

**GAUHATI UNIVERSITY**  
**INSTITUTE OF DISTANCE AND OPEN LEARNING**



**STUDY MATERIALS**  
**PGDFM (16-PAPER-I)**  
**MANAGEMENT PROCESS**

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## Unit I

Learning Objectives: In this unit, students will be familiarized with the topics

- Concept of management
- Management Vs Administration
- Management: Science, Art and Profession
- Functions of Management
  - Planning
  - Organizing
  - Staffing
  - Directing
  - Controlling
  - Co-ordinating

## Concept of Management

Management, unlike other subjects such as economics, philosophy, political science is of recent origin and hence, a relatively new subject. It is still in its developing stage. So far as the meaning of management is concerned, like other socio-economic terms, different authorities have also defined it differently; As a result, there is no single definition on the term but many. A few of the important definitions of the term management are produced here:

According to Henry Fayol who is considered the father of management principles "To manage is to forecast, to plan, to organize, to command, to co-ordinate and to control."

In the opinion of Frederick W Taylor "Management is knowing exactly what you want men to do and then seeing that they do it in the best and cheapest way".

In the opinion of Peter F Drucker "Management is a multipurpose organ that manages a business, manages manager, and manages workers and the work".

It is not easy to define the term management. There are certain genuine reasons for this: (i) Management is a vast subject. It is very extensive. It is, therefore, not possible to put all the essential features of management in a single formula. (ii) Management is concerned with human beings, who are by behaviour highly unpredictable. (iii) Management is a young developing discipline whose concepts are continuously changing. However, management is needed whenever people work together in an organization. The managerial functions must be performed by anyone who manages organized efforts, whether it is a business enterprise, religious organization, military outfit or a social institution – such as planning, organizing, directing and controlling. These functions are performed at all levels in an organization, regardless of its type or size. Hence management can be defined as *the attainment of organizational goals in an efficient and effective manner through, planning, organizing, leading and controlling organizational resources.*

Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims. This basic definition needs to be expanded:

- (a) As managers, people carry out the managerial functions.
- (b) Management applies to any kind of organization.
- (c) It applies to managers at all organizational levels.
- (d) The aim of all managers is the same: to create a surplus. In business organizations, this surplus is termed as the profit. In nonprofit organizations, such as in charitable organizations, it may be satisfaction of needs.
- (e) Managing is concerned with productivity; this implies effectiveness and efficiency.

## Management Vs Administration

There has been controversy over the meaning of the terms 'management' and 'administration'. Some take management and administration as one; some consider administration broader than management and some hold a view that management and administration are different.

According to the American school of thought: administrators think, managers act. Administration is a top-level activity and management is a lower level function.

According to the English school of thought, management is a wider concept than administration. Administration handles the current problems that may arise in carrying out the policies laid down by management. Management is the rule-making and rule-defining body. It is an all-encompassing and comprehensive term and administration is a part of it. Administration is just an implementing agency.

To resolve the controversy, Drucker suggested that, management is applicable in business enterprises while administration is applicable in government offices, military organizations, social and cultural institutions. From theoretical point of view, writers still continue to maintain distinction between the two terms as under:

Point of distinction	Administration	Management
● Nature	Thinking function(what is to be done and when)	Doing function(who should do it and how)
● Scope	Determines broad objectives and policies	Implements plans and achieves goals through people
● Level	Top level function	Middle and lower level function
● Skills	Conceptual and human skills	Technical and human skills
● Usage	Mostly in government, military, educational, social and cultural organizations	Mostly in business organizations.

**Table 1: Management vs Administration**

However, both managers and administrators have to perform the thinking and doing functions simultaneously, They have to wear both the hats gracefully in order to be effective and successful.

### **Management: Science, Art or Profession**

The study of management in a systematic way as a distinct body of knowledge is only of recent origin. That is why, management is often described as "oldest of the arts and youngest of the science". Thus, the practice of management is not new. It has been practiced for thousands of years. But the science part of it "the scientific body of knowledge" is, no doubt a phenomenon of the 20<sup>th</sup> century.

### **Management as Science:**

Science can be defined as: an organized or systematized body of knowledge pertaining to a specific field of enquiry. Science, thus has four elements:

- (i) the existence of a systematic body of knowledge encompassing a wide array of principles;
- (ii) the principles have to be evolved on the basis of constant enquiry and examination;
- (iii) the principles must explain a phenomenon by establishing cause-effect relationship; and
- (iv) the principles have to be amenable for verification, in that they must be universally applicable.

Management is a science because it has all the characteristics of a science:

### **Management as Art**

Art refer to the "know-how" – the ways of doing things – to accomplish a desired result. The focus is on the skill with which the activities are performed. As the saying goes 'practice makes a man perfect', constant practice of the theoretical concepts(knowledge base) contributes for the formation and sharpening of the skills. Therefore what is required is the right blend of the theory and practice. Art is basically concerned with application of knowledge, how to do things creatively and skillfully. It can improve through constant practice only.

Management is basically an art as it involves the use of knowledge and skills like any other art such as music, painting, sculpture etc. The practical knowledge acquired in the areas of planning, decision-making and motivating certainly help managers to tackle problems in a better way.

### **Management as Science as well as Art**

Management is thus, an art as well as a science. The art of management is as old as civilization. The science of management is young and developing. Both are complementary and mutually supportive. The theoretical knowledge in management must be put to good use in a skilful way. As Drucker has pointed out, every organization has the same resources to work with; it is the quality of management that spells the difference between success and failure. In a way, the attributes of science and art are the two sides of a coin. Medicine, engineering, accountancy and the like requires skills on the part of the practitioners and can only be acquired through practice. Management is no exception. Managers, therefore, have to fruitfully combine their scientific knowledge with artistic skills in order to emerge as the 'winners' in a competitive environment.

### **Management as a Profession**

Over the last few decades, factors such as growing size of business units, competition, separation of ownership from management have lead to an increased demand for professionally qualified managers. As a result of these developments, claims are being made that management has reached a stage where everything has to be managed professionally. Before supporting this claim, let's state the essential features of a profession and find out how far these features are present in management. McFarland gives the following characteristics of a profession:

- existence of an organized and systematic body of knowledge
- formalized methods of acquiring knowledge and skills;
- existence of an apex level body with professional goal;
- existence of an ethical code to regulate the behaviour of the members of the profession;
- charging of fees based on service; and
- concern for social responsibilities.

A closer examination of management as a profession reveals that unlike medicine or law, management has to go a long way to have universally acceptable norms of behaviour. There is no uniform code of conduct that governs the behaviour of managers. The apex level body, All India Management Association (AIMA) provides only guidelines and does not have any controlling power over the erring members. Managers also differ widely in respect of their concern for the ethics and values of the society in which they function. Many a time, in their obsession with profit, the societal interests are either neglected or compromised. However, as in case of other profession, it is implied that managers are expected to set an example in doing good to the society. While making decisions, they should be conscious of the impact of their decisions on the society. The larger interests of the society must be given top priority rather than short-term temptations. After all, given the enormous resources they have at their command, the expectation that managers should address themselves to the problems of society is not unnatural.

It must, however, be remembered that unlike the professions such as engineering, medicine, law, accountancy etc, the entry to management position is not restricted to individuals with a special degree. In other words, one need not necessarily possess MBA or any other management degree or diploma to practice management. To quote Peter Drucker, "no greater damage could be done to an economy or to any society than to attempt to professionalise management by licensing managers, for instance, or by limiting access to management to people with a special academic degree".

### **Professionalisation of Management in India**

In the last few years, management as a profession has gained a firm footing in India. The awareness about the contribution of professional managers has been increasing. Consequently, there has been a manifold increase in the number of institutes offering MBA and related diploma courses resulting in a phenomenal increase in the number of students seeking admission into the management programmes. Interestingly, the awareness of the society of the importance of professional education for the management of various sectors also growing. For instance, the specialized programmes to cater to the specific needs of the sectors like, Hotel and Tourism industry, Transport, Health care, Foreign trade etc. The following factors seem to be mainly responsible for the growing demand for professional managers:

- the liberalization policies pursued by the government opened up new vistas for the Indian organizations;
- as a consequence, competition has increased in all sectors of Indian economy, forcing the firms to be efficient;
- private industrial houses which were indifferent before, have fully realized the need for professional managers. While the promoters in many cases still reserve the policy formulation for themselves, the day-to-day managerial activities are entrusted to the professional managers;
- Public sector undertakings are also, of late, forced to perform, as can be seen from the number of memorandum of understandings (MOUs) signed by the management of PSUs and the concerned ministries of the Government, implying that qualified managers are sought after by PSUs than ever before.

ñ Apart from the manufacturing concerns, public utilities like transport, telecommunications, and a host of service organizations are recruiting professional managers in a big way.

Formal education and training have become increasingly important for present-day managers. They have to manage the show and emerge as winners. Traditional management techniques and practices may not help in delivering the goods in an effective and efficient manner. Under the circumstances, not surprisingly, the trend towards increased professionalisation of management is gaining strength and universal acceptance.

### The Functions of Management

Many scholars and managers have found that the analysis of management is facilitated by a useful and clear organization of knowledge. In studying management, therefore, it is helpful to break it down into five managerial functions – planning, organizing, staffing, leading, and controlling – around which can be organized the knowledge that underlies those functions. Thus, the concepts, principles, theory, and techniques of management are grouped into these five functions.

This framework has been used and tested for many years. There have been no new ideas, research findings, or techniques that cannot readily be placed in the classifications of planning, organizing, staffing, leading, and controlling.

### Planning

Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making that is, choosing future courses of action from among alternatives. It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom. Planning provides direction to enterprise activities. It helps managers cope with changes. It enables managers to measure progress toward the objectives so that corrective action can be taken if progress is not satisfactory. Planning is a fundamental function of management and all other functions of management are influenced by the planning process.

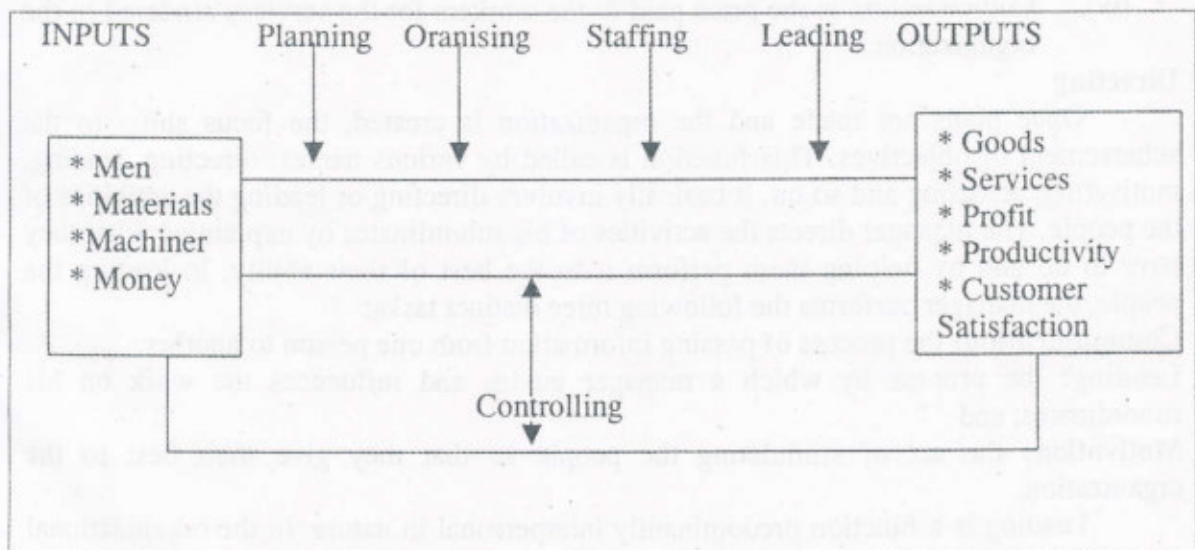


Fig:1.1 The Process of Management



## Organizing

Organizing is concerned with the arrangement of an organization's resources - people, materials, technology and finance in order to achieve enterprise objectives. It involves decisions about division of work, allocation of authority and responsibility and the coordination of tasks. The function increases its importance as a firm grows. A structure is created to cope with problems created by growth. Through this formal structure, the various work activities are defined, classified, arranged and coordinated. It is, then, a management tool and not an end in and of itself. Although the structure must define the tasks to be done, the roles so established must also be designed in the light of the abilities and motivation of the people available.

Designing an effective organization structure is not an easy managerial task. Many problems are encountered in making structures fit situations, including both defining the kinds of jobs that must be done and finding the people to do them.

## Staffing

Staffing involves filling, and keeping filled, the positions in the organization structure. In other words, it is the function of employing suitable persons for the enterprise. It may be defined as an activity where people are recruited, selected, trained, developed, motivated and compensated for manning various positions. It includes not only the movement of individuals into an organization, but also their movement through (promotion, job rotation, transfer) and out (termination, Retirement) of the organization. Staffing involves selection of the right man for the right job. It has four important elements:

- (i) Recruitment may be defined as the process of attracting the maximum number of applications for a particular job.
- (ii) Selection is the process of screening the candidates and choosing the best ones out of them.
- (iii) Training involves imparting the necessary knowledge and skills required for the performance of a particular job.
- (iv) Compensation is the price paid to the workers for the services rendered to the organization.

## Directing

Once plans are made and the organization is created, the focus shifts to the achievement of objectives. This function is called by various names: directing, leading, motivating, actuating and so on. It basically involves directing or leading the activities of the people. The manager directs the activities of his subordinates by explaining what they have to do and by helping them perform it to the best of their ability. In leading the people, the manager performs the following three distinct tasks:

**Communication:** the process of passing information from one person to another;

**Leading:** the process by which a manager guides and influences the work on his subordinates; and

**Motivation:** the act of stimulating the people so that they give their best to the organization.

Leading is a function predominantly interpersonal in nature. In the organizational context many problems arise because of the failure of managers to understand the people, their aspirations, attitudes, and behaviour as individuals and in groups. If manager fails in

leading the people towards better performance, any amount of planning and organizing, however effective they are, may not help the organization.

### **Controlling**

Planning and controlling – the two functions are closely interrelated in that while plans specify the objectives to be achieved, control as a managerial function facilitates to know whether the actual performance is in conformity with the planned one. So that in the event of deviations, appropriate corrective measures can be taken. In the absence of adequate control mechanism, unexpected changes in the environment may push the organization off the track. Thus, controlling implies measuring and correcting the activities to assure that events conform to plans. That is why planning and controlling are often described as the 'siamese' twins of management. It involves four main elements:

- Establishing standards of performance;
- Measuring the actual performance and comparing it against the standard performance;
- Detecting deviations, if any, in order to make corrections before it is too late; and
- Taking appropriate corrective measures.

### **Coordination – the Essence of Managership**

Some authorities consider coordination to be a separate function of the manager. It seems more accurate, however, to regard it as the essence of managership, for achieving harmony among individual efforts toward the accomplishment of group goals. Each of the managerial functions is an exercise contributing to coordination. It is the central task of the manager to reconcile differences in approach, timing, effort, or interest and to harmonize individual goals to contribute to organization goals.

### **Suggested Questions:**

1. What is management? Explain the nature of management
2. Describe whether management is science or art.
3. What are the functions of management? Explain.

## Unit II

Learning Objectives: In this unit, students will be familiarized with the topics

- Social Responsibility of business
- Levels of Management
  - Top level Management
  - Middle level Management
  - Frontline Management
- Managerial Skills
- Management and Environment

## Introduction

Business objectives may broadly be divided into two categories: economic and social. Economic objectives are goals with respect to the marketplace. Social objectives refer to the company's intentions toward its employees, shareholders and public at large. The inevitable conflict between economic and social objectives, thus lead to an ageless controversy and a focal point of discussion among academicians and practitioners everywhere.

### Economic Goals

Profits are absolutely essential for the survival of the business. Attainment of the profit objective is essential for the health and growth of a business concern. Only a profitable business can expand, modernize. If the firm cannot show profits in its operations, investors are highly reluctant to invest additional funds in the enterprise. If the business were to experience financial losses over a period of time, the firm would eventually become bankrupt. An unprofitable firm is also a poor employer. Profit, thus, is a measure of the success of a business. There is nothing unworthy about profit. According to Milton Friedman, there is one and only one social responsibility of business and that is to generate profits, so long as it stays within the rules of the game, by engaging in open and free competition without deception and fraud.

### Arguments Against Social Responsibility

The principal arguments against social responsibility include:

1. A competitive business cannot be genuinely selfless. Management cannot commit funds irrationally just to satisfy public expectations in areas where there are no direct or indirect benefits. If an enterprise spends lavishly on social action programmes and the competitors do not emulate the example, it will significantly increase the cost of the socially responsible institution and hence, its prices will be higher and it will certainly lose business. Managers, as employees of shareholders, have no discretion to indulge in this type of extravagance. According to Milton Friedman, the Nobel laureate, social responsibility is a 'theft'; managers are trying to distribute what is not theirs, strictly speaking.
2. The corporation is basically an economic institution. It is not a charitable agency or a community service institution. Actually social responsibility should be the function of government, civic organizations and other social institutions. Social problems can be successfully solved only by those institutions best fitted to deal with them.
3. Managers are not trained to pursue social goals. They do not have an appropriate apparatus to destroy the public 'bad' and concentrate on public 'goods'.

### Social Responsibilities

Emphasis upon the profit objective tends to obscure the existence of other goals of the enterprise. The social responsibility of business, as it often termed, implies a sense of obligation on the part of the business toward the general public.

According to Keith Davis, "Social responsibilities refer to the businessman's

decisions and actions taken to reasons at least partially beyond the firm's direct economic or technical interest".

Howard R Bowen's observation on social responsibility is more clear and point to the specifics of the concept. He suggests that business managers are bound to "pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". Thus, as the above definitions indicate, the concern of the society on the part of managers implies a particular behaviour that is in line with the societal interests. It suggests that they refrain from actions detrimental to the interests of the society.

### **Arguments for Social Responsibility**

1. The assumption of social responsibility balances corporate power with corporate responsibilities.
2. The voluntary assumption of social responsibility discourages the creation and imposition of government regulations.
3. Social initiatives taken by organizations tend to promote goodwill, public favour, corporate trust that may contribute to the long-run success of the organization.
4. Socially responsible acts enhance an organisation's image and business in general.
5. Socially responsible acts help society deal with its problems, changing needs and expectations.
6. Social initiatives taken by the organizations help correct the problems such as air and water pollution that the organizations create.
7. Organizations, as members of society have a moral obligation to help society deal with its problems and to contribute to its welfare.

### **Responsibilities to Various Groups**

In a broad sense, business owes a lot to the various groups such as customers, employees, shareholders, government and community at large in which it exists. These groups in the society are called interest groups or 'stakeholders' in any modern business organization. In determining a firm's social responsibility, managers must identify the groups that are influenced by its actions and what are their expectations out of the business.

### **Towards the Customer**

Customer service should be the motto of the business. Every manager in order to serve the customer in an effective way should restrain from:

- making misleading advertisements aimed at deceiving the customer;
- giving wrong or false information about the ingredients, quality, origin etc of the product;
- entering into collusive agreements with other firms to exploit the customers;
- making false claims of being an authorized dealer/importer of certain goods; and
- giving misleading names to the products etc.

### **Towards the Owners/Shareholders**

- utilizing funds in the best possible manner;
- ensure a fair rate of return regularly;
- fair and honest reporting of business operations from time to time; and
- proper appreciation of the values of their investment in the company by identifying new opportunities that contribute for the growth of business.

### **Towards the Employees**

- proper selection, training and promotion;
- recognition of the value of human resource;
- maintaining cordial relations with employees;
- recognition and encouragement of constructive unionism;
- fair wage in relation to the cost of living;
- better working conditions;
- initiating appropriate measures for the development of human resource; and
- increase in productivity and efficiency by recognition of merit, by providing opportunities for creative talent and incentives.

### **Towards the Creditors/Suppliers**

Creditors or suppliers provide the necessary inputs to the business. The management can discharge its responsibilities towards this group by

- realizing the importance of maintaining good business relations with them;
- meeting the payment obligations timely;
- providing true and correct picture about the financial aspects of the company; and
- helping them grow along with the growth of the company.

### **Towards the Community**

- develop constructive relationship with members of the community;
- participate in community activities and promote community welfare. Renovating neighborhood surrounding, building public parks etc;
- offer good housing and efficient transport to own employees and to poorer sections of the community.

### **Towards the Government**

Government provides various facilities for the development of business. Infrastructural facilities like roads, telecommunication, transport, banking, insurance are some of the facilities created by the government without which no business worth mentioning can conduct its affairs smoothly. Business also in turn owes to the government in the following ways:

- business enterprises should act like law-abiding citizens;
- taxes and other duties should be paid timely and honestly;

- compliance with rules and regulations as stipulated by various laws of the land; and
- supplementing the governments efforts in the developmental activities.

### **Towards the Society at Large**

Any business organization can exist as long as it enjoys societal sanction. If it fails to safeguard the interests of the society, the pressure from various segments of the society mounts up. Such a situation eventually leads to the promulgation of various acts by the government. That is why, it is always desirable for the business to keep the government at bay. Some management conduct their affairs in such a responsible way where government intervention is not warranted. For instance, the origin of several laws governing the business organizations may be traced back to the failure of business organization in protecting the interest of various groups in the society. An organization can act in a socially responsible way by:

- properly deciding the product policies in line with the national priorities;
- preventing the creation of monopolies;
- ensuring hygienic disposal of smoke and waste and other affluent;
- providing the community accurate information about its working; and
- preserving the national resources of the nation by not indulging in reckless exploitation of the resources.

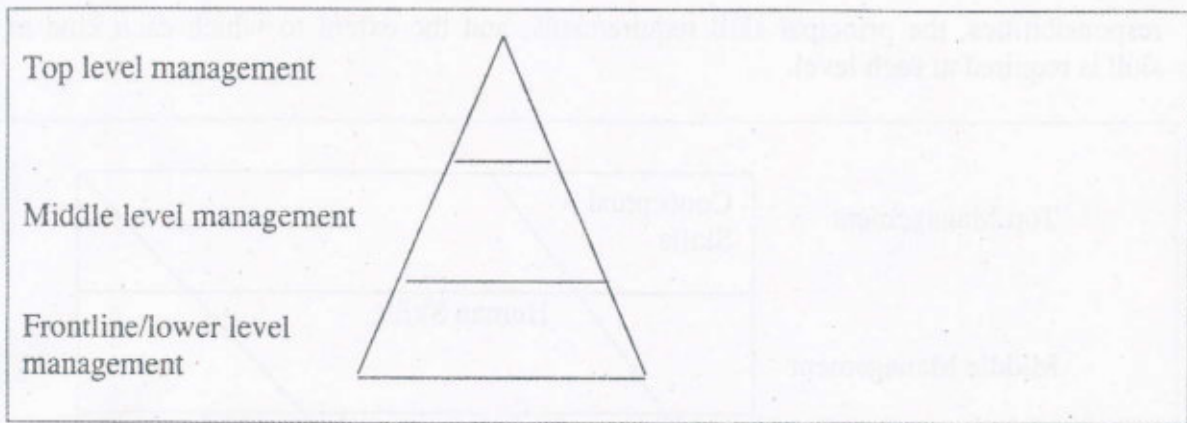
### **Levels of Management**

All managers' position involves performance of management functions. But there are differences among managerial jobs. The differences arise because of the existence of various levels of management in a typical organization.

The term *level of management* refers to a line of demarcation between various managerial positions. In a large organization, three levels of management are usually identified:

#### **Top Level Management**

Managers who are responsible for the overall direction and operations of an organization. Top management constitutes the highest level in the management hierarchy. This is the policy making level in any organization. This level consists of a small group of executives. Board of Directors, Chairman, Managing Director and the top functional heads and divisional managers comprise this level. Top managers are responsible for the overall management of the organization. They decide the enterprise objectives, policies and strategies to be pursued to achieve those objectives. They provide direction to the organization by guiding the organization's interactions with its environment.



**Fig:2.1 Levels of Management**

### **Middle Level Management**

Middle level managers receive broad, overall strategies and policies from top managers and translate them into specific goals and plans for front-line managers to implement. Middle level includes, in many organizations, more than one level. Managers who work at levels between the lower and the top levels constitute the middle management. Departmental heads, Regional managers, Zonal managers, and so on fall in this category. They report to top managers. Their principal responsibilities are to direct the activities of lower level managers who implement the organization's policies.

### **Frontline or Lower Level Management**

Managers who are directly responsible for the production of goods and services are frontline/lower level managers. This is the lowest level in the hierarchy of management. Usually the jobs at this level are the entry level positions into management profession. Managers at this level direct the operating employees (workers). They are close to the action, for their job involves supervising the activities of the operatives. Frontline managers are called foreman, supervisor, superintendent, inspector and so on. For instance, in a manufacturing concern in the production departments they are called foreman, in marketing, finance and other departments, they are called management trainees or junior executives. Similarly, in a government office, the term superintendent or section officer is normally used.

### **Managerial Skills**

Management jobs are different from other jobs. It requires elements of stewardship and commitment to the purpose. It involves the obligation to make prudent use of human and material resources. It requires sound judgment to handle complex situations. Further, the nature of the job becomes increasingly complex at each higher level because of the increase in the scope of authority and responsibility. Therefore, each higher level requires increased knowledge, broader perspective and greater skills.

For purpose of analysis, skills required of any manager are classified under three different heads - technical, human(employee relations skill) and conceptual skill as shown in figure 2.2. The exhibit helps in understanding the levels of management



responsibilities, the principal skill requirements, and the extent to which each kind of skill is required at each level.

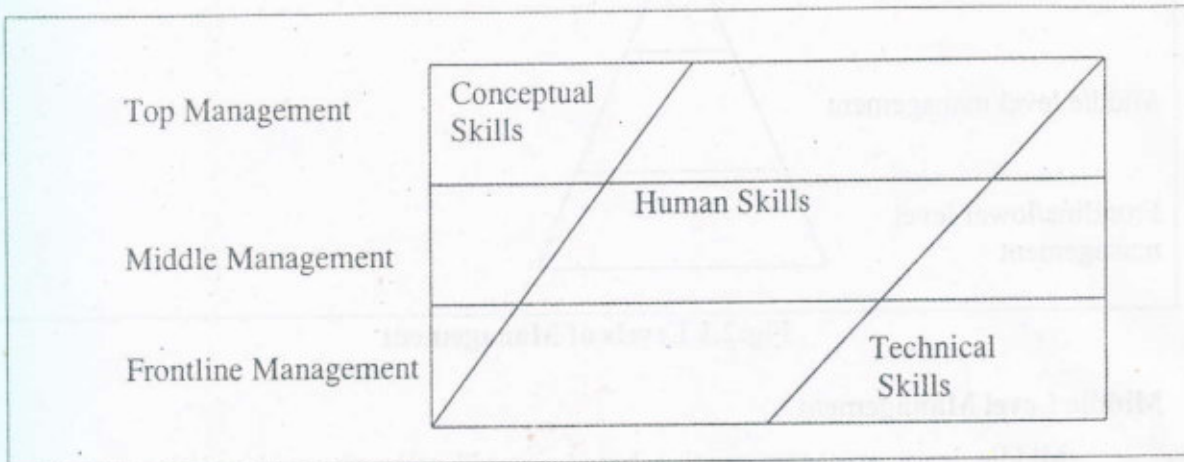


Fig:2.2 Management skills at various levels

### Technical Skills

The activity to use specific knowledge, methods, and techniques in performing work. Technical skills refer to the ability to use the tools, equipments, procedures, techniques and knowledge of a specialized field. It is primarily concerned with the ways of doing the things. It implies proficiency in a specific field of activity. Technical skills are most important for the lower level managers, because by nature their job involves supervision of the workers. Effective supervision and coordination of the work of the subordinates, therefore, depends on the technical skill possessed by the lower level managers. Any supervisor without a sound knowledge of the job cannot make an effective supervision. Such supervisors are not respected by the subordinates at the shop floor. The relative importance of the technical skills as compared to the other skills diminishes one move up to higher level of management. Thus, the President of an oil company does not need to know much of the technical details of drilling for oil or how to refine it.

### Human Skills

The human skill is the ability to understand, motivate and get along with other people. This skill is essential at every level of management within the organization, but is particularly important at lower levels of management where the supervisor has frequent contact with operating personnel.

Human skills are primarily concerned with persons, as contrasted with "things". When a man is highly skilled in employee relations, he is aware of his own attitudes, assumptions, and beliefs and recognizes their limitations as well as their usefulness. He accepts, as an important fact of life, the existence of viewpoints and feelings, different from his own. Thus, human skill refers to that ability of the manager to work effectively as a group member and to build cooperative effort in the team he leads. It is the ability to work with, understand and motivate people. He understands why people behave as they do and is able to make his own behaviour understandable to them. He can foresee their reactions to possible courses of actions and, is able to take their attitudes into account.

His skill in working with others is natural and continuous. He does not apply it in random or in inconsistent fashion. It is a natural ingredient of his every action.

### **Conceptual Skills**

Conceptual skills are the mental ability to coordinate and integrate the organization's interest and activities. It refers to the ability to see the "big picture".

The conceptual skill also called design and problem-solving skill, involves the ability

- to see the organization and the various components of it as a whole;
- to understand how its various parts and functions mesh together; and
- to foresee how changes in any one of these may affect all the others.

Conceptual skills extend to visualizing the relation of the organization to industry, to the community and to the political, economic and social forces of the nation as a whole and even to forces which operates beyond the national boundaries. It is the creative force within the organization. A high degree of conceptual skill helps in analyzing the environment and in identifying the opportunities and threats.

The three types of skills discussed so far are not mutually exclusive. In other words, management job always requires all the three skills but in different proportion depending upon the level of management – there is a gradual shift in the emphasis from the bottom to the top of the pyramid. Technical skills and human skill are always in great demand at the lower level of management for it is there the productive processes and operations are carried out. It is there where you find most of the people. It is there where the action takes place. The need for conceptual skill is greatest at the top level of management. Obviously, the top managers are not often involved in the direct application of specific methods, procedures and techniques, compared to those at the lower echelons of management.

As evident from the foregoing discussion, at the entry level is not the management job, that is, at the supervisory level, besides technical skills, one have to acquire human skills and the problem-solving skills. To climb up the organizational ladder, one must not only be good at the skills required for the present job, but also learn and acquaint oneself with the skills required at the next level. As a result, in the event of promotion to the next higher levels, one would feel at home and discharge the responsibilities with ease.

Based on the differences in the type of skills required, organizations assess the training needs of the managers. Accordingly, appropriate training methods or modules are designed to equip them with the skills required at the respective levels.

### **Management and Environment**

Like human beings, organizations are product of environment. The environment comprises of multifarious events, factors, conditions and influences arising from various sources. It is not easy to state clearly what kind of forces constitute a given environment.

The environment of an organization is dynamic and constantly changing. Changes in technology, government regulations, competitive forces etc compel organizations to shift gears and change direction, quite often.

Again, all firms are impacted by political, legal, economic, technological and social systems and trends. Together, these elements comprises the macro-environment of business firm.

Managers must have a deep understanding and appreciation of the environment in which they and their organization function. A business organization is an open system which is influenced by the environment and in turn influences the environment. The environment of the business consists of two components – internal as well as external environment. The former refers to the conditions and forces within an organization and the later means everything outside an organization that might affect it. Aspects of the internal environment include the organization's mission, corporate culture, owners and board of directors, employees, other units of the organization and unions. Most managers readily agree that an organization's external environment is more difficult to understand and manage than the internal environment. The reasons are fairly obvious. The external forces are frustratingly large in number, difficult to assess and predict and are not easily amenable to advance planning and policymaking.

### **Importance of the Environment**

The need to consider the forces external to the organization was first incorporated into management thought during the late 1950s. It was one of the major contribution of the system approach to management, which emphasizes and stressed the need for managers to view their organization as an entity of interrelated parts intertwined with the outside world. In an ever changing business environment as of today, changes in the outside world have made the need to consider the environment more important than ever. As Alvar Elbing states, "the external environment of an organization is a subject of increasing challenge for today's manager. In fact, managers of major organizations – business, education, government – have been forced by recent events to place an increasing focus on a rapidly changing environment and its effect on the internal organization". Even if changes are not that significant, management would still have to consider the environment because, as an open system, an organization is dependent on the outside world for supplies, energy, workers and customers. As all these effect the organization's very survival, management must be able not only to identify the factors in its environment but also to cope with them.

In this respect, organizations are similar to biological organism. According to Charles Darwin's theory of evolution, the species that have survived have done so because they were able to evolve and adapt to changes in their environment. Organizations, too, must adapt to changes in their environment in order to survive and be effective.

### **Direct Action Vs Indirect Action Environment**

The external environment affecting the organization may be divided into two major categories – Direct action and Indirect action environment. Direct action environment consists of those factors that directly affect and are affected by the organization's operations. These factors would include suppliers, labour unions, the various laws of the land, customers and competitions. The indirect action environment, on the other hand, consists of those factors that may not have an immediate direct effect

on operations but nevertheless influence the activities of the firm. These include such factors as technology, socio-cultural and political factors, general economic conditions and so on.

## **Direct Action Environment**

### **Suppliers**

It is understood that an organization is a vehicle for transforming inputs into outputs. The important inputs are materials, equipments, energy, capital and labour. The relationship between the organization and the suppliers of these inputs directly influence the operations of the firm. If an organization is unable to obtain these essential inputs of right quantity, quality and at right price, it cannot possibly achieve the objectives.

### **Laws**

The laws of the land influence virtually every aspect of the business. The form of organization, the management and the way in which a firm conducts itself in the society are very much influenced by the various provisions of the laws. For instance, The Company Act, Factories Act, Workmen's Compensation Act, Industrial Disputes Act, Provident Fund Act, just to name a few, affect the functioning of the business. As a responsible corporate citizen, an enterprise has to comply itself with the provisions of these acts.

### **Customer**

The justification for the existence of a firm lies in the satisfaction of customer needs. In this context, it is appropriate to remember Peter Drucker's observation on the purpose of business. According to him, the purpose of any business is to create a customer. There is no exaggeration in stating that it is customers in the market place who dictate the fortunes of any business. Needless to say that those organizations which neglect the customer's expectations and aspirations would find long-term survival very difficult. Customers tastes and preferences are not static, but keep on changing. Organizations which are adept in identifying the changes in the customers attitudes and preferences or which can comfortably respond to the changes in a positive way would survive and those which fail to take cognizance of changes in customer preferences would ultimately fall on the way side.

### **Competitors**

Many a policy of an organization are influenced by the competitors. In a competitive environment, the market place is characterized by moves and countermoves. The post-liberalization Indian markets for many products offer an excellent example as to how competition influences the organizations. In the last few years, as could be easily seen, in almost all sectors of the Indian economy, competition has increased tremendously. As a result, many firms are forced to wake up from their slumber. They are forced to unlearn many of the practices and attitudes of the pre-liberalization/protection era. Company after company is now redefining its business, rediscovering the markets,

talking in feverish pitch about customer service, human resource development and concern for the society.

### **Indirect Action Environment**

The indirect environment is usually more complex and uncertain than the direct. Management is often compelled to make assumptions about the impact of the various factors like technology, general economic conditions, socio-cultural and political factors.

### **Technology**

Technology, in the organizational context, influences the ways of doing things. Technological changes affect the efficiency with which products are manufactured and sold, when a product will become obsolete, how information can be gathered and processed, and what customer expect from the organization's product and so on. Important technological development that have profoundly affected the organizations and society in the last few years are the computers, laser, xerography, integrated circuits, semiconductors, television, satellite communication, nuclear power, synthetic fuels and foods etc. All these innovations have thoroughly changed the face of the society. Therefore, today's organizations need to keep abreast of technological changes that affect their operations and products so as to remain competitive. Failure of the management to clearly gauge the technological changes would cost the business dearly. It endangers the very survival of the organization.

The pace at which technological changes occur varies from industry to industry. In some industries where technology is stabilized, the changes are less frequent and less turbulent. On the other hand in some industries like information technology, telecommunication system, etc changes are frequent. Depending upon the nature of business and the type of technology used, every organization has to assess the technological environment from time to time.

### **Economic Conditions**

Managers must also assess how changes in general economic conditions will affect the business operations. The fluctuation in economic activities of a nation as measured by various parameters like the gross domestic product(GDP), price level, employment, aggregate demand and supply of consumer and industrial goods, etc will have far reaching impact on the prosperity of the business. These factors affect the costs of the inputs and the ability of customers to buy the goods and services. Organizations must be able to tackle effectively the inflationary and recessionary trends in the economy. When the economy is in an upbeat mood, firms normally benefit enormously and commit the resources for further growth with a hope of continuity of favourable economic conditions. Problems arise when the economy turns to the downswing. It is at that stage, firms have to adjust themselves to the down turn in economic conditions. Efficiency in operations, elimination of wastage, product planning etc hold the key for the survival of firms in such an adverse economic climate. As business organizations, in terms of their size and their impact, have grown into mega institutions, their failure will have disastrous

affects on the society. By virtue of their size, they also influence significantly the economic conditions of the nation. Further, it is important to note that a given change in economic conditions may have a positive effect on some organizations and a negative effect on others. Therefore, a manager must be able to clearly assess the impact of changes in economic conditions on the industry in general and his firm in particular.

### **Socio-Cultural Factors**

Organizations are affected by the culture of the particular society in many ways. Firms that have their operations in more than one country have to adapt to the respective cultures in an effective way. Otherwise they find it difficult to gain acceptance of the society. Sound understanding of the cultural variables is all the more important for firms in a country like India where there are several diversities in cultures of various regions within the country.

Culture is a wider concept which includes value systems. Beliefs, likes and dislikes, attitudes and perceptions. If the products or services of a firm are not in line with the culture of the place, they may not be accepted by the society. At the same time, it has to be remembered that certain product and services can also affect the culture of a place. The satellite television and changing values of Indian youths is a good example.

As such, an organization cannot insulate itself from the socio-cultural factors specific to a community. For example, paying bribes to obtain contracts or political favours, promotions on the basis of favouritism instead of competence, and spreading unfavourable rumors about a competitor are considered unethical and immoral business practices in many countries. In some countries such practices are seen as normal and acceptable business practices because of differing socio-cultural factors.

### **Political Environment**

The performance, growth and survival of business in general, to a large extent, depends on the attitude of the government towards the business. Since government is fully empowered to monitor and control the various institutions of the society, the policies pursued by the government affects the business in a significant way. The continuity of policies is very essential and this depends on the stability of the government of the particular nation. For instance, the attitude of the government in India towards foreign companies has undergone dramatic change in the last two decades. In the late seventies during the Janata Party rule at the center, Coca-Cola, IBM and a few other multinationals were forced to leave the country. There were several other restrictions on the equity holding of foreign partners. The whole thing has been changed in the last few years, so much so that multinationals are not only welcomed but also offered many facilities by the government. Acts like FERA and MRTP, to a large extent have become redundant.

The cooperation that exists between business and government in Japan has in fact helped the Japanese companies to conquer the world markets in the last few decades. In Japan, Ministry of International Trade and Industry (MITI) extends excellent support to the organizations to emerge internationally competitive. In India too, of late, we see a lot of change in attitude of the government both at central and state level towards the

business. All state governments are weighing each other with attractive packages to woo the foreign investment in many core sector industries.

### Questions

1. What are the various levels in management? Explain them/
2. What are the important management skills required at different levels of management?
3. Describe the major factors in the environment of business and how they affect the survival of an organization.
4. Justify the need to define the relevant environment for an organization.
5. Differentiate clearly between the external and internal components of environment.

## Unit III

Learning Objectives: In this unit, students will be familiarized with the topics

- Planning
- Nature and Characteristics of Planning
- Principles of Planning
- Approaches of Planning
- Steps in Planning
- Types of Planning
- Importance and Limitations of Planning



## Introduction

The necessity of planning arises because of the fact that business organizations have to operate, survive and progress in a highly dynamic economy where change is the rule, not exception. The change may be sudden and extensive, or it may be slow and almost imperceptible. These changes often give rise to innumerable problems and throw countless challenges to the managers, who are forced to adjust their activities in order to take full advantages of favourable developments or to minimize the adverse effects of unfavourable ones.

According to Koontz and O'Donnell, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it".

Allen has defined planning, as "Planning is a trap laid down to capture the future".

Thus, planning can be defined as a deliberate and conscious process of deciding in advance what is to be done in future for a specific period and then taking the necessary steps to do the things decided upon. A plan is a predetermined course of action to be taken in future.

## Nature and Characteristics of Planning

An analysis of the definition of planning reveals its following characteristics that together reflect the nature of planning function.

- **Primary:** Planning proceeds all other managerial functions. The process of management begins with planning. All other managerial functions like organizing, directing and controlling get base from planning itself.
- **Pervasive:** Planning is pervasive across organizations and also at all levels of management though the nature and scope of planning may vary from one level to another.
- **Future Oriented:** Planning is invariably future oriented. In other words planning involves looking forward, that is, what to do, how to do, when to do etc.
- **Intellectual Process:** Planning is intellectual process in the sense that it requires abilities to think both in abstract and concrete terms, to visualize and look ahead into the future and to form ideas and images of future expectations and desires.
- **Dynamism:** Planning is dynamic process. It aligns itself with changes in environment. It is a process of building flexibility and adaptability into the working of organization.
- **Choice:** Planning is having a choice among alternatives. There will be no need for planning if there is only one way of doing a work.
- **Flexible:** Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible.

## Principles of Planning

To be useful, planning should try to incorporate some of the time-tested and inter-related principles summed up by Koontz as follows:

- a. **Principle of contribution to objectives:** Every plan should help in the achievement of organizational objectives.
- b. **Principle of primacy of planning:** Planning precedes all other managerial functions. It is the first and the foremost function to be followed in the process of management.
- c. **Principle of pervasiveness of planning:** Planning is an all-pervasive function. It is important to all managers regardless of their level in the organization.
- d. **Principle of flexibility:** By flexibility of a plan is meant its ability to switch gears, change direction to adapt to changing situations without unnecessary cost.
- e. **Principle of periodicity:** Plans should be integrated and interconnected in such a way as to achieve the stated objectives economically and efficiently. A manager should review events and expectations regularly; refine and redraw the plan and keep it on track.
- f. **Principle of planning premises:** Every plan should be based on carefully considered assumptions, known as planning premises.
- g. **Principle of limiting factor:** While choosing an appropriate course of action among different alternatives, the limiting or critical factor (such as money, manpower, machinery, materials, management) should be recognized and given due weightage. When ignored, the critical factor would seriously impact the process of planning and make it impossible to achieve goals.

## Approaches to Planning

Managers follow various approaches to planning based on the extent of participation, authority delegation and competency level of managers working at various levels, namely:

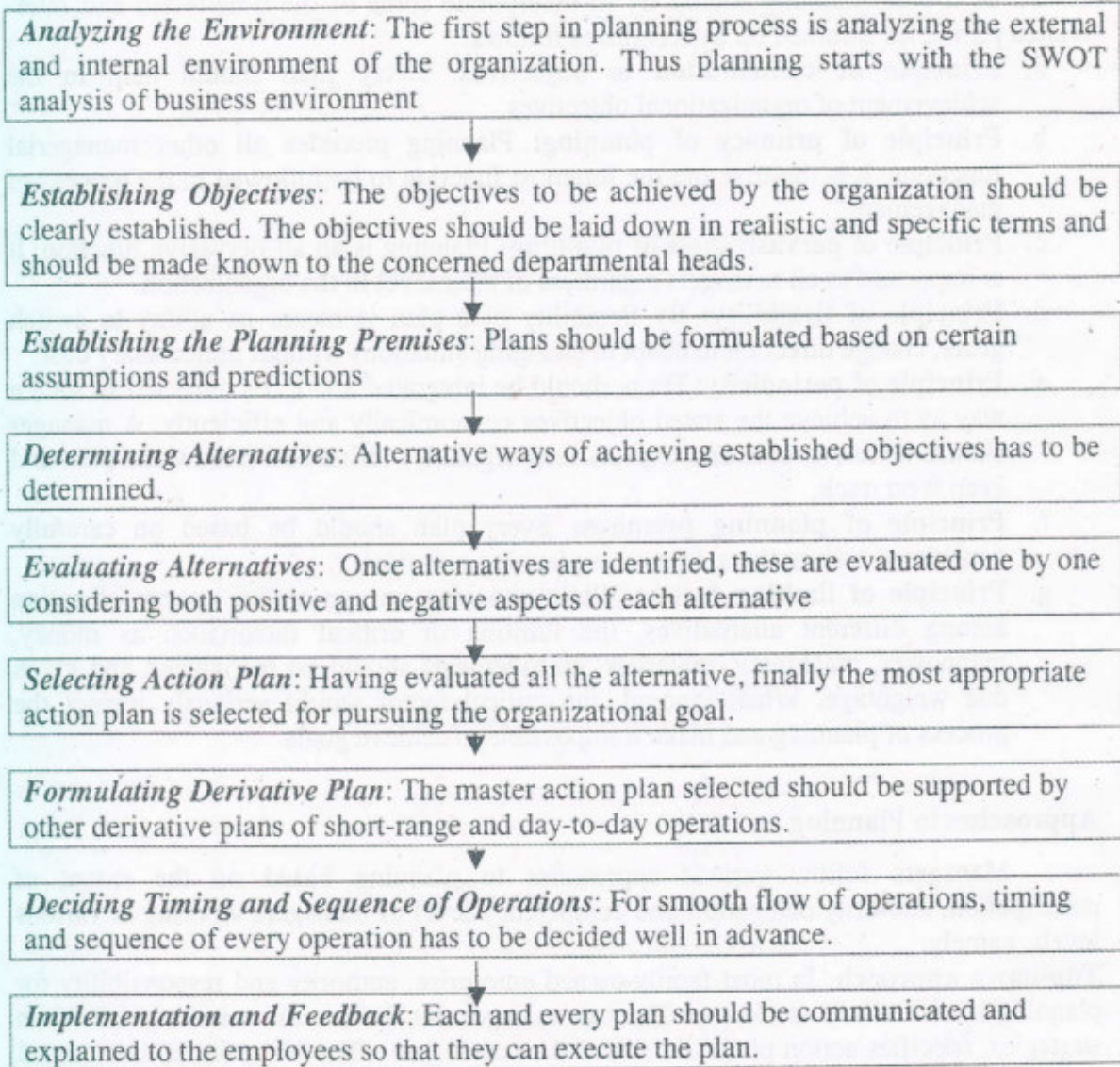
**Top-down approach:** In most family-owned enterprise, authority and responsibility for planning is centralized at the top. The top management defines the mission, lays down strategies, specifies action plans to achieve the stated goals. The blueprint is then passed on to the people working at lower levels, who have very little to contribute to the process of planning. The success of this approach is wholly dependent on the qualifications, experience and capabilities of people working at the top level.

**Bottom-up approach:** Thinking and doing aspects in the planning process are two sides of the same coin. So, if lower level managers are drawn into the preparation and implementation of plans, their loyalty and commitment would go up automatically. Participation enables them to give their best to the plan document.

## Steps in the Planning Process

Planning is a vital managerial function. It is intellectually demanding. It requires a lot of time and effort on the part of the planners. They must adopt a systematic approach

so as to avoid pitfalls, errors and costly mistakes which may upset the whole business later on. Such a systematic approach may consist of the following steps:



### Types of Planning

Planning may be classified into several types on the basis of comprehensiveness, time span and frequency of use, of the plan. A brief description of these follows:

**Long-range Planning:** A plan that covers many years and affects many departments or divisions of an organization in a major way. LRP is quite common in stable industries such as steel, public utilities and automobiles.

**Short-range Planning:** A plan that is specific and detailed and generally covers a span of one year or less. Short-range plans are otherwise called operational plans. Market plans, production plans and financial plans are typical examples of operational planning.

Point of Distinction	LRP	SRP
● Time factor	5 years or more	Upto one year
● Primary focus	Linkage with external factors	Linkage with various parts of an organization
● Impact	Demands changes in the structure, resource allocation	Operates within the existing structure and resources
● Risk	It goes far into the future, the risk and uncertainty level is high	The time horizon is limited and the risk associated with uncertainty level is low
● Purpose	Mission, long-term goals and strategies	Current operations of an organization
● Prepared by	Top management	Lower level management

Table 2:LRP vs SRP

### Importance of Planning

Planning is an essential activity carried out in all organizations in the modern world. Planning helps in determining the goals of an organization and the activities needed to satisfy these goals. If organizations are operating on a day-to-day basis with no feel of where they are heading, the result will be haphazard. Planning helps an organization in the following ways:

- a. **Provides Direction:** Planning as a road map shows direction where the organization is heading and for what. Without plans and goals, organizations merely react to daily occurrence without considering what will happen in the long-run.
- b. **Reduces Uncertainties:** Planning enables organizations to shake off their inertia and insulation in outlook. It induces them to go beyond narrow vision and cut through uncertainties of the environment.
- c. **Facilitates Decision-making:** Decision-making involves searching of various alternative courses of action, evaluating them and selecting the best one. Planned targets serve as the criteria for the evaluation of different alternatives so that best one may be chosen.
- d. **Improves Efficiency:** Planning serves as a mechanism to make judicious allocation of limited resources for achieving organizational goals. Planning adds value to resource by ensuring their judicious and best use for the fulfillment of organizational requirement.
- e. **Provides Unifying Framework:** Planning forces people to continually address their efforts to the most important work rather than the least important. Plans serve as the basis of coordinating the efforts of different divisions, departments and people.

## Limitations of Planning

Planning is not a panacea for all organizational ills. Mere planning does not guarantee success because it is not a substitute for human action and judgement. Major limitations of planning are the following:

- **Rigidity:** Plans put the activities of an enterprise in a rigid framework. Everything is spelt out in detail and deviations are not permitted. New opportunities are often ignored or rejected because of commitment to existing plans. Events may change but plans may remain fixed.
- **Costly and Time Consuming:** Planning is costly. It is expensive in terms of time spent to formulate the plans, the manpower required to do the planning. The collection of information, evaluation of alternatives, etc may consume lot of executive time and organizational resources.
- **Employee Resistance:** One of the frequent complaints made against the planning process is that it is done by specialists who are not in touch with operations. As a result, operating people who are not involved in planning tend to resist the planning process.
- **False Sense of Security:** Elaborate planning may create a false sense of security in the organization. Managers may begin to feel that everything is well taken care of. As a result, they fail, to take note of environmental changes and the need to review, restructure and reorient the old plans in an appropriate way.

## Planning and Controlling: Relationship

Planning involves selecting enterprise objectives and then finding ways to achieve them. Controlling is the process of assuring that actions are in line with planned result. The relationship between the two terms could be stated thus:

- Plans are the directions in which managers intend to lead the organization in order to achieve its objectives. Controls are needed to ensure that results are consistent with plans.
- Managers cannot effectively plan without information about the past and current status of each department, product etc. Much of these essential information obtained through the control process. It helps managers to learn from past mistakes and plan well.
- Managers cannot effectively control the organization unless there are plans to indicate the purpose to be served by the control process. Thus, the planning and control processes complement and support each other.

## Suggested Questions

1. What is planning? Explain the purpose and principles of planning.
2. Explain the steps involved in planning
3. What are the characteristics of a good plan?
4. What are the advantages and limitations of planning?
5. What are the different types of plans? Explain them.

## Unit IV

Learning Objectives: In this unit, students will be familiarized with the topics

- Management by Objectives(MBO)
- Importance of Objectives
- Process of MBO
- Features of MBO
- Benefits of MBO
- Limitations of MBO

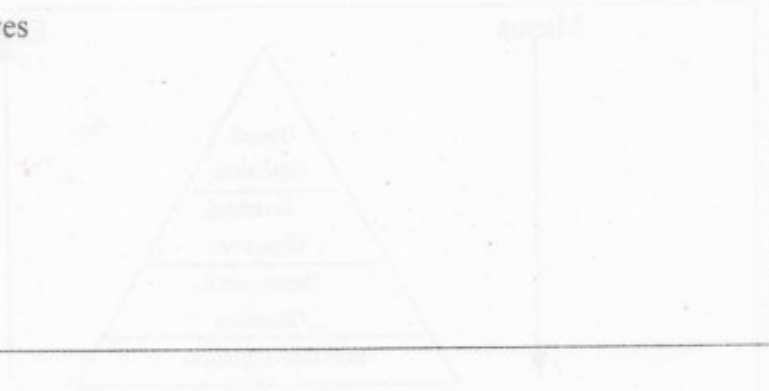


Fig 1.1: Hierarchy of objectives in a means-ends chain form.

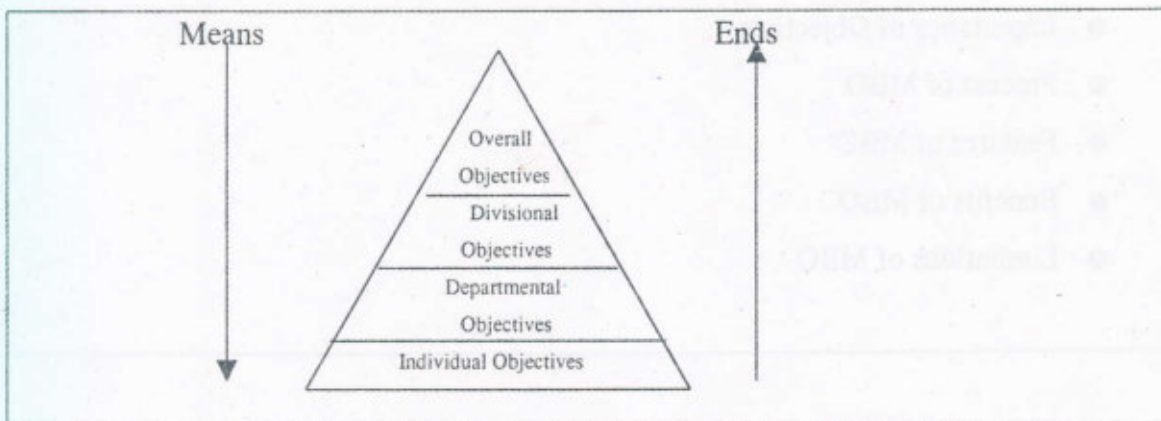
Management by Objectives (MBO) is a process whereby the superior and subordinate employees set common objectives jointly identify the major results to be achieved, define each individual's major areas of responsibility in terms of results, period of time, and resources, and monitor the progress of the plan and reviewing the contribution of each to its realization. MBO is a management tool that is so versatile that it is used in the private, organizational, and public sectors. It is a process that is used to set objectives for individuals, departments, and organizations. It is a process that is used to set objectives for individuals, departments, and organizations. It is a process that is used to set objectives for individuals, departments, and organizations.

### Importance of Objectives

Objectives are essential to organization. Organization provides and creates economic products and services and activities involving people working and resources. Without clear purpose there is no need for the organization. Objectives are the main point of all management activities - organizing, staffing, directing, and controlling. Objectives suggest the objectives are to be specified in the long term and short term. A key result may be indicated in one or two performance indicators and clearly define the success and survival of the organization. The key result

## Management by Objectives(MBO)

Management guru Peter Drucker is credited with being the first to introduce MBO as an approach for increasing organizational effectiveness. He observed that every manager, from the highest to the lowest levels in the organization, should have clear objectives to pursue. According to him, such a process would enable each manager to have a clear understanding of what the organization expects of him or her and how their individual objectives are integrated with the overall organizational objectives.



**Fig 3.1: Hierarchy of objectives in a means-ends chain form**

MBO is a process whereby the superior and subordinate managers of an organization jointly identify the common goals, define each individual's major areas of responsibility in terms of results expected of him, and use these resources as guides for operating the unit and assessing the contribution of each of its members.

Different goals are sought to be achieved by the introduction of MBO in organizations. MBO, as a management tool, thus, is so versatile that it is used:

- to integrate the organizational goals with the individual goals;
- as a motivational technique wherein individuals are driven towards the achievement of goals;
- to appraise the performance of managers involved in the process; and
- to control the activities as they are performed.

### Importance of Objectives

Objectives are essential to organization. Organization produces and market economic products and services, universities provide teaching and research, government provide welfare and security and so on. Organizations are instrument to attainments. Without some purpose there is no need for the organization. "Objectives" are the end-points of all management actions – organizing, staffing, directing and controlling.

Drucker suggested that objectives are to be specified in the key result areas (KRA) of business. A key result area may be understood as one, the performance of which, directly and vitally affect the success and survival of the business. Drucker, while

working as a consultant for General Electric, identified eight KRAs in which organization establish objectives. These are: **market standing, productivity, physical and financial resources, profitability, innovation, managerial performance and development, workers performance and attitudes, and public and social responsibility.** It may be understood that the KRAs vary from business to business. Since MBO involves a systematic effort towards the achievement of objectives, utmost care has to be exercised in setting the objectives for all the key result areas.

### **Process of MBO**

As a process, MBO begins at the top of the organization with the establishment of specific organizational objectives. Subsequently, objectives at the various other levels down the hierarchy are decided by mutual discussion and consultation by both superior and subordinates.

The process of MBO include the following steps:

- establishment of goals for the whole organization,
- preparation by subordinates, of specific goals within the framework provided by the superior,
- joint discussion of an agreement upon the goals by the superior and subordinate,
- joint review of progress at regular intervals in the light of the predetermined goals, and
- corrective measures, if necessary, as revealed by the review.

In the whole process, setting of goals for the subordinate is the crucial step. Unlike in the traditional system where goals are decided for the subordinates by superiors, in the MBO system, goals are set on the basis of consensus reached in the discussion between superiors and subordinates. They are set in a democratic way. Superiors act as facilitators and create a favourable climate where subordinates freely express their opinions, viewpoints and perceptions about what they believe could be achieved. The process ensures meeting of minds between superiors and subordinates. As a result, there is ample possibility for the subordinates to feel that they are working for their own goals and not for somebody else's. Consequently, they strive to achieve the goals. As they participate in the goal setting exercise actively, they in turn get motivated to achieve them. Thus MBO serves as motivational techniques.

### **Features of MBO**

- a. MBO emphasizes participation in setting goals that are tangible, verifiable and measurable
- b. MBO focuses attention on what must be accomplished rather than how it is to be accomplished (methods).
- c. MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focusing on achievable goals.



## Prerequisite of MBO

- MBO is not merely a goal setting tool. It is a philosophy and has to be understood thoroughly by the managers concerned with achievement of objectives.
- Top management must be willing to implement the system wholeheartedly. Its support and encouragement are crucial for the success of MBO. The necessary democratic climate has to be created in the organization for setting the goals in a realistic way.
- Goals have to be spelt out in specific and clear terms. To the extent possible, they must be made realistic because goals motivate employees towards better performance.
- The KRAs of the business have to be identified and appropriate goals have to be specified for these areas.
- It has to be realized that MBO which involves goal-setting is not an end by itself. It is only a means to achieve organizational effectiveness. Otherwise goal-setting becomes the primary task rather than their achievement.
- Appropriate organization structure has to be designed with well-understood relationship among people such that every goal becomes some individual's responsibility.
- Besides clarifying the organizational roles by adopting a suitable organization structure, attention has to be paid on the resource requirement by the people to achieve the goals. Performance depends on the timely availability of resources.

## Benefits of MBO

An organization can benefit in the following ways by introduction of MBO:

1. Objectives of each department are consistent with the organizational objectives. Hence, the possibility for the various departments working at cross purposes is very less.
2. Forces the management to plan the activities in a systematic way.
3. Facilitates objective performance appraisal. As the goals themselves become the standards against which the actual performance is measured, MBO system itself acts as an effective performance appraisal tool. Contributes for the installation of a democratic and participative setup, very essential for the success of an organization in a complex business environment.

## Limitations of MBO

In spite of many advantages, MBO may not be considered as a panacea for all the evils of the organization. The success of the programme depends on several factors. Some of the problems preventing MBO from achieving its best results may be due to the following reasons:

1. Lack of top management involvement and complete support.

2. Lack of understanding of the philosophy behind MBO. MBO programme in some organizations meet the resistance of employees because it is imposed on them as 'control device' to curb their freedom.
3. Difficulty in setting realistic quantifiable objectives.
4. Increased time pressure. Managers must learn to establish priorities and use time effectively.
5. Increased paperwork.
6. Lack of individual motivation. The rewards and incentives for superior performance have to be specified clearly to avoid non-performance.
7. Poor integration with other systems. The goal setting and review phases must be performed in conjunction with other activities such as budgeting, forecasting and the like.

#### **Suggested Questions**

1. What is the nature and importance of objectives ?
2. What do you mean by MBO? Explain the goal setting process through MBO.
3. What are the eight key areas where the organization should establish objectives?
4. Explain the process of MBO.
5. State the causes for which MBO may fail.

## Unit V

Learning Objectives: In this unit, students will be familiarized with the topics

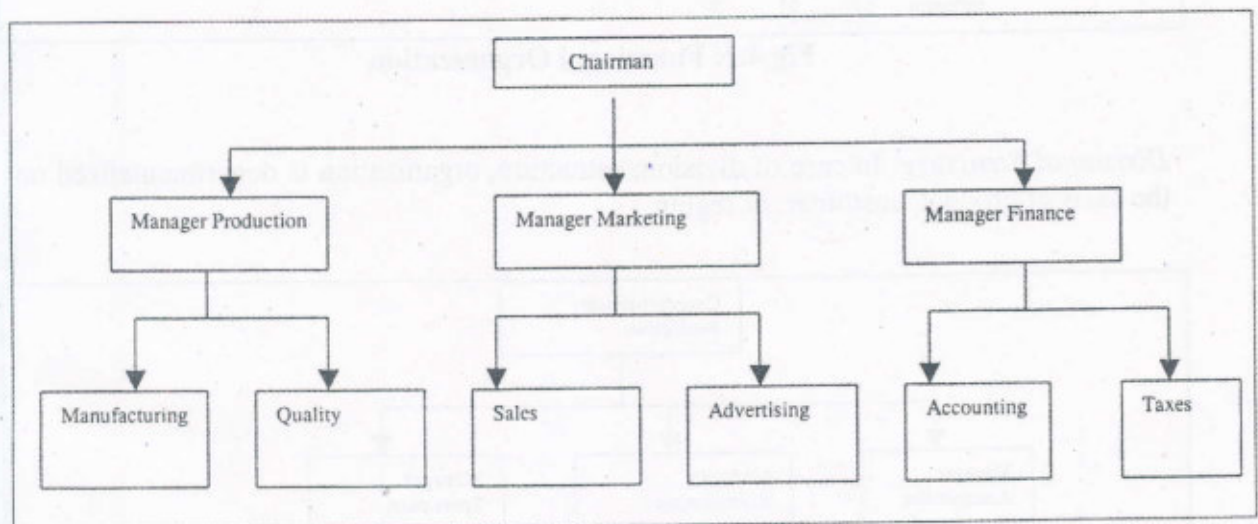
- Organization structure
- Types of Organization Structure
- Span of management.
- Functional departmentalization
- Matrix structure

## Introduction

Organizing is the process of prescribing formal relationships among people and resources, to achieve goals. According to Koontz and O'Donnell, "Organizing is the establishment of authority and relationships with provision for coordination between them, both vertically and horizontally in the enterprise structure" Thus, organizing can be defined as a process of dividing work into different parts, grouping these activities in the form of positions, grouping of various positions into departments, assigning such positions to the managers and delegating authority to each manager to accomplish the work in a planned manner.

## Organization Structure

In simple words, organizational structure refers to the established pattern of relationship among the component parts of the organization. According to Robbins, "an organization structure defines how job tasks are formally divided, grouped and coordinated". Thus, organizational structure means the way in which the jobholders' positions, their duties and roles, and the line of authority in the system are configured so as to attain the organizational goal. An organization structure(chart) illustrates the organization's overall shape and the levels of management in a comprehensible manner.(Fig 4.1 below).



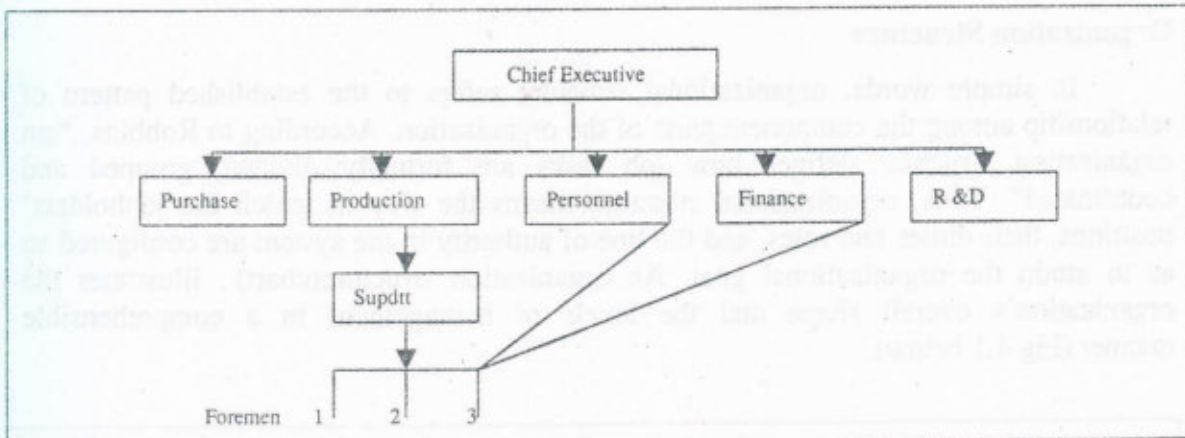
## Types of Organization Structure

Organization structures take different forms. Following are the broad types of structural forms:

1. Functional and Divisional Structures
2. Vertical and Horizontal Structures
3. Mechanistic and Organic Structures
4. The Matrix Structure

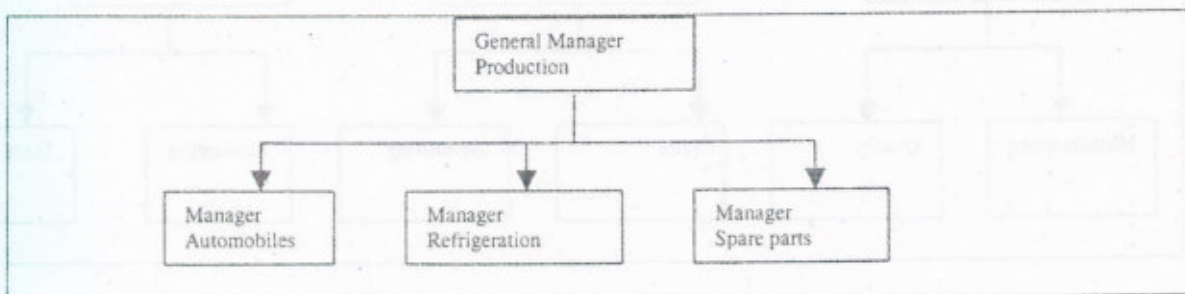
**Functional Structure:** The functional structure is based on the principle of specialization. It is built around experts. As an expert, he can solve highly technical and complex problems more quickly and effectively than the line executive. But managers who enjoy functional authority have the right to issue directives on matters over which they do not have direct line authority otherwise. Thus, a foreman in the production department may receive instructions not only from the Superintendent who is his line boss but also from the personnel manager, financial manager, marketing manager etc.

The functional type of organization is best for small to medium sized organizations reducing one or a few products where the dominant competitive issue and goals of the organization emphasizes functional specialization's efficiency and quality.

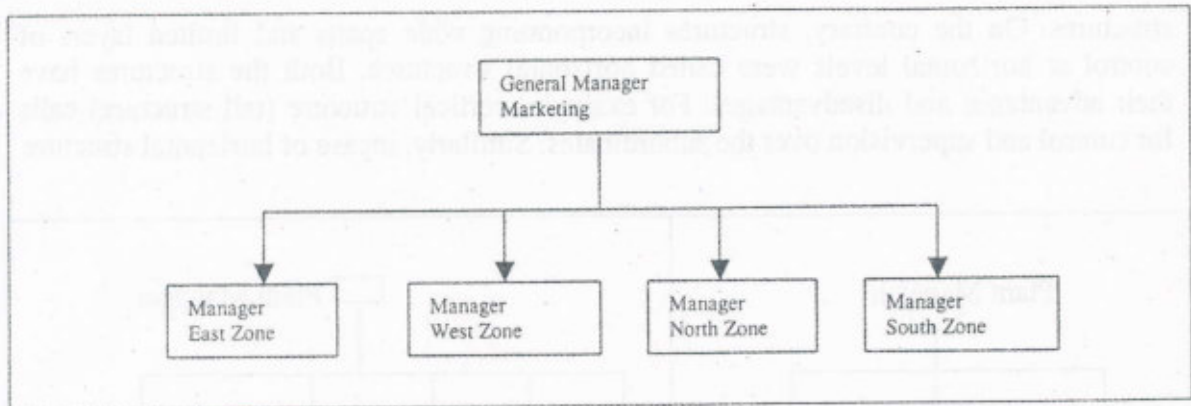


**Fig 4.2: Functional Organization**

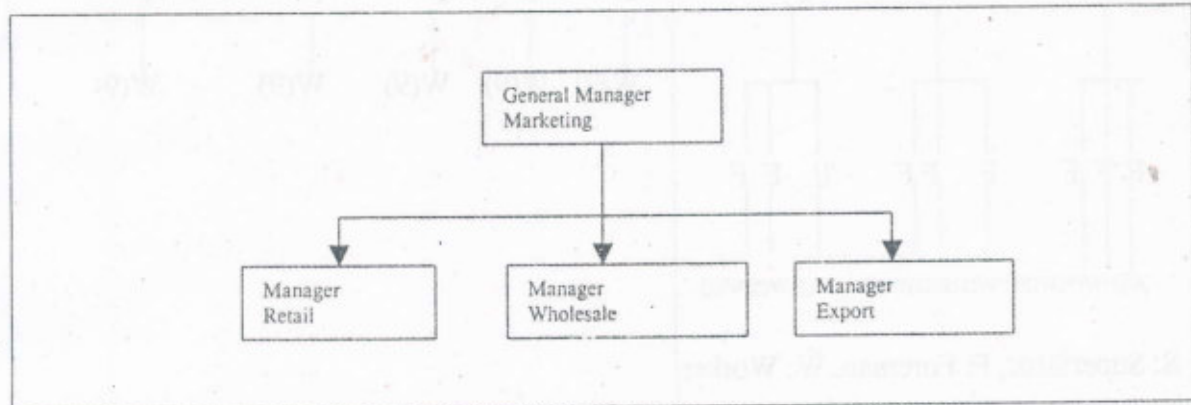
**Divisional Structure:** In case of divisional structure, organization is departmentalized on the basis of product, customer, or region.



**Fig 4.3: Division by Product**



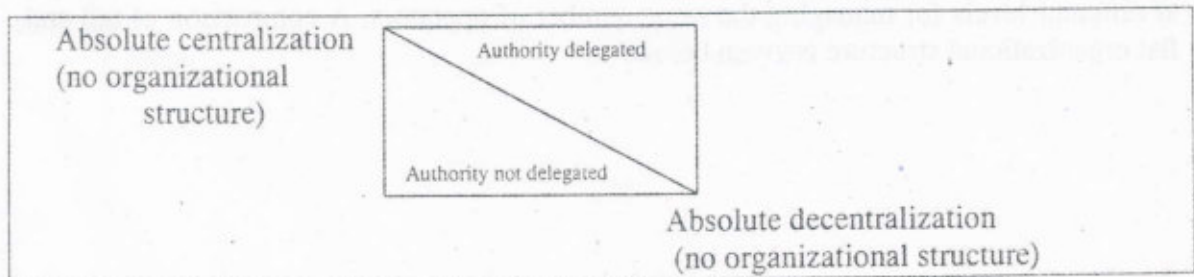
**Fig 4.4: Division by Territory**



**Fig 4.5: Division by Customer**

Above three patterns are adopted generally by organizations depending on the specific requirements to overcome the limitations of functional structure.

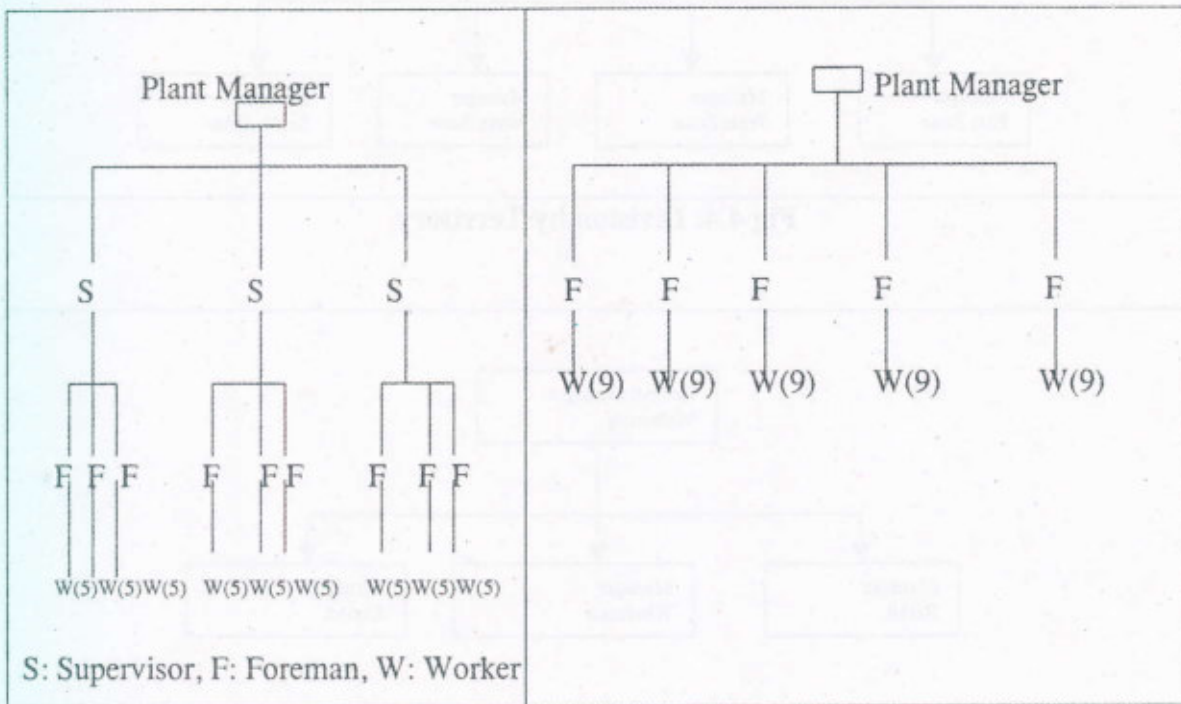
**Vertical and Horizontal Structure:** Both absolute centralization and decentralization are neither desirable nor possible. Hence, the organizations began to explore ways to modify



**Fig 4.6: Centralization vs Decentralization**

the two structures. The essence of modified structure lies in the modifications to the classical principles of delegation of authority and standard of control. Accordingly, organizations having a series of narrow spans of control were termed as vertical

structures. On the contrary, structures incorporating wide spans and limited layers of control at horizontal levels were called horizontal structures. Both the structures have their advantages and disadvantages. For example, vertical structure (tall structure) calls for control and supervision over the subordinates. Similarly, in case of horizontal structure



**Fig 4.7: Tall Structure vs Wide Structure**

it may not be possible to keep close control over subordinates but it provides environment for individual initiative and self-control. Hence organizations with same number of employees can have different number of levels, depending on the span of control. In fig 10 number of levels in the tall structure are four whereas in the flat structure it is three though both have 45 workers. A tall structure would employ more managerial personnel at different levels for managing the same number of operators. A comparison of tall and flat organizational structure is given below:

Tall structure	Flat Structure
<p>Needed when</p> <ul style="list-style-type: none"> <li>● Closure control and monitoring is required</li> <li>● Mistakes are likely to be costly</li> <li>● Task/role are clear; requires specialization</li> <li>● Routine technology</li> <li>● Inexperienced subordinates</li> <li>● Placid, stable environment</li> </ul> <p>Dysfunctional consequences</p> <ul style="list-style-type: none"> <li>● Discourages initiative; encourages centralization</li> <li>● Bottlenecks, distortion of vertical communication</li> <li>● Slow promotion</li> </ul>	<p>More autonomy and self-control is required</p> <p>Flexibility and innovation is required Ambiguous tasks and roles; specialization does not work Non-routine technology Experienced subordinates Unstable, turbulent environment</p> <p>Lack of proper control; encourages laissez-faire</p> <p>Too much demand on manager for coordinating Reduced promotional opportunities</p>

**Table 3: Tall vs Flat organization**

Whether an organization should opt for a tall or flat structure would depend upon a number of factors as tabulated above.

### What is Span of Control

It is anybody's knowledge that a manager cannot effectively supervise the activities of an infinite number of subordinates. This is because of the limitations of time, energy and skills. But for this limit, organizations would have not taken the pyramid shape. Span of control refers to the number of subordinates that report directly to the manager. The traditional thinking was that an effective span involved some definite number of subordinates. For example, Lyndall Urwick found "the ideal number of subordinates for all superior positions to be four and at the lower level of organization, the number may be eight or twelve". However different thinkers suggested different spans both at the top and lower levels of organization.

The contribution of V A Graicunas is significant to the span of management theory. According to him, in selecting a span, managers should consider not only the direct one-to-one relationship with their subordinates, but also two other kinds of relationships, namely direct group relationships and cross-relationships. For example, Graicunas indicated that if a superior manages two subordinates (A and B), there are actually six different relationships:



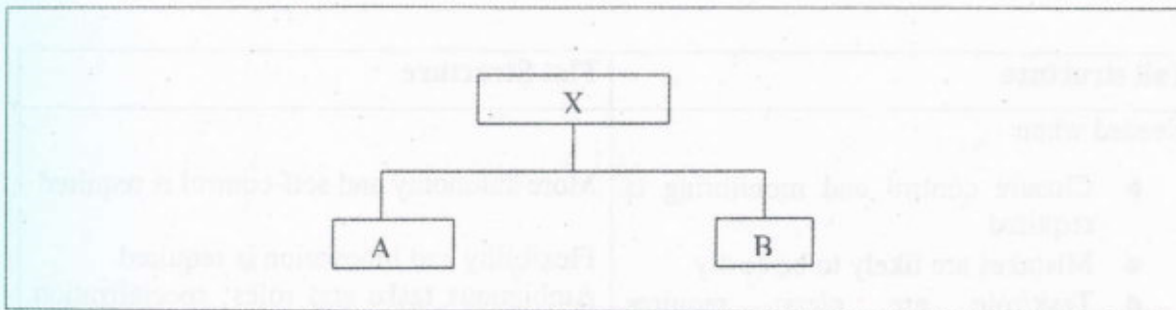


Fig 4.8: Relationships in span of control

Here, Direct Single Relationships	2
X to A & X to B	
Direct Group Relationships	2
X to A while B is present and X to B while A is present	
Cross Relationships	2
A to B & B to A	
TOTAL Relationships	6

Graicunas devised the following formula for calculating the number of possible relationships:  $N = n[2^{n-1} + (n-1)]$

Where N=number of relationships  
n=number of persons supervised

As more employees are added, the number of relationships that have to be managed increases phenomenally:

No. of subordinates	1	2	3	4	5	6	7	8	9	10
Total possible relationships	1	6	18	44	100	222	490	1080	2376	5210

Though Graicunas formula explains the complexities involved as the number of subordinates increase, it suffers from the following inadequacies:

- The formula ignores the frequency and importance of relationships, and
- Several other factors that have a bearing on the superior subordinate relationships have not been taken into consideration while framing the formula.

Theorist still debate about how many subordinates should report to a single manager. The evidence indicates that spans cannot be stated in absolute terms. There is no correct span for all situations. Hence appropriate span of management for a particular manager is contingent on several factors mentioned below:

- Capacity of superior
- Capacity of subordinates
- Nature of work
- Degree of decentralization and delegation
- Staff assistance provided

### ***Mechanistic and Organic Structures:***

Burns and Stalker examined 20 industrial firms in the United Kingdom, to find out the specific links between environment and organization. These 20 firms were operating in both, stable and dynamic environments. The general findings of the Burn and Stalker Studies states that successful firms in stable environments were mechanistic in structure, whereas successful firms in dynamic environments tended to be more organic or flexible structures. Further the effectiveness of firms was related to the 'fit' between technology and structure. Successful mass production organizations had mechanistic structure while small batch and process organizations had organic structures. Also, there was an inverse relationship between technical complexity and span of control. In mechanistic structures, span was larger. Table 5 illustrates the characteristics of mechanistic and organic structures.

Mechanistic Structures	Organic Structure
<ul style="list-style-type: none"><li>● Operates in stable environment, characterized by slow technological and market change</li><li>● A functional division of work where tasks are broken down into specialized, separate tasks</li><li>● Strict hierarchy of authority and control. Many rules and procedures</li><li>● Most decisions are made at the top</li><li>● Communication is vertical</li></ul>	<p>Operate in dynamic environments, characterized by faster rates of change and greater uncertainty</p> <p>A more realistic divisional type division of work, where tasks are not clearly defined in advance but are adjusted and redefined through employee interaction</p> <p>Less hierarchy of authority and control. Few rules. Responsibilities are loosely defined and emphasis is on exchanging information rather than giving direction</p> <p>Decision-making authority is decentralized</p> <p>Communication is lateral</p>

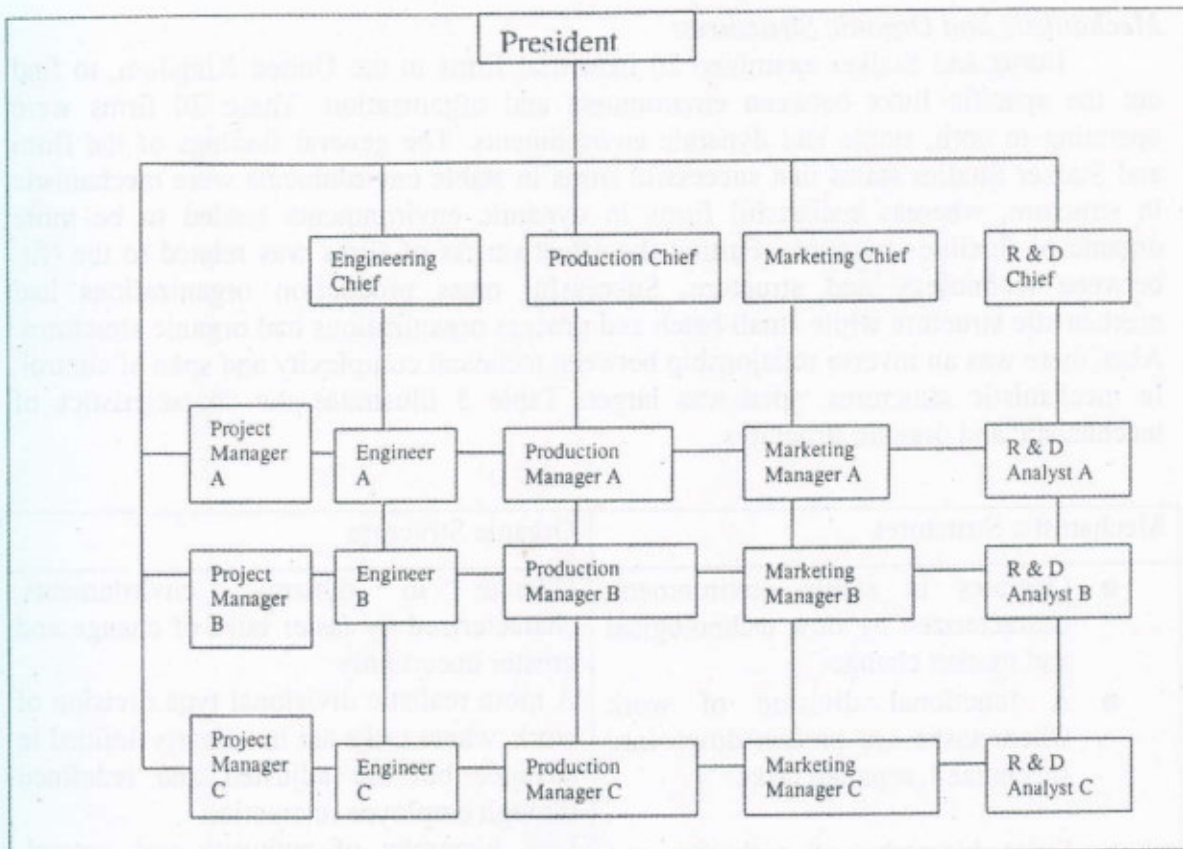
**Table 5: Characteristics of Mechanistic and Organic Structures**

### ***The Matrix Organization Structure:***

A permanent organization designed to achieve specific results by using teams of specialists from different functional areas in the organization is a matrix organization. It is usually a hybrid structure combining both functional and divisional (product/project, for example) structures in the same part of the organization.

In the matrix structure, project managers are assigned a variety of projects/products – rather than a single one – whole activities cut across traditional functional departments. Matrix structure is simply an extension of the project management concept. The matrix breaks the unity of command concept. The classical principle of 'one man one boss' is violated. The normal vertical hierarchy is 'overlaid' by a form of lateral influence. The matrix legitimates lateral chains of influence. The structure appearing in fig 12 is a two dimensional grid, hence, the name matrix organization.

At any given time, a number of project managers direct the activities of a number of projects, while the functional heads allocate their resources to meet the requirements of these various projects. Project managers have authority over project employees relative to



**Fig 4.9: Matrix Organization Structure**

the project goals. Decisions' relating to promotions, salary increase, and employee performance appraisal typically remains a part of functional manager's responsibility. Here, each department reports simultaneously to both project managers and functional managers. The project managers and functional managers have equal authority within the organization, and employees report to both of them. A major drawback of matrix organizational structure is that the principle of unity of command is sacrificed as the single employee is subjected to dual authority, that of the functional heads and the project/product managers.

**Advantages :**

- Is oriented towards end results
- Professional identification is maintained
- Pinpoints product-profit responsibility

**Disadvantages:**

- Conflict in organization authority exists
- Possibility of disunity of command exists
- Requires managerial effectiveness in human relations

**Guidelines for Making Matrix Organization Effective**

- a. Define the objectives of the project or task
- b. Clarify the roles, authority, and responsibilities of managers and team members

- c. Ensure that influence is based on knowledge and information, rather than on rank.
- d. Balance the power of functional and project managers.
- e. Select an experienced manager for the project who can provide leadership.
- f. Undertake organization and team development
- g. Install appropriate cost, time, and quality controls that report deviations from standards in a timely manner.
- h. Reward project managers and team members fairly.

**Suggested Questions:**

1. What are the basic types of organizational structures? Briefly describe each type.
2. Draw the organization chart of a hypothetical company and explain its salient features.
3. What do you mean by span of control? Examine the traditional as well as modern view points on the span of control.
4. What are the characteristics of functional departmentalization? Explain its merits and demerits.
5. How does a tall organizational structure differ from a flat one? Explain with examples.
6. Discuss in brief the characteristics, advantages and limitations of matrix organization.

## Unit VI

Learning Objectives: In this unit, students will be familiarized with the topics

- Authority and responsibility
- Delegation of authority
- Decentralization of authority.
- Line and staff relationships
- Conflict Management
- Formal and informal organization

## **Authority**

It is the right to command. It is the discretion power vested with a manager to use the organizational resources. Managers acquire authority by virtue of the rank or title associated with the position. Authority is granted to the individuals in a formal way in the organization. It flows from top to the bottom in the organization structure.

### **Important features of authority :**

- Authority is institutional power
- It is the right to give orders and obtain obedience
- It is positional and comes with the territory.
- It flows from top to bottom
- It seeks compliance and if authority is disobeyed, subordinates will be punished.

However authority is not absolute. An individual cannot be commanded to do something illegal. Similarly, a person cannot be ordered to do something physically impossible. Also a manager cannot exercise authority more than what is delegated to him.

## **Responsibility**

It is the obligation to perform the tasks and account for their satisfactory completion. It is implied that an individual is expected to fulfill certain job requirements when he or she accepts a position in the organization. In other words, the individual is answerable for the result of the task to be performed. In contrast to authority, responsibility of an individual in the organization is always upwards, that is, the subordinate is responsible to his or her superior.

## **Delegation**

It is the process by which authority is granted to a subordinate by his superior. But for delegation of authority, organizations would remain forever small. Delegation is the only solution to cope with the increasing workload of managers as the organization grows. Because of the constraints of time and ability, a manager cannot perform all tasks himself. Therefore, he delegates certain of the tasks to the subordinate and get them done. Before proceeding further to understand the process of delegation, it is appropriate to examine, in brief, the concepts of authority and responsibility.

### **Process of Delegation**

In classical organization theory, delegation does not mean 'to give away'. It expects delegation to be conducted along certain guidelines. A superior cannot delegate all his authority; otherwise he passes his position to his subordinate leading to breakdown in organizational performance. At the time of delegation, the responsibility is divided into two parts, and, only the operating responsibility for the task is delegated. The manager retains the ultimate responsibility for getting the job done. According to classical organization theory, the delegation process essentially consists of the following three related steps:

#### **1. Entrustment of duties or Assignment of responsibilities:**

What to delegate? When to delegate? Whom to delegate? And how to delegate? The effectiveness of delegation depends on how clearly these questions are answered. First of all, the manager has to decide the tasks to be delegated to the subordinates. For this, he must be able to distinguish between the routine and non-routine tasks. Routine and single tasks can as well be performed by the subordinates while non-routine and very important tasks must be performed by the manager himself.

## **2. Granting Authority**

When the subordinates are assigned certain tasks or responsibilities, it goes without saying that they need authority also to perform the tasks. Authority is required by them to use the resources of the organization in the execution of the tasks. The superior, therefore, parts with his authority to enable the subordinates to perform. Responsibility and authority both go together. One of the important principles of organizing parity of authority and responsibility emphasizes the need for a proper balance between the two. There is no need to delegate more authority than necessary, but the subordinate must have sufficient authority so that he can discharge the assigned duties.

## **3. Creation of Accountability**

Delegation does not end with just entrusting of duties and the granting of authority. The superior has to create an obligation on the part of the subordinate to perform. This obligation is known as responsibility. In other words, the subordinate is accountable to his superior for the tasks delegated. Thus, while authority flows downwards, responsibility flows upwards.

Normally, asking the subordinate to submit performance reports/status reports from time to time creates accountability.

The attributes of delegation, described above, are like a three-legged stool; each depends on the other for support and no two can stand-alone. They are inseparable and a change in any one of them normally implies a corresponding change in the other two. In addition to these, delegation is contingent upon other factors like size of the organization, task complexity, organizational culture, importance of the tasks and qualities of subordinates.

### **Barriers to Effective Delegation**

To make delegation effective, the spirit and willingness of both the parties are crucial. Though delegation is a powerful tool to motivate the subordinates and to develop managerial skills in them, if adequate care is not exercised the result may be considerable anxiety for both superior and subordinates. Following are some of the reasons why delegation often fails in organization for which both superior and subordinates are responsible.

The superiors resist delegating for the following reasons:

- Lack of confidence in subordinates
- The "I can do it better myself" fallacy.
- Lack of ability to direct
- Aversion to risk
- Absence of selective controls

### **Subordinates' Reluctance to Accept Delegation**

Delegation to be effective, apart from the role of superiors, subordinates attitude and role are also important. Sometimes, subordinates may avoid responsibility and block the delegation process for the following reasons:

1. The subordinates lack self-confidence. Added to that the fear that they will get into trouble in the event of failure puts them in a still worse situation.
2. The subordinates are not offered any incentives or benefits in terms of pay rise, importance and status for assuming additional responsibilities.
3. The subordinates find it easier to ask the boss what to do rather than taking the initiative himself.

4. The subordinates fear criticism for mistakes. Since greater responsibilities increase the chances of making error, subordinates for the sake of security try to avoid additional responsibilities.
5. The subordinates believe they have more work than they can do.
6. The subordinates lack the information and resources needed to do the job successfully. Some managers with a view to let down their subordinates may deliberately make the delegation unclear. As a result the subordinates lands themselves in confusion as to the exact nature of duties and the authority they can exercise. The motive of the superior in such cases may be to make the subordinates fail in the execution.

### **How to Delegate Effectively**

Delegation is an art and not a science. A manager who wishes to perfect his skill in delegation has, therefore, no infallible principles to draw upon. Several of the barriers to delegation mentioned above mostly relates to the behavioral aspects of individuals. Insecurity, aversion to risk, lack of self-confidence, inability to trust another to perform a task are all different types of manifestations of human behaviour. Among the various barriers, psychological barriers are the most difficult ones to overcome. To overcome many of these barriers, both superior and subordinates must take a hard look at them, recognize their own fears and try to come out of their inhibitions. The following measures may help delegation to be effective.

- Establish clear goals; overall goals should not clash with the subordinates' personal goal.
- Define responsibility and authority.
- Ensure effective communication and coordination.
- Motivate subordinates; provide incentives for additional responsibility
- Provide counseling for improvement and coaching on the job
- Establish adequate controls; self- control is more effective than a system of external control imposed from above.

Delegation is one of the mainsprings of effective management. It is an indispensable component of good organization. Effective management is management through delegation only. When used properly, delegation offers innumerable benefits to superiors, subordinates and the organization.

### **Decentralization of Authority**

The terms 'delegation' and 'decentralization' are often confused. While in delegation, authority is transferred on one-to-one basis from the superior to the subordinate, decentralization of authority is broader in scope and involves the transfer of authority in the organization context from top to the lower rungs of management in the hierarchy. Thus, greater the amount of authority delegated throughout the organization, the more decentralized the organization is. Decentralization is much more wider in scope reflecting management's philosophy regarding which decisions to be taken at the top as well as down the line in the organization.

It must also be understood that both absolute centralization and absolute decentralization are undesirable, for, the former refers to an autocratic structure while the later results in a chaotic situation. For this reason, decentralization must be viewed as a relative concept, not as an absolute one. Generally speaking, decentralization is said to be greater:



- when more decisions are made at the lower levels
- when more important decisions are made at lower levels.
- when more functions are affected by decisions made at lower levels.
- when the checking on the decisions made at the lower levels is minimal.

### **Types of Decentralization**

There are three approaches to assign authority and responsibility to lower level people in an organization. It is quite possible to provide for decentralization in varying degrees among various departments in the organization. For example, production and sales departments may be decentralized because of the urgency to take quick decisions, which may not be the case with the finance department. Three main types of decentralization are the following:

1. **Profit Center (called as responsibility center also):** It is a responsibility center whose budgetary performance is measured by the difference between revenues and costs – in other words, profit.
2. **Cost/Expense Center:** It is a responsibility center where budgetary performance depends on achieving goals by operating within standard cost limits.
3. **Investment Center:** It is a responsibility center whose performance is evaluated on the basis of return on investment.

Decentralization is not necessarily good, nor is centralization necessarily bad. Both have advantages and disadvantages of different kinds in different situations, and the most appropriate balance between them is something that each organization must discover for itself. The appropriate organizational mix of centralization and decentralization is affected by the following situational variables:

- Knowledge and experience of managers
- Geographical dispersion
- The time frame as well as the importance of the decisions.
- Attitude of subordinates
- The cost and impact of the decision
- Organization size and rate of growth
- Environmental factors

### **Line Organization**

The line, or military organization, is the simplest and the oldest form of organization. Line structures are more common in small-scale units. Authority flows in a direct line from superiors to subordinates. Each employee knows who his superior is and who has authority to issue orders. The one-man one-boss principle is strictly applied. Managers have full authority in their own areas of operations and are responsible for final result. Similarly, each subordinate is directly responsible for the performance of assigned duties. If the subordinates fail to carry out reasonable orders or directives, the superior has the right to take disciplinary action. Thus, authority flows downward and responsibility flows upward, throughout the organization. The essential characteristics of line organization is the flow of authority that is straight and vertical.

### **What is Staff?**

Staff authority is advisory, which means that the staff is a supporting unit that recommends action or alternative actions to the line manager. However staff authority is not confined to mere advisory roles or recommendation activities only. A staff manager helps, serves, investigates, plans, solves special problems, supports line efforts, and

provides ideas and special expertise. However, staff positions are devoid of the right to command, and direct others.

### Line and Staff Organization

The line and staff organization combines the good features of both the line organization and functional organization. The staff specialists provide advice and support to the line managers in getting the work done. However, their authority is purely advisory, not functional. Thus, when the staff organization is superimposed on the line organization, the result is a line-staff organization. The line organization is paramount and the staff organization is created to service it. The role of the staff is considered a 'service' to managers. Two features characterize it - it provides service to the line and it is devoid of the right to command. On the other hand, two important features - the right to decide and the right to direct characterize line authority. They have the ultimate authority to command, act, decide, approve or disapprove of all the organizational activities. Both line and staff department managers exercise line authority over their immediate subordinates. In fact, all managers exercise line authority over their subordinates. Fig 5.1 reflects the line and staff organization, as it is commonly employed in organization.

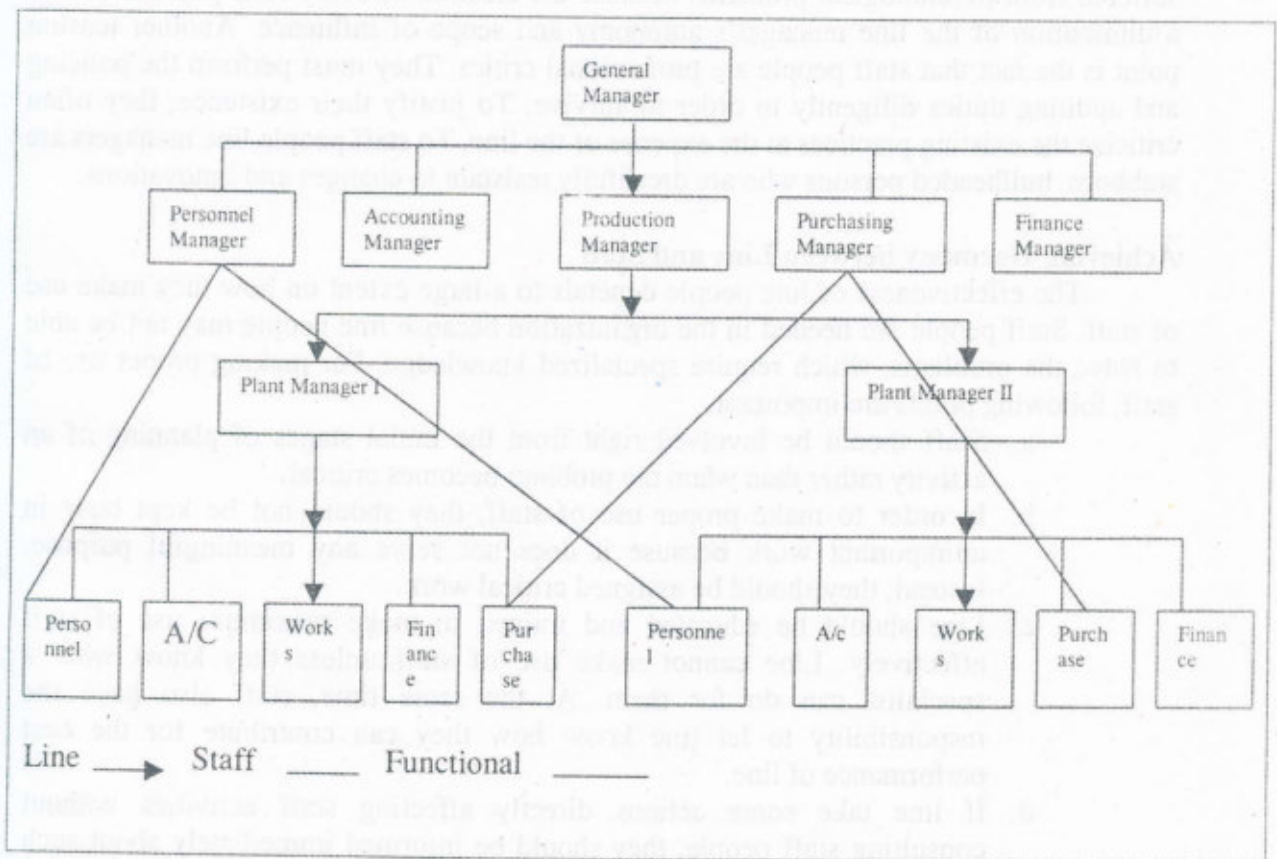


Fig 5.1: Line, Staff and Functional Authority

## **Line and Staff Conflict**

The conflict between line and staff departments is one of the major source of friction in many organization. According to Koontz and O'Donnell, "there is probably no area of management which causes more difficulties, more friction and more loss of time and effectiveness". Yet line and staff relationships are important as an organizational way of life, and the authority relationships of members of an organization must necessarily affect the operation of the enterprise.

According to McFarland, line and staff personnel have different individual characteristics. Staff people, in contrast to line, are generally younger, better educated, more suave and poised in social intercourse, more articulate, ambitious, restless and individualistic. As a result, they often look down on the less educated line officers who have worked their way up through the organization. The differences in age, social background, educational levels creates an atmosphere of mistrust and hatred between them. In addition, the line-staff designation has created unfortunate status problems. Line people are viewed as important, first class members because they are concerned with the achievement of overall goals of the organization, whereas staff members are often looked down as second-class citizen in the organization. Added to this, line managers also suffered from psychological problems because the creation of every staff position means a diminution of the line manager's autonomy and scope of influence. Another tension point is the fact that staff people are professional critics. They must perform the policing and auditing duties diligently in order to survive. To justify their existence, they often criticize the existing practices at the expense of the line. To staff people line managers are stubborn, bullheaded persons who are dreadfully resistant to changes and innovations.

### **Achieving Harmony between Line and Staff**

The effectiveness of line people depends to a large extent on how they make use of staff. Staff people are needed in the organization because line people may not be able to solve the problems, which require specialized knowledge. For making proper use of staff, following points are important.

- a. Staff should be involved right from the initial stages of planning of an activity rather than when the problem becomes critical.
- b. In order to make proper use of staff, they should not be kept busy in unimportant work because it does not serve any meaningful purpose. Instead, they should be assigned critical work.
- c. Line should be educated and trained to make maximum use of staff effectively. Line cannot make use of staff unless they know what a specialist can do for them. At the same time, staff also have the responsibility to let line know how they can contribute for the best performance of line.
- d. If line take some actions directly affecting staff activities without consulting staff people, they should be informed immediately about such actions. This helps in removing misunderstandings, if any, in the minds of the staff.

### **Formal and Informal Organization**

**Formal Organization:** These are established by the enterprise to accomplish specific tasks. It is deliberately created under formal authority. A hierarchy of authority structure

is created to govern behaviour and roles of the members. Rules, regulations, incentives and sanctions guide the actions of its members.

**Informal Organization:** These are established by the employees, rather than by the enterprise, in order to serve group members' interests or social needs. Here the structure is informal and objective is to achieve members' satisfaction. Also the membership is voluntary. For instance, in many companies the female employees get together once or twice a month to discuss the particular challenges or problems they are facing in their jobs.

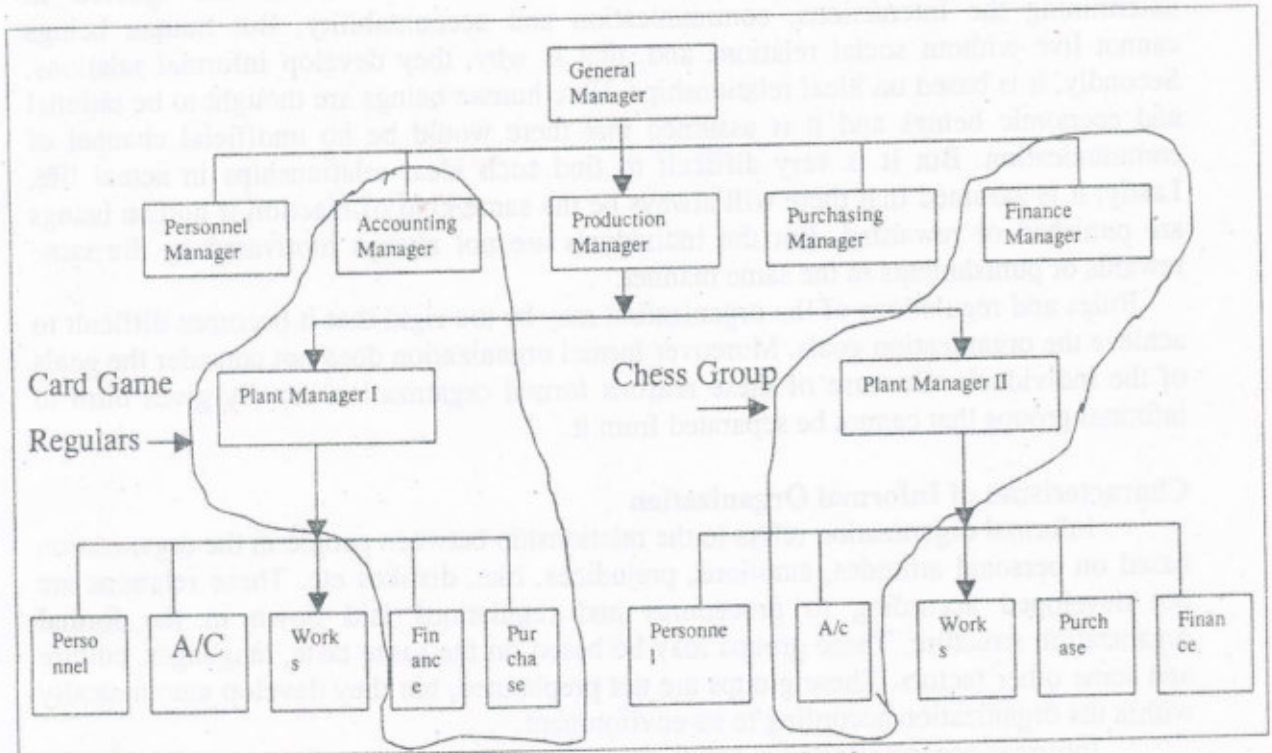


Fig 5.2: Formal and Informal organizations

### Characteristics of Formal Organization

The formal organization is built around four key pillars; namely, (i) division of labour, (ii) scalar and functional processes, (iii) structure, and (iv) span of control. These may also be called the principles of formal organization. Division of labour and specialization is the basic principle of formal organization. The whole work is divided into number of small operations and a different person performs each operation so that there is maximum specialization. The scalar and functional processes imply the growth of the organization both vertically and horizontally. The structure of the organization refers to the overall arrangement in the organization, which ensures proper balance between different parts of the organization and secures the execution of all operations and the achievement of organizational objectives. The span of control refers to the number of subordinates directly reporting and accountable to one superior.

Formal organization is the official hierarchy as it appears on paper. It is the basis and official version of the organization. Formal organization possesses the following characteristics:

- It is deliberately impersonal;
- It is based on ideal relationship; and
- It is based on the rabble hypothesis of the nature of man.

Many thinkers have criticized these characteristics. Firstly, as formal organization is deliberately impersonal, emotions and sentiments of individuals are ignored in determining the interactions, communication and accountability. But human beings cannot live without social relations and, that is why, they develop informal relations. Secondly, it is based on ideal relationships. Here human beings are thought to be rational and economic beings and it is assumed that there would be no unofficial channel of communication. But it is very difficult to find such ideal relationships in actual life. Lastly; it is assumed that there will always be the same kind of reaction if human beings are punished or rewarded. But the individuals are not always motivated by the same rewards or punishments in the same manner.

Rules and regulations of the organization may be too rigid that it becomes difficult to achieve the organization goals. Moreover formal organization does not consider the goals of the individuals. Because of these reasons formal organization usually gives birth to informal groups that cannot be separated from it.

### **Characteristics of Informal Organization**

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, like, dislikes etc. These relations are not developed according to procedures and regulations laid down in the formal organization structure. These groups may be based on the same taste, languages, culture and some other factors. These groups are not preplanned, but they develop automatically within the organization according to its environment.

Informal organizations are small groups and these groups can overlap because a person may be a member of several different informal groups. A manager cannot abolish the informal groups since he does not create them. Informal relations will always support and supplement the formal one. But informal organizations may put resistance to change and support old practices. Further, communication in informal organization is very fast; sometimes, it creates rumors, which may prove dangerous to the enterprise.

### **Making Better use of Informal Organization**

The management should not look down upon the informal organization as it arises spontaneously along with the formal organization and fills in some of the vital gaps in the formal organization. It may be noted that formal organization is unable to meet all the needs (e.g., affiliation, affection, esteem etc) of its members. Management can to some extent fulfill these needs of the employees by encouraging informal organization provide a buffer to absorb the shock of tensions and frustrations among the members as a result of formal organizational pinpricks.

Informal organization may act to fill in gaps in a manager's abilities. For example, if a manager is weak in planning, one of his subordinates may informally help

him in such a situation. Management may also make use of informal group leaders by taking them in confidence to mediate as bridges of understanding between the management and employees. In short, management should use informal structure along with formal structure to make a workable system for achieving the organizational objectives.

**Suggested Questions:**

1. Define authority and responsibility
2. Define delegation. Why is it essential for smooth functioning of an enterprise?
3. What do you mean by delegation of authority? Bring out the essential steps in delegation.
4. Explain how to delegate effectively.
5. "Decentralization is not necessarily good, nor centralization necessarily bad". Discuss
6. Discuss various types of decentralization practiced in organization.
7. What do you mean by line and staff authority
8. Discuss the causes of conflict between line managers and staff managers. What steps should be taken to minimize the conflict between the two?
9. Distinguish between formal and informal organizations.
10. Briefly explain how to make use of informal organization for achievement of organizational goals.

## Unit VII

Learning Objectives: In this unit, students will be familiarized with the topics

- Human Relation Theory
- Ten Management Styles
- Significance of Communication
- Process of Communication
- Types of Channel of Communication

## **Human Relation Theory**

The scientific management movement, developed by Frederick W Taylor, analysed the activities of workers whereas administrative management, developed by Henry Fayol, focused attention on the activities of managers. The importance of the man behind the machine, the importance of individual as well as group relationships in workplace was never recognized. The social aspects of the worker's job were totally ignored; the emphasis was clearly on discipline and control rather than morale. The human relation theory, developed by Elton Mayo and his associates, tried to compensate for the deficiencies in scientific and administrative management theories modifying it with insights from behavioural sciences like psychology, sociology and anthropology. The most important contribution to the behavioural approach to management came out of the Hawthorne Studies carried out at the Hawthorne plant of the Western Electric company in USA from 1924 to 1933 by Mayo and his associates.

The Hawthorne researchers began with illumination experiments with various groups of workers. This experiment involved prolonged observation of two groups of employees making telephone relays. The purpose was to determine the effects of different levels of illumination on worker's productivity. The intensity of light under which one group was systematically varied (test group) while the light was held constant (control group) for the second group. The productivity of the test group increased each time the intensity of the light increased. However, productivity also increased in the control group which received no added light. The main findings of the Hawthorne studies were as follows:

- a. Physical environment at the work place do not have material impact on the efficiency of work;
- b. Favorable attitudes of workers and work-team towards their work were more important factors determining work efficiency of the workers;
- c. Fulfillment of the workers' social and psychological needs positively affect the morale and efficiency of workers; and
- d. Workers can be motivated more by non-economic motivators such as job security, recognition by superiors, and right to express their opinions on matters concerned to them than by economic rewards.

The behavioural approach to management is based on the view that the modern organization is a social system in which the social environment and interpersonal relations govern the behaviour of people at work place. To sum up, the most important elements of the behavioural approach can be listed as follows:

1. Individual behaviour is closely linked with the behaviour of the group to which one belongs.
2. Informal leadership than formal leadership exerts more influence in setting and enforcing standards of group performance.
3. Workers are motivated by self-control and self-development because by nature most of the people like and enjoy work.

### **Major Limitations of Human Relation Theory**

The Hawthorne studies and the human relation theory have been severely criticized on the following grounds:

- ñ **Philosophy:** Several economists claimed that by encouraging workers to develop loyalties to anything but their own self-interests and by preaching collaboration



instead of competition, human relation would ultimately lead to reduced efficiency:

- **Scientific Validity:** The research carried out by Mayo and his associates had many weaknesses of design, analysis, and interpretation.
- **Shortsighted:** The very fact that the human relations research is concerned with operative employees bears ample testimony to the shortsightedness of the research findings. Further it tends to neglect the economic dimensions of work satisfaction. But, it is known that economic motivation is exceedingly strong and quite often, economic explanations are appropriate for understanding human behaviour.
- **Over concern with Happiness:** The Hawthorne experiment suggested that happy employees will be productive employees. This is a naive and simplistic version of the nature of man. Studies have failed to show a consistent relationship between happiness and productivity.
- **Anti-individualists:** The human relation movement is anti-individualistic. The individual may not find his true self and gain a stimulating feeling of personal freedom by completely losing himself in a group. Further, there is no guarantee that groups will always be instrumental in delivering satisfaction to members.

### Ten Management Styles

Henry O. Golightly has listed the following ten management styles observed in managers in action:

1. **Management by Inaction:** The manager who does nothing, or at least puts off doing anything. He may be too fearful, uncertain, or bored to take action, but he also assumes that "if you ignore a problem, it will go away, or at least, get better". He functions best in areas where change comes slowly and where he works for people who prefer to make their own decisions rather than to delegate them.
2. **Management by Details:** The manager who researches a problem to death instead of solving it. He works best with people who appreciate his information, do not depend on him for quick or dramatic decisions, and will not set deadlines for him.
3. **Management by Invisibility:** The manager who make himself inaccessible for various reasons, thus forcing subordinates to do more of the work and take the heat. He works best with people who don't need to interact with him, but he needs the presence of a few people so he is not allowed to isolate himself totally.
4. **Management by Consensus:** The manager who wants decisions to be a group effort. He either wants harmony or is afraid to make decisions by himself. He does not work well with people who won't interact with him or who expect him to generate his own ideas. But he does work well in decentralized companies that stress human relations.
5. **Management by Manipulation:** The manager who is most concerned with getting people to do what he wants. He values control for control's sake. He works well with people who are not likely to challenge his methods. He works best in situation with well-defined goals for which he can aim.
6. **Management by Rejection:** The manager who is overwhelmingly negative. He picks apart all ideas and resists change. He can make a contribution by tempering

hastily thought out or ill-advised schemes conceived by more dynamic co-workers.

7. **Management by Survival:** The manager who looks out primarily for himself. He has a subordinate mentality. A good follower but one unwilling to take risks. He works best in an organization large and stable enough to value consistent performer who is not a 'tiger'.
8. **Management by Despotism:** The manager who rules with an iron fist and expects complete subjugation. He works best under people who leave him alone to run things and will get cooperation from subordinates by paying them well.
9. **Management by Creativity:** The manager who manages instinctively. He bases his actions and decisions on hunches, which may or may not be right. He works best with people who will respect his ideas, if not always follow them, who will leave him alone to be creative, or who will organize and implement his good ideas and pass over his bad ones.
10. **Management by Leadership:** The manager who listens to his subordinates and then shows them direction. He values both interaction and goals. He adopts techniques from all the other management styles and knows when to use them and how to keep them in balance.

### **Communication**

Communication means transference of messages or exchanges of idea, facts, opinion or feelings by two or more persons. It is the act of making one's ideas and opinions known to others. Thus, communication does not simply involve sending of a message by one person; it also involves the receiver listening to it, interpreting it, and responding to it or acting according to it.

### **Significance of Communication**

In a knowledge-based economy, organization cannot function without communication. Employees require a high degree of communication competence. By communication competence, we mean a person's ability to identify appropriate communication pattern in a given situation and apply that knowledge in achieving goals. People strong in communication learn quickly the meaning of the words and symbols used and they can easily decide. Competent people can better determine whether a telephone call, a personal visit or e-mail would be the effective medium and which medium of communication is best in a given situation to convey the message to other people. Corporate managers spend a large part of their time and energy in communicating to different sections of the people within and outside the organization. Naturally, they require a high degree of communication competence to be effective.

In an organization, the employees are like organization's brain cells and communication is like the nervous system that carries the information to the vital parts of the organizational body. Organization becomes effective through knowledge dissemination to the employees. By this knowledge managers keep themselves better informed. Apart from helping in decision-making and in knowledge management, communication plays an important role in coordinating the work activities. Communications also bring people together and make them perform the jobs like a team.

## Process of Communication

Communication refers to the process by which the information is transmitted and understood between two or more people. Transmitting sender's intended meaning is the essence of good communication.

It is needless to say that communication involves two people in the process – a sender and a receiver. One person alone cannot communicate. It may be noted if a person loudly makes a cry for help, and if any body does not hear it, the communication is not complete and the person will not get the expected help. In a similar way, if a manager sends information to the workers at bottom level, he has no reason to believe that he has communicated. Transmission of the message is only the beginning. There is no communication until the information is received, read and understood by the receiver at the other end. Therefore, communication is what the receiver understands, not what the sender says.

The communication process refers to the stages through which the message passes from the sender to the receiver. In this process, the sender creates a message and encodes it into words or symbols. The encoded message is transmitted to the receiver through a channel or medium. The receiver senses the incoming message and decodes it for understanding the message. Further, in most of the situations, the sender looks for confirmation that the message has reached the receiver. This happens in the form of feedback or some kind of acknowledgement. It may take the form of a reply given by the receiver. The reply is to be again encoded, transmitted through a channel, received and decoded by the sender of the original message. Feedback repeats the communication process. The communication process can be understood from the following diagram.

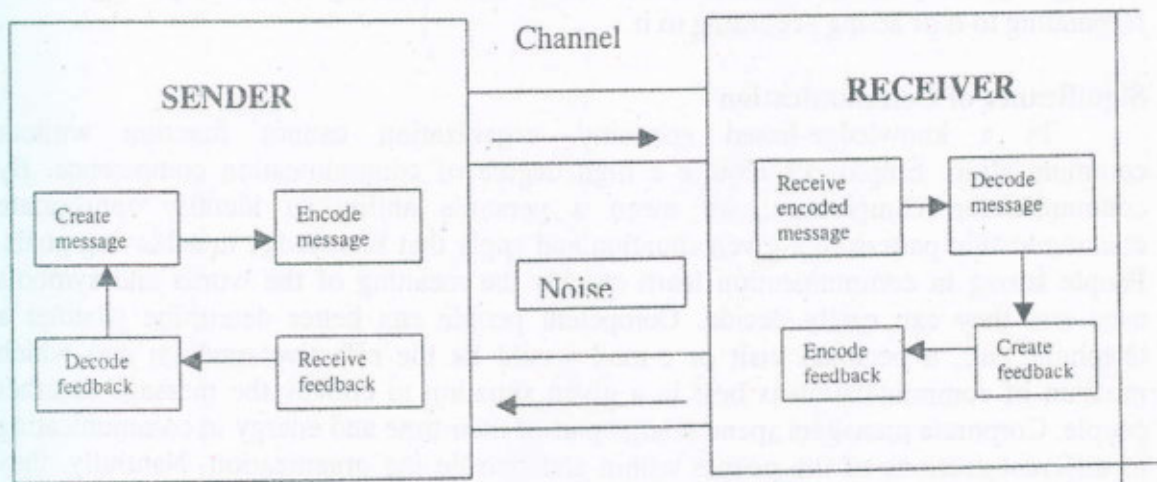


Fig 6.1: The communication process

The different steps in Fig 6.1 are elaborated below:

### Sender:

The sender is the source of the message that indicates the communication. The sender of information has a message or purpose of communicating to one or more people. A manager in an organization has to communicate information about the tasks to be

achieved or a production deadline to be met by his subordinate employees. Without a reason, purpose, or desire, the sender has no information/message to send.

### **Encoding Message:**

Encoding takes place when the sender translates the information or message into some words, signs or symbols. Without this encoding, the information cannot be transferred from one person to another. In encoding of the message, the sender has to choose those words, symbols or gestures that he believes to have the same meaning for the receiver. While doing so, the sender has to keep the receiver in mind and accordingly communicate with him in the way the receiver understands it.

The message may be in any form that can be felt and understood by the receiver. Speech is heard, words are read, gestures are seen or felt and symbols are interpreted.

### **Channel:**

The channel is the medium used for transmission of information or message from sender to receiver. There are various media like telephone, mail through post, Internet, radio, TV, press etc. For communication to be effective and efficient, the channel must be appropriate for the message. A phone conversation is not suitable channel of transmitting a complex engineering diagram; an express mail may be more appropriate. The needs and requirements of the receiver must also be considered in selecting a channel. If the receiver is illiterate, sending the message through postal mail may not be appropriate.

The managers in the organizations, in spite of a number of channels available for them, often fail to select the right one. Some times, their choices are guided by their habits or personal preferences. A manager may use telephone because he dislikes writing. Another manager chooses to write letters when e-mail would be more appropriate.

It should be noted that written and graphic communication like letters, reports, and memos serve the purpose of clarity and also provide a permanent record.. On the other hand, telephone and oral communication have the advantage of immediate feedback. Therefore, in choosing the appropriate channel, the manager must decide whether feedback is important.

### **Receiver:**

The receiver is the person who senses or perceives the sender's message. There may be just one receiver or a large number of receivers, for example, when a memo is addressed to all the members of an organization. As noted earlier, the message must be prepared with the receiver's background in mind. A software engineer should avoid using technical terms in communicating with his family members. It should be recognized that if the message does not reach a receiver, no communication takes place. Even, when the message reaches the receiver, if he cannot understand it, again there is no communication.

### **Decoding:**

Decoding is the process through which the receiver interprets the message and translates it into meaningful information. It may be remembered that decoding is affected by the receiver's past experience, personal assessments of the symbols and gestures, expectations, and mutuality of meaning with the sender.

## Types of Channel of Communication

The channel of communication can be divided on the following three bases:

- Based on Relationship
- Based on direction of flow, and
- Based on method used

Fig 6.2 depicts the channels of communication based on these bases.

**Formal Communication:** Formal channels of communication, established by the management, are used for the transmission of official message within or outside the organization.

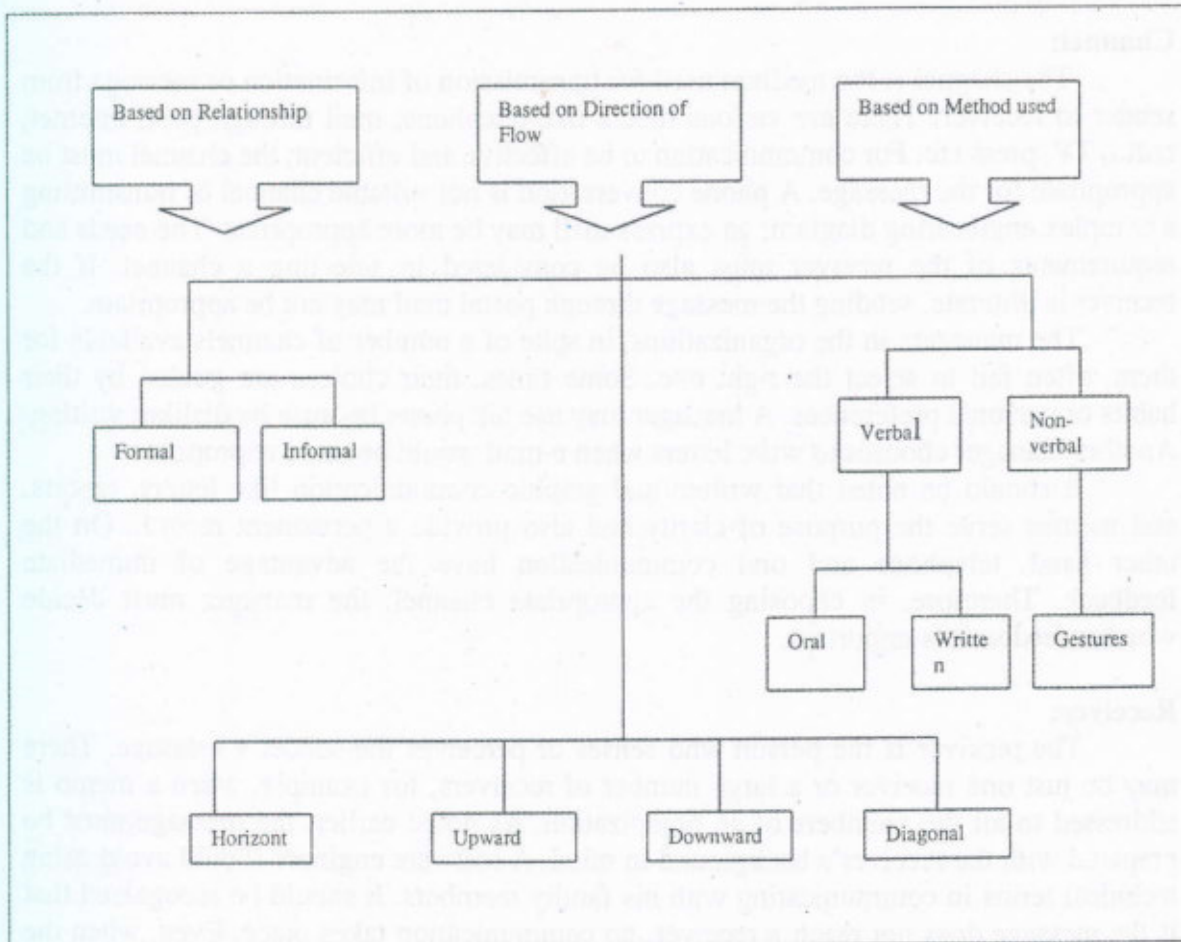


Fig 6.2: Types of Channels of communication

### Informal Communication:

Communication that takes place on the basis of informal or social relations among people in an organization is known as informal communication. Thus, informal communication can take place between persons cutting across positions held by people working in different divisions and units, hence it is also known as 'grapevine'.

One characteristic feature of informal communication is that it spreads very rapidly among people. Distortions may appear in the transmission of such message

through grapevine in the form of rumors and gossips. No one held responsible for it, nor is it taken seriously.

**Horizontal Communication:**

Also called 'lateral communication', horizontal communication takes place between peers. In other words, it refers to transmission of information among positions of the same levels. This facilitates coordination among peers or people working on same levels. Horizontal communication is more of informal in nature.

**Upward Communication:**

When communication flows from lower-level employees to higher-level employees, it is called upward communication. Upward communication encourages employees to participate in the decision-making process and submit valuable ideas and suggestions.

**Downward Communication:**

It refers to the flow of information from higher-level to lower-level employees. Such communication may consist of verbal messages, conveying orders, policies, procedures, or written matters conveyed through notices, circulars, handbooks, bulletins etc. Absence of downward communication results in role ambiguity, stress, and anxiety among employees.

**Diagonal Communication:**

Diagonal communication refers to flow of message between persons who are in positions at different levels of the hierarchy and also in different departments. This type of communication takes place under special circumstances and generally in large organizations

**Oral Communication:**

The most common form of communication in organizations is oral. It takes in the form of face-to-face conversation when the speaker and listener are physically at one place or they may use a public address system, an intercom or a telephone when they are at a distance. Oral communications are effected because the receiver not only hears the message but also simultaneously observes the gestures used, tone, volume, pitch of the spoken words. The voice of the speaker plays an important role in influencing the attitudes and feelings of a person rather than written words used for communications. Further, an immediate feedback can be obtained avoiding any kind of delay. The speaker can convey the personal warmth and friendliness apart from the message. It is, in fact, a less expensive form of communication.

**Written Communication:**

Formal communication is usually in written form such as orders, instructions, reports, bulletins etc. Communication being in written form is permanent, tangible, and verifiable. It is useful when subject matter to be communicated is lengthy and it intends to be communicated to a large number of people. Limitations of written communication are that it is time-consuming, takes personal touch and unfolds the secrecy about written message.

**Gestured Communication:**

In this form of communication, non-verbal methods are used like the movement of body organs. It is called body language. People use different gestures such as moving hands and eyes to communicate their views, ideas, etc. If the superior pats his subordinate on his back, it is understood an appreciation for work.

## **Communication Barriers**

For communication to be effective, every stage, of the communication process, is crucial. It is possible; hurdles may arise at any stage in this lengthy process blocking the understanding of the message by the receiver. These hurdles are known as communication barriers. These may entirely prevent a communication, filter a part of it or distort it in meaning. There are three types of communication barriers – personal, semantic and physical.

### **Personal Barrier**

These barriers arise out of human emotion, values, and poor listening habits. These are very common occurrences in work situations. Personal barriers result from psychological distance between people who may be physically close. For example, a subordinate perceiving his superior to be authoritarian cannot understand his directive well.

People's emotion also acts as filters in almost all their communications. People tend to see and hear what they are emotionally 'tuned' to see and hear, leading to communication failure. Similarly, we communicate our interpretation of reality rather than the reality itself. Therefore, when the sender and receiver's perceptual profiles are at variance with each other, smooth and effective communications do not take place between them.

### **Semantic Barrier**

Semantic barriers arise out of language problem. Words and signs have a variety of meanings. As a result, the receiver may not get the same meaning of the word as intended by the sender. In such case, the receiver does not properly understand the message or he may understand it to the contrary. For example, the word 'steps' has different meanings – it may refer to the staircase, or the measures to be taken to solve a problem, or the steps of a dancer in a dance programme. Whenever we select a meaning that is not factual, we are making an inference. Inferences are an essential part of most communications. It cannot be avoided all together. In our day-to-day conversation, very often we hear people saying 'I mean' or 'It is not what I mean' because of the possibility for making different inferences.

### **Physical Barrier**

Physical barriers exist in the environment in which the communication takes place. While working in a factory, where machines produce a lot of noises, people cannot talk to each other even if they are close physically. Likewise, telephone interruptions, walk-in visitors etc are very common hurdles in the process of communication.

## **Making Communication Effective**

In view of the barriers to effective communication, the following specific suggestions can be made to ensure the effectiveness of communication.

- a. **Language:** Experience suggests that complex language, technical terms, and jargon make communication difficult to understand and frustrating to the listener. Even to convey complex ideas, the language used should be relatively simple and within the ability of the receiver to interpret the message accurately. Efforts should be made to avoid the vague expressions.
- b. **Feedback:** Communication is complete when it receives feedback. Feedback may include the receiver's response in terms of acceptance and understanding of the

message. Thus. Two-way communication is considered to be more helpful in establishing mutual understanding than one-way communication.

- c. **Repetition:** Repetition of message helps improve effectiveness of communication. It helps the listener interpret messages that are ambiguous, unclear, or too difficult to understand the first time they are heard. Repetition also helps avoid the problem of forgetfulness.
- d. **Restraint over Emotions:** As strong feelings and emotions on the part of either the sender or receiver of the message distort the meaning of the message, one may, therefore, defer communication for some time.
- e. **Mutual Trust and Faith:** Communication becomes effective having mutual trust and faith between the sender and receiver of the message.
- f. **Listening Carefully:** Misunderstanding and confusion are often caused by the half-hearted attention to the communication. Therefore, a receiver-listener needs to be patient, mentally well composed, and avoid distraction while receiving the message. If necessary, clarification should be sought on the message. At the same time, the sender of the message must also be prepared to listen to what the receiver has to say.

### Suggested Questions

1. What is human relation theory? What are its major contributions to management?
2. What are the major findings of Hawthorne Experiments? Examine their significance for the practicing manager.
3. Explain the major limitations of human relation theory.
4. Define communication. Why is communication of vital importance to management?
5. Discuss the elements of communication process.
6. What are the common barriers to communication? How they can be overcome?
7. Describe the various types of channels of communication.



## Unit VIII

**Learning Objectives:** In this unit, students will be familiarized with the topics

- The perceptual process
- Perception and Sensation
- Managing Perceptual Process
- Factors influencing perception
- Learning theories
- Principle of Reinforcement

## **Introduction**

We all come across various objects or things in our everyday life. We are also constantly bombarded with various stimuli. Again, in our daily life we accept some objects and reject other. Further, we look at the same thing, yet perceive it differently. Looking at a painting, for example, some may perceive it as beautiful, the other as ugly. Question arises – why the same object is perceived/understood by different people differently. The answer lies in perception, which is a cognitive factor of human behaviour. Strictly speaking, perception lies at the base of every human behaviour. There can be no behaviour without perception.

## **Meaning of Perception**

Perception may be defined as the process of receiving, selecting, organizing, interpreting, checking, and reacting to sensations. It is also defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environments. The individual doing the perceiving, the objects or events being perceived, and the environment in which perception occurs influence the functioning of the whole process. A manager may evaluate an assistant who takes time to decide things, as thorough and thoughtful. Another may interpret such behaviour as slow, disorganized and fearful of taking prompt decision.

## **Perception and Sensation**

People usually mean sensation and perception the same. But, there is a clear-cut distinction between the two. In simple words, sensation may be described as the response of a physical sensory organ to some stimuli. Our physical senses i.e., vision, hearing, touch, smell and taste are continuously bombarded by numerous stimuli that are both inside and outside of our body. Our physical sensory organs often react to these stimuli. The reaction of our eye to colour, ear to sound, nose to odor, and so on are the examples of our every day sensations. Clearly, sensation activates the functioning of the physical sensory organs. Thus, sensation precedes perception. In this way, sensation serves as a raw input to be processed so as to make sense out of them to perceive the environment or stimuli around us.

Perception is much more wider than sensation. Though perception depends upon the sensory raw data, yet it involves a cognitive process that includes filtering, modifying or even changing these sensory raw data to make sense out of them. In other words, the perceptual process adds to or/and subtract from the sensory world. We see an object by means of our eyes. Remembering it is not our eyes but what we see and tend to see in its totality, with figure and form against a background. In this seeing process, though both sensation and perception are involved, yet perception process overcomes sensation process to make what is being seen.

## **The Perceptual Process**

There are four main mechanisms of perception: selection, organization, interpretation and response.

1. **Selection:** People cannot assimilate all what they observe or receive from the environment all at a time. Hence they collect bits and pieces of information from environment – depending on their interest, background, experience etc. Also they

tend to see what they want to see. Out of hundred children playing in a park, 'X' often would look at what his own kids are doing. Thus, people perceive what is most important for them in a particular situation. Selective perception involves two principles.

- (a) **Figure Ground Principle:** People select stimuli for further processing that they consider important and significant; factors that are unimportant and meaningless are left as insignificant. The meaningful and significant portion is called the 'figure' and the insignificant and meaningless portion is labeled as 'ground'. For example, the printed words in this page are the 'figure' and the white space is the 'ground'.
  - (b) **Relevancy:** In practice, people selectively perceive things that they consider relevant to meet their needs and desire. An event or object looks meaningful only when it is closely related to the perceiver. We may read the news about devastating flood in USA but hardly pay any attention to it.
2. **Organization:** The perceived inputs(incoming stimuli) are organized into meaningful pictures to the perceiver. In other words, organizing information that is incoming into a meaningful whole is called 'organization'. There are several ways people can organize the perceived inputs, objects, and events - viz., grouping, closure, and simplification.
- (a) **Grouping:** People or things can be grouped on the basis of similarity or proximity. Objects that have close proximity are also grouped under one head, howsoever, they are unrelated. For instance, all the workers coming from the same place may be perceived as similar in their behaviour on the basis of proximity.
  - (b) **Closure:** When people face with incomplete information, they tend to fill the gaps themselves to make it more meaningful. They may do it on the basis of their experience, hunches, guess or past data. Thus, the tendency to form a complete message from an incomplete one is known as closure.
  - (c) **Simplification:** Whenever people are overloaded with information, they try to simplify it to make it more meaningful and understandable. Simplification occurs when the perceiver subtracts less salient information and concentrate on the important one.
3. **Interpretation:** The perceived world would look meaningless without interpretation. This is influenced by the following factors:
- (a) **Halo Effect:** It is the process of using a single personality trait while evaluating a person. An employee, based on halo effect, may be rated as bad in one trait, but good in other traits.
  - (b) **Stereotyping:** Judging people on the basis of the characteristics of the group, to which they belong, is called stereotyping. Stereotyping greatly influences perceptions in organizations. In organizations we often hear comments that reflect stereotypes based on gender, age, nationality etc. Females can't be good salesman, older workers can't learn new skills, Japanese are industrious etc.
  - (c) **Attribution:** Explaining human behaviour in terms of cause and effect is called 'attribution'. However, attributing causal explanation to a particular

human behaviour sometimes tend to distort perception. For example, if a prosperous worker does overtime on any day, it is perceived that he has done it in the interest of organization, But, if a poor worker also does the same, the action or behaviour is perceived as being for money.

4. **Response:** Response or action is the resultant behaviour of individual emerging from the perceptual process. The response may be positive or negative depending upon favorable perception held by the perceiver. As an example, a student may respond favorably to the motivational intentions of the teacher provided his understanding about his teacher is positive or favorable.

### **Factors Influencing Perception**

Factors that influence perception are related to perceiver, perceived and situation. All these factors are of two kinds - (i) Internal Factors and (ii) External Factors.

1. **Internal Factors:** These factors reside in person concern. These include one's needs, desire, personality and experience.
  - (i) **Needs and Desire:** An individual's perception varies depending upon variations in his/her needs and desires from time to time.
  - (ii) **Personality:** Research studies suggest that secure individuals tend to understand or perceive others as warm, on the other hand, self-accepting individuals perceive themselves as liked, wanted and accepted by others.
  - (iii) **Experience:** Experience and knowledge serve as basis for perception. While one's successful experience enhance his /her perceptive ability, failure erodes his/her self-confidence. Successful experience also helps perceiver understand stimuli with more accuracy.
2. **External Factors:** The external factors relate to what is to be perceived and situation. These are size, intensity, frequency, status etc.
  - (i) **Size:** The principle of size says that the larger the object, the more is the chance that it is perceived. Size attracts the attention of the individual. A full-page spread advertisement attracts more attention than a few lines in a classified section.
  - (ii) **Intensity:** Intensity is closely related to size. The intensity principle of attention states that the more intense the stimuli, the more likely it is to be perceived. For example, advertisers use intensity to attract and gain the consumer's attention.
  - (iii) **Frequency/Repetition:** Repeated external stimulus results in gaining attention than a single one. It is for this reason that advertisers go for repetition advertisement to gain customers attention to their product.
  - (iv) **Contrast:** The external stimuli which stands out against the background will receive more attention. For example, danger signal signs with red lettering on a white background attracts more attention.

- (v) **Movement:** The movement principle says that people pay more attention to a moving object than stationary ones. People will be attracted more by a running train than one standing on the platform.

### **Managing Perceptual Process**

Successful managers understand the importance of perception as influencer of behaviour, and handle them accordingly. They are aware of perceptual distortions and accept that perceptual differences are likely to exist in any situation. With this knowledge, they make appropriate decisions that are acceptable to all persons concerned. The perceptual skills of a manager will help him in the following ways.

● **High level of Self Awareness:**

The successful manager understands that individual needs, experience, and expectations affect perception, and he tries to identify when he is inappropriately distorting a situation because of such perceptual tendencies.

● **Seek Information from various sources of decisions:**

The successful manager minimizes the bias of personal perceptions by seeking out the viewpoints of others. These insights are used to gain additional perspective on situations and the problems or opportunities they represent.

● **Empathy:**

Since different people look at the same situation differently the successful manager rises above the personal impression and tries to understand problems as felt by other people.

● **Influence of Perception on other people:**

People act according to their own perceptions. When necessary, the successful manager influences the perceptions of others in such a way that the events are interpreted as accurately as possible and to the advantage of all concerned.

● **Avoid common perceptual distortions:**

Perceptual distortions include the use of stereotypes and halo effects, as well as selective perceptions and projection. Successful managers are self disciplined and sufficiently self-aware that the adverse impact of these distortions is minimized.

● **Avoid Inappropriate Attribution:**

A person has a tendency to explain why events happened the way they did or why people behaved as they did. The successful manager is wise enough to establish the real reasons for the things that happen and avoid the tendency of making quick or inappropriate attributions.

### **Process of Learning**

Learning is any relatively permanent change in behaviour that occurs as a result of experience. There are two important elements in learning:

- a. Change must be relatively permanent. It means after 'learning' the behaviour of a person must be different from the previous behaviour. If a person learns car driving, it will last for a long time indicating the changed behaviour. Temporary changes may only be reflexive and fail to represent any learning. Therefore, this requirements rules out behavioural changes caused by fatigue or other temporary adaptations.
- b. The second element is that the change of behaviour should take place as a result of some kind of experience. Learning results from some interaction with the

environment that affects behaviour. The experience may be direct or indirect. Sometimes people learn to change their behaviour when their colleagues are punished for that kind of behaviour.

It is to be noted that learning itself cannot be observed. The behavioural changes consequent upon learning only can be seen. This kind of change in behaviour should be differentiated from change in behaviour caused by other factors. For example, aging may cause behavioural change. A change of an individual's thought process or attitude, if accompanied by no change in behaviour, would not be learning.

Learning certainly has its own impact on training activities in an organization. It can give insights into how to develop the skills and competence of employees for performing the jobs effectively. But it is the desire to change individuals that is of the greatest importance. The manager who undertakes to produce such changes acts like a teacher. He guides the employees to engage in behaviours that will help the organization achieve its objectives. When the employees are late for work, lazy, disobey the rules or engage in any type of dysfunctional behaviour, the manager attempts to behaviour of functional nature. Further, if employee is performing well, he gives the employee feedback and also rewards to strengthen such desirable behaviour.

Generally individuals join an organization with a host of learned attitudes and behaviours. Their job performance is a function of their learned experiences. Learning is a continuous experience for employees. It is because of learning, employers recruit people with college degrees or those with job experience. The employer presumes that not only education or experience provides learning, but that continuous learning will lead to higher job performance.

### **Learning Theories**

In an organization, employees have to learn and practice productive work behaviours. The manager's task is to provide sufficient learning experiences to employees in an environment that will facilitate learning process and promote desired behaviours. Training prepares employees to meet the challenges of the job, for which incentives are to be provided to learn and practice right behaviours. The following are the important theories of learning.

#### ***Classical Conditioning Theory***

Classical conditioning is the process by which individuals learn to link the information from a neutral stimulus to a stimulus that causes a response. This response may not be under an individual's conscious control. Pavlov, in his experiments, hanged some meat in front of dogs. This meat is unconditioned stimulus or unlearned stimulus. The dogs responded to this stimulus by salivating. This kind of response was instinctive or unconditioned. Afterwards Pavlov started to ring a bell at the same time when meat was offered. Ringing the bell without offer of meat was not connected to any response. However, by ringing the bell every time when meat was offered, Pavlov established a relationship between the two stimuli that is the bell and the meat. With the continuation of the process, the ringing of the bell alone acted like a stimulus to evoke the response of salivating even without presentation of meat. As a result, the bell became a conditioned stimulus leading to conditioned response.

### ***Operant Conditioning Theory***

B.F. Skinner coined the term operant conditioning to refer to a process by which individuals learn voluntary behaviour. Voluntary behaviours are called operant because they operate or have some influence on the environment. Learning occurs from the consequence of behaviour, and many employees' job performance behaviours are operant behaviour. As a matter of fact, most behaviours in everyday life are forms of operant behaviour. Managers are interested in operant behaviours because they can influence the results of such behaviours. Manipulating its consequences can control behaviour. Two principles guide this relationship

- (i) The behaviour that results in positive rewards is likely to be repeated and behaviour with negative consequence is likely to be extinguished.
- (ii) Based on such consequences, the behaviour can be predicted and controlled. Therefore, some consequences can be used to increase the recurrence of desired behaviour and some other consequences can be used to decrease the recurrence of undesired behaviour.

### **Principle of Reinforcement**

Some behaviours are strengthened by the process of reinforcement. Reinforcer may be any stimulus that prompts a behaviour to be repeated or stopped. By appropriate use of reinforcers, the organizations are able to increase or maintain the behaviours like quality oriented performance, right decision-making, regular attendance and punctuality and so on. Some reinforcers work by their application to a situation whereas other reinforcers work by their removal from this situation.

#### **Positive Reinforcement**

Positive reinforcement is provided by offering rewards for desired behaviours. Such rewards should be powerful and durable so as to increase the probability of occurrence of desirable behaviour. Money is one of the most powerful reinforcement for positive behaviour since money can be used for a number of purposes. Some other positive reinforcers are recognition for good performance, challenging task, participation in decision-making and so on. Reinforcer must be valued by the employee. For example, money would be a less reinforcer for an employee who values praise for his performance more. The reward must be directly linked with behaviour so that the higher the performance of an employee, the greater would be the reward.

#### **Negative Reinforcement**

In negative reinforcement, an unpleasant event that precedes the employee behaviour is removed when the desired behaviour occurs. This procedure increases the likelihood of the desired behaviour to follow. Negative reinforcement is sometimes confused with punishment because both use unpleasant events to influence behaviour. However, negative reinforcement is used to decrease the frequency of an undesired behaviour, whereas punishment is used to decrease the frequency of an undesired behaviour. Managers frequently use negative reinforcement when an employee hasn't done something that is desired.

#### **Omission**

Omission is the removal of all reinforcing events. While reinforcement increases the frequency of a desirable behaviour, omission decreases the frequency and eventually extinguishes an undesirable behaviour that disrupts normal workflow. Managers use

omission to reduce undesirable employee behaviours that obstruct achievement of organizational goals.

### **Punishment**

Punishment is an unpleasant event that follows a behaviour and decreases its frequency. As a positive reinforcement, a punishment may include a specific antecedent that cues the employee that a consequence will follow a specific behaviour. While a positive consequence of reinforcement encourages the frequency of a desired behaviour, a consequence of punishment decreases the frequency of an undesired behaviour.

Organizations typically use several types of unpleasant events to punish individuals. These may be wage cut, a suspension without pay, a demotion, or a transfer. The severe punishment is the dismissing an employee for failure to perform. In general, organizations use punishments of unpleasant nature sparingly for cases of serious behavioural problems.

It may be kept in mind that punishment should be used as a last resort. The use of punishment should be limited to those undesirable behaviours that cause a significant damage to organizational operations. It may also be noted that punishment should not lead to hostility to such an extent of making solution more harmful than the problem itself.

Punishment leads to short-term suppression of the undesirable behaviour, rather than to its elimination. Further, the punished individual may develop a tendency of avoiding the situation. High absenteeism is a form of avoidance and quitting is the final form of escape. Overusing punishment produces apathetic employees, who are not assets to an organization. Sustained punishment can also lead to low self-esteem. Low self-esteem, in turn, undermines the employee's self-confidence, which is necessary for performing most of the jobs.



## Unit IX

**Learning Objectives:** In this unit, students will be familiarized with the topics

- Concept of Motivation
- Sources of Motivation
- Theories of Motivation
- Motivation for high Performance

## Motivation

Motivation received a great deal of attention in the management of the people in different organizations. It represents the internal and external forces acting on a person that prompt him to behave in a specific goal directed manner. It is the 'willingness' to do something and is conditioned by its ability to satisfy the needs of an individual.

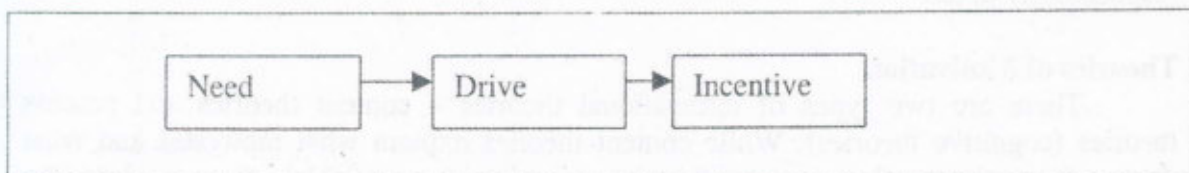
The term motive is defined as an urge, desire, craving or need that must be satisfied. All motives are directed towards goals. "Motivation represents an unsatisfied need which creates a state of tension or disequilibria, causing the individual to move in a goal directed pattern towards a state of equilibrium, by satisfying the needs".

Because motives of employees affect their productivity, management's job is to channel employee motivation effectively toward achieving organizational goals. However, motivation is not the same as performance. The important motivational principle states that the performance is a function of a person's level of ability and degree of motivation. i.e.,

$$\text{Performance} = f(\text{ability} \times \text{motivation})$$

Ability represents a person's talent for performing goal related tasks. For the successful performance of task, the person should have ability coupled with a high level of motivation.

Motivated people find themselves in a constant state of tension. This tension drives a person to behave in a particular way to reach an outcome or incentive that relieves the person of the tension. The greater the tension, the more activity will be needed to bring about relief and hence higher level of motivation. Thus the basic motivation process can be depicted as follows:



**Fig 7.1: The Process of Motivation**

## Sources of Motivation

Motivation may sometimes come from external environment in the form of rewards or punishments and sometimes it is generated from within an individual in the form of intrinsic motivation. It may be recognized that under the same set of external factors, all persons are not equally motivated. The motivational sources are explained below:

## Positive Vs. Negative Motivation

Motivation may be either positive or negative. Positive motivation takes place when management recognizes the employee's effort towards the achievement of organizational goals. It is positive because, this kind of motivation increases the level of performance, promotes team spirit, a sense of cooperation and generates a feeling of belongingness and happiness. The positive motivational factors are:

- Praise and reward for good performance
- Concern for the well being of an employee
- Confidence reposed in the employee
- Delegation of authority

- Scope of participation given in the decision making.

Negative motivation, on the other hand, results from the use of force, pressure, fear or threat. Fear of punishment also affects motivation and thereby the behaviour of a person. In the organization, negative motivation may come from the fear of being transferred, demoted or removed. This fear of punishment prompts the person to work hard and achieve the goals. It may, however, be realized that negative motivation is not desirable because employees do not like to be punished. As far as possible, they have to be motivated by positive means only.

### **Extrinsic Vs. Intrinsic Motivation**

Extrinsic motivation is induced by external factors primarily financial rewards. It is expected that the behaviour caused by positive rewards is likely to be repeated. But the reward should be sufficiently powerful for desirable behaviour to be repeated. Money acts as a significant incentive for positive behaviour of employees. Realizing the value of financial incentives as motivators, management now-a-days make use of wage increment, bonus payment, fringe benefits, stock options, profit sharing schemes, paid holidays, medical benefits, etc. for motivating the employees.

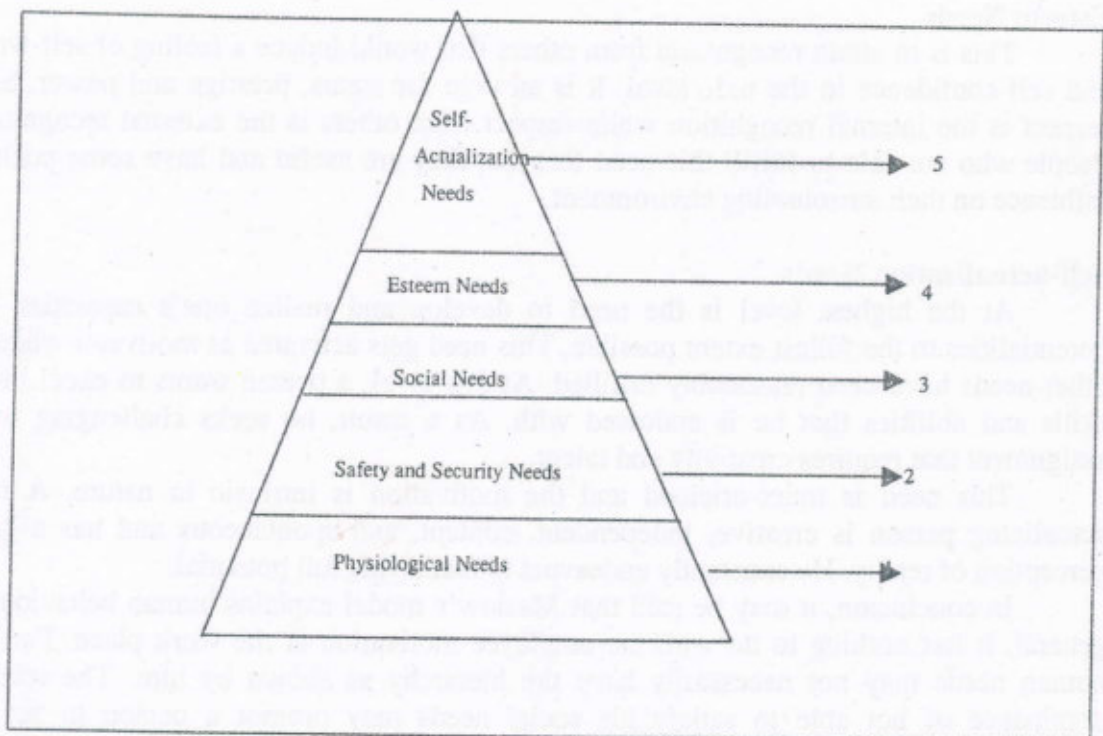
Intrinsic motivation is something that is generated within an individual. It is an inner feeling. It may be a sense of achievement or recognition leading to satisfaction that motivates the employee further. There are many retired doctors who work free in the hospitals because it gives them a sense of accomplishment and satisfaction. Some of the intrinsic motivators include praise, status, recognition, esteem, challenge, risk and responsibility in job

### **Theories of Motivation**

There are two types of motivational theories – content theories and process theories (cognitive theories). While content theories explain what motivates and what does not motivate, the process theories examine the variables that go into the motivational process taking place within an individual. Some of these theories are explained below:

#### **1. Maslow's Need Hierarchy Theory**

Abraham Maslow has propounded this need hierarchy theory as early as in 1943. Maslow points out that human being have divergent needs and they strive to fulfill those needs. The behaviour of an individual is determined by such needs. These needs range from biological needs at lower level to psychological needs at the highest level. Further, these needs arise in order of hierarchy or priority such that lower level needs must be satisfied before higher level needs become important for motivation. Maslow postulates five basic needs arranged in a hierarchy as depicted in the figure 7.2 The first three levels of needs at the bottom are known as lower order needs as they are related to one's existence and security. The top two levels of needs are called higher order needs as they are concerned with personal development and realization of one's potential. The nature of these needs are explained below



**Fig. 7,2: Maslow's Need Hierarchy**

### **Physiological Needs**

The physiological needs are the basic needs having the highest strength in terms of motivation. These are the needs arising out of biological tensions created as a result of deprivation of food, water, shelter, rest etc. If these basic needs are gratified, then the next level needs become important and act as motivation.

### **Safety and Security Needs**

Once the physiological needs are fulfilled, safety and security needs become predominant. These are the needs for self-preservation while physiological needs are for survival. These needs include those of security, stability, freedom from anxiety and a structured and ordered environment. These safety and security needs arise out of the concern for the fulfillment of physiological needs in the future. An individual seeks economic or social protection against future threats and dangers that he is exposed to. Once these needs are gratified, they fail to serve as motivators any more. The individual, then, moves on to the next level needs and strives for their fulfillment.

### **Social Needs**

At the third level, social needs or love needs become important. An individual cannot live an isolated life. A sense of affiliation becomes important for a meaningful life. These needs include the need for love, affection, companionship and social interaction. We know very well that at home the child needs the love of parents and at school he needs the friendship of the classmates.

### Esteem Needs

This is to attain recognition from others that would induce a feeling of self-worth and self-confidence in the individual. It is an urge for status, prestige and power. Self-respect is the internal recognition while respect from others is the external recognition. People who are able to fulfill this need feel that they are useful and have some positive influence on their surrounding environment.

### Self-actualization Needs

At the highest level is the need to develop and realize one's capacities and potentialities to the fullest extent possible. This need gets activated as motivator when all other needs have been reasonably fulfilled. At this level, a person wants to excel in the skills and abilities that he is endowed with. As a result, he seeks challenging work assignment that requires creativity and talent.

This need is inner-oriented and the motivation is intrinsic in nature. A self-actualizing person is creative, independent, content, and spontaneous and has a good perception of reality. He constantly endeavors to realize his full potential.

In conclusion, it may be said that Maslow's model explains human behaviour in general. It has nothing to do with the employee motivation at the work place. Further, human needs may not necessarily have the hierarchy as shown by him. The relative dominance of not able to satisfy his social needs may prompt a person to set the physiological needs and safety needs aside and motivate him for earning the love and affection of the family members and the friendship of his colleagues. Further, the need priority model may not apply at all times in all places. Notwithstanding, Maslow's need hierarchy theory has received wide recognition, particularly among practicing managers. This can be attributed to the theory's intuitive logic and easy to understand.

## 2. Herzberg's Two-factor Theory

Frederick Herzberg has developed the two-factor theory in 1950. He developed it on the basis of his survey of 200 engineers and accountants. In his survey the respondents were required to describe a situation in which they felt happy and a situation in which they felt bad about their jobs. Based upon the answers, he concluded that there are some characteristics or factors that tend to be consistently related to job satisfaction and there are other factors that are consistently related to job dissatisfaction. Herzberg named the factors related to job satisfaction as *motivators* and those related to job dissatisfaction as maintenance factors or *hygiene* factors.

Herzberg's motivational and hygiene factors are shown in Table 7.1. According to Herzberg, the opposite of satisfaction is not dissatisfaction. The underlying reason, he says, is that removal of dissatisfying characteristics from a job does not necessarily make the job satisfying. He believes in the existence of a dual continuum. The opposite of 'satisfaction' is 'no satisfaction' and the opposite of 'dissatisfaction' is 'no dissatisfaction'.

Hygiene: Job Dissatisfaction	Motivators: Job Satisfaction
	Achievement Recognition The job itself Responsibility Growth and Advancement
Company Policies and administration Interpersonal Relation with peers subordinates and supervisors Working Conditions Wage and Salary Status and Job security	

**Table 7.1: Herzberg's Hygiene and Motivational factors**

**Hygiene Factors** (Maintenance Factors): These factors are not intrinsic part of a job, but they are related to the conditions under which a job is performed. They are associated with negative feelings. They are environment related factors, hygiene. Like physical hygiene, they do not lead to growth but only prevent deterioration. For instance, Mr. 'X', who is in excellent health will not become any healthier by eating food but if he does not eat food he may become sick and die. Hygiene factors produce no growth in worker's output but they prevent loss in performance caused by work restriction.

**Motivators:** Motivators are associated with positive feelings of employees about the job. If managers wish to increase motivation and performance above the average level, they must enrich the work content and increase a person's freedom on the job. Motivators are necessary to keep job satisfaction and job performance high.

Herzberg's model has been criticized since the results were based primarily on the responses of white-collar workers, hence, is not representative of the workforce in general. In fact, in some of the subsequent studies some hygiene factor, like salary, proved to be motivator. Further the model basically explains job satisfaction not motivation. In spite of these limitations, the study of Herzberg is found relevant and useful as it is a model developed specifically to explain employee motivation at work place unlike Maslow's model that explains human behaviour in general.

### 3. Theory X and Theory Y

Douglas McGregor proposed two distinct sets of assumptions about what motivates people. One basically negative, rebelled *Theory X* and the other basically positive, labeled *Theory Y*. The assumptions are as given under:

Theory X assumptions	Theory Y assumptions
<ul style="list-style-type: none"> <li>❶ Employees inherently dislike work and will try to play</li> <li>❷ Since employees dislike work, they must be coerced, controlled and threatened with punishment to achieve goals.</li> </ul>	<p>Employees can view work as being as natural as rest or avoid it</p> <p>People will exercise self direction and self-control if they are committed to the objectives.</p>
<ul style="list-style-type: none"> <li>❸ Employees will shirk responsibilities and seek formal direction whenever possible.</li> </ul>	<p>Under proper conditions, employees do not avoid responsibility</p>
<ul style="list-style-type: none"> <li>❹ Most employees want security above all in their work and display little ambition.</li> </ul>	<p>People want security but also have other needs such as self-actualization and esteem</p>
<ul style="list-style-type: none"> <li>❺ People are lazy, lack ambition, like to be lead, and are motivated strictly by personal economic concern.</li> </ul>	<p>People by nature enjoy work, want to do well, and are motivated by self-control and self-development.</p>

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

#### 4. Theory Z

William Ouchi, after making a comparative study of American and Japanese management practices, proposed Theory Z in the early 80s. It is an integrative model, containing the best of both worlds. It takes into account the strengths of Japanese management (social cohesion, job security. Concern for employees) as well as American management (speedy decision making, risk taking skills, individual autonomy, innovation and creativity) and proposed a mixed US-Japanese management system for modern organizations. The mixed/hybrid system has the following characteristics:

- a. Strong bond between organization and employees.
- b. Employee participation and involvement
- c. Strutureless organization
- d. Holistic concern for employees

#### 5. Vroom's Expectancy Theory

This is one of the process theories of motivation propounded by Victor Vroom in 1960s. The expectancy theory suggests that the motivation or inclination to act in a

certain manner depends on the intensity of the desire of the employee for a given outcome and on the attractiveness of such an outcome. There are three variables in the expectancy theory as explained below:

**Attractiveness:**

It is related to the importance that an individual places on the potential outcome or reward, which can be achieved on the job. It depends on the unsatisfied needs of the individual.

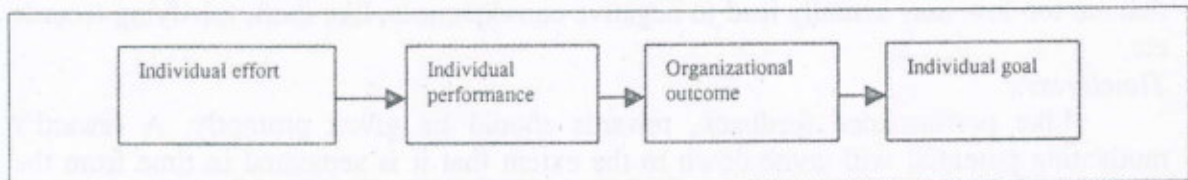
**Performance-Outcome Linkage:**

It shows the degree to which the individual expects that the performance at a particular level will lead to the attainment of a desired outcome.

**Effort-Performance Linkage:**

It shows the degree to which the individual expects that exerting a given level of effort will lead to the performance at a particular level.

The following diagram shows the expectancy of the individual:



**Fig 7.3: Vroom's Expectancy Model**

In the expectancy model shown above, it is necessary to understand first, what perceived outcomes does the job offer to the employee? It may be noted that outcomes may be positive like pay, security, companionship, trust, fringe benefits, and congenial relationships or they may be negative like fatigue, boredom, frustration, anxiety, and threat of punishment. What is important for this purpose is not the reality but what the individual employee perceives the outcome to be.

Second, how much attractive are the outcomes for the employee? Does the employee value them positively, negatively, or neutrally? It depends on the individual's personal values, and needs (valence). The individual, who considers a particular outcome to be attractive – that is, positively valued, would prefer to attain it rather than not attaining it. Other who considers it negative may prefer not attaining it rather than attaining it. A few others may be neutral; in their case, motivation does not take place.

Third, what kind of behaviour an employee must produce in order to achieve these outcomes? The outcomes are not likely to have any effect on the individual employee's performance unless the employee knows, clearly and unambiguously, what he must do in order to achieve them.

Last, how does the employee consider his/her chances of doing what is expected of him/her? After an employee has considered his/her own competencies and ability to control those variables that will determine his/her success, what probability does he/she place on successful attainment?

Therefore, whether an employee has the motivation or not depends upon his preferred outcomes and his expectation of performance-outcome linkage and effort-performance linkage. An employee does not get motivated if he is indifferent towards an outcome or if he does not have the knowledge of the linkage between outcome-performance-effort.



## **Motivation for High Performance**

High performance work system is one that integrates well-established methods of motivation with new technologies that link pay and performance. Linking pay and job performance is very essential but achieving it is very difficult. Complex issues are: should pay increase be linked to the performance of a worker or a team? Should the reward be based on cost savings or profits and be distributed annually or when people retire or otherwise leave the organization? The accounting procedures required by cost savings plans are very complex. Further many employees view wages, fringe benefits, challenging work, and the achievement of difficult tasks as rewards.

A number of studies are available on how rewards affect individual and team performance. The ability of rewards to motivate individuals or a team towards high performance depends on the following factors:

### **Availability:**

Plenty of rewards should be made available to reinforce desired performance. For example, pay increase are often highly desired but not available. Further, pay increase that are too low may actually lead to negative consequences, like theft, falsifying records etc.

### **Timeliness:**

Like performance feedback, rewards should be given promptly. A reward's motivating potential will come down to the extent that it is separated in time from the performance it is intended to reinforce.

### **Performance Linkage:**

Rewards and performance should be closely linked with each other. If a task is met, the reward is given. The clearer the linkage between performance and rewards, the better the rewards are able to motivate desired behaviour.

### **Durability:**

Some rewards last longer than others. Intrinsic rewards, like autonomy, challenge, achievement and responsibility, tend to last longer than extrinsic rewards, like pay increase, job security, good working conditions etc.

### **Equity:**

Employee's motivation to perform is more when they perceive that the compensation policies of their organization are fair and equitable.

### **Visibility:**

It is necessary that rewards are visible throughout an organization. Visible rewards, like pay increase or promotion sends signal to employees that rewards are available for high performance.

Therefore, in designing the reward system in organizations, the above factors have to be considered for motivating employees and make them achieve high level of performance.

## **Questions:**

1. Define perception. Discuss the process involved in it.
2. What is meant by halo effect? How does it affect perception?
3. Discuss the internal and external factors that influence selection of stimuli.
4. Explain the concept of learning and discuss the theory of learning.

5. Explain the theory of operate conditioning
6. Distinguish between positive reinforcement and negative reinforcement.
7. What should be management's approach towards using punishments?
8. Define motivation. What are the five categories of motivational needs described by Maslow?
9. Compare and contrast Maslow's need hierarchy theory with Herzberg's two factor theory of motivation.
10. Enumerate the assumptions of McGragor's theory X and Y. Which one, in your opinion is applicable in India?
11. What constitute the sources of motivation?
12. Explain Vroom's expectancy model of motivation.
13. How should rewards be used for achieving higher performance?

## Unit X

**Learning Objectives:** In this unit, students will be familiarized with the topics

- Values and attitudes
- Sources of Values
- Type of values
- Values at workplace
- Attitude and their formation
- Implication of attitudes

### **Meaning and Definition of Values**

A value is something that has worth or importance to an individual. It contains a judgmental element, in that it carries an individual's ideas as to what is right, good or desirable. Values contain both content and intensity attributes. The content attribute reveals how important it is. Values are emotionally charged priorities and are passionately defended.

According to Rokeach, "values represent basic conviction that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence."

Chakraborty defines values as "the manner in which an individual tends to make judgments or choices, both about goals and means, at different stages of one's life, in different facets of it, as are deemed to lead to the well-being and happiness of oneself and society."

From above definition one can understand that value are learnt from the society and hence are acceptable to the society as preferred 'mode of conduct' or 'end state'. Values are stable and long-lasting beliefs about what is important in a variety of situations. They are evaluative standards that help us distinguish between right and wrong or good and bad in the world. Values do not represent what we need but they indicate what we ought to do to achieve the need in a society desirable way. Some people value practicality while others value aesthetics. Some people value frugality while others value generosity.

### **Value System**

The term value system implies a ranking of individual values (relating to obedience, freedom, pleasure, self-respect, equality, punishments etc.) according to their importance. The value system is a framework of personal philosophy which governs and influences the individual's reactions and responses to various situations. Values are:

- moralistic in nature;
- fewer in number than attitudes;
- most central to an individual;
- relatively permanent and resistant to change;
- guide actions and judgments across specific objects or situations.

### **Importance of Values**

Values are important for organizations because they depend on individual employees for making decisions and actions aimed at achieving the goals. The problem for these organizations is how to align the individual values with those of the organization. Now-a-days, employees resent the traditional command-and-control supervision and expect a lot of autonomy to be given to them. This presents a problem to the managers. Organizational ethics is becoming important in view of the manipulations and malpractices. It has something to do with the values of that organization.

Values influence behaviour of an employee in several ways. If he feels that payment of wage on the basis of performance is right, he cannot accept payment of wage on the basis of seniority. He remains skeptical about such a system followed in the

organization. Therefore, the values of the individuals need to be studied, so that a proper match can be established between the employees' values and that of the organization.

### Sources of Values

People are not born with values; rather they acquire and develop them early in life. Parents, teachers, relatives, friends and others influence an individual's values. Values such as 'stealing is bad', 'honesty is the best policy', 'respect your elders and teachers', 'be kind to people' are taught and reinforced in schools, religious institutions and social groups. Over the years, these values become relatively stable and enduring. As we grow in years, we often seek environments that are compatible with the values we learned as children. For example, values help find out what companies we are attached to and how long we stay therein. They also influence how motivated we are at work; people who share same values as the organization are committed to the organization than those who do not.

In our culture itself, certain values have been developed over time and they are continuously reinforced. Peace, cooperation, harmony, equity, and democracy are the desirable societal values nurtured in our culture.

Values are relatively stable and enduring. This is because of the way in which they are originally learned. It is this absolute learning of values that more or less assures their stability and endurance. They may not be permanent, but change very slowly. The process of questioning our values, may result in a change.

### Types of Values

Values do not operate in isolation. Several values interact with each other to form value system in a society. According to Rokeach, value system are composed of rank-ordered sets of values that fall into two general categories namely terminal values and instrumental values.

- **Instrumental value:** This refers to single belief that a specific mode of conduct (e.g., courage, honesty, cleanliness) is personally and socially preferable in all situations with respect to all objects. It is a tool or means for reaching a terminal values.
- **Terminal value:** This refer to the belief that a particular end-state of existence (e.g., prosperity, world peace, freedom, equality) is personally and socially worth striving for. For example, a per may desire and strive to achieve prosperity (terminal value) by being ambitious and hardworking (instrumental values).

Table 8.1 gives a list of Rokeach's terminal and instrumental values.

Terminal(end) Values	Instrumental(means) Values
Prosperity	Ambition and Hardwork
Stimulating, active life	Open-mindedness
Achievement	Competence
World peace	Cheerfulness
Equality	Courage
Personal and family security	Forgiving nature
Freedom	Helpfulness
Happiness	Honesty
Inner peace	Imagination
Friendship	Courtesy
Wisdom	Responsibility

Values can be categorized on the basis of the level at which operate. These may be:

- **Personal values** which are formed from past experience and interaction with others.
- **Cultural values** which are the dominant beliefs held by a collective society.
- **Organizational values** which are at the heart of organizational culture in terms of shared assumptions, values and beliefs.
- **Professional values** which are held within an occupational group.

Values may also be classified as the espoused values and enacted values. Espoused values represent the values that we want others to believe we avoid by. Values are socially desirable and so people create a positive public image by claiming to believe in values that others expect them to hold. Contrary to this, enacted values represent the values actually practiced. These values, in fact, guide our decisions and behaviours.

#### Values at Workplace

The work values may be defined as the conceptions of what is preferable from among the alternative modes of conduct or end states with respect to one's work. Work values are expected to be an integral part of a nation's cultural system and hence we notice differences between the work values of American organizations and Japanese organizations. They represent the values internalized by members of the society through the process of socialization. In global organizations, now-a-days, it is becoming difficult to achieve congruence between the diverse values of the employees and those of the organizations.

Viewed broadly, the value systems of managers in different countries studied (US, Korea, Japan, Australia, India) were similar; yet, there were some distinct

differences. Successful American managers favour achievement oriented values; less successful managers prefer passive values. While defining managerial values, Indian executives mentioned work ethics, commitment, self-motivation, integrity, hard work, character etc. It is reported in a study that the most important goals of an ethical Indian manager are customer satisfaction, achievement of organizational goals within scheduled time, employee motivation and career progress. According to another study, Indian managers are status and power oriented and considers decision making as their prerogative and consultation as a means of eroding their authority. They tend to take credit for work done by them rather than share it with individual members of the team. It may be noted that while values are stable and enduring, they are not rigid. Therefore, new generations of employees may bring into the organizations new set of values.

In some studies age has been found to be a major factor in differentiating employee values. Young employees give importance to more autonomy at work place, short-run gratification, quick growth, individualism, and openness compared to old employees. As a result, young employees bring a different set of values to the work place. Hence, management should understand those new values and accordingly deal with them for achieving good performance. Managers have to study values because they are the foundations for understanding a person's attitudes, perceptions, motivation and behaviour in the organization.

### **Concept of Attitudes**

Attitudes are evaluative statements. They respond one's feeling either favourably or unfavourably to persons, objects or/and events. In other words, attitudes reflect how one feels about something. For example, when Professor Kotler says, "I like teaching", he is expressing his attitude about his work i.e. teaching.

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

Attitudes can precisely be defined as a persistent tendency to feel and behave in a particular way toward some objects, persons or events.

### **Attitudes vs Values**

While attitudes and values are different, there are also some similarities. Both are powerful instruments influencing cognitive process and behaviour of people. Both are learned and acquired from the same sources – people and objects. Both are relatively permanent and resistant to change. Both values and attitudes influence each other and are used interchangeably. Hence, values people hold can explain their attitudes and, in many cases, the behaviours they engage in. However, we cannot determine which values underlie which attitudes and behaviours.

In contrast to values, attitudes are less stable. That is why advertising messages attempt to change one's attitudes toward a certain product or service.

### **How attitudes are formed?**

Attitudes are not inherited. These are acquired or learned by the people from the environment in which they interact. The formation of attitudes is broadly classified into two sources: Direct experience and Social learning.

- **Direct Experience:** One's direct experience with an object or person serves as a powerful source for one's attitude formation. In other words, attitudes are formed on the basis of one's past experience in concerned object or person. For instance, how does one know that he/she like organization behaviour or dislike financial management? The answer to it is that he/she formed these attitudes from his/her experience in studying the two subjects. Research has shown that attitudes derived from the direct experience are more powerful, stronger, and durable and are difficult to change than are attitudes that are formed through indirect experience. This is because of their availability in our cognitive processes.
- **Social Learning:** The process of deriving attitudes from family, peer groups, religious organizations and culture is called social learning. In social learning, an individual acquires attitudes from his/her environment in an indirect manner. Social learning starts from early age when children derive certain attitudes from their parents. This is often evident from when young children express their policies similar to those held by their parents.

Attitudes are derived from peer groups also. For example, if Ravi Saxena has been attending his duty late for some days but co-workers have always been on time, Ravi Saxena is likely to attend his duty on time.

Individuals also acquire much of their attitudes by merely observing their role models whom they admire and respect.

Added to these is culture that also plays a definitive role in forming attitudes.

### **Types of Attitudes**

A person may have a multitude of attitudes, but what is important for us is the limited number of job-related attitudes. These job-related attitudes are positive or negative evaluations held by employees about various aspects of their work environment. Essentially, there are three important job-related attitudes: job satisfaction, job involvement and organizational commitment.

#### **Job Satisfaction**

One of the tasks of a manager is to provide job satisfaction to their employees. Job satisfaction refers to an individual's general attitudes toward his or her job. A person with a high level of job satisfaction holds positive attitudes towards the job, while a person who is dissatisfied holds negative attitudes towards the job. When we talk about employee attitudes, mostly we mean job satisfaction. As a matter of fact, the two are closely related.

#### **Job Involvement**

The term "job involvement" is relatively a recent concept in the literature. There is no complete agreement over what the term means. Generally, it refers to the degree to which a person identifies with his job, actively participates in it, and considers his performance important to his self-worth. Individuals who express high involvement in their jobs are likely to be more productive, have higher satisfaction, and are less likely to resign than employees with low involvement.

#### **Organizational Commitment**

The attitude reflects an individual's orientation toward the organization by tapping his or her loyalty to, identification with and involvement in the organization. Individuals who are highly committed see their identity as closely



attached to that of the organization. Like job involvement, highly committed employees will be better performers and have lower turnover than those with low levels of commitment to the organization.

In the recent time, there has been increased attention given to job involvement and organizational commitment in the process of evaluating job attitudes and their impact on behaviour. All these attitudes are measured with a view to predict employee behaviours like performance, productivity, absenteeism, turnover and unionization.

### **Implication of Attitudes**

The following implication of attitudes with relation to productivity, satisfaction and withdrawal behaviours are reported in the literature.

#### ***Attitude and Productivity***

The attitude-productivity relationship is not clear. Because in 1955, Brayfield and Crockett made an extensive study of this relationship and concluded that there was minimal or no relationship between attitudes and performance. However, two years later, Herzberg and his associates concluded from the review of studies, that there was generally a positive relationship between attitudes and productivity. They noted that in many cases the correlations, although positive, were low. Similarly, a review in 1964 of twenty-three separate studies revealed that, except in three cases, there was low but positive relationship between satisfaction and performance. It is clear that the studies on the relationship between attitudes and productivity give rise to mixed feelings. Even in recent studies also indicate that increased employee satisfaction, involvement, or commitment cannot be said to lead to higher productivity.

#### ***Attitude and withdrawal Behaviours***

It was found in early studies that employee satisfaction is inversely related to absenteeism and turnover. The greater the job satisfaction on the part of an employee, the less is the scope for employee's withdrawal behaviour. Brayfield and Crockett found a significant but complex relationship between attitudes and both absenteeism and turnover. Vroom found a consistent negative relationship between job satisfaction and turnover, but a less consistent negative relationship between job satisfaction and absenteeism. Many studies have found that satisfaction has a consistent impact on absenteeism, but an even more profound and consistent relationship on turnover. However, the conclusion that satisfaction and absenteeism are inversely related has come under recent attack.

There is growing enthusiasm for the view that organizational commitment is a better predictor of voluntary resignations than job satisfaction. If this is true, efforts to develop valid measures of organizational commitment may be of increasing importance to managers.

In conclusion, the evidence is fairly clear that committed and satisfied employees have lower rates of both turnover and absenteeism. If we consider the two withdrawal behaviours separately, however, we can be more confident about the influence of attitudes on turnover.

### ***Attitudes and Satisfaction***

Job attitude and job satisfaction are closely related. In many research studies, in fact, these terms are used interchangeably. In studies of job attitudes, it is generally thought that the result is some measure of job satisfaction or dissatisfaction. Job satisfaction, however, is not a behaviour but rather a general feeling of contentment with the job. As a result, if attitudes are positive, job satisfaction tends to be positive. On the other hand, if the attitudes are negative satisfaction becomes low. Therefore, if a manager wants to have employees who are satisfied with their jobs, he should strive to create in them positive attitudes toward their job and the organization.

### **Change of Attitude**

Attitudes affect behaviour. Hence, it is in the interest of the organization to try for the favourable change in the attitudes. The following are some important ways that can be used for changing attitudes.

1. **Filling in information gap:** Unfavourable attitudes are mainly formed owing to information gap or inadequate supply of information. Then, providing information to fill in the gaps can change attitudes. For example, workers may be anti-management because of the ignorance about the good intentions of management. If they are made known about the same, they may change their attitudes to pro-management.
2. **Use of fear:** Researchers have reported that attitudes can also be changed by fear. However, both low and high degree of fear arousal do not cause attitude change. The reason is while the former is often ignored, the latter makes the people stubborn in their held attitudes. In fact, only moderate level of fear arousal makes the people aware of the situations and induces to change their attitudes.
3. **Resolving Discrepancies:** Resolving discrepancies between attitude and behaviour, if any, is yet another way to change attitudes. For example, people try to have good attitudes about the job they have held and negative ones about the jobs they did not choose to work.
4. **Impact of Peers:** Persuasion by peers with high credibility can also cause change in attitude. The same is not true with peers having low level of credibility.
5. **The Co-opting Approach:** Co-opting is also yet another way to change attitude. In co-opting approach, the people who are dissatisfied with a certain situation are taken to make them involved in improving things.

However, it would be naïve to assume that attitude only affects behaviour. Sometimes, behaviour also, on reciprocal manner, influences attitudes.

### **Questions**

1. Define the term 'values'. What is the relationship between values and human behaviour?
2. Write briefly about the value system of managers.
3. Describe the various types of values.

4. What do you mean by attitude? Discuss how attitudes are formed.
5. Distinguish between attitude and values
6. Describe the various types of attitude.
7. Explain what is meant by implication of attitudes.
8. Do you think it is possible to change attitude? If yes, how can attitude be changed?

## Unit XI

- Meaning of stress
- Causes of stress
- External Stressors
- Organizational Stressors
- Group Stressors
- Individual Stressors
- Managing work-related stress

## Meaning and Definition of Stress

There are numerous definition of job stress. Ivancevich and Matteson define stress simply as "the interaction of the individual with the environment". Beehr and Newman define job stress as "a condition arising from the interaction of people and their jobs and characterized by changes within people that cause them to deviate from their normal functioning".

Hence, stress is an adaptive response to a situation that is challenging or threatening to the person. Stress is a person's reaction to a situation but not the situation itself.

Again, according to Robbins, stress is a condition in which an individual is confronted with an opportunity, constraint or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important. According to this widely accepted definition, stress is associated with (i) constraints or demand, (ii) uncertainty over the outcome which is regarded as important.

There are actually two faces to stress:

- **Constructive stress (Eustress)** as it is sometimes called) act in a positive manner for the individual and the organization., e.g. winning a contest, falling in love. Eustress can indicate a situation where the individual is in balance or behaves within tolerable limits. Low or moderate amount of stress can act in a constructive or energizing way. Moderate stress can increase effort, stimulate creativity and encourage diligence in one's work. It can be equated with tension that causes you to work hard before exams, pay attention in class, and complete projects and assignments on time. The same positive results of stress can be found in the workplace.
- **Destructive stress (Distress)** is not healthy for the individual and/or organization. Distress would indicate effects that are out of balance or outside the tolerance limits. Excessive stress may lead to overload and breakdown of a person's physical and mental systems. Performance can suffer as people experience illness brought on by very intense stress and/or react to high stress through absenteeism, turnover, errors, accidents, and dissatisfaction and reduced performance.

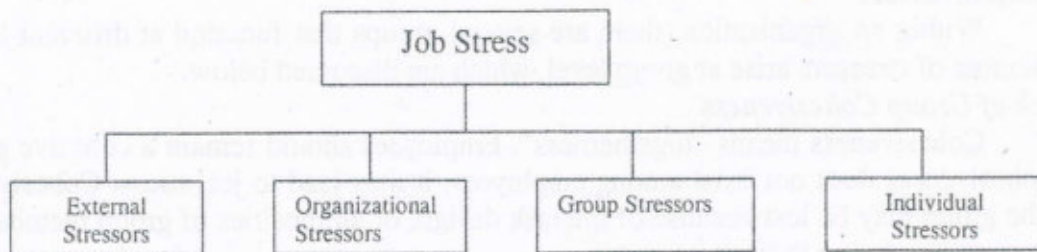
## Nature of Stress

Stress is additive as it persists and grows, we begin to exhibit a wide variety of symptoms and effects which, for the most part, are dysfunctional and which, for some, are crippling or even fatal.

Individual can have a variety of reactions to job stress. They can react emotionally by feeling frustrated or anxious, happy or excited, bored or depressed. They can experience mental blocks, be very hypersensitive to criticism or have trouble concentrating. People can also respond to stress behaviourally; they may eat more, drink more; lose their appetites; or stop going out socially and refuse to mix up with people freely.

## Causes of Stress

The factors contributing to stress are called stressors. Stressors exist in the environment and they make a physical or emotional demand on the person. Stressors emanate from both within the organization and outside which can be classified as external stressors, organizational stressors, group stressors and individual stressors.



### External Stressors

In the analysis of job stress, we tend to ignore outside forces or events. In fact, they have a greater impact on stress. Quite often, we experience plenty of stress situations outside the organizational settings. External stressors stem from societal changes, globalization, family economic conditions, relocation, race, religion and community conditions. When employees join the organizations, the stressors are also carried over which affect their behaviour. In the changing situation, inspite of the advancement in medical sciences the modern living has increased the stressful condition and decreased the health and well being of the people in urban environments. The life styles have changed giving rise to several anxieties and tensions. As a result, potential job stress has increased.

Outside the organization, a person's family also plays an important role in contributing for stress conditions. An illness of family member or a strained relation with spouse or a child may create stress for an employee. Again, employees may experience a lot of stress if they fail to properly balance the family responsibilities and the job responsibilities. For example, a psychologist reports that divorce between husband and wife interferes with the husband's job more than any other trauma in a his life. It is pointed out that in the first three months after a spouse walk's out; the employee becomes incapable of focusing on work.

In addition, now-a-days various development in the macro level scenario like frequent communal riots, strikes, violence, religious differences, oppressions, harassments, kidnaps, suicides have all become common place. Living in such an environment, a person is exposed to a variety of stressful situations.

### Organizational Stressors

Organizational stressors are many and manifest themselves in different forms. Any change in organization is stressful. Technological changes and structural changes happen too frequently. Merger and acquisitions are increasingly resorted to. It is needless to say that downsizing of workforce is extremely stressful to those who lose their jobs. Layoff survivors also experience stress due to higher workloads, feeling of guilt, job insecurity, and the loss of friends at work.

In the physical environment of an organization, stressors can be found in the form of high temperature, excessive noise, lack of privacy, poor lighting, safety hazards and poor quality of air circulation. A study observed that in a noisy plant, workers' level of stress significantly decreased when they were supplied with ear protectors. In another study, it was found that clerical employees experienced significantly higher stress levels in noisy open office than in quite area.

## **Group Stressors**

Within an organization, there are several groups that function at different levels. A number of stressors arise at group level, which are discussed below.

### ***Lack of Group Cohesiveness***

Cohesiveness means "togetherness". Employees should remain a cohesive group. If cohesiveness does not exist among employees; it may lead to job stress. Cohesiveness of the group may be lost because of the task design, or animosities of group members, or the supervisor trying to limit it.

### ***Lack of Social Support***

Employees have different social groups for different purposes. These play an important role in extending support to an employee. By sharing their joys and sorrows with other, they feel comfortable and happy. In the absence of this kind of mutual social support, the situations prove to be very stressful. There are research studies indicating that the lack of social support is so stressful that it results in health care costs. It is to be noted that group-level dynamics may also act as stressors. A study indicated that organizational politics was a potential source of stress in the work environment.

### ***Interpersonal Stressors***

Interpersonal stressors like group competition, ineffective supervision, office politics, and other conflicts are many in the organizations. The more an employee is required to interact with other people, the more is the scope for stress. As you are aware, in banks and call centers, the employees experience a lot of stress because of the uncooperative customers and high targets to be achieved.

## **Individual Stressors**

At individual level, there are many factors that contribute to stress, most of which are role-related. Role-related stressors include conditions where employees have difficulty in understanding, reconciling, or performing the various roles in their lives. The four major role-related stressors are role conflict, role ambiguity, workload, and task control.

### ***Role Conflict***

Role conflict occurs when people face competing demands. Inter-role conflict exists when employees have two roles to play, which are conflicting. For example, people in supervisory cadre in organization face this kind of conflict, as they have to meet the expectations of management on the one hand and the expectations of workers on the other. Role conflict also occurs when an employee receives contradictory messages from two supervisors about how to perform a task or work with organizational values and work obligations that are incompatible with his or her personal values. The workingwomen often experience role conflict between their job responsibilities and family obligations.

### ***Role Ambiguity***

Role ambiguity exists when employees are uncertain about their job duties, performance expectations, level of authority, and other job conditions. This ambiguity tends to occur when people enter new situations like joining as a manager in an organization, accepting a foreign assignment. This is because they are uncertain about task and social expectations that go with the new positions.

### ***Workload***

Workload is well-known job stressor. But work under-load, receiving too little work or having tasks that do not sufficiently use one's talents, is also a possible stressor.

Now-a-days, employees have either too much to do in too little time, or they work too many hours on the job. Long work hours may lead to unhealthy lifestyles, which, cause heart disease, back pain or eye sight. Work overload is such a problem in most of the software organizations in India leading to health problems.

#### ***Task Control***

A person's belief in locus of control is related to susceptibility to job stress. People with an internal locus of control feel that their fate is pretty much under their control. Externals look to outside forces as controlling their fate. They generally feel that events and forces beyond their control determine their fates. Internals generally describe their jobs as less stressful than externals. The underlying cognitive mechanism seems to be that if people believe that they can control potential adverse forces in their job environment, they are less prone to the stressor of worrying about them.

#### **Occupational Differences and Stress**

Several studies have attempted to identify which jobs have more stressors than others. It is to be noted that one problem with rating occupations in terms of their stress levels is that a particular occupation may have considerably different tasks and job environments in different organizations and societies. The job of a police officer may be less stressful in a small town than in a large city where crime rates are higher and the organizational hierarchy is more formal.

Another important point to remember is that a major stressor to one person may be insignificant to another. We cannot conclude that people in high stress occupation actually experience higher stress than people in other occupations. Some job expose people to more serious stressors, but careful selection and training can result in stress levels no different from those experienced by people in other jobs.

#### **Individual Differences and Stress**

It is well known that individuals differ in their personality characteristics. These differences determine the stress levels experienced by the people. Two people may be exposed to the same sources of stress like meeting a deadline for achieving a goal. However, in terms of stress levels, they may be different. Similarly they may be different in terms of stress strums also.

Some individuals are more prone to stress than others. It may be on account of demographic differences and cognitive affective differences. Demographic differences are related to age, health, education and occupation. Age causes stress because as people go through the life stages, certain things are expected of them. As they grow, they have to shoulder greater responsibilities. Health is another factor influencing stress. Healthy people can cope with stress more than sick people. Education is also important in this context. If the person is not educated, he feels unworthy and that may cause stress. Coming to occupation, it is needless to say that every occupation involves one kind of stress or other.

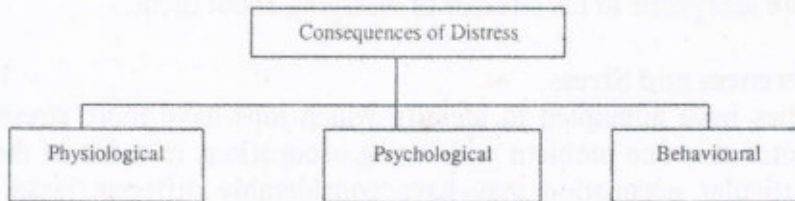
Cognitive affective differences are satisfaction, locus of control and type of personality. Persons having greater urge for satisfaction, work hard and try to excel others. This may lead to overwork and also burntout. Locus of control refers to one's feeling of the extent to which he is able to control the surrounding world. The greater the person's perception of control over the environment, the lesser is his proneness to stress.



Another cognitive factor is personality. There are two types of personality – Type A and Type B. Type A personalities are involved in struggles to get more, achieve more. Therefore, they are more prone for stress. On the other hand, Type B personalities are more patient and easy going. They are interested in achieving goals but follows different ways for the purpose. As a result, they are less prone for stress.

### Consequences of Distress

Stress will have serious consequences on our health as well as our job performance. Stress results in a variety of physiological, psychological and behavioural consequences.



### Physiological Consequences

Stress takes its toll on human body. Studies have found that students who are anxious about their exams are more susceptible to colds and other illness. Many people experience tension or headache due to stress. Other gets muscle pain and related back problems. These physiological ailments are attributed to muscle contractions that occur when people are exposed to stressors.

### Psychological Consequences

Stress results in various psychological consequences, like job dissatisfaction, moodiness, and depression. Emotional fatigue is another psychological consequence of stress, which is related to job burnout.

### Job Burnout

Job burnout is the process of emotional exhaustion, depersonalization, and reduced personal accomplishment resulting from prolonged exposure to stress. The term "job burnout" was not known 50 years ago; but it is heard everywhere now a days. Job burnout is a complex process that includes the dynamics of stress, coping strategies, and stress consequences. Burnout is caused by excessive demands made on people who serve or frequently interact with others. Interpersonal and role-related stressors cause burnout.

There are three components of job burnout. The first one is **emotional exhaustion**, which plays a key role in the burnout process. It is characterized by a lack of energy and a feeling that one's emotional resources are exhausted. Emotional exhaustion is sometimes called compassion fatigue because the employee no longer feels able to give as much support and caring to clients.

The second one is **depersonalization**, which is identified by the treatment of others as objects rather than people. Employees subjected to burned-out become emotionally detached from clients and cynical about the organization. This detachment reaches the point of callousness, far beyond the level of detachment normally required in helping occupations. Depersonalization can be seen when employees strictly follow rules

and regulations rather than try to understand the client's needs and search for a mutually acceptable solution.

The third component of job burnout is **reduced personal accomplishment**. It refers to the decline in one's feelings of competence and success, and becomes evident in feelings of diminished competency. In other words the person's self-efficacy declines. In these situations, employees develop a sense of learned helplessness, as they no longer believe that these make a difference.

### **Behavioural Consequences**

When stress becomes distress, job performance comes down and workplace accidents increase. High stress levels impair your ability to remember information, make effective decisions and take appropriate actions. Examinees experience this kind of distress. They are likely to forget important information and commit mistakes. Overstressed employees also tend to become absent frequently. This is because stress makes people sick. Some times absenteeism is used as a stress coping mechanism. Normally, we react to stress through fight or flight. Absenteeism is a form of flight – temporarily withdrawing from the stressful situation so that we find time to re-energize ourselves.

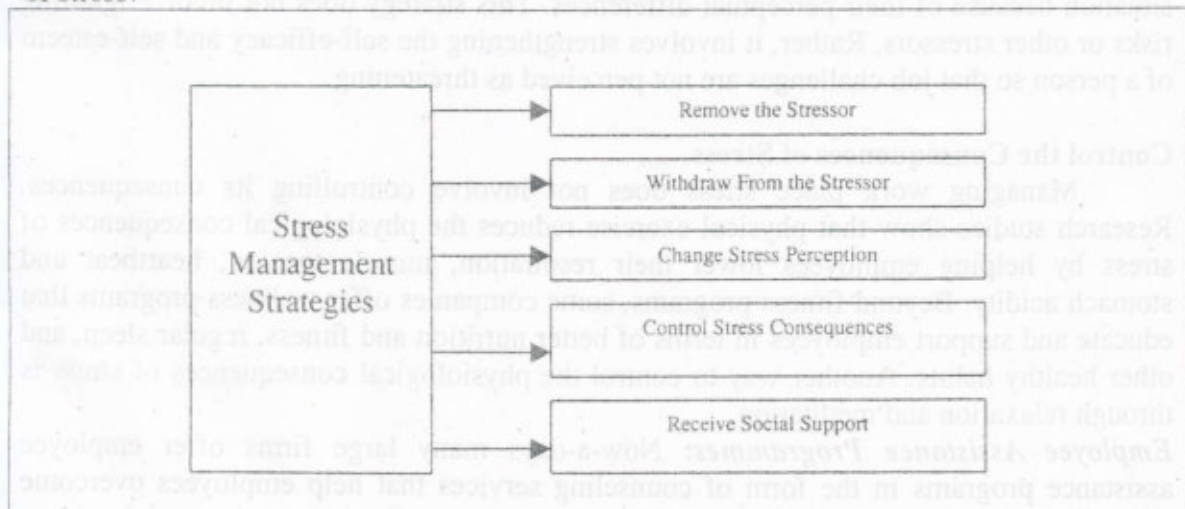
Sometimes work-place aggression may be the consequence of stress. Aggression represents the fight reaction to stress. In its mildest form, employees engage in verbal conflict. They are not likely to empathize with coworkers. Occasionally, it may lead to more dangerous levels of workplace hostility.

### **Managing Work-Related Stress**

In managing work-related stress, both the organization and the employees have joint responsibility. Stress management often includes several strategies. This is shown in the diagram below.

#### **Remove the stressor**

An important way companies can effectively manage stress is by removing the stressors that cause unnecessary tension and job burnout. Other stress management strategies may keep employees "stress-fit", but they don't solve the fundamental causes of stress.



**Fig:11.1 Stress Management Strategies**

In managing stress, organizations have to investigate the main causes of stress in their workplace. For example, one may ask employees to complete confidential questionnaires to identify when and how they experience stress. You may remember that one of the most powerful ways to remove workplace stressors is to empower employees so that they will have more control over their work and work environment. Placing employees to positions that match their competencies can minimize role related stressors. Noise and safety risks are stressful, so improving these conditions would also go a long way to minimize stress in the workplace.

**Family-Friendly and Work-Life initiatives:** The most common work-life balance initiatives are flexible work time, job sharing, telecommunicating, personal leave programs, and childcare support. Many firms have flexible timings with regard to the hours, days, and amount of time employees want to work.

Job sharing splits a career position between two people so that they experience less time-based stress between work and family. They typically work different part of the week, with some overlapping work time in the weekly schedule to coordinate activities.

Telecommuting reduces the time and stress of commuting to work and makes it easier to fulfill family obligations, such as temporarily leaving the office to pick up the kids from school. Research suggests that telecommuters experience a healthier work-life balance. Employers with strong work-life values offer extended maternity, paternity, and personal leaves to care for a new family or elderly parents who need assistance. Childcare support reduces stress because employees are less rushed to drop off their children and less worried during the day about how well they are doing.

#### **Withdraw from the Stressor**

Removing the stressor may be an ideal solution, but that is not always possible. An alternative strategy is to permanently or temporarily take employees away from the stressor. Permanent withdrawal occurs when employees are transferred to other jobs.

#### **Change Stress Perceptions**

It is known that employees experience different levels of stress in the same situation because of their perceptual differences. This strategy does not involve ignoring risks or other stressors. Rather, it involves strengthening the self-efficacy and self-esteem of a person so that job challenges are not perceived as threatening.

#### **Control the Consequences of Stress**

Managing work place stress does not involve controlling its consequences. Research studies show that physical exercise reduces the physiological consequences of stress by helping employees lower their respiration, muscle tension, heartbeat and stomach acidity. Beyond fitness programs, some companies offer wellness programs that educate and support employees in terms of better nutrition and fitness, regular sleep, and other healthy habits. Another way to control the physiological consequences of stress is through relaxation and meditation.

**Employee Assistance Programmes:** Now-a-days many large firms offer employee assistance programs in the form of counseling services that help employees overcome personal or organizational stressors and adopt more effective coping mechanisms. Employee assistance programmes can be one of the most effective stress management

interventions where the counseling helps employees understand the stressors, acquire management skills and practice those skills.

### **Receive Social Support**

Receiving social support from co-workers, supervisors, family, friends, and others is one of the more effective stress management strategies. Social support refers to the person's interpersonal transactions with others and involves providing either emotional or informational support to buffer the stress experience.

Social support reduces stress in at least three ways. First, employees improve their perception that they are valued and worthy. This, in turn, increases their self-esteem and perceived ability to cope with the stressor. Second, social support provides information to help employees interpret, comprehend, and possibly remove the stressors. Finally, emotional support from others can directly help buffer the stress experience. People seek out and benefit from the emotional support of others when they face threatening situations.

### **Suggested Questions**

1. Define stress. What are the symptoms and consequences of stress.
2. What is job stress? What strategies do you adopt for managing job stress?
3. What are organizational stressors?
4. How does stress levels change from one individual to another?
5. Identify the sources of stress and outline individual as well as organizational coping strategies aimed at preventing and eliminating stress.

### **Further Readings**

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