment.

Leading

Leading is the process of influencing others to get the job done effectively over a sustained period of time. Leading involves inducing subordinates to contribute to organisational goals in accordance with their optimum capacity. By establishing the proper environment within the workplace managers help employees to do their best.

A manager can provide leadership by way of personal example and inspire confidence, and by bringing into play all those factors by which he can persuade, convince and motivate his subordinates to bring out their best performance.

Communicating

A manager while playing his informational role seeks information from others about their jobs and responsibilities. He at the same time disseminates information about his own job and the organisation to those who seek them. This sharing of information is communication.

All other managerial functions, especially organising and controlling, involve communication. It is the means to unify activities; modify behaviour, effect change and achieve organisational goals. So communication is considered to be the foundation of sound management.

It is interesting to note that in contrast to other managerial functions where superiors initiate action but in communication every person in enterprise shares the responsibility. It is not only a top manager who may initiate while all others receive, nor is it only the subordinate who originates while superiors listen. Thus, everyone is a sender and a receiver of information.

The communicating function involves setting up of an effective information system in the organisation that can emanate unhindered information flow, both downward and upward. Every managerial position is both monitoring and disseminating centre.

1.3 Significance of Management

Emergence of business institution is an epoch making event in western civilization. The western societies became gradually a business society. The globalisation movement of the present day is also transforming slowly developing countries into business society. In such a society business enterprises assumed the pivotal role in meeting the

economical and social needs. The significance of management needs be seen in this context.

- Management undertakes the responsibility of making resources productive and thus helps economic development. Continuous economic development reflects the spirit of the modern age.

- Management converts the disorganised resources of men, material, money into need satisfying instruments. Before management developed to the current level many needs of human society remained unfulfilled.

- At present, advanced societies are characterised by large complex organisations. People spend most part of their lives in organisation – they are born in organisation, education by organisation, work for organisation and when die require a certificate from the largest organisation, the government. Management, keeping these organisations efficient and effective, helps people to live a decent life.

- In a fast changing social environment management as a primary force relates the organisation to the environment. This enables the society to maintain the current living standard. Based on current activities management also creates the desirable future.

- Non-business organisations like public-service organisations are increasingly using management to make themselves effective and serve the people efficiently.

- Management is considered to be a crucial resource in economic and social development. the traditional view of development as a function of savings and investment has lost its shine. The current slogan is "the developing countries are not underdeveloped, they are undermanaged"[8]. Adequate management can free these societies from grinding poverty.

Being conscious of the crucial role of professional management the developing countries are vying one another to establish management schools.

1.4 The Concept of Social Responsibilities of Management

The concept of social responsibility of management has undergone changes over years. Initially, individual managers were required to strike a balance between their own sense of righteousness or ethics and the unrightous or unethical activities the

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8. Drucker, Peter F., Management : Tasks, Responsibilities, Practices op. cit.

company was demanding of them. Society expected that managers should not do for the company what they would not do in their private life. Rejecting this view it was proposed that management should uphold the interests of shareholders, workers, customers, input suppliers and the general public. This concept has also been discarded in all business societies. In industrial societies the concept at present means that management take up the social problems created by the business while doing its normal activities, such as pollution, and the problems of the society arising out of the existing social condition, such as women doing family chores find little leisure resulting into health break at early life stage. Business by innovating washing machine, dish washer and home cleaner has helped to shorten the time needed for maintaining house in good stead. Additionally, by providing them with T.V. has made their life enjoyable. There are many areas where management should accept responsibility of solving problems created by its action and the problems of the society itself. The process of integration of world economy through globalisation movement poorer countries will experience problems as a consequence of activities of large business, particularly multinationals. Globalisation process will also throw up new social problems that may cripple the society. Thus the concept of social responsibility at present does not relate to act of balancing between private ethics and public ethics or responsiveness to a particular group of the society but to the whole society.

1.4.1. Spheres of Social Responsibility of Management

In developing countries where society is moving towards business society, management is urged to be responsive to the interested group. On the initiative of the Indian International Centre and the Gandhian Institute of Studies an international conference was held in 1965. The conference issued a declaration on the nature of responsibility of Indian business (for that matter of management). Based on that the following are considered as social responsibility of management in India :

- *Responsibility towards owner.* In a large companies ownership and management are separated. Shareholders handover the task of running the business to the management with the expectation of safety of their capital and a fair return on it. By their decisions and actions managers should instill trust in the mind of shareholders. The competence not only to maintain but increasingly to improve the probability of the company assures the shareholders.

   Unless the owners are aware of decisions made, activities undertaken and results obtained they may doubt, the ability and competency reported in the Annual General Meeting as transparent as possible with the shareholders. According is an area of manager's responsibility.

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- *Responsibility towards employees.* The hardwork, ingenuity, loyalty and dedication of the employees make the business efficient and effective. Managers and non-managers all are employees. In addition to legal obligations to employees management should provide a healthy environment in which employees can give their best, and feel a sense of achievement.

- *Responsibility towards customers.* Business exists so long its products and services can satisfy the customers. Customers expect that business makes quality goods and service conveniently available at affordable process. The term quality connotes different things to different people. Different criteria are emphasised while judging the quality of a car when bought for family use, for commercial use or for professional racing. Match between quality and price is important since making a high quality involves high cost. Gone are the days when customers ran to the producer's door for a good product; now producers are coming to the customers. In a competitive market making the goods conveniently available is one of the secrets of marketing success. Quality, price and distribution channel are subject matters of managerial decisions. By making the right decision in these areas managers fulfill their responsibilities to the customers.

- *Responsibility towards society.* Apart from the specific social segments with whom the company interacts in the normal course of its business, the management should be responsive to its immediate environment and people living in the vicinity of the plants. Unthoughtful release of harmful smoke and gas into the atmosphere, discharge of toxic effluents into the nearby water bodies, dumping of industrial wastes, and used packaging materials that litter city open space, pollute the physical environment. The Bhopal tragedy is an illustration of what a callous management can do to a society.

Management's responsiveness to the negative impact of the firm's operations or the society is one aspect of the responsibility towards society. Some enlightened management takes positive steps to tackled the problems of the society. For example, IPCL, a government undertaking, attempted to modernise agricultural practices and promote afforestation through the use of plastics in water management, drip irrigation and mulching[9]. IPCL's attempts was directed towards the solution of a problem of the society.

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9. Business India, July 28 to August 10, 1986

1.5 Ethics of Responsibility of Management

The concept of social responsibility puts the management in a quandary. Managers as rational beings are required primarily to see the basic interests of their firms. The firm as an economic unit is engaged in wealth creation. The fundamental responsibility of a manager is to run his firm efficiently and effectively to that end.

Social obligation is owed by individuals, not be organisations. A company does not discharge a responsibility; it can act only through its managers. Social responsibility is a personal attribute; there is no action without personal action. Company's social action is based on decisions of a manager or a group of managers. When company's interests conflict with the social welfare a manager decides to take which often happens, there is confusion. Ethics may come to his rescue to remove the confusion.

Ethics

Ethics can be defined as the collective term for principles of personal conduct. Broadly it indicates how a person's public behaviour does affect other persons. Being principles, they should be universally applicable and they should also provide the standards with which conduct of all persons may be compared. They indicate what ought to be, rather than what really is.

There are two distinct views of ethics – ethics as normality and ethics as a way for a good life. Ethics as normality is fundamentally concerned with rules of interpersonal conduct. Under this conception, ethics consists at its core, of a set of rules that apply to human beings over their interrelationships with one another, and that take precedence over all other rules. This set of rules is termed as code of conduct. Ethics for a good life is fundamentally concerned with values that are ultimately personal rather than interpersonal. Under this conception, ethics is concerned with determining the ends or values to be sought in a genuinely good life and with the means for their realisation. These two views of ethics are complementary, not opposed to one another.

Ethics as morality involves a system of interrelated ideas within which the notion of code of conduct plays a critical role. The importance of moral code is largely conceptual rather than practical. It provides relatively little guidance to deal with concrete moral issues. Still, moral code is paramount, universal (but not absolute), rational and principally concerned with forbidding behaviours that tend to cause harm. The code is relevant to moral judgment of social institutions and practices and not of the conduct of individual human beings.

Ethics for a god life has a fundamentally different emphasis from ethics as morality. Ethics for a good life does not allot a critical role to the idea of a code of moral conduct that defines the basic obligations of human beings. Instead, it focuses on the idea of fulfillment for the human individual. When values and morals are in conflict·the individual human being is put into confusion.

1.5.1. Ethics of Management

There are no universally acceptable moral rules for all the citizens of the world. What is moral in one society may be immoral in other. Ethics differ from one country to another, from one part of the same country to another part. The situation is more acute for the management; at best there is professional ethics for them.

Hippocratic Oath of the Greek Physician spelled out the professional ethics 2500 years ago as "Above all, not knowingly to do harm". Managers as professionals cannot promise to do good for the society, but can promise they will not knowingly do harm. They should scrutinise their words, deeds and behavious to make sure that no harm is done knowingly.

Formulation of a code of conduct to be followed by professional managers has not been possible in the absence of an international or national association of managers as is found in case of medicos and lawyers. So managerial ethics is self imposed based on the personal values of knowingly not to do any harm to the society.

1.5.2. Management Professionalism

Close relationship exists between social responsibility and management professionalism. Professionals normally adhere to some kind of code of ethics which helps them to be socially responsive.

In various quarters doubts are harboured about whether management is a profession like medicine or law. Understanding of 'what a profession is' may help to meet the question. Unfortunately there is no agreed definition of profession. Scholars following characterisitcs approach have attempted to identify the defining elements of profession. All professions, even the traditional ones, fall short of the ideal characteristics. Vocation through professionalisation process gradually becomes a profession. During the process vocation acquires the required characteristics and as the acquisition process continues no profession can acquire all the ideal features.

The essential elements in an ideal profession are :

1. *Possession of a skill based on theoretical knowledge.* An internally consistent system of theoretical knowledge if imparted and acquired through a lengthy

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process of training equips the trainee with skill. The training curriculum has intellectual and practical aspects.

2. *Professional authority.* Superior knowledge bestows authority on the professional. Such authority is related only to the professional's sphere of competence. After testing the competence of members of the profession society approves their exercise of the authority.

3. *Autonomy.* With social approval professional group controls entry into the profession, limning procedures, and client-professional behaviour. The control is exercised through the professional body.

4. *Adherence to a code of conduct.* Like Hippocratic Oath of the medical profession, every professional body develops, administers and monitors a code of conduct. The other side of professional autonomy is the code of conduct. This self-discipline is the basis of social control and social responsibility.

5. *Altruistic service culture.* Professional instead of functioning for self-interest should be prepared to render service to the clientele.

In management a systematic body of knowledge is being continuously developed. Universities impart this knowledge, manager's authority has been legitimatised and sanctioned by the society, a member of professional bodies have taken root and a rudiment of self-discipline is discerned. Nevertheless management is not yet a full profession like medicine, it is moving in that direction.

1.6 Managing – A Composite of Art and Science

Often a question is raised whether managing is an art or a science. Management when considered from traditional management viewpoint this debate becomes relevant. The answer cannot be either-or. Let the question be probed.

Managing as Art

Barnard says that "the function of the arts" to accomplish contrete ends, affect results, produce situations, that would not come about without the deliberate effort to secure them. These arts must be mastered and applied by those who deal in the concrete and for the future[10]. Managers aim to accomplish the desired concrete result in the future. This result is of the total business enterprise, not of parts of it. The enterprise is a system—a system, the parts of which are human beings contributing voluntarily of their knowledge, skill and dedication to a joint endeavour. Voluntary contributions from human beings can be obtained by using a know-how based on

10. Bernard, Chester I, The Fun   · of the Executives, 1982, Reprint, p. 290.

talent, experience, vision, imagination, courage and characters of the managers. Managing involves risk-taking and decision-making jobs. They are handled by applying know-how. Application of know-how is an art.

The art of managing is not a black art, rather a creative art. Successful manager's ability to provide a large variety of solutions to sense problems, to respond to a problem from a variety of viewpoints and to use a variety of approaches in solving problem is the manifestations of their creativity. Justifiably some one has defined management "as the art of guiding the activities of a group of people toward the achievement of a common goal"[11]. It is an executive art.

Managing as a Science

Traditional management developed a set principles and relied on it for managing. These principles were developed by practising managers by reflecting on their experiences of managing. When encountered a problem they hypothesised a solution and applied it to several similar situations. If found to be a workable solution it was declared as a principle. Fayol, Mooney, Alvin Brown, Sheldon, Barnard, Urwick are pioneers in this regard. Because of differences between their individual experiences the principles they developed did not converge, rather sometime they contradicted one another. Nevertheless, the method they adopted to develop the principles were more or less scientific. So rudiment of science underlied the traditional management principles. After World War II scholars from various sciences took interest in management study and two streams of sciences took root in management. They are Behavioural Sciences and Management Sciences.

Management Science is considered as a basic extension of Scientific Management of Taylor but with modification. It considers management as an economic-technical system. It developed with contributions from econometrics, engineering, mathematics and statistics. Its primary emphasis is on the establishment of normative models of managerial behaviour for maximising efficiency. This view focuses on the manager as a decision maker.

Behavioural scientists emphasis the psycho-social system with primary consideration of human components of the organisation. It is more concerned with the real world situation and less interested in establishing normative models. Its humanistic view may tend to depreciate economic and technical considerations.

Both streams independently contributed much to modify traditional management practice. Because of the lack of convergence of the two streams of science there is hesitation to label managing as a science. There is a silver lining in the horizon that

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11. Clough, Donald J., Concepts in Management Sciences, India Reprint 1980, P. 2.

the two are approaching one another; one day in future they will be unified. May be in future management practice will be a science. Doubt is harboured about this possibility. "To be sure, managing will always remain somewhat of an art"[12].

1.7 Evolution of Management Thought

A systematic body of management knowledge is the product of nineteenth and twentieth centuries. Most of the early contributions to this body came from practitioners and the theorists came later. However, the development of management thought was relatively slow. It evolved by stages and each stage viewed management in a particular way. These stages broadly are Classical, Human Relations and Modern. A bird's eye view of these stages are given below :

1.7.1. Classical Stages

During this period three streams of management thought flowered

— Scientific Management, Administrative Management and Bureaucratic Management.

● **Scientific Management**

Scientific management was an innovation of Frederic Winslow Taylor (1856-1915) who was a practising manager in the U.S. He is acknowledged as the founder of modern management. His principal contribution to management thinking is his insistence upon the application of scientific method. Management science can be traced back to scientific management. However, Taylor did not develop a broad general theory of management. Nevertheless, his idea revolutionised the field of industrial management of the day during the early years of twentieth century.

He enunciated four basic principles :

1. The discovery of a true science of management by using scientific method. Once the basic elements of a work are identified the best way of doing can be discovered.

2. Scientific selection of workers best suited to performing the specific tasks and training them in the most efficient method for performing the work. This principle relies on the view that worker is an adjunct to machine.

3. The division of work between management and workers so that each would perform his duties for which he is best suited. This principle led to the idea that management would be doing planning and organising jobs and workers would be doing the operations.

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12. Drucker, Peter F., Technology, Management and Society, Pan Book, 1972, P. 174

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4. Hearty cooperation of management and workers to accomplish work in accordance with scientific method.

Taylors insisted that not a single but a whole combination of these principles constituted scientific management. He warned against confusing the mechanisms of management with the philosophy of scientific management.

Taylor's scientific management is not a general theory but contributed to its development. His idea helped the Administrative Management theorists to develop a conceptual framework for management and organisation theory. These include precise description of authority and responsibility, separation of planning from doing, the functional organisation use of standards for controlling, financial incentive system for motivating, the principle of management by exception and task speciasation. His emphasis on rational rules and procedures surface in the form of rationality in bureaucratic model.

Taylorism is criticised for assuming human workers as adjuncts to machine who if well oiled by incentives would work like a machine hours together.

● **Administrative Management**

Henri Fayot (1841-1925), a French industrialist, developed the earliest comprehensive statement of general management. Perhaps he is the real founder of modern management theory.

Fayol as a practical man with clear vision and understanding defined administration in terms of five elements : planning, organising, commanding, coordinating and controlling. The process approach in management is founded on these five elements. He firmly believed that all human undertakings required all these elements irrespective of their size and nature of work. This emphasized the universality of management.

Besides the elements Fayol formulated a set of fourteen principles as guidelines for the manager. The elements and the principles together complete his theory of management. The principles are about.

1. Division of work
2. Authority and responsibility
3. Discipline
4. Unity of direction
5. Unity of command
6. Subordination of individual interest to the general interest
7. Remuneration
8. Centralization
9. SCalar chain
10. Order
11. Equity
12. Stability of tenure of personnel
13. Initiative
14. Espirit de corps

Fayol's most significant contribution to management thought is found in the following :

- Universality of management
- Comprehensive theory of management
- Concept of teachability of management as a distinct learning subject.

His principles, particularly 'Unity of direction', 'Unity of command' and 'Commensurability of authority and responsibility' are still widely used in organisation.

Critics accuse him for his obliviousness about human factor in his writings.

● Bureaucratic Management

Max Weber (1864-1920), a German sociologist, developed a theory of bureaucratic management. In this theory he considered an ideal organisation to be a bureaucracy whose activities and objectives are rationally established and divisions of labour are explicitly spelled out. An ideal organisation is a bureaucracry. Bureaucratic model possesses certain structural characteristics and norms which are used in every complex organisation. In bureaucractic organisation authority is derived from the position in the organisation. In such an organisation rules and regulations prevail, positions are organized in a hierachy of authority, technical competence is emphasised and performance evaluation is made on the basis of merit.

Weber's bureaucractic model provided the theoretical framework for much of the current theory of complex organisation. However, it is highly mechanistic and is consistent with the formal organisation structure established by administrative management theorists.

1.7.2. Human Relations Stage

This stage of management thinking is also known as behavioural sciences or leadership approach. The classical stage failed to recognise the importance of human aspects in management. The practice based on earlier thinking could not ensure workplace harmony and sufficient production efficiency. Classical school of thought did not recognise people in management and organisaton as a social-psychological being. Human relationists focused on the individual and his motivation. The human relations movement grew out of Hawthorne Experiments conducted in the U.S. by Eiton Mayo (1880-1949) and his associates.

The behavioural scientists developed their thinking accepting the hierachical organisation structure. In any case, human relations approach is not a cool tool to be used in managing people in an organisation. Rather, it is a framework and a way of

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thinking; a philosophy that helps to shift thinking from authoritative form of management to one of incorporating the individual. It depicted management organisation as a social system, and brought to the fore the existence and importance of informal organisation, small and large groups, and group dynamics. This way of thinking paved the way to explain management as a social process. The idea of participative management sprouted from the concept of social process.

1.7.3. Modern Management Theories

During the second half of the twentieth century a good number of management theories gained popularity. It is not necessary to discuss all of them for the present purpose. Only a brief idea about two of them is given here. They are systems approach and contingency approach.

Systems Approach

Systems theory of management views the organisation as a unified, purposeful system composed of interrelated and interdependent parts. It asks managers to look at the organisation as a whole and as a part of a larger external environment. The theory tells that the activity of any part of an organisation affects in varying degrees the activity of every other part. Management endeavours to attain the desired purpose by using the three basic organisational subsystems-strategic, coordinative and operative. The strategic subsystem designs comprehensive system and plans keeping in mind the long-run nature of organisations. Making arrangement for the appropriate resources for achieving desired goals is its another task. In the operating subsystem the primary task is accomplishment of stated objective effectively and efficiently. The coordinative subsystem is concerned with integrating internal activities. It facilitates for the managerial staff to coordinate functions being done in the operating subsystem. Thus systems approach, in a sense, is a managerial style.

The approach is complementary to process model of management in the sense that the managerial functions are performed with a systemic view.

Contingency Approach

Management's task is to identify the strategies and techniques that best contribute to goal accomplishment. Managers experienced that the same set of strategies and techniques was not equally effective in all situations, circumstances and time. They accordingly postulate that the context in which management is practised determines the success of otherwise of strategies and techniques. The contingency approach views that the management strategy and technique that best contribute to the attainment of the desired goals vary in different situations.

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The context of management consists of such variables as the general socio-political and economic environment, culture, the nature and intensity of competition the rapidity of technological change, the size, ownership and the nature of products etc. The contextual variables provide opportunities and constraints, facilitate functioning and create problem for the management. For remaining effective managers always attempt to adapt their straligies and techniques to the changing context.

1.8 Exercises

1. Define management.
2. Give a brief account of the managerial functions.
3. Why is management considered important in today's society?
4. What do you understand by the concept of social responsibility of management?
5. Can you identify the spheres of social responsibility of management?
6. Is there ethics of responsibility of management?
7. Is management a profession? Argue your case.
8. Is management an art or a science?
9. Management is a composite of art and science, comment on the statement.
10. What are the stages of evolution of management thought? Name the theories that evolved during each of these stages.
11. Give an idea of Scientific Management.
12. What are the contributions of Fayol to the development of management theory?
13. What are the essential elements of bureaucratic organisation?
14. How are people in the organisation treated in Human Relation approach to management ?
15. How is the organisation viewed in systems approach?
16. Give the basic idea of contingency approach to management.

Unit 2 ❑ Managerial Planning

Structure

2.1 Introduction

Planning today is a household word. Students plan their career, parents plan family's future, politicians plan their political activities, government and also other organisations plan. Plan for what? To attain a desired state of condition in future. Future is most often unpredictable and forces affecting the future are most of the time beyond control. Unplanned future is a gamble. Thus, planning is conscious determination of future.

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Planning presupposes the existence of alternative courses of action to attain the desired results. It involves deciding in advance what to do, how to do it, when to do it, and who is to do it. It makes things to occur which otherwise will not occur on their own. It bridges the gap between the present and the future.

Planning in business is a managerial function. It provides direction to all other managerial functions. All managers perform it. The nature, time frame, coverage of the plan depend on the level at which it is to be performed. Top management's plans generally are of long-term and cover the whole enterprise; middle level managers plan for their functional areas; and the first level manager's plans are meant for their narrow supervising areas.

Always there exist alternative courses of action to attain the goals in future. Planning accordingly is a choosing action. Deciding which alternative to follow is at the heart of planning. Planning heavily relies on forecasting. Failure to forecast in a fats changing world jeopardise the future of the enterprise. Globalisation has put the business in a turbulent situation. Mind that changes offer both opportunities and constraints. Near accurate forecasts help the enterprise to avoid the constraints and avail of business opportunities.

Planning starts with the setting of objectives and the formulation of goals to be attained. Goals are derived from the analysis of the existing situation of an enterprise. Goals determine what to do, when to do it, how to do it and who will do it.

Planning starts at the top. Low level plans are formulate within the framework of the all-encompassing top level plan.

2.2 Definition

A plan is a predetermined course of action to be undertaken in some future time. Essentially, a plan has three characteristics. First, it must involve future. Second, it must evolve action. Third, there is an element of causation in the sense that someone must undertake the future course of action.

2.3 Significance and Limitation

The needs of a business enterprise that planning serves make it significant. For the following reasons planning is important :

1. *Uncertain future.* In the fast changing dynamic business world future is uncertain. The uncertainty can be encountered by forecasting the future Forecast brings preparedness for the happenings in the future.

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2. *Goal directed action.* Planning sets up the objectives and goals — both long-term and short-term – of the enterprise. Resources are committed and actions are directed to attain the goals.

3. *Economy in operations.* Planning consciously selects the best possible course of action and so there is little possibility of mistake. Managerial mistakes are enormously costly. Economy in operations is achieved by planning.

4. *Coordination in operation.* Business operations are conducted by various groups of people located at different divisions. A well-considered plan embraces and unifies all the divisions and groups within divisions.

5. *Control through performance standards.* Plan provides the standards of performance. By comparing the actual performance with the set standards the possibility of goal achievement can be measured.

6. *Competitive edge.* Globalisation has thrown up opportunities and threats to business. The ability to cope with the threats and avail of opportunities are the real tests of managerial competence. Acute competition is the hallmark in globalised business world. A well-laid plan equips the management to face the challenge.

● **Limitations**

Planning also has several limitations. They are as follows :

1. *Complexity of the situation.* Plan is prepared by analysing relevant and not so relevant information. Obtaining the necessary information is not only difficult but also costly. Accurate information for the plan covering immediate or near future are easily available but so for the long-term plan. This limitation is important, but not unsurmountable.

2. *Curbing individual freedom.* Policy and procedure elements of plan curb individual freedom. Accordingly individuals are devoid of freedom of thinking and doing. Plants stifle individual initiative by making the jobs of straight jacket type. Consequently, planning leads to internal rigidities.

3. *Time consuming and expensive.* Critics of planning argue that planning exercises are time consuming the expensive. Planning may sometime be a costly fad. However, this limitation is not a real one.

4. *Futility.* In a fast changing business world planning exercise is futile. The predicted future, the basis of a plan, may not come by as thought of. All the resources and time invested in the implementation of plan are lost consequently.

2.4 Principles of Planning

To plan well, to make plans that will succeed, planning must take place in the context of some fundament principles. The following generalizations may be considered as a set of principles of planning :

1. *Principle of contributing to objectives.* The purpose of every plan is to facilitate the accomplishment of enterprise objectives, otherwise it has no need. The principle derives from the nature of organised enterprises which exist for the accomplishment of group interests through conscious cooperation.

2. *Principle of coordinated and integrated plans.* Plans made at different authority levels and for different time ranges (viz., short and long term plan) need integration. Unless the lower level and short-range plans contribute to the objectives of higher level and long-range plans the future of the enterprise will go astray. So need for the integration and coordination among all the current plans can not be overemphsised.

3. *Principle of primacy of planning.* Planning is the essential prerequisite to all other managerial functions. Since the organising, communicating, motivation, leading and controlling functions are designed to support the accomplishment of objectives planning logically precedes these functions.

4. *Commitment principle.* Decisions lie at the core of planning and a decision is a commitment of funds and direction of action for a length of time in future. As planning is an exercise for the future done at the present, enterprise commits fund for the plan period. So the commitment must be economically justifiable, that is, sunk costs should be recoverable. Commitment principle implies that "planning is not really planning for future decisions but rather planning the future impact of today's decisions"[1]. This principle answers whether plan needs be made for a short or long period.

5. *Flexibility principle.* The ability to change a plan in a situation of environmental change or plan failure adds strength to it. In-built flexibility is critical when commitment is great for longer time period. The more the flexibility built into plans, the less the danger of losses caused by unexpected events in the future.

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1. Koontz, Hared and O'Donnell, Principles of Management : An Analysis of Managerial Functions 1972, P. 131.

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6. **Principle of Navigational change.** Adaptation of a plan to current actions demand continuous redrawing of it. A long-range plan covering ten years ahead should be periodically checked on events and expectations; if found changes are warranted it should be redrafted. Built-in flexibility as per flexibility principle does not help automatic revision of the plan.

2.5 Elements of Planning

The constituent elements of planning comprise several individual plans bound together in a consistent structure of operation. As stated earlier planning starts at the top. Top-level management makes on overall or comprehensive plan. Within the framework of the overall plan other elemental plans are developed as subparts of the total endeavour. Such elemental plans include.

1. Objectives

Objectives are end points of planning as well as they act as the aim of other managerial functions. Selection of objectives involves the full process of planning as any other type of planning. In this sense objectives are plans, plans for the entire enterprise.

Normally, enterprises have more than one objective. Sometimes there may be a conflict between objectives, for instance, between objectives of profit and market share. Resolution of such a conflict is important. A decision needs be made to accord priorities of them. Further, objectives are to be set for each level = corporate level, business level, divisional level, departmental level and ultimately, individual level. Among the level-wise objectives there must be compatibility, that is each lower level objectives act as a means for the next higher level objectives. Thus objectives are a means-end chain.

2. Strategies

Strategy refers to decisions concerning the future of an enterprise defining its direction and scope in the long run. It is defined as, "the pattern of an organisation's response to its environment over time". The specific path of action chosen from among the alternatives available by the enterprise is referred to as strategy. Strategy denotes a general programme of action and deployment of resources to attain the overall objectives. Search for appropriate strategy after setting the firm's objectives.

The time horizon for strategy is long and its formulation has a far reaching impact on the survival and growth of the business. Choice of strategy implies

interaction with the environment. Since the effectiveness of an enterprise is affected in an important by the changing environment, appropriate strategy must be linked to it. And this linking can be done by the top management only.

However, strategy does not attempt to outline exactly how the enterprise is to attain its objectives. This task is taken care of by programmes. It is considered to be a type of plan because it provides guidance for planning.

The specific steps involved in strategy formulation are :

- *External-internal analysis.* Such an analysis helps to identify the really meaningful opportunities and threats arising out of changing environment. Opportunities and threats are assessed in the light of the enterprise's existing and potential strengths and weaknesses.

- *Generating alternative strategies.* All possible strategy alternatives are generated at this stage which can fulfil the objectives already set.

- *Evaluating the strategy alternatives.* Management evaluates the alternative strategies in the context of the firm's aspirations; internal strengths and weaknesses, and the environmental threats and opportunities.

- *Strategy choice.* The feasible strategy is chosen that helps the firm to achieve the objectives.

Strategy has been discussed later in more details.

3. Policies

Policies are also plans as they are guide to thinking and actions of the subordinates. They pertain either to internal operations or to those decisions which have to be make internally but vitally affect the implementation of strategy and achievement of objectives. Fundamentally they are aid to strategy implementation. Since they are guide to thinking in decision-making, policies must allow for some discretion, otherwise they would be rules.

Policies predecide issues by setting common parameters and criteria for decision-making in different situations at different levels of the management. Flexible and fully accepted policies are an important tool for management for ensuring smooth running of the day-to-day activities of the enterprise.

There is sharp distinction between policy and strategy. Policy is a guide to the thinking and action to those who make decisions. On the other hand, strategy is concerned with how to use available resources to secure the objectives in the face of difficulties.

4. Programmes

A programme is a single-use plan that covers a relatively large set of repetitive activities. It outlines (1) the major steps required to attain an objective, (2) the organisation's unit or member responsible for each step, and (3) the order and timing of each step. It relates to activities rather than to decisions. It may help in making strategic decisions but are not concerned directly with operating decisions. A specific programme constitutes a complex work set.

5. Procedures

Procedures are standing plan that lay customary methods of handing all future regular activities. Programme schedules activities and procedure establishes the specific method and sequence by which an activity has to be performed. They are guides to action, not to thinking. They aid implementation of a programme by ensuring that each operation if completed within the scheduled time. Procedures in management parlour are referred to as standard methods or standard operating procedure.

6. Rules

Rules are standing plans that detail specific and definite actions to be taken in a given situation. They are guide to actions but do not specify the time sequence like the procedures.

7. Budgets

Budgets are statements of financial resources allocated to specific activities for a given period of time. Making a budget is an exercise in planning. A budget is often called profit plan.

2.6 Types of Plan

There are several bases for categorisation of plans. Koontz and O'Donnell used "breadth of planning" for identifying the types of plans[2]. The types identified are objectives, strategies, policies, programmes, procedures, rules and budgets. Kast and Rosenzweig used for classificatory purpose repetitiveness, level, scope and time[3]. Since Koontz and O'Donnell's types have been dealt with earlier as elements of planning, the second set of bases are used to indicate types of plan.

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2. Koontz and O'Donnel, 1972, op. cit., P. 116

3. Kast, Fremont E and James E. Rosenzweig Organization and Management, 1970, P. 443.

1. Repetitiveness

Firms face certain problems over and over again and some others once in a while. Using repetitive nature of problems plans may be classified. In the face of nonrepetitive problems single-use plans are made to fit the specific situation and they become obsolete when the specific goal is reached. There is hierarchy of single-use plans ranging from major programmes, projects and special tasks to detailed plans.

For repetitive problems plans are made to have continuous usefulness. Such plans are often standing plans. They include policies, methods and standard operating procedures. They are designed to cover the variety of repetitive situations which the firm frequently faces. Policies are the broadest of the standing plans; methods and procedures are less general than policies.

2. Time

Depending upon the time horizon of plans they be classified as long-range, medium-range and short-range plans. The time period for plan varies from firm to firm – what is considered as a long-range plan in a firm may be a short-range one in another firm. Long-and medium-range plans provide a framework for short-range plans, which ordinarily refers to current operations.

3. Scope

The degree of complexity of variables taken into cognizance while making plans determines the scope of a plan. The broader and complex variable include societal elements such as, sociopolitical considerations, legal aspects, technological situation and cultural trend. The complexity of broader variables is one of increasing uncertainty. The plan that considers these variables are broader in scope and is termed as master plan. Within the framework of a master plan other more detailed plans are made the scope of which is narrower. AS the scope narrows, uncertainly also decreases. Using the scope plans are classed as comprehensive, project and functional plans.

4. Level

Managers of all levels make plans. Top-level manager's plans are broader in scope and cover longer time horizon. This comprehensive long-range plan constrains scope and time horizon of plans made at lower levels. Under a comprehensive institutional plans subplans are made at level down the organisational hierarchy.

2.6.1. Strategy

Considering the crucial role strategy plays in running the modern large complex firms it seems necessary to devote some effort to clarify the concept of strategy. In

ancient time Greek generals used the concept. To them concept of strategy had two components-planning component and action component. The two components together form the basis for the grand strategic plan.

Strategy is defined as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals"[4]. The definition puts emphasis on two aspects of strategy-the long-term goals of the enterprise, and commitment of resources and determination of the courses of action suitable for goal accomplishment. Strategy does not outline how exactly goals would be reached which is taken care of by operational plans. Strategies are formulated at three level-corporate, business-unit and functional.

Corporate Strategy

Corporate strategy of a company (1) determines, shapes, and reveals its objectives, purposes or goals; (2) produces the major policies and plans for achieving these goals; (3) defines the business the company intends to be involved Corporate strategy usually applies to the whole firm, remains effective over a long period of time and commits a significant part of the company's resources to expected outcomes. It probably defines the central character and image of the company. Some aspects of the Strategy may remain unchanged over a long period of time, like commitment to high technology, and other aspects change along with the environmental changes, such as, manufacturing process.

Business-Unit Strategy

Many companies operate several businesses. For example, Procter and Gamble of U. S. has several product lines, viz., detergents, tooth paste, bar soap and tissue paper. Each of these lines covers a good number of brands. Top management has difficulties in organising these varies activities. For effective management company identifies its strategic business-units for each line of product and makes strategic plan for each such units. Resources are assigned to them. Thus for each line of business activities are grouped as independent business unit. The corporate level strategy provides a set of guidelines for the units which develop their own strategies. The corporate level then reviews the units' strategy and negotiates changes, if necessary.

Functional level strategy

Functional level strategy is formulated for each function such as, production or marketing associated with each business units. This is effected within the framework of business-unit strategy.

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4. Chandlers A. D. Sr., Stretegy and Structure, 1962, P. 13

In conclusion it should be noted that since World War II the idea emerged that strategic planning and acting upon those plans constitute a separate management process-the process of strategic management. Strategy as a grand plan, it is believed, can help management in facing two difficult business situations-rapid changes in the interrelationship between the enterprise and its environment, and the rapid growth in size and complexity of the organisation.

2.7 Process of Planning

Plans provide a means for both individuals and organisation to come to grips with the future and establish definite courses of action. A logical approach to business planning should include the following steps :

1. Perception of Opportunities

This is not strictly a step in the planning process, but the real starting point in planning. Plan determines a course of action to be acted upon today to obtain the desired results tomorrow. So what the future will unfold is to be looked at. It may throw up opportunities or threats or mix of the both. Further the enterprise is required to be aware of its strengths and weaknesses. Planning requires realistic diagnosis of them.

2. Developing Objectives

Developing objectives for the entire enterprise and then for the subordinate units is the first step in planning. Objectives are the results expected to be accomplished by the network of strategies, policies, programmes, procedures, rules and budgets. Enterprise objectives are the master or major plans, which in turn govern the objectives of minor plans.

3. Appraisal of Planning Premises

Premises refer to forecast data of factual nature, relevant basic policies and the current plans. They are anticipated environment is which plan will operate.

Premises include basic forecast of population, costs, prices, production, markets and similar matters. Premises also emerge from the existing plans and policies. As one moves down the organisation hierarchy each higherlevel plan becomes planning premises for the next lower level plan. As the future environment of plans is very complex only the critical aspects of it should be considered as premises.

Premises can play the role of pivot if the same set of critical premises are used by all managers. So an agreement to that effect becomes necessary.

4. Identifying Alternative Courses of Action

The third step involves a search for and examination of alternative courses of action. It is generally believed a specific objective or target can be reached following several courses. All these alternatives may not be always apartment; they are to be searched for. Several techniques are available for the purpose, such as brain storming, synactics, nominal grouping and so on. However there is a limit to the number of alternatives that can be examined. So those alternatives are selected that promise to yield the expected results.

5. Assessment of the Consequence of Each Alternative

The fourth step is concerned with the task of finding out the consequence of each alternative. Each alternative is subject to various premises and objectives. One course may appear to be profitable but is constrained by some force. So all the alternative courses are not equally yielding result. So by weighing their merits and demerits they are ranked.

6. Choosing an Alternative Course

Choice of an alternative is the fifth step. At this final step the plan is adopted. Depending upon the analysis of the consequences made at the fourth step more than one plan may meet the contingencies but only one is adopted.

Planning process as has been outlined above suggests that planning is simply a rational approach to the future. The truth of this suggestion has been evaluated later on in this module.

2.7.1. Planning premises

Planning premises provide the planning framework and the framework circumscribes the planning function. Such premises are of two categories external and internal. Some premises are quantifiable, i.e., tangible and others are not quanstifiable, i.e., intangible. Again, some are controllable and some are beyond control of the company's managers.

● *External premises*

External premises fall into three groups : (i) the general business environment which includes economic, political, social, technological, legal, and cultural conditions; (ii) the product market which includes conditions that influence demand for product and services; and (iii) the factor market that deals with land, labour and capital.

Each of the components of the business environment influences planning either favourably or unfavorably. Better economic condition improves the

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purchasing power of the people. Political instability has undesirable impact, rapid technological change may spell down for the enterprise using obsolete production process, government policies with regard to tax or control change the business environment. Managers have to forecast, though difficult, external environment that will evolve during the plan period.

- ● *Internal premises*

Internal premises include a host of elements such as, capital already sunk in fixed assets, strategies, policies, major programmes currently in place, approved sales forecast, organisation structure, values and ethos of top management, and many others.

Large investment made in fixed assets tends to have long-run influence on future plans as it cannot be recovered except through use. As already pointed out existing strategies, policies etc., delimit manager's sphere of decision-making. Sales forecast, projection of expected sales over a period of time, once approved and being in use also act as premises. Values, the standard of judging what is good and what is not, of top-management immensely affect choice of alternative course of action and policies. Managerial ethos, the characteristics way of their behaviour, creates a specific organisational climate which has impact on planing. As effective implementation is constrained by the existing organisation structure, course of action to be chosen must be in conformity with the structure.

2.7.2. Forecasting

Premises, as noted earlier, are forecast data of factual nature. Premises pertain to external and internal environment. Forecasting the future of the environment is a prerequisite for developing realistic premises. Techniques for the purpose are developing. Some such techniques are briefly indicated here.

Economic forecasting

Among the various techniques available for forecasting the markets in which the company operators, Input-Output Analysis appears to be most promising. Developed by W. W. Liontief in mid-forties of the last century, the Analysis shows the relationships of industries to one another and their sharing of gross national product by calculating the purchases and sales made between industries. Experts normally assist the management to obtain economic forecast data following this technique.

Technological forecasting

Rapid change in technology makes product and production obsolete within a short time period. Failure to use the latest technology will leave the company way

side. Technological forecasting can be made in a better way by using, Delphi technique. Developed by Olaf Helmer of Rand Corporation, the technique has earned some scientific credibility. It involves several steps.

1. A panel of experts are selected who are located at different places without requiring them to meet face-to-face.

2. Each expert anonymously is asked to make a forecast as to what he thinks will happen and when in various areas of new technological developments or discoveries. The question is put in the from of a questionnaire.

3. After obtaining the answers from the panel members they are complied and the composite results are sent back to them. The anonymity is maintained.

4. Panel members further work on the composite results and make further estimates of the future. This process is repeated several times.

5. The converged opinion is taken as the acceptable forecast.

Social and Political forecasting

Demographic forecasting is a part of social forecasting since demography is studied over a long period. Researchers now forecast population growth trend. But forecasting the other facets of social condition is not difficult enough. Political forecasting is similar by tough. However, Delphi technique may be used here with profit.

Sales forecast :

Techniques used for forecasting sales are classified into five groups : (1) the jury of executing opinion method, (2) the sales force composite method, (3) consumers' expectation method, (4) statistical method, and (5) deductive methods.

- *The Jury of executing opinion method*

  Sales estimates are obtained from various officers and then are pooled. Based on these the chief executive or the president finally makes the forecast. This is the oldest and the simplest method.

- *Sales force composite method*

  Under this method salespersons are asked to make sales estimates for their territories. These estimates are reviewed by the area sales managers. Further more, head office sales managers check the estimates. The estimates thus found are useful and valuable inputs into the company's forecasting effort.

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• Consumers' expectation method

Under this method consumers' intentions to buy is surveyed. Intentions though are not actual orders, still provide a strong basis for sales forecasting. The method is feasible where the number of customers are not numerous and are concentrated over a small area.

• Statistical method

Time-series analysis, correlation analysis and mathematical models are some of the variants of statistical methods. To make a time-series analysis the analyst summarises sales data in terms of unit or rupee of the last several years. Using the year-wise data the forecaster projects the future sales volume by extrapolation. The extrapolated figure may be considered to be the sales forecast if the past trend continues without being disturbed by new market force. The analyst must correct his forecast if he anticipates emergence of an important market that may influence the past trend.

Another variant of statistical method is correlation analysis. It attempts to establish relationship between company sales and one or more other factors. Such other factors may be gross national product, national income or consumers' disposable income. Correlation between them normally exists either directly, or with a lag or lead of a given time period.

Mathematical model attempts to depict the relationship of a number of variables to the firm's sales. If the relationship is ascertained with reasonable accuracy a mathematical model can be constructed. One such model is econometric model, which is constructed with the help of economics, mathematics and statistics.

• Deductive method

The method starts with the present sales volume, present buyers' profiles and the reasons for their buying. Then by using objective factors and subjective judgment underlying variables of sales are analysed. Based on the indicators thus obtained sales are estimated. Such estimation though imprecise and intuitive can be a valuable input if done by an intelligent and experienced brain.

2.8 Planning Failures

Failure of a plan is known objectively during the controlling function. The root causes of such failure creep into the plan itself when it was being made. Unless adequate care is taken during the planning process the plan becomes weak ab initio. The weak links in the chain of planning are as follows :

1. Planning communication

Plans are made at different levels of management. Every planner should have access to information affecting his planning function. Information relating to objectives, premises, strategies, policies and plans of others should be available to him. Such information should be as specific and thorough as possible.

2. Coordination of the planning programme

Coordination of all plans made for the firm is the key to success. Consistency should exist between objectives and plans; between plans and their premises; between plans and strategies, policies, programmes. Such coordination is to be established not only in terms of contents, but also in timing. Such fitting together prevents planning failure.

3. Planning participation

When managers are given opportunity to contribute to formulation of plans affecting their area of authority, there is less likelihood of failure of a plan. Participation also opens access to information necessary for planning and encourages enthusiastic execution of the plan.

2.9 Managerial Decision Making

Decision-making refers to the process of identifying and selecting a course of action to solve a specific problem. The problem-solver is required to make out a choice of behaviour. Decision-making relates the organisation's conditions to actions that will take the organisation to future.

As decision-making deals with problems, a decision maker should possess the ability to recognize problems. A problem arises when an actual state of affairs differs from a desired state of affairs. The problem finding process is often informal and intuitive; but it is rarely straightforward. After the problem has been searched out and recognized, alternative courses of action are invented, developed and analysed. Analysis leads to the choice of a particular course of action and the decision is implemented. In this context decision-making sometimes is considered synonymous with managing. Numerous problems crop up while the managerial functions, viz., planning, organising, controlling and so on, are being performed. Managers must make decisions to solve them.

2.9.1. Rationality and Managerial Decision-making

Problem-solving requires a rational selection of a course of action. The rational process of selection is considered to be one based on reasoning, one which is objective rather than subjective, one which is logical and sensible. In management literature rationality implies reasonable, exhaustive and objective process, and an appropriate choice in the light of a well-defined goal. However, complete rationality can seldom be achieved particularly in managerial activities.

Rational choice behaviour presupposes the following :

All the problems solutions are known.

All information relating to these solutions can be recalled whenever required.

Decision maker can manipulate the information in a series of complex calculations designed to provide the desired solution.

Human brain is simply incapable of doing such transactions to arrive at a rational choice. Nowadays, computer can assist the decision maker in this matter. Nevertheless, a decision maker settles for limited rationality.

2.9.2. Bounded Rationality and Satisficing

Herbert Simon among others proposed the concept of bounded rationality to describe the factors that effect decision-making. The concept asserts that a decision maker does not have complete information about the nature of the problem and its possible solutions, adequate time or money to compile more complete information, and ability to remember, he makes a choice which moves him towards his goals to the best of his knowledge. Instead of searching for the best possible solution, the decision maker accepts the first satisfactory (in Simon's language satisficing) decision he uncovers. Because of the operation of bounded rationality a decision maker relies on heuristic principles or rules of thumb for easing decision-making.

2.9.3 Types of Managerial Decisions

Managerial decisions are broadly classified into

1. Personal and Organisational decisions

2. Basic and Routine decisions

3. Programmed and Non-programmed decisions.

Chester I. Barnard suggested the classification based on Personal and Organisational decisions, Managers make organisational decisions to help organisation

to achieve its goals, whereas they make personal decisions to achieve personal goals. However, personal decisions can affect the organisation also.

Basic and Routine decisions are other two types. Basic decisions are unique one-time decisions usually made once in a while, relatively of permanent nature. Such decisions commit the firm's resources over a long period of time. Such as plant location, organisation structure, wage negotiations with trade union etc. Generally top management policy decisions are basic decisions. On the other hand, day-to-day, repetitive decisions affecting only a small segment of the organisation are routine decisions. Usually most of the first-line management decisions are of this type. Bulk of the decisions made in the organisation is routine decisions.

Decisions are also classified as Programmed and Non-programmed. Programmed decisions are of routine, repetitive nature while non-programmed ones are unique one-shot type. Programmed decisions are made following standard operating procedures and non-programmed decisions are made using available information and judgement.

2.9.4. Steps in Decision Making

All managerial decisions are made under the condition of either certainty, risk or uncertainty. No approach to decision-making can guarantee a right decision. But managers by following a rational intelligent and systematic approach can expect a good solution to the problem at their hand. A rational model of decision-making involves the following steps :

1. Investigation of the problem
2. Development of alternative solutions
3. Evaluation of alternative solutions and choosing the best available
4. Implementation and monitoring the decision.

Step I : Investigation of the problem

Investigation has three aspects : problem definition, diagnosis and objective identification.

Problem definition. Problem should always be defined in terms of organisational objectives. Problems block attainment of goals. What is the real problem that blocks goal achievement? Careless definition may focus on the symptoms instead of the problem. Deep search for the real problem will be rewarded if intuition and experiences are commissioned for the purpose.

Diagnosis of causes. Cause of problem may be more than one. Causes underline the environment in which the problem arises. The factors that make up the environment may be either internal or external to the organisation. Seldom causes are apparent and the apparent causes are most of the time not the real ones. Again two managers seldom agree over the cause, if they judge the environment by using their experiences and intuition. So some on has to reconcile between causes diagnosed by others.

Identification of decision objectives. After completion of above two sub-steps decision maker decides an effective solution. A problem consists of several elements and one single solution is unlikely capable of solving all of them. The real test of an effective solution lies in its capacity to remove the blockage that the problem has created. In other words, will the solution contribute to goal achievement?

Step II : Development of alternative solutions

Theoretically, the number of alternative solutions could be infinite, but for all practical purposes only a finite number of solutions can be isolated and verbalized. If there seems to be one solution and that solutions is probably wrong, a decision maker in such a situation has to force himself to consider other solutions. For programmed or routine decisions this step is reasonably simple but not so for non-programmed or basic decisions. Decisions techniques mentioned earlier may be used to discover more alternative solutions.

Step III : Evaluation a alternatives and choosing the best available

One a set of alternative solutions has been isolated, the next step is evaluation of them. The criteria to be used for the purpose are their feasibility, capability for quality solution and impact on the whole organisation. The feasibility is judged in terms of available resources, current strategy and internal power politics. Any solution is effective if it garners support within the organsiation. A solution is satisfactory if it meets the decision objectives and has an acceptable chance of success. As organisation is considered to be a system change in one part will have direct or indirect impact on other parts. Is that impact good or not in present and the future? After evaluation the most feasible and satisfactory alternative solution is chosen.

Step IV : Implementation and monitoring

Once the best available solution has been selected, the manager makes plans to cope with the requirements and problems that may be faced in effecting it. He cannot remain complacent by issuing orders for implementation. He should see that resources are acquired and allocated. He should set up budgets and scheduled, and assign specific responsibility for specific tasks. Procedures for reporting progress is also to be set up.

Monitoring of activities relating to implementation makes implementation a reality. Implementation changes the environment and may give rise to new problems not anticipated before. Close observation and on time measures ensure problem solution.

The step-by-step scheme is a simplification of the decision-making process. Managers do not necessarily approach all decisions via this framework. However, it is a useful guide for the purpose.

2.10 Management by Objectives

After decisions have been made manager concerns himself with the improvement of the efficiency and effectiveness of the organisation as a whole and of himself. Management by objectives (MBO) is the right process in this direction. This approach was first proposed by Peter Drucker and received immediate acceptance. It goes beyond setting objectives for organisational units and also involves setting performance goals for individual employees. The goals and objective provide the focal point. The objectives are set in the way that make them actionable.

2.10.1. Definition

"MBO is a result-oriented, non-specialist, operational managerial process for the effective utilisation of the material, physical and human resources of the organisation, by integrating the individual with the organisation, and the organisation with the environment."[5] MBO is neither a tool, a theory a set of principle but a process that operationalises management activities. It focuses on the results rather than activities and no specialised knowledge is required for its implementation. The process makes optimum utilisation of all resources possible and integrates the individual with the organisation and the organisation with the environment.

2.10.2. Elements of the MBO system

MBO system attempts to improve organisation performance and to provide better results by converting distant, intangible organsational objectives into achievable, personalised objectives. MBO system contains several elements.

1. *Objectives for specific positions.* Objectives must be set for every managerial position at each level of managerial hierarchy in terms of results expected. This enables employees to understand clearly what they are expected to accomplish and to help each individual plan to achieve its targeted goals.

5. Chakravorty, S. K. Management by Objectives : An Lantegrted, Approach, 1976, P. 5

2. *Joint objective setting.* Orgnisation's overall objectives are broken down into specific objectives for each succeeding level, i.e., corporate objectives into divisional, departmental and individual manager's objectives. Corporate objectives are set by the top level management and lower level goals are fashioned within the framework of them. Divisional managers participate with top level managers while fixing corporate objectives; departmental managers participate with divisional managers in setting divisional objectives; and departmental goals are set jointly by the departmental manager and his subordinated. The result is a hierarchy of objectives that links objectives at one level to those at the next level.

3. *Identification of key result area.* As MBO is a result-oriented programme identification of critical result areas ensures organisation's success. Such critical areas vary from organisation to organisation depending upon the nature of the organisation and the industry it belongs to. Drucker has identified eight key result areas common to all firms. These are profitability, market standing, innovation, productivity, worker's performance, financial and physical resources, manager's performance and development, and public responsibility[6]. Identification of key result areas helps the manger and the organisation to focus its scarce resources on those activities that contribute to the critical results. Answer to the question "what is the unique contribution any activity job" provides clue to identifying key result area.

4. *Autonomy in implementation of plans.* Once the objectives or results have been agreed upon both managers and operators must enjoy wide discretion in choosing the means for achieving them. They require delegated authority to implement the objectives they have set jointly. Superiors should have confidence in their subordinates.

5. *Periodic review.* Managers and other employees must meet periodically to review progress towards the objectives. The basic purpose of it is to review performance against the objectives. During review, the reviewers decide what problems exist and what they can do to resolve them. Even they review the validity of continuing with the current objectives and if necessary, may modify them.

2.10.3. MBO Process

Three steps are involved in the MBO process. These are objective setting, action planning, and performance review.

1. *Setting of Objectives.* For each key result area there are specific objectives or expected results. So while installing an MBO programme, first task is to identify the key result areas and make individual position holders responsible for the results.

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6. Drucker, F. Peter. The Practice of Management, India reprint, 1989, Chap. 7.

Thus procedure should be followed for all the management levels. Thus key result areas, positions responsible for them and the result expected of the positions are put under a single rubric-setting of objectives.

2. Action planning. Planning chalks out the way of achieving objectives. It spells out the various activities necessary for achievement of results. In such an action plan activities are arranged logically with completion time specified. Preparation of an action plan involves choosing of strategies appropriate to the objectives, assigning responsibility to individual positions, allocating resources necessary for achieving objectives and scheduling specific activities. Two action plans are necessary—one for individual and the other for the organisation unit.

3. Performance review. MBO system cannot function without a review system Review system focuses on performance, improvement, future corrective measure, frequency of review and self-appraisal.

2.10.4 Benefits and limitations of MBO

Subordinates, superiors and the organisation derive the following benefits from an MBO programme.

- **Benefits to subordinates.**

  Role clarity — With the knowledge what he is to do the subordinate has a clear idea of his role.

  Motivation — Regular feedback and measurement of performance against expected results work as a motivating force. Participation in goal setting also motivates subordinates.

  Job satisfaction — Unbiased feedback about level of performance has potential for generating job satisfaction. Job satisfaction emanates from the feeling of having done a job well and the peers recognition and approval for it.

- **Benefits to superiors.**

  Superiors as individual persons derive all the benefits accruing to the subordinates. MBO also by increasing mutual trust and confidence of subordinates strengthens superior-subordinate relations. Joint goal setting and performance review provide opportunity for mutual trust building.

- **Benefits to the organisation.**

  Improved effectiveness — MBO's emphasis on effectiveness improves the effectiveness of the organisation in achieving the objectives.

Effort Coordination — Focus on objectives improves coordination of managerial effort and ensure optimum utilization of resources. It also makes possible to avoid conflicting pulls in opposite direction.

Employee's potentiality identification — Through periodic review employees' potential for advancement is identified.

Decentralisation — MBO programme leads to greater decentralisation of authority.

● **MBO has a number of shortcomings.**

Difficulty in setting goal — Truly verifiable goals are difficult to set. Joint goal setting assumes free, frank and open communication between superiors and subordinates. Status inequality hinders such open communication.

Difficulty in providing guidelines — While setting goals divisional managers require full knowledge about corporate goals and the departmental managers about divisional goals. Often such knowledge is short in supply. They also need information about planning premises and policies. These information do not percolate down the level.

Lack of freedom in setting personal goal — Higher level objectives cascade the lower level objectives. This implies that the lower level objectives have already been locked in and lower managers have to fit in their objectives with the level higher to them. This process of goals setting curtails freedom of lower level mangers.

Danger of inflexibility — Goals are set for a period of time. If within that period they become meaningless managers often hesitate to change on the belief that too often change would make them more meaningless.

Difficulty in implementing MBO programme — MBO assumes a stable environment in which the goals once set will hold good till they are achieved. Unforeseen environmental change will render the goals invalid. So in a fast changing dynamic environment MBO is difficult to implement.

2.11 Exercises

1. Define managerial function of planning? Why is it significant in a business enterprise? What are its limitations?

2. While planning what principles are the mangers required to follow?

3. Give an idea of the various elements of planning.

4. Briefly discuss the various types of plans.

5. Define strategy, classify business strategy and make distinction between different strategies.

6. Discuss the steps sequentially followed while making a plan.

7. Write briefly about planning premises.

8. What is forecasting? What techniques are available for making forecast?

9. How to prevent failure of a plan?

10. What is decision-making? What is rationality? Can a manager always behave as a rational human being?

11. What is bounded rationality?

12. Classify the decisions made by managers.

13. Discuss the steps in the decision-making process?

14. Give an overview of the elements of MBO system.

15. Discuss the steps involved in MBO process.

Unit 3 ❑ Organising

Structure

3.1 Introduction

Business firms depend on the collaborative efforts of their people to achieve their goals. Without clear knowledge of the roles, these people are required to play, they will either work at cross-purposes or fail to do their tasks. A well-defined system of roles guides all activities without interpersonal conflict. Designing and maintaining the system of roles is basically the managerial function of organising. Organising as a process is grouping of activities necessary for goal achievement, assignment of the activity groups to managers with authority to supervise them, and provision for horizontal and vertical coordination for information flow.

While organising two factors are taken care of. They are (1) Outlining the goals and the strategic plans to pursue them, and (2) the current and future environment the managers encounter. Thus organising follows from planning and incorporates the designing activities. The designing of the role system results into a pattern of relationships among the people. This pattern of relationship is called the organisational structure. The structure reflects objectives, authority, environment and people. Organisational structure is not an end in itself, rather it is a tool for accomplishing firm's objectives. As it is instrumental in accomplishing objectives of the firm, application of principles while designing the structure is very important.

While proceeding to establish an organisational structure the manager may use a logical process by (1) setting objectives, (2) formulating derivative objectives, policies and plans, (3) identifying and classifying the required activities, (4) grouping these activities, (5) delegating a authority to the head of each such group, and (6) horizontally and vertically tying the work groups through authority relationships and information system[1]. Peter Drucker suggests that the organisational structure designer should analyse activities, decisions and relationships[2]. Both the approaches are fundamentally the same.

3.2 Definition

Based on what has been stated immediately before, an organisation can be defined as "the rational 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".[3] Understanding of the importance of some ideas included in the definition is crucial.

1. Koontz and O'Donnell, op. cit., P. 245
2. Drucker, op. cit., P. 194-201
3. Schien, Edgar H. Organizatimal Psychology, 1969, P. 8

It is important to recognize that in an organisation a number of people make efforts for achieving some purpose. Lack of coordination of individual efforts is basic to the concept of organisation. Coordinated individual activities are directed towards common goals the achievement of which is important. Achieving common goals is the second important idea underlying the concept of organisation. Common goals are achievable if different people do different tasks in a coordinated fashion. The notion of division of labour is the third underlying idea. Some means of controlling is necessary for coordinating individual efforts they put in to their assigned tasks. A hierarchy of authority is a sine qua non of organisation.

The above definition takes the traditional approach to organisation. If systems approach is adopted for the analysis of organisation, the definition requires modifications in the following spheres. The organisation must be conceived as an open system, with many mutually interdependent subsystems; any change in one subsystem causes change in others, because the organisation considered as an open system continually interacts with the dynamic environment but at the same time maintains a sort of its boundary. Accordingly organisation can elementarily be defined as a sum total of individual but inter-related parts (sub-systems) which have been put together according to a specific scheme to achieve predetermined objectives by having continuous transactions with the environment.

3.3 Significance of Organization

Organisations are the creation of the society. They satisfy various needs of the society. Society has discovered through long experience that individual human being's ability is limited and as individual beings they cannot satisfy all their personal needs. So society needs organisation where people work as a group. Accordingly the importance of organisation needs be examined from social point of view. Further, effectiveness of management largely depends upon the quality of organisation that is being used. So from the management view point organisation plays important role. The significance of organisation is viewed below from these two stands.

From Society's view point :

- *A device for overcoming human limitations and increasing their abilities.* Biological limitations and environmental factors curb human abilities. By organising, men increase their capabilities and overcome limitations. Organisation by resorting to division of work and assigning task to individuals for which they are best fitted allows specialisation. This improves the efficiency of individuals.

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- *The means for psycho-social need fulfilment.* Man does not live by bread alone. He works for bread but the quality of his performance largely depends upon the fact how his psycho-social needs are being satisfied. Organisation provides the opportunity for their fulfilment.

From managements view point :

- *Organisation facilitates administration.* A properly designed and balanced organisation facilitates both management and operators of the firm; inadequate organisation robs the efficiency of administration.

    All the managerial functions are performed through the organisation. Inadequate organisation structure creates barrier for the performance of these functions.

    The manner in which total work is divided and grouped into organisational units directly affects operating results. Nonrational division and grouping of activities may result into overload. In some cases the load on the top man is such that he is overwhelmed with jobs of decision-making on routine matters and operating details. As a result the firm looses its competitiveness.

    Poor organisation often results in duplication and waste motion. This may range from the preparation of duplicate records and reports to actual duplication of functions by managers and committees.

    Sound organisation by facilitating delegation relieves managers from doing routine jobs. By proper division of labour, consistent delegation, and clear job definition the organisation structure transfers the routine duties to the lower positions. It frees executives so that they can devote most of their time and energies to planning and programming the work of their units and coordinating their efforts with other functions in the firm.

- *Facilitates growth and diversification. Firms* grow within the framework of organisation structure. Expansion and diversification are possible if the organisation structure permits. Some types of organisation are suitable for small firms in their early stages of growth, and the same may prove inadequate as growth and diversification occur.

- *Provides for optimum of technological improvements. Each* technology has its own demands that must be accommodated by the organisation structure. Technology used in customised production system requires a type of structure which is totally unsuitable for continuous process production system. In the absence of right type of structure the technology remains under utilised.

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- *Encourages use of human beings.* The organisation structure can profoundly affect the people of the firm. The structure unwaveringly emphasising specialisatinn leads to monotony, boredom, and frustration which accompanying psychological distress. The structure that allows people to work in terms leads to improvement of morale and productivity.

3.4 Formal and Informal Organisation

As stated earlier setting up a system of roles is basic to organising function. The role system is meant for the people working in the firm. The roles people expected to play set the pattern of relationships and duties. Formalisation of role related behaviour by laying formal rules, operating politics, work methods, control procedures and similar devices robs of the autonomy and creativity of the people. Organisation in which formalized role system exists is called formal organisation.

Barnard refers to an organisation as formal when the activities of two or more persons are consciously coordinated towards a given objective. Conscious coordination is made possible by a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability. Individual must adjust to the formal organisation. It asks him to do certain activities in a specified manner, to obey orders from designated higher ups, and to cooperate with others. This circumscribes his areas of work, authority and responsibilities and does not allow encroachment on the work areas of others.

This, in the formal organisation, each individual performs his part of a larger task without knowing the beginning and end of the work he does. As he does not know how and where his part of the work fits and in the overall plans and objectives of the organisation his tasks must be spelled out; he cannot determine it for himself.

Typically formal organisation is represented by Organisational Chart and Job Description. Although the formal structure does not comprise the total organisation system, it is of major importance.

While setting the structure organisers consider not only the individuals who will be holding the jobs, but also what is reasonable to expect of them. Individuals as human personalities act in terms of personal needs, emotion and attitudes, not always in terms of expectations. Such behaviour is necessitated when they find that formally laid rules and procedures fail to tackle the situations that have arisen. Thus beyond the well-defined role system spontaneous interactions among individual participants occur. This interaction pattern forms the informal organisation. Relationships among members of the informal group are different from those appearing on the Organisational Chart.

Thus informal organisation refers to those aspects of the organisation system that are not formally planned, put or arise spontaneously out of the activities and interactions of participants. Informal group has no existence outside the formal one but no principle of formal organisation applies to the formation or operation of such groups. However, informal organisation is found in all formal organisations and becomes an essential part of a formal organisation.

Distinction between Formal and Informal Organisation

Formal Organisation	Informal Organisation
1. Structured	1. Unstructured
2. Status bestowed on positions	2. Status acquired by persons
3. Official norms; often imposed from above	3. Unofficial norms; often evolved through consensus
4. Relationships prescribed	4. Relationships not prescribed; but sought
5. Interaction as demanded by roles or rules	5. Interaction voluntary
6. Communication flows horizontally or vertically	6. Communication flows in any or many directions.

3.5 Process in Organisation Design

Organisation structure is essential for effective conduct of managerial functions. There is not straight jacket structure that fits all types of business. The nature and purpose of the business have bearings on the structure. Every business requires appropriate structure. So organisers consciously and rationally proceed to design the organisation structure.

In determining what kind of structure is needed, the first task is to determine what kind of activities must be performed in the enterprise, the second task is how to arrange these activities for most effective performance and the third task is who has the authority to make decisions relating to the group of activities. This involves

first, identification of primary activities of the enterprise in terms of its objectives;

second, arrangement of the activities in properly grouped and balanced packages;

third, Delegation of decision-making authority to the heads of groups of activities.

- *Identifying activities in terms of objectives*

Activities are undertaken in an organisation not for activities sake, but for goal attainment. If activities fail to contribute to objectives they are not necessary and should not be undertaken. Continuous analysis of activities shows which one contributes and which one falls to do so. The activities that are important now may not remain so in future. With increasing success and growth of business yesterday's important works become unnecessary and burden the business. They should be pruned at the appropriate time. So in the process of designing organisation structure the search for primary and major activities is to be continuously and from unrelentingly conducted.

- *Grouping of related activities together*

Grouping is the process of arranging related activities to from basic and derivative departments. These department perform specific functions under the leadership of departmental heads. A specific activity is often related to several broad functions. So the problem in grouping is deciding what jobs belong to what functions. The best method of deciding what activities should be placed in a function is to ascertain how those activities are going to fulfil the purpose of the function.

One set of criteria suggested by Luther Gulick is stated below :

The purpose served,

The process used,

The persons or things dealt with and

The place where the service is rendered[4].

The criterion of purpose produces functional department, of process creates equipment department, of thing dealt with yields product department, of persons dealt with brings out customer department, and of place where service is rendered makes geographical department. Details about them are discussed latter.

Sound grouping is balanced grouping. Each function should be given its proper emphasis with respect to its basic purpose in the organisation. No primary function should be permitted to dominate.

- *Delegation of decision-making authority*

Authority refers to a relationship among participants in an organisation. Such a relationship is called superior-subordinate relationship. This relationship comprises

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4.   Gulick, Luther and Urwick, Lyndall F., Papers on the Science of Administration quoted by Dale in Organisation, 1975, P. 135.

superior's right to command and subordinate's duty to comply with the order. The authority structure provides the basis for assigning tasks to various elements in the organisation and for developing control mechanism to ensure that these tasks are performed according to plan.

Each group is responsible for doing a particular job and each members of the group performs a specific task. Without decision-making authority heads of groupings have to refer to their superiors for directions. Heads become post offices to convey superiors' order to their subordinates. So every head of the groups must have delegated decision-making authority. The pattern of delegated authority influences the organisation structure to make it either a centralised or decentralised organisation.

3.6 Determinants of Organisation Structure

Designing a structure that best suits the specific purpose is most welcome. What seems to be the ideal design today may tomorrow prove to be totally ineffective. The structure needs to be continually renewed as the environment changes. Several factors impinge upon the design of an organisation structure. Such determining factors are—

- Environment
- Technology
- Strategy
- Psychosocial characteristics of the participants.

- **Environment**

The immediate operating environment of an organisation influence the structure. Operating environment refers to the set of conditions outside the organisation that have a direct impact on the day-to-day functioning of the organisation. The two aspects of the environment that are crucial fro designing the structure are (1) the environment's relative stability versus its instability, and (2) the environments' relative simplicity versus complexity. These two dimensions strongly influence the nature and amount of structured relationships that will exist within an organisation.

Relatively simple and stable environments permit the development of highly structured organisation—say bureaucratic organisation. On the other hand, environments which have many rapidly changing elements and involve uncertainty and unpredictability demand a fluidly designed structure and deemphasise structured relationships. The organisation's design must commensurate with the important features of its environments.

Technology

Technology is another contextual factor that has effect on structure. Technology refers to the techniques used by organisations to transform inputs. The operation technology is applicable not only to manufacturing organisations but also to all types and kinds of organisation. All organisations, whether production = oriented or service = oriented transform things coming in, into things going out.

Degree of routineness or nonroutineness of technology has differential impact on the structure. Routine activities are characterised by automated and standardised operations whereas nonroutine activities involve operations difficult to standardise. Routine tasks are associated with taller organisation (many levels and narrow span). Routineness rigidly formalises the role structure and promotes centralised structure. Nonroutineses is characterised by delegated authority and promotes decentralised structure.

Strategy

Structure follows strategy. Strategy is defined as the determination of the basic long-term goals and objectives on an enterprise and the adoption of courses of action and allocation of resources necessary for carrying out the goals. Decisions to expand the volume of activities, to set up distant plants and offices, to enter into new business or to introduce product diversification involve new goals and resource allocation. Such strategic choices demand changes in the current structure. A fit between strategy and structure guarantees good performance.

Psychosocial characteristics of Participants

Psychosocial characteristics of employees influence the organisation structure. Psychosocial system in any organisation is a mixture of many ingredients in which individual is the basic unit. This system means individual in social relationship and is understood in terms of motivation and behaviour occurring within an organisation. It includes

   status and role systems

   group dynamics

   influence systems

   leadership.

Status systems serve to structure social relationships and provide a framework within which group (departmental) efforts can be coordinated towards objectives. Closely related to status systems, role relates to the behavioural patterns expected of a given position in the organisation. Department as small groups provide a mediating

mechanism between individuals and organisations. Group dynamics — activities, interactions and sentiments — play in important part in individual behaviour. Managers are interested in influencing individual's behaviour and hence provide leadership to the organisation. Leadership styles are related to influence system.

These human aspects along with technology and structure provide the framework within which the managerial system works. The structure that fits well with the psychosocial system of the work force keeps the organisation going. Otherwise, the possibilities of conflicts and chaos are great.

3.7 Principles of Organisation

The classical organisation theorists primarily concerned with the design of efficients organisation that would work as a means of achieving the designated goals and objectives set. They designed the structure for the most efficient allocation and coordination of activities. The position in the structure, not the position holder, had the authority and responsibility for getting tasks accomplished. Their structure was geared to stable environment and routine technology. They emphasised upon rigid structure with well-defined relationships and clearly established line of authority and communication. For the purpose classicists formulated a set of principles, called principles of organisation. These principles are not infallible laws, rather they are in the nature of criteria for good organising. To put them in a logical framework koontz and O'Donnell have grouped the principles in some categories.[5]

I.   Purpose of organising

   ● **Principle of unity of objective.** An effective organisation structure facilitates individuals to contribute to the accomplishment of organisation's objectives. Unity of objective is possible if individuals' objectives merge in organisation's objectives.

   ● **Principles of efficiency.** Individuals should be able to contribute efficiently. As the individuals work as members of work groups so individuals' efficiency implies group's efficiency. Accordingly every division, branch, department should be in a position to contribute efficiently and effectively.

II. Cause of organising

   ● **Principle of span of management.** The principle states that a manager can effectively supervise a limited number of subordinates but the exact number varies from situation to situation.

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5. Koontz and O'Donnell, op. cit. PP. 410-414

III. Organisation structure : Authority

- **The scalar principle.** The principle states that authority and responsibility should flow in a direct vertical line from the top manager to every subordinate position. It establishes the hierarchical structure of the organisation. It refers to the vertical division of authority and responsibility and assignment of job tasks along the scalar chain. It establishes superior-subordinate relationships.

- **Principle of delegation.** Authority delegated to an individual manager should be adequate so that he can accomplish the task assigned to him. Authority is the right to invoke compliance by subordinates. Authority and responsibility (of task accomplishment) should be directly linked. In other words, if a subordinate is made responsible for carrying out in activity, he should also be given the necessary authority. There must be parity between authority and responsibility. With delegated authority and responsibility a subordinate manager remains, accountable for carrying out the responsibility and exercising authority to his superior. Accountability is not delegatable, it is absolute.

- **Principle of unity of command.** The principle states that an individual should receive command only from one superior to whom he also remains accountable for performing his tasks.

- **Principle of authority-level.** The principle implies that a manager within the limit of his delegated authority must make decisions and should not refer the decision-issue upward in the organisation structure.

IV. Organisation structure : Departmentalised activities.

- **Principle of division of work.** It is desirable to determine the necessary activities for the accomplishment of overall organisational objectives and then group them on a logical basis into departments which perform sepcialised functions. Various guides are available for activity groupings into departments that will be discussed later on in this module.

- **Principle of functional definition.** It is necessary that the results expected, activities to be undertaken, authority delegated should be clearly defined for each department. Authority and informational relationships with other departments should also be made known.

- **Principle of separation.** If one activity is designed to be a check on another, the responsibility of checking should invariable be assigned to a manager independent of the executive whose work is being evaluated.

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V. Process of organising

- **Principle of balance.** In every organisation structure there is need for balance. The inefficiencies or disadvantages arising out of the application of any or a set of organisation principle need be balanced or set off against the efficients or advantage gained through other principles.

- **Principle of flexibility.** Every enterprise moves towards its goals in a changing environment. Structural inflexibility in organisation incapacitates the firm to meet the changes. Flexibility principle provides leeway to change the structure if necessity arises.

- **Principle of leadership facilitation.** The leadership quality is an important ingredient of effective managership. Organisation structure may promote or thawart the emergence of leadership. In this sense, organising is a technique of promoting leadership.

3.8 Departmentation

Organisation structure is created as managers group jobs and assign responsibility for coordination and decision-making. Most managers are guided in making grouping decisions by criteria they deem to be appropriate.

Total task of the organisation is divided or differentiated so that particular groups or units can be made responsible for the performance of specialised tasks assigned to them. This differentiation occurs in two directions—the vertical specialisation of activities, represented by the organisational hierarchy and the horizontal differentiation of activities, called departmentation. The vertical differentiation establishes the managerial structure, whereas horizontal differentiation sets the basic departmentation. Taken together, they set the formal structure of the organisation. The present course of study is interested only in horizontal differentiation. By horizontal differentiation it is usually meant that the units of groups to which task is allocated are at equivalent hierarchical levels; for example, sales, manufacturing and engineering.

Departmentation decision critically influence organisational effectiveness. So the most appropriate base for departmentation must be selected very wisely out of the several bases available. Several of these bases are described below.

3.8.1. Departmentation by function

Functional departmentation is the most widely employed basis for organising activities and is used to some degree in almost every organisation. The designer

using this basis groups together jobs that share common function under one coordinating head. At the lowest levels of the organisation the positions grouped together may be identical. Thus, all machinists are assigned to the machine shop foreman. At the higher levels, functional grouping pattern combines many different jobs but they all focus on some primary functions. Thus, the manufacturing manager will be responsible and accountable for all functions related to manufacturing including production, tooling, production engineering, and others carried out throughout the organisation. The machinists and their supervisors will be somewhere in this grouping.

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                          │  PRESIDENT  │
     ┌─────────────┐      └──────┬──────┘      ┌─────────────┐
     │ Assistant to │            │             │  Personnel  │
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│Marketing│ │Engineering │ │ Production │ │ Finance │
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Marketing	Engineering	Production	Finance
Market research	Engineering administration	Production planning	Financial planning
Marketng planning	Preliminary design	Industrial engineering	Budgets
Advertising and promotion	Electrical engineering	Production engineering	General accounting
Sales administration	Mechanical engineering	Purchasing	Cost accounting
Sales	Hydraulic engineering	Tooling	Statistics and data processing
	Packaging	General production	
	Quality control		

Functional Departments

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Commonly used major functions are engineering, production, marketing, finance, personal, and research and development. It should be noted that engineering, production functions are not found in hospitals, banks or insurance. So these functions are used in generic sense. The figure shown in the next page gives an idea of functional departments of a manufacturing company.

Functional departmentation offers some advantages and suffers from some disadvantages.

- **Advantages**

  Logical reflection of functions

  Follows principle of occupational specialisation

  Maintains importance of major functions

  Simplifies training

  Provides the top management with means for tight control.

- **Disadvantage**

  Responsibility for profits at the top only

  Overspecialises and narrows view points of key personnel

  Limits development of general manager

  Reduces coordination between functions

  Makes economic growth of the firm as a system difficult.

3.8.2. Departmentation by product

The product departmentation involves establishing each product or product line as a relatively autonomous integrated unit. Such primary functions as engineering, manufacturing, marketing, finance and personnel are dedicated to the interests of the product itself. The emphasis is changed from primary functions to products. The product departmentation is made self-sufficient by placing all the activities necessary for effective operation.

Product departmentation usually evolves in the organisation that was originally structured by function but have grown in size and number of products has gone beyond manager's control. As more and more products and employees are added, functional lines of coordination and control become overstressed. The structural remedy is to appoint product managers just below the chief executive who are responsible for a given product or a line of products. Each product departmentation, in effect, becomes an autonomous smaller company.

An illustration of product departments is given below

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                          ┌─────────────┐
                          │  PRESIDENT  │
                          └─────────────┘
        ┌──────────────┬──────────────┼──────────────┐
   ┌─────────┐   ┌─────────┐   ┌─────────┐   ┌─────────┐
   │Marketing│   │Personnel│   │Purchasing│  │ Finance │
   └─────────┘   └─────────┘   └─────────┘   └─────────┘

    ┌──────────────┬──────────────┬──────────────┐
┌───────────┐ ┌───────────┐ ┌───────────┐ ┌───────────┐
│ Instrument│ │  Indicator│ │ Industrial│ │ Electronic│
│  division │ │lights     │ │  tools    │ │meter      │
│           │ │  division │ │  division │ │  division │
└───────────┘ └───────────┘ └───────────┘ └───────────┘

  ┌──────────┬──────────┐        ┌──────────┬──────────┐
┌────────────┐ ┌──────────┐  ┌────────────┐ ┌──────────┐
│Engineering │ │Accounting│  │Engineering │ │Accounting│
└────────────┘ └──────────┘  └────────────┘ └──────────┘

┌────────────┐ ┌──────────┐  ┌────────────┐ ┌──────────┐
│ Production  │ │  Sales   │  │ Production  │ │  Sales   │
└────────────┘ └──────────┘  └────────────┘ └──────────┘
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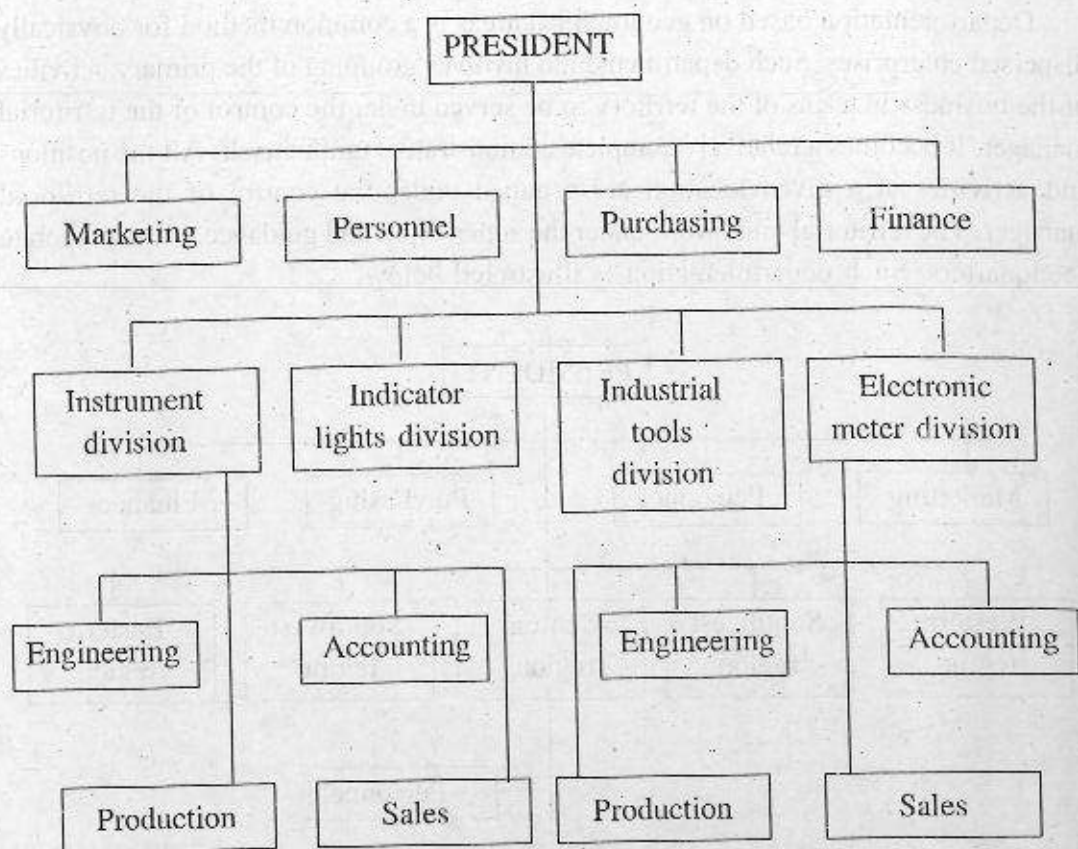
Product Departments

- **Advantages**

  Places attention and effort on product lines

  Places responsibility for profit at the departmentation level

  Improves coordination of functional activities

  Furnishes training ground for general managers

  Permits growth and diversity of products and services.

- **Disadvantages**

  Requires more persons with general managers's abilities

  Tends to make maintenance of economical central services difficult

  Presents increased problem of top management control.

3.8.3. Departmentation by territory

Departmentation based on geographical areas is a common method for physically dispersed enterprises. Such departmentation involves grouping of the primary activities of the business in terms of the territory to be served under the control of the territorial manager. It becomes a relatively complete administrative unit in itself. All the positions and activities at a given location are grouped under the control of the territorial manager. The territorial units work under the supervision and guidance of the corporate headquarters. Such departmentation is illustrated below.

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                              ┌───────────┐
                              │ PRESIDENT │
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Territorial Departments
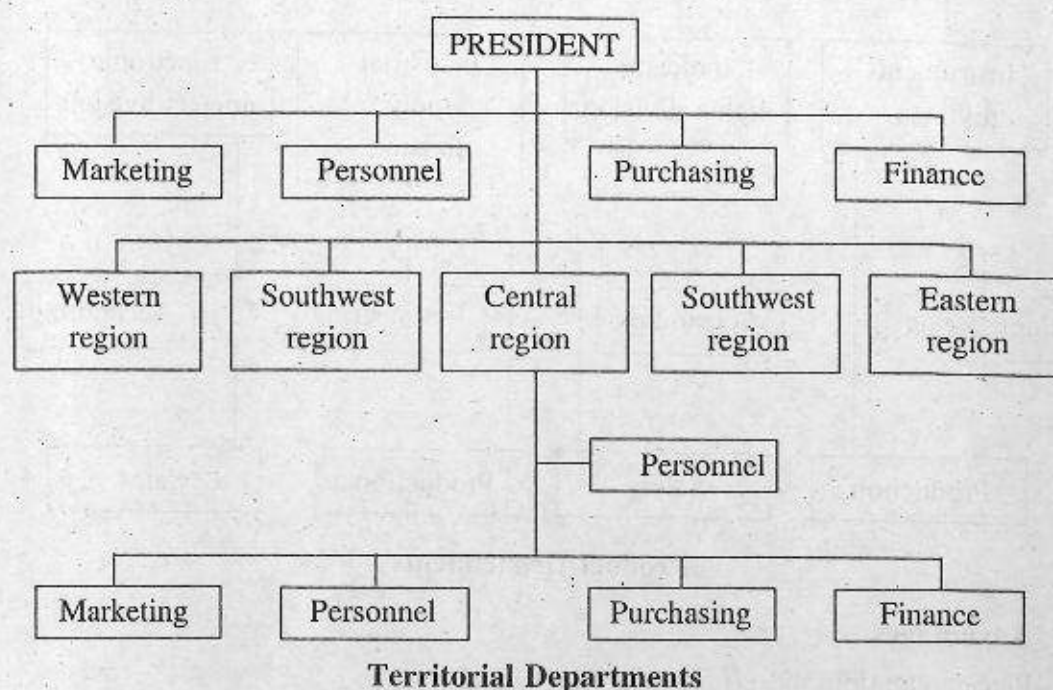
● **Advantages**

  Allows maximum utilisation of local resources and talents

  Facilitates fast decision-making in response to changes in the local conditions

  Economises transportation cost if heavy, large or perishable products are to be carried from a central plant.

● **Disadvantages**

  Makes corporate control problematic

  Require larger number of executives with general management skill.

3.8.4. Departmentation by customer

Activities and positions are sometimes grouped together to meet the unique needs of some specific groups of customer. For instance, to handle effectively the professional purchasing agents working for other enterprises a separate industrial sales department may be created. Similarly the enterprise may set up another department to meet the needs of individual customers. Such departmentation arguably serves different groups of customer who characteristically differ between them. At the same time, it creates problems of coordination between departments.

3.8.5. Departmentation by process or equipment

The jobs needed to operate a particular machine or to implement a given process are grouped together to from a department. Any common service shared by different groups are arranged on this basis; for example, electronic data processing department. The most common reason for departmentalising on equipment basis is economics. It allows optimum utilisation of high-valued equipment.

3.9 Functional vs. Divisional Departmentation

In the above paragraphs several bases of departmentation have been briefly described. While selecting the most suitable structure the manager has two basic alternatives—the functional and divisionalised structure. Most of the enterprises begin with a functional structure when they are small, and are changed to divisional structure when they become large. While divisionalising is attempted; product, territory, customer etc., bases are adopted.

It should further be noted that there is a small number of companies where only one base has been adopted. The functional format is frequently used at lower levels of divisionalised companies. As a hybrid of the functional and divisional forms of structure, the matrix structure has emerged.

3.9.1. Matrix Organisation

Nowadays project or programme management is widespread. For successful completion of specific projects traditional organisation structure-functional or divisional -is not of much use; accordingly matrix structure has emerged to provide integrated management for projects. Matrix structure is a combination of the product and functional structural. A project requires the skilled services of functional man and specialised knowledge of product man. The product man is responsible for organising and controlling all the activities of the project. He is usually super imposed upon the

functional man. The project (or product) manager cannot operate effectively if he relies solely upon the formal authority of his position. His ability to influence others who are beyond his formal authority ensures success. Thus, his authority and influence flow in different directions from hierarchical authority. They flow horizontally across vertical superior-subordinate relationships existing within the functional structure. Thus, individuals work under two bosses — a functional boss and a product boss.

Thus, one of the distinguishing features of matrix structure is dual authority. This means that individuals have two bosses. An engineer, for examples, is assigned to the engineering manager and also to a product (i.e., project) group manager. Dual authority violates the principle of unity of command but assists the project manager to exerts his influence.

From the above feature the second feature arises. Without balanced power there is a great possibility of power clash between the project manager and the functional manager; so relative power of the two managers should be more or less equal. Without balanced power, dual authority has little meaning.

A typical matrix structure is presented below
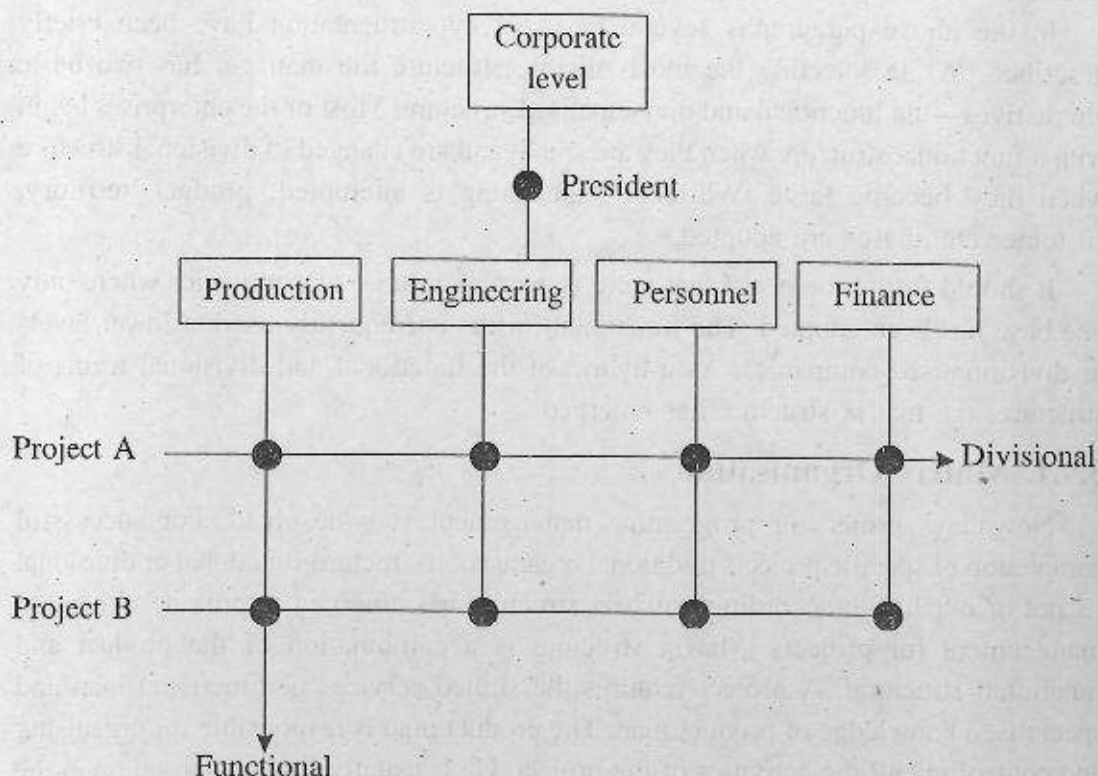
Activities relating to production, engineering, personnel and finance require functional professionalism. So each of them is headed by professionally skilled functional manager. Project A and B are considered as product oriented structures. They require different combinations of functional activities. Project manager decides how and to what degree he will cooperate and collaborate with the functional managers. Thus, in matrix structure vertical line indicates functional dimension and horizontal line shows divisional dimension.

3.10 Shape of Organisation : Span of Management

Organisation structure can be viewed in terms of its shape or configuration. The structure may be designed in a way that makes it tall with long chain of command and long line or communication or makes it flat with short chain of command. Simply organisation may be tall or flat in shape. The shape depends upon the span of management adopted.

Simply stated span of management (also referred to as span of control/supervision) relates to the number of subordinates which a manager can supervise effectively. The idea of span is important not only in terms of superior—subordinate relationships but also in terms of its influence on the shape of the hierarchy. It does determine the number of levels in the organisation pyramid. For instance, if all the 20 departmental heads report to the president, the structure tends to become a flat one and it has two levels. If, on the other hand, only three report to the president and the others report to the three, more levels are added to the structure. As the span is widened the levels are few and the structure is flat; narrow span creates many levels and the structure becomes tall. Flatness of tallness of structure has great influence on the effectiveness of communication.

30.10.1. The ideal span of management

There is a great deal of controversy regarding the optimum number of subordinates a manager can effectively supervise. V. A. Graicunsas provided a mathematical formula to calculate the number of people for an ideal span.

Graicunas' formula fails to specify the exact number of subordinates a manger can effectively supervise. There are many underlying variables that have influences on the ideal span; Graicunas takes only the total relationships between superior and

subordinates and not the underlying variables. The following are the underlying variables :

      Ability and competence of managers

      Amount of personal contact

      Nature and importance of activities supervised

      Use of standing plans

      Training of subordinates

      Delegation of authority

      Rate of change

      Communication technique

As these variables differ from situation to situation there cannot be a generalized formula regarding optimum number of people whom a manager can supervise effectively. Rather the ideal span is situation-specific.

In this connection it should be noted that at present decentralisation of authority is favoured which is opposed to narrow span. Wide span at the top and middle levels enforces the management to delegate and decentralise authority[6].

3.11 Pattern of Authority : Line and Staff

There is a direct interrelationship between organisation structure and the pattern of authority. Inasmuch as structure is concerned with establishment of positions and relationships between positions, it does provide the framework for authority allocation. What kind of authority is to be allocated in the structure? The question relates to the nature of authority — the problem of line and staff. The department heads without authority cannot run their units smoothly for making contributions towards enterprise objectives.

A traditional basis of differentiation of managerial activities has been in terms of line and staff functions. The line has direct command authority over the activities of the organisation and is concerned with the primary functions. In contrast, the staff performs an advisory role and is concerned with supportive activities. Line and staff concept is necessary to provide some means of integrating the primary functions and secondary supportive activities.

6. Pfiftner, John M. and Sherwood, Frank P., Administrative Organisation, Indian Reprint, 1968, P. 160.

Organisationally, the line is the chain of command that extends from the board of directors through hierarchical levels to the point where the primary activities are performed. Once a line manager's job grows beyond a certain size, he needs help for performing it properly. Staff provides that service to the line. Actually, staff is best thought of in terms of a relationship. When one position exists primarily to provide advice and supportive service to another, it is in a staff relationship. And if the work of a department is predominantly that of advice and service to one or more other departments, it is classified as a staff department. Staff includes all elements of the organisation, which are not line.

3.11.1. Conflict between line and staff

Instances of frequent friction and conflict between line and staff abound in the real world. Both line and staff have their viewpoints regarding the source of such conflicts.

- ### The line viewpoint

  The line managers complain against the staff on the grounds that :

  Staff assumes line authority

  Staff fails to give sound advice

  Staff steals credit

  Staff fails to see the whole picture

- ### The staff viewpoint

  The staff people's complaints against the line centre around the following :

  Line does not make proper use of staff

  Line resists new ideas

  Line does not give staff enough authority

Such conflict, if persist, puts the organisation in disarray and it looses its effectiveness.

3.11.2. Resolution of line-staff conflict

The solution lies in making the line and staff work as a team. If effective teamwork is to exist the following points must be observed :

1. As the ultimate responsibility for successful operations of the firm lies with the line people, they must be responsible for operating decisions.

2. Staff elements should provide advice and service to the line in accomplishing the enterprise objectives.

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3. Staff should provide advice service to appropriate line when requested to do so. Also, staff is responsible for proffering advice and service even if not requested, but believes it is needed.

4. The solicitation and acceptance of staff's advice and service is usually the option of the line elements. In some instances only top management has this option and once top management decides to use staff's services such decision is binding throughout lower levels.

5. If the staff's recommendations seem to serve the company's interest best line is responsible to consider them seriously and follow them. In other cases line managers should have authority to modify, reject or accept such advices.

6. Both line and staff should have the right to appeal to higher authority in case of disagreement on staff recommendations.

3.12 Distribution of Authority : Delegation of Authority

Organisation structure provides a stable, logical and clear-cut pattern of relationships without which managers and employees cannot work towards the organisation goals. But this is only a framework. It does not work by itself. People interacting through an organisation structure need rules by which they can make that structure work effectively. Managers decide to set and apply rules for people acting in an organisation structure by virtue of their formal authority.

How to distribute formal authority throughout the organisation structure is a key organising decision. Managers obviously cannot do everything that must be done to carry out the strategic plan for an organisation. Hence, they must decide how much authority to delegate to lower ranking managers or non-managers. Delegation involves the sharing of authority with others.

3.12.1. Delegation of authority

Delegation is handing over to a lower-ranking manager or non-manager formal authority for carrying out specific activities. It makes the organisation possible and management dynamic. As one person cannot do all the activities necessary for accomplishing organisation goals, so it is impossible for one manager to exercise all the authority to make decisions in a large organisation. The principle of span of management suggests a limit to the number of subordinates a manager can effectively supervise and for whom he can make decisions. Beyond this limit authority must be delegated to subordinates who will make decisions relating to their assigned tasks.

● Elements of delegation

As delegation is the entrustment of tasks and authority to another and the creation of obligation for task performance, it has three elements, viz., task or duties, authority and accountability or obligation. Different terms have been used while discussing these elements that have created a sort of confusion. By the term 'responsibility' some people mean 'task', 'duty', some others mean 'obligation', 'accountability'. But responsibility we mean the obligation to perform the work assigned to a position. While authority is the sum of powers and rights entrusted to make possible the performance of the task entrusted. But accountability is the obligation to carry out responsibility and exercise authority in terms of pre determined performance standards. Responsibility creates obligation and accountability. Accordingly the prescriptions are responsibility and authority is the right and power sanctioned to the exercised by the subordinate.[7] For the present module task, authority and responsibility have been identified as three elements of delegation. Task and authority can be delegated, but responsibility can not be as if is created rather than delegated.

● Process of delegation

The steps in delegation are the basic part of the process of management itself. The process of delegation involves :

the deter   ion of result expected

the assig ent of tasks

the delegation of authority and

the exaction of responsibility

Just as effective management can truly be said to be management by objectives; successful delegation can also be characterised as delegation by objectives. The delegator should have clear idea how much the delegatee is going to contribute to the organisation goals; in other words, he needs to determine the result expected of the delegatee. The delegatee as an individual should also know what he is expected to accomplish. If the company sets goals for each manager at all levels, completion of this step becomes easier. While assigning the task the delegator should take care to lay out the contents of the task, otherwise delegatee's performance will not be maximum. For performing efficiently the delegatee should have adequate authority. Authority is the rights entrusted to make possible the performance of the task delegated. Authority includes such rights as those of spending specified amounts of money, of using certain quantities of materials, of hiring and firing people. It may involve the

7. Allen, Louis A. Management and Organization, P. 116.

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right to decide or act. The authority should correspond to the responsibility neither it should be greater than responsibility nor less than it. There must be parity between the two. Responsibility is the obligation to carry out the assigned tasks and exercise authority in terms of performance standards. Responsibility arises as soon as task is assigned and authority is delegated. The person making the delegation always remains responsible to his superior for that which he has delegated. Since responsibility cannot be delegated, the responsibility of higher authority for the acts of subordinates is absolute. Delegation of task and authority is downward while responsibility is upward.

- **Effectiveness of delegation**

Delegation being a way of life; effectiveness or ineffectiveness of it depends importantly upon the personal attitudes of the delegator towards delegation. The personal attitudes reflect the following things :

a) *Receptivity.* Delegation implies that the delegatee has right to make decision about his tasks. The subordinate's decisions are not likely to be exactly the same as that of the superior if he would have made. The superior needs to consider the subordinate's decisions objectively and encourage him. Receptivity to ideas from subordinates encourages them to make decisions.

b) *Acceptance of subordinate's right to make decisions. One* of the precepts of delegation is that a manager performs that part which only he, because of his unique organisational placement, can perform effectively. A tendency among managers who have moved up organisational hierarchy is found that they want to continue to make decisions for the positions they have left. For making delegation effective the delegator should restrict this tendency and remain willing to release the right to make decisions to his delegatees.

c) *Willingness to allow subordinates to learn decision-making. Apprehending* that subordinate manager may commit mistakes if superior manager denies decision-making authority to him the very spirit of delegation is defeated. Obviously, the delegatee should be allowed to make mistakes so that he can learn through experiences.

d) *Trusting attitudes towards subordinates.* Delegation implies a trustful between the two. Subordinate has not yet developed sound judgement, cannot handle men, or does not appreciate all facts bearing on a situation are pleas for not delegating. Faith and trust in the subordinate enable superior to delegate.

e) *Fear of loss of control over subordinates.* Boss may fear that he will loose control over his subordinates. Such fearful attitude develops when the boss is deficient is establishing an effective control system. As the superior manager fears the loss of control; to compensate his deficiency in developing control system he declines to share power and authority with his subordinate.

Thus effectiveness of delegation depends largely upon the willingness to delegate and the control system designed to ensure that delegated authority is properly used.

3.12.2. Distribution of authority : Centralisation and Decentralisation

Centralisation and decentralisation of authority are not related in 'either-or' relationship. Authority is centralised to extent it is not delegated. Absolute centralisation in one position implies no subordinate manager and therefore no structured organisation. So some degree of decentralisation characterises all organisations. On the other hand, there cannot be absolute decentralisation, because if a manager delegate all his authority his status as manager would cease; his position would be redundant; so again there would be no organisation. Centralisation and decentralisation are tendencies; the flow of authority may be either towards centralisation or towards decentralisation. The observe of decentralisation is not centralisation but recentralisation.

● **Centralisation of authority**

Centralisation is the systematic and consistent reservation of authority at certain point within the organisation. It is often found that a manager does the work that could be done by his subordinates, or that manager makes decisions that could be made effectively by his subordinates. If the manager reserve the task, the necessarily reserves the authority; or he may delegate the task but not the requisite authority to carry it out effectively.

Centralisation denotes that a majority of the decisions related to the task being performed are not made by those who are doing it but at a point higher in the organisation. Fayol aptly says "Everything that goes to increase the importance of the subordinate's role is decentralisation, everything which goes to reduce it is centralisation"[8].

● **Factors making for centralisation**

There are certain factors that dictate centralisation of authority in an enterprise. Some of them are as follows :

a) *The chief executive officer himself.* The extent to which he retains power to maintain his personal leadership, his subordinate managers are likely to imitate him. To the extent that he welcomes checking the consultations prior

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8. Fayol, Henri, General and Industrial Management, 1949, P. 34

to making decisions by lower rank managers and dependence on them, his subordinates are likely to do the same. The chief executive's attitudes (to retain) by permeating organisation facilitate centralisation.

b) *Coordinative devices used.* All coordinative devices used in the company foster centralisation. Such tools as Organisation and Policy Manuals, Methods and Procedure Manuals, Authority Statement (that limits authority) may actually take away more authority than they confer. These manuals are in use in companies for dual purposes = for providing unity and integration of the total operations, and for promoting uniformity of action by all the units. The manuals in the end lead to more centralisation that decentralisation.

c) *Modern means of communication. The* use of information technology makes it possible for the chief executive to issue direct orders to distant subordinates and to get feedback from them. This technical development, in a way, has eliminated the main reasons for decentralisation. If enough information van be brought to a central point quickly, there may not longer be a need to have problems settled at a point close to their sources. This may be one of the reasons for the current tendency to recentralisation.

d) *Emergency handling.* When emergency decisions that affect all units of the company must be made, centralisation of decision-making is highly desirable. In emergency faster decisions are essential for rescuing the company.

e) *Automation of production facilities.* As automatic equipment takes over a larger and larger portion of the production activities, the need for operating personnel declines and the number of supervisors required is also reduced. The net effect is that many of the decisions previously made by lower and middle managers would be made by senior executives. So more the automation more is centralisation.

● **Decentralisation of authority**

Managerial decentralisation means systematic delegation of decision-making authority by the superiors to their immediate subordinates and then to others further down the organisation hierarchy. It is concerned with the placement of authority with reference to tasks assigned. Managerial decentralisation as a concept involves establishing greater formal authority and official freedom at any level than would have been in its absence. It is an increasing, by superior, of the subordinate's authority to make decisions at any level through out the organisation. In short it is the systematic delegation of authority to all units in an organisation-wide context.

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Managerial decentralisation is done with the aim of furthering the goals of the enterprise; hence it is a means to an end. It is neither an ideal, a series of principles nor prescriptions that an executive ought to follow. It is not necessarily good or bad.

Managerial decentralisation is the extension of delegation but there is difference between the two. Delegation refers to the entrustment of tasks and authority from one individual to another individual whereas decentralisations applies to the systematic delegation of authority in an organisation-wide context. Delegation is a process with decentralisation is the end result of planned delegation. Moreover delegation is a must for management as it creates and organisation but decentralisation is optaizal and appears on the scene only when an organisation grown and becoming Rarpe and complen. However, decision-making is the basic ingredient in both.

The inverse relation between centralisation and decentralisation implies that increase of one leads to diminution of the other. This is best understood in term of a continuum — absolute centralisation at one extreme and absolute decentralisation at the other extreme. In between the two extremes are varying combinations of centralisation and decentralisation. Thus a superior manager has four options :

1. absolute freedom to decide without restraint;
2. freedom limited only by broad policy statements promulgated by superior levels in the organisation;
3. freedom to decide but with the proviso that once decision is made it must be reviewed·immediately by the superior and is subject to revocation;
4. decision can be made only with the prior concurrence by the superior.

At each managerial level in the organisation, the superior must choose from among the four alternatives or authority provisions. Further, because of the difference in personal values and attitudes all superiors are not inclined to decentralise at the same rate. So it is observed that decentralisation proceeds at a different rate to different levels. Decentralisation usually spreads level by level from the top. It is not unusual to find a company which has decentralisation from the chief executive to the division manager level, but the division manager has hoarded authority. The same may hold true at the next level.

● **Assessing the degree of decentralisation**

For knowing the degree of decentralized authority in a given company it should be assessed. Tests are available for the purpose.

The locus or place of the decision-making authority in the management hierarchy is one such criterion. The lower the rank of the executives who make pertinent decisions, the greater is the degree of decentralisation.

The degree of decision-making power at the lower levels will be another factor. This can be determined by studying the authority which can be exercises (a) without any check from higher authority; (b) with a check or regular report after the decision is made and carried out; or (c) with a check before the decision is made or put into effect.

In assessing the degree of decentralisation in a company, moreover, both formal and informal aspects of decisions-making rules are to be considered. Official policy statement may prescribe one type of decision-making, but actual practice may be quite different. Thus, there may be a high degree of formal centralisation, but if successful business conduct is not possible under such circumstance, decision may actually be made much lower down.

● Factors leading to decentralisation

At what level in the organisation the decision on any subject is actually made is the result of several factors. Some of them are described below, but they do not exhaust the list of the determining factors.

a) *Size.* In larger firms more decisions at more points are made involving larger number of people. Consequently, decision-making takes time and becomes costly. To minimize cost, authority should be decentralisation wherever feasible.

b) *Geographic dispersion.* A close relationship exists between size and geographic spreading of activities. As the number of customers grows and spreads over an extensive area, facilities must be expanded to serve customers more satisfactorily. This dispersion makes communication difficult (now being overcome by information technology) and response to local needs unsatisfactory. Increased authority is therefore often given to the loan manager to enable him to cope with local scene.

c) *Desire and need for training executive.* Lack of managerial talent works as a limiting factor in growth in many firms. The development of capable managers comes not from training programmes but from giving managers a management job to do and delegating to them authority to make important decisions.

d) *Greater diversification ,* If an organisation grow to a size where the volume of its traditional activities does not produce sufficient resources to sustain growth it resorts to diversification. Diversification if facilitated by divisionalised structure. And decentralisation must accompany divisionalisation if most effective diversification is to take place. In many situation, diversity, rather than size, is the impelling reason for decentralisation.

e) *Excessive burden on top executives.* Lack of planning and control for the overall company, proliferation of personal staff and over dependence upon committees signal too much burden on top executives. These characterise centralised management. Decentralisation by easing burden allows the chief to relax and to think necessary for planning, provides opportunities to delegate to subordinates and to forsake dependence on committee.

f) *Improving motivational level.* Highly centralized management stiffles employee initiative and willingness to participate. They passively do whatever they are asked to do. In other words, employee motivation level is now in such an eventuality. Their motivation level improves when they enjoy increasing amount of freedom and participate is solving problems and in suggesting satisfactory decisions. Decentralized management by allowing delegation improves motivation and thus releases employee creativity, ingenuity and energy.

● Gaining the desired degree of decentralisation

It is a rare case that every manager in an organisation believes in the philosophy of decentralisation; some one at some organisational level has be tendency to hoard authority who will not delegate. Decentralisation might have been decided at the top level but there is no certainty that the desired degree of decentralisation would be gained is the pertinent question therefore is how to realise and maintain the desired degree of decentralisation. Scholars and management practitioners have formulated certain measures to that end.

The first measure relates to the understanding the concept of decentralisation. The basic to the concept is the knowledge that decentralisation does not mean complete freedom. Further to it the following points to be kept in mind are :

it implies establishment of policies to guide decision-making along the desired courses;

it requires careful delegation by managers who know how and what to delegate;

it must be accompanied by controls designed to ensure proper use of delegated authority; and

mere act of delegation is not enough to ensure decentralisation.

The second measure is concerned with the following techniques :

circulation of a clearly written statement containing each manager's duties, the degree of authority delegated to him, and his responsibility;

imparting education to subordinate managers in the rights of other for the purpose of restraining them from bullying others;

widening the span of management, particularly at middle and lower levels, so that managers are forced to delegate;

promoting managers when they have trained their subordinates to take the position of their superior.

These measures, it is expected, will help in obtaining and maintaining the desired degree of decentralisation.

3.12.3. Organisation structure and distribution of authority

It has been noted earlier that organisation structure may basically be of two types functional and divisional. Functional grouping of activities leads to functional structure and grouping activities in terms of product, territory etc., results into divisional structure. In functional structure distribution of authority seems to be limited. In other words, there is tendency to centralise authority at higher organisation points. Divisionalisation, almost by definition, bring with it more distribution of authority. In large functional organisation more authority delegation is noticed but less decentration; on the other hand, in divisional structure relatively more delegation and decentralisation are discerned.

3.13 Staffing

Organisation structure creates various positions or roles at different levels. These roles are to be manned by individuals to keep the organisation activated. The task of putting the right person to each position is referred to as staffing. Some writers on management theory include it as a phase of organising and many others consider it as a separate managerial function. However, in the present course it is considered to be a part of organising function. Staffing involves selecting, training and appraisal of managerial and non-managerial personnel. In broad terms this phase of organising involves people.

3.14 Exercise

1. Define Organisation. Why is it important to management and to society?
2. Define formal organisation and distinguish it from informal organisation.
3. Discuss the steps in the process of organising.
4. What are the determinants of organisation structure? Give an overview of them.

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5. Discuss briefly the principles of organisation.

6. What is departmentation? Discuss the various bases of departmentation.

7. You have been asked by the management of a large manufacturing company with five products using sophisticated technology to suggest an appropriate base for departmentation. What will be your suggestion?

8. What is matrix organisation? Can it be profitable adopted for the completion of large project like Second Hooghly Bridge or Kolkata Metro Rail?

9. What is span of management? What variables do influence the span?

10. Define line and staff. Why does conflict between the two arise? How can it be resolved?

11. What is delegation of authority? What are its elements? Give an idea how authority is delegated.

12. Why often does delegation become ineffective?

13. Centralisation and decentralisation of authority are related in 'either-or' relationship. Do you agree with the statement? Argue your case.

14. What forces do facilitate centralisation of authority?

15. Distinguish between delegation and decentralisation of authority.

16. How can you assess the degree of decentralisation of authority?

17. Discuss the variables that lead to decentralisation of authority.

18. How does an organisation obtain the desired degree of decentralisation?

Unit 4 ☐ Motivating People

Structure

4.1 Introduction

People have been inducted and put in various positions of the organisation structure. It is expected that they will behave in a manner that would contribute to organisational goals. Very few organisational people behave in the desired manner. They are to be induced to act in the desired manner. Here comes the question of motivation.

Who is responsible for motivating people? Every manager is responsible, within his authority, for motivating his immediate subordinates and for motivating all subordinates down to the bottom of his relevant organisation structure.

Behavioral scientists have identified human needs as the cause of human actions. People act to satisfy their needs. Not all kinds of need but only those that have varying degree of potency and strength to energize, activate and direct individual's behaviour towards certain goals are considered to be motivators. Such critical needs are motives. These critical needs make the individual restless until the needs are fulfilled. In order to reduce the level of restlessness and keep it under control the individual is propelled to action. Thus, motives induce individuals to channel their behaviour towards such actions as would reduce their restlessness.

Motive are the expressed needs and could be conscious or subconscious. They are always directed towards goals. While motives are energisers of action, motivation is the actual action or behaviour itself. Being energised by the motives, the actual behaviour in which the individual becomes engaged may be either highly or lowly intense. The intensity of behaviour is the level of motivation. Thus, while motive signifies the drive that propels individual to action, motivation indicates the actual or level of work behaviour of individual. Motivation is not a personal trait but a result of interaction between the individual and the situation.

Most of the people are not self-motivated and so someone else's aid is needed to motivate them. The motive may make an individual restless but he may not be able to identify the action to be undertaken to reduce the restlessness. Another individual, say a manager, by suggesting the action helps him to undertake the right kind of action. This inducing the motivated person to undertake a particular action is motivating. Even a manager may awaken his subordinates unconscious but rouse latent motives by creating a suitable situation within the organisation. However, people will be motivated to carry out the assigned task to the extent, if doing so they are able to satisfy their needs and expectations. Work is, thus viewed only as an effort to satisfy needs and expectations.

4.2 Definition

There is little agreement among thinkers on the definition of motivation. However, two definitions are quoted here that embrace all aspects of motivation.

Motivation is a "process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive" (Luthans). This definition takes care of source and goal directedness of motivation.

"Motivation to work refers to the forces within an individual that account for the level, direction, and persistence of effort expended at work". (Schermerhorn, Hunt and Osborn). The definition speaks of the source, level, direction and persistence of effort caused by motivation.

The above two definitions expose the fundamental aspects of motivation. They are (1) the factors that incite a person's activities; (2) the direction of his behaviour or what he chooses to do when presented with a number of alternatives; (3) the strength of the effort spent on the action chosen; and (4) the persistence of his behaviour, or how long he sticks with it.

4.3 Basic Motivation Model

A basic motivation model should incorporate the concepts like needs, choice, goals and rewards. These concepts are sequentially related to form a process framework as shown below which will provide a foundation for the discussion of the various motivation theories.

1 Need deficiencies : Inner state of disequilibrium	2 Search and choice of behaviour to satisfy needs	3 Goal directed behaviour and performance
6 Reevaluation and reassessment of needs; modification of inner state	5 Rewards and punishment	4 Performance evaluation
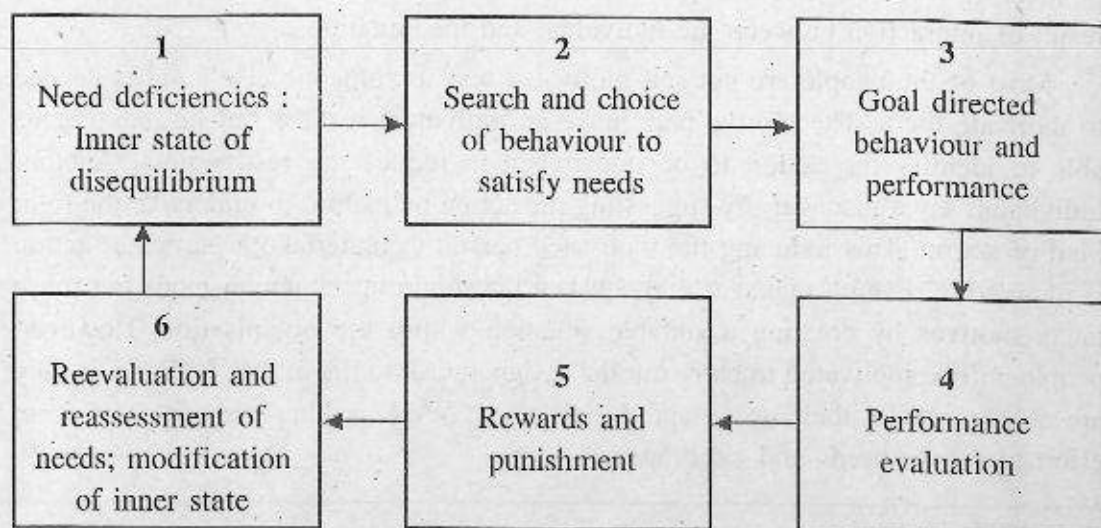
A basic Motivation Model

4.4 Significance of Motivation

The fundamental responsibility of the management is not only the maintenance of the current effectiveness of the organisation but also to improve it continuously. A good plan and a well designed organisation structure are not enough to that direction. It is the people who matter most. Highly committed and initiated employees can contribute to the organisational goals. The question is how to obtain their commitment and subsequent high performance. The management by motivating employees can improve the effectiveness of the organisation. Some people believe that core of management is motivation.

Organisation hires the skill of man, not the whole man. As a whole man besides his skill he has attitudes, values, and cognitions. Whether he will work only to secure his employment or will be inspired to put his best to the job is a matter of his decision. Management can make people to decide to contribute the most to the organisational goals by deftly handling motivational techniques available. A highly

motivated set of employees can turn around a hopelessly sick organisation into a vigorous one. The following results are usually expected if employees are properly motivated :

Employees when provided with opportunities to gratify their motives become motivated. Motive fulfilment makes them satisfied. Personal needs or motives, though complex in nature, can be satisfied to some extent by financial rewards and nonfinancial rewards.

Motivated employees try to acquire higher skill and to perform high by scaling up their aspiration level after every successful attainment of lower level motives.

The rates of absenteeism and turnover among motivated employees are low.

Motivated employees exhibit attitudes favourable to the organisation.

Good human relations exist in the organisations since there is likelihood of less misunderstanding between superordinates and subordinates as well as among the subordinates themselves.

Accident proneness of the operators decreases and number of grievances comes down.

Motivation yields job satisfaction.

High performance in terms of quality and quantity follows motivation.

William James once observed that usually people operate of an average of 20 to 30 percent of their abilities. With proper motivation; this level can be increased to 80 to 90 percent. As a result the number of employes needed perform the same tasks would be reduced to one third of its earlier manpower needs.

4.5 Theories of Motivation

Motivation operates though a complex process that ultimately influences behaviour of people in an organisation. Because motivation is so complex, many theories have been formulated in an effort to explain it. The existing theories can be categorised broadly under Content or Need theories, and Process or Cognitive Theories, Content theories deal with what motivates or the source of motivation. Content theories include Maslow's Need Hierachy Theory, Herzberg's Two-factor Theory, McClelland's Acquired Need Theory, and Alderfer's Existence, Relatedness and Growth (ERG) Theory. Process Theories deal with how people in organisations are motivated and to what extend the motivated people remain engaged in work behaviour. In general content theories predate process theories. The latter group of theories includes Vroom's

Expectancy Theory, Adam's Equity Theory, Locke's Goal Setting Theory, and Reinforcement Theory. Some of them that are popular among management practitioner are discussed here.

4.5.1 Content Theories

Content theories of motivation help managers to understand the crucial needs that subordinates try to satisfy by their actions. An unsatisfied need drives a person towards the satisfaction of that need. The different strands of content theories identify different sets of need that propel people to action.

1. Maslow's Hierarchy of Need Theory :

The first and still the most popular content theory was developed by Abraham Maslow in 1943 and refined in 1954 and 1968. He contented that people have five basic needs which they try to satisfy in a hierarchical order. These needs are physiological needs, safety needs, social or belonging needs, self-esteem needs and self-actualisation needs. Maslow claimed that these needs are organised in a hierarchical, pyramid form as shown below :

Self-
Actura-
lisation
needs

Self-esteem
needs

Social needs

Safety needs

Physiological needs
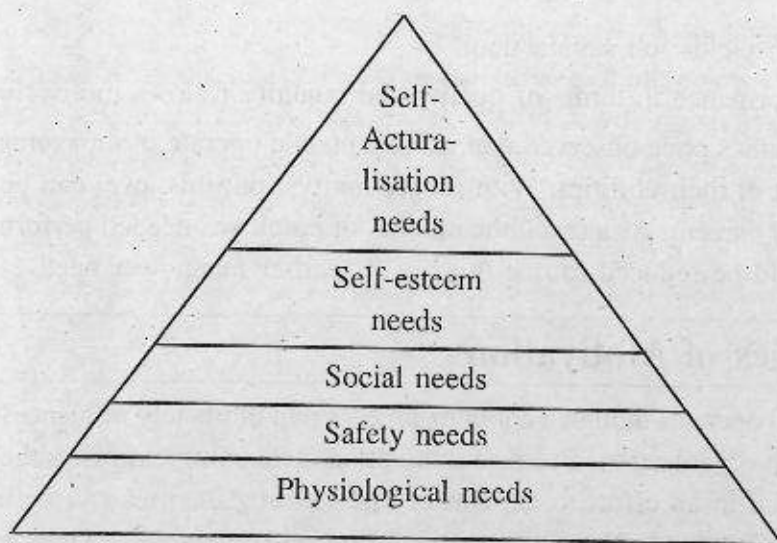
Physiological needs are basic bodily needs satisfaction which ensures the very survival of the individual. They comprise hunger, thirst, shelter for protection from climatic hazards, sleep, sex etc. Once these bodily needs are substantially satisfied people tend to move to the second level of needs in the hierarchy. It should be noted that the biological needs cannot be satisfied once for all time to come. However, these needs are finite. The second level needs comprise protection from wild animals,

murder, cruelty, terrorism or any other violence. People also seek stability and security in their jobs. However, overprovision of these needs is harmful as it makes people careless and defenceless. After gratification of the second level needs people will try to seek satisfaction of the third level needs, viz., belongingness needs. The need to belong to a social group through which, they believe, they can satisfy their emotional needs for affection, love, warmth, and friendship. This form the basis of team spirit and group cohesiveness in any organisation. In organisational context the most important social groups are the formal work group and the informal group. Self-esteem needs embrace respect, recognition, esteem, appreciation and applause from others. Individuals seek to satisfy these needs to experience a sense of self-worth and egosatisfaction. After the self-esteem needs are gratified the individuals make attempt to realise their potentiality, to become all that one can possibly become in life, to do one's very best. It is almost impossible to fully satisfy the self-actualisation needs since as the individuals progress in life new higher goals are set. Maslow claims that once people reach this level they stay thee and remain motivated by this need.

The important implication of Maslow's theory is that a substantially fulfilled need does not any more remain a motivator and the individual moves to the next higher level. This theory is based on satisfaction-progression premise.

Maslow separated the five needs into lower and higher orders. Physiological and safety needs belong to lower order and social, self-esteem and self-actualisation needs belong to higher order. Lower order needs are gratified externally (by pay, job security etc.) and higher order needs internally (by satisfactory personal experience). The higher order needs will not motivate people until the lower order ones are substantially fulfilled. For effective application of the theory manager should have to know the level of needs of his subordinates and take suitable measure to induce them to take actions to satisfy the present level of needs.

Maslow's need hierarchy is a hypothetical construct, not the outcome of empirical research. The research does not validate the theory. Despite that the theory is popular among practising manager.

2. Herzberg's Two-factor Theory :

Two-factor theory also referred to Hygiene-motivator theory was developed by Frederick Herzberg in collaboration with B. Mausner, R. O. Peterson, and D. F. Capwell in 1957. This theory is closely related to Maslow's theory.

Herzberg developed his theory on the basis of an empirical research conducted among 200 American engineers and accountants using critical-incident method for

data collection. He sought responses to interview questions such as "can you describe, in detail, when you feel exceptionally good about your job", and "can you describe, in detail, when you feel exceptionally bad about your job". The result obtained from the interviews were fairly consistent across the various subjects or interviewees. Analysing the comments offered by the subjects he found that good feelings about the job centered around the content and experiences of job (eg., experiencing accomplishment, job offering challenge); that bad feelings about the job were associated with context factors or factors surrounding but not directly involved in the job (e.g., salary, working condition). The content and context factors are associated with motivation as satisfiers and dissatisfiers. The research brought out two specific conclusions.

The set of context factors, extrinsic to the job, when not present results in dissatisfaction among the job holders; but their presence does not necessarily motivate them. They only prevent dissatisfaction to creep into the employees. They are called hygiene factors or dissatisfiers. They include job security, salary increases, working conditions, company policy, quality of technical supervision, quality of interpersonal relations among peers, supervisors and subordinates, and fringe benefits.

Motivation is built up by a set of factors intrinsic to the job. Their presence in the job satisfies the job holders, but their absence does not result in dissatisfaction. These factors are called motivators or satisfiers and are related to job content. They include achievement, recognition, work itself, responsibility, advancement, personal growth and development.

Herzberg's theory uses two sets of concept : satisfaction = not satisfaction and dissatisfaction = not dissatisfaction. Management in its effort to motivate employees should prevent on setting of dissatisfaction by improving the job context factors and simultaneously take up the job contents.

● **Comparision with Maslow's theory**

Herzberg reduced Maslow's five levels of need into two distinct levels. They hygiene factors are equivalent to Maslow's lower order needs. They prevent dissatisfaction to fall below the floor level but do not lead to satisfaction. In terms of motivation, hygiene factors in the workplace provide necessary foundation for motivators to operate because they bring motivators to a 'zero point' by preventing negative behaviour. Hygiene factors, by themselves, do not motivate employees to better performance.

The motivators or satisfiers correspond to Maslow's higher level needs. Their absence in the job makes the employees dissatisfied.

● Research on Two-factor theory

A great deal of attention has been given to this theory by behavioural scientists. Both supportive and non-supportive findings have been reported. The researches have shown that (1) a given factor (say pay) may cause satisfaction in one case and dissatisfaction in another; (2) satisfaction or dissatisfaction caused by a factor may be a function of age and organisational level of the employee; and (3) an employee may confuse company policies and supervisory style with his own ability to perform as factors causing satisfaction or dissatisfaction.

● Critique

Despite its contributions the Two-factor theory has been criticised for a number of reasons.

The major criticism concerns the methodology used to build the theory. The critical-incident method that required the subjects to look at themselves retrospectively fails to provide opportunity to indicate other factors outside the questionnaire. The method has the inherent weakness of putting emphasis on the recent past and of ignoring the impact of distant past and of equally important events.

The manner in which the Two-factor theory has oversimplified the nature of job satisfaction or dissatisfaction has been criticised. Satisfaction or dissatisfaction can reside in the context and content of the job jointly.

Criticism has focused on the wisdom of equating satisfaction with motivation. The theory has assumed that an employee with job satisfaction is necessarily a motivated one.

Despite major criticisms the theory is popular among the practising managers.

3. Alderfer's ERG Theory :

In an attempt to reformulate and to address many of the criticisms of Maslow's theory Clayton Alderfer in 1969 and 1972 devised ERG (Existence, Relatedness, Growth) theory.

Alderfer reduces Maslow's five needs to three general needs : existence, relatedness and growth. Included under existence need are hunger, thirst, shelter, pay and working conditions — that is physiological and safety needs to Maslow. Relatedness needs include basically the same desires as Maslow's belongingness needs - viz., friendliness and affection of others. Finally growth needs are the desires to be creative, to develop additional skills and abilities and to feel a sense of status in the organisation that is, self-esteem and self-actualisation needs of Maslow. He agreed with Maslow that employee motivation could be gauged according to a hierarchy of needs.

ERG theory is based upon the following three propositions :

1. The less each level of need has been satisfied, the more it will be desired (i.e., need satisfaction). For example, the less existence needs (e.g., pay) have been satisfied on the job, the more they will be desired.

2. The more the lower level needs have been satisfied, the greater the desire for higher level needs (i.e., desire strength). For example, the more the existence needs have been satisfied (say, pay), the greater the desire for the relatedness needs (e.g., satisfying interpersonal relations).

3. The less the higher level needs have been satisfied, the more the lower level needs will be desired (i.e., need frustration). For example, the less growth needs have been satisfied (e.g., challenging job), the more relatedness needs will be desired (e.g., satisfying interpersonal relationships. This is shown in the following figure :

Need Frustration	Desire Strength	Need Satisfaction
Frustration of Growth needs	Importance of Growth	Satisfaction of Growth
Frustration of Relatedness needs	Importance of Relatedness needs	Satisfaction of Relatedness needs
Frustration of Existence needs	Importance of Existence needs	Satisfaction of Existence needs
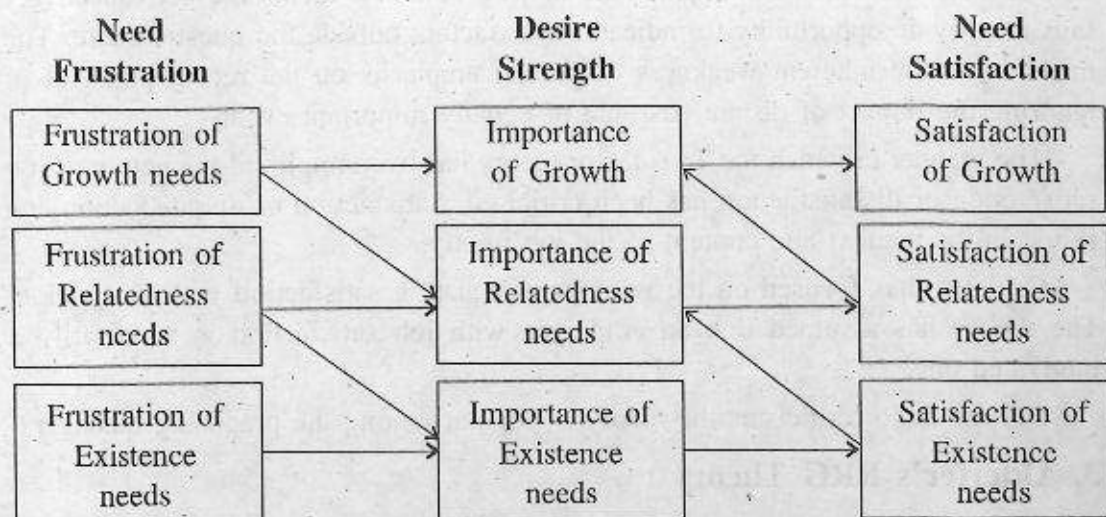
ERG Model

Satisfaction
Progression _____
Frustration
Regression _____

● **Comparison with Maslow's theory**

Though based on Maslow's need hierarchy theory ERG theory differs from it on two counts.

First, the need hierarchy theory is based upon a satisfaction-progression approach; that is, an individual will progress to a higher order need once a lower order need

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has been satisfied. ERG theory, on the other hand, incorporates not only satisfaction progression approach but also a frustration-regression component. Frustration-regression describes the situation where a higher order need remains unsatisfied or frustrated, greater importance is placed on the next lower order need.

The second major difference is closely related to the first. That is unlike the need hierarchy approach, ERG theory indicates that more than one need may be operative at any one time.

● Research on ERG theory

A number of studies have reported stronger support for the theory than for Maslow's need hierarchy theory. At the same time there is also evidence that it does not work in some organisations.

● Critique

As it is a theory of recent origin major criticism against it has not yet been great in number.

However, for managers ERG theory provides a more workable approach to motivation in organisations. Because of frustration-regression component, it provides opportunity to direct employee behaviour in a constructive manner when higher needs are temporarily frustrated.

4. McClelland's Acquired Need Theory :

Another content theory is Acquired Need Theory. It was developed by David I. McClelland in collaboration of associates through a long drawn research over several years. By using a particular psychological test instrument he identified three needs of human beings — need for achievement (n. Ach.), need for affiliation (n. Aff), and need for power (n. Pow). The n. Ach is the desire for doing something better or more efficiently, to solve problems, or to master a complex task. The n. Aff is the desire to establish and maintain friendly and warm relations with other persons. The n. Pow is the desire to dominate and control other persons, to influence their behaviour, be responsible for other people.

McClelland's basic theory is that these three needs are acquired over time as a result of life experiences. People are motivated by the needs and each need is associated with individual work preference. The theory encourages managers to identify the presence of n.Ach., n. Aff and n. Pow in themselves and in other people and to be able to create work environments that are responsive to the respective need profiles.

Individuals with a high need to achieve prefer job situations with personal responsibility, feedback and intermediate degree of risk. When these characteristics are prevalent, high achievers will be highly motivated. The evidence demonstrates

that high achievers are successful in entrepreneurial activities such as running their own business, managing self-contained unit within a large organisation, and serving in a variety of sales positions.

A high need to achieve does not necessarily make a person a good manager. Such a person is basically interested in doing a good job and not influencing others to do well. Sales people with n. Ach do not necessarily make good sales manager, and a good general manager in a large organisation does not typically have high need to achieve.

People with high need for affiliation like to interact with other in the organisation. They exhibit strong interest in the feelings of others, have desire for support and approval from others. They willingly conform to the norms of the groups they belong to. They are in strong need for interpersonal contacts. They are sociable. They prefer cooperative situations rather than competitive ones, teamwork, and committee assignments.

With supportive feedback people with high n. Aff perform well. Pressure from team and committee members also increase output of high n. Aff people.

People with high need for power seek leadership positions in groups, freely given their opinions on issues and attempt to convince others to change their opinions. They prefer to be placed into competitive situations and are status-centric. They are more concerned with prestige than with effective performance.

A high need for power is, by itself, neither good nor bad. Indeed managers with high need for social or institutional power* tend to be effective leader since power and leadership are interwined.

McClelland suggests that all the three needs are operative at all times, but one or two of them will tend to dominate the individual at a point of time. Thus a person might have high need for achievement and power and a low need for affiliation. If so the individual have to be motivated differently from some one with high need for affiliation and for power and low need for achievement.

● **Comparision with Maslow's and Adelfer's models**

McClelland's three needs are not unlike the needs in Maslow's and Adelfer's models. n/Pow is similar to self-actualisation and growth needs. And n.Aff is similar to self-esteem and belonging needs and to relatedness needs.

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*McClelland differentiates between personal power and institutional or social power. Individuals high in personal need desire to inspire subordinates and expect respect and obedience from them. Such behaviour gratifies manager's personal need. Rather than gaining personal ego satisfaction, managers with high need for institutional power tend to exert authority and influence for achieving organisational goals. The institutional power managers are very effective as they are willing to sacrifice their own personal interests for the organisations benefits. McClelland believes that institutional or social power is good for the organisation and personal power is detrimental to the overall interests of the organisation.
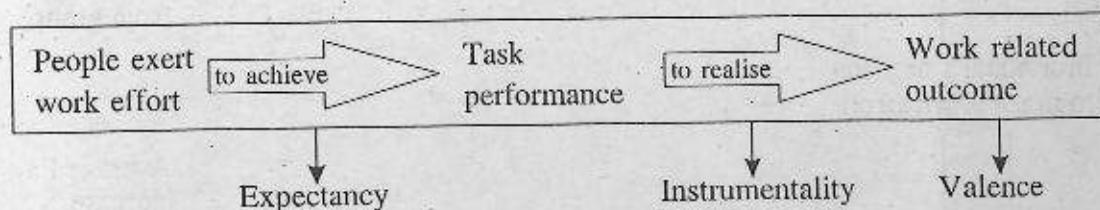
- ## Research on McClelland's theory

McClelland with his associates conducted extensive research on need for achievement and developed a progremme for training people to make them high achievers. Research on the other two needs was less in number and extensiveness.

4.5.2 Process Theories

Process theories consider motivation as an individual choice process. The choices (or decisions) relate to the decision-makers's job behaviour. While making the conscious choice individuals rely upon past and current information about their goals expected and sense of fairness to choose their behaviour. People also rely on their expectations of the rewards or punishments associated with certain behaviour for making their choice. Thus, understanding the process or mechanism by which individuals make choices about how much effort they will put on the job and how long they will get themselves engaged in the job or when they will stop the work will help managers to motivate people better. As mentioned earlier there are several approaches that reveal the process of decision-making.

1. Vroom's Expectancy Theory :

Victor Vroom in 1964 formulated his process theory of motivation that he calls expectancy or Instrumentality theory. The theory argues that individuals before exerting effort evaluate various strategies of behaviour (e.g., working hard each day versus working hard three days out of five) and then choose the particular strategy that they believe will lead to those work related rewards that they Value (e.g., pay increase). If the employee believe that working hard for five days will lead to pay increase, expectancy theory would predict that this will be the job behaviour he well choose. So, in the basic form, expectancy theory relates to choice of behaviour. Simply put expectancy theory is

People exert work effort	to achieve →	Task performance	to realise →	Work related outcome
↓ Expectancy		↓ Instrumentality		↓ Valence

A basic Expectancy Model

The key variables in Vroom's theory are then expectancy, Instrumentality and Valence. The variables are explained here.

Expectancy. The individual assigns probability that work effort be followed by a given level of achieved task performance. Expectance would equal to "O" if it was impossible to achieve a given performance level; it would be "1" if a person was 100% certain that the performance could be achieved.

Instrumentality. The probability assigned by the individual that a given level of achieved task performance will lead to various work outcomes. Instrumentality, like expectancy, varies between "1" meaning the reward would be 100% certain to follow performance and "O" indicating there is no chance that performance would lead to the reward.

Thus, the probability operates at two levels—expectancy and Instrumentality.

Valence. The value attached by the individual to various work outcomes is valence. Valences from a scale from "—1" (i.e., very undesirable outcome) to "+1" (i.e., very desirable outcome).

So the work effort of people depends upon

1. The person's belief that work efforts will enable him to achieve various levels of task performance.

2. The person's belief than various work outcomes will result from the achievement of various levels of work performance.

3. The values the individual assigns to these outcomes.

A schematic example of the theory is given below :
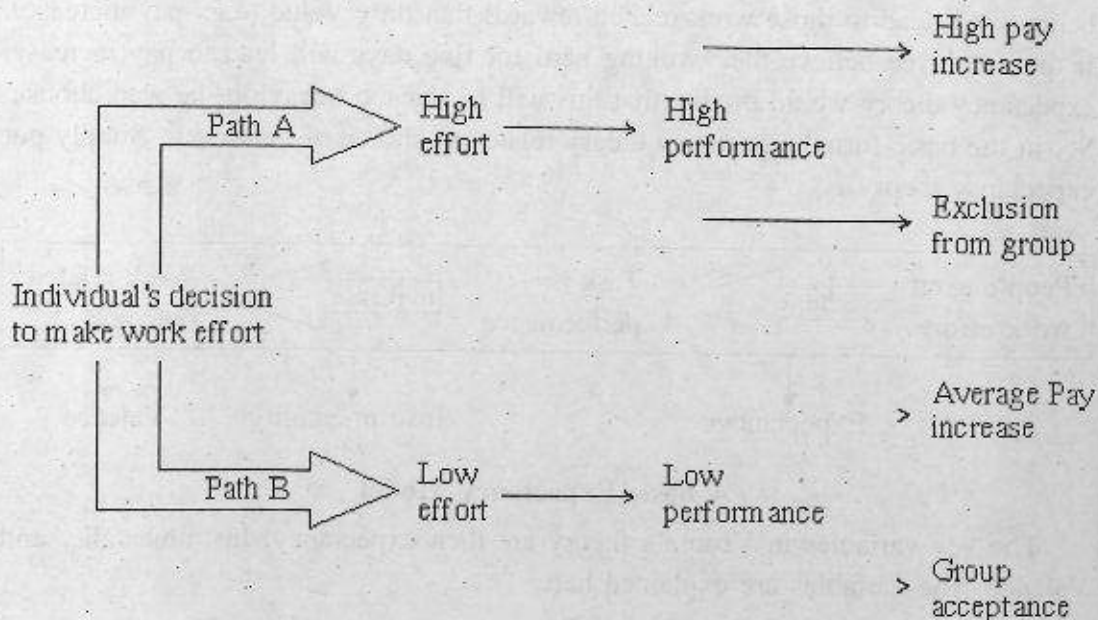
The individual is depicted as making a decision how much effort to spend at work. In the figure, the individual may elect to follow Path A (working hard to achieve a high performance level) or Path B (working less hard and achieving a low performance level).

Under the theory, the first question the individual asks himself is "can I achieve different performance levels as a result of my work efforts?" Once this question is answered attention shifts to the outcomes that may be associated with each performance level. In the example, a high pay increase and social exclusion from his work group follow the achievement of high performance. By contrast, a low performance level results in average pay increase and group support from co-workers. Finally, the individual must evaluate each work outcome—high pay increase as very desirable and social exclusion as very undesirable.

Which path the individual will choose? The answer depends upon how do the three components (viz., expectancy, instrumentality, and valence) of the theory affect the motivation. Vroom has provided an answer in the form of an equation.

$$\text{Motivation} = E \times I \times V$$

Thus it is found that the key variables are multiplicatively interrelated. This multiplicative relationship means that the motivational appeal of a given work path is drastically reduced whenever any one or more of expectancy, instrumentality or valence approaches the value of Zero. Conversely, for a given reward to have a high and positive motivational impact, the values of E, I and V are to be high and positive. The answer to the question depends on

1. Whether E is high or low?
2. Whether I is high or low?
3. Whether V is high or low?
4. Whether combination of E, I and V is high or low?

Multiple Expectancies — Expectancy theory is capable of accommodating multiple work outcomes in predicting motivational level. High pay increase and social exclusion are two outcomes of high work effort. Or average pay increase and group acceptance are two outcomes of low work effort. The path to be chosen is determined by the combined sum of E, I and V. If values of E, I and V are 1 (one) for pay increase and that of V is –1 for group exclusion then

Motivation

High effort $= (E \times I \times V) \text{ pay} + (E \times I \times V) \text{ group}$
$= (1 \times 1 \times 1) \text{ pay} + (1 \times 1 \times -1) \text{ group}$
$= (1) \times (-1)$
$= 0$

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Thus, because of the multiplier effects and multiple expectancies the individual's motivation to pursue the high performance path is zero. Even though high pay was both highly valued and considered accessible to the individual, its motivational power was cancelled by the countervailing, negative effect of high performance on the individual's social relationships with his workers.

When the expectancy equation is applied to the low effort path, a different result occurs. Assuming that the values of E and I are one and that of V is .5 for average pay and is 1 for group acceptance, the equation works out as follow :

Motivation

Low effort $= (E \times I \times V)$ pay $+ (E \times I \times V)$ group

$= (1 \times 1 \times .5)$ pay $+ (1 \times 1 \times 1)$ group

$= .5 + 1$

$= 1.5$

When the motivational value of low effort path (1.5) is compared with high effort motivational value of O, it is clear the individual would be motivated towards low performance. Concern for group acceptance and perception that achieving minimum performance standards would still result in an average pay increase (rather than no increase at all) would contribute this result. Expectancy theory, therefore, predicts that this person to be a low performer based upon the available work outcomes and their individual outcomes.

The key to expectancy theory is the understanding of an individual's goals and the linkage between effort and performance, between performance and rewards, and finally, between individual's goals and satisfaction.

● **Research on Vroom's theory**

A great deal of research has been conducted on the basic Expectancy theory model, and it suggests that the model is probably more complete than the content theories. One of the problems with the Expectancy theory is that it is a complex theory to test it fully. Still, the logic of the model is clear, and the steps are useful for clarifying how managers can motivate people.

The theory is not above criticism. Some critics suggest that the theory has only limited use. They argue that it tends to be more valid for predicting level in situations where effort—performance and performance—reward linkages are clearly perceived by the individual. Since few individuals can perceive a high correlation between performance and rewards in their jobs the theory tends to be idealistic.

2. Adam's Equity Theory :

Equity theory is another process theory of motivation. It has been developed by J. Stacy Adams (1963 and 1965). The theory argues that when people judge the fairness of their work outcomes in comparison with others, felt inequity becomes a motivating state of mined. That is, when people perceive inequity in their work rewards, they will be aroused to remove the discomfort and restore a sense of felt equity to the situation. Inequities exist whenever people feel that the rewards for their work inputs are unequal to the rewards other persons appear to have received for their inputs. Age, sex, education, qualifications, social status, organisational position, and how hard the person works are examples of perceived input variables. Outcomes consist primarily of rewards, such as pay, promotion, status, and intrinsic interest in the job. The person with whom comparison is made is called the reference person or referent. The reference person may be someone in the individual's own work group, in another work group, or outside his organisation. For the individual the equity comparison or the thought process that determines such a feeling is

$$\frac{\text{Individual rewards}}{\text{Individual input}} \quad \underset{\text{with}}{\overset{\text{Compared}}{\longleftrightarrow}} \quad \frac{\text{Referent rewards}}{\text{Referent input}}$$

Resolving the felt inequities

After comparison the individual feels inequity. Inequity may either be negative or positive. A felt negative inequity exists when an individual feels that he received relatively less than others in proportion to work inputs. A positive felt inequity exists when an individual feels that he has received relatively more than others in proportion to work inputs. Both felt negative and felt positive inequity are motivating states. When either exists, the individual is predicted to engage himself in one or more of the following behaviours to restore a sense of equity :

1. The person can alter inputs (effects). That is, people who feel they are underpaid for their efforts, may tend to reduce their efforts, and people who feel they are overpaid, may want to increase their efforts.

2. The person can try to alter the outcomes or rewards.

3. The person can cognitively distort inputs or outcomes.

4. The person may quit the job.

5. The person can try to influence referent to reduce inputs.

6. The person can change the level of comparison.

The following figure illustrates the positive-negative inequity possibilities :
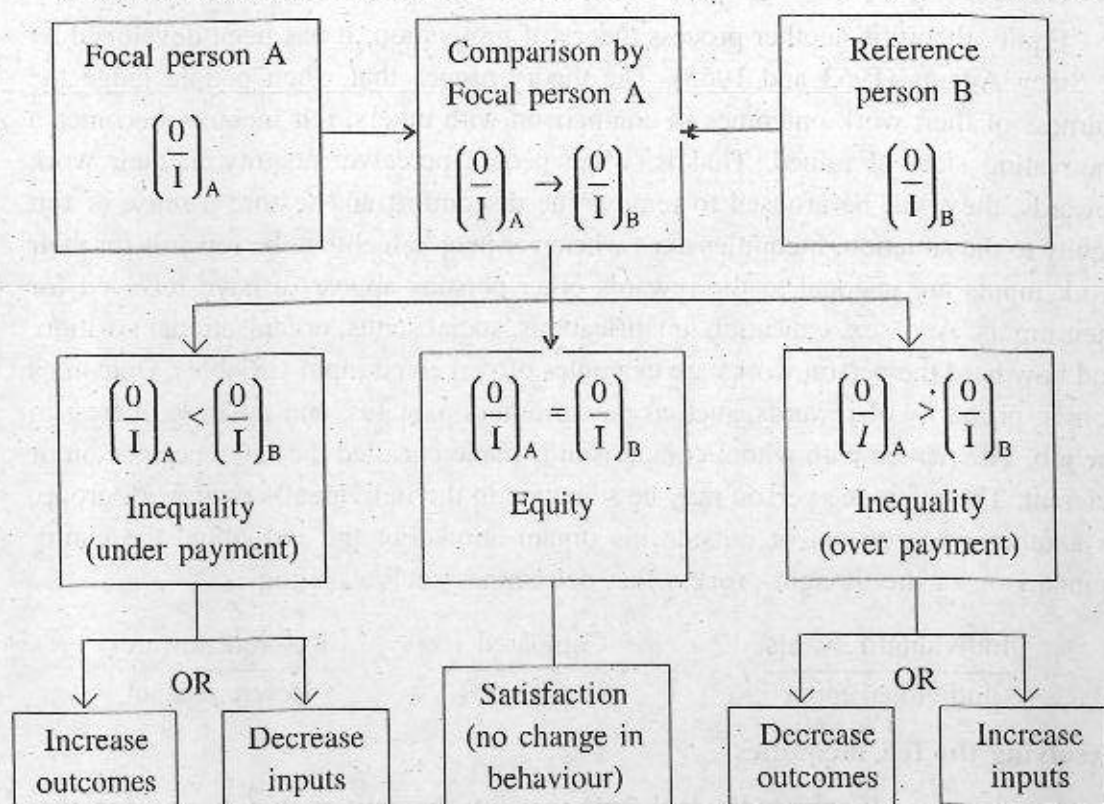
The figure present a three-step process :

1. Comparison of outcome/input ratios between focal person A and reference person B;

2. Decision whether there exists equity resulting in satisfaction or inequity resulting in dissatisfaction in the given situation; and

3. Motivating behaviour to reduce inequity.

There are a number of behavioural patterns that an individual can pursue to reduce inequitable situation. First, When negative inequity is caused by a lower output/input ratio for the focal person A (say underpayment), he may attempt to improve outcomes as compared to the reference person B. For example, if the employee believes that he is being paid less than another worker for comparable inputs, he could ask for an adjustment in his income (pay increase). Second, mechanism may be to decrease input by reducing his productivity level or increasing time-off from the job. A third possible mechanism for adjusting negative inequity in an underpayment

situation for the focal person A is to change the reference person B to bring about a more realistic comparison. When positive inequity is caused for the focal person A (over payment), he will be motivated to remove this inequity by decreasing outcomes, or most probably, by increasing inputs.

- **Research on Adam's Equity theory**

  Till date a limited number of research studies has been carried out and they have been both supportive and non-supportive. However, research, in general, appears to support more strongly the underpayment aspects of the theory than the overpayment situations.

- **Review of the Equity theory**

  The theory till now has not been able to answer to the following questions :

  How do employees define inputs and outcomes?

  How do they handle conflicting equity signals?

  How do they combine and weigh their inputs and outcomes to arrive at totals?

Yet, regardless of these problems, equity theory continues to offer managers some important insights into employee motivation.

3. Locke's Goal Setting Theory :

Edwin Locke (1968) perceived that behaviour is determined by two cognitions values and desires that define the goals people set for themselves. For example, if a person has a high work ethic value, he is likely to set a high performance goal and works towards a high level of performance. Actual work hahaviour then becomes a function of values and goals set by the individual. The individual will be motivated to set and strive for goals if he both understand and accept a particular goal. Furthermore, he will not be motivated if he does not possess and knows that he does not possess the skills needed to achieve the goal. Thus, according to goal-setting theory of motivation, the individual is motivated when he behaves in way that move him to certain clear goals that he accepts and can reasonably expect to attain.

An individual's actual actions are not only directly influenced by his personal goals but also by the organisational goals. These two sets of goal are competitive. Employees normally pursue both individual and organisational goals. The extent to which an employee accepts the organisational goals has a direct influence on the effort he will expend. If organisational goals and individuals goals are compatible, the employee's actions will be directed towards organisational goals. If there is lack of congruence between these two types of goals, the individual will try to accomplish individual goals unless there is external pressure to accomplish organisational goals.

In summary, it can be said that the individual's reasoning passes though the following four phases :

1. Establishment of a standard to be attained
2. Evaluation of whether the standard can be achieved
3. Evaluation of whether the standard matches personal goals
4. The standard is accepted, the goal is set thereby, and direction of behaviour towards the goal is decided.

If employees are to be motivated to perform well on their jobs four important requirements should be met while setting the goal. They are goal specificity, goal difficulty, goal acceptance, and feedback.

Goal specificity. Goals have values to individuals. Goals that are set should be clear and specific. Managers should make it abundantly clear to the employees what is expected of their performance both in terms of quantity and quality. Such knowledge removes ambiguity that may exist. The employees can then decide the right amount of effort to be expended to achieve the goals. The specificity of goal itself acts as an internal stimulus. Results of research indicate that setting specific goals is a better motivator and achieves better results than asking employees to "be their best". Some consultants argue that simply setting clear goals can often increase performance by 15 to 20 percent. Tying rewards to goals can increase performance by as much as 40 percent.

Goal difficulty. The more difficult a goal is, the more effort a person will put forth. However, if goals are set unreasonably high, the individual may become discouraged; this possibility can be reduced if the person participate in the goal setting process. It is logical to assume that easier goals are more likely to be accepted. People with high achievement need (n. Ach) prefer moderately difficult goals and people with high esteem need avoid easy goals. If factors like competance and acceptance of the goals are held constant hen more difficult the goals, the higher the level of performance.

Participation in goal setting by employees. Employee participation in the process of goal setting jointly with the superiors leads to greater acceptance of goals. It seems that participation in goal-setting process helps employees to better understand the goal. Employees accept the goals when they are in consonance with their values. Acceptance leads to higher level of goal commitment. Commitment to the goals implies that the individual is determined not to lower of abandon the goal. This is likely to occur when goals are made public, when the individual has an internal locus of control (the degree to which people believe they are masters of their own fate) and when the goals are self set rather than assigned. Once employees understand, accept and commit themselves to the goals they will be motivated to put forth greater effort and perform well.

Feedback on goal effort. Employees will do better when they get feedback on how well they are progressing towards their goals because feedback helps to identify discrepancies between what they have done and what they want to do; that is, feedback acts to guide behaviour. But all feedback is not equally effective. Self-generated feedback—where employees are able to monitor their own progress — is more powerful motivator than externally generated feedback.

In addition to the above four requirements two other factors have been found to influence the goals-performance relationships. They are self-efficacy and national culture.

Self-efficacy. Self-efficacy refers to an individual's belief that he is capable of performing the task; that is, he knows that he does possess the knowledge and skills to perform the task. The higher his self-efficacy, the more confidence he has in his ability to succeed in a task.

So in different situations, people with low self-efficacy are likely to lessen their effort or give up altogether whereas those with high self-efficacy will try hard to master the challenge. In addition, individuals high in self-efficacy seem to respond to negative feedback with increased motivation, those low in self-efficacy are likely to lessen their effort when feedback is negative.

National culture. Goal-setting theory has been built up on the notions of work values and desires of individuals. These two cognitions are broadly culturally determined. So its workability is dependent on the national culture. The theory assumes that subordinates will be independent, that managers and subordinates will seek challenging goals, that employees as individual will place much emphasis on personal initiative and achievement, and that employees have a strong tendency to make money by performing well. So goal-setting theory is not capable of leading to higher employee performance in countries where the culture fails to uphold assumptions of the theory.

- ### Research on Goal-setting theory

  Research shows that when goals are specific and challenging, they function more effectively as motivating factors in both individual and group performance. Research also shows that motivation and commitment are higher when employees participate in goal setting. Employees need accurate feedback on their performance to help them adjust their work methods when necessary and to encourage them to persist in working towards goals.

  Goal-setting theory jobs, Expectancy theory and Reinforcement theory (to be discussed shortly) as a different way to explain thy people behave as they do.

4. Reinforcement Theory :

Reinforcement theory of motivation is broadly based on learning theory and the works of B. F. Skinner. The foundation of this approach is based on three fundamental factors.

First, it is believed that human beings, are basically passive and merely indicate the relationship between the forces acting upon them and their outcomes. Behavioural explanations that assure that individuals actively initate behaviour on their own are rejected.

Second, Reinforcement theory also rejects that explanation that behaviour is grounded on an individual's inner cognitive events, such as needs, drives or goals; what controls behaviour = are reinforcers—any consequence which, when immediately following a response, increases the probability that the behaviour will be repeated. The focus of attention is one behaviour itself which can be observed from outside and measured.

Finally, Reinforcement theorists state that a relatively permanent change in behaviour of an individual results from reinforced behaviour or experience. Stated differently, by proper reinforcement, the likelihood that desired behaviour to be exhibited by the individual can be increased, and the likelihood that undersired behaviour to be exhibited by the individual can be reduced or both.

Operant Conditioning

Reinforcement theory has been operationalised in organisations through the method of operant conditioning. So the theory is alternatively called as Operant Conditioning theory. Although there is no single accepted theory of operant conditioning, there is a set of fundamental ideas and principles. Operant conditioning is defined in terms of relationships between stimuli (S) and reinforces (R) as (S — R or R — S). In simplest terms, Stimuli are things or events in the world outside the person, while reinforces are actions which a person engages in, stimuli can both precede or follow responses. For example, in an organisation a typical stimulus might be the request from one's boss to do a particular job. This stimulus might be followed by the response of doing the job. This response might itself be followed by another stimulus, such as the boss offering congratulations on doing the job so well. Thus, the consequences of behaviour (rewards or punishments) are made to occur contingent upon the individual's response or his failure to respond. The consequences or types of reinforcement determine the likelihood that a given behaviour or response will be performed in future. This process can be expressed in the following way

Stimulus → Response → Consequences → Future Response

Behaviour Modification. For changing the behaviour of an individual the consequences must be altered. Since operant conditioning is concerned with the process of modifying behaviour by manipulating the consequences of various behaviour, examination of the various types of reinforcement is necessary.

Types of reinforcement. Four basic types of reinforcement are available to the manager for the task of modifying individual behaviour. They are (1) positive reinforcement; (2) punishment; (3) negative reinforcement; (4) extinction.

Positive reinforcement. Positive reinforcement can be used to increase the frequency and strength of desired work behaviours by making the reinforcement (i.e., the consequent desired behaviour of the employee) contingent upon the occurrence of the desired behaviour in the employee. For example, a manager approvingly nods to a subordinate after he has done a good job. Positive reinforcement, here appreciative nodding, involves rewarding a desired behaviour with some form of recognition and approval which makes the employee happy and encourages him to repeat the same behaviour.

Negative reinforcement. Negative reinforcement increases the frequency and strength of a desired behaviour by making it contingent upon the avoidance of undesirable consequence for the employee. For example, a manager who had been nagging a worker every day about his poor performance does not rag day when the daily production quota is met. That is, manager withholds reprimand on the day of exhibiting desired behaviour (fulfilling the daily quota), just to avoid unpleasantness in future, the worker will try to exhibit the desired behaviour. Thus, negative reinforcement implies that the more anticipation at aversive stimuli from the environment by the employee will reinforce the desired behaviour.

Punishment. Punishment decreases the frequency or weakens an undesired behaviour by making it contingent upon the occurrence of an undesired consequence for the employee. For example, if an employee report late for work two time a month, he looses a day's earned leave. The employee is this punished which serves as a lesson for not reporting late.

There is difference between punishment and negative reinforcement. In punishment, undersired consequence is applied to decrease the frequency of or strength of undesired behaviour, whereas in negative reinforcement an undesired consequence is withheld when desired behaviour is exhibited.

Extinction. Extinction refers to the weakening and ultimate elimination of an undesired behaviour by making it contingent upon the removal of a desirable

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consequence for the employee. Extinction involves three steps : (1) identifying the behaviour to be eliminated; (2) identifying the reinforcers that encourage the behaviour to be eliminated; and (3) stopping the reinforcers. For example, an employee is becoming disruptive by breaking the established work rules. He receives social approval for his disruptive acts from the co-workers. The manager talks with and counsels the co-workers providing reinforcement to the disruptive worker to stop giving this approval. In due course, the employee will stop undertaking disruptive acts since he is not being reinforced by his colleagues. An undesirable behaviour can thus be effectively extinguished or stopped by withholding reinforcers.

For making the matter clearer the following figure is given

Stimulus	Work behaviour	Possible Managerial actions	Type of Reinforcement
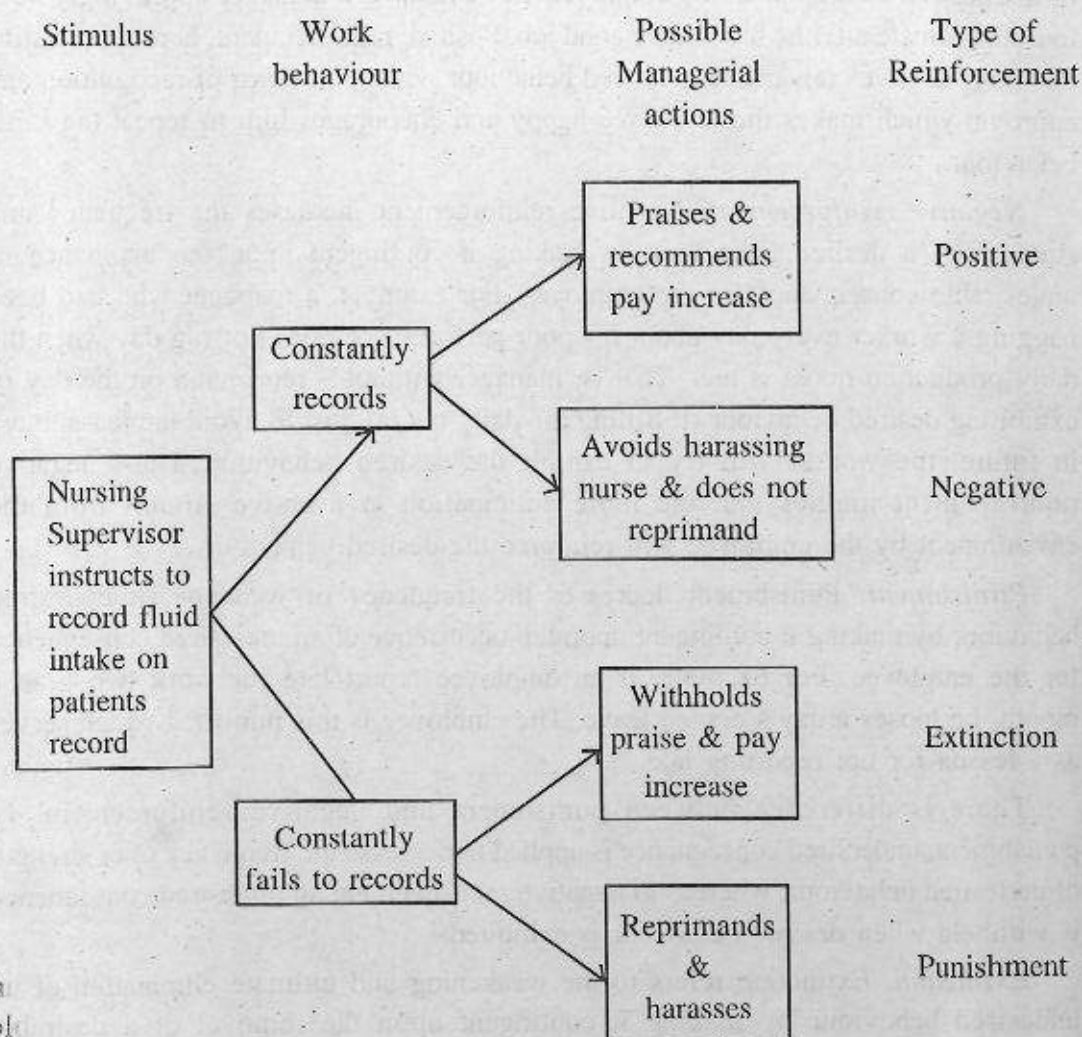
Effectiveness of alternative strategies.

Of the four strategies, positive reinforcement is by far the most effective and powerful for facilitating desirable behaviour. Positive reinforcement clearly indicates to people exactly what behaviour is desired, and it is the only strategy that provides them with rewards contingent upon engaging in desired behaviour. Extinction and punishment do nothing to help people to discover what it is that they should be doing; all these two strategies do is to point out that the people are currently doing wrong things. Punishment has the added disadvantage of generally creating frustration, anger, and hard feelings on the part of those being punished. Negative reinforcement also creates many of these negative feelings, since it requires the administration of negative, undesirable stimuli unless the desired behaviour is engaged in.

Application of the theory involves choice of the particular strategy to be used and the frequency with which reinforcer is provided. As already said positive reinforcement (i.e., reward) effectively produces desired results, particularly when the reward is closely tied to the accomplishment or organisational goals. Of course, it is important to understand that if managers want significant improvements in performance, they must apply the reinforcers repeatedly over time. But managers must be careful to reward the behaviour the employees desire. If an employee who wants to promotion and works hard with good performance sees that instead of promotion he has been given a pay increase, the desired result of continued hard work may not be forthcoming in future.

- **Review of the theory**

  Many scholars are not willing to accept Reinforcement theory as a true motivation theory. They argue that Reinforcement theory ignores the inner state of the individual and concentrates solely on what happens to a person when he does some actions. It explain behaviour as an involuntary reaction to environmental stimuli; it does not concern itself with what initiates behaviour.

  Scholars who accept it as a theory or motivation argue that Reinforcement theory, like Expectancy theory, is a way to link motivation and behaviour since the theory involves peoples memory of past stimulus-response-consequence experiences. At least it does provide a powerful means of analysis of what controls behaviour. However, to many reinforcement is a motivational device and they consider it to be a cognitive framework.

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4.6 Exercise

1. Define motive and motivation.
2. Why is motivating organisational members considered to be a managerial function?
3. Make distinction between content and process theories of motivation.
4. Give an idea of Maslow's Need Hierachy Theory.
5. After giving a brief account of Two-factor Theory compare it with Maslow's Theory.
6. Discuss ERG Theory.
7. Discuss McClelland's acquired Need Theory.
8. Give a broad view of Vroom's Expectancy Theory.
9. How does the Equity Theory operate?
10. What is Goal Setting Theory? What requirements are to be met while setting goals?
11. Is Reinforcement Theory a proper motivation theory?
12. Operant conditioning can modify behaviour. How does it modify human behaviour?

4.7 References

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Unit 5 ❑ Leading People

Structure

5.1 Introduction

Leading the people of organisations is another managerial function. The man who leads is the leader and his activities are called leadership function. He leads his followers, so leadership is a group phenomenon, not an individual one. Issue of leadership arises in all kinds of group including work groups.

Managers in their formal positions enjoy specific authority and rights and have finite responsibilities and obligations. In a formal work group the manager is the formal leader and other members are his formal followers. Formally imposed leader if not accepted by the followers the leadership evaporates.

For securing acceptance by the followers (i.e., subordinates) majority of formal leaders (i.e., managers) resort to formal authority attached to their organsiational positions and either reward or penalise them. Experiences say that rewards or penalty can secure overt acceptance of leadership, but covertly the followers despise the leader can cold shoulder him.

Managers and leaders are different persons. They differ in motivation, personal history and their way of thinking and acting. Managers tend to adopt an impersonal, if not passive attitudes towards group goals, whereas leaders take personal and active attitudes towards them. To managers work appears to be an enabling process; a process that helps them to combine people and ideas for the purpose of making decisions and setting strategies. Leaders work from high-risk positions;

temperamentally they are risk seekers, particularly when opportunity and reward appear high. To avoid anxiety arising out of solitary activity managers prefer to work with subordinating followers. They relate themselves to people according to their roles they play in a decision-making process. As leaders are more concerned with ideas they relate them to people in intuitive and empathetic ways.

Further, managers and leaders differ in their vision of their respective tasks. Managers try to cope with complexity and for it bring about order and consistency by drawing up formal plans, designing rigid organisation structure, and monitoring results against the plans. Leaders are interested in coping with change; by visualising the future they decide the direction the organisation or group needs and then align people by communicating the vision and motivate them to overcome the hurdles.

The conclusion is that all formal managers are not necessarily leaders; some of them may emerge as leader provided they process leadership quality.

As already hinted, leadership is not only quality of the single person but a group issue. It emerges in a group situation and is practised within it; outside the group it has no existence. Appreciation of leadership is possible with the help of knowledge about group.

Group means a set of individual who share a common fates that is, who are interdependent in the sense that an even which affects one member is likely to affect all. Typically, the human group shares a common goal, and its members interact in their attempt to achieve the goal. Typically, also the members are rewarded as a group for achieving their goal; they are punished if their group does not perform as expected. Work or task group is one variety of human groups. Task groups are creatures of a larger organisation. Instead of being independent of organsiation they are part of it. Leader of a task group leads the members of the group. The leadership function he reforms in the context of a situation. So in addition to leader and followers the other component of leadership is the situation.

5.2 Definition

There are almost as many definitions of leadership as there are persons who have attempted to define the concept. Earlier, attempts were made to define leadership in terms of traits or attributes. Trait definition has not been supported by subsequent research findings. Then it was defined in terms of functions. Suggested leadership

functions include arbitrating, suggesting, supplying objectives, catalyzing, providing security, representing, inspiring and praising. At present leadership is defined in terms of the influencing process. "Leadership is the process of influencing group activities toward goal setting and goal achievement" (Stogdill, 1950).

Focus on influencing process allows to include both formal and informal influences. Obviously, the formal leader (read manager) on the strength of his authority bestowed on him along with the formal position in the organisaton influences the subordinates' behaviour. Subordinates' behaviour can also be influenced informally. Informal influence is not exerted from formal position or with formal authority. He influences through his personal quality or power (power is not synonymous with authority). In a particular situation two leaders — one formal and one informal — may coexist. If the formal leader can act out both the roles of formal and informal leader there is no scope of emergence of an informal leader. Whether formal or informal leaders influence the behaviour of the followers this is done in a specific situation. Leadership thus involves a leader, followers and a situation. Hence leadership can be expressed in the form of an equation.

Leadership - f (leader, followers, situation)

The process of influence. Influence is defined as the process of affecting the potential behaviours of others. It transforms the potential behaviour of the people within the organisation. There are three processes to influence people's behaviour. They are compliance, identification and internalisation or some combination of them.

Compliance. Compliance occurs when people are influenced to do something against their will because they have been coerced into doing it. In other words, people obey because the consequence of not doing it may be too high. In most authoritarian organisations, superiors influence subordinates through the process of coercion which often elicits reluctant and half-hearted compliance. Such compliant behaviours get easily extinguished when the leader is not in the vicinity.

Identification. Identification occurs when people do things that the leader wants them to do because they like him and want to put forth the effort to accomplish the tasks that the leader would like them to do. This could happen either because the leader is attractive or acts as a role model, or has some qualities that are valued and admired by others in the organisaiton. Such a leader has charisma and people voluntarily behave in functional ways when they identify themselves with the leader. However, functional behaviour may not continue if the leader is transferred since the

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person they identify with has been removed from their presence and there is no self-directed motivating to act independently of the leader.

Internalisation. Internalisation occurs when followers are convinced that acting in particular ways as directed by the leader is in their best interests. This may happen when the followers have faith in the leader. Having internalised the values or opinions of the leader because of their high trust in the leader's judgement and expertise, the followers willingly do whatever needs to be done. Convinced that it is in their best interests to act as directed, they become self-motivated and hence do not require continuous presence of the leader to engage in functional behaviours to get things accomplished. The desired behaviour is sustained over time because the employees have internalized the values.

The manager who by creating the right situation helps his subordinates to internalise his values and plays as their role model emerges as the effective leader.

5.3 Significance of Leadership

The significance of leadership arises from the wishes of every manager to prove himself to be an effective leader.

1. Manager depends on other people to get work done. He acquires certain legitimate authority to influence his subordinates for getting the work done (for example, pay increase, promotion, disciplinary actions). To be a truly effective manager, his leadership must be willingly accepted by his subordinates. This means that the manager has to rely upon other sources of influence (for example, personal expertise, charisma and ability to relate to people).

2. Leadership is closely connected to the motivation of subordinates and other people manager tries to influence. The growing need for more complete use of human resources means manager has to depend more and more on their ability to tap the motivation of people. In turn, manager's ability to motivate will depend upon his competence to exert appropriate leadership.

3. It has been observed that most managers "do things right" while organisations need leaders who "do the right thing". Organisations fail to excel without appropriate leadership. Furthermore, changes in technology and the environment are creating an increasing need for mangers who can provide leadership.

4. Managers function is shifting organisational context. Without clear understanding of the nature of the context they fail to lead their subordinates.

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Leadership quality enables them to understand the true nature of the context and they can get the things done rightly.

Managers by doing the following functions may make them acceptable as role model to their subordinates. These functions are, truly speaking, the acts of he leader. They display the importance of leadership.

1. **Determining Goal.** A leader performs the creative function of laying down goals and policies for the followers. He acts as a guide in interpreting the goals and policies.

2. **Organising activities.** A leader by systematically assigning the tasks to his followers can reduce the change of conflict among them.

3. **Achieving coordination.** A leader by integrating the goals of the individuals with that of the organisation creates a community of interests. He shares information with his group for the coordination of their efforts.

4. **Representing the followers.** A leader represents his group to others. The leader anticipates the needs of the members of his group before they are expressed and takes initiative to fulfill them.

5. **Providing guidance.** In a situation of ambiguity the leader provides guidance to his followers. He also makes him available to them for solving any problem they face.

6. **Building followers's morale.** By developing good human relations and facilitating interactions among the group members the leader improves their morale.

7. **Facilitating change.** Lower level people most often resist any change. A leader can overcome the resistance and facilitates the change.

5.4 Theories of Leadership

What are the characteristics behaviours or situations that make one form of leadership more effective than any other form? Three alternative approaches that are available may help to answer the question. These approaches are otherwise known as theories. They are (1) Trait theory, (2) Behavioural theory, and (3) Situational theory. They deal with leadership concept from three different angels of view. The trait theory, the earliest one to surface, examines leadership by answering to the questions : "In terms of individual characteristic differences who are the most effective leaders?" " Is there a set of finite individual characteristics of traits that can distinguish successful from unsuccessful leaders?" The bahavioural theorists approach the issue from the view point of style of leadership and try to tackle the questions such as, "Is

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one leadership style more effective than any other style?" Or "What the leader does?" The situational theorists consider leadership as a complex process that involves the leader, the followers and the situation. They believe that effective leadership is a function of the characteristics of the leader, the style of leadership, the characteristics of the followers, and the situation surrounding the leadership environment. But situational theorists emphasise more on the Leader's situation.

5.4.1. Trait Theory

More than 80 years back serious study of leadership started with efforts to identify a set of traits common to all good leaders. People who become leaders must be superior individuals, it was assumed. They must have some fundamental characteristics to offer their followers which would allow them to emerge as leaders in almost any group. Given this hypothesis, the best way to understand leadership is to find those characteristics or traits that distinguish leaders from their followers.

Researchers began an exhaustive search for indentifying characteristics of established leaders. The list of traits thus prepared was endless but typically included such things as size, energy (both nervous and physical), intelligence, sense of direction and purpose, enthusiasm, friendliness, integrity, morality, technical expertise, decisiveness, perceptual skill, knowledge, wisdom, imagination, determination, persistence, good looks (physical and sartorial splendor) and courage. For bringing some sort of order among the listed items Stogdill classified these traits into six categories and each category includes several traits, Leader's traits as found by Stogdill are presented below :

Leader Traits (Based on Research Findings)

Category	Traits
Physical characteristics	Age, Appearance, Height, Weight.
Social background	Education, Social status, Mobility.
Intelligence	Intellect, Ability, Judgement, Knowledge, Decisiveness, Fluency of speech.
Personality	Aggressiveness, Alertness, Dominance, Enthusiasm, Extroversion, Independence, Creativity, Personal integrity, Self-confidence.
Task-related characteristic	Achievement, Initiative, Persistence, Enterprise, Task-orientation.
Social characteristics	Administrative ability, Attractiveness, Coorporativeness, Popularity, Prestige, Sociability, Interpersonal Skill, Tact, Diplomacy.

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The six categories consist an impressive list of 34 traits but the pertinant question is; are all of them or a particular combination of some of them found of them found in all successful leader.

● **Critique**

The presence of these traits does not ensure leadership success; nor does their absence preclude it. However, an individual possessing these basic ingredients has a higher probability of becoming a successful leader than without them.

Researchers have obtained these traits after a person had emerged as a leader, and so they do not prove a cause-and-effect relationship.

Moreover, what makes some one leader in one group, it turns out, is not necessarily what makes him leader in the next group. If members of actual groups are asked what kinds of persons usually become the leaders, they would give numerous and divergent answers, depending upon the particular type of group. The leader of a coalition is usually the one who best represents the group's ideals, as well as the one who makes good decisions. The most influential member of an auto-designing group is usually the best idea person. In a friendship clique, the most influential person might be the wittiest, or the most sociable person.

The search for natural leaders is clearly way to approach the phenomenon of group leadership. The type of traits that distinguishes a group's leader will depend on the needs and demands of the particular group. In fact trait theory fails of prescribe the essential traits to be possessed by a person for becoming a successful leader.

5.4.2. Behavioural Theories

Dissatisfaction with the trait approach to leadership led behavioural scientists to focus their attention on the actual behaviour of the leader—what he does and how he does it. The foundation for the style of leadership approach is the belief that effective leaders utilise a particular style to lead individuals and groups in achieving goals, resulting in high productivity and morale. Unlike trait approach, the behavioural approach focuses on leader's effectiveness, not on the emergence of an individual as a leader. In other words, instead of concentrating on the distinguishing traits of leaders, behavioural scientists try to locate their unique behaviours.

In fact, style of behaviour study started with the research of Lippitt. White and Lewin during 1938 and 1939 (known as Iowa leadership studies). They studied the effects of three leadership styles – autocratic, democratic and laissez-faire – on the behaviour of a group of boys. It was found that autocratic leadership resulted in either aggressive or apathetic behaviour, laissez-faire style resulted in the worst form

of aggressive acts, and the democratically led boys fell between two extremes in terms of aggressiveness and apathy. Though not scientifically conducted as an experimental design, it was the pioneering study that concentrated on leadership styles and followers behaviour. In late 1940s researchers tried to correlate leader behaviour modes to subordinate's performance and satisfaction.

Subsequent studies developed a good number of behavioural theories of leadership. Some of these studies are discussed below.

1. University of Michigan Studies :

The University of Michigan in late 1940s conducted empirical studies to identify styles of leader behaviour the results in higher performance and satisfaction of a group. The studies found two styles of leader behaviour – employee–centered and production-centered behaviour. Employee-centered leaders are those who are greatly concerned with employee welfare and satisfaction while production–centered leaders place a higher emphasison how well the job gets done. Comparison between the two orientations are shown in the following table :

Employee-centered leader	Production-centered leader
1. accepts subordinates as human beings.	1. Considers employees as production tool.
2. is concerned with employee well-being and satisfaction.	2. relies on work standards, procedures and rules; stress on technical aspect of job.
3. encourages and involves employees in setting and implementing group goals.	3. exercises close supervision.

The Michigan studies found that both the styles of leadership led to increase in production, but it was marginally more in case of production-centered style. However the use of direct pressure and close supervision led to decreased satisfaction and increased turnover and absenteeism. The employee-centered approach led to improved work-flow and more cohesive interactions resulting in increased satisfaction, and decreased absenteeism and turnover. This study suggested the superiority of employee-centered leadership style.

● **Review**

Michigan studies suffer from some debilities. They are :

1. They failed to suggested whether leader behaviour is a cause or an effect. They could not clearly state whether employee-centered leadership makes the

group productive or the highly productive group induces leader to be employee-centered.

2. The studies did not take into account he nature of the subordinates' tasks or their personal characteristics. They also ignored group characteristics and other situational variables.

3. The studies restricted leadership styles within two alternatives in "either-or" relationship. Leaders are required to follow exclusively either employee-centered or production-centered behaviour. Thus dynamism in leader behaviour is not allowed. This makes leader behaviour static.

2. Ohio State University Studies :

The most notable and the most complete research directed towards the determination of dimensions of leader behaviour has been that of Hemphill and his colleagues in the Ohio State University Leadership Studies. It started in 1945. The studies defined leadership as the behaviour of an individual when directing the activities of a group towards goal attainment. Beginning with over a thousand dimensions, they eventually narrowed the list into two categories that substantially accounted for most of the leader behaviour as described by the subordinates. They called these two dimensions ad Initiating structure and Consideration.

Initiating structure refers to the extent to which leader is likely to define and structure his role and those of the subordinates in the search for goal attainment. It includes behaviour that attempts to organize work, work relationships, and goals. The leader who after assigning group members to particular tasks expects member to maintain definite standards of performance and emphasises the meeting the datelines are considered to be high on Initiating structure. Such leader establishes relationship between himself and members of the work group, endeavours to set well-defined pattern of organisation and channels of communication, and methods of procedure. Initiating structure is similar to production-centredness.

Consideration is described as the extent to which a leader is likely to have job relationships with group members that are characterised by mutual trust, respect for subordinates' ideas, and respect for his feelings. He shows concern for followers' comfort, well-being, status and satisfaction. He is friendly and approachable, helps subordinates with personal problems and treats them as equals. A leader with all these dimensions of behaviour is considered to be high on consideration. Consideration dimension is similar to employee-centredness.

The behaviours of leaders with these two dimensions are summarised below :

Initiating structure	Consideration
1. Leader assigns group numbers to particular tasks	1. Leader finds time to listen to group member.
2. Leader instructs the group members to follow standard rules and procedures	2. Leader is willing to make changes
3. Leader lets the group members know what is expected of them	3. Leader is friendly and apporachable

Ohio researches looked at Initiating structure and Consideration behaviours as two dimensions, not as two extremes on the same continuum (as done by Michigan studies). By combining these two dimensions, four possible combinations of Initiating structure and Consideration have been obtained that define four styles of leadership. This is shown in the following figure :

	Low structure and High consideration *Human Relations*	High structure and High consideration *Democrative*
	Low structure and Low consideration *Laissez-faire*	High structure and Low consideration *Autocratic*

High ↑ ... Consideration behaviour ... Low

Low ——— Initiating structure ——— High
behaviour
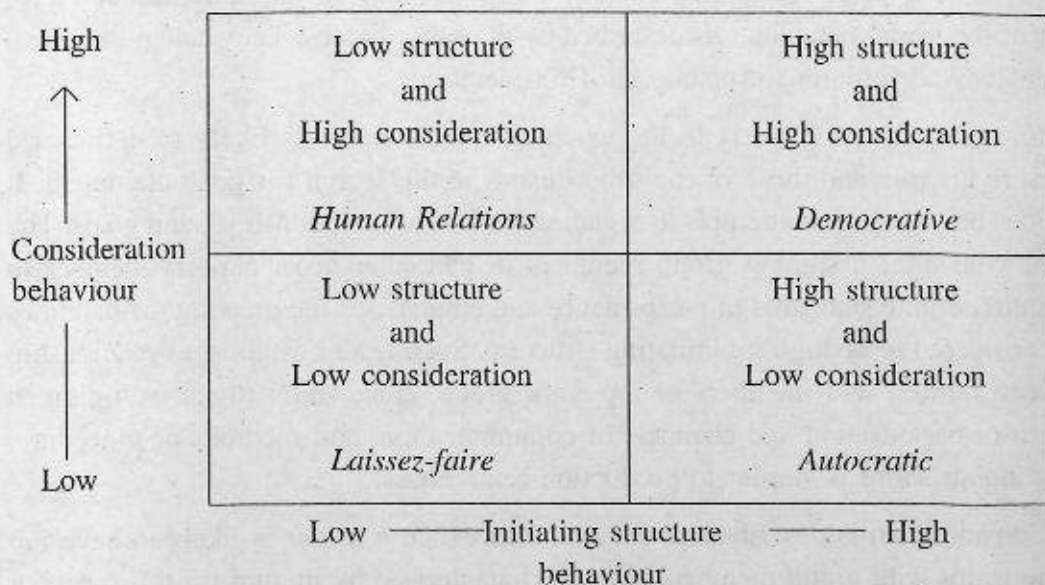
4 Styles of Leader Behaviour

Leader can be high on both, low on both, or high on one and low on the other. With behaviour high-high the leader is called democratic, low-low is called laissez-faire, high-low is called human relations, and low-high is called autocratic leader.

The researchers initially thought leaders high on consideration had high performing and satisfied subordinates with low turnover rates. Conversely, leaders who were rated low on consideration and high on initiating structure had high grievance and turnover rates among the employees. Later studies showed that leaders high on both dimensions (high-high leaders) were more successful.

● Review

A number of subsequent studies have confirmed that consideration behaviour and initiating structure may be regarded as two major dimensions of leader behaviour. In all leadership researches the situation is held constant assuming that organisational setting has little impact on leader behaviour.

More recent students have criticised the Leader Behavior Description Questionnaire (LBDQ) developed by the researchers of Ohio State University studies to measure leader behaviours as not significantly valid. LBDQ did not actually measure leader behaviours but simply described followers' perceptions of leader's behaviour. Researchers have also found that employees' ratings of their leaders' effectiveness depended so much on the particular style of the leader as on the situation in which the style was used. Thus by holding the situation constant the staff of Ohio studies unjustifiably narrowed their vision.

Recent reviews fail to reveal any substantial consistent effects associated with given behavioural styles of leaders nor any consistent trend for one or another style to be particularly effective in terms of individual or group performance — although associated with employee–oriented style. Reviewers hold the view that the relationship between leader behavioural styles and employee attitudes and performance is not substantially moderated by the characteristics of the situation in which the leadership activities take place.

3. Managerial Grid Theory :

One conclusion from Michigan and Ohio studies is that the leadership style may not be unidimensional, that is, leader cannot afford to be either task-centred (or with initiating structure behaviour) or employee-centred (or with consideration behaviour). Both centrednesses are not only possible but are crucial for superior performance. Similar to Michigan and Ohio studies Robert R. Black and Jane S. Mouton (1964) developed a graphic portrayal of two-dimensional view of leadership style to measure

a manager's relative concern for people and tasks. Their Managerial Grid reflects the behavioural style of "concern for people" and "concern for production". These two "concern for" represent Michigan dimensions of employee–centredness and production–centredness or Ohio dimensions of consideration and initiating structure. "Concern for" is not a specific term which indicates the actual production or actual behaviour towards people. Rather, it indicates the character and strength of assumptions present behind any given managerial style.

Concern for People.

Concern for people is revealed in many different ways. Some managers' concerns are shown in their efforts to ensure that subordinates like them. Others are concerned that subordinates get their jobs done. Accountability for results based upon trust and obedience, understanding, and support of another person facing adversity also reflect concern for people. Working conditions, salary structure, fringe benefits, job security, and so on are still other spheres of showing concern for people. Depending upon the character of concern, subordinates may respond with enthusiasm or resentment, involvement or apathy, innovative or dull thinking, commitment or indifference, and eagerness or resistance to change.

Concern for production.

Concern for production may be represented by new directions for the growth and development of the organsiation as found by the executives. It may be revealed in the quality of policy decisions, number of creative ideas converted into salable products or the quality of services rendered by the staff. Where work is physical, concern for production may take the form of efficiency measurements, work load, the number of units produced, the time required to attain certain production schedule or volume of sales.

The Grid

These two dimensions are pictured on the Grid of nine scales along the two coordinates of the graph. Each point of the scales gives the intensity of the concern. For example, 1 represents minimum concern, 5 represents average amount of concern, and 9 maximum concern. The other numbers, 2 through 4 and 6 through 8 denote degree of concern. These numbers signify steps between low and high. The two coordinates produce 81 possible combinations of managerial style as shown in the figure next page :


```
high  9 | 1.9                                                              9.9
         |     Country  Club  Management.        Team Management
      8  |     Thoughtful attention to needs of  Work accomplishment from
         |     people for satisfying relationship committed people, interdepen-
         |     leads to comfortable friendly     dence through a "common stake"
      7  |     organisation atmosphere and work  in organisation purpose leads to
         |     tempo                             relationships of trust and respect

      6  |

      5  |                            5.5
         |            Organisation Man Management
         |        Adequate organisation performance is possible
      4  |        through balancing the necessity to get out work
         |        with  maintaining  morale  of  people  at  a
      3  |        satisfactory level

         |     Impoverished Management.      Authority-Obedience.
         |     Exertion of minimum effort to  Efficiency in operation result
      2  |     get required work done is      from arranging conditions of
         |     appropriate    to    sustain   work in such a way that human
         |     organisation membership        elements interfere to minimum
 low  1  |                                     degree
         | 1.1                                                              9.1
```

	1	2	3	4	5	6	7	8	9

low   high

Concern for production

(Concern for people — vertical axis)

Each of the 81 positions represents a particular combination of concern for people and concern for production of which 5 are predominant as shown in the figure. They are

9.1 In the lower-right hand corner of he grid a maximum concern (9) for production is combined with a minimum concern (1) for people. A manager acting under these assumptions concentrates on maximising production by exercising power and authority and achieving control over people through compliance. A 0.1 oriented leader is called "Tark manager".

1.9 The 1.9 leadership style is in the top-left corner. Here a minimum concern (1) for production is coupled with a maximum concern (9) for people.

Primary attention placed on promoting good feeling among colleagues and subordinates. The 1.9 leaders have been described in the Managerial Grid or "country club manager".

1.1 A minimum concern for both production and people is represented by 1.1 in the lower-left corner. The 1.1 oriented leader does only the minimum required to remain within the organisation. This style is called "the improverished style".

9.9 Production and people concerns are integrated at a high level in the upper right-hand corner representing 9.9 style of leadership. This is the team approach. Accordingly 9.9 leaders are team builders. This style is goal-oriented and seems to gain results of high quantity and quality through participation, involvement, and conflict-solving.

5.5 5.5 is in the centre. This is the "middle of the road" theory or go-along-to-get-along assumptions which are revealed in conformity to the status quo.

Blake and Mouton claim strongly that style 9.9 is the most effective management style as constrasted with 9.1 or 1.9 style. They believe that this leadership approach will, in almost all situation, results in improved performance, low absenteeism, and high employee satisfaction.
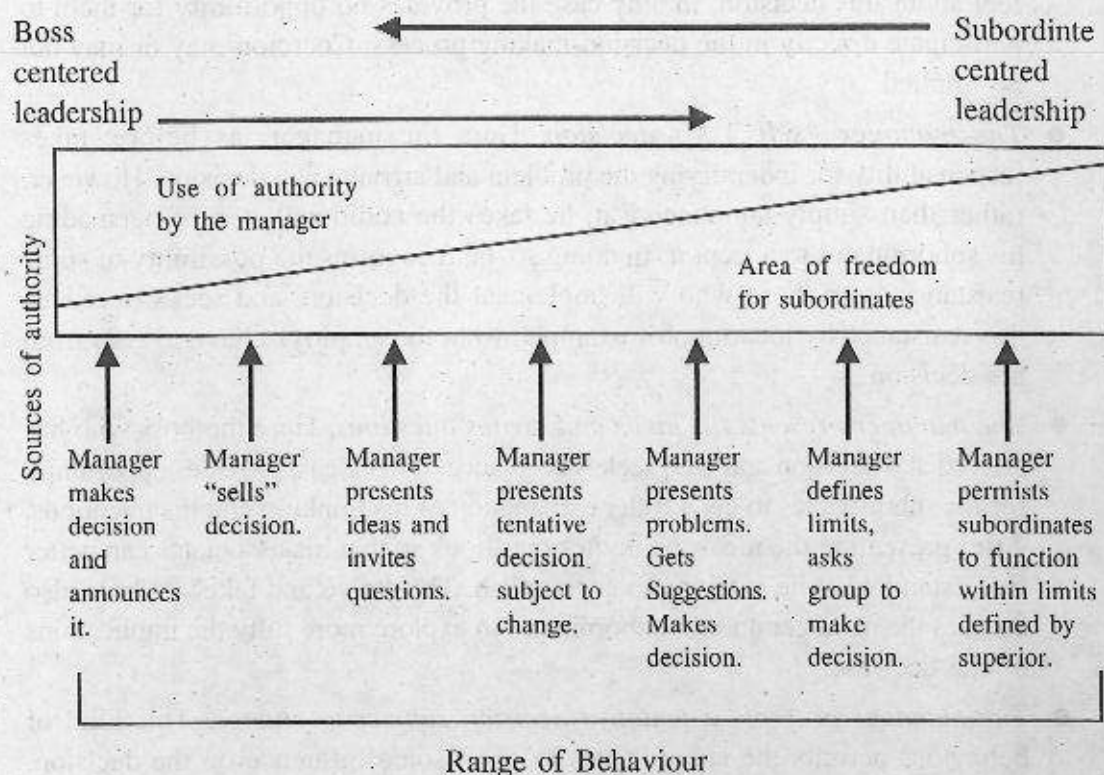
● **Review**

It is viewed that the Grid offers a good framework for conceptualising leadership style but fails to present any tangible information in classifying leadership dilemma since there is little substantive evidence to support the conclusion that a 9.9 style is most effective in all situations.

McGregor is of the view that a team management theory (9.9) does not evolve simply from the maximisation of the two variables (viz. concerns for people and production) represented on the grid. Management style is the result of complex interaction among many variables.

4. Tannenbaum and Schmidt's Authoritarian Democratic Leader Behaviour theory :

Robert Tannenbaum and Warren H. Schmidt in 1958 developed a leadership behaviour theory with the basic ingredient of degree of authority used by a manager vis-a-vis amount of the freedom left for subordinates. The two ingredients, termed as autocratic and democratic, were placed on the two ends of a continuum. The underlying

assumptions were (1) leaders can tell their followers what to do and how to do it, or (2) leaders can share their leadership responsibilities with their followers by involving them in decision-making, planning and execution of task. The autocratic behaviour style emphasises task concerns and democratic behaviour stresses the concern for people. In between the two ends (i.e. authoritarian and democratic) of the continuum a range of style lies. The variety of styles is shown in the following figure :

Boss	Subordinte
centered	centred
leadership	leadership

Use of authority by the manager

Area of freedom for subordinates

Sources of authority

| Manager makes decision and announces it. | Manager "sells" decision. | Manager presents ideas and invites questions. | Manager presents tentative decision subject to change. | Manager presents problems. Gets Suggestions. Makes decision. | Manager defines limits, asks group to make decision. | Manager permists subordinates to function within limits defined by superior. |

Range of Behaviour

The Autocratic-Democratic Behaviour
Theory of Leadership

Leaders whose behaviour is observed to be at the authoritarian end of the continuum use their power to influence their followers. They labelled as authoritarian leaders, rely heavily on power inherent in manager's position to get people to carry out their decisions and can use punishment for those who do not carry out these decisions. On the other hand, leaders whose behaviour appears to be at the democratic end give their followers considerable freedom in their tasks. The democratic leaders rely less on power inherent in the position of a manager and more on powers of persuasion. As the leader moves from the authoritarian end of the continuum to the

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end of subordinates' freedom, the authority-freedom combinations change resulting in various leadership styles. Tannerbaum et. al. explained these styles as follows :

- *The manager makes the decision and announces it.* In this style the boss identifies a problem, considers alternative solutions, chooses one of them, and then reports this decision to his subordinates for implementation. He may or may not give consideration to what be believes his subordinates will think or feel about this decision; in amy case the provides no opportunity for them to participate directly in the decision-making process. Coercion may or may not be implied.

- *The manager "sells" his decision.* Here the manager, as before, takes responsibility for indentifying the problem and arriving at a decision. However, rather than simply announcing it, he takes the additional step of persuading his subordinates to accept it. In doing so, he recognises the possibility of some resistance from those who will implement the decision, and seeks to reduce this resistance by locating, for example, what the employee have to gain from his decision.

- *The manager presents his ideas and invites questions.* Here the boss who has arrived at a decision and who seeks acceptance of his ideas, provides opportunity for his subordinates to get a fuller explanation of his thinking and his intentions. After presenting the ideas, he invites questions so that his associates can better understand what he is trying to accomplish. This "give and take" attitude also enables the manager and the subordinates to explore more fully the implications of the decision.

- *The manager presents a tentative decision subject to change.* This kind of behaviour permits the subordinates to exert some influence on the decision. The initiative for indentifying and diagnosing the problem remains with the boss. Before meeting his staff, he has thought the problem thoroughly and arrived at a decision–but only a tentative one. Before finalising it, he presents his proposed solution for reaction of those who will be affected by it. He appreciates subordinates' frank reactions, but reserves for himself the final decision.

- *The manager presents the problem, get suggestions, and then makes his decision.* Upon this point the boss has come before the group with a solution of his own. Not so in this case. The subordinates now get the first chance to suggest solutions. The manager's initial role involves identifying the problem. He seeks solutions from the subordinates.

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The function of the group becomes suggesting alternative possible solutions to the problem. The purpose is to utilise the knowledge and experience of those who are connected with operations. From the expanded list of alternatives developed by the manager and his subordinates, the manager then selects the solution that he regards as the most promising.

- *The manager defines the limits and requests the group to make a decision.* At this point the manager passes to the group (including himself, as a group member) the right to make decision. Before doing so, however, he defines the problem to be solved and the boundaries within which the decision must be made.

- *The manager permits the group to make decision within prescribed limits.* This represents and extreme degree of group freedom only occasionally encountered in formal organisations. The only limits directly imposed on the group by the organisation are those specified by the superior of the team's boss. If the boss participate in the decision-making process, he attempts to do so with no more authority than any other member of the group. He commits himself in advance to assist in implementing whatever decision the group makes.

Why a particular style?

Tannenbaum and Schmidt suggest that the use of authority by the manager is a function of the

forces in the manager that include his value system, confidence in subordinates, leadership predispositions, and feeling of security or insecurity.

forces in the subordinates comprising, their needs for dependence or independence, readiness to assume responsibility, tolerance for ambiguity, knowledge and experience, and inclination to participate in decision-making.

forces in the situation made up by the nature of the organisation, group effectiveness or ineffectiveness, time pressure, and the nature of the problem itself.

The important thing for the leader is to perceive situation accurately in order that an appropriate leadership style might be employed. Similarly, he must be able to emapathise with other group members in order to understand the human element in each particular situation. Only when one can perceive these facets of the situation accurately he is able to use an appropriate leadership style. Leader's effectiveness diminishes if the employs an authoritarian style where a democratic approach would be more appropriate and vice-versa. Moreover, leadership style must come naturally.

It can be developed over time if attention is given to it. However, if a particular style is used insincerely or ineptly, the result might be disastrous.

The leader should begin be assessing his own value system and determining the general leadership style with which he is most comfortable. Next, he should determine where that style is most appropriate and where it would need modification in order to be more effective. Once he accommodates this, he needs practice to perfect a flexible approach.
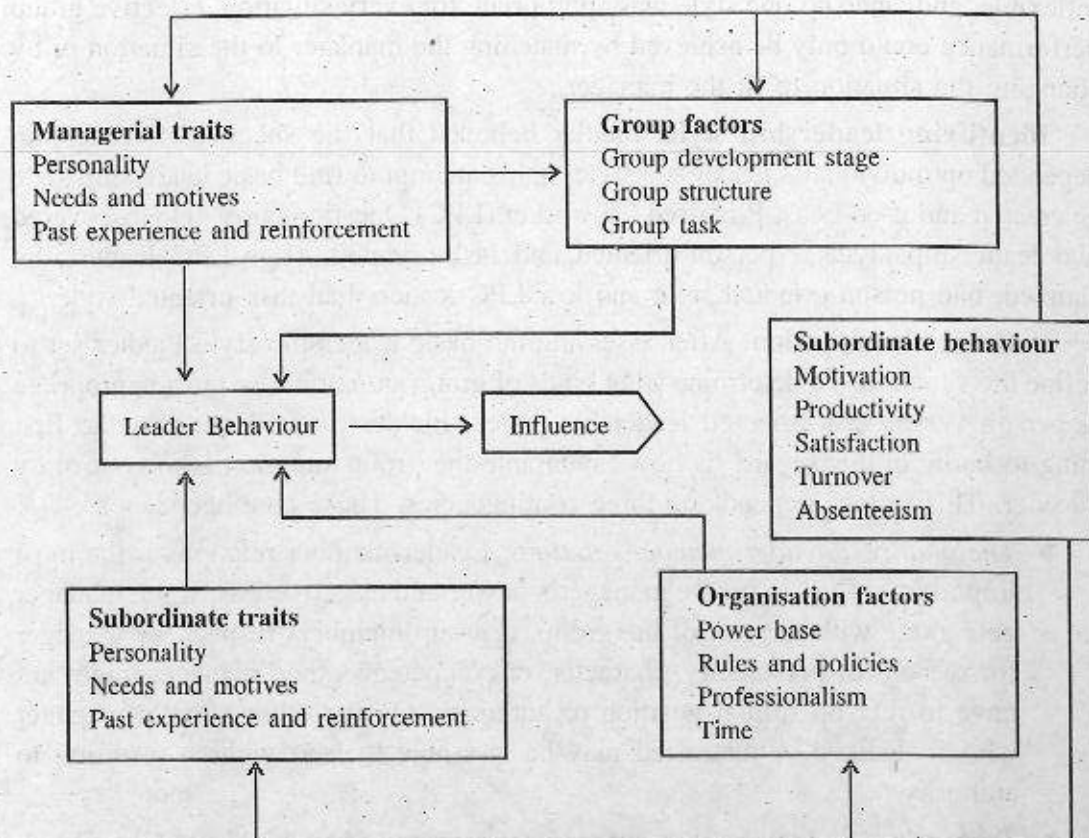
● **Review**

The problem with authoritarian-democratic continuum theory is that leadership is viewed as one-dimensional concept. Subsequent research has discovered, at least two dimension - initiating structure and consideration. Furthermore, this approach does not really guide a manager in choosing a leadership style along the continuum; it just describes the behaviour. Moreover Schmidt indicate the managers should analyse forces in themselves, forces in subordinates and forces in the situation but do not provide much guidance on how to do that. Still their ideas were a forerunner to the contingency theory of the 1960s.

5.4.3 Contingency Theories

Researchers using the trait and behavioural approaches showed that prediction of leadership effectiveness was more complex than isolating a few traits or preferable behaviours. The failure to obtain consistent result led to focus on situational influences. The relationship between leadership style and effectiveness suggested that under condition m, style x would be appropriate whereas style y would be more suitable for condition n, and style z for condition o. But what were the conditions m, n, o and so forth? It was one thing to say that leadership effectiveness was dependent on the situation and another to be able to isolate those situational conditions. Researchers, therefore, began trying to identify those factors in each situation that influenced the effectiveness of a particular leadership style. Taken together, the theories resulting from this group of research studies constitute the Contingency approach to leadership.

Contingency approach takes the position that there is no "one best way" to lead in all situations. Effective leadership style varies from situation to situation depending upon several factors. Such factors include the degree of structure of the task being performed, the quality of leader-member relations, the leader's position power, subordinates' role clarity, group norma, availability of information, subordinates' acceptance of leader's decision and subordinates' maturity.

Any Contingency approach considers four variables : (a) managerial characteristics, (b) subordinate characteristics, (c) group structure and nature of task, and (d) organisational factors as summarised in the figure below :

Managerial traits
Personality
Needs and motives
Past experience and reinforcement

Group factors
Group development stage
Group structure
Group task

Leader Behaviour → Influence

Subordinate behaviour
Motivation
Productivity
Satisfaction
Turnover
Absenteeism

Subordinate traits
Personality
Needs and motives
Past experience and reinforcement

Organisation factors
Power base
Rules and policies
Professionalism
Time

A basic Contingency model

1. Fiedler's Contingency Model :

One of the most thoroughly researched contingency theories of leadership was proposed by Fred E. Fiedler (1964, 1967). He argued that the impact of leadership style on task effectiveness depends on its appropriateness to the group's situation and goals. It is, in fact, the interaction between group circumstances and leadership style that makes a group more or less effective at its task. It is not the leadership alone that determine leader effectiveness. Fiedler called his approach a Contingency model of leader effectiveness.

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Fiedler's basic assumption was that it was quite difficult for managers to alter their management styles that made them successful in the past. In fact, he believed that most managers were not very flexible, and trying to change a manager's style to fit unpredictable or fluctuating situations was useless. Since styles were relatively inflexible, and since no one style was appropriate for every situation, effective group performance could only be achieved by matching the manager to the situation or by changing the situation to fit the manager.

Identifying leadership style. Fiedler believed that the success of leadership depended on individual's leadership style. In his attempt to find basic leadership style he created and used Least Preferred Co-worker (LPC) Questionnaire. *He discovered two leadership styles - person-oriented and task-oriented. High-LPC leaders, he claimed, had person-oriented style and low-LPC leaders had task-oriented style.
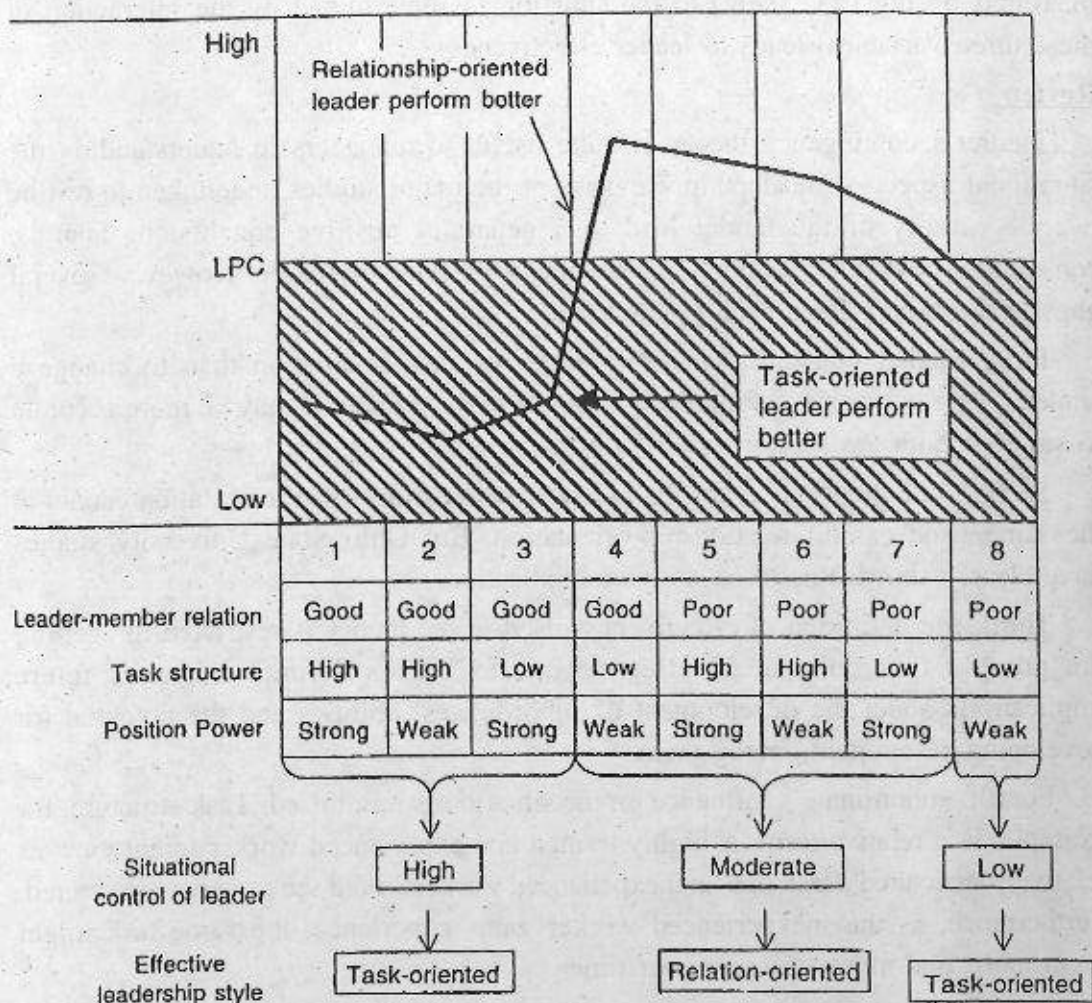
Defining the situation. After assessing the basic leadership style Fiedler set to define the situation. To determine what kinds of group situations are most appropriate to person versus task-oriented leadership styles. Fielder pointed out that the first thing to know in this regard is how favourable the group situation is to control by a leader. This in turn depends on three contingencies. These contingencies are :

- *The quality of leader-member relations.* Leader-member relations is the most important influence on the manager's power and effectiveness. If the manager gets along with the rest of the group, if group members respect the manager for reasons of personality, character, or competence, then manager might not have to rely on formal position or authority. On the other hand, a manager who is disliked or distrusted may be less able to lead without resorting to authority.

- *Task structure. Is the task structured or unstructured?* A highly structured task is one for which step-by-step procedures or instructions are available. Group members therefore have a very clear idea of what they are expected to do. But when tasks are unstructured group member's roles are more ambiguous.

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*LPC Questionnaire contains 16 contrasting adjectives (such as, pleasant-unpleasant, efficient-inefficient, open-guarded, supportive-hostile). It then asks the respondent (the group leaders) to think of all co-workers they have ever has and to describe the one person they least enjoyed working with by rating him on a scale of 1 to 8 for each of the 16 sets of contrasting adjectives. Based on the respondents' answers to the LPC Questionnaire basic leadership style is determined. If the least preferred co-worker is described in relatively positive terms (a high LPC score), then the respondent is primarily interested in good personal relations with this co-worker. That is, if the respondent group leader describes the least preferred co-worker in favorable terms that leader is labelled as relationship-oriented. In contrast. if the least preferred co-worker is seen in relatively unfavorerable terms (a low LPC score), the respondent group leader is primarily interested in productivity and is labeled as task-oriented.

- *Leader position power.* It is easier for leaders to control the group situation when the position they hold carries a great deal of legitimate power attached to their organisational positions. The high-position power simplifies the leader's task of influencing the subordinates, while low-position power makes the leader's task more difficult.

Fiedler then specified eight combinations of these three contingency variables in the leadership situation as shown in the lower panel of the figure given below, Leader-member relations can be good or poor, tasks may be structured highly or lowly, and position-power can be strong or weak. Fiedler then classified group situations into highly, moderately and lowly controllable by the leader.

	1	2	3	4	5	6	7	8
Leader-member relation	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task structure	High	High	Low	Low	High	High	Low	Low
Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

Situational control of leader	High	Moderate	Low
Effective leadership style	Task-oriented	Relation-oriented	Task-oriented

Fiedler's Situational Variables and Effective Leadership Styles

Matching leaders and situations. Combining the three situational variables and the LPC score, the figure given in page 117 indicates in which situations Low-LPC leaders and high-LPC leaders will be most effective according to Fiedler. Situation categories 1, 2 and 3 where leader's control is high define a favourable situation, and according to Fiedler the low-LPC (task-oriented) leader will be most effective. The same low-LPC leader with low control will be most effective in situation category 8 which is an unfavourable situation. For the middle categories of 4, 5, 6, 7 with moderate control the situation is moderately favourable, and according to Fiedler, the best leader will be the high-LPC (relationship-oriented) leader.

Fiedler's model, then, suggests that appropriate match of the leader's style (as measured by the LPC score) to the situation (as determined by the interaction of these three variables) leads to leader effectiveness.

Review

Fiedler's contingency theory is quite useful to managers in understanding the situational aspects of leadership. Reviews of the major studies undertaken to test he overall validity of the model lead to a generally positive conclusion. That is, considerable evidence supports at least major parts of the mode. However, several gaps in the theory have been pointed out.

First, Fiedler contends that its is easier to alter a situation than to change a leader's style, since it is a fundamental aspect of the person. If may be more accurate to say that both are somewhat difficult to change.

Second, the theory assumes that a leader who exhibits task-orientation cannot at the same time exhibit relationship-orientation. But Ohio State University studies have clearly shown this to be an oversimplication.

Third, the definition of effectiveness used in the theory is restricted to "getting the group's task done in an effective manner". This definition ignores future implications about the development of subordinates' abilities and the potential for developing resentment among them.

Fourth, subordinate's influence on the situation is minimised. Task structure, for example, is a relative term. A highly trained and experienced worker might view as relatively structured a task that an inexperienced worker would see as very unstructured. Furthermore, as the inexperienced worker gains experience, the same task might seem more and more structure over time.

Finally, a leader can interact with situational variables to change them over time – and the model does not seem to account for this possibility.

Fiedler recognized that some additional variables were required to fill some of the remaining gaps. So in 1987 he with his associate reconceptualised the original theory to deal with "some serious oversights that need to be addressed." The reconceptualised theory is Cognitive Resource Theory (not dealt here).

2. Hersey and Blanchard's Situational Leadership Model :

Paul Hersey and Kenneth H. Blanchard in 1969 developed Situational Leadership Theory. This theory is an outgrowth of their earlier Tri-Dimensional Leader Effective model. Situational leadership is a contingency theory that focuses on the followers and uses the same two leadership dimensions of Fiedler : Task and relationship behaviours.

Situational leadership is based on an interplay among (1) the amount of guidance and direction (Task behaviour) a leader gives, (2) the amount of socio-emotional support (Relationship behaviour) a leader provides, and (3) the maturity (Readiness) level that followers exhibit in performing a specific task.
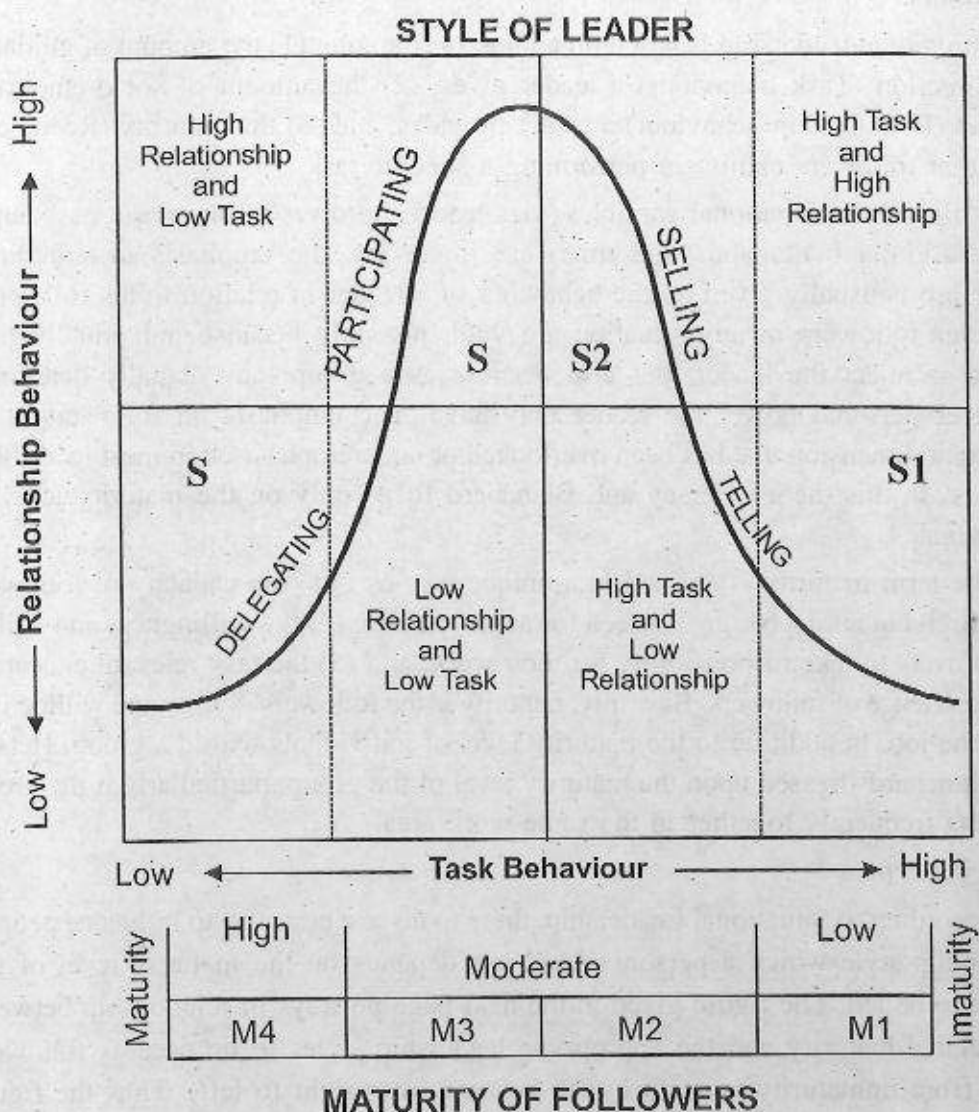
While all the situational variables (viz., leader, follower/s, Superior/s, associates, organisation, job demands and time) are important, the emphasis in situational leadership is usually given on the behaviour of a leader in relation to his followers. However followers in any situation are vital, not only because individually they accept or reject the leader, but also because as a group they actually determine whatever personal power the leader may have. The emphasis on followers is an important dimension that has been overlooked or underemphasised in most leadership theories. In this theory Hersey and Blanchard focus only on the maturity level of subordinates.

The term maturity is defined in a unique way as : (1) the capacity of followers to set high but attainable goals (need for achievement); (2) the willingness and ability of followers to take responsibility for their work; and (3) the task relevant education and experience of followers. Basically, maturity is the followers' ability and willingness to do the job. In addition to the maturity level of individuals within a group, Hersey and Blanchard stressed upon the maturity level of the group, particularly if the group interacts frequently together in the same work area.

Basic concept

According to Situational Leadership, there to no one best way to influence people. Leadership style which a person should use depends on the maturity level of the people to be led. The figure given in the next page portrays in relationship between task-related maturity and the appropriate leadership styles to be used as followers move from immaturity to maturity (to be read from right to left). Thus the figure

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represents two different phenomena. The appropriate leadership style for given levels of follower maturity is portrayed by the prescriptive curve going through the four leadership quadrants. This bell-shaped curve is called prescriptive curve as it shows the appropriate leadership style directly above the corresponding level of maturity. The appropriate leadership style for a given level of follower maturity can be identified in the quadrant where the vertical line up from the point on the maturity continuum intersect the prescriptive curve. The prescriptive curve contains four leadership styles : telling, selling, participating and delegating and moves through the four quadrants.

STYLE OF LEADER

High Relationship and Low Task	PARTICIPATING	SELLING	High Task and High Relationship
	S	**S2**	
S	DELEGATING	TELLING	**S1**
	Low Relationship and Low Task	High Task and Low Relationship	

Relationship Behaviour — Low → High

Task Behaviour — Low ← → High

High			Low
Maturity	Moderate		Imaturity
M4	M3	M2	M1

MATURITY OF FOLLOWERS

Situational Leadership

The appropriate leadership style for each of the four maturity level is the right combination of task behaviour and relationship behaviour. A brief idea of the leadership style for each maturity level is given below :

- **Telling is for low maturity.** People who are both unable and unwilling (M1) to take responsibility to do something are not competent or confident. In many cases, their unwillingness is a result of their insecurity regarding the necessary task. Thus a directive "telling" style (S1) that provides clear, specific directions and supervision has the highest probability of being effective with individuals at this maturity level. This style is called "telling" because it is characterised by the leader's defining roles and telling people what, how, when and where do do various tasks. It emphasises directive behaviour of the leader. This style involves high task behaviour and low relationship behaviour.

- **Selling is for low to moderate maturity.** People who are unable but willing (M2) to take responsibility are confident but lack skills required by the task. Thus, a "selling" style (S2) that provides directive behaviour, because of their lack of ability, but also supportive behaviour to reinforce their willingness and enthusiasm appears to be most appropriate with individuals at this maturity level. This style is called "selling"; because most of the direction is still provided by the leader. Yet through two-way communication and explanation the leader tries to make the followers behave desirably. Followers at this maturity level will usually go along with a decision if they understand the reason for the decision and if their decision and if their leader also offer some help and direction. This style involves high task behaviour and high relationship behaviour.

- **Participating is for moderate to high maturity.** People at this maturity level are able but unwilling (M3) to do what the leader desires. Their unwillingness is often a function of their lack confidence or insecurity. However, they are competent but unwilling, their reluctance to perform is more of a motivational problem than a security problem. In either case, the leader needs to support the follower's efforts to use the ability he already has. Thus, a supportive, nondirective, "participating" style (S3) has the highest probability of being effective with individual at this maturity level. This style is called "participation" because the leader and follower share in decision-making; with main role of the leader being facilitating and communicating. This style involves high relationship behaviour and low task behaviour.

- **Delegating is for high maturity.** People at this maturity level are both able and willing to take responsibility. Thus, a low-profile delegating style (S4), which provides little direction or support, has the highest probability of being effective with individuals at this maturity level (M4). Even though the leader may still identify the problem, the responsibility for carrying out plans is given to these mature followers. They are permitted do decide on how, when and where to do the task. As they mature they do not need above average amounts of supportive behaviour. This style involves low relationship behaviour and low task behaviour.

The appropriate leadership style for all four of the maturity levels is shown in the following table :

Maturity level	Appropriate leadership style
M1 Low maturity Unable and Unwilling	S1 High task and low relationship behaviour
M2 Low to moderate maturity Unable but willing	S2 Selling High task and High relationship behaviour
M3 Moderate to high maturity Able but unwilling	S3 Participating High relationship and low task behaviour
M4 High maturity Able and willing	S4 Delagting Low relationship and low task behaviour

- **Review**

Hersey and Blanchard's theory has not been widely researched, but it has been widely used in industry for manager training. Only recently there has been some research on this model. One study fond that leaders whose behaviour matched the prescriptions of the theory were viewed by astute experienced managers no more favourably than leaders who did not behave according to the theory. This study

suggested that if managers want the respect of employees, they should manifest high relationship behaviours. But what about effectiveness? Another study found partial support for the theory. This study found support for the model for low-maturity followers, but the results were mixed for moderate-maturity followers and were non-supportive for high-maturity followers.

To counter the criticisms Hersey and Blanchard revised this version of their model in 1985. The revised model bears the fundamental spirit and contents of the immediately early version. They substituted new terms for the old ones.

3. Path-Goal Theory of Leadership :

Path-Goal theory is associated with Martin Evans (1970) and Robert House (1971) who developed it using contingency approach and based on the Expectancy theory of motivation. The theory extracts from Ohio State Studies key elements of initiating structure and Consideration. The Expectancy model of motivation states that an individual's motivation depends upon his expectation of reward and valence or attractiveness of expected reward.
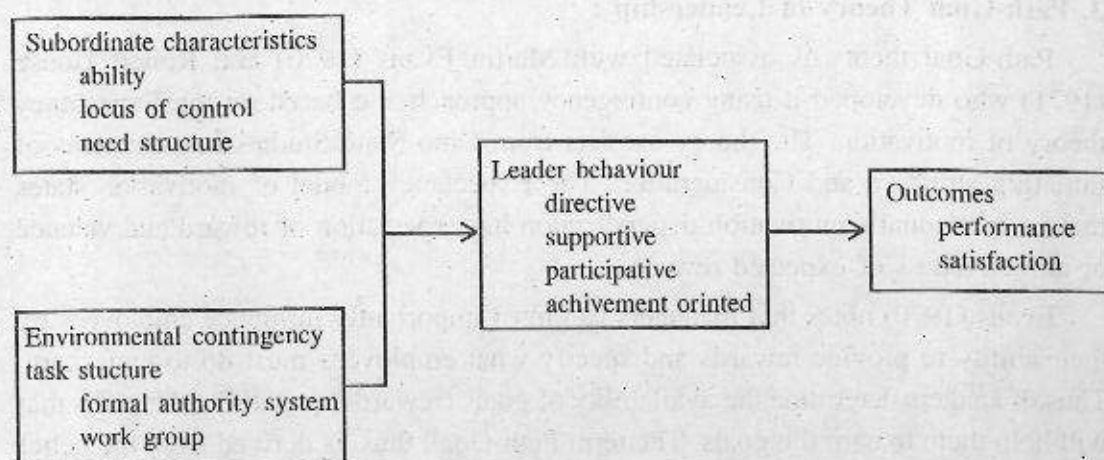
Evans (1970) notes that managers can most importantly influence employees by their ability to provide rewards and specify what employees must do to earn them. Thus, managers determine the availability of goals (rewards) and direct the paths that will help them to earn the goals. The term Path-Goal, thus, is derived from the belief that effective managers clarify the path to be pursued to help their employees to achieve their work goals and make the journey along the path easier by reducing roadblocks and pitfalls. The employees must perceive that the path will lead to the rewards.

House and his colleagues in their attempt to expand the Path-Goal theory identified two variables that help to determine the most effective leadership style : employee characteristics and environmental contingency factors.

The basic idea of the model is that a manager's job is to increase the motivation of workers by, in House's words, "increasing personal payoffs to subordinates for work-goal attainment, and making the path to these payoffs earlier to travel by clarifying it, reducing roadblocks and pitfalls, increasing the opportunities for personal satisfaction en route". The model thus ties together leadership and motivational aspects of managers : what a manager does in terms of leadership affects a subordinate's motivation. A leader's behaviour is acceptable to subordinates to the extent it is viewed by them as an immediate source of satisfaction or as a means of future satisfaction. And a leaders's behaviour is motivational to the degree it (1) makes

subordinate's need satisfaction contingent upon the effective performance, and (2) provides coaching, guidance, support and rewards that are necessary for effective performance. The theory assumes that an increased worker motivation leads to both increased performance and satisfaction.

Path-Goal theory explains how managers can choose from among four leadership styles the best style for a given situation by analysing characteristics of both the subordinates and the environmental contingency factors. The basics of this model are presented in the following figure :

```
┌─────────────────────────┐
│ Subordinate characteristics │
│    ability              │
│    locus of control     │──────┐
│    need structure       │      │        ┌──────────────────┐
└─────────────────────────┘      │        │ Leader behaviour │       ┌──────────────┐
                                 ├──────> │   directive      │──────>│ Outcomes     │
┌─────────────────────────┐      │        │   supportive     │       │  performance │
│ Environmental contingency │    │        │   participative  │       │  satisfaction│
│ task stucture            │─────┘        │   achivement orinted │   └──────────────┘
│    formal authority system │            └──────────────────┘
│    work group            │
└─────────────────────────┘
```

Path-Goal Leadership Model

The four leadership styles can be explained as follows :

- **Directive leadership.** Directive leadership is the clarifying of the paths to the goals for the subordinates in terms of what is expected of them, schedules of work to be done, and specific guidance as how to accomplish tasks. It is parallel to Ohio State dimensions of high initiating structure and low consideration.

- **Supportive leadership.** Supportive leadership is the giving of support and consideration to subordinates where the leader is friendly and concerned for the needs of subordinates. It is synonymous essentially with the Ohio State dimensions of high consideration and low initiating structure.

- **Participative leadership.** Participative leadership is characterised by sharing of information, consulting the subordinates and using their suggestions in making group decisions. It is similar to the Ohio State dimensions of the high initiating structure and high consideration.

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- **Achievement-oriented leadership.** Achievement-oriented leadership is characterised by setting challenging goals for subordinates, seeking performance at their highest level and showing confidence that the subordinates will perform well. It is most similar to the Ohio State dimensions of low initiating structure and low consideration.

As the figure depicted at page 24 illustrates, Path-Goal theory proposes two classes of contingency variables that moderate the leadership behaviour-outcome relationship : subordinate characteristics and the environmental factors.

- **Subordinate characteristics.** The model identifies three subordinate characteristics that help to define the contingency and relates to most effective leadership style. These characteristics are subordinate's (1) ability, (2) locus of control, and (3) need structure.

Subordinate's ability. An important attribute is subordinate's perception of his own ability. The greater the perceived ability to effectively accomplish a task, the less the subordinate will accept directive style of the leader because such behaviour of the leader will be viewed as unnecessary supervision.

Locus of control. The term means the extent a person feels that he is in control of events that affect his life (called internals) or feels that other factors, like fate, are in control (called externals). Externals believe that much of what happens to them is controlled by outside forces, such as their boss, their luck, and their circumstances. Externals respond more easily to leadership's attend's attempts to influence them. Externals are comfortable with directive leadership. Internals believe that they are the master of their own destiny. Internals, with regard to job satisfaction, tend to be more satisfied. Internals make attempts to influence and persuade others and exhibit greater self-control.

Locus of control determines whether the employee is willing or not to take responsibility. This is akin to Harsey and Blanchard's idea the more an employee desires control over a situation, the less he will be satisfied with directed leadership This subordinate will therefore desire participative or achievements oriented leadership.

Need structure. Need structure refers to Maslow's hierarchy of needs. The question is : Does the employee desire high or low-level needs? The more an employee desires high-level needs, the less he will want directive leadership. More specifically, employees who desire safety and security needs will respond positively to directive leadership. Those who desire belongingness will respond positively to supportive leadership. And those desiring self-actualisation will respond positively to participative and achievement-oriented leadership.

- **Environmental contingency factors.** The contingent environment is outside the control of the employees. Its constituent elements are (1) task structure, (2) formal authority system and (3) the work group.

Task structure. Task structure means the degree to which job assignments are procedurized. A highly structured task is one for which step-by-step procedures of instructions are available. Group members, therefore, have a very clear idea of what they are expected to do. But when tasks are unstructured group member roles are more ambiguous. The degree to task structure in Path-Goal model is similar to both Fiedler and Hersey-Blanchard. Like the other theories, Path-Goal theory suggests that employees on an unstructured task will want directive leadership. In these unstructured task situations, the manager's job must be to initiate structure, clarify goals, and define expectancies for the subordinates. When managers can do this, they reduce worker uncertainty and this leads to increased motivation and performance. If the task is structured, supportive and participative leadership styles will be more effective.

Form authority system. Authority system formally laid down defines who reports to whom, who makes decisions and what decisions, individuals or groups are empowered to make. This system typically determines where a given work group is placed in the organisation hierarchy, the formal leader of the group, and formal relationships between groups. The formally designated leader, appointed by management, has authority that others in the group have not. The more clear the formal authority. system, the more leaders will exhibit supportive leadership style and deemphasise directive style.

Work group, Group is defined as two or more individuals, interacting and interdependent, who have come together to achieve a particular objective. Normally, group is voluntarily formed but work group is organisation is created by management. Members of work group interact primarily to share work-related information and to make decisions to help each other to perform within one's own area of responsibility. The member of the work group is expected to work coordinately. A work group is characterised by the way it develops its leadership, roles, norms and cohesiveness. A degree of role conflict and norm deviation is potential factors for conflict in group. And group conflict mars the group cohesiveness. When there is substantive conflict within a work group directive leadership will lead to highly employee satisfaction.

Path-Goal theory proclaims that the environmental factors determine the type of leader behaviour required as a complement if subordinate outcomes are to be maximised; and personal characteristics of the subordinate determine how the environment and leader behaviour are interpreted. So the theory proposes that leader behaviour will be ineffective when it is redundant with the environmental factors or incongruent with subordinate characteristics.

● **Review**

The framework of Path-Goal theory has been tested and appears to have moderate to high empirical support. Research to validate the hypotheses stated above while relating leadership style to subordinate characteristics and environmental factors is generally encouraging. The evidence supports the logic underlying the theory. That is, employee performance and satisfaction are likely to be positively influenced when the leader compensates for things lacking in either employee or the work setting. The theory helps to integrate leadership with motivation. Further, the theory is consistent with the other two contingency theories. Again, Path-Goal theory, unlike Fiedler's theory, does not specify leadership styles for all possible combinations of the situational characteristics.

The critics point out several drawbacks. The biggest drawback is that it has not been regarded as a total theory. Rather, relationships between particular subordinate or task characteristics and particular leadership styles have been explored independently. This creates a problem for managers who must operate where all three subordinate characteristics and environmental characteristics are simultaneously present. For example, if an employee's ability is high, locus of control is medium, need structure is low, and task structure is medium, Path-Goal theory is not helpful. High ability suggests use of achievement-oriented leadership; but lower-level needs suggest directive leadership. Rather than being a complete theory of leadership, Path-Goal seems to be a set of independent propositions.

A second problem with Path-Goal theory is that the outcome variable in the model is employee satisfaction rather than performance. It is not difficult to imagine situations where employees are satisfied, but where productivity is low. Furthermore, Path-Goal theory implicitly assumes that employee satisfaction leads to higher performance, but research has indicated that it may be that high performance leads to satisfaction. In the long run, it may be that both variables influence each other resulting in development of both in turn. For example, high performance leads to satisfaction which improves motivation to yield high performance.

5.5 Exercises

1. Explain the concept of leadership.
2. Are management and Leadership synonymous? Argue your case.
3. Critically discuss the Trait theory of leadership.
4. Bring out the difference between Trait and Behavioural theories of leadership.
5. Discuss the leadership studies of the University of Michigan. Point out the impact of these studies on the subsequent behavioural theories.
6. Give an idea of Ohio State University studies on leadership. Point out the weakness of these studies.
7. Discuss Managerial Grid theory of leadership.
8. Give an overview of Autocratic-Democratic Leader Behaviour theory as formulated by Tannenbaum and Schimdt.
9. Discuss the leadership styles as suggested in the Autocratic-Democratic leader Behaviour Theory.
10. In what way contingency theory of leadership is an improvement over Behavioural theory.
11. Discuss Fiedler's Contingency Theory of leadership. Do you think it suffers from weakness?
12. Explain the basic concept of Hersey and Blanchard's Situational theory of leadership.
13. What are the styles of leadership according to heresy and Blanchard?
14. Give a brief account of Path-Goal Theory of leadership.
15. Point the styles of leadership as suggested by the Path-Goal leadership theory.

Unit 6 ❑ Communicating with People

Structure

6.1 Introduction

Communication, the process of transmitting and receiving information, is so fundamental to the practice of management that without it organisation could not exist. The reason for this is apparent. If managers could not communicate with employees they could not inform them of the work they want done, how they want it done, when they want it done, who they want it to do, and so on. So it is difficult to imaging an organisation functioning without some means of communication and without some exchange of information among its members and between them and the external environment.

Exchange of information becomes useless without transference of meaning of it. It is only through transmitting meaning from one person to another that information is conveyed. Communication, however, is more than merely imparting meaning. It must also be understood by the recipient. In a work group where one member speaks only Bengali and others do not know Bengali the communication made by the Bengali

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speaking individual will not be fully understood by other members. Therefore, communication must include both the transference and understanding of meaning.

The basic reason for any kind of communication in organisation is to get some form of action (behaviour). In the context of an organisation, the action desired is usually related, either directly or indirectly, to the efficient performance of duties and responsibilities. In addition to concrete physical behaviour, action resulting from communication may take the form of an attitudinal response.

Although some form of response is the basic objective of communication in organisation, it must be acknowledged that the kind of response may not always materialise. One of the fundamental reasons why people sometimes fail to respond properly because of various barriers to effective communication. Communication effectiveness is ensured when the transmitted information is the same as the received (interpreted) information. Not only communication be effective but it should also be efficient in terms of transmission time, money, effort and other resources.

In organisation information are transmitted most frequently through the spoken and written words. Oral communication takes place primarily in a face-to-face situation, known as interpersonal communication. Whenever information concern many people, are very complex and extremely important, written communication must always be used. As most often organisation resorts to oral and written media to get the information across the message is received by listening and seeing.

What is the direction of communication? Should it vertically downward or upward? Basically, direction of communications can be vertical, horizontal, and diagonal, as determined by the positions in the organisation chart of the sender and receiver. Vertical communications flow in two directions: upward and downward through the hierarchy. Horizontal communications consist in communications with peers in the same department and with people at the same level belonging to different departments. Diagonal communications are like the interdepartmental horizontal communication except that they link people at higher or lower levels in the organisational hierarchy. All these types of communication flow through the official channel as set by the organisation chart. Besides them informal communication (sometimes called grapevine) is another direction of communication. The grapevine does not adhere to an organisational chart, yet it impacts almost everyone in the organisation.

6.2 Definition

Communication is defined as the process by which people seek to share meaning through the transmission of symbolic messages. This definition calls attention to

three essential points : (1) that communication involves people, and that understanding communication therefore involves trying to understand how people relate to each other; (2) that communication involves shared meaning, which suggests that in order for people to communicate, they must agree on the definitions of the terms they are using; and (3) that communication involves symbols-gestures, sounds, letters, numbers, and words that can only represent or approximate the ideas that they meant to communicate.

This definition is true for both interpersonal and organisational communications excepting that factors influencing the effectiveness of organisational communication are different from those that influence interpersonal communication. In essence, communication is the process of passing information and understanding from one person to another with the intent to motivate and influence behaviour.

6.3 Significance of Communication

Barnard views communication as the means by which people are linked together in an organisation in order to achieve the common goal. He also observes that group activity is impossible without information transfer because without it coordination and change cannot be effected. The importance of communication can be gauged from the purpose it serves. The primary purposes of communication include control, instruction, motivation, decision-making evaluation, feedback and information exchange, social need, and political goals.
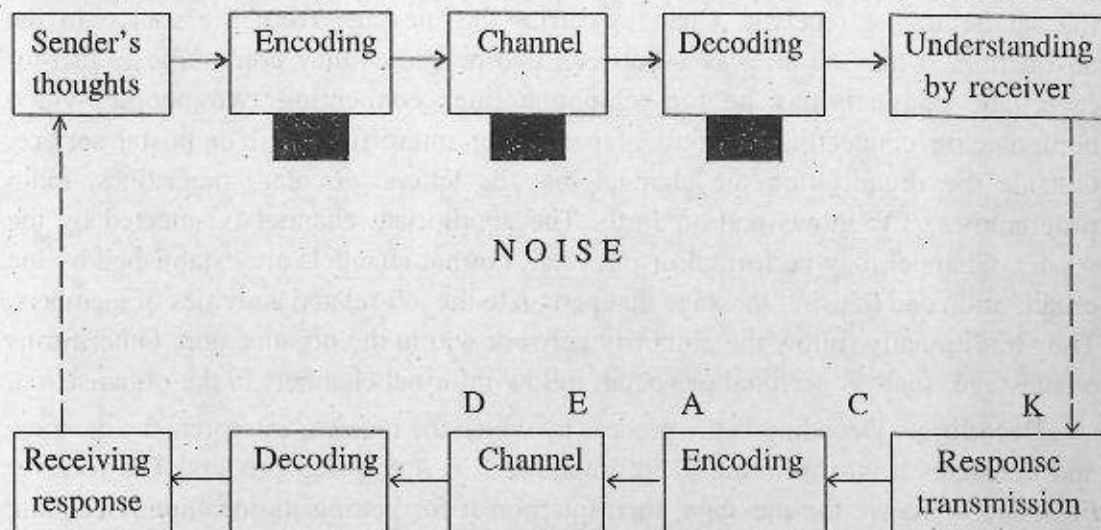
- **Control.** Communication acts to control members behaviour in several ways. Organisations have organisation chart and standard operating procedures that employees are required to follow. When employees, for instance, are needed to first communicate any job-related grievance to their immediate boss, to follow their job description or to comply with company policies communication performs a control function. Even informal communication controls behaviour. When work groups harass a member who produces too much, they are informally communicating with and controlling the member's behaviour. Controlling communications create order in the organisation, so that multiple goals and tasks can be pursued.

- **Instruction.** Instruction communications are used to let people know what they must do in their jobs. When routine problems arise, instructions can help to solve them. And when an employee moves to a new job or is asked to perform a new task or to do a job in a different way, there is need for instruction communications.

- **Motivation.** Communication fosters motivation by clarifying to employees what is to be done, how well they are doing, and what can be done to improve performance if it is below the desired level. Simply speaking, motivation communications are used by managers to encourage and stimulate employees to work towards the accomplishment of organisational goals. The formation of specific goals, feedback on progress towards goals, and reinforcement of desired behaviour all stimulate motivation and require communication.

- **Decision-making.** Communication facilitates decision-making. Most of the decisions relate to problems that do not have easy solutions. Managers and subordinates through interpersonal communication, i.e., give-and-take discussion determines what to do in such situations. Interpersonal communication facilitates pooling of knowledge and experience of the participants in the discussion and a way out if found.

- **Feedback and evaluation.** Feedback and evaluation communications let people know how they are doing on the job. Often feedback and evaluation are linked together with instruction and motivation communications. For example, a manager explains a new task to an employee. The manager then checks to see how the employee is doing on the task. If the person do it properly, the manager may praise the progress. And the manager may also evaluate performance and explain what needs to be done to improve. This example illustrates the use of instruction, motivation, evaluation and, again, instruction communications in a sequence that improves the competence of the employee.

- **Information exchange.** Information exchange is the basis of all communication purposes. Communication always have an information purpose of some description.

- **Social needs.** Social needs communication relate to the emotional and nontask-oriented interactions that occur in every work group. Such communications are fundamental mechanism by which members show their frustration and feelings of satisfaction. Employee need to talk about cricket, weather, politics, and so forth. And while such communications do not directly affect performance of the group's tasks, they serve the need for employees to feel connection with others at work. Often such communications include discussions of pay, treatment on the job, the boss's personality, politics being played in the organisation, and so on. Though these communications are not directly related to their jobs, they manifest their feeling and these feelings influence their performance on the job.

- **Political goals.** Political communications serve either the organisation or the individual members. People in organisation engage themselves in political communications when their individual goals and organisational goals are not compatible. When such communications are directed towards accomplishing personal goals they are negative communication. In negative communications people may distort information, give poor feedback, and fail to use the positive aspect of the communication purposes.

6.4 The communication Process

Communication is considered to be a process of flow; messages flow between the source and the destination. It can be shown as a model. The essential elements of communication process are sender, receiver and the message that is exchanged between them. If any one of them is mising, communication does not take place. However, communication process is a much more complex phenomenon consisting of five elements, which are subject to various influences. The model can be put as follows :

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┌──────────┐   ┌──────────┐   ┌─────────┐   ┌──────────┐   ┌───────────────┐
│ Sender's │ → │ Encoding │ → │ Channel │ → │ Decoding │ → │ Understanding │
│ thoughts │   │          │   │         │   │          │   │  by receiver  │
└──────────┘   └──────────┘   └─────────┘   └──────────┘   └───────────────┘

                          N O I S E

              D       E       A       C       K
┌──────────┐   ┌──────────┐   ┌─────────┐   ┌──────────┐   ┌───────────────┐
│Receiving │ ← │ Decoding │ ← │ Channel │ ← │ Encoding │ ← │   Response    │
│ response │   │          │   │         │   │          │   │ transmission  │
└──────────┘   └──────────┘   └─────────┘   └──────────┘   └───────────────┘
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A Model of Communication Process

Source. In the model the first element is the source (sender) of the communication where the communication originates. The initiator (sender) determines the need for information to be transmitted to a person (receiver). It may be that the sender needs to tell the other person to do something, to ask a question of other person, or to communicate a variety of other purpose. The sender must first decide what message is to be transmitted to the receiver.

Encoding. The sender then decide how the message is to be translated into a set of words, gestures, signals, or nonverbal symbols. This step in the communication process, called encoding, involves the sender's choice of media to be used in transmitting the message to the receiver. The sender may choose a written message, verbal contact. telephone contact, computer network, video-conference, or other high and low-tech media. Effective encoding depends upon sender's skill, attitudes, knowledge and the social-cultural system. Inadequate writing skill of the sender may create problem for the receiver to understand the meaning of the message. People hold predisposed ideas on many topics and their communications are affected by these attitudes. Further, communicative activity is restricted by the extent of knowledge of the particular topic. Receiver may not understand the message sent by a source whose knowledge is too extensive. Finally, social and cultural background of the sender and receiver also creates problems for understanding the message. These factors are crucial because without mutuality of meaning there will be no worthy communication.

Channel. Once the sender transmits the message, it enters the channel that connects the sender to the receiver. Channel carries the message from the source to the destination. It may be air waves between two people as they communicate fact-to-face. The channel may be the telephone lines connecting two people, video conferencing connecting a group of people, or interoffice mail or postal service. Outside the organisation the channel may be letters, circulars magazines, radio programmes, TV shows and so forth. The appropriate channel is selected by the sender. Channel may be formal or informal. Formal channels are established by the organisation and transmit message that pertain to the job-related activities of members. They traditionally follow the authority network within the organisation. Other forms of message, such as personal or social, follow informal channels in the organisation.

Decoding. Decoding is the process by which the receiver interprets the message and translates it into meaningful information. It is a two-step process. The receiver must first perceive the message, then interpret it for getting its meaning. Decoding is affected by the receiver's past experience, personal assessment of the symbols and gestures used, expectations (people tend to hear what they want to hear), and the mutuality of meaning with the sender. All these tend to bring about a divergence between the intended meaning and perceived meaning. In order that this does not happen, it is necessary to develop greater degree of homogeneity between the sender and the receiver, both of whom have their own fields of experience. The field of experience constitutes and individuals' attitudes, experience, knowledge and social-cultural background. The greater the overlap of the source's and receiver's fields of

experience, the greater is the probability of successful communication. An individual engaged in communication with another person of a significantly different cultural background will have to put in greater effort to ensure effective communication. This is shown figuratively below :
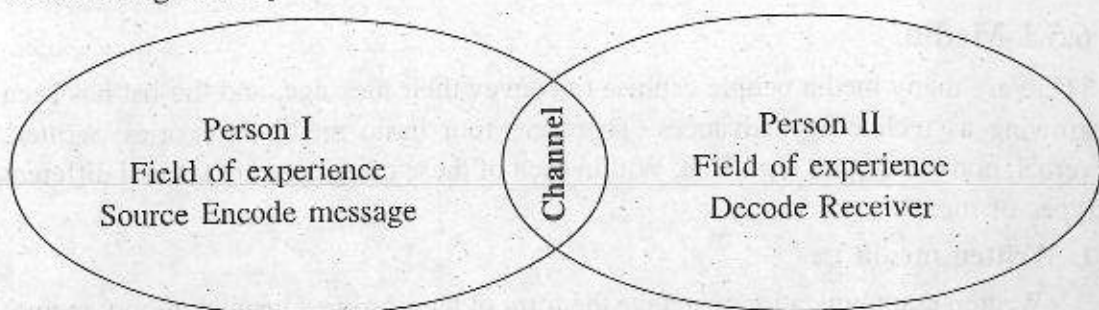
The greater the overlap of the two persons' fields of experience, the higher is the probability of effective communication. The shaded are a shows the overlap.

Feedback. "If a communication source decodes the message that he encodes, if the message is put back into his system" there is feedback. Through the feedback element the sender receives back from the receiver an indication of whether or not the message was received and understood as intended. The feedback may be a behavious that the receiver exhibits; it may be something said; or it may be written message. Feedback loop reverses the communication process. That is, the original receiver becomes the sender and the original sender becomes the receiver. And in this sense, the process may go through a number of cycles of sending and receiving, as it happens when people carry on a conversation.

Noise. The last element in the communication process is noise. Noise is anything that inhibits or distorts the flow of information between the source and destination. Most of the components in the process model have the potential to create inhibition or distortion and, therefore, impinge on the goal of communicating perfectly. These sources of noise explain why the message that is decoded by the receiver is rarely the exact message the sender intended. The noise may be physical like that encountered on the floor of the factory, or time pressure can cause a sender to abbreviate a message, making it difficult for the receiver to understand. The poor choice of symbols and confusion in the content of the message are frequent areas of problem. Of course, the channel can distort a communication if a poor one is selected or if the noise level is high. Receiver's prejudices, knowledge, perceptual skills, attention span and care in decoding are all factors that can result in interpreting the message somewhat differently than envisioned by the sender.

6.4 Dimensions of Communication

Two dimensions of communication - the media used and the direction - are discussed.

6.5.1 Media

There are many media people can use to convey their message, and the list has been growing as technology advances. There are four basic media categories: written, verbal, nonverbal, and high tech. Within each of these categories are several different types of media.

1. Written media :

Written communications can take the form of a procedures manual. report, memo, letter, handwritten note or file. The basic advantage of written communications is that they can be thought out and carefully prepared to serve the sender's purpose. Furthermore, the senders need not be present when the receiver reads the message. But herein lies the major disadvantage of written communications - they are basically one - way in nature. Feedback is often limited, so the sender has little chance to know how the receiver interprets the message.

In transmitting any written message, the sender must decide which written form to use in a given situation. A letter is more formal than a memo, and a typed message is more formal than a handwritten one. The signature on a letter also is an important indicator : first name (e.g., Bimal) only is less formal; full name is more formal. Addressing a letter "Dear Mr. Bose" is more formal than is "Dear Subhas". Sending a letter by speed post or courier indicates urgency. And with the advent of electronic mail, messages can be sent almost instantly. Managers must be aware of these subtleties of the written communication if they are to effectively communicate in organisations.

2. Verbal Media :

Verbal media can also take many forms. For example, there are formal and informal one-to-one conversations, formal and informal meetings, telephones and cellular phones. The most important advantage of verbal communications is that they permit immediate feedback as to whether the message had been received as intended. They allow for a two-way form of communications. Verbal communications are particularly useful in dealing with complex and ambiguous problems. One disadvantage to verbal communications is that they may be less well planned than written communications and there is not record of the exchange of information.

Managers should consider several factors in deciding which type of verbal media to use in a given situation. A formal group meeting can be very similar to written

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communications in terms of preparation, but meeting can more easily involve several people simultaneously. A formal one-to-one meeting, such as performance review session, can be a good way to document the issues of concern and make plan for future action. Of course, formal meeting can consume a great deal of time. Informal meeting and important one-to-one conversations can be used effectively to transmit information, solve problem, and stimulate action.

Telephone is widely used as a verbal medium. The telephone can make it very easy to reach someone quickly, even though the sender and the receiver are not it the same building, or even in the same city, state or country. And the telephone answering machines, voice mail, and portable cellular telephone have made it easier to reach person in a relatively short time period. Teleconferencing makes meetings possible among people who are in different cities, states and countries.

3. Nonverbal media :

Nonverbal communications do not involve the use of words. Nonverbal media include head, face, and eye behaviour (say, eye contact and facial expressions); postures and body language; distance between sender and receiver; gestures; tone of voice; voice volume; silence; colour (say blushing)' touch; smell; time; signals; objects' office; layout; and clothing. Managers need to develop their skills for reading these signals in other people, so that they can get beyond the words people say. A few more words about nonverbal media may be helpful.

Facial expressions are the primary means by which people transmit emotions, such as happiness, anger, disgust, and surprise.

Body language refers to signals given by such actions as standing versus sitting, open versus crossed legs and arms, facial expressions, and eye contact or lack thereof.

√ Salience also conveys message. By not answering someone's question, a person transmits a message. For example, if an employee ask for a pay increase and the boss say nothing, the employee has received his answer.

√ Physical distance between the sender and the receiver has meaning. What is considered proper spacing largely depends upon cultural norms. For example, what is "businesslike" distance in some European countries would be viewed as "intimate" in many parts or North America. However, more closeness than is considered appropriate may indicate aggression or sexual interest. If further away than usual, it may mean disinterest or displeasure with what is being conveyed.

√ The colour of office walls and carpet could convey harshness if they were red, whereas a pale blue would convey more warmth.

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- √ Smell includes body odour, bad breath and nice cologne, each of which conveys a message the sender may or may not intend.
- √ Clothing conveys things about a person. A manager wearing a conservative business suit is seen as more powerful than a man wearing a sport coat.
- √ Signals include such things as fire alarms, horns indicating lunch break or shift change in a plant, the beeps of a watch reminding a meeting.

It is important for the receiver to be alert to these nonverbal aspects communication. He should look for nonverbal cues as well as listen to the literal meaning of a sender's words. He should be particularly aware of contradictions between the verbal and nonverbal message. The boss may say he is free to talk about something important to the employee but nonverbally signals that this is not the time to discuss the subject. Regardless of what is being said, an individual who frequently glances at his wristwatch is giving the message that he prefers to terminate the conversion.

4. High-tech media :

High tech media include personal computer, artificial intelligence or expert systems, satellites, telecommunications. Video cameras, and fiber-optic cables.

- √ Personal computers networked together create easy means to store and communicate vast amounts of information. Unless carefully used this medium may simply flood people with information without transmission of their meaning.
- √ Artificial intelligence or expert systems are essentially computer programmes that store knowledge and thinking of experts. Any one can access it like talking to the experts themselves.
- √ Video-conferencing can allow companies to simultaneously transmit messages to thousands of people in a variety of locations. It can also allow groups to communicate live with each other via cameras and cable transmission of the picture and sound, even though the groups are thousands of miles apart.

6.5.2 Directions of Communication

Directions of communication takes into account the people who are engaged in communication. More specifically, directions of communication help people to focus on the organisational roles of the sender and the receiver. Communications can be horizontal and diagonal as determined by their relationship to the Organisational Chart.

1. Vertical Communication :

Vertical communications consist of communications up and down the organisation's chain of command. Downward communications are used for control,

instruction, motivation and evaluation. Problems in downward communications exist when managers do not provide employees with the information they need to carry out their tasks effectively. Managers are often optimistic about the accuracy and completeness of their downward communications. Sometimes deliberately they withhold information to keep employee dependent on them. Downward communications do not have to be oral or face-to-face contact.

Upward communications flow to a higher level in the organisation. It is typically used for information regarding what is happening at the lower levels, how employees feel about their jobs, coworkers and organisation in general. It is used for problem solving and is obtained as a response to downward communications. Such communications include progress reports, suggestions, explanations and requests for new ideas. Upward communications are likely to be filtered, condensed or altered by middle managers to see that nonessential data originating at the lower levels do not go up. In addition, middle managers may keep information that would reflect unfavorably on them form reaching their managers. Thus upward communications are often partially inaccurate or incomplete.

2. Horizontal communication :

Horizontal or lateral communications usually flow the pattern of work flow in an organisation, occurring-between members of a work group, between one work group and another, between members of different departments, and between line and staff. Typically, communications between members of the work group are for information exchange, minor problem, solving and social need satisfaction. Interdepartmental communications are for the purposes of control, information exchange, problem, solving and emotional need satisfaction. Despite the effectiveness of the organisations's vertical communications, lateral communications are often necessary to save time and facilitate coordination.
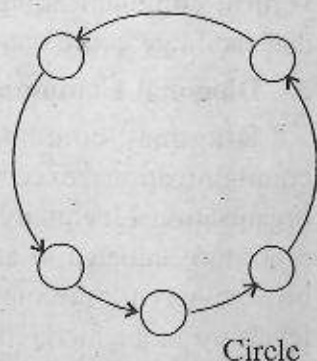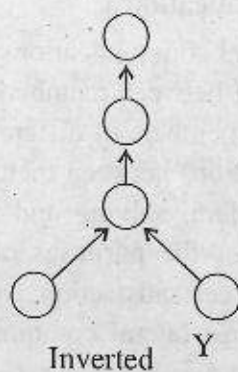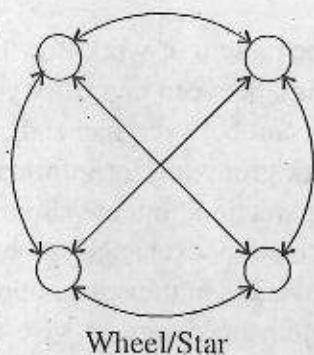
3. Diagonal Communication :

Diagonal communications are like the interdepartmental horizontal communications except that they link people at higher or lower levels in an organisational hierarchy. For example, a supervisor may need to get a particular new procedure initiated in another department of the plant. In order to do this, it might be necessary for the supervisor to talk directly with that department head, who is two levels up in the hierarchy. The supervisor could talk directly to the other department head instead of requesting his own department head to settle the issue with the other department head. Such diagonal communications prevent delay in initiating actions. Such communication paths often do not trace the lines connecting people on an organisation chart.

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6.6 Communication Networks

Communication networks define the channels by which information flows. These channels are of two varieties - either formal or informal.

6.6.1. Formal networks

Formal networks are typically vertical, follow the chain of command and are limited to task-related communications. These networks are designed to keep the flow of information in an orderly manner and to protect the higher-level managers from an overload of unnecessary information. However, the way in which they are designed and work can affect the speed and accuracy of information as well as the task performance and satisfaction of members of the group. So the organisation structure and the formal network should match each other to meet the communication requirements. Although formal networks may assume many forms, the most frequently discussed are four, known as the wheel or star, inverted Y, chain and circle, as shown in the diagram below :

Wheel/Star

Inverted Y

Chain

Circle

Formal Communications Networks

All these forms of network can well be looked at as an organisational structure made up of five members.

The Wheel or star represents a manager and four subordinates with whom he interacts. There is no interaction among the subordinates. Star networks are highly centralised, with the manager occupying the central position.

In Inverted Y network two subordinates report to the boss who has two levels above him. It may be regarded as a four-level hierarchy and centralised where the boss acts as a gatekeeper.

The Chain can represent a five-level hierarchy, in which communication can take place only upward or downward and horizontally. Here one person transmits information to another as per the chain in the organisational hierarchy. The Chain networks are decentralised with no member being able to influence all other members.

The Circle network represents a three-level hierarchy in which there is communication between the superiors and the subordinates and cross communication at the operative level, (i.e, each subordinate communicates with the adjoining member). It is also a decentralised network.

6.6.2 Informal networks

Communication that flows not through the officially sanctioned formal networks is said to be informal communication. This network is not created by management and is usually not under the control of management. An informal network is generally referred to as the 'grapevine' because it spreads throughout the organisation with its branches going out in all directions in utter disregard of the levels of authority and linking members of the organisation in any direction. The grapevine within an organisation is made up of several informal networks that overlaps and intersect at a number of points that is some individuals having the latest news or gossip are likely to belong to more than one informal network. Others gravitate to these individuals instead of their bosses to find out what is going on in the organisation. Grapevine can link organisation members in any combination of directions- vertical, horizontal, and diagonal. Grapevine flows wherever people get together in groups like ground the water coolers, in the halls, in the tea and lunchrooms.

The grapevine arises as a result of employee needs for information which are not met by the formal channels. Problems relating to work and unfavourable reactions to various organisational practices are transmitted through the grapevine. Since the channels are flexible and establish contacts at personal levels, the grapevine spreads information faster than the formal network. And since a great deal of important

information is transmitted via this informal network, it is probably safe to say that organisations would be less effective without it.
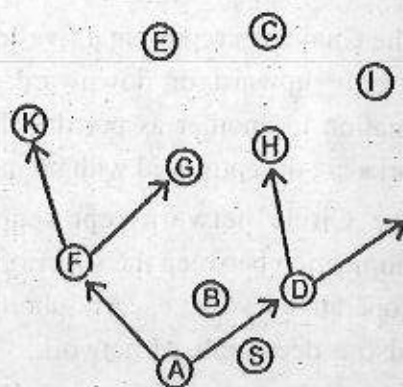
Four types of grapevine chains have been identified - single strand chain, gossip chain, probability chain, and cluster chain. They are exhibited in 'the following diagrams :
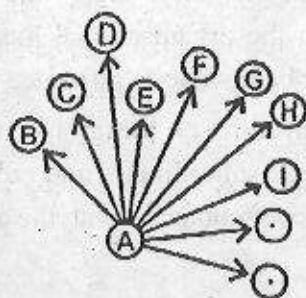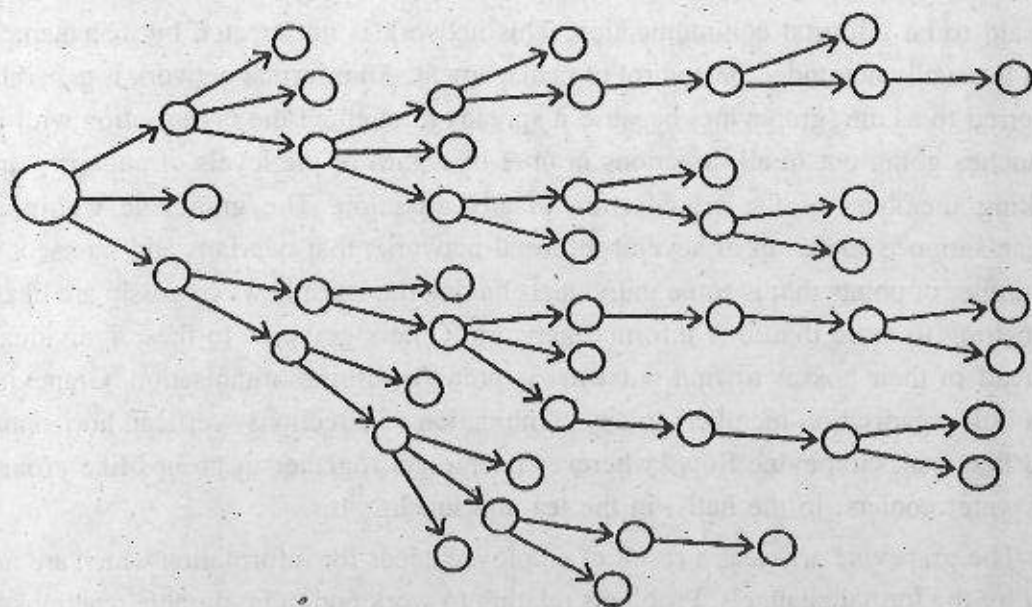

Single Strand Chain   Gossip Chain   Probability Chain

Cluster Chain

In the Single Strand Chain, person A tells something to person B, who tells it to person C, and so on up or down the line. This line is least accurate at passing on

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information. In the Gossip Chain, person A seeks out and tells everyone the information he has obtained. This chain is often used when information of an interesting but non job related nature is being conveyed. In the Probability Chain, individuals are indifferent about whom they offer information. They tell people at random, and those people in turn tell others also at random. This chain is likely to be used when the information is mildly interesting but insignificant. In the Cluster Chain person A conveys information to a few selected individuals, some of whom then inform a few selected others. The cluster chain is the dominant grapevine pattern in organisations. Usually, only a few individuals, called "liaison individuals", pas on the information they have obtained, and are likely to do so only to people they trust or from whom they would like to have favours. They are most likely to pass on information that is interesting to them, job-related, and, above all, timely, The informal networks, in most cases, carry information both helpful and harmful to the formal organisation. The manager's responsibility, therefore, lies in utilising the positive aspects of the informal channel of communication and in minimising the negative aspects of it. In order to do this, what the manager can do is to identify the members who usually seek and spread information. It is possible that different individuals are active at different times but usually it will be found that some individuals tend to be more active carriers of information than the others. After identifying such people a manager can use them as sounding boards. It is discovered that misleading rumours are doing the rounds, it may be a desirable policy on the part of the manager to release the official information in order to clarify the situation. At times management may even find the grapevine more useful in transmitting information than the formal networks. A common method of using the informal networks is by 'planned leaks' or strategically planned "just-between-you-and-me" remarks, which would obviously reach all parts of the organisation much faster than any kind of communication via formal networks.

6.7 Outcomes Associated with Communication

There can be many outcomes of communications in an organisation - some positive and some negative. As noted earlier, communications are the primary vehicle by which leadership is activated, employees are motivated and interpersonal relationships are developed. At its basic level, communications help manager to influence people in organisation. Communications by managers can result in (1) compliance of others, (2) a calculated response designed to get something in return, or (3) total lack of compliance. These outcomes concern managers on an almost daily basis. Besides there are also some long-term outcomes that are of concern to managers.

● **Socialisation.** A new member of an organisation or one who is transferred to a

new department learns through communications how to become effective in the new position. He undergoes a socialization process. The job is learned, as are norms of the organisation and expectations of peers, subordinates, and superordinates. If communications are open in an organisation, it is possible that good relationship can develop with other members. A feeling of support and honesty can develop that will make working together both a pleasure as well as a real success in terms of organisational goals. If, however, communications are guarded the person will not become properly socialized to the organisation and will be less effective on the job.

- **Linking and respect.** Communications make it possible to develop liking and respect for others. Most managers want their subordinates both to like and respect them. If managers develop communications that convey a sense of warmth, trust, and closeness with their employees, liking will develop. If managers convey a sense of allofness and distance, liking probably will not develop.

  Managers must also have the respect of their people. Indeed, respect may be more important then liking for getting a task done. If communications convey a sense of a manager's competence and a respect for the employee's abilities, that respect will be returned. If, on the other hand, a manager convey a sense of superiority and disrespect for the subordinates' abilities, the subordinates probably will not respect the manager much.

- **Trust.** Closely associated with the outcomes of liking and respect is the trust that can develop via communications. If liking and respect are present, trust probably is, too. In interpersonal relationships, trust is something that develops slowly over time, usually it requires that one or both people involved take risks with each other and the manager plays a key role in creating a climate that promotes trust. Supportive exchanges are essential in building trust. A certain level of trust is necessary for any organisation to flourish.

- **Perception alignment.** Communication is important in aligning perception held by different people. If messages are clearly sent and received perceptual errors are more likely to be detected and corrected. And when perceptions are aligned, working to achieve the organisation's goals will be more unified. Indeed, research has shown that accuracy of communications and related perceptions are associated with improved performance. And research has shown also that communication Scan increase participative decision-making, cohesiveness and morale in a group. But if communications are not handle well in a group, they can lead to increases in conflict and distrust.

6.8 Factors Inhibiting Communications

Communications quite often fail to convey the meaning or develop an understanding of the communications sufficient enough to bring about a change in the behaviour of the receiver. Certain barriers between the sender and the receiver cause failure in communications. The barriers that interfere with the understanding of the communication are of three kinds: semantic, psychological, and organisational.

- **Semantic barriers.** As the originator of a communication, the sender has the responsibility of ensuring that the message is transmitted in such a way that the receiver has the greatest change of receiving and understanding it. A primary problem can occur in choosing the words or symbols while encoding the message. Words, which are in reality symbols representing a thing, an action, or a feeling, can have several meanings. In fact, "The meanings of words are not in the words; they are in us". Age, education, and cultural background are three of the more obvious variables that influence the language a person uses and the definition he gives to words. Words which represent concrete things like a "house" tend to be understood in the same way, while abstract words like "merit", "effectiveness" or "responsibility" tend to be interpreted by different persons in different ways. In an organisation, employees come from diverse background and, therefore, have different patterns of speech that give rise to semantic problem. Additionally, the grouping of employees into departments creates specialists who develop their own jargon or technical words. If message is encoded in jargons the receiver may encounter difficulty in understanding it.

  Semantic barrier may further be created by the inconsistency between the verbal communication and the body language. A manager by praising the sincerity and honesty of his subordinate in a sarcastic tone creates doubts in the mind of the subordinate as to the course of action he should adopt in a given situation in future. The same kind of barrier is created by a divergence between the verbal language and the action language of the superiors. When actions and language are used jointly, the actions often have more powerful influence on other's actions then do words. Management may, for example, profess its belief in being guided solely by the merit of employees while deciding promotions. Yet, if employees observe that in actual practice promotions are made on considerations other than merit, the management's professed policy is bound to be affected by a semantic barrier as the action language contradicts the verbal language.

- **Psychological barriers.** Psychological barriers are the prime blockages in interpersonal communication. The meaning that is ascribed to a message depends upon the psychological status of both the parties concerned. As such the psychological barriers may be put up either by the sender or the receiver.

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Perception of meaning very much is affected by the mental frame of the receive at the time the message is being received. Emotions and past experiences influence perception. Emotions which dominate the receiver's mood at the time, e.g., anger, anxiety, fear, happiness etc., will effect his interpretation of the message. Past experiences of the receiver in such situations would also lead to the same effect. Thus receivers in the communication process selectively see and hear what they want to hear and listen because of their needs, motivations experiences, background and other personal characteristics. Receivers also project their interests and expectations into the communications when they decode them.

The receiver's perception of the meaning of the communication is coloured by his own value judgement about the source of communication. This is called Halo Effect.*

Because of it, the receiver's mind gets tied up with the personality and credibility of the source. Thus if a message is received from a person whom the receiver admires, he is more likely to agree with it and acts accordingly. On the other hand, he will disagree with a message that has been received from a person he distrusts or disregards.

Perceptual errors occur because of Stereotyping. **People communicate to some extent through stereotypes. As more women have the ranks of management, the old stereo types of differences between the sexes have created barriers to communication. For instance, touch, while generally having a friendship connotation, can suggest other thing when it occurs between a man and woman on the job. Or say, a new idea for revamping the current work process that has potential for cost effectiveness from a manual operator often is brushed aside by a manager; the operator is stereotyped as non-intelligent and non-creative.

A receiver of the communication suffers from Cognitive Dissonance. ***Every person has his own beliefs, attitudes and judgement. In organisation setting individuals are fed with too much of information from different sources. Information that conform

*Note : Halo effect is the tendency to perceive all the attributes of a person in a similar manner, based on one characteristic of the individual. For instance, if a woman is kind, she may also be perceived as good, able, helpful, cheerful, nice, intelligent and so forth. One the other hand, if a man is harsh, he may be perceived as bad, awful, unkind, aggressive, harmful, deceitful and wicked. Halo effects, whether they be in the positive or negative direction, cloud perceptions and act as a screen blocking the realistic judgement of the trait being judged.

**Note : Stereotyping is the process of assigning attribute to people on the basis of a category to which they belong. In other words, a person is looked upon as type instead of a person. Stereotyping leads to attributing favourable characteristics to the individual based on a widely held generalisation about the group. Sex-role stereotypes and age-stereotypes often affect perception.

***Note : Cognitive dissonance refers to any incompatibility that an individual might perceive between two or more of his attitudes, or between his behaviour and attitudes. In a state fo cognitive dissonance the person experience discomfort and hence tries to reduce it. In doing that he may change behaviour or attitudes by accepting or ignoring the information.

to his attitudes he will accept but those that contradict his viewpoint tend to be ignored. Often other points of view may not only be ignored, it might be regarded as unfriendly or even hostile. As a consequence, much of unfavourable information of criticisms of organisation policies would never be reported to higher levels until the problem has assumed the form of a crisis.

Information filtering acts as a communication barrier. Filtering refers to a sender manipulating information so that it will be seen more favourably by the receiver. Filtering effect is produced when the communication flows through a large number of person along the organisational hierarchy. Each individual through whom the information is passed interprets facts differently, judges from his own point of view what is important or relevant, and transmits it with his own interpretations. In the process the original information gets altered. The process of filtering involves a biased choice of what is communicated on the part of either the sender or the receiver. Thus filtering refers to the process of "selective telling" or "selective listening". Large orginisations are particularly prone to the filtering effect since there is large number of filtering points in each of them. Filtering effect is also produced in a grapevine.

- **Organisational barriers.** Some organisational variables influence the effectiveness of organisational communications. They include formal communication channels, authority structure, job specialisation and information ownership.

  Formal communication channels endorsed and controlled by managers influence communication effectiveness in two ways. First, the formal channels cover an ever-widening distance as organisations develop and grow. For example, before introduction of computer inter-net nationalised Indian banks with thousands of branches spread all over the country experienced inter-branch communication blockages. Second, the formal channels of communication can inhibit the free flow information between organisational levels. While such restriction keeps higher level managers free from getting bogged down in detail information, but sometimes deprives them of receiving information they should have.

  Authority structure in organisations influences communication effectiveness. Power and status differences affect communication in two ways. First, authority differences result in dependency syndrome of the subordinates. Subordinates are generally dependent on their superiors for career advancement. Subordinates then are unwilling to communicate unfavourable information and communicate only the positive aspects of their performance. Second, status differences create problems for developing close superior-subordinate relationships. For maintaining status differences status symbols are created. Such symbols may be in the form of separate parking space, separate toilets, cabins with stylised furniture, carpets etc. Such symbols accentuate the distance between different hierarchical levels and tend to widen the communication gap.
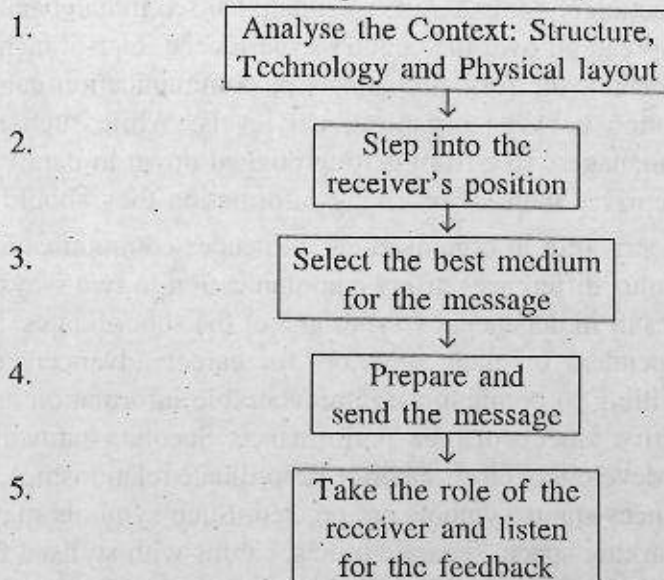
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Job specialisation influences the way employees perceive the organisation and their role in it; as well as the way they relate to others. This creates a number of differentiated work groups in the organisation. Members of the same work group are likely to share the same jargon, time horizons, goals, tasks and personal styles. Communication between highly differentiated work groups, tend to be hindered.

Information ownership is the final organisational barriers to communication. Information ownership means that individuals possess unique information and knowledge about their jobs.

For example, a darkroom employee may have found a particularly efficient way to develop photo print. A salesman may know who the key decision-makers are in firms he deals with. Such information is a form of power for the individuals who possess it. They are able who possess it. They are able to function more effectively than their peers. Many individuals with such skills and knowledge are unwilling to share this information with others. As a result, completely open communication within the organisation does not take place.

6.9 Ways to Improve Communication in Organisations

Considering the complexity of the communication process, the dimensions of the process, the contextual variables (technology, physical layout etc.) The blockages to communication, it is no wonder that it is difficult to have effective communication in an organisation. However, several ways to improve communication can be explored. The figure below outlines some of the steps in this direction.

1. Analyse the Context: Structure, Technology and Physical layout
2. Step into the receiver's position
3. Select the best medium for the message
4. Prepare and send the message
5. Take the role of the receiver and listen for the feedback

Steps to improve communication in an organisation

Step 1 : Analyse the context

The first step in improving communications in organisations is to understand the context in which communications must occur. The constituents of the context are structure, technology and the physical layout. Changes in this context can be used to improve communications. For example, use of computer-based information systems can improve communications provided the managers possess the computer skills.

Structural change occurs, for example, when companies hire communication specialists and special work units, When a situation becomes very complex or rapidly changes, the hierarchical order of communication may need to be altered. The use of task forces, special ad hoc committees, and special project groups can particularly by helpful in linking departments in an organisation, when strong differences make it difficult for the departments to communicate. It may also be possible to link machinery to computers to reduce the need for communication among people in an organisation. As physical layout has impact on communication flows, careful relocation of employees may improve communication effectiveness.

But managers may not always be able to use technology, structure and physical layout to their advantage. Instead, they may actually constrain a manager's behaviour. Managers need to understand these constraints in order to maintain effective communication.

Step 2 : Step into the receiver's position

Communication being basically a marketing concept : the dictum is if the sender does not transmit in an appropriate language and manner, and in time when the receiver can hear the message, the chances of effective communication is greatly reduced. A supervisor dealing with a relatively uneducated worker on the shop floor if he does not choose his words differently than when communicating with his boss, his message will be lost. Likewise, if a receiver is very angry, the sender must communicate differently than when the receiver is calm. Perhaps when the receiver is angry, the sender should wait until the person calms down.

For stepping in receiver's position the sender should analyse the position. Ideally, the receiver should get not only the content of the message, but also the sender's feelings by attending to all the cues, especially the nonverbal ones. The sender can infer the receiver's active listening from the feedback sent by the receiver.

Step 3 : Select the best medium for the message

Once the context of the message and the receiver's position have been analyse the sender should think about the best medium for communicating the message. Written communications have the advantage of thoughtful presentation. Moreover

the receiver can keep privacy of the message. In case of complex message a two-way process of verbal communication is most effective. Of course, several media can be used together; for example, a phone call to make a request, followed by a memo repeating the request. New high-tech media offer other options, nonverbal media help to make verbal communication more effective.

Step 4 : Prepare and send the message

With all the information in hand from steps 1 through 3, it is now time to actually formulate and send the message. At this time, the sender should rethink the message to be sure that he still wants to sent it.

After analysing the situation and the receiver and after receiving the feedback he may decide to change the message originally planned. For example, a manager has intended to reprimand an employee for poor performance. But after analysing the situation, the manger felt that poor performance was due to the context, not for the employee. Hence, manager has to change the message. Depending upon how the situation unfolds during the two-way process of communication the guiding principle in this regard is that the massage transmitted shows respect for the receiver.

Step 5 : Become the receiver and listen for feedback

When the message has been sent, the sender needs to switch roles and becomes the receiver of feedback. The sender must listen to be sure that the message got through and was understood as intended. Part of the sender's responsibility is to ensure that the feedback loop is completed. Such a feedback may be verbal or written, as in a request for information. Or it may be behavioural. That is when the sender asks the receiver to do something, the sender can watch what the receiver does. When the feedback indicates that the message was not received, the sender may go back to step 1 and begin a follow-up cycle to transmit the intended communication.

By following these five steps managers may become better communicators. It should be kept in mind that as the sender, a manager is responsible for transmitting a message that the receiver can understand and for ensuring that the manager receives feedback. As the receiver, a manager is responsible for understanding a message that is sent to him and for ensuring that feedback is received by the sender.

6.10 Exercise

1. Define communication.
2. Why communication is considered to be important by the management?
3. Explain the process of communication.
4. Give a brief idea of the dimensions of communication.

5. What media are used in communicating message?

6. Write notes on (a) Written media

   (b) Verbal media

   (c) Nonverbal media

   (d) High-tech media

7. What are the directions of communication?

8. Write brief notes on- (a) vertical communication

   (b) Horizontal communication

   (c) Diagonal communication

9. What do you understand by the term communication network?

10. Write few words about (a) formal networks and

    (b) informal networks

11. Make an elaborate discussion about the outcomes associated with communication in organisation.

12. What are the barriers to communication in organisation?

13. Explain what do you understand by (a) Semantic barriers,

    (b) Psychological barriers and

    (c) Organisational barriers.

14. Propose steps that may help management to remove the communication barriers.

Unit 7 ◻ Controlling Performance

Structure

7.1 Introduction

Controlling, a managerial function, to a great extent closes the loop in the system of managing. A manger who does not understand management control cannot be expected to exercise it in the most efficient and effective manner. Nor can staff men whose duty is to design systems and procedures for their organisations design efficient systems unless they possess a clear understanding of management control. And certainly any one who is subject to control by other has to understand clearly what that means if he is to remain contended in that relationship. Indeed, when management control is not understood, good management is a very improbable result.

Understanding control really means understanding three principal things about it : What is control? What is controlled? And who controls?

The essence of control is action which adjusts operations to predetermined standards, and its basis is information in the hands of managers. Objectives, plans

and progremmes, and policy statements help in setting the standards of performance. People can know from objectives what they are trying to do. Without them, people may work quite industriously yet, working aimlessly, accomplish little. Plans and Programmes complement objectives. since they propose how and according to what schedule the objectives are to be reached. A policy statement is useful in economising the time of managers equitably and consistently. Essentially, control is checking to determine whether plans are being observed and suitable progress towards the objectives is being made, and acting, if necessary to correct any deviations.

The basis of control is information in the hands of managers. Information reach the managers through the reporting system. Reporting includes special reports and routine reports; written, oral, and graphic reports; staff meetings and conferences, and any other means whereby information are transmitted to a manager as a basis for control function. If it is to be the basis for control information, should be compiled with the objective in view. It should exclude materials extraneous to the problem of control and must be placed at the disposal of managers quickly so that operations do not deviate any further from the desired norm.

Standards against which operations are adjusted are set by objectives, plans and programmes. An objective is static until revised; a plan or progreamme is static until abandoned. They are in force until superseded. Because of their semi-permanence the standards set by them are also of temporary durability. But in real organisation situations standards are dynamic in character, for they are constantly altered, modified or revised. So instead of linking control action to the semi-permanent standards, managers should control adherence to the objectives, plans, programmes, policies and procedures which have been laid down.

The person who is responsible for results should undertake control action. Results include not only profits and costs, but conformity of all operations with standards. Hence, whoever has responsibility for specifying and establishing a particular standard has to be ultimately responsible for controlling adherence to it and responsible, therefore, for such corrective action as is necessary. Of course, those below him in the chain of command may help him, but they cannot relieve him of the final responsibility for control. Therefore, authority for managers to establish standards should be delegated as far down in the organisation as seems practicable. It then becomes their responsibility to control adherence of operations to the system they establish.

7.2 Definition

More than a century back Fayol defined control. In his view, "In an undertaking, control consists in verifying whether everything occurs in conformity with the plan

adopted, the instructions issued and principles established. It has for object to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything, things, people, actions". In the light of the above the managerial function of controlling has been defined as "the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished".

It is a function of every manager to make sure that what is done is what is intended. Any manager executing a plan is responsible for exercising control action, whether he belongs to higher or lower echelon of the organisation hierarchy.

Control implies the existence of objectives, plans, policies, progremmes and procedures. Manager cannot control without them. He cannot measure whether his subordinates are operating at the desired level or not.

Management control should mean one thing and one thing only. It means that control action is directed towards bringing operations into conformity with predetermined goals and standards. Because of this precept most controls are partial; they concentrate on one facet of operations—quality of product, cash flow, costs or some other narrow aspect. However, over-all control has also been developed to check on the progress of the entire organisation or territorial division or an integrated product.

7.3 Significance of Controlling Function

Controlling function in various ways helps business enterprise to maintain the current business level and create business potentiality. "A good system of control provides against undesirable surprises, capable of degenerating into catastrophes. It is as well always to be able to give an answer apropos of no matter what activity to the question". (Fayol, P. 109). The need for control is outlined in the following paragraphs :
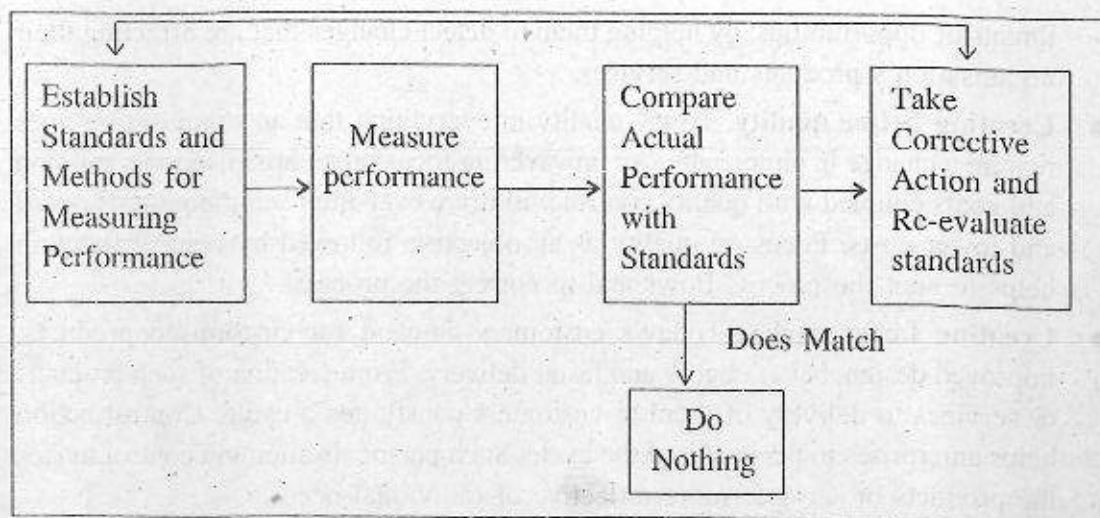
- **Saving plan from failure.** Plans, even the best formulated ones, are susceptible to going away. If managers become complacent after handing over the best possible plans to his people for implementation and do not keep track of the progress of the plan they may encounter an undesirable surprise. Control function provides pre-warning about the success or failure of the plan.

- **Coping with change.** Organisations environment changes. Markets shift. Competitors offer new products and services that capture the public imagination. New materials and technologies emerge. Government regulations are enacted or amended. The control function aids managers in responding to the resulting

threats or opportunities, by helping them to detect changes that are affecting their organisation's products and services.

- **Creating better quality.** To try quality in everything that an organisation does require a change in philosophy. An unwavering focus on an organisation's mission and goals coupled with quality control will drive ever-improving quality forward and lower costs. Focus on quality as an objective followed by control function helps to spot the process flows and to correct the process.

- **Creating faster cycles.** Today's customers demand for customised products, improved design, better quality and faster delivery. From creation of such products or services to delivery of them to customers constitutes a cycle. Control action helps enterprises to personalised the cycle. Such personalisation via control makes the products or services more reflective of individual needs.

- **Adding value.** Speedy cycle times are one way to gain competitive edge. Adding value is another way. Trying to match every move of a competitor can be both expensive and counter-productive. Instead, an organisation's main objective should be to add value to its product or services so that customers will buy it in preference to a competitor's offer. Most often, this added value takes the form of above-average quality achieved through exacting control procedures.

- **Facilitating delegation and teamwork.** Participative management and teamwork are the current slogans in management. Participative management increases the need to delegate authority and encourages employees to work together as teams. This does not reduce manager's ultimate responsibility. Rather, it changes the nature of the control process. Under the traditional autocratic system of management, the manager would specify both the standards for performance and the methods for achieving them. Under the new participative system, a manager communicates standards, but lets the employees, either as individuals or as teams, use their own creativity to decide to solve certain problems blocking the achievement of the standards. The control process lets the manager monitor workers' progress without hampering employees' creativity or involvement with the work. This current trend in management cannot make control insignificant.

7.4 Steps in Control Process

Control systems and techniques are essentially the same for all things and people, say cash, product quality, office procedure, profits, costs, morale and so forth. The basic control process, wherever it is found and whatever it controls, involves four steps as illustrated is the following figure :

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┌─────────────┐     ┌──────────────┐     ┌──────────────┐     ┌──────────────┐
│ Establish   │     │              │     │ Compare      │     │ Take         │
│ Standards   │     │ Measure      │     │ Actual       │     │ Corrective   │
│ and         │ ──▶ │ performance  │ ──▶ │ Performance  │ ──▶ │ Action and   │
│ Methods for │     │              │     │ with         │     │ Re-evaluate  │
│ Measuring   │     │              │     │ Standards    │     │ standards    │
│ Performance │     │              │     │              │     │              │
└─────────────┘     └──────────────┘     └──────────────┘     └──────────────┘
                                                  │    Does Match
                                                  ▼
                                          ┌──────────────┐
                                          │ Do           │
                                          │ Nothing      │
                                          └──────────────┘
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Basic steps in the Control Process

● **Establishment of Standards and Methods for Measuring performance**

Standards are established criteria against which actual results can be measured. They represent planning goal of the enterprise or of the department and are expressed in such precise and concrete terms that the actual accomplishment of assigned duties can be measured against them. They may be physical and represent quantities of products, sales man-hours, speed, volume of rejections etc; or may be stated in monetary terms, such as costs, revenues, or investments; or they may be expressed in any other terms which can measure performance.

In service industries, standards and measurement may include the length of time customers have to wait in line at bank, the amount of time they have to wait before the telephone is answered, the number of new clients attracted by a revamped advertising campaign.

In some intangible areas, such as employee loyalty and morale, or public relations programme it is difficult to establish quantitative standards for such goals. Nevertheless there are verifiable means of determining whether action is towards or away from such intangible goals.

● **Measurement of Performance**

If means are available for determining exactly what subordinates are doing, appraisal of actual or expected performance is fairly easy. The case or difficulty of measuring performance to a large extent depends upon the possibility of setting up concrete standard. Establishment of man-hour standards for the production of a mass-produced item is made possible by the techniques of time and motion study. This makes appraisal of performance easier.

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Again, in the less technical kinds of task, not only may standards be difficult to develop but measurement may also be hard. For example, to control the performance of the finance director or the industrial relations director is not easy, because definite standards cannot easily be developed or performance accurately measured. Often in these areas appraisal relies on vague standards, such as the financial health of the business, the attitude of trade unions, the absence of strikes, the loyalty of subordinates and the overall success of the department. These measurements are often equally vague.

As measurement is an ongoing, repetitive process, at what frequency it should be taken up is an important question. In a manufacturing plant, levels of pollutants in the air will be continuously monitored for safety of the workers, whereas progress on long-term expansion objectives will be reviewed by top management only once or twice a year. As controlling function tries to see that activities are going on as intended managers should not allow long time gap between two measurement time.

- **Comparing actual performance with standards**

In this step actual performance is compared with the established targets or the standards previously set. If performance matches the standards, managers may assume that everything is under control. If it fails to match the standards managers are required to take appropriate corrective measures.

- **Taking corrective action and reevaluating standards**

Performance may either fall short of standards or over-step standards. If analysis of the situation indicates that some action is required this step is undertaken.

Correction of deviations in performance is the point at which control coalesces with other managerial functions. The manager may correct action by redrawing his plans or by modifying his goal. Or he may correct deviation by exercising his organising function, through reassignment or classification of duties. He may correct, also, by additional staffing, by better selection and training of subordinates, by providing effective leadership or by setting an efficient reporting system. The corrective action may as well involve a charge in the original standards rather than a change in activity. However, the correcting action according to some authors is not included in controlling function.

7.5 Designing a Control System

Managers face a number of challenges in designing a control system that provides accurate feedback in a timely, economical fashion that is acceptable to organisation members. Most of these challenges can be traced back to decisions about what needs

to be controlled and how often progress needs to be measured. Trying to control too many elements of operations too strictly can annoy and demoralize employees, frustrate their managers, and waste valuable time, energy, and money. Furthermore, managers may focus on easy-to-measure activities, and ignore harder-to-measure activities. Most of these problems can be avoided by an analysis that identifies key performance areas and strategic points.

7.5.1 Identifying key performance areas

Every managerial position has to attain certain results but all the activities that a manager performs do not equally contribute to the achievement of results. Rather some activities contribute more than others. Similarly, in case organisation certain activities, contribute more to its effectiveness. These areas are known as key performance or result areas (KRAs). For instance, the various result areas for a production manager or department may include quality, quantity, adherence to delivery schedules, rejects, wastage, inventory, labour costs, material costs, machine down time, and so forth. Depending on the nature of his organisation and industry, the production manager will identify his KRAs. In an industry, where raw material and machinery are the major cost contributors, the manager's KRAs may be raw material cost, wastage, and machinery utilisation. On the other hand, in an industry, such as T.V. manufacturing, where assembly is the major operation, labour costs, critical component costs, and quality may be the KRAs. In the functional area of marketing KRAs may include sales volume, sales expenses, advertising expenditures and individual salesperson's performance, new customers, new markets etc. Just as KRAs can be identified for different functional areas, these can also be identified at the organisational level. Individual level KRAs should be linked with divisional level KRAs, and divisional level with the corporate level KRAs.

There are KRAs which are common to all enterprises and all managerial positions irrespective of the functional area or industry Peter Drucker has identified eight such KRAs common to all firms. These are profitability, market standing, innovation, productivity, worker performance, financial and physical resources, manager's performance and development, and public responsibility. W. J. Reddin has identified five KRAs which are common to all managerial positions. These are subordinate development, innovation, project implementation, managerial development, and systems implementation.

Indexes of standards for all the KRAs are developed, modified from time to time and used to measure performance level.

7.5.2 Identifying strategic control points

In addition to key performance areas, it is also important to determine the critical points in the system where monitoring or information collecting should occur. Once such strategic control points are located the amount of information that has to be gathered and evaluated is also reduced considerably.

The most important and useful method of selecting strategic control points is focusing on the most significant elements in a given operation. Usually, only a small percentage of the activities, events, individuals or objects in a given operation will account for a high proportion of expenses or problems that managers will have to face. For example, 10 percent of a plant's products may yield 60 percent of its total sales; 2 percent of an organisation's employees may account for 80 percent of its employee grievances.

7.6 Requirements of an Effective Control System

To make it effective the control system must be designed for the task it is intended to perform. While the basics of control systems are universal, the actual system requires special design. But tailoring of control systems, there are certain requirements that the managers should keep in mind whether he is a top executive checking new products are being developed as planned, or a supervisor, checking the operations of his work force.

- *Controls must reflect the nature and needs of the activity* All control systems should reflect the job that are to be performed. Controls of the production department will surely differ from those of the marketing department. Techniques available and widely used are not suitable for all occasions. Managers after due considerations of the strategic factors in his plans and the nature of operations to be controlled, should choose the appropriate control technique.

- *Controls should be capable of reporting deviations promptly.* The ideal control system detects projected deviations before they actually occur. Operating information must reach the manager in a timely manner so that he can prevent the failures.

- *Control should be forward looking.* Between the deviation and corrective action a time lag is sure to exist but ideal control is instantaneous. A forward-looking control mechanism can effectively handle the time lag. It will permit manager to detect potential deviations from plans early enough to take effective corrective action.

- *Control should point up deviations at strategic critical points.* Deviations at strategic critical points are more serious than other areas. As already pointed out strategic control points are crucial for appraising performance against an individual plan. The more a manager concentrates his control efforts on deviations at strategic critical points, the more efficiently effective will be the results of his control.

- *Control should be objective.* Subjective judgement gives a colured picture of a situation. A subordinate's performance should not be judged subjectively. An objective appraisal of performance against well-laid standards provides the true picture. Such objective control should be definite and determinable in a clear and positive fashion.

- *Control should be flexible.* Changes are facts of managerial life. Control systems are formulated on the basis of some forecasts. as changes occur in the business environment forecasts loose their foundations. Control systems need be designed in such a way that they can handle the changed situations. So if controls are to remain effective despite unpredicted changes, flexibility is required in their design. In fact, flexible control is normally best achieved through flexible plans.

- *Control should reflect the organisation structure.* Organisation structure is another means for maintaining controls. Because of his position in the organisation structure, a manager assigns tasks and delegates authority; but is held responsible for controlling subordinate's performance. The more controls are designed to reflect the place in the organisation structure where responsibility for action lies, the more they will facilitate correction of deviations from plans.

- *Control should be economical.* Cost is a limiting factor of control systems. The cost of control that a large size enterprise can afford is unaffordable by a small one. Also an elaborate control system is not necessary for a small firm. For making the control system worthy of its cost manager should select only the strategically critical points. If tailored to the job and to the size of the firm, control will probably be economical.

- *Control should be understandable.* The manager responsible for control action needs to understand the system. Some newly devised complex control systems are difficult to understand.

- *Control should lead to corrective measure.* The job of an effective control system is simultaneously to detect deviations from plans and to show the way to corrective action. An adequate system discloses where failures are occurring, who is responsible for them, and what is required to be done about them.
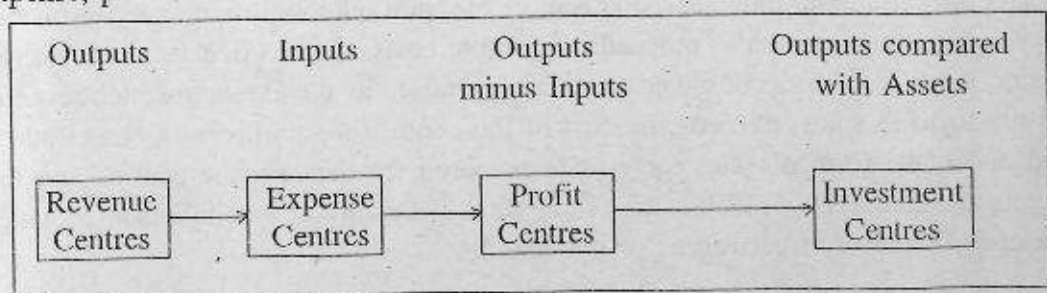
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7.7 Control Techniques

A good number of control methods and systems are available to managers to deal with the differing problems and elements of their organisations. The methods and systems can take various forms and each from is intended for controlling activities of various groups. Keeping the users of the present course of study in view only a few of the methods and systems have been elaborated. The discussion includes traditional control techniques that include budgetary and non-budgetary control devices, special control technique like PERT/CPM and finally devices for controlling overall performance of the organisation.

7.7.1 Budgetary control : a traditional device

Budgets are widely used for managerial control. Essentially, budgets are plans for a given future period in quantitative terms. They are prepared to indicate the expected results of the business and also the possible future lines of action to be pursued for the attainment of such result. Budgets provide predetermined standards of performance for regulating activities in the enterprise. These standards usually become the basis of control. All results and performances are measured and appraised against budget standards which are developed through a comprehensive budgetary programme. Control exercised for the execution of budget is referred as budgetary control.

Every managerial position in the organisational structure is, in a sense, a responsibility centre. The manager in charge of a division in a multi-divisional organisation is responsible for his unit. Similarly, a production manager a marketing manager, or a supervisor is responsible for his unit. All responsibility centres use resources (inputs or costs) to produce something (outputs or revenues). Inputs entail costs and outputs result in revenues. Typically, responsibility is assigned to revenue, expense, profit and/or investment centres as exhibited in the figure below.

Outputs	Inputs	Outputs minus Inputs	Outputs compared with Assets
Revenue Centres	Expense Centres	Profit Centres	Investment Centres

Budgeting System for controlling functions

Budgets for every major operation of the responsibility centre can be made. Responsibility centre budgets include revenue budget, expense budget, profit and/or investment budget. The decision to make such budgets depends upon the activity performed by the organisational unit and on the manner in which inputs and outputs are measure for the control purpose.

Revenue budgets are meant for measuring marketing and sales effectiveness. They consist of the expected volume of sales multiplied by the expected unit selling price of each product. The revenue budget is the most critical part of a profit budget, yet it is also the most uncertain one because it is based on the projected sales.

Expense budgets take care of expenses incurred by the concerned responsibility centre in forms of estimated material, labour and overhead costs. Such expense budgets relate to manufacturing units. Expense budgets for units like legal, accounting or research are different from those of manufacturing responsibility.

Profit budgets combine cost and revenue budgets in one statement to be used by managers who have responsibility for both the expenses and revenues of their units. Such managers head an entire division, such as production, marketing or finance division. The profit budgets consist of a set of projected financial statements and schedules for a given future period. Thus, they serve as profit plans for the period.

Investment budgets outline specifically capital expenditure for plant, machinery, equipment, and other items. For ensuring the availability of capital at the right time without any disruption to the normal working of the responsibility centre, this budget maps out future capital expenses over a long period. Like the revenue and expenses budgets, this budget is also meant for controlling the responsibility centre.

Mechanism of budgetary control

As shown, in the figure above budgetary control is operationalised via the responsibility centres, viz., revenue centre, expense centre, and profit and/or investment centre. The mechanism of control is briefly discussed below :

As organisational units, revenue centres measure outputs in monetary terms but desist from comparing sales proceeds with input costs. A sales department is such a centre. The effectiveness of the centre in not appraised by the extent to which revenue (in the form of sales) exceeds the cost of the centre (in salaries, rent etc.) Rather, budgets in the form of sales targets are prepared for the revenue centres and the targets are compared with sales orders or actual sales. Such a comparison provides a useful picture of effectiveness of the central.

Expense centres or cost centres measure the input in monetary terms, but not the

outputs. These centres do not yield revenues. Departments of maintenance, administration, service, or research and development are examples of expense centres. Budgets of these centres include only the input cost portion of their operations. Actual input costs are appraised against the budgeted costs to judge the effectiveness of these centres.

Expense centres or cost centres measure the input in monetary terms, but not the outputs. These centres do not yield revenues. Departments of maintenance, administration, service, or research and development are examples of expense centres. Budgets of these centres include only the input cost portion of their operations. Actual input costs are appraised against the budgeted costs to judge the effectiveness of these centres.

Profit centres measure performance of responsibility centres by comparing revenues (outputs) with expenditure (inputs). Such a measure is used to determine low well the centre is doing economically and how well the manager in charge of the centre is performing. A profit centre is responsible for generating its low profit and its budget sets the target profit. In a multi-divisions organisation each division is responsible for its own product line and functions as a profit center.

The control system in an investment centre primarily measures the return on investment. Capital investment is required to produce the outputs. In addition, it also measures the monetary value of inputs and outputs. For example, with a capital investment of Rs. 50 lakh in land, building, machinery, equipment and working capital a new plant in its first year spent Rs. 2.5 lakh on labour and other inputs, and had Rs. 5 lakh revenue. The profit of the plant's investment centre in is not the just the difference between the input costs and the revenue realised. While calculating the profit, first, allowance must be made for the depreciation of the fixed assets. Secondly, the investment centre manager must account for the interest that could have been earned from alternative investments (i.e., opportunity cost). By assessing these factors as well, the centre obtains a much more accurate picture of its profitability.

7.7.2 Break-even Point Analysis : a traditional non-budgetary device

The break-even chart shows the relationship between volume of sales and expenses in such a manner that a manager can easily find out what volume of sales proceeds exactly cover expenses. Less sales volume than required means loss to the company and greater volume than required brings profit. The required sales volume acts as the standard.

The chart helps in finding out a point where revenue equates with expenses. This point is known as break-even point. A simple break-even chart is shown below :

Sales volume in lakh of rupees
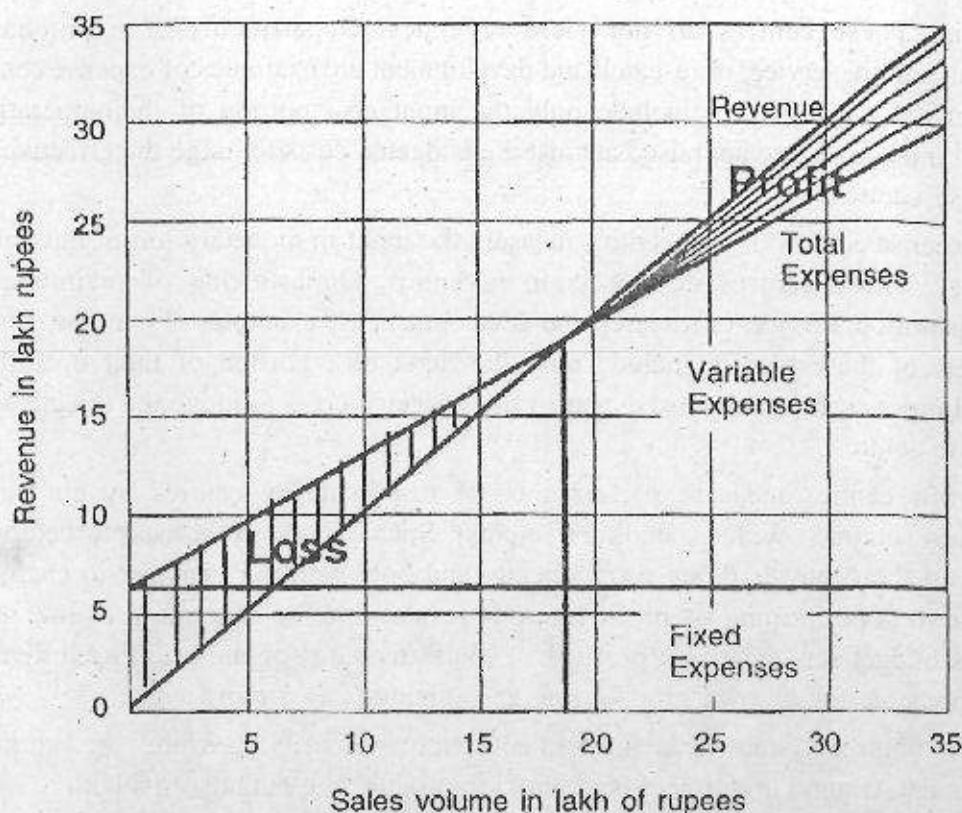
The chart depicts the level of expenses and revenues for each volume of sales. The expenses have two elements — fixed costs and variable costs. Fixed costs do not vary with volume, particularly is short period. Among these are depreciation, property taxes and insurance, plant and equipment maintenance, and the costs of maintaining a minimum of supervisory staff and other key personal for keeping the facilities ready.

Variable costs are expenses that vary directly with the quantity of work being performed. Examples are raw materials, selling expenses, factory wages etc.

The simplest breat-even chart makes use of straight lines that represents revenue, variable costs and fixed costs. The construction of the chart requires only that the costs and revenue for different output volumes are known at two points because only two points are required to draw a straight line. All the three straight lines representing revenue, fixed cost and variable costs start at some points on Y-axis. Revenue line starts at zero volume;' fixed costs line will be a given level on the Y-axis because by definition they will continue even if there is no production, variable costs line starts at the Y-axis where from fixed costs line starts. All other points on the lines are the result of assumption of linear relationships for both revenue and costs.

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The construction of the charts is based on certain assumptions. These assumptions are :

1. The linear revenue line indicates that the price at which any quantity of the output can be sold is fixed and does not change with output. For example, point along the line indicate that price P (say Rs. 6.00 per unit) is multiplied by the number of units sold Q (say 100 units) to obtain Revenue R (Rs. 600)

2. Variable costs vary proportionally with output quantity.

3. The product remains constant.

4. The relationship between revenue and costs is for a given output volume.

5. Fixed costs and variable costs are clearly distinguishable.

The interpretation of the break-even chart begins with the determination of the break-even point, a point at which variable cost line cuts the sales (revenue) line. In the figure Rs. 18 lakhs sales enable the company to earn Rs. 18 lakh revenue that cover the total expenses. At this point company earns no profits and also incurs no loss. If the company's sales slide down if faces loss and if move up beyond the point it earns profit.

Break-even chart helps manager to predict profit at differentiated sales volume. It is useful in planning and controlling as it shows the most profitable path. It also introduces objectivity in cost control by indicating the way of controlling cost. By using the projected costs and revenues as standards a manager can effectively perform his controlling function.

7.7.3. Programme Evaluation and Review Technique : a special device

Programme Evaluation and Review Technique, better known as PERT, is essentially an attempt at quantification of programme planning and control. An important characteristic of PERT is the attempt to systematize and mechanise the planning and control process.

The fundamental tool used in the PERT approach is the network or flow plan. The composition of the network is a series of related *events* and *activities*. Events, (required sequential accomplishment points), are most frequently represented by circle symbols. Activities are the time consuming elements of the programme and are used to connect the various events. They are shown in the flow plan as arrows. Each arrow represents elapsed-time required to accomplish an event. A simplified model of the flow plan is illustrated in the figure depicted in the next page.

The number of events shown on any flow plan should reflect significant programme accomplishments. It should also be noted that some events may depend

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only on one single prior event, while in other situations there may be an interrelationship of several events leading to the accomplishment of an ultimate objective.

To determine the elapsed-time between events responsible programme personnel evaluate the situation and submit their estimates using possible completion assumptions; optimistic completion time, most likely completion time and pessimistic completion time. Optimistic time estimate is based on assumption that everything goes exceptionally well; most likely time represents the most accurate forecast based on normal developments and pessimistic time is estimated on maximum potential difficulties.

A simple formula based on the three-time estimates will give the activity time to be used in the system flow plan. The application of the formula gives a time with a 50% chance of realisation.

Critical path 75 days
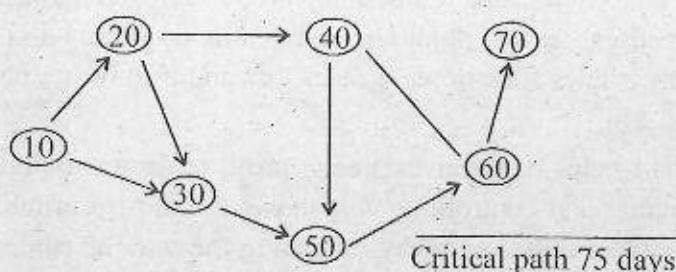
Flow Plan

10. Programme Go Ahead
20. Design Release Completion
30. Material Procurement
40. Model Testing
50. Fabrication Prototype
60. Full Scale Testing
70. Programme Prototype completion

Activity Time

O = Optimistic Completion Time

M = Most Likely Completion Time

P = Pessimistic Completion Time

Assuming O = 6 weeks, M = 8 weeks and P = 16 weeks, the activity time can be computed, using the formula :

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$$\frac{O + 4M + P}{6} = \text{Activity Time} \quad \frac{6 + 32 + 16}{6} = 9 \text{ weeks}$$

Once the network has been established and all activity times computed, the information on activities and events can be translated into dates based on a programme start time.

The next step is to compute the critical path. It is established by the longest possible time span along the system flow plan. For determining the critical path, data and events are organised in sequence. The starting point for starting the critical path is the final event in the total network. From the final Event (in the illustration event 70), related events are placed sequentially, working backward, until the present (Event 10) is reached.

In the figure the heavy line indicates the critical path in the network. If the proposed final completion date is to be bettered, indicated by Event 70, reappraisal and curtailment of activity time must take place along the critical path.

Since the critical path takes the longest time and is the determinant for the project completion, other events may conceivably be completed before the time they are actually needed. The time differential between the scheduled completion of the non-critical events and time that they are actually required is called the Slack Time. Where excessive Slack Time exists in the programme, a revaluation should take place. It should be determined which resources, and in what amount, could be transferred to other activities. This, in turn, could shorten the critical path or better balance the allocation of resources assigned to the project.

Once the schedule has been established, frequent review by programme participants is required to assess the actual progress against the planned accomplishment. Inputs are then assemble and programmed into the computer, which prints out the status report of time interval estimates versus actual reported progress.

Reporting can be done bi-weekly, for example, on all items shown in the flow plan. The currency and frequency of the reporting promptly alerts management to the events which are deviating from the basic programme plan. Where corrective action is not possible and the scheduled date of an objective event has been changed, it becomes necessary to recompute the entire programme to determine the current anticipated completion dates of all events.

The above description of PERT is called PERT/TIME. From it PERT/COST has been developed with the application of costs to activities in the PERT network.

PERT does not make control automatic, but it establishes an environment where sound control principles may be appreciated and used.

7.7.4. Control of Over-all Performance

Control technique discussed so far are meant for controlling specific things like costs, production volume, wages and so farth where performance must conform to plans. They apply to a part of an enterprise and do not attempt to measure total accomplishments against total planned goals. Techniques have been developed to measure over-all performance. These techniques are essentially financial. State of health of business and its survival and growth largely depend upon its capacity to generate financial surplus. Financial measures by indicating total expenditure of resources in attaining the projected enterprise goals provide an effective instrument for over-all control of performance. Such an instrument is applicable to the total enterprise.

There are several such techniques of which two will be taken up for discussion. They are Budget Summaries and Reports, and Return of Investment.

Budget Summaries and Reports :

A summary of budgets is a widely used device for controlling over-all performance. A budget summary is a compendium of all the individual budgets. The summary contains the gist of projected goals of al departmental or segmental budgets and, as such, provides an excellent basis or standards for exercising over-all control by top-level managers. The top managers are required to communicate the relevant standards to their concerned subordinates. The standards are always expressed in financial terms.
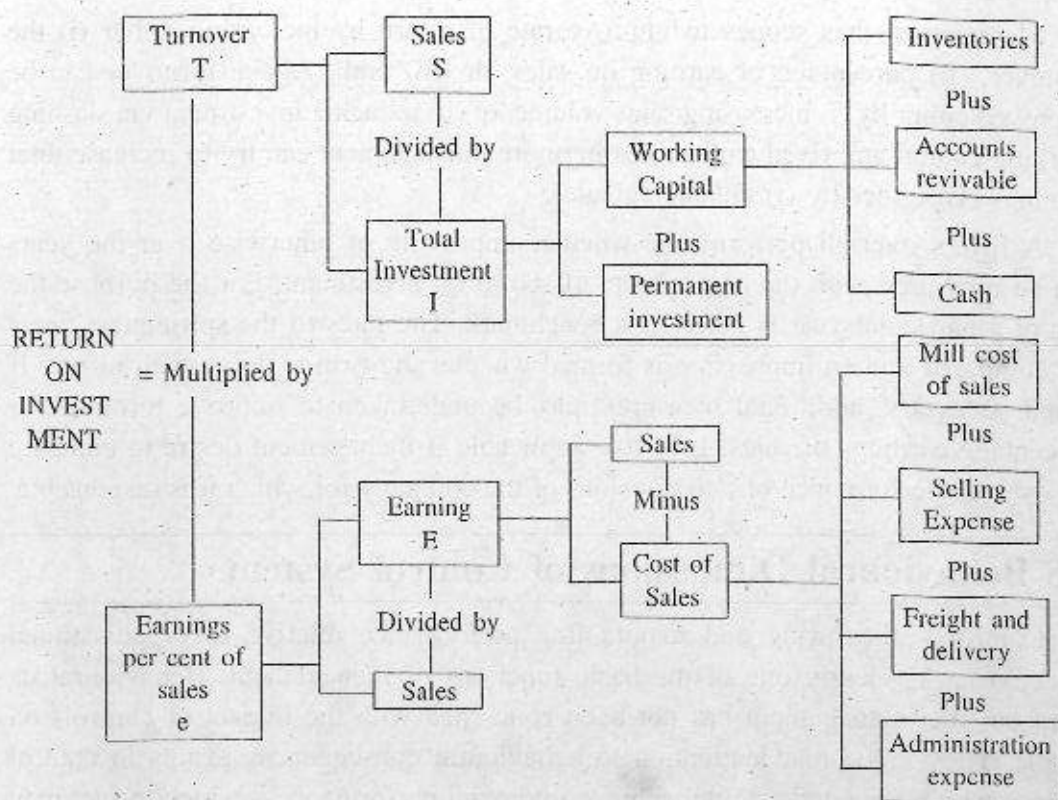
While tasks are being performed top management is fed with budget reports. Budget reports indicate variations between budgeted and actual results, reasons for their variations as well as suggestions for correction of deviations. Unaccompanied by explanation of significant differences between budget and actual costs budget reports are of little use for control. Budget reports help top management to measure and evaluate performance. Thus, Budget summaries and Budget Reports become the principal devices for control of over-all performance.

Control through Return on Investment :

The absolute and/or relative success of a company or a large division of a company can be profitably measured by the ratio of earning to the investment of capital. This ratio is the rate of return of a company on its invested capital. Instead of concentrating on profit optimization the device lays emphasis on optimzation of rate of return on employed capital.

Instead of going through a round about process of computing return on capital as shown in figure below it can simply be found out by dividing earnings by investments $\left(R = \dfrac{E}{I} \right)$.

Turnover
T

Sales
S

Inventories

Plus

Divided by

Working
Capital

Accounts
revivabie

Plus

Total
Investment
I

Plus

Permanent
investment

Cash

RETURN
ON = Multiplied by
INVEST
MENT

Mill cost
of sales

Plus

Sales

Selling
Expense

Earning
E

Minus

Plus

Cost of
Sales

Freight and
delivery

Earnings
per cent of
sales
e

Divided by

Plus

Sales

Administration
expense

The relationship of factors affecting Return on Investment.

Return is computed on the basis of capital turnover multiplied by earnings as percentage of sales ($R = T \times e$). Turnover is computed on the basis of total sales divided by total investment $\left(T = \dfrac{S}{I} \right)$. Investment includes both investment in permanent production facilities and the working capital.

In respect of valuation of fixed capital there are two sets of opinion. One opinion holds the view that fixed capital be taken at its gross value without consideration of depreciation. This view is based on the assumption that fixed assets at the original value provide a stable basis for computing returns. The other opinion prefers to value fixed assets at their net value arguing that revenue earning capacity of fixed assets diminishes as time passes on. This situation is offset as the depreciation reserves are reinvested in the business.

Earnings as percentage of sales (e) are computed by dividing earning by sales $\left(c = \dfrac{E}{S} \right)$ Earnings (E) are calculated after making allowances for depreciation. The two rations, $\dfrac{S}{I}$ and $\dfrac{E}{S}$ when multiplied $R = \dfrac{E}{I}$

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Management has scopes to improve rate of return by increasing either (i) the turnover, (ii) percentage of earning on sales, or (iii) both, Again, turnover can be improved either by (i) increasing sales volume, of (ii) reducing investment via slashing working capital and fixed capital. Furthermore, management can try to increase total earnings (E) either by (i) enhancing sales.

A firm's over-all performance whether improving or otherwise over the years can be measured with the help of rate of return on investment. For the purpose the rate of a particular year is taken as a benchmark. The rates of the subsequent years are compared and an impression is formed whether the firm is doing well or not. If found necessary, additional measures may be undertaken to improve turnover, or percentage earnings of sales. It is also applicable if management desire to compare the over-all performance of two divisions of the company for which it is responsible.

7.8 Behavioural Dimensions of Control System

Control – measuring and maintaining performance relative to organisational objectives – is clearly one of the basic functions of management. Behaviouralists point out that management has not been concerned with the impact of controls on people. They argue that inattention to behavioural consequences results in control designs which frequently do not achieve improved performance – which in fact may hinder accomplishment of organisational objectives.

In any control system, actual performance is measured against pre-established goals, such as, standards, budgets quotas etc. Behaviouralists point out that control system designers unintentionally commit mistakes in evaluating performance.

Designers of control system have great faith in and emphasize on measurement of performance in quantitative terms. Quantitative measures of performance are useful tools. But research indicates that indiscriminate use and undue confidence are reliance in them result in insufficient knowledge of the full effects and consequences. They have side effects and reactions that may outweigh benefits of control. Quantitative performance measurements are seen to have undersirable consequences for over-all performance. Measurement of performance itself has important implications for the motivation of behaviour.

In addition to quantitative measures in any control system evaluation is often narrowly programmed. There is typically no explicit provision for analysing and specifying the degree to which performance falls below or exceeds the preset goals. Performance is either at or above standards and therefore acceptable, or else it is below standards and requires corrective action. The actual performance may exceed

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or fall below some desired level, and management may well be concerned with raising the average level of performance.

The principal flaw in the control system according to the behavioural scientists, is the assumption that control is exercised downward in the organisation by the superiors. These control devices depict organisation as machine. Control procedures are designed to monitor the machine's performance along a number of dimension and to transmit various reports to upper level officials. Managers, in this model, as controllers remain alert to evidence of negative deviations from pre-establish standards and procedures and ready to take actions to enforce compliance at any point at which such deviation may occur.

The individual member of an organisation actually exercises control – who accepts or rejects standards, who does or does not exercise care in the performance of duties or who accepts or resists efforts to change his behaviour to achieve some objectives. Individuals not only can but do actively resist the imposition of standards which they do not understand or consider illegitimate.

Chris Argyris in a field study identified human problems that arose out of the process of imposition of budgets. He curved out four major areas where budgetary control affects human behaviour. They are as follows :

- *Budget as a pressure device.* People who are being controlled assume that budgets are used as a pressure device to increase production efficiently. Assuming that employees are inherently lazy, top management keeps this pressure on employees constantly. The pressure raises human efficiency but concurrently gives birth to counter forces to keep production down. People and groups now try harder to keep production at the current level and prevent it from rising again. In this situation, tension begins to mount. People become uneasy and suspicious. They increase the informal pressure to keep the production level at the present level.

- *Measure of success and failure of budget.* In the measurement of success or failure of budget two individual organisational members are involved – budget and factory supervisors. And both supervisors want to feel a sense of achievement. The success of budget supervisors lies in finding errors, weaknesses and faults in the factory supervisors' department. After singling out the guilty party they report to their boss in the finance division to prove their success. In such a situation, the guilty foreman experiences the negative feelings and realises that he will be placed in an undersirable position. This feeling of failure will make the foreman apathetic and careless about his work, he will loose confidence in himself and subordinates, and trust no body in the work place. Thus the success of the budget supervisor is the failure of the plant supervisor.

- *Appearance of department-centred supervision.* Budgets foster a philosophy that urges every supervisor to worry about his department. It is based on the management's assumption that if each supervisor is made primarily responsible for the production aspect of his part of the whole plant, no problems will arise. Such a philosophy overlooks an extremely important point. An organisation is something different from the sum of the individual departments. The departments of an organisation exist in certain relationships with each other and it is these relationships which create the difference. Thus by overmphasising the individual departments the important relationships between departments are disregarded. If every foreman does his utmost to make certain that his own department is functioning correctly the organisation will be populated be department-centred supervisors who will pay no attention to the functioning of their departments in relation to others. The department-centred supervisor to save his skin from any fault, blame other departments and conflict between departments ensues.

- *Budget as means of leadership expression.* Budgets are composed of cold, nonhuman quantitative symbols. When the Budget controllers and factory officials use these nonhuman figures, they project on themselves all their emotions and feelings. Thus budgets become a medium of personality and leadership expression. As people's personalities and leadership patterns are different, methods of using budgets may be either aggressive or humanly.

Argyris concluded by pointed out the following behavioural problems that arise out of budgetary control :

Budget pressure tends to unite the employees against management, and tends to place the factory supervisor under tension. This tension may lead to inefficiency, aggression, and perhaps a complete breakdown on the part of the supervisor. The finance staff can obtain feelings of success only by finding fault with factory people. These feelings of failure among factory supervisors lead to many human relations problems.

The use of budgets as measures of success/failure by top management tends to make each factory supervisor see only the problem of his own department.

Supervisors use budgets as way of expressing their own patterns of leadership. When this results in people getting hurt, the budget, in itself a natural thing, often gets blamed.

Behavioural problems briefly detailed above are related to budgetary control. Such problems also arise when other control devices are used in organisation. For softening the intensity of problems behaviouralists desire that the following conditions

must be present in the organisational environmental and the following requirements must be met by management control system :

1. Standards must be established in such a way that they are recognised as legitimate. This requires that the method of deriving standards must be understood by those affected, and that standards must reflect the actual capabilities of the organisational process for which they are established.

2. The individual organisation member should feel that he has some voice or influence in the establishment of his own performance goals. Participation of those affected in the establishment of performance objectives helps in establishing legitimacy of these standards.

3. Standards must be set in such a way that they convey "freedom to fail". The individual needs assurance that he will not be unfairly censured for an occasional mistake or for variations in performance which is outside his control.

4. Feedback, recognised as the essential aspect in control designs must be expanded. Performance data must not only flowed for analysis to higher management, but they must also be summarised and fed back to those directly involved in the process.

7.9 Exercises

1. What is managerial control? What is the essence of control? Indicate the basis of control.

2. Why is controlling considered to be significant for management?

3. Discuss the basic steps in controlling.

4. While designing a control system what factors assume importance?

5. Discuss the requirements what an effective control system should satisfy.

6. Explain Budgetary Control with special reference to the mechanism used by this technique.

7. Give an idea of Break-even Point Analysis.

8. Explain how does Programme Evaluation and Review Technique (PERT) operate?

9. For what purpose in view is the control technique of Return on Investment used?

10. Explain the method used to control the Over-all performance of a large company.

11. Write explanatory notes on :

    Budget Summaries and Reports,

    Programme Evaluation and Review Technique.

    Relationship between Planning and Controlling,

    Measurement of Performance in organisation

12. What factors of the popular control devices do have behavioural impact on the people controlled?

13. Write an explanatory note on the behaviourable pattern of people controlled through Budgetary control.

14. What measures do you suggest to remove the dysfunctional effect on behavior caused by Budgetary control.
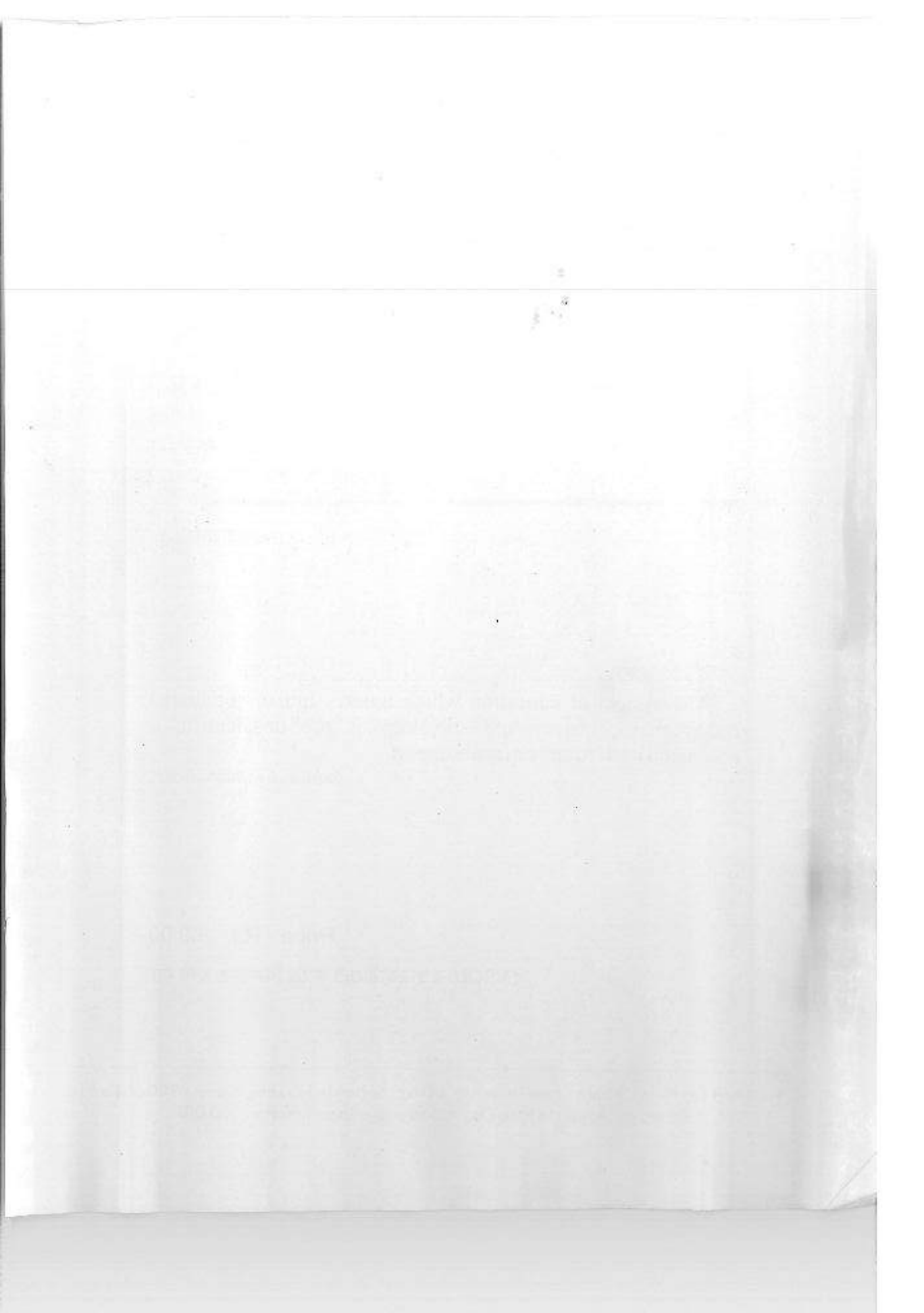
মানুষের জ্ঞান ও ভাবকে বইয়ের মধ্যে সঞ্চিত করিবার যে একটা প্রচুর সুবিধা আছে, সে কথা কেহই অস্বীকার করিতে পারে না। কিন্তু সেই সুবিধার দ্বারা মনের স্বাভাবিক শক্তিকে একেবারে আচ্ছন্ন করিয়া ফেলিলে বুদ্ধিকে বাবু করিয়া তোলা হয়।

— রবীন্দ্রনাথ ঠাকুর

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