SHIVAJI UNIVERSITY, KOLHAPUR
CENTRE FOR DISTANCE EDUCATION

Management Concepts and Organizational Behaviour

Paper-I

M. Com. Part-I

Semester - I

(From Academic Year 2013-14)
Sem. I : Unit 1

Evolution of Management Thought

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1.0 Unit Objectives:

The main learning objectives of this chapter are as below
1. To highlight the major influences on the development of management thought.
2. To state the management approaches that have evolved over the years.
3. To explain the major contributors in evolution of management thought.
4. To explain management in 21\textsuperscript{st} century.
5. To describe the Concept of International Management.
6. To explain the impact of globalization on management.

1.1 Presentation of the subject matter:

The purpose of studying various evaluation of management thought is to enable, recognize and appreciate how developments have taken place in the field of management could contribute to current practices. The past and present approaches can help to discover the strengths and weaknesses of current managerial practices and finally it helps to the potential manager of an organization centre to choose appropriate management styles. During the brief history of management as a discipline, number of separate schools of management thought have emerged, some are broad, some are narrow in scope and some are quite specialized.

According to one school of thought, history has no relevance to the problems facing by managers today. Some are also of the opinion that management thought or theory is too abstract to be of any practical use. However, both theory and history are indispensable tools for managing contemporary organizations. The management thoughts are the guiding and motivation principles for today’s management and managers.

Today’s management is both a reflection of and a reaction to past management theories. Therefore, it is highlighted on some earlier management thoughts contributed by eminent scholars. Beside this highlighted on the international management and impact of globalization on management, which significantly influence on the management principles and practices. Today’s management is the outcome of earlier management thoughts. Management is depending on situation in which the manager has tackling the problems and issues. It is true that there is no any stereo type technique for solving any management issue but the solution of any management issue is depend on basis management thoughts and application of these thoughts in a particular scenario.
1.1.1 Evolution of Management Thought:

Management practice is as old as human civilization when people started living together in groups. For every human group requires management and the history of human being is full of organizational and behavioral activities because human being is the ‘social animal’. However, the study of human managers achieves result is predominantly a twentieth century phenomena. In this period different management approaches, concepts, theories, methods, issues emerged and this point of view several authorities have contributed as social scientist, economist, sociologist and psychologist etc. The Industrial Revolution, which began in Europe in the mid of 1700s i.e. 1760 to 1830, was the starting point for the development of management concepts and theories. The rapid growth in the number of factories during this period and the need of coordination the efforts of large number of people in the production process necessitated the development of management theories and principles. Atomization, competition, mass scale production, production before demand, varieties of production, etc factors have affected on management thoughts. The world war-I, industrial revolution, world war-II, international recession etc. factors have forced to think for management and bring into practice. Many theories and practitioners in the mid and late 1800s (pre classical period) contributed valuable ideas that laid the foundation for subsequent, broader inquiries into the nature of management. During the last 100 years, management has become a more scientific discipline with certain standardized principles and practices. The evaluation of management thought during this period can be studied in three parts as under.

1. Early Classical approaches: This represented by scientific management thought, administrative management and bureaucracy.

2. Neo-Classical approaches: This represented human relation movement and behavioural approach.

3. Modern approaches: This represented quantitative approach, system approach and contingency approach.

However, the present situation started changing with the beginning of the present century, specially the world war-I created the situation where people started thinking of solution for the problem of how limited resources could be applied better way. The world war-II added further problems to this end, and from second world war to present globalization era different authorities contributed in management time over time such as Michal Porter, Mary Parker Follett, Petter
Drucker and C. K. Pralhad etc. Hence, it is necessity to introduce and understand the different management thought in modern era.

- Management is the continuous function where different thinkers have been contributing early classical approaches and modern approaches. These thinkers have evolved different management thoughts including competitive strategy, economic development of the nation, importance of human resource management, setting the objectives, motivation, communication, productivity of knowledge workers, core competence and bottom of the pyramid etc. The different authorities contributed in management thought time over time. However herewith highlighted some thinkers, those have contributed management thought, such as Michal Porter, Mary Parker Follet, Peter Drucker and C. K. Prahalad.

1.1.2 Contribution of Michal Porter (1947): Michal Porter is the Bishop in William Lawrence University Professor at The Institute for Strategy and Competitiveness, based at the Harvard Business School. He is a leading authority on competitive strategy and the competitiveness and economic development of nations, states, and regions. His work has generated analytical tools used by business schools, managers and public policy makers like five-force analysis, generic strategies, the value chain, activity systems, the national diamond and industry innovation clusters. Broader applications of Porter’s analytical frameworks have included health care, non-profit organization strategy, economic development of inner cities, national competitiveness, clusters and innovation capacity, cross-industry linkages, environmental quality and competitiveness and regional economic development. Michal Porter’s core field is competition and company strategy. He is generally recognized as one of the intellectual leaders of the modern strategy field and his ideas are taught in virtually every business school in the world. His work has also re-defined thinking about competitiveness, economic development, economically distressed urban communities, environmental policy, and the role of corporations in society. Michal Porter’s work is recognized in many governments, corporations and academic circles globally. He chairs Harvard Business School’s program dedicated for newly appointed CEOs of very large corporations.

Contribution:
- Competitive strategy: Competitive strategy is the vital contribution of Michal Porter which is very much required for effective management. It is based on competitiveness of the organization. Porter has developed five force model for determination of competitive strategy.
This strategy should be based on new competitors’ entry in the industry which may create threats to the profitability of the existing company. The risk of new entry may be high or low and profitability may favourable or unfavourable.

- **Economic development of nations**: Management should be used for economic development of the nation, state and region too. According to Michal Porter management strategies should be adopted for the development of the nation. Entry of new firms, purchasing power of buyer, bargaining power of suppliers, substitute products etc. factors have affecting on economic development of the nation. According to Porter economic development is depend on effective and strategic utilization of available resources.

- **Analytical frameworks**: Michal Porter has focused on analytical framework, which includes health care, nonprofit making organization’s strategy, industrial linkages, cluster capacity, innovation in the organization etc. He focused on the management that they should focus on analysis of framework of the organization. It shows that there should be pre determined structured framework for getting competitive advantages. This contribution helps for satisfying both parties viz. buyer and seller. Analytical framework helps for creating win-win situation in the organization.

- **Role of corporations in society**: The corporations have been playing dominant role in the society. According to Michel Porter corporations have using different resources by which they are generating the profit, where not to exploit the customers is the role of corporations in the society. Porter wrote the book on ‘The competitive Advantages of Nation (1990)’ where he highlighted the role of corporations in society. Quality, quantity, bargaining power, demand and supply, services offered, substitute products production, forward and backward integration etc.

1.1.3 **Contribution of Mary Parker Follet (1868-1933)**: Follet was an American political scientist and management thinker who experienced career as a management guru. In the 1920s she was well known on both sides of Atlantic, but her star was later eclipsed by the more masculine approaches that seemed to be better familiar with the second world war era. The principles of democracy and cooperation is in all Follet’s writings with and politics, business and education, in fact, she thought that democratic principles should be taught from an early age.
Follet narrated about community, experience and the group, and how these related to the individual and the organization. A business, is a micro virgin of human society. An organization is one in which people at all levels should be motivated to work and participate. They should gather their own information, define their own roles and shape their own lives. Organizations are based fundamentally on cooperation and coordination; this is the single unifying principle holding them together. She advocated ‘power with’ (a jointly developed power) rather than ‘power over’ as the key to social progress and business success, which did not suit the prevailing mood before, during and after the second world war, but it is much more in tune with recent management thinkers. Henry Mintzberg and Rosabeth Moss Kanter, are the fans of Follet’s approach.

Contribution :

- **Focused on Human Resource Management**: Human Resource Management is vital in an organization. To get it done, effective leadership is required where leader can control the subordinates through functional leadership. He focused on HRM because this resource is the basic resource which leads the other resources in an organization. There was the dilemma that leader should be born or made and Follett said that leader can be made and not necessary he should be born only. HRM is required for coordination of staff and employees. Mary Parker Follett focused on speedy and effective management and it is possible when HRM is effective.

- **Group activities are important**: Group activities and common responsibilities are the contribution of Mary Parker Follett. Organizational goal is a common task, which can be achieved with the help of group activities. This approach will help for development of integral responsibility among the employees. To work effectively, to minimize unnecessary movements and to train the new entrants, group activities are very much important. Mary Parker Follett has focused on constructive conflict, where integration is required to solve the conflicts. She highlighted group activities may lead the conflicts but all conflicts are not good or bad in nature but how we coordinate the groups and their activities, which helps for drawing positive outcome from the group activities.

- **Power sharing is significant**: In management, power sharing is very important. Mary Parker Follett has focused the concept of ‘power sharing’ in her book Creative Experience. Power is an instrument to get it done but how you are utilizing power is important. She focused on integration, circular behavior and situation theory for elaborating the power sharing
concept in the organization. She also referred ‘power over’ and ‘power with’ for effective utilization of power in an organization. Here power over means power on people and power with means two individuals or groups pool their power to arrive at a solution. Follett has focused on power should not be centralized but it should be decentralized or function based power should be provided.

- **Integration is vital**: Mary Parker Follett has contributed that to solve the conflict, the effective integration is the vital way to satisfy both the parties and not necessary to scarify by only one party, which is not advisable. To solve the conflicts among the officers and employees. The chief authority should work as the mediator or councilor to solve the conflicts among the officers and employees. Unsatisfied employees are problematic to the organization, so Mary Parker Follett has suggested that integration among all members of the organization is required.

1.1.4 **Contribution of Peter Drucker (1909-2005)**: Peter Drucker was renowned as the creator of management as a discipline in its own right. He was born in 1909 in Vienna and studied in England before immigrating to the USA in 1937. When he became Professor of Management at New York University in 1950, he was, in his own words, ‘the first person anywhere in the world to have such a title and to teach such a subject’. Drucker’s groundbreaking management book about General Motors, Concept of the Corporation, was published in 1946. In it, he asserted that management was not a rank or a title, but a responsibility and a practice - a discipline that can be taught and must be studied, just like other disciplines. Drucker is a creative writer who has coined new phrases and introduced new concepts that have become firmly established as facts of management life. His two famous books, The Practice of Management (1954) and Management Tasks, Responsibilities, Practices (1973), describe his philosophy and approach to management and are also textbooks that teach the reader how to manage. Despite advancing years; Drucker has continued to contribute fresh ideas, publishing Management Challenges for the 21st Century in 1999. He has the guru’s capability of presenting concepts and ideas clearly and persuasively to his audience, and is eminently quotable. The best way to predict the future is to create it. A manager is responsible for the application and performance of knowledge. The most important contribution; management needs to make in the 21st century; that has to increase the productivity of knowledge work and the knowledge worker.
**Contribution:**

- **Setting objectives:** Peter F. Drucker has focused on setting up an objectives for the organization. He suggested that every organization should have basic and important objectives. He contributed marketing innovation, human organization, financial resources, physical resources, productivity, social responsibility and requirement of profit are the objectives of the organization. To capture and survive in the market, society, financial market, minimization of cost of production, maximization of output and management by objectives (MBO’s) are important. Peter F. Drucker has highlighted ‘setting objectives’ in his famous book “The Practice of Management”. According to Drucker, maximization of business profit should not be only one object of any organization but setting different objectives are very much required.

- **Organizing responsibility and practice:** Peter F. Drucker has contributed to organize responsibility and effective practices are very much essential in management. For effective delegation of authority, one should determine the responsibility of unskilled, semi skilled and skilled employees. He has contributed span of control and span of management responsibility for effective management. The book, “Concept of the Corporation” has narrated that management was not for a rank or a title but for responsibility, practice and discipline, that can be taught and must be studied just like other discipline. In brief, he has contributed that, “Management as a Discipline”, which is very much required for effective management.

- **Motivation and Communication:** Peter F. Drucker believes federal and functional decentralization, which provides effective management for market, production, profit etc, for which effective motivation and communication is required with all stakeholders of the organization. To get it done from others, proper motivation and effective communication is required.

- **Measurements of performance of knowledge:** Peter F. Drucker has focused in his two books viz. The age of Discontinuity and Managing for Result that “Knowledge is the Business”. He focused that use of information for completion of specific work is called as knowledge and measuring the performance of knowledge become essential. He focused on knowledge should be applicable, skills should be improved, productivity should go up, acquire special knowledge etc. He also contributed that knowledge should be analyzed, which provides percentage of utilization of knowledge, to know that which knowledge to be adopted and utilization of new knowledge etc. He emphasized on establishing measurements of performance of knowledge.
● Developing people: ‘Get it done’ is the basic philosophy of management, where developing the people is required. Peter F. Drucker has focused on development of people who are the real instruments for mobilizing other resources in an organization. Human resource is the vital resource among all resources, where development of human resource in all respect is essential. Drucker has highlighted that manpower should not treated as a machine but should be treated as human being, so employees will work effectively in an organization. He focused on right selection, right job, right status, right salary and wages etc which will help for developing people in an organization.

1.1.5 Contribution of Coimbatore Krishnarao Prahalad (1941-2010): C. K. Prahalad was the Paul and Ruth McCracken Distinguished University Professor of Corporate Strategy at the Stephen M. Ross School of Business in the University of Michigan. During his life, he was frequently ranked as one of the most prominent business thinkers in the world. He was renowned as the co-author of “Core Competence of the Corporation” (with Gary Hamel) and “The Fortune at the Bottom of the Pyramid”. C. K. Prahalad has been among top ten management thinkers in every major survey for over ten years. Business Week said about him: “a brilliant teacher at the University of Michigan, he may well be the most influential thinker on business strategy today.” He was a member of the Blue Ribbon Commission of the United Nations on Private Sector and Development. He was the first recipient of the Lal Bahadur Shastri Award for contributions to Management and Public Administration presented by the President of India in 1999.

Contribution:

● Core competence: C. K. Prahalad has contributed the basic concept of core competence. Core competence is a bundle of skills and technologies that enables the company to provide particular benefit to customers. He focused on specialty, neatness, special capacity etc where relationship management, risk management, skills, services, transaction processing etc. factors are considered. Prahalad has narrated that one should know employee’s core competence and work accordingly for getting more benefits in the competitive world.

● Bottom of Pyramid: This contribution has focused on new business model targeted at providing goods and services to the poorest people in the world. The fastest growing new markets and entrepreneurial opportunities being found among the billions of poor people at the bottom of the pyramid. It is focused on low income markets that provide opportunity for the
world’s wealthiest companies to seek their fortunes and bring prosperity to the aspiring poor. Innovations, access to information, deregulation, product development, effective distribution, qualitative production, reduction in resource intensity, responsibility, renewable energy and profitability etc are the tools for development of the poor masses.

- Business strategy making: C. K. Prahalad has focused on business strategy making. It is highlighted that at all levels of the management should accept the business strategy making philosophy. New strategic skills should be adopted, which includes risk; financial; talent management and trading skills which are useful for business strategy making.

1.1.6 Management in 21st Century:

21st Century Management is a challenging management for the business executives. In this management, economic utilization of all limited resources is required in the business world. A business organization is the association of shareholders, labourers, customers, owners, government, suppliers, bankers and society. To satisfy these all stakeholders of a business, in 21st Century, modern management practices are required. In 21st century management effective corporate governance is essential, total quality management is essential, quality circle should be established, logistic management, benchmarking, six sigma standard, kaizen, just in time, fishbone diagram - cause and effect theory, relationship management, relationship marketing, knowledge management, intellectual capital, core competency, human resource development, return on investment, time management, stress management, effective leadership, return on talent, etc. parameters are incorporated. 21st century management is the function of all together new approaches from product centric to customer centric in all field. It is a management of gross national happiness. This is an information era, where knowledge workers have more value because they have more productivity, creativity and innovation. Information network is the base of 21st century management. Today’s 21st century management is based on traditional management, classical management, scientific management, Japanese management etc.

Management has been around since the dawn of civilization. The “hit them with a whip” school of management suffered a decline and fall in the 20th century. Other methods of managing workers received classical expression in Frederick Taylor’s Scientific Management in 1911. What might be called the “efficiency expert” school of management was for the most part supplanted around the 1960s by a more “humanistic” approach, whose classical exponent was the psychologist Abraham Maslow. These ideas revolutionized the mental model for managers.
by suggesting that they replace thinking about how to get people to do things with thinking about to help people. Best practice management concepts in the late 20th century also included excellence and total quality management, reengineering, systems thinking, cross functional teams, empowerment, delivering and flat organization charts, learning organization, dialogue, reinventing work, and diversity. Moreover, cross-fertilization between academia and the business community created a vast increase in management related research activity in 21st century. Some of these trends, such as TQM and reengineering, KAIZEN, SQC, QC, Fishbone Diagram, etc. Others trends – such as learning and diversity – progressed to the point where “second generation” (learning organization) or “new” (diversity) versions appeared. In the early 21st century, it was even easy to see the development of a “third wave” in these well-established concepts. Just as the 21st century has seen new types of organizations and new ways of doing business arise, so, there are new management trends, ideas, and techniques. In the 21st century management some most important ideas has referred like management is for everyone, management is for learners, management is based on communicating, management is about change, management is broad based, self innovation, coaching, knowledge management, team work, continuous improvement, future oriented, outcome based management, etc. Peter Drucker has focused People-centered management and the valid purpose of a firm. He has called as the founder of the emergent discipline of 21st Century management that is centered on people who said “I was very conscious I was laying the foundation of a discipline”. “American management has been no more fad-conscious than any other. Japanese and European managers have been just as oriented to fads”, “A key to innovation is not to try to be brilliant, but to be simple…. Sow small seeds and make them bears big fruit” etc.

1.1.7 International Management:

The term “Multinational Business” refers to profit-related activities conducted across national boundaries. It could be importing goods or selling to overseas consumers or establishing subsidiaries or production units in other countries. Companies now see the whole world as one big market which can be explored to their advantage. So it is important for managers to understand how to conduct business activities in different countries and that is called as International Management. In LPG scenario multinational business houses have been increasing for them effective management is required to face the world competition for which International Management is required.
The management of business operations for an organization that conducts business in more than one country it called as International Management. It requires knowledge and skills above and beyond normal business expertise, such as familiarity with the business regulations of the nations in which the organization operates understanding of local customs and laws, cross culture knowledge, and the capability to conduct transactions that may involve multiple currencies in the International Management. Today number of MNCs have been working, their production centers, distribution centers and offices are across the globe, where International Management is required. International Management deals with the maintenance and development of a multinational operation across national borders, whose manager has the knowledge and the skills to manage and handle cross-cultural processes, stakeholders and environments in a right way. Effective utilization of resources and achieving organizational objectives is an integral part of international management. International management unique approach is that its operations are across national borders. In international management one should be noted that different countries have different mode of behavior, culture, habits, values, life style, attitude etc. Where cross cultural management skill and knowledge is required.

- **Business Definition for International Management:**

There is no specific definition of International Management. However in business point of view it is stated that as below,

“The maintenance and development of an organization’s production or market interests across national borders with either local or expatriate staff”.

“The process of running a multinational business made up of formerly independent organizations”.

“The body of skills, knowledge, and understanding required to manage cross-cultural operations”.

From the above statements it is understood that, it is difficult to identify specific definition for International Management because of different countries have different management practice as per environment, laws, situation etc. and there is need of skill and knowledge for the management of cross cultural operation and company or organization to go for internationally because of to get benefit of international market.

- **Need of International Management:**

Business organization may go international for aggressive marketing and reasons identified by Stefan H. Robock and Kenneth Simonds, which are as below…
1. **Market Seeking**: To explore new markets for their products international management is required. Production of product is somewhat easy but marketing is difficult, so seeking market is essential.

2. **Resource Seeking**: to look for cheaper sources of raw material or labour. Man, Money, Material, Machinery, Marketing, Method, Motivation, Monopoly, Movement, Management, etc are the important ‘M’s in the international management. To get these all Land, Labour and Capital resources with affordable cost and continuously is very much essential.

3. Production Efficiency Seeking: to look for better infrastructure require for production. Maximization of the production is the mantra for cost reduction and creation of monopoly in the market. To satisfy the customers and fulfill the needs of the customers, one should maintain production efficiency in the organization.

4. Technology Seeking: to make use of superior technology. Modern technology is essential for timely production and minimization of manpower. It is necessary that the world famous technology is required which leads towards global competency for the business.

**The other reasons are …**

- **To earn greater profit.** Profit is the reward of sacrifice of all resources, so optimization of profit is essential. International management provides that how to stand in the world market. To face LPG challenges, international management is required, which provides greater profit to the organization.

- **To satisfy management desire to expand the business.** For getting need based and situation based benefits, expansion of the business is required. In the business world, to get the large scale business benefits, expansion is essential.

- **To protect domestic and foreign market.** International management provides balance between domestic and foreign market. They provide necessary and sufficient information for domestic and foreign markets.

- **To ensure reliable supply of raw material.** Raw material is the backbone of any business. The success or failure of any business is depending on raw material. Timely, neatly, easily, economical, continuously availability of raw material is very much essential and it is possible due to international management.
- **To acquire technology.** Accepting and purchasing technology become easier due to international management. Cost effective technology should be acquired.

- **To use available resources in optimum way.** Effective utilization of available resources is essential. International management supports for optimum use of available resources.

From the above reasons; it is need to understand the concept of International Management, it is necessary develop knowledge and skill of managers for taking international benefits and effective management of multinational corporations. In International Management planning, organizing, staffing, leading and controlling are the dominant management functions to be used. Asset liability planning, MNCs and product line organizing, home country, host country and third world country based staffing, cultural environment leading, cost and tax control are the important activities in the functions of International Management. Japanese management and William Ouchi ‘Z’ theory have been using for International Management for increasing productivity at international level.

### 1.1.8 Impact of Globalization on Management:

The concept of globalization refers to an increasing flow of goods and resources across National borders and the emergence of a complementary set of organizational structures to manage the expanding network of international economic activity and transactions. Strictly speaking, a global economy is one where firms and financial institutions operate transnation i.e., beyond the confines of national boundaries. In such a world, goods, factors of production and financial assets would be almost perfects substitutes everywhere and would no longer be possible to consider national states as distinct economies. Globalization are expected to accelerate grow of the developing countries. Globalization is the trend toward a more integrated global economic system with four components like, globalization of production, globalization of markets, globalization of investment and globalization of technology.

Globalization has depicted in 1990s as the ultimate stage of development for the field of International Management. Globalization would require from large business firms with highly skilled managers to cope up with the challenges and responsibilities of the so-called global market. Ten years later, the scenario has changed considerably. As globalization headed towards placing an extraordinary amount of power in the hands of large corporations, international management became a major concern not only to business firms and their managers, but also to government and other institutions.
The globalization significantly made impact on the field of management likewise production, human resource, marketing, finance, technological intervention etc. Therefore, the globalization has significant impact in the area of management practice. The skill or the cost advantages that drive globalization efforts also impact of it the people managed in corporate. The autocratic style that was fed by ‘hierarchical position conscious systems is being swiftly replaced by flat organization structures, driven by competency and a highly decentralized decision making and problem solving organizational hierarchies in the globalization. Another land mark has change in management methods initiated by globalization happened in the area of organizational function. A new generation leadership skills, styles and methods evolved the straight jacketed approach; certainly defined “good and bad” management styles have been replaced with multiple theories supporting a variety of leadership styles. Leadership today is associated with the particular place in the life cycle of an organization, it is industry specific and management is hired to achieve a very specific objective for MNCs. In this way globalization affected on the management decision, style and practice.

1.2 Summary:

The evaluation of management thought began with the industrial revolution in the 1800s. Earlier advocates like Robert Owen, Charles Babbages and Henry Towwen narrated the way for various approach like as Classical approaches, Neo-Classical approaches, Modern approaches. However, all thought or school has some limitation, thus herewith consider modern management theories or thought contributed by renowned authorities such as Michal Porter, Mary Parker Follet, Peter Ferdinand Drucker and C. K. Prahalad. Furthermore highlighted on concept of International Management which has significance in multinational corporation or organization as well as globalization has impact on management, which globalization has been introduced in India since 1990 and it has influence on business decision making, management, leaders and management style.

1.3 Terms to remember (key words):

The key word of this chapter as evolution of management thought, international management and Globalization and Management etc.

- **Management Thought**: Approach or way or thought to get things done from others.
- **International Management**: The planning, organizing, leading, controlling for international business activities.
Globalization: The boundary less business transactions.

Strategy: Need based and situation based broadly defined future course of action.

1.4 Check your progress:

(A) Fill in the blanks.
1. ....................... was a brilliant teacher at the University of Michigan.
2. According to ....................... it is necessary to ensure that the worker is fully employed as it whole man with right selection, right job, right status, right salary and wages.
3. Industrial revolution began in ....................... in Europe.
4. Human relation movement and behavioral approach has found in ....................... classical approach.
5. ....................... strategy is the basic contribution of Michal Porter.

(B) State true or false.
1. Mary Parker Follett has focused on Human resource Management.
2. Focused Strategy is concerned with overall market.
3. Integration is the most difficult solution to resolve conflicts.
4. Core competence has short term value.
5. C. K. Prahalad has contributed the concept of Bottom of Pyramid.

(C) Choose appropriate answer.
1. Modern business is more ........
   a. Labour oriented
   b. Management oriented
   c. Capital intensive
   d. Situational
2. Mary Parker Follett was ............. political scientist and management thinker.
   a. American
   b. Indian
   c. Japanese
   d. None of these
3. Peter F. Drucker was born in ........
   a. Kerala
   b. Vienna
c. London
d. None of these

4. MBO’s means ……………
a. Management Based Operations
b. Man By Office
c. Management By Objectives
d. All of these

5. …………… management means profit related activities conducted across national boundaries.
a. Internal
b. International
c. Local
d. All of these

1.5 Answers to check your progress:

(A) Fill in the blanks.
1. C. K. Prahalad  2. Peter F. Drucker  3. 1760-1830  
4. Neo  5. Competitive

(B) State true or false.

(C) Choose appropriate answers.
1. (c) Capital intensive  2. (a) American  3. (b) Vienna  
4. (c) Management by objectives  5. (b) International

1.6 Exercise:

(a) Write short notes.
1. Peter F. Drucker
2. C. K. Prahlad
4. Need of International Management.
5. Impact of globalization on management.

(b) Essay type / long questions.
1. State the Evolution of Management Thought.
2. Explain the Contribution of Management Thinkers in Modern Era.
3. What is the International Management? Explain the need of International Management?


1.7 Books for further reading:


6. “Introduction to Management” - Published by ICFAI center for Management Research.


Sem. I : Unit 2
Basics of Management

2.0 Unit Objectives

2.1 Presentation of Subject Matter
  2.1.1 Introduction and Definitions
  2.1.2 Characteristics and Significance of Management
  2.1.3 Managerial Skills
  2.1.4 Henry Mintzberg's roles of manager
  2.1.5 Management of Change - Introduction and Need for change
  2.1.6 Resistance to change
  2.1.7 Remedies to overcome the resistance

2.2 Summary

2.3 Terms to remember

2.4 Check your progress

2.5 Answer to check your progress

2.6 Exercise

2.7 Books for further reading

2.0 Unit Objectives:
After studying this unit you can understand,
  1. Management definitions, characteristics and significance.
  2. Managerial skills and Henry Mintzberg's roles of manager.
  3. Management of change, Need for change.
  4. Resistance to change and remedies to overcome the resistance.
2.1 Presentation of subject matter:

In every organisation 'Management' is a must activity. Without management no organisation can achieve its own objectives. In the increasing of complexities, managing the business organisation becomes a difficult task. So, the need of management has increased tremendously.

Hence, this unit of 'Basics of Management' clears the term management in detail with the help of characteristics and significance of management. Further this unit explains managerial roles and management of change in modern business.

2.1.1 Introduction and definitions:

Introduction to Management:

Every individual has to manage his individual activities. But it is most common in group life. As we find it in schools, hospitals, trade unions, factory workers etc. as well as in the private organisations and even in family. Management plays a vital role in business organisation. It regulates productive activities through co-ordinated efforts and efficient as well as economical use of resources - men, materials, money and machinery. We use management to achieve the decided objectives. Management is a way of discipline to work together to achieve common goals. If workers are left to work themselves, the results may not be as per pre-decided objectives.

No organisation can run successfully unless there is application of management. Particularly in group activities to achieve common objectives management becomes imperative. It this focus 'Horold Koontz' says - "Management is an art of getting things / work done through and with the people."

Management is a universal process. It has its place not only in business enterprises but also in political, military, religion, charitable and educational institutions.

It is everywhere like an air in the space, without which we can't survive. Likewise without management no-body will act as a common man.

In the words of Marshall E. Demock,

"The management is not a matter of pressing a button, pulling a lever, issuing orders, scanning profit and loss statements, promulgating rules and regulations. Rather it is the power to determine what shall happen to the personalities and happiness of entire people, the power to shape the destiny of a nation and all the nations which make up the world."

• Definitions of Management:

The term 'Management' can be interpreted differently in different contexts. To know a better and detail meaning of management, let us refer various definitions of management contributed by different scholars.
(I) According to the Theo Haimann the term management is used in three different senses, viz : i) Management as a Noun. ii) Management as a Discipline and iii) Management as a process or group of functions.

i) Management as a Noun - In this sense the term 'Management' refers to the 'group of persons' managing the affairs of the organization. (i.e. - The governing body of any Institution, Board of Directors of a company, Executive council or Managerial council of an Institution etc.)

ii) Management as a Discipline - In this sense the term 'Management' is described as a subject or faculty, which can be taught and learnt. Various universities, commerce colleges, Business schools and Management Institution offer the diplomas and degrees in the management discipline, viz : BBA, BCA, B.Com., M.Com., MBA, C.A., C.S., DBM, DMM, DIT etc.

iii) Management as a process / functions - In this sense the term 'Management' relates to the process of managing or managerial functions like planning, organizing, staffing, directing, co-ordinating, communicating, reporting, budgeting and controlling.

The following diagram indicates the cycle of actions is described as the management is process or group of functions.

Diagram I - 'Management'
So, the management first involves workable plans. The plans are then put into action resulting in decided target or goal. And these results are evaluated and constantly compared with the objectives laid down in the plans. The same functional definitions are given by other experts also.

II) Functional Definitions of Management:

The management process or management function, has been defined by different management experts in different ways.

They are:

1) Management is what management does: According to many management experts, management is the sum of all those functions concerned with the working of an enterprise.

- Dr. James Lundy
- Ordway Tead
- George R. Terry
- Henry Fayol
- McFarland
- Peter F. Drucker.

2) Management is a process for the utilisation of minimum input for the production of maximum profit:

Management is a process through which all the resources are organised and utilised to attain maximum output with minimum input.

- John F. Mee
- Mary Cushing Niles

3) Management is the art of getting things done:

- Prof. Harold Koontz
- E. F. Brech
- J. L. Haynes
- S. George
- Willam Spriegel
- E. Peterson

4) Management is the function of executive leadership:

According to some management experts, management is the function of executive leadership everywhere.

- R. C. Davis
- J. N. Schulze
- James D. Mooney

5) Management is the development of people:

According to some management experts, management is the development of people.
In other words of Lawrence A. Appley, "Management is the development in people and not the direction of things. It is personnel administration."

The view of Lawrence Apply has been endorsed by the head of an American Corporation. The head of the American Corporation remarked, "We do not build automobiles, airplanes, refrigerators, radios, shoe-strings. We build men, the men buil products."

**Conclusion**: Each definition emphasises only a particular aspect of the term 'Management'. So, one can get a complete view of the total concept of management only by combining the various views. In short we can say, 'From planning to control whatever functions are there all these functions together is called 'Management' i.e. 'POSDCORB' + 'C'

The same can be explained by following diagram.

**Diagram II - 'Management'**

![Diagram II - 'Management'](image)

The above given diagram indicates various functions which are directed towards the same target or organisational objectives are known as 'Management.'

**2.1.2 Characteristics of Management**

Following are the important characteristics of management.

1) **Management is a objective oriented activity**: Management is not an accidental outcome/activity it always requires a certain objectives. It is the economic function of manager to make efficient use of available resources to earn profits.
2) Management is a functional concept: Management implies the skill in getting things done through people. It give life to materials, machinery and money. It is a rational and intellectual process that needs to be perform continuously. Hence, we can say management is a functional concept.

3) Management is related with efforts of a group: When there is a one man show it does not require management. But whenever and whenever more persons come together to achieve some common objectives; management plays a vital role. Management co-ordinates individual efforts into a team.

4) Management is universal: The principles of management are universal and not confined to any particular industry or area. The basic principles of management are universally applicable in any sphere; where group efforts are require. Management is applicable to all forms of human organisation whether it is profit-making or non-profit making.

5) Management is a system of an authority: Authority is the power to make others active in a predetermined manner. Since management is a process of executing work from others. It enjoys an authority to extract the required work from others.

6) Management is not necessarily related with owners: Due to complexity and largness, present business management is separated from ownership. At present in most of the concerns managers are professional men, possessing education, knowledge, skill and ability require for carrying out the job of manager efficiently. Thus, now a days, management is growing as a distinct discipline and a profession.

7) Management is a social science: Now a days, the science of management is universally accepted as a wide and distinct discipline. There are certain fundamental concepts, theories, tools and techniques which constitute the subject matter of the social-science. To get things done from the people manager has to establish inter-personal relations with them. He has to understand the behaviour of all as individual members as well as members of a group.

8) Management is an integrated process: Management integrates men, machine, material and money to carry out the operations of the organisation.

9) Working with and through subordinates: Management involves working with subordinates for getting organisational objectives to achieve through them.

10) Management is a continuous process: Management is a dynamic and life giving process the cycle of management continues to operate so long as there is organised action for the achievement of common goals / target or so long the organisation continue to exist.
11) **Management is an art as well as a science** : Management is a science as it is a systematic body of theoretical knowledge. Management is an art because the managers have to make the use of their skills and experiences, while applying these principles of management.

12) **Management is a profession** : Management is a profession because professional attributes are applicable to management. It can be taught as a separate discipline. The rapid development of business and the separation of ownership from management have contributed to the emergence of management as a distinct profession.

**Significance / Importance of Management**:

The importance of management in a modern society is very great, because of various advantages derived from the efficient management. Having better management existing resources can be fully utilise, productivity can be increased and as a whole it helps to development of society. Countries with limited natural resources like Japan, Switzerland etc. have been able towards successfulness with efficient management of the limited resources.

It is therefore rightly said that.

```
Anything + Management = Success
Anything - Management = Nothing / "O"
```

We already know the planning, organisation, co-ordination, direction, motivation, control etc. are the functions of management. These functions themselves indicate the importance of management. As laying heaps of stones and bricks does not make a building; like wise mere/only collection of production resources does not result in production. It will not be an exaggeration to say that business without management is like a temple without a deity. Management is considered to be the brain of business. Which plans, co-ordinates resources of production to get thing done through other people.

Following are some other reasons for focusing the growing importance of management in the business world.

1) **Full Utilisation of factors of production** : In the absence of management four M's i.e. money, machine, material and men would have been wasted.

Management makes use of its skill and knowledge to make economical use of factors of production avoiding wastage to increase labour efficiency and to extract what is best in them and to channelise the process of production in a right manner.
2) **Management meet the challenges of change**: Now-a-days the rate of change is accelerating. Change is inevitable, change requires new adjustments and new equilibrium. This can be carried out with the help of management.

3) **Adoption of new technology**: To survive in a cut-throat competition, it is necessary for an enterprise to give quality products at competitive prices. For this purpose management makes use of new technology of production. Management always keeps itself equipped with up-to-date knowledge.

4) **Management creates cordial relations in organisation**: Now-a-days workers are aware of their rights and they are having their unions to deal with workers problem. To handle workers tactfully and to get work done satisfactory from workers management is must to create cordial relationship with them.

5) **Maintain flow of work**: An efficient management plans the work programme of each department in such a manner that there is a constant and smooth flow of work and there should not be any interruption at any stage of production management get it through co-ordination in between levels of management as well as sectional co-ordination.

6) **Management creates stability**: An efficient management increases overall efficiency of business as a result efficiency increases the profit of a business. This makes business economical sound and stable. Also it adds to its reputation at large. Fluctuations in supply of goods and services to the society can be stabilized by the management.

7) **Accomplishment of various interest of different groups**: Management has to strike a balance between customers’ satisfaction, shareholders’ interest, welfare of workers and public interest and social responsibility of business. Management thus is a key to higher productivity, better services to consumers and higher standard of living for the community.

### 2.1.3 Managerial skills:

A manager’s job is varied and complex in recent years. So, managers require various type of skills to perform their duties/job. Some of the scholars have studied, experienced and mentioned managerial skills - as follows.

I) **Skills of different levels of management**. (Robert K. Kalz)

II) Managerial skills check-list. (E. H. McGrath)

III) **Skills of Tomorrow's Managers**. (Lewis S. H. and Goodman)

IV) **Skills of International Managers**. (C. G. Howard)

I) **Skills of different levels of management**: During the early 1970s, Robert K. Kalz indentified three kinds of skills for managers at Top, Middle and Lower level. These are technical,
human and conceptual skills. Later, he added one more skill to the previous three skills. The fourth skill is design skills. (i.e. - ability to design solutions).

1) **Technical skills**: These skills enables the manager to accomplish the techniques/mechanics required in performing a particular task at lower level. These skills are more useful in selecting technical personnels (viz - R & D manager, formen, jobbers etc.). These skills relatively less important as managers working at top level.

2) **Human Relation skills**: These skills refers to the ability of the manager to work with others and to win full co-operation from the working group. It also enables the manager to understand and recognise the views and suggestions expressed by his subordinates and make necessary adjustments or changes in these views for smooth functioning of the business.

3) **Conceptual Skills**: These skills are required at the top level management while technical skills are essential at the lower level management. But human skills are important at all three levels of management.

   Conceptual skills refere to the ability to know the way and to visualise the concern as a whole and to envision the various functions involved in a given situation. For this, the manager requires imagination, broad knowledge and mental capacity to conceive ideas.

4) **Design skills**: These skills refer to the ability of a manager to find solutions to problems in ways that would benefit the enterprise. Managers at top level should be able to design a rational and feasible solution to the problem by considering the various internal and external factors.

The following figure shows managerial skills required at different management levels.

**Diagram III - 'Managerial skills at different level'**
II) Managerial skills check-list :

E.H. McGrath has classified 21 skills in four different groups as follow:

A) Personal Qualities:
1) Manager should be energetic physically, mentally to motivate subordinates.
2) Setting aside emotions a manager should take care of organisational objectives.
3) To avoid management stress a manager should maintain mental peace at reasonable extent.
4) A manager should have tolerance capacity to come-over from uncertainty.
5) A manager should have capacity to maintain different relations with various persons having various interests.
6) A manager must like to learn and devote necessary time for better leadership.

B) Interpersonal skills:
7) A manager should possess positive impression on followers.
8) A manager should command respect from others through best leadership.
9) A manager should have awareness of each various situation and have behaviour according.
10) A manager should be reasonably flexible in his behaviour.
11) A manager should have self direction and allow others to enjoy autonomy.

C) Problem solving skills:
A manager must have -
12) Fact finding ability.
13) Capacity to organise resources and people.
14) Interpreting information.
15) Proper planning skill.
16) Capacity for decision making.
17) Firmness about his decisions and actions to be taken.

D) Communication skills:
A manager must have -
18) Verbal clarity and convincing skill.
19) Written communication skill.
20) Skill of understanding and handling objections.
21) Interest in listening others.

III) Skills of Tomorrow's Managers:

Lewis and Goodman stated tomorrow's manager should possess the following skills:

i) The team leader.
ii) The technology master.
iii) The foreign ambassador.
iv) The change maker.
v) The 21st century leader.

IV) Skills of International Managers:

C. G. Howard in his article published in June 1992 gave the following list of international managerial skills as follows -

a) Multi-dimensional perspective.
b) Line management proficiency.
c) Good decision-making.
d) Resourcefulness
e) Culturally adaptive
f) Culturally sensitive
g) Team-building skills
h) Mental-maturity
i) Negotiating skills
j) Change agent skills
k) Visionary ability

2.1.4 Henry Mintzberg's roles of manager:

Henry Mintzberg has studied the work roles of the top executives or managers. He has classified these ten roles into 3 areas or sections. These areas are interpersonal relationships, information processing and decision making.

A) Interpersonal Roles:

1) Manager's role as a figurehead: A manager acts as a figurehead or top official. He has to perform social and legal obligations.
These obligations include greetings or receiving visitors, signing legal papers, taking important visitors for lunch or dinner. He has also to attend subordinator’s wedding and other ceremonies. He has to deliver lectures at various functions.

2) Manager’s leadership role: He has to motivate the staff to give maximum performance. He must be an ideal leader so that his subordinaters follow his directions or guidelines. Manager has to set examples before his subordinate means he should behave as a well known model in all respect.

3) Manager’s role as a liaison officer: A manager is a connecting link in between the company and the outside world. He has to maintain contacts not only with his subordinates and superiors but the outside people connected with the company.

He has to play his role as a liaison officer by attending public meetings, professional conferences, personal phone calls, sending and receiving e-mails.

B) Informational roles:

4) Manager’s role as a monitor: The manager has to continuously monitor the internal and external development. He should have sound knowledge of the things happening in and around the organisation. To get such information he can collect reports from departments and can have periodicals, journals from outside sources. He has to process this information which is useful to run the business smoothly.

5) Role as transmiter (disseminator) of information: A manager is responsible for spreading widely the information he received from various sources. He has to transmit and pass the information regarding changes in politics, economics and society to his peers, intimates and other memebers in organisation. This process, he can do through memos, phone calls, sending e-mails, personal contact and meeting at the various levels in the organisation.

6) Role as a spokesman: A manager represents his organisation. He is a spokesman of his company. Manager has to communicate any required information to concerns on behalf of the organisation.

C) Decisional role:

7) Manager’s role as a interpreneur (paramotor): A manager is basically an interpreneur. He is always in search of new ideas for product improvement and development. For this he can achieve the new information through suggestion boxes, holding strategy meetings with the project manager and R & D department. He can get new ideas from the interent and the websites of the various compaines.
8) Role as a Conflict handler (disturbance handler) : The employees may have some conflict with the management. Such conflicts may be due to various reasons. Such as demand for more wages, better services and working conditions. So manager has to role as an arbitrator in resolving differences. Some conflicts may involve outsiders such as suppliers govt. officials etc.

9) Manager's role as resource allocator : A manager has to see that the funds available are properly allocated and utilise. He has to make budget for various business operations and allocate it in an objective manner.

10) Manager's role as a negotiator : A manager has to enter into contract with the labour unions for their demands. The purchase manager has to negotiate prices with the vendors. The marketing manager may negotiate price with the main customers. The finance manager may negotiate for the procurement of the funds from the banks or financial institutions.

2.1.5 Management of Change - Introduction and Need for change :

Introduction :

Change is one of the permanent and constant fact in the life of an individual and organizational life. There are number of changes like change in nature, change in season, change in organisation and change in physical and biological sciences etc. ‘Change in life, is a spice of life’ such changes are always for better tomorrow or future. The major problem is how to incorporate changes in the organisation. An organisation which fails to respond such environmental changes will go out of existence. The change is unavoidable in every organisation. When change affects the system, equilibrium is disturbed and need arises to adapt to change and regain equilibrium. Change requires new adjustments and a new equilibrium.

According to 'John Newstorm' and 'Keith Davis' - 'Change is any alteration occurring in the work environment that affects the ways in which employees must act.' Any organisation is a part of society, so any change in technical, economic, market, legal environment has an effect on organisation and vice-versa. An organisation has to adapt internal or external environmental changes for survival in business world.

'Management of change' is defined by Dr. Joseph L. Massie as "a conscious and concerted initiative by those who are in charge of the destiny of the business undertaking to keep a constant and intelligent watch over the behaviour of uncontrollable forces, to assess their impact and influence on the controllable forces and to evolve appropriate strategies and action programme to maintain a dynamix equilibrium between the controllable and uncontrollable forces."
Any change in environment affects the entire organisation and require an organisation to change. Now - a - days it's slogan 'change or perish' and the same is the warning to the today's managers.

**Need of change :**

The need of change arises due to internal and external factors. The purpose is to achieve the objectives of organisation. Following are the various factors responsible for making change.

**Need of change**

<table>
<thead>
<tr>
<th>I) Internal Factors</th>
<th>II) External Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Change in personnel</td>
<td>1) Technological changes</td>
</tr>
<tr>
<td>2) Change in leadership</td>
<td>2) Economical changes</td>
</tr>
<tr>
<td>3) Change in employees' attitudes</td>
<td>3) Market changes</td>
</tr>
<tr>
<td>4) Strategic changes</td>
<td>4) Political and Legal changes</td>
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<td></td>
<td>5) Environment and Demographic factors</td>
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<tr>
<td></td>
<td>6) International changes and competition</td>
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<tr>
<td></td>
<td>7) Social and cultural changes.</td>
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(TEMPLEDISC)

**I) Internal Factors of change :**

In any organisation there is always internal change as there is change in external factors.

1) Change in personnel as workers are retiring, getting promotions, transfer from one branch to another or departmental transfer, turnover of workers, regular absentism of trained workers, termination or new recruitment etc.

2) Leadership is depend upon individual attitude and culture; if leadership changes; it affects organisation as the style of leadership changes.

3) The work environment is totally depend upon the employees' attitude towards organisation and this attitude depends upon various internal factors of organisation.

4) As per changing environment - to survive organisation take drastic steps to change and for this the organisation make new strategy in betterment of organisation to improve productivity and quality. It is imperative for organisations to recognise the need for change and learn to manage the process effectively.
II) External factors of change:

Every organisation has to interact with society, other organisations as well as with customers, suppliers, shareholders, trade unions, government etc. So, change in external factors force organisations to change themselves. These external factors are as follow.

1) Technological changes: Now-a-days competition is on global level. To survive in such type of tough competition, organisation has to adopt new technology. When e-business revolution is taking place, organisations must accept new technology and the work structure has to be changed as per.

2) Economical changes: Due to LPG policy economic conditions are changing very fast. The whole world become one market. The present policy of Indian government relating to FDI (Foreign Direct Investment) in public undertaking is an example of changing economic scenario, which compel the organisation for making change in regular policy.

3) Market changes: As our government accepted free-trade policy world become one market. In this open market competitors are entering in market with the product of quality. To compete with this world wide competition and to survive - organisations has to change accordingly.

4) Political and Legal changes: In a democracy, the power politics change after every election. Similarly, the government makes same changes in existing laws which situation insist the organisations to make change in their policy.

5) Environment and Demographic factors: Now-a-days all governments have accepted the policy of ecological balance and to protect environment at all level every organisation has to participate in this movement. For this it is made compulsory to make changes in infrastructure, machinery and policy of organisation. Demographic factors include - size and growth of population, urbanisation, literacy rate, life expectancy, standard of living etc. affects the organisation to make changes.

6) International changes and competition: International factors include relations between two countries, foreign exchange policies, foreign capital, war situation, tourism policy etc. and present tough competition situation compel the organisations to change accordingly.

7) Social and cultural changes: Multinational companies are bringing innovative products in market. These companies are getting workforce from diverse regions, languages and cultures. These large companies are getting quick access to global customers and partners on the web.
Due to this situation organisations has to change its policies as the society and culture has changed rapidly.

The above external factors of change which have been expressed in catchword 'TEMPLEDISC' by using the first character of each factor.

2.1.6 Resistance to change:

The attitude of employees and organisation (i.e. - Personnels at top level) plays an important role in deciding response to change. This response (support or oppose) to change depend on the outcome of the change. However, resistance to change is natural, the following are the factors responsible for resistance to change. Which are classified in two major factors (viz. - Individual factors and organisational factors.)

Factors responsible for Resistance to change

(A) Individual Factors  (B) Organisational Factors
1) Economic Reasons 1) Form of organisation
2) Obsolescence of skills 2) Threat to established resources allocation
3) Problem of Adjustment 3) Threat of Position
4) Change in position 4) Wastage and obsolescence
5) Lack of trust 5) Other conditions
6) Psychological factors -
   a) Fear of uncertainty
   b) Group Pressure
   c) Disturbance in social relationship
   d) Problem of ego

(A) Individual Factors of resistance:

Following are the reasons / factors generating resistance to change.

1) Economic factors: Employees resist change when they feel that change causes their economic loss. The major losses are unemployment, reduction in present pay, reduction in monetary benefits, demotion etc. (Example - Fear of automation and computerisation might create the above situation).
2) Obsolescence of Skills: Change may cause some discomforts in job. New job requires learning new procedures and forgetting old ones which is a most dislike activity with employees. (Example - Introduction of computerised accounting will automatically reduce manual accounting.)

3) Problem of Adjustment: When new change is introduced employees have to face new situation and the old techniques are no longer required and the security of the familiar activity is lost. Change may create feeling of non-possibility of adjustment with new work and leads to increase stress. Hence, change is generally resisted.

4) Change in position: Generally employees do not want to change their present position in job. Of course new change requires re-defining of job, change in responsibility etc. which is inconvenient and uncomfortable to employees. The same feeling may cause of resistance.

5) Lack of trust: If the past experience of change is unfavourable to employees and had bad experience, employees lack trust in change and they may resist to change.

6) Psychological factors:
   a. Fear of uncertainty - The fear of unknown ways of doing job creates threatening and uncertainties in mind many employees feel extremely insecure.
   b. Group Pressure - Every employee belongs to a specific formal group. Sometimes employee may be unable the pressure of the group. As the employee is a member of the group he also resists the change.
   c. Disturbance in social relationship - Man is a social animal. He may feel that change is likely to disturb the social relationship of people. It may affect their daily customs, norms etc. (Example - transfer of employee may disturb his social relationship and friendship at that place.) Hence, employees resist to change.
   d. Problem of ego - Everyone has some ego which one tries to maintain. Ego means state of thinking, behaving and feeling. Any adverse affect/change on these, will be resisted by employee.

(B) Organisational Factors:

Like individuals, some organisations may resist the change. Particularly when organisation's function is based on traditional lines they always resist to innovation and change.

Some important reasons of organisational resistance are as follows:
1) Form of organisation: Some forms of organisation are more resistant to change. Particularly bureaucratic form of organisation does not favour to any change. Change does not suit to the present organisation structure.

2) Threat to established resources allocation: The departments, which are getting more benefit from current resource allocation resist change. As they feel that after change they may not get proper share of resources.

3) Threat of position: Sometimes, the top level personnels consider change as a threat to their position. Because, they feel change may reduce the power and influence on employees. Hence, they always resist the change.

4) Wastage and obsolescence: Sometimes, when the change is introduced many of fixed assets become obsolete and useless. So the organisations resist to change and continue with old system.

5) Other conditions: Mr. Zandar has given few more conditions which are causing resistance to change. They are as follows.
   a. Nature of change is not made clear to the employees.
   b. Having different meanings by different employees.
   c. If the change is made for personal benefit.
   d. It the change ignores customs and values in organisations.
   e. Those who want change have limited authority and are not competent also.

2.1.7 Remedies to overcome the resistance:

It is always better to explain employees / personnels why the change is to be accepted. What are the benefits of change to the individuals and organisation, Transparency and free flow of communication may benfited to overcome the resistance.

(A) Efforts at Individual level:

Following ways to be applied to overcome the resistance at individual level.

i) Educate and train employees to accept the change.

ii) Make participation and involvement of employees in the process of change.

iii) Using leadership qualities persue the employees for change.

iv) Create environment to make committed employees for change.
(B) Efforts at Organisational level:

Following efforts would be useful in overcoming resistance at organisational level.

1. Slove the problem of resistance at grouplevel rather than at individual level.
2. Total group should be taken into confidence.
3. Arrange training programmes for the entire group.
4. Take help of professional consultants to make top officials favourable for accepting the change.
5. Apply change gradually after careful thought.
6. Initiate change and take feedback of it.

2.2 Summary:

- **Basics of Management**: Management is an essential activity of every organisation. Not only in business organization but management is everywhere in human and business life. It is just like air, without which we cannot live.

  Management means getting things done successfully from others. Theo Haiman has defined this term (1) Management as a noun, (2) Management as a discipline and (3) Management as a process / functions. As per this third definition of management, it's a functional term. Luther Gullik also stated this term in keyword as 'POSDCORB'+C'. It means from planning to control all functions together or group of these functions is called management.

- **Characteristics of Management**: Management is a (1) Purposeful activity (2) functional concept (3) associated with efforts of a group (4) Universal (5) system of an authority (6) Manager's are not necessarily owners (7) Social Science (8) an integrated process (9) working with and through group (10) Continuous process (11) art as well as science (12) Profession.

- **Significance of Management**: Anything + Management = Success

  Following reasons grow importance of management -

  (1) Full utilisation of factors of production (2) Use of new inventions and techniques (3) handling of labour (4) Flow of work (5) stability.

- **Managerial skills**: The scope of managerial job has become more complex in recent years. Manager must require various type of managerial skills.

  1) **Skills for different levels of Management (Robert K. Katz)**: (a) Technical skills (b) Human skills (c) Conceptual skills (d) Design skills.
2) **Managerial skills check-list (E. H. McGrath)**: (I) Personal Qualities (II) Interpersonal skills (III) Problem solving skills (IV) Communication skills.

3) **Skills of tomorrow's Managers (Lewis S. H. and Goodman)**: (a) The team player (b) The technology master (c) The foreign ambassador (d) The change maker (e) The 21st century leader.

4) **Skills of International Manager (C. G. Howard)**: (1) Multi-dimentional perspective (2) Line management proficiency (3) Good decision making (4) Resourcefulness (5) Culturally adaptive (6) Culturally sensitive (7) Term - building skills (8) Mental maturity (9) Change agent skills (10) Visionary ability.

- **Henery Mintzberg's roles of manager**:
  
  (A) **Interpersonal Relationship**: (1) Manager's role as a figurehead (2) Manager's leadership role (3) Manager's role as a liaison officer.
  
  (B) **Information Processing**: (4) Manager's role as a monitor (5) Role as transmitter (disseminator) of information (6) Role as a spokesman.
  
  (C) **Decision-Making**: (7) Manager's role as a interprenour (8) Role as a conflict handler (9) Manager's role as resource allocator (10) Manager's role as a negotiator.

- **Management of change**: Change is constant in the life of organisation. Organisation which change according to the change in environment will survive and grow. Due to internal and external environmental factor, organisations have to change their working. Change is resisted by individual and also at organisational level under fear of loss. There are number of causes of resistance to change. Managers have to resolve the causes and reasons behind resistance to change by adopting different measures.

  Business environment is changing constantly. Different environmental factors like 'TEMPLEDISC' have posed a challenge as well as created opportunity to business organisations.

2.3 **Terms to remember**:

1) 'POSDCORB'+/'C'  2) Managerial skills  3) Management  4) Management of change  5) Resistance to change  6) Remedies to overcome the change  7) 'TEMPLEDISC'.

2.4 **Check your progress**:

(A) Fill in the blanks.

1) ................. is getting things done, from others.
2) Luther Gullik has given key word for definition of functional management as ...... +'C'.

3) Mintzberg has suggested ................. roles of managers.

4) Change is ................. in human life.

5) Change or ................. is the mantra of today.

(B) State True or False.

1) 'Management' is a functional concept.
2) Business organisation is a part and parcel of a society.
3) Psychological factors are not one of the cause of resistance to change.
4) Robert K. Kalz has given four skills of different levels of management.
5) Most of the employees accept the change.

2.5 Answers to check your progress:

(A) Fill in the blanks -
1) Management 2) 'POSDCORB' 3) Ten (10) 4) Permanent 5) Perish

(B) 1) True 2) True 3) False 4) True 5) False.

2.6 Exercise:

(A) Write short answers.
1) What is management?
2) Significance of management.
3) Any three characteristics of management.
4) Managerial skills given by Robert K. Kalz.
5) Explain interpersonal role of manager.
6) What role manager has to play as an information officer.
7) What are the internal forces of need for change?
8) What are the external factors of need for change?
9) Which are the individual reasons for resistance to change?
10) What are the organizational causes for resistance to change?

(B) Essay type / Long Questions.
1) What do you mean by 'Management'? Explain the characteristics of Management.
2) Describe the importance of management in detail.
3) What are the managerial skills?
4) What are the different roles of manager as given by Mintzberg?
5) What is change and why there is a need for change?
6) What are the reasons of resistance to change?
7) What are the different efforts / ways to overcome the resistance?
8) Give Individual reasons which are responsible for resistance to change.
9) Give organisational causes which affect the resistance to change.
10) What are the skills of International managers given by C. G. Howard?

2.7 Books for further reading:

4. ICFAI Centre for Management Research 'Introduction to Management', Hyderabad
3.0 Objectives of the Unit

3.1 Subject Matter

3.2 Managerial Functions
   3.2.1 Planning – Concept.
   3.2.2 Significance of Planning.
   3.2.3 Planning Process.
   3.2.4 Organizing - Concept.
   3.2.5 Principles of Organizing.
   3.2.6 Staffing – Concept.
   3.2.7 Process / Steps of Staffing.
   3.2.8 Directing – Concept.
   3.2.9 Process of Directing.
   3.2.10 Controlling – Concept.
   3.2.11 Process of Controlling.

3.3 Summary

3.4 Terms to remember

3.5 Check your progress

3.6 Answers to check your progress

3.7 Exercise

3.8 References
3.0 Objectives of the Unit:

a) To acquaint the students with the basic concepts and process of major managerial functions of planning, organizing, staffing, Directing, Controlling.

b) To create the awareness among the students about the need of basic management functions in this modern changing business environment.

3.1 Subject – Matter:

This unit focuses upon the five major and important functions of management. These five functions are planning, organizing staffing, Directing and controlling. POSDCORB is the key word used by Luther Gullick to explain the functions of management in POSDCORB; P stands for planning, O for organizing, S for staffing, D for directing, Co for co-ordination, R for reporting and B for budgeting. But in this topic the concept and process of planning, organizing, staffing, directing and controlling are covered mainly. This unit explains the steps followed in major functions of management. There are some sequential procedures required to be followed in case of planning, organizing, staffing, directing and controlling. Management functions are very important in this changing world of business environment. Students will be able to understand the concept and procedure of performing the major functions of management in this unit.

3.2 Managerial Functions:

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

Different authors have classified functions of management. According to George & Jerry, "There are four fundamental functions of management i.e. planning, organizing, actuating and controlling." According to Henry Fayol, "To manage is to forecast and plan, to organize, to command & to control". Whereas Luther Gullick has given a keyword 'POSDCORB' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. Planning, Organizing, Staffing, Directing and Controlling.
3.2.1 PLANNING - CONCEPT:

Planning is required in every decision in the life. A person whether engaged in businesses or not have to frame a plan to proceed further. The plan period may be long or short. Deciding about all the aspect is called planning. A problem about taking decision on these matters rises when there are more than one possible answers therefore it can be said to be a process of choosing. Planning is the first function of management. It is essential for successful achievement of objectives. Planning is the process of thinking the course of action for achieving pre-determined objectives of the organization.

According to Knootz and O’ Donnel –

“Planning is deciding in advance what to do, how to do, when to do, and who is to do. It bridges the gap from where to start and where to go.”

According to George Terry –

“Planning is the selecting and relating of facts, making and using assumptions regarding the future in the visualization and formulation of proposed activities believes necessary to achieve desired results.”

According to Henry Fayol –

“Planning is deciding the best alternative among others to perform different managerial operations in order to achieve the pre-determined goals.”

Planning is the act which looks into the future. It involves pre-determined line of action, discovers the best alternative from available courses of action and selects the objectives, policies, programmes and procedures to achieve the targets. Planning is continuous process which requires considerable time for implementation after integrating different activities of organization. Development of an organization depends on successful planning.

Characteristics of Planning:

1. Planning focuses on achieving the objectives: Management begins with planning and planning begins with the determining of objectives. In the absence of objectives no organization can ever be thought about.

2. Planning is the primary function of Management: Planning is the first important function of management. The other functions-organising, staffing, directing and controlling come later. In the absence of planning no other function of management can be performed.
3. **Planning is continuous** : Planning is the process which begins with the beginning of business itself and ends with the ending of the business. It means that as along a business exists, the planning process is continuous.

For example, a company plans to sell one lakh units in the coming year. Suddenly, many competing companies enter the market. This will naturally affect the previous position of the company and therefore, it shall have to revise its planning.

4. **Planning is Futuristic** : Planning decides the plan of action - What is to be done, how is to be done, when is to be done, by who is to be done, all the questions are related to future. Under the planning, answer to these questions is found out. While an effort is made to find out these answer.

5. **Planning is mental exercise** : Planning is known as a mental exercise as it is related to thinking before doing something. A planner has mainly to think about the following questions:

   1. What to do ?
   2. How to do it ?
   3. When to do it ?
   4. Who is to do it ?

### 3.2.2 SIGNIFICANCE OF PLANNING :

Planning is important and basic function of management. It suggests the way by which objectives can be achieved. Without activities determined by planning nothing can be organized, activated and controlled. Organization may suffer failure. If there is defective and inadequate planning. Managerial planning attempts to achieve a consistent and co-ordinated structure of operation focused on desired ends. Actions without planning leads confusion.

Business have to work in uncertain and changing conditions. It is very difficult to carry out the business under such circumstances. Effective planning can anticipate the uncertain situations and help to co-ordinate all the resources effectively. Thus planning is the foundation of most successful action of the organization. Success comes from successful plans.

Planning is the first and most important function of the management. It is needed at every level of the management. In the absence of planning all the business activities of the organization will become meaningless. The importance of planning has increased all the more in view of the increasing size of organizations. In the absence of planning, it may not be impossible but certainly difficult to guess the uncertain events of future.

1. **Planning facilities Decision making** : Decision making means the process of taking decision. Under it, a variety of alternatives are discovered and the best alternative is chosen.
But is important to determine the objectives before the discovery of alternatives. Objectives are determined under the process of planning. So, it can be said that planning facilitates decision making.

**2. Planning reduce risk of Uncertainty** : Planning is always done for future and future is uncertain. With the help of planning possible changes in future are anticipated and various activities are planned in the best possible way.

**3. Planning reduces overlapping and wasteful activities** : Under planning, future activities are planned in order to achieve objectives the problem of when, where, what and almost decided. This puts an end to disorder. In such situation coordination is established among different activities and department. It puts an end to overlapping and wasteful activities.

**4. Planning provides Direction** : Under the process of planning the objectives of the organization are defined in simple and clear words. The outcome of this is that all the employee's important role in the attainment of the objectives of the organization.

**5. Planning establishes Standards for controlling** : By determining the objectives the objectives of the organisation through planning all the people working in the organization and all the departments are informed about whe, what and how to do things. Standards are laid down about their work, time and cost. Under controlling, at the time of completing the work, the actual work done is compared with the standard work and a deviation are found out and if the work has been done as desired the person concerned is held responsible.

### 3.2.3 PLANNING PROCESS:

To plan is to chart out the future course of action to achieve the desired goal. For this purpose, the following major steps are involved in planning process.

Planning is a continuous process which is unending process which indicates the following of systematic procedure. The steps in planning include the segmental procedure followed by the planning committee. When we look at planning in the context of management process, it is called activity, it is being a part of management. But on the order hand, when it is studied separately it is called a process because to complete one has to clear many steps one after the other. So far as the number of steps included in the planning process is concerned it depends on the size of the organization. Different organization can have different planning process. The following steps are generally taken in the business organization during the planning process.

**1. Forecasting of Professional Opportunities** : Planning needs to search for professional opportunities in the business. The objectives can be set after knowing the
opportunities. The professional opportunity may be in the form of units of production, sales units, profit in rupees, profit in percentage.

2. Establishment of objectives: Planning is closely associated with the objectives of the organization. If there are no objectives there is nothing to plan. Objectives must be laid down in the clearest possible item. In the planning process objectives are determined and defined first of all so that all the employees concerned can be informed about them to get their complete cooperation. Objectives have a hierarchy of their own organizational objectives, departmental objectives, and individual objectives etc.

3. Forecasting: Forecasting means assessing the future on the basis of present situation and past experiences. Accurate forecasting leads to correct decisions about future course of action. Accurate forecasting helps to make accurate planning. The basis of planning is those factors which influence the possible results of different alternatives. Before taking a final decision about any alternative a forecast of this assumption is made. The rate of success of planning will be in direct proportion to the rate of the success of forecasting. The assumption of planning is two types:

   (1) Internal premises - capital, labour, raw material, machinery etc.

   (2) External premises - Government policies, business competition, taste of customer rate of taxes etc.

4. Establishing the sequence of Activities: Planning includes the forecasting of so many activities. The proper sequence for those activities is essential. In order to have a successful execution of the basic plan as also of the derivative plans proper sequence is decided.

5. Determining of Alternative Courses: There are several alternatives for achieving the organizational objectives. Therefore, the next step in the planning process is to search for the examiner alternative course of action. However the more common problem is not selection of alternative but reducing the number of alternatives. So that the most promising option may be anaylsed. For a single alternative a careful analysis of different alternatives the best one is selected. Sometimes the analysis yields more than one alternative course with similar merits. Keeping in view the uncertainties of future it is justifiable to select more than one good alternative course One of such alternative is adapted and other is kept in reserve.

6. Selection of Alternative Course: After having searched and examined the alternative courses, The next step is to evaluate the alternatives taking into consideration their factorable
and unfavourable problem as one alternative may have some favourable points and other alternative may have some other favourable points. All those alternative courses which are up to the expectations of the minimum primary criteria are selected for intensive study. It will be seen as to what extent a particular alternative course can help in the attainment of the objectives of the organizations. There is however, one problem which confronts us while analysing these alternative courses. Every alternatives course has its merits and demerits.

7. **Implementation of plan and Budgeting**: First the department-wise budgets are prepared and then a master budget for the whole enterprise is prepared to give meaning to plans. Financial aspects are covered under budgeting. After having decided the chief plan and the subsidiary plans, they are to be implemented. After implementing the plans the sequence of different activities has to be decided. In other words, it is decided as to who will do a particular job and at what time.

8. **Follow up**: This is the last step in planning. After having adopted major and expected plans and they are brought into execution, the process of planning does not end with the implementation of plans. Plans are formulated for future which is uncertain. It is of great importance that there is a constant review of plans so as to ensure success in the uncertain future. The moment there appears to be changes in the plans also. In this way we can say planning is continuously moving process.
It is necessary to make a provision to check that the actual work is being executed and results are obtained at each stage according to plans and in case of variances of differences to actual, corrective steps are taken immediately.

3.2.4 ORGANISING : CONCEPT :

Organizing is a function which helps in making activities to be performed effectively. The process of organization is achieving business objectives. **Organizing** is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

According to Chester Barnard, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results."

Organization is an arrangement of work and working conditions of perform the assigned activities in the effective manner. The organization consists of different departments. Each department performs is work independently.

Organization is a harmonious adjustment of specialized parts for the accomplishment of some common purpose. Organizing is the process of identifying and grouping the work defining and delegating responsibility and authority and establishing relationship for purpose of enabling people to work most effectively together in accomplishing objectives.

Thus function of organization includes determination of activates grouping of activities, allotment of duties delegation of authority defining relationship and co-ordination of activities. Organising can be defined as

According to Theo Haimann - "Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them."

According to Louis Allen - "Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."
3.2.5 PRINCIPLES OF ORGANIZING:

There is a need of some sound principles to develop the efficient structure of organization. These principles are as below:

1) **Unity of objective** – The objective of the business unit influences the organization structure. So the main objectives and supplementary objectives of the business should be defined clearly. Then every part of the organization should be motivated to achieve these objectives.

2) **Specialisation** – Proper division of work promotes specialization. Specialisation can be obtained only when the same work is done repeatedly. Due to specialization every employee concentrates on the things for which he is best qualified. Specialisation helps to achieve maximum output. However each area of specialization must be inter related and there should be proper co-ordination of all departments and activities.

3) **Division of Work** – Proper departmentation is an important principle of sound organization. Work distribution among the departments, Sections and sub-sections should be done properly.

4) **Co-ordination** - Organisation involves division of work and positions among the people. The efforts of the people must be coordinated and balanced to achieve common goals.

5) **Scalar Principle** - This principle is also known as chain of command. It says that the line of authority flows from top to bottom and the chain of command should not be broken.

6) **Authority** – The authority is the tool by which a manager is able to achieve the desired objectives. The authority is a power or right to get work done by others.

7) **Responsibility** – Authority and responsibility go hand by hand. Responsibilities should be clear to every subordinate. It is a moral duty to complete the assigned work.

8) **Delegation** – Proper authority should be delegated at the top levels of organization. Each person should have enough authority to complete the task assigned to him.

9) **Efficiency** – The organization structure should enable the enterprise to work efficiently and to attain its objectives at the lowest cost.

10) **Unity of command** – According to this principle each subordinate should have only one superior, whose orders he has to obey. This is possible when authority – responsibility relationship is being clear to all.
11) **Span of Control** – A manager can directly supervise only a limited number of executives. Hence, it is necessary to have a proper number of executives answerable to the top management.

12) **Principle of Balance** – There should be reasonable balance between all divisional activities, between all sections and sub-sections, flexibility between centralization and decentralization.

13) **Principle of exception** – Executives at higher level should be referred to only important matters. Routine matters should be deal with by the subordinate i.e at lower level.

14) **Simplicity** – The organization structure should be as simple possible as it can be understood by every employee.

15) **Definiteness** – There must be clear understanding between the superior and hrs subordinators. Responsibilities of each position and its relationship with other position should be clearly defined in writing.

16) **Communication** – A good communication system is essential for smooth flow of information for effective, business performance. There should be standing channel for downward & upward communication.

17) **Leadership** – Organisation structure should create a favourable environment in which there is enough opportunity for the management to give effective leadership to the enterprise.

3.2.6 **STAFFING : CONECPT :**

Because of rapid advancement in technology, suitable size of organizations and complex behaviour of human beings the staffing function is getting more importance. Staffing involves manning the organizational structure through proper and effective selection appraisal and development of personnel to fill the roles designed into structure.

After an organization's structural design is in place, it needs people with the right skills, knowledge and abilities to fill in that structure. People are an organization's most important resource, because people either create or undermine an organization's reputation for quality in both products and service. In addition, an organization must respond to change effectively in order to remain competitive. The right staff can carry an organization through a period of change and ensure its future success. Because of the importance of hiring and maintaining a
Staffing is important because committed and competent staff, effective human resource management is crucial to the success of all organizations.

Staffing includes human resource planning, recruitment selection training, development, appraisal and remuneration. It is defined as-

"Staffing is the function by which managers build an organization through the recruitment, selection and development of individuals as capable employees." - McFarland

**NATURE OF STAFFING:**

Staffing is an integral part of management process. It is the responsibility of each manager to ensure constant development of competent subordinates to fill present and future human resource needs. It is an ongoing process. Successful staffing ensures right numbers of people working on rights jobs at right time and right place. Staffing is difficult and challenging as it deals with human factor where accurate measurement is not possible. The following points show the nature of staffing function -

1. **Staffing is an important managerial function:** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.

2. **Staffing is a pervasive activity:** As staffing function is carried out by all managers and in all types of concerns where business activities are carried out.

3. **Staffing is a continuous activity:** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.

4. **The basis of staffing function is efficient management of personnel:** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.

5. **Staffing helps in placing right men at the right job:** It can done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

6. **Staffing is performed by all managers:** Depending upon the nature of business, size of the company, qualifications and skills of managers etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.
3.2.7 PROCESS OF STAFFING:

It is required to obtain the best available people for the organization and to develop their abilities and skill. For obtaining the best people forecasting of personnel requirements is essential. Thus staffing involves determination of quantity and quality of required employees. It also includes training development and appraisal systems. Staffing is carried out through following steps.

1. Analysing Manpower requirements: It is making an analysis of work and estimating the manpower requirement to accomplish the same. The number of people with different skill and knowledge are guesses for different types of work.

2. Recruitment: It is identifying and attracting capable applicants for employment. It ends with the submission of applications by the aspirants. It also includes the proper advertisements for the jobs.

3. Selection: It is choosing the fit candidates from the applications received in the process of recruitment. It needs the scrutiny of the applications on the basis of some specific criteria.

4. Placement: This may be on probation and on successfully completion of the same the candidate may be offered permanent employment.

5. Training and Development: It is concerned with imparting and developing specific skills for a particular purpose.

6. Performance Appraisal: Systematic evaluation of personnel by superiors or other familiar with their performance so as to rank employees to ascertain their eligibility for promotions.

For maintenance, performance and growth of an organization quality human resource plays an important role. Human resource is converted as human assets through different steps mentioned in the staffing process.

3.2.8 DIRECTING: CONCEPT:

Directing is an important managerial function which initiates action. It links different management functions. It is the process that promotes performance by mobilizing human efforts. Directing provides necessary guidance and inspiration to the employees to contribute to achieve organizational goals. The cumulative effect of guiding, influencing and motivating of employees is obtained through the process of directing.
DIRECTING is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, "Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned."

According to Newman and Warren "Activating deals with the steps a manager takes to get sub-ordinates and other to carry out plans."

Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

Direction has got following characteristics:

1. **Important function of management**: The success of planning, organizing and staffing depends on effective directing. For attainment of organizational goals all components should be directed properly.

2. **Pervasive Function**: Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates. Every superior is expected to provide guidance and direction for implementation of policies derived by top management. They are directed by environment condition, market situation and other similar factors.

3. **Continuous Activity**: Direction is a continuous activity as it continuous throughout the life of organization.

4. **Human Factor**: Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.

5. **Creative Activity**: Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
6. **Executive Function**: Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise; a subordinate receives instructions from his superior only.

7. **Delegate Function**: Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

8. **Flexibility**: Directing is used to achieve following objectives
   
   (A) To get the work done
   
   (B) To confirm the work is done with responsibility.

3.2.9 **DIRECTING – PROCESS**:

The process of directing follows in following manner:

1. **Supervision**: It means observing the subordinates and direct them for successful implementation of plan. Supervision is defined by Terry and Franklin as - "Guiding and directing efforts of employees and other resources to accomplish stated work outputs". Supervision is an element of direction. According to Newman and Warren - "Day-to-day relationship between an executive and his immediate assistant and covers training, direction, motivation, coordination, maintenance of discipline etc."

   Supervision denotes the functions performed by the supervisors.

2. **Communication**: It is the process of sharing understanding to attain the objectives. During this exchange process ideas, message and opinions are transmitted in form of suitable direction to concerned participants. According to Newstrom and Davis - "Communication is the transfer of information from one person to another person. It is a way of reaching others by transmitting ideas, facts, thoughts, feeling and values."

   Communication is regarded as basic to the functioning of the organisation, in its absence; the organisation would cease to exist. It is the process through which two or more persons come to exchange ideas and understanding among themselves.

3. **Leadership**: Leadership is the ability to motivate others to obtain objectives cheerfully. Leader directs the group for achieving per-determined goals. A manager must be good leader,
so that he can direct the work force properly. According to George R. Terry - "Leadership is essentially a continuous process of influencing behaviour. A leader breathes life into the group and motivates it towards goals. The lukewarm desires for achievement are transformed into burning passion for accomplishment."

Leadership is the process of influencing the behaviour of others to work willingly and enthusiastically for achieving predetermined goals. It is an essential ingredient for successful organisation. The successful organisation has one major attribute that sets it apart from unsuccessful organisation that is dynamic and effective leadership.

4. **Motivate the people** : For getting work done through others it is necessary to put other people into motion in the right direction. By motivating the inner drives are channelized to fulfill goals of an organization. The goal oriented behavior can be directed though the process of motivation. According to Dubin -

"Motivation is the complex force starting and keeping a person at work in an organisation. Motivation is something that moves the person to action and continues him in the course of action already initiates."

Motivation is the core of management. Technically, the term motivation can be traced to the Latin word 'movere', which means 'to move'. Motivating is a term which implies that one person induces another, to engage in action by ensuring that a channel to satisfy the motive becomes available to the individual. Motive is energizer of action, motivation is the channelization and activation of motives, motivation is the work behaviour itself.

The above are few important functions/ steps of directing function in management.

3.2.10 **CONTROLLING : CONCEPT :**

Controlling is the basic managerial function, which includes measurement and correction of subordinates. According to Fayol “control consists in verifying whether everything occurs in conformity with the plans adopted, the instruction issued and principles established. Control has to point out weaknesses and errors in order to rectify them, prevent their repetition.”

- **NATURE OF CONTROL :**

  1) **Dynamic Process** : Control is flexible process. Effective control is possible only if it changes as per needs and conditions of the organization.
2) **Set of numerous systems** : Control is the system having integration of number of sub-systems. Hence proper co-ordination is required to have better result of the control mechanism.

3) **Ongoing Process** : It is required to have constant watch over activities followed in the organization. Constant review and approval will ensure better performance to attain pre-determined objectives.

4) **Future oriented** : Control is used to improve future events through past experience. A control system is formulated to reduce wastage, losses and deviation from standards. It also helps innovation and improvements.

### 3.2.11 PROCESS OF CONTROLLING:

Managerial control process involves following steps:

1) **Establishing Standards** : For effective control certain standards are to be set. This is linked with planning phase. The quantitative, qualitative and time oriented standards are required to guide performance measurement process. These standards should not be rigid. They must respond the changing circumstances. These standards may be monetary or physical in nature.

2) **Measuring Performance** : For comparing with the standards, performance should be measured. It is easy to compare performance if quantitative standards are available. It is also essential to maintain the records in proper way.
3) **Appraising performance** : It is the process of comparing actual performance with standards already set. This step identify deviation if any from standards. The causes of deviations should be identified for further corrective actions.

4) **Taking corrective Actions** : This step ensures deletion of deviation in future. This is possible through re-planning, re-drawing, clarification etc. The controlling may require change in different managerial functions. If standards are found to be defective, they will be reset in response of the observations. The rectification process responds results of appraisals.

5) **Feed Back** : It covers measurement of performance and its assessment. Actual performance in the form of feed-back is compared with standard. If it is observed that there is deviation, necessary corrective measures are implemented.

3.3 **SUMMARY** :

Managerial functions are very important for effective management system. There are many functions of management by different authors. But there are mainly five functions of management these are planning, organizing staffing, directing and controlling.

1) **Planning** – is the act which looks into future. It includes predetermination of line of actions in advance.

2) **Significance of planning** - Planning is important and basic function of management. It is having the significance like – Refining the objectives, Anticipating uncertainties, operating economically, developing co-operation, Handling complexities, controlling effectively, maximum use of resources and avoiding business failure.

3) **Planning Process** – includes the steps like – Estimating the professional opportunities, setting of objectives, Forecasting, Establishing the sequence of activities Determining of Alternative courses, selection of Alternative courses, Budgeting, follow-up.

4) **Organizing** – is a function which helps in making activities to be performed effectively. It establishes a structure of different activities and positions required to achieve the goals of an enterprise. It is related with allocation of responsibility and delegation of authority.

5) **Principles of Organising** –


6) **Staffing** includes human resources planning, recruitment, selection, training, development, appraisal and remuneration.

7) **Process of Staffing** – It is required to obtain the best available people for the organization and to develop their abilities and skill. Staffing is carried out through the steps like – Analysis of Job, Recruitment, Selection, Retention, Training and development, Performance appraisal etc.

8) **Directing** provides necessary guidance and inspiration to the employees to contribute to achieve organizational goals.

9) **Directing process** includes the steps like – Supervision, communication, leadership and motivation.

10) **Controlling** – Controlling includes measurement and correction of subordinates. It consists in verifying whether everything occurs in conformity with the plans adopted, the instruction issued and principles established.

11) **Process of Control** includes – Establishing standards operations results, Appraising performance, corrective action taken and feedback.

### 3.4 TERMS TO REMEMBER:

<table>
<thead>
<tr>
<th>1) Forecasting</th>
<th>16) Authority</th>
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<tbody>
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<td>2) Intellectual Process</td>
<td>17) Delegation</td>
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<tr>
<td>3) Professional</td>
<td>18) Responsibilities</td>
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<td>4) Goal – oriented</td>
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<tr>
<td>5) Identification</td>
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<td>6) Opportunities</td>
<td>21) Co-ordination</td>
</tr>
<tr>
<td>7) Establishing</td>
<td>22) Communication</td>
</tr>
<tr>
<td>8) Alternative Courses</td>
<td>23) appraisal</td>
</tr>
<tr>
<td>9) Uncertainties</td>
<td>24) Remuneration</td>
</tr>
<tr>
<td>10) Maximisation</td>
<td>25) Recruitment</td>
</tr>
<tr>
<td>11) Resources</td>
<td>26) Selection</td>
</tr>
</tbody>
</table>
12) Utilization  
13) Facilities  
14) Technology  
15) Structure  

27) Retention  
28) Training  
29) Performance  
30) Corrective

3.5 CHECK YOUR PROGRESS:

A) Fill in the blanks:

1) ……………. is a primary function of planning.
2) There are…………….. steps in the process of controlling.
3) Staffing is related with human resource…………………..
4) Establishing standards is the ………………. steps in process of controlling.
5) Anticipating uncertainties is one of the major………………….. of planning function.
6) The process of organisation is to achieve business…………………..
7) As long as the work is in progress, there is need of constant…………………..

B) State whether statement is ‘True or False.’

1) Planning is the base for control.
2) Directing is done only in the beginning of process.
3) There is no need of supervision, communication and motivation in this modern business world.
4) Comparison of set standards with actual results is called controlling.
5) Recruitment, training and performance appraisal is a part of staffing.
6) Organising is the establishing the structure of activities & positions to enumeration of activities.

3.6 ANSWERS TO CHECK YOUR PROGRESS:

A) Fill in the blanks.

1) Planning  2) Five  3) Plan  4) First  5) Step  6) Objectives  7) Direction

B) State whether statement is ‘True or False’

1) True  2) False  3) False  4) True  5) True  6) True
3.7 EXERCISE:

I) Answer in short.
   a) Explain the concept of ‘Planning’
   b) Give the significance of planning.
   c) Explain the steps in planning process.
   d) Explain the concept of organizing.
   e) What are the principles of organizing?
   f) What is the concept of Directing?
   g) Explain the steps in the process of Directing.
   h) What is the concept of staffing?
   i) What is controlling function of Management?
   j) Give the steps of controlling function.

II) Answer in detail (Long Answer Questions)
   1) What is planning? Give its significance?
   2) What are the steps involved in planning process?
   3) What is organizing? Give the principles of organizing.
   4) What is staffing? Give the important steps followed in staffing functions.
   5) What is Directing? Give the directing process of management.
   6) What is controlling function? Explain the step in controlling process.

III) Write short Notes.
   I) Planning and its significance.
   II) Organising and its principles.
   III) Controlling process.
   IV) Steps of Directing.
   V) Staffing & Staffing process.
   VI) Planning Process.
3.8 References (Books for further study):

1. Dr. P.M. Herekar: “Principles of Management.”
   Mehta Publishing House Kolhapur.

   (Tenth Edition) Tata McGraw Hill

3. L.M. Prasad: ‘Principles & Practice of Management’
   Sultanchand & Sons.

Sem. I : Unit 4
Leadership and Motivation

4.0 Unit objectives
4.1 Introduction
4.2 Subject Matter
   4.2 A) Leadership:
      1) Concept and Characteristics
      2) Theories of Leadership:
         2.1 Traits Theory
         2.2 Behavioural Theories
         2.3 Fiedler’s Contingency Theory
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   4.2 B) Motivation:
      1) Concept and Process of Motivation
      2) Theories of Motivation:
         2.a) Maslow’s Need Hierarchy Theory,
         2.b) Herzberg’s Two Factor Theory
         2.c) McGregor’s Theory ‘X’ and Theory ‘Y’
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4.3 Summary
4.4 Terms to remember
4.5 Check your progress
4.6 Answers to ‘Check your progress’
4.7 Exercise
4.8 Books for further reading
4.0 Unit objectives:

After studying this unit, you will be able:

1. To understand as to what is exactly meant by ‘motivation’ and its process
2. To explain the motivation theories propounded by Maslow, Herzberg, McGregor, Alderfer and Vroom
3. To understand various theories of leadership propounded by Fiedler, Harsey-Blanchard, Blake and Mouton and Likert.

4.1 Introduction:

Leadership and motivation are two integral parts of managerial process, which are covered under the directing function of management. These two functions are at the centre of overall managerial process as the management basically implies ‘getting work done from people in the organization.’ Effective leadership and appropriate motivation leads to channelize the efforts of people towards attainment of organizational goals. Both leadership and motivation are the most investigated areas of management. A number of theories of leadership and motivation have been evolved over the years which gained world-wide popularity. They are applied in one or other form till today.

4.2 Subject Matter:

The subject of leadership and motivation is quite vast and multidimensional which encompasses the study of critical role of manager as a leader in different situations, leader-follower relationship, analysis of human behaviour and its managerial implications. The present unit focuses mainly on theories of leadership and motivation.

4.2. A) Leadership:

Leadership is an integral part of overall managerial process. For getting desired work done through people by winning their support, trust and confidence calls for an able leadership. Leadership is an act of influencing subordinates to perform and engage them in achieving a goal. Such an influence of a manager over his subordinates leads them to co-operate willingly and enthusiastically in achievement of organizational goals. In the context of business organization, leadership is viewed as a relationship between a manager (i.e. leader) and the set of his subordinates (i.e. followers). In business enterprises, managers are formal leaders of the subordinates working under them. The quality of an organization is determined by the leader
and the leadership. A leader with vigour, intelligence, experience, foresight, motivating and communication skills succeed. Good and able leaders survive in adverse conditions whereas poor leaders sink even in favourable conditions. Leaders can convert the adversities into opportunities and pulls the business out of loss and takes it to new heights. Success or failure of business largely depends on the quality of its leadership. Walt Disney, Bill Gates (Microsoft) J.R.D. Tata (Tata Group of Industries), Sir Ghanshyamdas Birla (Birla Group of Industries), Sir Raibahadur Gujarmal Modi (Modi Group), Dhirubhai Ambani (Reliance Group), Kiran Mujumdar-Shaw (Biocon Ltd.), Arvind Lalbhai (Arvind Mills), Baba Kalyani (Bharat Forge), Azim Premji (Wipro), Narayana Murthy (Infosys) are some of the notable business leaders.

1) Concept and Characteristics:

The concept of leadership in context of business and its characteristics are discussed hereunder.

- **Concept of Leadership**

  To lead means to guide, supervise, integrate and energize the people and channelize their efforts towards attainment of common goal. The manager is the leader of people working in a business organization who influences their behaviour in organized activity. Leadership refers to manager’s ability to induce subordinates to work towards the group ideals with confidence and keenness. It is an art of changing the behavioural pattern of others (followers) in pursuit of common goals. Following are some definitions of leadership.

  - **Koontz and O’Donnell**: ‘Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.’

  - **John Newstrom and Keith Davis**: ‘Leadership is the process of influencing and supporting others to work enthusiastically toward achieving objectives. It is the critical factor that helps an individual or a group identify its goals and then motivates and assists in achieving the stated goals.’

  - **George Terry**: ‘Leadership is essentially a continuous process of influencing behaviour. A leader breaths life into the group and motivates it towards goals. The lukewarm desires for achievement are transferred into a burning passion for accomplishment.’

  In short, leadership is a process of inter-personal relationships through which a person attempts to influence the behaviour of others towards the attainment of pre-determined objectives.
- **Characteristics of Leadership**

The following are the key-features or characteristics of leadership.

1) **The process of influencing behaviour**: Leadership is basically an influencing process. Influence means the ability to change behaviour, attitude and belief of others. As a leader, the manager controls, modifies and directs the behaviour, attitudes and beliefs of subordinates and directs them towards attainment of common goals.

2) **Existence of followers**: Leadership never exists in vacuum. For leadership, the existence of followers is essential. A leader is to be obeyed by followers. In a business organization, the manager is a leader and his subordinates are his followers.

3) **Working Relationship**: There exists working relationship between a leader and followers. Leader is always to the forefront. He pulls the subordinates to the heights of accomplishments. Leader awakens the emotional and rational powers of followers and the followers obey his orders and devote towards attainment of common goals.

4) **Different from Bossism**: Leadership is not merely a bossism. A true leader obtains hearty cooperation of followers not through coercion but through mutual help and convincing. A boss dictates followers while a leader leads them. The followers work willingly and enthusiastically under a leader.

5) **Common Objective**: Both a leader and followers strive to achieve common objectives. Further, the leader reconciles the difference between individual’s goals and organizational goals.

6) **Sets Ideals**: Leadership is basically an act of influencing the behaviour of others. Hence, generally the followers knowingly or unknowingly imitate the leader’s behaviour. Leader’s specialty, his behaviour stimulates others for hard and honest work. Therefore a leader sets ideals of behaviour and exhibits his talent, knowledge, expertise, skills and acumen. Leaders have to a role-model for followers.

7) **A blend of Individual Traits and Personal Qualities**: Leadership is a complex blend of individual traits and personal qualities such as presentable personality, drive, integrity, self-confidence, emotional stability, decisiveness, communication skill, social and inter-personal skill and so on. Truly speaking these traits differentiate a leader from others.

8) **Continuous Process**: Leadership is not a one-time activity but it is a continuous process. The leader has to act continuously to influence the behaviour of subordinates.
9) Mental and Emotional Maturity: A leader is mature and emotionally stable, tactful and responsible person who works well with and through his subordinates.

10) Different Leadership Styles: There are different leadership styles which have occurred due to different blend of use of authority and allowing autonomy to subordinates. Authoritative or Autocratic Leadership denotes more use of authority by leader while Democratic Leadership denotes followers’ active participation in decision-making process. Free-rein Leadership offers more freedom or autonomy to followers in respect of their jurisdiction. As per prevailing situation, the leader chooses appropriate leadership style.

11) Leadership is Situational: Leadership is situational. It is influenced by the prevailing circumstances. The leadership style changes in accordance with the situational dimension. It is in this sense that the leadership is regarded as contingent. Truly speaking, effective leadership (le) is the function of three variables—leader (l), followers (f) and prevailing situation (s), i.e le = (l, f, s)

2) Theories of Leadership:

Leadership is a highly investigated area of management. A number of world-class research studies are available. The findings of those research works have guided the business leaders in many respects. A number of leadership theories have evolved out of these investigations. Some researchers had focused on personality of leader, some on behaviour of leader, while some others on situation in which a leader has to perform. Therefore, the leadership theories are usually grouped as under.

(A) Personality Theories: These theorists considered the personality of a leader as the chief theme of their studies. These theories seek to determine as to what makes a successful leader. The Great Men Theory and Traits Theory are regarded as personality theories of leadership. The Great Men Theory believes that ‘leaders are born, not made’ while Traits Theory argues that there should be a proper blend of certain traits or qualities in a person to become a successful leader. The traits theory seeks to determine universal personal characteristics of effective leaders. Out of these the Traits Theory is explained in further part of this unit.

(B) Behavioural Theories: These theories focused on behavioural aspects of a leader rather than his personality. According to these theorists it is important to study what leaders do and how they do it. Ohio State University Studies evolved in 1945 under the direction of Edwin Fleishman, Michigan University Studies evolved under direction of RensisLikert and The
Managerial Grid evolved by Blake and Mouton are regarded the behavioural theories of leadership. Out of these theories, The Managerial Grid is explained in detail in further part of this unit.

(C) Situational Theories: These theories are also known as Contingency Theories of Leadership. These theories were evolved in 1960s and developed situational perspective on the question of leadership effectiveness. These theorists believe that leader behaviours vary from situation to situation. Fiedler’s Contingency Theory, Robert House’s Path-Goal Theory and Hersey-Blanchard’s Situational Theory are regarded as Situational Theories of Leadership, which are explained in this unit.

- The leadership theories are explained as below.

2.1 Traits Theory: Many studies on leadership undertaken in 1920s and 1930s focused on leader traits, i.e. the characteristics that differentiate leaders from non-leaders. A number of physical, mental, social and moral qualities (traits) are said to be key determinants of a successful leadership. According to traits theory a leader possesses certain qualities / characteristics which are not found in non-leaders. Ordway Tead stated that there are 10 qualities for being effective as a leader, whereas Edwin Ghiselli found six traits of successful leadership. It was Ralph Stogdill who found consistent evidence that leaders are superior than other work-group members on certain characteristics such as intelligence, scholarship, dependability, activity, participation, sociability, initiative, persistence, self-confidence, insight, adaptability, verbal skills and socio-economic status. Emotional intelligence is also regarded as an important characteristic of effective leaders. Various leadership traits are discussed here.

- Physical Traits: Such as good physique and appearance, height, weight, vigor and health.

- Intelligence: Knowledge and high level of intellectual capacity

- Integrity: Cent percent commitment to the highest personal and professional standards and full devotion to duty and purpose

- Energy: Enthusiasm and drive to take initiative

- Decisiveness: Willingness to act and firmness

- Maturity: Maturity in thought and actions
- **Technical Skill**: Conceptual skill and job-relevant technical knowledge, technical competence

- **Honesty and Loyalty**: Faithfulness to superiors, peers, subordinates and organization

- **Drive to achieve**: Inner strong drive for achievement

- **Decision-making skill**: Ability to analyze the situation and taking right decision at right time

- **Motivating skill**: Ability to inspire subordinates to work by heart and loyalty

- **Communication Skill**: Good and effective communication skill

- **Social Skill**: Ability to create and nurture friendly relationship, the ability to build social networks, manage relationships and build rapport

- **Empathy**: Ability to observe the situations from the standpoint of others. Respect for others and the rights, beliefs, values and feelings of others

- **Emotional Stability**: A leader should not be unduly moved by emotions and sentiments. He should not lose temper while handling any kind of situation

The above list is just indicative and not exhaustive. There area many other traits such as self-confidence, optimistic, foresighted, cheerful, tolerance, achievement drive, initiative, adaptability, creativity etc. Traits theory emphasizes that the effectiveness of leadership depends upon a set of traits and abilities and many of these traits and abilities may be acquired by an individual through training and development programmes.

**Limitations of Traits Theory:**

There are following limitations of Traits Theory of Leadership.

1) Traits theory lacks scientific basis
2) The environmental factors are not considered
3) It fails to explain the exact reasons for leadership failure
4) Leadership process through traits has no been explained
5) It is not explained as to how the particular traits lead to effective leadership
6) Traits theory fails to establish cause-effect relationship. It is not clear whether self-confidence creates successful leadership or successful leadership creates self-confidence.
2.2 Behavioural Theories of Leadership:

As mentioned above, the following are the behavioural theories of leadership.

(a) The Ohio State University Studies:

Under the direction of Edwin A. Fleishman the Bureau of Business Research at Ohio State University, US conducted the research on leadership in 1945. The theory attempted to identify the determinants of leader behaviour. Two important dimensions of leader behaviour were identified as follows.

(i) Initiating Structure (IS): This refers to the well defined work procedures that the followers have to adhere to while performing their jobs.

(ii) Consideration (C): This refers to friendship, mutual trust, respect and warmth in relationship between leader and followers.

Using the above two dimensions, the following four types of leader-behaviour are manifested as shown below.

<table>
<thead>
<tr>
<th></th>
<th>Low 'IS'</th>
<th>High 'IS'</th>
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<tbody>
<tr>
<td>High</td>
<td>High 'C'</td>
<td>High 'C'</td>
</tr>
<tr>
<td>Low 'IS'</td>
<td>High 'IS'</td>
<td>High 'IS'</td>
</tr>
<tr>
<td>Low 'C'</td>
<td>Low 'C'</td>
<td>Low 'C'</td>
</tr>
<tr>
<td>Low 'IS'</td>
<td>Low 'C'</td>
<td>High 'C'</td>
</tr>
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</table>

One of the vital findings of Ohio Studies was that Initiating Structure (IS) and Consideration (C) were independent of each other. Hence a leader can simultaneously show a high degree of both IS and C, a low degree of both or a high degree of one and a low degree of the other. The study concluded that the high-high style. (i.e. High 'IS' and High 'C') may give the positive results.

(b) Michigan University Studies:

In order to locate the behavioural characteristics of leaders in relation with the measures of performance, research study under direction of Rensis Likert was conducted at University of Michigan. The researchers' team conducted the study in a variety of organizations such as
food, electronics, automotive, railroad and paper companies. The team compared the leadership styles in the best and the worst companies and found two basic types of leadership behaviour as follows.

(i) Job-centred Behaviour: This leader focuses on the work done by subordinates. Employees are regarded as one of the resources used for production as material and machines are. The leader exercises close supervision over workers, use coercive power and critically evaluates the performance of workers.

(ii) Employee-centred Behaviour: This leader considers subordinates as the most important element in the organization and focuses on supportive relationships. He encourages maximum workers participation in decisionmaking process. He emphasizes on labour welfare as well as advancement and personal growth of employees. The leader firmly believes that workers development leads to development of organization.

2.3 Fiedler’s Contingency Theory:

Fred Fiedler and his associates at University of Illinois in 1967 developed the first contingency theory of leadership. It is a situational or contingency theory of leadership. Fiedler’s theory states that leadership effectiveness depends on the proper match between leader’s style and the degree to which the situation gives control to the leader. Leadership effectiveness means ‘group performance.’ According to Fiedler there are three aspects of a situation namely; leader-member relations, task-structure and position-power.

(a) Position Power: This refers to the extent to which the organization has bestowed the power of rewarding and punishing the subordinates to the leader. Position power may be strong or weak. Strong position power means more favourable situation for the leader and the weak position power means unfavourable situation.

(b) Task-structure: This shows the extent to which the jobs of subordinates are structured with clear work responsibilities, explicit goals, well-defined tasks and specified procedures. The structured tasks give more control to the leader over situation. Task-structure may be high or low. High task-structure denotes more favourable situation while low task-structure describes unfavourable situation.

(c) Leader-member Relations: This refers to the extent to which the leader is liked by subordinates and enjoys their trust, support and respect. The leader-member relationship may be good or poor. Good leader-member relationship denotes more control over situation or more favourable situation and the poor leader-member relationship describes unfavourable situation.
Fiedler has specified eight possible combinations of the above three variables in leadership situation and each of these was further described in terms of its favourableness (i.e. full control over situation) to unfavourableness (i.e. least control over situation) It is shown in the following figure.

<table>
<thead>
<tr>
<th>Power-Position</th>
<th>Strong</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task-Structure</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Leader-Member Relations</td>
<td>Good</td>
<td>Bad</td>
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<td>Good</td>
<td>Bad</td>
<td></td>
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<tr>
<td>Good</td>
<td>Bad</td>
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<td>Cell</td>
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<td>II</td>
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<td>III</td>
<td>IV</td>
<td>V</td>
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<tr>
<td>Favourable</td>
<td>Unfavourable</td>
<td></td>
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<tr>
<td>Situation</td>
<td>Situation</td>
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</table>

**Figure: Fiedler’s Contingency Model of Leadership**

According to Fiedler, first situation (Cell-I) is the best for the leader because power position is strong, task-structure is high and leader-member relations are good. Leadership would be more effective because all situational variables are favourable to the leader. The last situation (Cell-VIII) is the unfavourable one because power position is weak, task-structure is low and leader-member relations are bad. The situation is beyond the control of a leader and hence his leadership is likely to be ineffective.

Fiedler went on to match the leadership style (i.e. task-oriented or relationship-oriented) to the situation and found that task-oriented leaders did well in both the situations be it favourable or unfavourable while relationship-oriented leaders did well when the situational factors were moderately favorable. He pointed out that ‘there is no such thing as an ideal leader’ but there are leaders and there are situations and the leaders must be matched to situations.

Fiedler’s theory has immense significance to practicing managers but it was criticized saying that it is often difficult in practice to determine how much power is attached to the position, how far the particular task is structured and how good are the leader-member relations.

### 2.4 Harsey-Blanchard’s Theory:

Paul Harsey and Ken Blanchard developed a leadership theory in 1974 which gained popularity in the management world. They disagreed with the Trait Theory and asserted that adaptability is the key and the successful leader adapts his/her behaviour according to the
situation. By combining Fiedler’s Model with earlier studies at Ohio State University Hersey and Blanchard evolved a Tri-Dimensional Leader Effectiveness Model. To the task-behaviour and relationship behaviour of Fiedler’s Model, they added the third dimension namely ‘maturity level’ of subordinates. The followers (i.e. subordinates) accept or reject the leader, hence the maturity level of followers (from low M1 to high M4) is an important variable in determining the leadership style. Hersey-Blanchard believed that effectiveness of leadership largely depends on followers.

(i) **Telling Leadership Style (S1)**: This style is a combination of high task-low relationship. This style is suitable when followers have low ability and low willingness. The leader provides clear instructions, gives specific directions, and supervises the work closely.

(ii) **Selling Leadership Style (S2)**: It is a high task-high relationship combination. This style is effective when followers have low ability but high willingness to work. Under this style, the leader provides direction and guidance to the subordinates, but at the same time, displays a high supportive behaviour in terms of building subordinates’ confidence and motivation.

(iii) **Participating Leadership Style (S3)**: It is a low task-high relationship combination. This style becomes effective when followers have high ability to work but low willingness to accept responsibility. In this style, the leader displays a supportive non-directive behaviour and facilitates the work by encouraging the followers.

(iv) **Delegating Leadership Style (S4)**: It is a low task-low relationship combination. This style is effective when the followers have high ability and high willingness to accept responsibilities. The followers are highly matured. Under this style the leader turns over responsibility for making and implementing decisions to followers.

To determine which combination of leader behaviours to use in a given situation, Hersey-Blanchard stated that there is no one best way to influence people. Rather use of leadership style depends on maturity level of followers that the leader is attempting to influence. Maturity meant the capacity to set high but attainable goals, willingness and ability to take responsibility, education and experience of individual or group (i.e. followers). The followers are more matured if they possess more of these characteristics. Hersey-Blanchard treated follower’s
maturity as a vital factor in leadership effectiveness and divided into four categories as follows.

**M1**: It denotes low to moderate maturity level and lack competence and confidence. Followers are unable and unwilling to take responsibility for doing something.

**M2**: It denotes low to moderate maturity level and followers are unable but willing to take responsibility.

**M3**: It denotes moderate to high maturity level and followers are able but unwilling to do what the leader wants them to do.

**M4**: It denotes a very high maturity level and followers are both able and willing to perform their task. They are ready to accept challenging job to increase their level of job satisfaction.

**The following figure explains Harsey Blanchard Model of Leadership**

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**Figure: Harsey-Blanchard’s Leadership Model**

<table>
<thead>
<tr>
<th>High 'R'</th>
<th>S3 (Participating)</th>
<th>S2 (Selling)</th>
<th>High 'R'</th>
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<tr>
<td>Low 'T'</td>
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<td>High 'T'</td>
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<table>
<thead>
<tr>
<th>Low 'R'</th>
<th>S4 (Delegating)</th>
<th>Low 'R'</th>
<th>High 'T'</th>
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<td>Low 'R'</td>
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<table>
<thead>
<tr>
<th>Low 'T'</th>
<th>M4 (Maturity of Followers)</th>
<th>M3</th>
<th>M2</th>
<th>High 'T'</th>
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As one moves from less to more mature followers/s, leader behaviour should move through the quadrants counter-clockwise i.e from **Telling** (S1: High task-low relationship) to **Selling** (S2: high task-high relationship) to **Participating** (S3: low task-high relationship) to **Delegating** (S4: low task-low relationship) The leader would give more importance to human relations and less attention to task matters, as followers maturity level increases. The theory suggests that the leadership style has to be changed as the situation (i.e. maturity level of followers) changes.

2.5 The Managerial Grid:

Robert Blake and Jane Mouton developed the Managerial Grid in 1960. It is graphical presentation of a two-dimensional view of leadership style. Managerial Grid is 9 X 9 matrix having 81 different leadership styles based on two dimensions viz. ‘concern for production’ and ‘concern for people.’

**Concern for production:** It signifies that the leader gives more importance to performance, compliance of work procedures and norms, quantity and quality of work done by subordinates.

**Concern for people:** It refers to creating and nurturing friendly relations with subordinates, solving their difficulties and problems, respecting their feelings etc.

In Managerial Grid ‘concern for production’ is shown on X-axis on 1 to 9 scale and ‘concern for people’ is shown on Y-axis on 1 to 9 scale. 1 signifies minimal degree and 9 denotes the maximum degree. Blake and Mouton determined five leadership styles depending upon the blend of two dimensions (i.e. concern for production and concern for people) in varied

<table>
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<th>High</th>
<th>19 Country Club Leadership</th>
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<th>99 Team Leadership</th>
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**Figure : The Managerial Grid**
degrees. They identified five leadership styles viz. Impoverished Leadership Style (1, 1), Country Club Leadership Style (1, 9), Task Leadership Style (9, 1), Team Leadership Style (9, 9) and Middle-of-the-Road Leadership Style (5, 5). It is shown in the following figure.

The leadership styles are explained in brief as follows.

**Impoverished Leadership Style (1, 1)**: The impoverished leadership is characterized by low concern for both production and people. The leader plays passive role and keep himself away from controversial issues. He disregards the importance of human relationships and avoids responsibilities. The leader the mistakes committed by subordinates in task performance.

**Country Club Leadership Style (1, 9)**: This style is characterized by a high concern for people and alow concern for production. The leader gives utmost importance to attitudes and feelings of subordinates and to having friendly and harmonious relations with people. He pays more attention to security and comfort of people and less attention to production.

**Task Leadership Style (9, 1)**: This leadership style is characterized by a high concern for production and a low concern for people. It is the anti-thesis of Country Club Style. The leader attaches more importance to work assignments, close supervision, compliance of work norms and obeying the work orders. The feelings of people and their satisfaction are given secondary importance. The creativity and suggestions are suppressed. This leadership styles resembles to Theory ‘X’ leader of Douglas McGregor.

**Team Leadership Style (9, 9)**: This leadership style is characterized by a high concern for both production as well as people. This portrays the successful leader who attempts to establish teamwork and foster feelings of commitment among subordinates. Such leaders strongly believe that a situation can be created whereby needs of people are satisfied by working toward the objectives of the organization. This style is consistent with Theory ‘Y’ – the Democratic Leadership Style. This style results in high performance and high employee satisfaction and morale.

**Middle-of-the-Road Leadership Style (5, 5)**: This style is characterized by medium concern for both production as well as people. Such a leader does not have a high commitment either for productivity or people. The leader achieves the balance between adequate performance level and efficiency with reasonably good morale.

Blake and Mouton advocated the Team Leadership as the best leadership style among all.
2.6 Likert’s Four Systems of Leadership:

Rensis Likert postulated following four basic systems of management which clarified the leadership behavior.

**System-1: Exploitative-Authoritative Leadership:** Likert described System-1 Leaders as Exploitative-Authoritative, who are highly autocratic. The following are the features of System-1 leaders.

- Leaders are highly autocratic
- They have a little trust in subordinates
- Occasional they use of rewards
- Subordinates do not feel free to discuss with managers
- There is one-way communication (i.e. Downward communication)
- All decisions are taken at top level and subordinates ideas and opinions are seldom considered
- Subordinates are kept under strict control

**System-2: Benevolent Authoritative Leadership:**

System-2 leaders are referred to as Benevolent Authoritative Leaders. As System-1 leaders, they also make more use of authority but they are not authoritative but benevolent. The following are the features of System-2 leaders.

- They are autocratic but have paternalistic view
- They have some trust in subordinates
- They make use of reward for motivation
- They delegate some powers decision making to subordinates
- There is two-way communication (i.e. Downward as well as upward communication)

**System-3: Consultative Leadership:**

System-3 leaders are called Consultative Leaders. Under this system, control systems are flexible and goal-oriented. More emphasis is placed on reawarding than punishing the subordinates. The following are the features of System-3 leaders.

- They show more trust in subordinates
- They use of ideas and opinions of subordinates while making decisions
- They use of positive motivation techniques
• They allow some decision making at lower level
• There is open and two-way communication
• Frequently they consult subordinates on organizational matters

System-4: Participative Leadership:

System-4 leaders are designated as Participative Leaders. These leaders have more cordial and friendly relations with subordinates. The following are the features of System-4 leaders.

• They have complete trust in subordinates
• They use positive motivation techniques
• There is two-way and lateral communication
• Decision making power is delegated to subordinates
• They use opinions of subordinates
• Subordinates are closely involved in decision-making

System-1 leaders are highly job-oriented while System-4 leaders are more employee-oriented. Likert advocated System-4 to be the best leadership style for all situations.

4.2.B) Motivation:

It is an undeniable fact that people are the important factor which can be used wisely for the development of an organization. It is the people who can make or break the organization. They are the great and unending source of strength which, if handled properly, does not only help the organizations survive in competitive market but expand and prosper. Human factor as a resource is totally different from other physical resources such as money, machines and material etc. Man is a bunch of socio-psychological characteristics, which has to be managed delicately and diligently. In order to get work done through subordinates, the manager has to modify their behaviour so as to direct it towards attainment of enterprise goals. In other words, the manager has to motivate the employees to work by heart, with honesty and loyalty. A man has several needs and desires but only strongly felt needs, called ‘motives’ direct him towards achievement of certain goals. Motives are invisible and intangible. In order to satisfy motives, a manager offers certain incentives as impulses or stimulus. But no two persons respond to the same stimulus in the same way. Even the same person responds to the same stimulus differently at different points of time. In order to motivate the subordinates, a manager has to find answers
to several pertinent questions e.g. what makes people work? why some people perform better than others? why does the same individual act differently at different times? what are their needs? what motivates them? The pioneering works of researchers may help the managers to analyze behavior, understand motives and motivate the employees.

1) Concept and Process of Motivation:

Motivation may be considered a driving force that compels an action toward a desired goal. For example, hunger is a motivation that elicits a ‘desire to eat’. Motivation is the purpose or psychological cause of an action. Motivation is an inner drive to behave or act in a certain manner. The wishes, desires, goals are the inner conditions or drives that activate an individual to move in a particular direction in behavior.

The term ‘motivation’ has derived from ‘motive’ which means ‘anything that initiates or sustains activity.’ The motive is an inner state that energizes, activates or moves and that directs or channels behavior towards goals. A motive is a psychological force within an individual that sets him in motion. In simple words, motivation refers to the process by which a person’s efforts are energized, directed and sustained towards attainment of a goal. To motivate means to inspire or to stimulate people to work. It may be also understood as creating willingness to do the assigned duties for the achievement of desired results. The following are some important definitions given by some experts.

**William Scott** defines motivation as ‘a process of stimulating people to action to accomplish desired goals.’

**Robert Dubin** defines motivation as ‘something that moves the person to action, and continues him in the course of action already initiated.’

**Delton E. McFerland** states “Motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate, which impel him to act or not to act in certain ways.’

**Louis Allen** states”Motivation is the work a manager performs to inspire, encourage and impel people to take required action.”

In short, motivation is the work a manager performs in order to induce subordinates to act in the desired manner by satisfying their needs and desires. It is the process of steering a
person’s inner drives and actions towards certain goals and committing his energies to achieve these goals.

2) Theories of Motivation:

Human behaviour, organizational behaviour and motivation are the important areas of management in which a lot of research has been carried out. The research results of those theories are indeed operational. The motivation theories are discussed here under.

2.a) Maslow’s Need Hierarchy Theory:

Abraham H. Maslow, an eminent American psychologist, arranged the human needs in the hierarchy of their importance or intensity. His research work is popularly known as ‘The Need Hierarchy Theory.’ He made managers aware of complexity of human needs and their effect on motivation. His theory is based on following assumptions about human needs.

1) Man is a wanting animal and people really have great many needs. The human needs are multiple, complex and interrelated

2) The urge to fulfill needs is a prime factor in motivation of people. Human beings strive to fulfill a wide range of needs. However, all needs are not equal in strength and intensity. Hence, the needs can be arranged in a sequence or the order of preference of satisfaction. This is known as hierarchy of needs.

3) As soon as one need in the hierarchy is reasonably satisfied, another need arises and man moves towards its satisfaction. Therefore, human needs form a particular structure or hierarchy ranging from biological needs at the base of the hierarchy till the self-actualization needs at the apex level.

4) A satisfied need is not a motivator, i.e. it ceases to influence human behavior. Only unsatisfied or partly satisfied needs can regulate an individual’s behaviour.

In other words, even though a man has unlimited needs, all needs do not require immediate satisfaction. Some of these needs demand urgent satisfaction (for example, food is required to satisfy hunger), while satisfaction of some needs can be postponed (for example, marriage). In short, all needs are not felt at the same time. Therefore, the human needs can be arranged in a sequence (hierarchy). Human beings strive to gratify their needs in a sequential (hierarchical) manner starting from the base of the hierarchy. Maslow’s hierarchy of needs is presented in the following diagram.
Now, let’s see the details about various human needs.

1) **Physiological Needs**: These are also known as Biological Needs or Survival Needs or Basic needs or Primary Needs etc. They are required to preserve life or for survival. ‘Man lives by bread alone’ when there is no bread. The biological needs are recurrent needs and must be satisfied repeatedly. These are the needs of bio or the body of a person and include air (oxygen component), water, food, rest, sleep and sexual gratification etc.

2) **Safety Needs**: These are also known as Security Needs. These needs are concerned with protection from danger, deprivation and threat. There are two types of safety needs as follows. (a) Physical Security (i.e. protection from animals, aggression, excessive heat, excessive cold or excessive rain and wind, hence man needs clothing and shelters and insurance plans etc.) and (b) Economic Security (i.e. protection from loss of job or loss in business or loss of any other earning source etc.)

3) **Social Needs**: These are also known as Belongingness or Affiliation Needs. A man is a social animal as such he seeks affiliation (association) with others. He can not leave in isolation. He always prefers to leave along with others. The social needs include need for belongingness (i.e blood ties, marriage), need for acceptance, need for love and affection, need for companionship (life partner, friend), need for exchange of feelings etc.
4) **Esteem Needs** : These needs are also known as Prestige Needs or Ego Needs. Esteem Needs are classified as follows. (a) Self-esteem: e.g. self-respect, self-confidence, competence, achievement, knowledge, and independence etc. (b) Esteem of others: e.g. reputation, status recognition and approval etc.

5) **Self-actualization Needs** : These are also known as Self-realization Needs or Growth Needs or Self-advancement Needs. These are higher level needs and psychological in nature. These include the need for realizing one’s full potential, for continued self-development, for being creative, desire of becoming what one is capable of becoming and personal growth and advancement.

The above mentioned needs are also classified into two levels as follows. (a) **Lower-order needs** : This level includes physiological needs, safety needs and social needs and (b) **Higher-order needs** : This level includes esteem needs and self-actualization needs. These need levels are inter-dependent and overlapping. Lower level needs must be satisfied before higher level needs arise.

Maslow argued that when one need in the hierarchy is reasonably satisfied, the man moves towards fulfillment of the next need and this goes on and on throughout the life of a human being. Therefore, human beings may always be motivated by analyzing their needs and understanding which needs dominate their behaviour.

**Critical Appraisal of Maslow’s Theory :**

Maslow’s theory got wide popular in the management world. It was appreciated on the following grounds.

- It is a simple and logical theory. It is compatible with the economic theory of demand.
- It helps to explain why a person behaves differently in two similar situations.
- The theory provides an insight into what is common to all human beings.
- The theory contains some fundamental truths.

**Criticism :**

Maslow’s theory is criticized on the following grounds.

- The needs are not the only determinant of human behaviour as Maslow argues to be.
- There is oversimplification of human needs and motivation.
- The hierarchy of needs is not always fixed. Different people may have different preference of needs.
• The theory is based on a small sample. It is clinically derived theory. It doesn’t have broad base of stratified sample.
• The unit of analysis is an individual and not a group.
• There is no definite evidence that once a need is satisfied it loses its motivating force.
• It is doubtful that satisfaction of one need automatically activates the man towards the next need in the hierarchy.

Despite these limitations, Maslow’s theory has a commonsense appeal to the managers about the human needs and understanding the behaviour of people

2.b) Herzberg’s Two Factor Theory:

In 1950, the management world was under presumption that money was the powerful motivator. However, the expected level of productivity was not achieved despite the employees monetary benefits are constantly increased. This brought the pertinent question on floor as to whether really money has power to motivate people. Fredrick Herzberg was called upon to undertake the research in this direction. Herzberg’s theory of motivation emphasizes the environmental factors that contribute to the behaviour of people. The focus of his research was on job satisfaction and productivity.

In the late 1950s, Frederick Herzberg and his associates conducted interviews of 200 Engineers and Accountants working in 11 different companies in the Pittsburgh area in Pennsylvania of the United States. They were asked to relate elements of their jobs, which made them extremely happy or extremely unhappy. Based on the analysis of their answers, Herzberg identified the factors, which he grouped into two sets, as shown below.

(A) Hygiene Factors or Maintenance Factors: Herzberg found that there are some factors which are necessary to maintain a reasonable level of satisfaction among employees. These factors do not provide any satisfaction to the employees but their absence will dissatisfy them. Hence these factors are called dissatisfiers. As these factors just keep the employees at the neutral point where they are neither satisfied nor dissatisfied, these factors are called maintenance factors.

These factors are not intrinsic parts of the job but related to the conditions under which a job is performed. These are environmental factors (i.e. extrinsic to the job). These factors are called dissatisfiers because the absence of these factors dissatisfies the employees, but their presence does not satisfy them.
(B) **Motivating Factors:** These factors are necessary to satisfy employees. *These factors provide satisfaction to the employees but their absence does not dissatisfy them.* These are intrinsic parts of the job as they are environmental factors (i.e. extrinsic to the job). These factors are also called satisfiers or motivators because the presence of these factors satisfies the employees.

The two factors are displayed in the following table.

<table>
<thead>
<tr>
<th>Maintenance/Hygiene Factors (Dissatisfiers)</th>
<th>Motivating Factors (Satisfiers)</th>
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<tbody>
<tr>
<td>1. Company policy and administration</td>
<td>1. Achievement</td>
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<tr>
<td>2. Technical supervision</td>
<td>2. Recognition</td>
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<tr>
<td>3. Inter-personal relationship with peers</td>
<td>3. Advancement</td>
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<td>4. Inter-personal relationship with supervisors</td>
<td>4. Opportunity for growth</td>
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<td>5. Inter-personal relationship with subordinates</td>
<td>5. Responsibility</td>
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<td>7. Job security</td>
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<td>8. Personal life</td>
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<td>9. Working conditions</td>
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<td>10. Status</td>
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The following picture shows how the presence and absence of Herzberg’s two factors lead the employees to satisfaction and dissatisfaction.

- **Dissatisfaction** (i.e extremely unhappy feelings)
- **Neutral** (i.e. extremely happy feelings)
- **Satisfaction** (Absent) **Maintenance Factors** (Present)
- **Motivational Factors** (Present)
Herzberg mentioned that these two sets of factors are unidimensional, i.e. their effect can be seen in one direction only. The strength of these factors is related to the nature of the factor (i.e. maintenance/environmental or motivational) and the personality of the individual (i.e. motivation seeker or maintenance seeker). According to him, a ‘motivation seeker employee’ is motivated primarily by the nature of task whereas the ‘maintenance seeker’ employee is motivated by the nature of the environmental factors. He is dissatisfied with the maintenance factors surrounding the job. He shows little interest in the kind and quality of work.

**Critical Appraisal of Herzberg’s Theory:**

Herzberg’s theory became pioneering in removing the misconception about money and motivation. His theory revealed that money does not have power to satisfy people but it has power to dissatisfy them. It was the eye opener conclusion of the theory. The theory received a great deal of attention and became popular among managers. The theory has made a significant contribution towards improving manager’s basic understanding of human behaviour. The following are the merits of his theory.

- It is simple theory and based on empirical data.
- The striking conclusion of the theory was that one cannot achieve higher performance simply by improving wages and working conditions.
- Herzberg stressed upon the job as an intrinsic motivating factor. He revealed that the key to job satisfaction and high performance lies in job enrichment.
- It offers specific actions for managers to improve motivation and performance.
- Traditionally, job satisfaction and dissatisfaction were viewed as opposite ends of a single continuum. However, Herzberg’s findings indicated that dissatisfaction is not simply the opposite of satisfaction. Satisfaction and dissatisfaction are independent rather than opposite ends of the continuum.

**Criticism:**

Herzberg’s theory was criticized on the following grounds.

- The theory is based on a very small sample of just 200 accountants and engineers. The theory is, therefore, not universally applicable.
• It is applicable to the knowledge workers only i.e. accountants and engineers only. It is not applicable to manual workers or physical workers.

• The interview method used for collection of information suffers from bias. Therefore, the empirical validity of the theory is doubtful.

• Too much attention is focused on satisfaction rather than on performance level of employees.

• The theory is a grossly oversimplification of the process of motivation.

• The theory ignores the dominating influences of the situational variables.

• The distinction between maintenance factors and motivating factors is not fixed. Because, what is maintenance factor (e.g. pay) for workers in USA may very much be a motivator for Indian workers

2.c) McGregor’s Theory ‘X’ and Theory ‘Y’:

Generally, the action of managers for motivating employees is base influenced by their assumptions and beliefs about human behaviour. If managers’ assumptions about human behaviour are positive, his motivational actions will also be positive and vice versa. This theory is based on such hypotheses relating to human behaviour.

Douglas McGregor (1908-1964), a professor at MIT, US propounded this theory in 1957. According to Douglas McGregor, the function of motivating people involves certain assumptions about human nature. He developed two alternative sets of assumptions about human behaviour. One is called Theory- X and the other is called as Theory- Y.

**Theory X:**

Theory X indicates the traditional approach to motivation. It is based on the traditional assumptions about human behaviour. Its assumptions are negative in nature. This theory advocates that external control is considered appropriate for dealing with unreliable, irresponsible and immature people. It may create impersonal climate in the organization.

**Theory Y:**

McGregor developed an alternative theory of human behaviour, which is known as Theory Y. The assumptions of Theory Y are positive in nature. This theory represents the modern and dynamic nature of human beings. The assumptions of Theory Y are very near to reality. This is regarded as a desirable and productive theory.
**Assumptions of Theory ‘X’ and Theory ‘Y’**

These are the contrast sets of assumptions underlying human behaviour, which is shown below.

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<thead>
<tr>
<th>Theory -X</th>
<th>Theory- Y</th>
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<tr>
<td>The average human being has inherent dislike for work. He is by nature indolent and will avoid work if he can.</td>
<td>The average human being has no inherent dislike for work. He takes the work is natural like rest or play.</td>
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<tr>
<td>He has relatively little ambitions and prefer to be directed by others</td>
<td>He is very ambitious and capable of directing his own behaviour. He is self-directed and self-controlled.</td>
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<tr>
<td>He avoids responsibility</td>
<td>He accepts and seeks responsibility under proper conditions</td>
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<tr>
<td>He lacks creativity and resist change</td>
<td>He has creativity and accepts the change</td>
</tr>
<tr>
<td>He is gullible, not very bright.</td>
<td>Meaningful work is a source of satisfaction for him.</td>
</tr>
<tr>
<td>He lacks self-motivation</td>
<td>He is self-motivated</td>
</tr>
<tr>
<td>He wants security above all. Hence, he is interested in satisfaction of lower level needs.</td>
<td>Both lower and higher order needs like social, esteem and self-actualization are the sources of motivation for him.</td>
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</table>

**Managerial implications of Theory X:**

Theory X has significant implications for human motivation. The managers who believe in Theory X assumptions use direction and control to get work done from people. The following are the characteristics of the organization based on Theory-X.

- Close supervision and control of subordinates
- High centralization of authority
- Autocratic leadership
- Least participation of workers in decision-making process
• Use of ‘Carrot and Stick’ approach
• Stress on the satisfaction of economic needs of employees

In short, Theory-X is based on faulty conceptions of human nature.

**Managerial implications of Theory Y:**

McGregor argued that the managers who hold Theory Y assumptions believe that most employees enjoy work and seek to make useful contributions to the organization. This positive approach allows managers to utilize the human potential of all employees. The following are the characteristics of the organization founded on Theory-Y.

• Decentralization of authority
• Job enrichment
• Democratic or participative leadership
• Two-way and open communication system
• Focus on self-control and responsible jobs

**Critical Appraisal of Prof. Douglas McGregor’s Theory of Motivation:**

• It is very simple theory.
• It generates wide-ranging and lasting interest in the field of motivation.
• It offers convenient framework for analyzing the relationship between motivation and leadership style.

**Criticism:**

McGregor’s theory is generally criticized on the following grounds.

• It is an over-generalized and over-simplified approach towards human behaviour. Their behaviour is compartmentalized as being one way or the other. In fact, the people cannot be put into two extreme patterns or stereotypes.
• The theory neglects the complex nature of human beings. No man may belong exclusively either to Theory-X or to Theory-Y. He may share the traits of both.
• It squeezes all managerial styles and philosophies into only two extremes of conduct, which is far away from reality.
• It is a fact that all persons do not look for motivation in the job and all work can be made intrinsically challenging and rewarding.
Which theory is better … Theory-X or Theory-Y?

Theory-X places exclusive reliance on external control of human behaviour while Theory-Y relies on self-control and self-regulations. Though Theory-Y is believed as more desirable and productive one, it may not be the best approach for all situations. Theory-X might be more suitable in some crisis situations but less appropriate in more routine and formalized situations. In some under developed countries like India Theory-X may still be useful at lower levels of organization. Neither Theory-X nor Theory-Y is the best for all situations, but an amalgam of both the theories may be more useful than either of the two alone.

2.d) Alderfer’s ERG Theory:

Clayton P. Alderfer of Yale University developed an alternative motivation theory named ERG Theory. He regrouped Maslow’s five levels of needs into three groups named Existence Needs, Relatedness Needs and Growth Needs.

i) Existence Needs: These needs are similar to the physiological, safety and security needs of Maslow’s theory. These needs are satisfied by material incentives such as air, water, food, shelter, sexual gratification, job security, suitable working conditions, reasonable working hours and adequate pay and fringe benefits. According to this theory, a person can move to satisfying relatedness needs only after his existence needs reasonably satisfied.

ii) Relatedness Needs: These needs are similar to social and external esteem needs of Maslow’s theory. All those needs which involve relationships with other people i.e family members, supervisors, co-workers, subordinates, friends and others are included in relatedness needs. It involves open communication and honest exchange of thoughts with other organizational members.

iii) Growth Needs: These needs are similar to Maslow’s self-actualization needs and internal esteem needs. These are the needs to develop and grow and reach the full potential that a person is capable of reaching in the existing environment. Utilizing one’s capacities and talents to the fullest possible extent is the essence of growth needs.

• ERG theory treats needs more of a continuum than a hierarchy, that they are not necessarily sequential order. Needs are not activated due to its deprivation only.

• ERG theory provides a means for people to go down the hierarchy through a process called frustration-regression. This means that even though a lower-level need has already been
satisfied, a person may revert to focusing on that level if he is frustrated in trying to satisfy a satisfied, a higher-level need.

2.e) Victor Vroom’s Expectancy Theory:

Expectancy Theory was developed by Victor Vroom according which an individual tends to act in a certain way based on the expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual. For example, an employee works harder if he believes that hard work will lead to promotion to higher post. Vroom explained that motivation is a product of how much one wants something and one’s estimate of the probability that a certain action will lead to it. The three variables of Vroom’s Theory are briefly explained here below.

i) Expectancy (i.e. Effort-Performance linkage): It is self-assessment by an employee about whether he can actually do the assigned work. Its expectancy (i.e. probability) ranges from 0 to 1. For example, if the person feels it impossible to achieve the given performance level, expectancy will be equal to zero and if the person is cent percent sure of achieving the performance level, expectancy will be equal to one.

ii) Instrumentally (i.e. Performance-Outcome linkage): It is the relationship between performance (first level outcome) and the performance’s consequence (second-level outcome). Its probability also ranges from 0 to 1. For example, if a person is confident that if he does a good job, he will be promoted to higher post, the instrumentality will be equal to one and if a person feels that he will not get promotion even if works good, the instrumentality will be equal to zero.

iii) Valence (i.e. Attractiveness of Outcome/Reward): It is the value the person places on the outcome. It has motivating effect. Valences form a scale from -1 (very undesirable outcome) to +1 (very desirable outcome) For example, if the available rewards can attract a person, the valence will be high and vice versa. The available rewards will have motivating effect only when the employee attaches high overall valence to the situation.

Vroom states that motivation, expectancy, instrumentality and valence are related to one another and can be expressed by the equation:

\[ \text{Motivation} = (E) (I) (V) \]

Where,

\( E \) means Expectancy-(i.e Effort-Performance Linkage)
$I$ means Instrumentality (i.e Performance-Outcome Linkage), and
$V$ means Valence (i.e. Attractiveness of outcome/Reward)

The above equation has significant multiplier effect, which means that the motivational appeal of a given work effort is sharply reduced whenever any one of these variables approaches the value of zero. High and positive values of expectancy, instrumentality and valence may result in high and positive motivational impact.

### 4.3 Summary:
Leaders make things happen hence leadership is regarded as an integral part of management. Leadership is exhibited in the manager’s ability of influencing the behaviour of followers (i.e. subordinates) People or the human factor in organization is different from other resources; hence they have to be handled diligently and led intelligently. People have psychosomatic characteristics and their behaviour is determined by a number of variables such as their needs, wants, desires and expectations and so on. The constructive use of this human force brings laurel and glory to the business while mishandling brings disaster. Therefore, leading and motivating people occupies place of prominence in managerial process. Both leadership and motivation are the most investigated areas of management. Over the years a number of theories have been developed by researchers who have given scholastic touch to them. Leadership theories propounded by Fred Fiedler, Hersey-Blanchard, Blake and Mouton and RensisLikert and motivation theories propounded by Abraham Maslow, Fredrick Herzberg, Douglas McGregor, Clayton Alderfer and Victor Vroom have got recognition from the management world.

### 4.4 Terms to remember:
(a) Traits : Qualities, Characteristics  
(b) To motivate : To encourage, to inspire, to stimulate or to instigate to do or not to do something  
(c) Hierarchy : The order or sequence  
(d) Intrinsic : Inherent or in-built, something that can not be separated, inseparable from job  
(e) Extrinsic : Factors external to job

### 4.5 Check your progress:

1) Fill in the blanks.

1) Leadership is basically an _________ process.

2) _________-stated that there is no one best way to influence people.
3) Country Club Leadership Style is denoted by ———— scale.

4) According to Likert, ———— leader keeps subordinates under strict control.

5) The Managerial Grid is developed by —— and ———.

6) According to Fiedler, ————, ———— and ———— are the situational variables.

7) The Managerial Grid depicts that ———— Leadership Style is characterized by a high concern for production and a low concern for people.

8) Likert advocated System——— to be the best in long run for all situations.

9) ———— Theorists believe that effective leader behaviours vary from situation to situation.

10) Hersey-Blanchard added follower’s ———— level as the third important dimension.

11) Hersey-Blanchard’s theory is also known as ———— leader effectiveness model.

12) The need hierarchy theory is advocated by ————

13) Physiological needs mean needs of human ————

14) Fredrick Herzberg has given ———— of motivation.

15) According to Herzberg, the salary is a ———— factor.

16) Promotion is a ———— incentive.

17) Theory ‘X’ is the ———— approach towards employees.

18) Theory ‘Y’ describes the ———— approach of management towards employees.

19) Two factor theory of motivation is based on the sample size of ——— engineers and accountants.

20) Esteem needs are also called ——— needs.

21) There is positive relation between motivation and ———

22) Motivation is ———— phenomenon.

23) ———— motivation is advisable.
24) ___________ motivation may lead to labour unrest.

25) Retirement benefits are a kind of ___________ incentives.

26) ___________ developed erg Theory of Motivation.

27) According to Victor Vroom ___________ means effort-performance linkage.

28) According to Victor Vroom, motivation is the product of expectancy, instrumentality and ___________.

29) Alderfer, grouped Maslow’s five need levels into _______ needs.

30) In Victor Vroom’s Theory, Valences form a scale from -1 to _______.

4.6 Answers to ‘Check your progress’:

(1) influence  (2) Harsay-Blanchard  (3) 1,9  (4) System-1/ Exploitative-Authoritative
(5) Blake, Mouton  (6) position-power, task-structure, leader-member relations  (7) Task
(8) 4  (9) Situational  (10) maturity  (11) tri-dimensional  (12) Abraham Maslow  (13) Body
(14) Two-factor theory  (15) Maintenance / Hygiene  (16) Non-monetary / non-financial
(17) Negative  (18) Positive  (19) 200  (20) Ego  (21) Productivity  (22) Psychological
(28) valence  (29) three  (30) +1.

4.7 Exercise:

(I) Short Answer Type Questions (For 5 marks)

1) What are Leadership Traits?
2) Explain Likert’s Four Systems of Leadership
3) Explain characteristics of leadership
4) Explain the concept of motivation.
5) Write the assumptions of theory ‘X’
6) Write the assumptions of theory ‘Y’
7) Explain the hygiene factors of motivation
8) Explain the motivational factors in two-factor theory of motivation.
9) Explain Victor Vroom’s Expectancy Theory
10) Explain the ERG Theory of Motivation
(II) **Long Questions (For 10 marks)**

1) What is meant by ‘Leadership’? Explain characteristics of leadership.
2) What is meant by ‘Leadership’? Explain Traits Theory of Leadership
3) Explain Hersey-Blanchard’s Tri-Dimensional Leader Effective Model.
4) Outline the basic theory of Managerial Grid. Explain which leadership style was regarded most effective by Blake and Mouton and why?
5) Explain Fiedler’s Contingency Theory of Leadership
6) Explain in brief Abraham Maslow’s Need Hierarchy theory.
7) Explain Fredrick Herzberg’s Two Factor Theory of Motivation
8) Discuss Douglas McGregor’s Theory ‘X’ and Theory ‘Y’
9) Compare and contrast the Maslow and Herzberg’s theories of motivation.

(III) **Short Notes (For 5 marks)**

1) Characteristics of Leadership
2) Situational variables in Fiedler’s Contingency Theory
3) The Managerial Grid
4) Hygiene Factors
5) Classification of Human Needs as per Maslow
6) Key variables in Victor Vroom’s Expectancy Theory
7) Concept of motivation
8) Theory ‘X’
9) Theory ‘Y’
10) Hierarchy of human needs

### 4.8 Books for further reading :

1. Dr. C. B. Gupta : Organisation and Management
2. Keith Davis : Organisational Behaviour
4. Dr. Anjali Ghanekar : Organisational Behaviour
5. J.P. Mahajan : Management: Theory and Practice
7. M.C. Shukla : Business Organisation and Management
8. J.S. Chandan : Management: Theory and Practice
9. R.S. Davar : The Management Process