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Organizational Behaviour

M. Com. Part-I

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Preface

Business Management and Organisational Behaviour is the vital subject in the area of Management. This study helps for getting knowledge and bringing applicability of the Management and Organisational Behaviour. The subject has covered Evolution of Management Thought, Management and Management of Change, Leadership and Motivation with different eminent personalities' theories, Organisational Behaviour with Ethical issues in Organisational Behaviour, Individual and group behaviour which is the buz word in the 21st century management, organisational conflict and how to resolve it, stress management which will help for work life balance, organisational culture and corporate social responsibility. The topics have focused on concept as well as applicability of the subject. All topics have covered with progress checking, questions, exercises etc. We hope that this book will prove usefulness, uplift of management knowledge and applicability to the students, teachers, management experts and readers in the various fields.

We are grateful to all the Writers, Officers of the Distance Education, University Authorities, Printers and Publishers those who participated in the publication of this book.

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M. Com. Part-I

SIM IN BUSINESS MANAGEMENT ORGANISATIONAL BEHAVIOUR

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Each Unit begins with the section objectives -

Objectives are directive and indicative of :

1. what has been presented in the unit and
2. what is expected from you
3. what you are expected to know pertaining to the specific unit, once you have completed working on the unit.

The self check exercises with possible answers will help you understand the unit in the right perspective. Go through the possible answers only after you write your answers. These exercises are not to be submitted to us for evaluation. They have been provided to you as study tools to keep you in the right track as you study the unit.

Dear Students

The SIM is simply a supporting material for the study of this paper. It is also advised to see the new syllabus 2022-23 and study the reference books & other related material for the detailed study of the paper.

Unit-1

Introduction to Management

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1.0 Objectives:

After studying this unit you will be able to:

- Understand the meaning and definition of Management
- Understand the Nature and Significance of Management
- Familiar with Managerial Skills and Role
- Know the code of conduct for managers
- Acquaint with functional areas of management

1.1 Introduction:

A business progresses in course of time with complexities. With increasing complexities managing the business has become a hard task. The need of existence of management has increased extremely. Management is crucial not only for business concerns but also for banks, schools, colleges, hospitals, hotels, religious bodies, charitable trusts etc. Every business entity has some objectives of its own. These objectives can be achieved with the coordinated efforts of several human resources. The work of a number of personnel are properly co-ordinate to achieve the objectives through the development of management is not a matter of pressing a button, pulling a lever, issuing orders, scanning profit and loss statements, promulgating rules and regulations. Somewhat it is the power to decide what shall happen to the personalities and happiness of complete people, the power to shape the destiny of a nation and of all the nations which make up the globe." Peter F. Drucker has noted in his famous book "The Practice of Management" that, "the emergence of management as a vital, a distinct and leading social institution is a key event in social history. Hardly ever in human history has a new organization proved indispensable so quickly and even less often as a new organization arrived with so slight opposition, so slight disturbance and so little controversy?" Management is a fundamental aspect of the economic life of man, which is an organized group activity. It is careful as the indispensable organization in the modern social association marked by scientific thought and technological innovations. One or the other form of management is necessary wherever human efforts are to be undertaken collectively to satisfy wants through some productive activity, occupation or profession.

It is management that regulates human's productive activities through coordinated use of material resources. Without the leadership provided by management, the resources of production stay resources and never become production. Management is the integrating force in all prearranged activity. When, two or more people's works together to attain a familiar objective, they have to coordinate their activities. They also should organize and utilize their resources in such a way as to optimize the results. Not only in business organization where costs and revenues can be ascertained accurately and objectively but also in service association such as government, hospitals, schools, clubs, etc., rare resources including men, machines, materials and money have to be integrated in a productive relationship, and utilized efficiently towards the achievement of their gals. Thus, management is not distinctive to business organizations but common to all kinds of social organizations. Management has achieved a desirable importance in recent times. We are all intimately related with many kinds of organizations, the most universal being the government, the school and the hospital. In fact, more and more of major social tasks are being organized on an institution basis. Medical care, education, recreation, irrigation, lighting, sanitation, etc. which is typically used to be relate of the individual or the family, are now the area of large organizations. Although, organizations other than business do not converse of management, they all need management. It is important organ of all kinds of organizations while they all need to utilize their inadequate resources most efficiently and effectively for the achievement of their goals. It is the most essential forces in the successful performance of all kinds of organized social activities. Management is a process of planning, decision making, organizing, leading, motivation and controlling the human resources, financial, physical, and information resources of an organization to reach its goals in an efficient and effective manner.

1.2 Presentation of Subject Matter

Management is necessary in all kinds of organizations whether they are manufacturing computers or handlooms, trading in consumer goods or providing various services and even in non-business organizations. No issue what the organization is or what its goals might be, they all have something in familiar management and managers. Successful organizations realize their goals by following a purposeful process called 'management. Management consists of a series of unified functions that are performed by all managers. Let us understand the definitions,

nature, significance of management, managerial skills, Mintzberg's role, code of conduct for managers and functional areas of management.

1.2.1 Definition of Management

The term 'management' has been known as different senses. At times, it refers to the process of planning, organizing, staffing, directing, coordinating and controlling. It is used to explain it as a function of managing people. It is also related to as a body of knowledge, a practice and discipline. There are some who express management as a technique of leadership and decision-making as some others have analyzed management as an economic resource, a factor of production or a system of authority.

Even though, management as a discipline is more than 80 years old, there is no common agreement among its experts and practitioners about its precise definition. In fact, this is therefore in case of all social sciences like psychology, sociology, anthropology, economics, political science etc. As a result of unprecedented and breath-taking technological developments, business organizations have mature in size and complexity, causing consequential changes in the practice of management. Changes in management styles and practices have led to changes in management thought. Besides, management being interdisciplinary in environment has undergone changes because of the developments in behavioural sciences, quantitative techniques, engineering and technology, etc. While it deals with the production and distribution of goods and services, dynamism of its environments such as social, cultural and religious values, consumers' tastes and preferences, education and information explosion, democratization of governments, etc., have also led to changes in its theory and practice. Nevertheless, a definition of management is required for its teaching and research, and also for enhancement in its practice. Many management experts have tried to define management. But, no definition of management has been universally accepted.

Let us discuss some of the leading definitions of management:

Peter F. Drucker defines, "management is an organ; organs can be described and defined only through their functions".

F.W. Taylor: "Management is the art of knowing what you want to do in the best and cheapest way."

Management is the art of securing maximum productivity at the minimum of cost so that it helps employers, employees and public in general. Public is also a stake holder in business, it should also benefit from good performance of business.

According to Terry, "Management is not people; it is an activity like walking, reading, swimming or running. People who perform Management can be designated as members, members of Management or executive leaders."

Ralph C. Davis has defined Management as, "Management is the function of executive leadership anywhere."

According to **Mc Farland**, "Management is defined for conceptual, theoretical and analytical purposes as that process by which managers create, direct, maintain and operate purposive organization through systematic, co-ordinate co-operative human effort."

Henry Fayol:

"To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control." Fayol described management as a process of five functions such as planning, organizing, commanding, coordinating and controlling. Modern authors, however, do not view co-ordination as a separate function of management.

Harold Koontz:

"Management is the art of getting things done through and with people in formally organized groups." Koontz has emphasized that management is getting the work done with the co-operation of people working in the organization.

William Spriegal, "Management is that function of an enterprise which concerns itself with direction and control of the various activities to attain business objectives. Management is essentially an executive function; it deals with the active direction of the human effort."

Kimball and Kimball, "Management embraces all duties and functions that pertain to the initiation of an enterprise, its financing, the establishment of all major policies, the provision of all necessary equipment, the outlining of the general form of organization under which the enterprise is to operate and the selection of the principal officers."

Sir Charles Reynold, "Management is the process of getting things done through the agency of a community. The functions of management are the handling of community with a view of fulfilling the purposes for which it exists."

E.F.L. Brech, "Management is concerned with seeing that the job gets done, its tasks all centre on planning and guiding the operations that are going on in the enterprise."

Koontz and O'Donnel, "Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively toward the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups."

James Lundy, "Management is principally a task of planning, coordinating, motivating and controlling the efforts of other towards a specific objective. It involves the combining of the traditional factors of production land, labour, capital in an optimum manner, paying due attention, of course, to the particular goals of the organization."

Wheeler, "Management is centered in the administrators or managers of the firm who integrate men, material and money into an effective operating limit."

J.N. Schulze, "Management is the force which leads guides and directs an organization in the accomplishment of a pre-determined object."

Oliver Scheldon, "Management proper is the function in industry concerned in the execution of policy, within the limits set up by the administration and the employment of the organization for the particular objectives set before it."

Keith and Gubellini, "Management is the force that integrates men and physical plant into an effective operating unit."

Newman, Summer and Warren, "The job of Management is to make co-operative endeavour to function properly. A manager is one who gets things done by working with people and other resources in order to reach an objective."

G.E. Milward, "Management is the process and the agency through which the execution of policy is planned and supervised."

Ordway Tead, "Management is the process and agency which directs and guides the operations of an organization in the realizing of established aims."

Mary Parker Follett:

“Management is the art of getting things done through others.” Follett describes management as an art of directing the activities of other persons for reaching enterprise goals. It also suggests that a manager carries only a directing function.

These definitions are notice to the fundamental difference between a manager and other human resources of an organization. A manager is one who contributes to the organization’s goals indirectly by directing the efforts of others not by performing the task himself. On the other hand, a person who is not a manager makes his contribution to the organization’s goals directly by performing the task himself. Sometimes, however, a person in an organization may play both these roles simultaneously. For example, a sales manager is performing a managerial role when he is directing his sales force to meet the organization’s goals, but when he himself is contacting a large customer and negotiating a deal, he is performing a non-managerial role. In the former role, he is directing the efforts of others and is contributing to the organization’s goals indirectly; in the latter role, he is directly utilizing his skills as a salesman to meet the organization’s objectives.

1.2.2 Nature of Management

Management has been the social process by which managers of a venture integrate and coordinate its resources for the achievement of common, clear goals. It has developed into a body of knowledge and a separate identifiable authority during the past six decades. Practice of management as an art is, of course, as old as the organized human effort for the achievement of general goals. Management has also acquired some characteristics of profession during recent times. Large and medium-sized venture in India and somewhere else are managed by professional managers’ managers who have modest or no share in the ownership of the venture and look upon management as a career.

1. **Multidisciplinary:** Management is multidisciplinary. It includes knowledge / information from different disciplines- economics, statistics, mathematics, psychology, sociology, ecology, operations research, history, etc.
2. **Management is dynamic:** Management has framed definite principles, which are elastic in nature and change with the changes in the environment in which an organization exists.

3. **Relative, Not Absolute Principles:** Management principles are relative, not absolute, and they should be useful according to the need of the organization.
4. **Management as a Science:** Development of management as a science is of current origin; still its practice is ages old. Fredrick W. Taylor was the first management scientist who made significant contributions to the development of management as a science. He used the scientific systems of analysis, observation and experimentation in the management of production function. A insightful manager, as he was, he distilled certain essential principles and propounded the theory and principles of scientific management. His work was followed by many others including Gantt, Emerson, Fayol, Barnard, etc. During the last few decades, great strides have been made in the development of management as a systematized body of knowledge which can be learnt, taught and researched. It has also provided powerful tools of analysis, prediction and control to practicing managers. The scientific character of management has been particularly strengthened by management scientists who have developed mathematical models of decision making. Another characteristic of science in management is that it uses the scientific methods of observation, experimentation and laboratory research. Management principles are firmly based on observed phenomena, and systematic classification and analysis of data. These analyses and study of observed phenomena are used for inferring cause-effect relationships between two or more variables. Generalizations about these relationships result in hypotheses. The hypotheses when tested and found to be true are called principles. These principles when applied to practical situations help the practitioner in describing and analyzing problems, solving problems and predicting the results. Even though management is a science so far as to possess a systematized body of knowledge and uses scientific methods of research, it is not an exact science like natural sciences. This is simply because management is a social science, and deals with the behaviour of people in organization. Behaviour of people is much more complex and variable than the behaviour of inanimate things such as light or heat. This makes controlled experiments very difficult. In fact, many natural sciences which deal with living phenomena such as botany and medicine are also not exact. Management is a social science like economics or psychology, and has the same limitations which these and other social sciences have. But this does not in any way diminish the value of

management as a knowledge and discipline. It has provided influential tools of analysis, prediction and control to practicing managers and helped them in performing their material tasks more efficiently and effectively.

5. **Management as an art:** Art means application of knowledge for solving various problems. In modern times there is separation of ownership and management, so professional experts are appointed.
6. **Management as a Profession:** We often listen to of professionalization of management in our country. By a professional manager, generally mean a manager who undertakes management as a career and is not interested in acquiring ownership share in the enterprise which he manages. But, is management a profession in the true sense of the word? Or, is management a profession like the professions of law and medicine?

According to McFarland a profession is the following characteristics:

- (i) A body of principles, techniques, skills, and specialized knowledge;
 - (ii) formalized methods of acquiring training and experience;
 - (iii) The establishment of a representative organization with professionalization as its goal;
 - (iv) The formation of ethical codes for the guidance of conduct; and
 - (v) The charging of fees based on the nature of services.
7. **Management is universal:** Most of the principles and techniques of management are universal in nature. They can be applied to government organization, military, educational institutes, religious institutes etc. They provide working guidelines which can be adopted according to situations.

1.2.3 Significance of Management

Management is related with acquiring maximum prosperity with a minimum effort. Management is essential everywhere group efforts are required to be directed towards achievement of common goals. In this management aware age, the significance of management can scarcely be over emphasized. It is said that, everything minus management amounts to nothing. Koontz and O' Donnell have correctly observed "there is no more important area of human activity than management since its task is that of getting things done through others." The

importance of management in business activities is relatively greater. The inputs of labour, capital and raw material never become productive without the channel of management. It is now extensively recognized that management is a significant factor of growth of any country. The following points additional highlight the significance of management:

- 1. Achievements of group goals:** Management develops group efforts more effective. The group as an entire cannot realize its objectives unless and until there is mutual co-operation and co-ordination among the members of the group. Management makes team work and team spirit in an organization by developing a sound organization structure. It brings the human and material resources together and motivates the people for the achievement of the goals of the organization.
- 2. Optimum utilization of resources:** Management constantly concentrates on achieving the objectives of the enterprise. The available resources of production are put to use in such a way that all sort of wastage and inefficiencies are reduced to a minimum. Workers are motivated to put in their best performance by the inspiring leadership. Managers create and maintain an environment conducive to highest efficiency and performance. Throughout the optimum use of available resources, management accelerates the process of economic growth.
- 3. Minimization of cost:** In the modern era of intense competition, every business enterprise must minimize the cost of production and distribution. Only those concerns can survive in the market, which can produce goods of better quality at the minimum cost. A study of the principles of management helps in knowing confident techniques used for reducing costs. These techniques are production control, budgetary control, cost control, financial control, material control, etc.
- 4. Change and growth:** A business venture operates in a constantly changing environment. Changes in business environment create uncertainties and risk and also produce opportunities for growth. An enterprise has to change and adjust itself in the ever changing environment. Sound management moulds not only the enterprise but also alters the environment itself to ensure the success of the business. Many of the giant business corporations of today had a modest beginning and grew continuously through effective management.

5. **Efficient and smooth running of business:** Management ensures efficient and smooth running of business, through better planning, sound organization and effective control of the various factors of production.
6. **Higher profits:** Profits can be enhanced in any enterprise either by increasing the sales revenue or reducing costs. To increase the sales revenue is out of control of a venture. Management by decreasing costs increases its profits and thus provides opportunities for future growth and development.
7. **Social benefits:** Management is useful not only to the business firms but to the society as a whole. It improves the standard of living of the people through higher production and more efficient use of scarce resources. By establishing cordial relations between different social groups, management promotes peace and prosperity in society.
8. **Useful for developing countries:** Management has to play a more vital role in developing countries, like India. In such countries, the productivity is low and the resources are inadequate. It has been rightly observed, "*There are no under-developed countries. They are only under-managed ones*".
9. **Sound organization structure:** Management establishes proper organization structure and avoids conflict between the superiors and subordinates. This helps in the development of spirit of cooperation and mutual understanding, and a congenial environment is provided in the .
10. **Management is goal oriented:** Management is concern with achievement of specific goals. It is always directed towards achievement of objectives. The success of management is measured by the extent to which objectives are achieved.
11. **Management is associated with group efforts:** The business comes into existence with certain objectives which are to be achieved by a group and not by one person alone. Management gets things done by, with and through the efforts of group members.
12. **Management is situational:** Management does not advice best way of doing things. Effective management is always situational. A manager has to apply principles, approaches and techniques of management after taking into consideration the existing situations.

1.2.4 Managerial Skills

A skill is an individual's ability to convert knowledge into action. Therefore, it is manifested in an individual's performance. Skill is not essentially inborn. It can be developed through practice and in the course of relating learning to one's own personal experience and background. In order to be able to successfully discharge his roles, a manager should possess three major skills. These are conceptual skill, human relations skill and technical skill. Conceptual skill deals with ideas, technical skill with things and human skill with people. While both conceptual and technical skills are needed for good decision-making, human skill is necessary for a good leader. The conceptual skill refers to the ability of a manager to take a broad and farsighted view of the organization and its future, his ability to think in abstract, his ability to analyze the forces working in a situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it. In short, it is his ability to conceptualize the environment, the organization, and his own job, so that he can set appropriate goals for his organization, for himself and for his team. This skill seems to increase in importance as manager moves up to higher positions of responsibility in the organization. The technical skill is the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique. In a production department this would mean an understanding of the technicalities of the process of production. Whereas this type of skill and competence seems to be more important at the lower levels of management, its relative importance as a part of the managerial role diminishes as the manager moves to higher positions. In higher functional positions, such as the position of a marketing manager or production manager, the conceptual component, related to these functional areas becomes more important and the technical component becomes less important. Human relations skill is the ability to interact effectively with people at all levels.

This skill develops in the manager sufficient ability (a) to recognize the feelings and sentiments of others; (b) to judge the possible actions to, and outcomes of various courses of action he may undertake; and (c) to examine his own concepts and values which may enable him to develop more useful attitudes about himself. This type of skill remains consistently important for managers at all levels.

- 1. Technical Skills** Technical skills relates to the ability to use the tools, equipment, procedures, techniques and knowledge of a specialized field. It is primarily concerned with the ways of doing the things. It implies proficiency in a specific field of activity. Technical skills are most important for the lower level managers, because by nature their job involves supervision of the workers. Effective supervision and coordination of the work of the subordinates, therefore, depends on the technical skill possessed by the lower level manager. Any supervisor without a sound knowledge of the job cannot make an effective supervisor. Such supervisors are not respected by the subordinates at the shop floor. The relative importance of the technical skills as compared to the other skills diminishes as one move up to higher levels of management.
- 2. Human Skills** Human skills are primarily concerned with “persons” in contrast to “things”. When a manager is highly skilled in employee relations, he is aware of their attitudes, assumptions, and beliefs and recognizes their limitations as well as their usefulness. He accepts as an important fact of life, the existence of viewpoints and feelings, different from his own. Thus, human skills refer to the ability of the manager to work effectively as a group member and to build cooperative effort in the team he leads. It is the ability to work with, understand and motivate people. He understands why people behave as they do and is able to make his own behaviour understandable to them. He can foresee their reactions to possible courses of action. His skill in working with others is natural and continuous. He does not apply it in random or in inconsistent fashion. It is a natural ingredient of his every action. The flair for understanding, empathizing and working with people is central to the human skills.
- 3. Conceptual Skills** Conceptual skills also called design and problem-solving skills involve the ability to: see the organization and the various components of it as a whole; understand how its various parts and functions are related in a network fashion; and to foresee how changes in any one of these may affect the others. Conceptual skills extend to visualizing the relation of the organization to industry, to the community and to the political, economic and social forces of the nation as a whole and even to forces which operate beyond the national boundaries. It is the creative force within the organization. A high degree of conceptual skill helps in analyzing the environment and in identifying the opportunities and threats. Managements of companies like ITC, Larsen &

Toubro, Asian Paints, Bajaj Auto, Bharthi Telecom in the private sector and National Dairy Development Board, Bharat Heavy Electricals (BHEL) in the public sector, to mention a few, have amply demonstrated this skill in gaining a competitive edge over their competitors.

As you have understood by now the three types of skills discussed so far are not mutually exclusive. In other words, management job always requires all the three skills, but in different proportions depending upon the level of management. There is a steady shift in the importance from the bottom to the top of the pyramid. Technical skills and human skill are always in great demand at the lower level of management for it is there the productive processes and operations are carried out. It is there where you find most of the people. It is there where the action takes place. In contrast, the need for conceptual skill is greatest at the top level of management. Noticeably, top managers are not often involved in the direct application of specific methods, procedures and techniques, compared to those at the lower echelons of management. As evident from the foregoing discussion, at the entry level of the management job, that is, at the supervisory level, besides technical skills, a manager has to process human skills and the problem-solving skills (conceptual). To climb up the organizational ladder, one must not only be good at the skills required for the present job, but also learn and acquaint with the skills required at the next level. As result, in the event of promotion to the next higher levels, he/she would feel at home and discharge the responsibilities with ease. Based on the differences in the type of skills required, organizations assess the training needs of the managers. Accordingly, appropriate training, development methods and programs are designed to equip them with the skills required at the respective levels. Although, each of these skills is needed in some degree at every level of management, there are successful executives who have no great amount of technical skills. But they are able to compensate the lack of that skill through superior creative ability and skill in identifying the talent and empowering the people through effective human resources development practices and good leadership

4. **Analytical Skills:** [Decision making] Analytical skills mean ability to work out a complex problem or situation into component. Analytical skills are required

for solving problems and decision making. This is also helpful for evaluation of performance and arriving at judgment.

5. **Human relation Skills:** Human relation skills represent the ability to understand the behavior of people, their problems, their needs, working conditions and motivation to people. These skills are essential in directing the people and for better coordination.
6. **Administrative Skills:** It involves the implementation of plan and use of available resources to get the desired output that is profit and to regularize a performance in orderly manner. It is also helpful in co-ordination of activities.
7. **Computer Skills:** Computer knowledge is essential for today's manager i.e. knowledge of hardware & software. Hardware is technical term & software is ability to adopt the system in an organization to attempt goals. In modern days computer is widely used in organization. Hence today's' manager should possess the knowledge of computer. This is helpful in decision making. It also helps to increase the productivity in the organization.
8. **Communication Skills:** Communication is systematic process of telling, listing and understanding. This skill requires the ability of listening and speaking in an effective manner. The manager is responsible for getting the things done by others. He should be expert in oral and written communication. Communication skill is essential for getting success. It is depend upon the manager who achieves the results with efforts of others. Co-ordination can be attained with the help of proper communication. Success is depends upon proper communication.

Check your progress: 1

Fill in the blanks:

1. Skills are the abilities to think about creative terms.
2. Skills represent the ability to understand the behavior of people, their needs and problems.
3. Skills involve the implementation of plan and use of available resources.
4. Knowledge of hardware and software is concerned with Skills

1.2.5 Managerial Roles

Henry Mintzberg, a contemporary management thinker has done lot of research on the various roles performed by a manager. A role, according to him, “Is an organized set of behaviors belonging to an identifiable office or position.” Just as characters in a play have specific roles, managers also play different roles. Throughout his studies, Mintzberg identified ten roles that managers play at various times to varying degrees. He classified them under three broad categories; interpersonal roles, informational roles, and decisional roles.

Mintzberg published his ten management roles in his book, “Mintzberg on Management: Inside our Strange World of Organisation” in 1990

Category	Roles
Interpersonal	Figurehead Leader Liaison
Informational	Monitor Disseminator Spokesperson
Decisional	Entrepreneur Disturbance Handler Resource Allocator Negotiator

Let's look at each of the ten managerial roles in greater detail.

A) Interpersonal Role

The managerial roles in this category involve providing information and ideas.

1. **Figurehead** – As a manager, he have social, ceremonial and legal responsibilities. He is expected to be a source of inspiration. People look up to him as a person with authority, and as a figurehead.
2. **Leader** – This is where managers provide leadership for his team, His department or perhaps his entire organization; and it's where they manage the performance and responsibilities of everyone in the group.

3. **Liaison** – Managers must communicate with internal and external contacts. He needs to be able to network effectively on behalf of his organization.

B) Informational Role

The managerial roles in this category involve processing information.

4. **Monitor** – In this role, Managers regularly seek out information related to his organization and industry, looking for relevant changes in the environment. He also monitors his team, in terms of both their productivity, and their well-being.
5. **Disseminator** – This is where you communicate potentially useful information to his colleagues and the team.
6. **Spokesperson** – Managers represent and speak for their organization. In this role, he is responsible for transmitting information about your organization and its goals to the people outside it.

C) Decisional Role

The managerial roles in this category involve using information.

7. **Entrepreneur** – As a manager, he create and control change within the organization. This means solving problems, generating new ideas, and implementing them.
8. **Disturbance Handler** – When an organization or team hits an unexpected roadblock, it's the manager who must take charge. Managers also need to help mediate disputes within it.
9. **Resource Allocator**: Managers will also need to determine where organizational resources are best applied. This involves allocating funding, as well as assigning staff and other organizational resources.
10. **Negotiator**: Managers may be needed to take part in, and direct, important negotiations within team, department, or organization.

1.2.6 Management as a Profession

A Profession Social Responsibility Knowledge Application Self Control Profession is an occupation carried by professionals like doctor, lawyer, architect, chartered accountant, cost accountant etc. It involves knowledge and application of it. Management as a profession is modern concept different from traditional one.

Management is a profession to the extent it fulfills the above conditions. It is a profession in the sense that there is a systematized body of management, and it is distinct, identifiable discipline. It has also developed a vast number of tools and techniques. But unlike medicine or law, a management degree is not a prerequisite to become a manager. In fact, most managers in India as elsewhere do not have a formal management education. It seems reasonable to assume that at no time in the near future, the possession of a management degree will be a requirement for employment as a career manager. Management is also a profession in the sense that formalized methods of training is available to those who desire to be managers. We have a number of institutes of management and university departments of management which provide formal education in this field. Training facilities are provided in most companies by their training divisions. A number of organizations such as the Administrative Staff College of India, the Indian Institutes of Management, Management Development Institute, the All India Management Association, and the university departments of management offer a variety of short-term management training programmes. Management partially fulfils the third characteristic of profession. There are a number of representative organizations of management practitioners almost in all countries such as the All India Management Association in India, the American Management Association in U.S.A., etc. However, none of them have professionalization of management as its goal. Management does not fulfill the last two requirements of a profession. There is no ethical code of conduct for managers as for doctors and lawyers. Some individual business organizations, however, try to develop a code of conduct for their own managers but there is no general and uniform code of conduct for all managers. In fact, bribing public officials to gain favours, sabotaging trade unions, manipulating prices and markets are by no means uncommon management practices. Furthermore, managers in general do not seem to adhere to the principle of "service above self". However little regard is paid to the elevation of service over the desire for monetary compensation is evidenced by switching of jobs by managers. Indeed, such mobile managers are regarded as more progressive and modern than others. It may be concluded from the above discussion that management is a science, an art as well as a profession. As a social science, management is not as exact as natural sciences, and it is not as fully a profession as medicine and law.

Characteristics of a profession:

- 1. Systematic body of knowledge:** Professionals require expert knowledge in a particular discipline. E.g. a doctor requires knowledge of medicine; Chartered Accountant needs to have knowledge of Income Tax.
- 2. Formal Education:** A true professional needs to have formal education from the institution. E.g. Lawyer needs degree of law.
- 3. Social Responsibility:** The professional are socially responsible while handling their tasks and responsibilities. Their aim should not be only profit maximization, but they have to follow certain rules for social responsibilities.
- 4. Independent Office:** Normally professionals practice from their independent office.
- 5. Specialization:** The professionals may specialize in a particular field. E.g. heart specialist, child specialist and ENT surgeon.
- 6. Fees:** The professionals required license or a permission to practice. E.g. a doctor requires license to practice as a medical practitioner.

The modern concept of management has developed as a profession because:-

1. Organization is a systematic body of knowledge.
2. Formal methods of acquiring knowledge and skill with the help of different institution.
3. Rise in professional management consultant.
4. Need for honesty

These are the days where hear a lot about professional managers and their contribution to the economic development of the nation. Therefore, it is appropriate to know whether management is a profession.

McFarland gives the following characteristics of a profession:

- Existence of an organized and systematic body of knowledge,
- Formalized methods of acquiring knowledge and skills,
- Existence of an apex level body with professionalization as its goal,

- Existence of an ethical code to regulate the behaviour of the members of the profession,
- Charging of fees based on service, and
- Concern for social responsibilities

A closer examination of management as a profession reveals that unlike medicine or law, management has to go a long way to attain universally acceptable norms of behaviour. There is no uniform code of conduct that governs the behaviour of managers. The apex level body, the All India Management Association (AIMA) or NIPM [National Institute 10 of Personnel Management] provides only guidelines and does not have any controlling power over the erring members. Managers also differ widely in respect of their concern for the ethics and values of the society in which they function. Many a time, in their obsession with profit, the societal interests are either neglected or compromised. However, as in the case of other professions, it is implied that managers are expected to set an example in doing good to the society. While making decisions, they should be conscious of the impact of their decisions on the society. The larger interests of the society must be given top priority rather than short-term temptations. After all, given the enormous resources they have at their command, the expectation that managers should address themselves to the problems of society is not unnatural. It must, however, be remembered that unlike professions like engineering, medicine, law, accountancy, etc., the entry to management profession is not restricted to individuals with a special degree. In other words, one need not necessarily possess M.B.A or any other management degree or diploma to practice management. To quote Peter Drucker, *“no greater damage could be done to an economy or to any society than to attempt to professionalize management by licensing managers or by limiting access to management to people with a special academic degree”*. In spite of the growing number of management institutes and the large number of people trained in the management, it is an irony that we still hear the debate *“whether managers are born or made”*. The successes achieved by a few visionaries and great entrepreneurs are often sighted in support of the argument. It is true that many founding fathers of the industry in India and elsewhere too did not study management in the formal way. The native wisdom coupled with their vision in understanding the market and organizing the enterprises helped them earn name and fame. Huge industrial empires were built with sheer business acumen and commonsense. The Marwaris and Parsees in the north and Chettiars, and Naidus in

the south India, the Jews in the west and the Samurai community in Japan, for instance, offer a classic example of such success stories. The successes achieved by the pioneers in these cases amply demonstrate that success in business requires much more than academic degrees. At the same time, it may be realized that the achievements of the pioneers of the industrial development need not shadow the importance of management as a profession. In arguing for and against, we must not ignore the context of the business. There has been a sea change in the environment of the business.

The modern business has become more complex due to the uncertainties arising mainly from:

- ❖ Ever increasing competition for the markets not only domestic but international as well;
- ❖ Rapid technological changes affecting all facets of human life;
- ❖ Increased sophistication and rapid obsolescence of technology;
- ❖ Expansion in the size of organizations and consequently the market, and
- ❖ The unexpected changes in the socio-cultural and political factors influencing the business.

All these variables which have a significant bearing on the functioning of a business point to the need for formal training and acquisition of skills by pursuing management education.

1.2.7 Code of Conduct for Managers

A Code of Conduct has the purpose of being the central guide and reference for users in day to day decision making. The Code is meant to reflect the organization's purpose, mission, values and principles, and linking these to the standards of professional conduct. The conduct of individuals, therefore, should clearly reflect what the organization 'stands for' and how the organization wishes to see itself projected to the outside world. The Code is an open and public disclosure of how the organization operates. A Code can fulfill other functions. It can become a tool that encourages discussion around ethical dilemmas, prejudices and grey areas that can arise during everyday working; it can provide the opportunity to create a positive public identity for the organization that can raise levels of public confidence and

trust. A code of conduct is important for managers in every industry, as a workforce can't move forward without integrity from its leaders. The best managers place a high value on fairness and ethics, as well as their own performance. Not only do managers who create their own code of conduct benefit their workers, but they also often benefit the entire company's public image.

1. **Honesty:** Managers in every industry must understand their company's policies and guidelines, as well as its mission, and how they are expected to go about accomplishing their goals. They also need to know and follow the laws of the government, particularly as they pertain to business. Mostly, effective managers must be honest about aspects such as production and profit at all times. While being dishonest isn't always a federal offense, it can result in numerous issues for a company.
2. **Accountability:** Good managers expect their workers to take responsibility for their actions and overall performance, and demand the same of themselves. That means answering to ownership or executive boards when things don't go right, accepting the blame, and coming up with solutions to avoid future issues.
3. **Integrity:** Managers who perform their jobs with a high level of integrity are widely the best type of supervisors to work for. That's because managers who possess integrity are often consistent in their decision-making and resolution of issues. These managers also make their goals clear and assist employees when it comes to reaching those goals.
4. **Respect:** Appropriate behavior is a key factor in a code of conduct for a manager, who must demonstrate acceptable behavior in the workplace. That doesn't mean managers need to act like robots and display little signs of personality. Quite the opposite, actually, as many managers are expected to be energetic and lead in areas of teamwork and motivation. But they also need to treat staff members, customers and their own supervisors with the same respect they would expect for themselves.
5. **Flexibility:** While most companies don't expect their managers to display sympathy to employees who aren't meeting expectations, most businesses prefer leaders who are patient and work with those in need of assistance. Good managers show their workers how jobs are best performed, then monitor workers and offer suggestions and tips. After all, the goal of managers in every

industry is to make sure workers stay productive and the company stays profitable.

6. **Development and Training Programmes:** To equip managers with the skills, behaviours and competencies enshrined in the code. This enables a positive work culture to develop, promoting wellbeing and improved performance. Through management development and consequent behaviour change, staff commitment, engagement and trust all increase so that the costs of absenteeism, staff turnover are reduced. It also provides training programmes for managers and staff on improving personal resilience and stress management skills.
7. **Cognitive coaching:** One-to-one coaching support for managers, to encourage a focus on thinking about the wellbeing of staff, rather than simply on targets, as this will ultimately have a far greater return-on-investment.
8. **Top team facilitation:** Facilitated discussion with senior managers to support local adoption of the Code, to clarify what the Code means and how the Code can be embedded in the organization's culture to improve wellbeing and performance.

Check Your Progress: 2

True or False

1. Mintzberg identified ten roles that managers play at various times to varying degrees.
2. Managers must communicate with internal and external contacts.
3. Mintzberg classified Managerial role under four broad categories
4. The Code is an open and public disclosure of how the organization operates.
5. Appropriate behavior is a key factor in a code of conduct for a manager, who must demonstrate acceptable behavior in the workplace.

1.2.8 Functional areas of Management:

The main function of modern management is to organize human and physical resources and direct them toward efficient performance and higher productivity at the minimum costs. The same line of thinking can be applied in various functional areas

viz., Human resource, finance, production, and marketing. Modern managers are the portent of cooperation, fellow feeling, mutual understanding and growth.

Human Resource, Finance, Production and Marketing

A) Human Resource Management:

Traditionally what was known as personnel management is now replaced with human resource management (HRM) today. Initially, in small organizations' all the managerial functions of planning, organizing, staffing, directing, and controlling (for all the functional areas of management) were performed by the managers but with increase in size of the organizations, managers could not look after all the functional areas. Personnel specialists or senior managers were appointed to look into matters related to personnel policies and separate departments called personnel departments were created.



Human resource department performs the following functions:

- (a) Human resource planning or manpower planning balances the demand for employees in qualitative and quantitative terms and its supply from various internal and external resources. Internal sources fill organisational posts from within the organization and external sources provide labour from outside sources such as labour market.

- (b) Recruitment analyses requirements of the job, prepares job description and invites applications from those whose qualifications match the job description.
- (c) Selection selects the most suitable person out of those who have applied for the job. Written tests and interviews are conducted to select the suitable candidates.
- (d) Performance appraisal assesses the performance with the targeted performance to check deviations and provide training to improve the performance.
- (e) Training enhances the knowledge and skills of employees. It enables them to effectively manage the organisational positions and promotes their growth. Training programmes can be conducted on-the-job or external agencies can provide training to the employees.
- (f) Rewards deal with the pay structure for each job. Rewards vary with the skill, knowledge and competence for each job position.
- (g) Industrial relations maintain harmonious relations between the management and employees. Grievances or disputes are settled by the personnel manager by following legal provisions and rules.
- (h) Employee communication and participation communicates managerial decisions to employees and allows them to participate in the decision-making processes.
- (i) Personnel records maintain record of employees regarding their qualification, experience and achievements. It is maintained by the personnel department. This serves as the basis for internal recruitment where employees can be placed at jobs within the organization. These records help in matching job description with job specification, which is, matching the requirement of the job with qualifications of the person.

The focus of HRM is growth and development of the organization along with its work force.

Features of Human Resource Management

- (a) It views employees as important organisational resource that is committed to organisational needs and works towards its goals.
- (b) It aims to satisfy individual needs by providing challenging, lucrative and meaningful jobs to employees.

- (c) It follows the concept of ‘mutuality’ where managers focus on mutual goals, mutual respect, mutual rewards etc.
- (d) It allows employees to participate in the decision-making processes.
- (e) It caters to the interests of people internal (labour force) and external to the organization (customers, suppliers, shareholders etc.)

Objectives of Human Resource Management

- (a) Effective utilization of human resource.
- (b) Motivate people to make them committed to organisational goals.
- (c) Frame policies and procedures that fulfill the needs of employees.
- (d) Aim at growth and development of employees through teamwork, co-operation, creativity and innovation.
- (e) Maintain human flexibility in the jobs they are placed at and the number of hours they spend on each job to achieve quality management.

B) Finance Management:

All activities (production, marketing or personnel) require constant flow of funds. Finance department takes care of financial requirements of the enterprise. It makes arrangements for acquisition and effective utilization of funds. With increase in the size of business, its relationship with the internal and external environment, product diversification and differentiation, Government regulations and technological developments, finance manager assumes important role in management of finance. Financial management deals with management of finance. It is “the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations.”

In today’s world, financial management is focused on two aspects:-

- Profit Maximization
- Wealth Maximization

Scope of Financial Management

It includes two types of approaches:-

- (i) **Traditional Approach:** This approach has going on for many years. It focused permanently on the acquisition of funds, through long term sources or links like financial institutions and capital markets. It includes various points such as:-
- It helps to procure your funds.
 - It manages the long term sources and ignores the short term financial requirements.
- (ii) **Modern Approach:** In the modern approach, the main motive of an organization is to an arrangement of funds from various sources and also utilize in a proper manner. This approach includes various questions such as-
- How many sources of finance?
 - How profits will be distributed?
 - What size and volume of a firm should be?

C) Production Management:

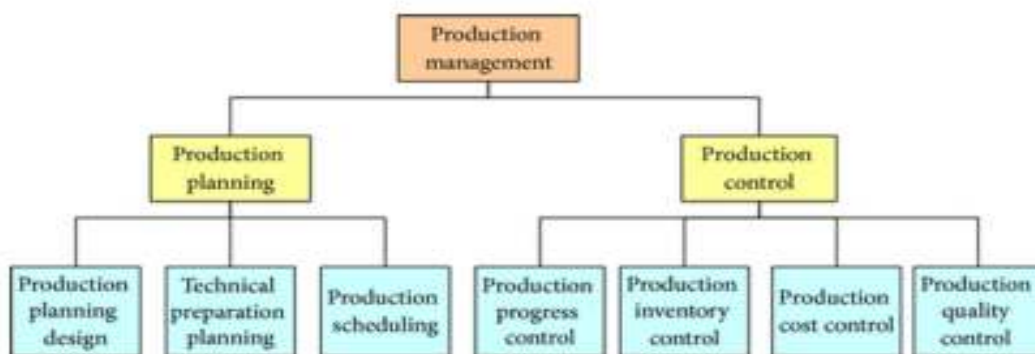
The term ‘production’ was closely associated with manufacturing physical goods and, therefore, production management was also known as manufacturing management. Today, goods are not only physical goods but also services. Production is related to both goods and services and, therefore, production management is known as operations management. It deals with conversion of inputs into outputs. It is a “set of components whose function is to transform a set of inputs into some desired output.” “It is the management of productive processes that convert inputs into goods and services.” The inputs are the men, material, equipment, technical knowledge etc. The conversion process that transforms the inputs can be physical transformation in manufacturing operations, location transformation in transportation, exchange transformation in retailing, storage transformation in warehousing, informational transformation in legal firms, physiological transformation in medicine, and gratification transformation in entertainment. Outputs are the goods and services produced through the conversion process. Outputs also include by-products of goods, whether in the form of pollutants or wastes. This input-output conversion process is also affected by the environmental forces like Government regulations, economic-political-legal framework of the country, policies of competitors, international policies, etc. The feedback mechanism

helps to know effectiveness of the conversion process and whether or not it requires changes in its components.

Production is a word which is related to the manufacturing of goods and production management is also known as manufacturing management. In today's world, goods are not only physical goods but also services. The product is the combination of inputs and outputs by which the company produces the goods and services.

Therefore, production management is also known as operational management. Production is a combination of two words:-

- (i) **Inputs:** It includes various materials and types of equipment for transforming the raw materials into several outputs.
- (ii) **Outputs:** Outputs includes goods and services which are produced through the conversion process (i.e., through inputs).



The production of the goods and services are affected by various factors such as government rules and regulations, competitors, international trade facilities, and so on.

Scope of Production / Operations Management-

Production management includes various points such as:-

- (i) It helps to design the production policies like product design, process layout, and process design.
- (ii) It helps to maintain the inventory planning.
- (iii) Material handling.

- (iv) It helps to formulate the capacity planning.
- (v) It helps to prepare the layout structure.

D) Marketing Management:

Traditionally, markets were a place for exchange of goods and services between sellers and buyers to the mutual benefit of both. Today, marketing is exchange of values between the seller and the buyer. Value implies worth related to the goods and services being exchanged. The buyer will pay for the goods if they have value for him. Marketing management is “planning, organizing, controlling and implementing of marketing programmes, policies, strategies and tactics designed to create and satisfy the demand for the firms’ product offerings or services as a means of generating an acceptable profit.” It deals with creating and regulating the demand and providing goods for which customers are willing to pay a price worth their value.

Elements of marketing management:

The basic elements of marketing management are:

- (a) **Customer orientation:** The focus of marketing function is to sell goods desired by consumers; the goods that satisfy their needs.
- (b) **Integrated effort:** Marketing function should be co-ordinate with other functional areas of production, finance and personnel management.
- (c) **Profitability:** While the consumer wants a product that satisfies his needs, seller sells a product which provides profit. A successful marketing strategy should provide profits to the marketer along with customer satisfaction.
- (d) **Viability:** The goods should not only earn profits, they should also build reputation of the firm in terms of quantity, quality and the price at which goods are sold.

Marketing mix: Marketing plans are made within the constraints of controllable and non- controllable variables. The non-controllable variables are social, technological, political, cultural and legal factors which affect the marketing strategies. Controllable factors are the product, price, promotion and channels of distribution. Marketing mix is the combination of controllable variables that make a successful marketing programme.



4Ps of Marketing Mix

- (a) **Product mix:** It deals with physical attributes and benefits of the product. Ownership gives a sense of pride and satisfaction to the consumer and, therefore, the product should be appropriately designed, coloured and packed.
- (b) **Pricing mix:** Pricing is an important marketing decision. Pricing is affected by factors such as costs, legal framework, prices charged by competitors and the prices that consumers are ready to pay. Price should recover the costs and earn an affordable return on capital. This ensures long-run survival and growth of the enterprise.
- (c) **Promotion mix:** It refers to communication with the consumers about the product. It motivates them to buy the goods.

Sales can be promoted in three ways:

- (i) Advertisement:** It presents the product particulars to consumers through media. It is a non-personal means of communication.
- (ii) Personal selling:** The seller directly contacts the buyer and convinces him to purchase
- (iii) Sales promotion:** It supplements advertisement and personal selling as a way of promoting sales. It increases sales by holding contests, lotteries etc. Different combinations of sales promotion techniques can be used at a point of time.
- (D) Place / Channel mix:** following the product is designed, priced and advertised, it arouses consumers' interest to buy. The channel mix identifies the pathway through which goods are transferred from sellers to buyers. The seller may sell straight to the buyer or through intermediation of wholesalers and retailers. More than one channel of distribution can be adopted at the same time; for example, a wholesaler can sell through retailers and also directly to consumers. The channel mix selects and maintains the channel to make certain consistency in selling practices followed by the sales people.

1.3 Summary:

Management is defined for conceptual, theoretical and analytical purposes as that process by which managers create, direct, maintain and operate purposive organization through systematic, co-ordinate co-operative human effort." Management has been the social process by which managers of a venture integrate and coordinate its resources for the achievement of common, clear goals. Management is multidisciplinary, Management is a dynamic. Management is related with acquiring maximum prosperity with a minimum effort. Management is essential everywhere group efforts are required to be directed towards achievement of common goals. In this management aware age, the significance of management can scarcely be over emphasized. The importance of management in business activities is relatively greater. The inputs of labour, capital and raw material never become productive without the channel of management. It is now extensively recognized that management is a significant factor of growth of any country. Skill is not essentially inborn. It can be developed through practice and in the course of relating learning to one's own personal experience and background. In order to be able to successfully

discharge his roles, a manager should possess three major skills. These are conceptual skill, human relations skill and technical skill. Mintzberg identified ten roles that managers play at various times to varying degrees. He classified them under three broad categories; interpersonal roles, informational roles, and decisional roles. The modern concept of management has developed as a profession because organization is a systematic body of knowledge, formal methods of acquiring knowledge and skill with the help of different institution, rise in professional management consultant, need for honesty. A code of conduct is important for managers in every industry, as a workforce can't move forward without integrity from its leaders. The best managers place a high value on fairness and ethics, as well as their own performance. Not only do managers who create their own code of conduct benefit their workers, but they also often benefit the entire company's public image. The same line of thinking can be applied in various functional areas viz., Human resource, finance, production, and marketing. Modern managers are the portent of cooperation, fellow feeling, mutual understanding and growth.

1.4 Terms to Remember

Skills: great ability or proficiency; expertness that comes from training, practice, etc

Profession: a paid occupation, especially one that involves prolonged training and a formal qualification.

Code of Conduct: code of conduct is a collection of rules and regulations that include what is and is not acceptable or expected behavior.

Human Resource: Human resources is used to describe both the people who work for a company or organization and the department responsible for managing *resources* related to employees.

Finance: Finance is the study of money and how it is used. Specifically, it deals with the questions of how an individual, company or government acquires the money.

Production: the action of making or manufacturing from components or raw materials, or the process of being so manufactured.

Marketing: the action or business of promoting and selling products or services, including market research and advertising.

1.5 Answer to Check Your Progress

Check Your Progress: 1

Fill in the blanks:

1. Conceptual Skills 2. Human Skills 3. Technical Skills 4. Computer Skills

Check Your Progress: 2

1. True 2. True 3. False 4. True 5. True

1.6 Exercise

1. Explain the nature and significance of Management
2. Describe the Managerial Skills
3. State the Mintzberg's Role
4. Explain the management as a profession
5. State the code of conduct for managers
6. Explain the functional areas of Management
7. Write short Notes:
 - a. Managerial Skills
 - b. Mintzberg's Role
 - c. Management as a Profession
 - d. code of Conduct for Managers
 - e. Human Resource Management
 - f. Finance Management
 - g. Production Management
 - h. Marketing Management

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Unit-2

Contribution Towards Management Thought

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2.0 Objectives

After studying this unit you will be able to....

1. Understand the contributions of Frank Gilbreth, Mary Parker Follett, Tom Peters and Robert Waterman

2. Understand the Need and Evaluation of Organisational Learning Approach
3. Understand the Features and Implications of Virtual Organisation

2.1 Introduction:

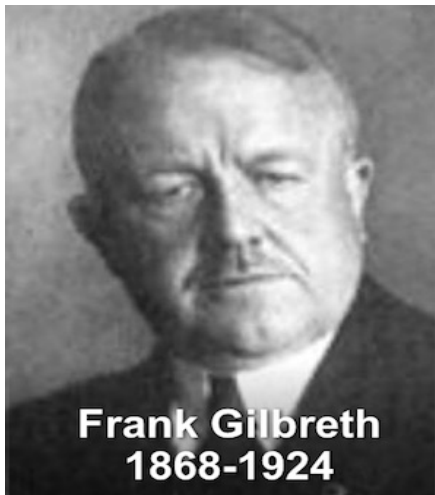
Management is as old as human civilization. From the beginning of the 20th Century lot of efforts were made to development of management. Now a day management is a separate discipline. Frank Gilbreth, F.W. Taylor, Herny Feyol, Mary Parker follett, Max Weber, Sheldon Tom Peters and Robert Waterman and many others gave major contribution towards management theory. Our discussion, however, is confined in this unit to the contribution of Frank Gilbreth, Mary Parker Follett, Tom Peters and Robert Waterman. Gilbreth introduced the application of psychology to industrial management. He also developed complicated studies of motion that he modified for use by injured soldiers and the physically disabled, as well as labourers. His work recognized that psychology and education are fundamental parts of successful management. Mary Parker Follett was an American social theorist known for introducing ideas about human psychology and human relations into industrial management. Her articles and essays had a profound influence on the field of organizational behavior. Modern management theory owes much to her original ideas. Management literature is chock-full of books about the best companies and how to emulate them. Arguably the best of all these books is Tom Peters' and Robert Waterman's In Search of Excellence. Organizational learning is the process of creating, retaining, and transferring knowledge within an organization. An organization improves over time as it gains experience. From this experience, it is able to create knowledge. This knowledge is broad, covering any topic that could better an organization. Examples may include ways to increase production efficiency or to develop beneficial investor relations. Knowledge is created at four different units: individual, group, organizational, and inter organizational. **A virtual organisation is one whose employees is spread geographically and communicates via phone, email, and the internet. The concept explores technologies and issues surrounding virtual organisations from a knowledge management perspective.**

2.2 Presentation of Subject Matter:

This unit focuses upon the contribution towards management thought especially the contributions of Frank Gilbreth, Mery Parker Follott, Tom Peters and Robert

Waterman. Further topic highlights on Organisational Learning Approach and virtual organisation. It describes the concept, need and evaluation Organisational Learning Approach and also concept, features and implications of Virtual Organisation.

2.2.1 Contribution of Frank Gilbreth: July 7, 1868 - June 14, 1924



Frank Gilbreth is well-known for his work with construction workers on the efficiency of motion. He developed many of the concepts and applications that are now element of modern management techniques.

Early Life:

Frank Bunker Gilbreth was an American engineer, consultant, and author, famous as an early promoter of scientific management and a pioneer of time and motion study. Gilbreth was born in Fairfield, Maine, on July 7, 1868. Frank was the third child and only son of John Hiram Gilbreth and Martha Bunker Gilbreth. Frank's mother was a school teacher. Frank's father owned a hardware store and was a stockbreeder. While, Gilbreth was three and a half years old his father died suddenly from pneumonia. After his father's death his mother moved the family to Andover, Massachusetts, for better education for her children. The large estate left by her husband was managed by her husband's family. In 1878, the money had lost or stolen then Martha Gilbreth had to find a way to make a living. Again she moved the family to Boston for good public schools. She started a boarding house since the salary of a school teacher would not support the family. Gilbreth was not a superior student. He studied Rice Grammar School, but his mother was worried enough to teach him at home for a year. He studied Boston's English High School, and his

grades improved after he became interested in his science and math classes. Frank took the entrance examinations for the Massachusetts Institute of Technology, but wanted his mother to be able to give up the boarding house. He decided to go to work rather than to college. Renton Widden, Gilbreth's old Sunday school teacher, hired him for his building company. He was to start as a labourer, study the various building trades, and work his means up in the firm. In July 1885 at age 17 he started as a bricklayer's helper. As he understands bricklaying he noticed the many variations in the bricklayers' methods and efficiency. This began his interest in finding "the one best way" of executing any job. He rapidly learned every element of building work and contracting, and advanced quickly. He admitted night school classes to learn mechanical drawing. After five years, he was a superintendent, which permitted his mother to give up her boarding house. Using his observations of workers laying brick, Gilbreth inovate a multilevel scaffold that kept the bricks within easy reach of the bricklayer. He started patenting his innovations with this "Vertical Scaffold". He inovated and patented the "Gilbreth Waterproof Cellar". He starts to make innovations in concrete construction. He also connected the American Society of Mechanical Engineers (ASME). After ten years and at age 27 frank was the top superintendent. When Widden was reluctant to make him a partner, he resigned to begin his own company. Gilbreth start his career as a bricklayer's trainee. A caring observer, he studied by watching the movements of veteran bricklayers that each one used motion in a various way, a few more economically than others. Gilbreth became committed to his lifetime goal finding "the one best way" of mastering any task. Gilbreth quickly learned every trade in the contracting business. After long time he was laying stone, estimating costs, working railway construction, and supervising.

In 1895, at the age of 27, Gilbreth started his own contracting company. Bricklaying was next being replaced by the use of concrete, and he patented many inventions for the altering construction industry. Some of his inventions were a concrete mixer that supplemented early gravity mixers and concrete conveyors. The slogan of his firm was "*Speed Work*," and missions were the elimination of waste, the conservation of ability, and the reduction of cost. When Gilbreth introduced these ideas to the construction of the Lowell Laboratory, he made newspaper headlines with his less construction time. His projects included dams, canals, houses, factory buildings, industrial facilities, and the complete town of Woodland, Maine; he

serviced clients all over the United States and ultimately extended his business to England. In due course, He became an occasional lecturer at Purdue University.

In 1904, Gilbreth married Lillian Evelyn Moller in Oakland, California. Both had 12 children. Gilbreth is founder of industrial engineering, used "cost-plus-a-fixed sum" contracts in his building contracting business. He explained this method in an article in Industrial Magazine in 1907, differentiate it to fixed price and guaranteed maximum price methods. In 1908, Gilbreth published his first book named as *Field System*. The book included the ideas which he had collected information by asking his workers to record exactly what they did through the course of the day and what they would suggest for improvement. The book was the first of its kind, documenting every day organizational and functional practices in construction. It was also the first in a sequence of comparable books by Gilbreth, in which he would present specific information on work everyday jobs, even using photographic facts to show the positions of a worker's feet during particular tasks.

As he integrated his work on the expediency of motion with his wife's focus on the psychology of the person. Frank and Lillian start to join their efforts in search of the link between psychology and management. They together established the basic place of psychology and education in effective management. In 1913, the Gilbreths began the Summer School of Scientific Management, which was joined by academic and industry professionals from around the world. Associates developed through the school gave Gilbreth an international consulting reputation.

Primary stage of World War, Gilbreth, visited industrial plants, teaching, testing, installing new machines, and establishing laboratories in Germany. As injured soldiers start returning to Germany, Gilbreth worked to recover surgical procedures, and he was the first to use motion-picture photography in the operating area for the education of surgeons. He was famous as an expert in the rehabilitation of injured soldiers. He visited hospitals all over Europe, watching the motions of the injured soldiers, and innovated ways to teach them to manage their regular activities. Gilbreth's consulting business thrived after the war. In 1920, the American Society of Mechanical Engineers institutes its Management Division; incredible Gilbreth had been working to set up for many years. He was now one of the most extensively known American engineers in the United States and Europe, received financial rewards and many professional honors. He recommended the first international management congress in history to the American Society of Mechanical Engineers,

and it was held in Prague in 1924. He died unexpectedly of a heart attack on June 14, 1924. He was honored with the Gantt Gold Medal in 1944 from the American Society of Engineers and the American Management Association. The honor was common and received by his wife.

Major Contribution:

A) Motion study: Motion study is the determining nation of the best way of doing a work based on the careful scrutiny of the job performed within the organisation eliminating unnecessary and inefficient processes. Frank Gilbreth with his engineering background backed by the knowledge of psychology of his wife, Lillian Gilbreth did path-breaking work in the field motion study. Frank Gilbreth on noticing that no two men in the brick laying business had the same way of doing the job and kept a close scrutiny on the process followed by them, his close observation resulted in eliminating unnecessary processes saving the time drastically. The motion study fanned out from brick laying to the manufacturing industry. Frank Gilbreth expanded his motion study by Therblig analysis which divided the job into smaller parts consisting of 17 basic motions which were studied by using a process chart, micromotion study which watched the motions involved using the slow picture camera and a stop watch to analyse the elements of the job to micro seconds, and through the principles of motion economy which scrutinized the movements that come naturally or otherwise to the workforce. The motion study gained popularity over the years as it laid down the foundation for standardization in the processes. Motion study besides eliminating the unnecessary motions, and replacing the inefficient movement of the work, laid out the best way of doing the job more effectively. Identification of the best way made standardization of the process possible. Standardization plays a major role in today's business world with the entities of Pizza hut. Ensure the same quality in products and services anywhere in the world through the strict adherence of the standardization procedures.

Lillian Gilbreth's knowledge in psychology succeeded in gaining the support of the workers and the trade unions in adopting the standardization procedure in the organisation. Standardisation paved the way for better techniques for evaluating the employee performance thus leading the way for better employee appraisal systems, promotional programs, and other employee motivational programs. Greater motivation improved efficiency in the work which in turn increased the productivity resulting in better employer employee relationships.

Motion study is identifying the best way of doing the job helped in recognizing the key skills for doing the job effectively. Training and other developmental programs were initiated to enhance the knowledge and skills of the workforce. It also placed the processes in such a way that the related processes were laid in succession. With the related jobs arranged and the number of movements minimized, the employee stress was brought down to a great extent resulting in increased productivity and employee satisfaction. The micro motion study helped in having fixed position for the tools based on the natural movements of the workforce, reducing the time required for a job. This was made possible by the cameras positioned to watch over the processes involved in a job. The motion study though failed to have the desired impact during the life time of Frank Gilbreth succeeded on the effort put in by Lillian Gilbreth after his death. Today the motion study plays an immense role in the modern business processes. Gilbreth served in the U.S. Army during World War I. His assignment was to find quicker and more efficient means of assembling and disassembling small arms. According to Claude George (1968), Gilbreth reduced all motions of the hand into some combination of 17 basic motions. These included grasp, transport loaded, and hold. Gilbreth named the motions therbligs "Gilbreth" spelled backwards with letters *th* transposed to their original order. He used a motion picture camera that was calibrated in fractions of minutes to time the smallest of motions in workers. **Therbligs** are 18 kinds of elemental motions, used in the study of motion economy in the workplace. A workplace task is analyzed by recording each of the therblig units for a process, with the results used for optimization of manual labour by eliminating unneeded movements.

A **basic motion element** is one of a set of fundamental motions required for a worker to perform a manual operation or task. The set consists of 18 elements, each describing a standardized activity.

- **Transport empty (TE):** receiving an object with an empty hand. (Now called "Reach".)
- **Grasp (G):** grasping an object with the active hand.
- **Transport loaded (TL):** moving an object using a hand motion.
- **Hold (H):** holding an object.
- **Release load (RL):** releasing control of an object.

- **Preposition (PP):** positioning and/or orienting an object for the next operation and relative to an approximation location.
- **Position (P):** positioning and/or orienting an object in the defined location.
- **Use (U):** manipulating a tool in the intended way during the course working.
- **Assemble (A):** joining two parts together.
- **Disassemble (DA):** separating multiple components that were joined.
- **Search (Sh):** attempting to find an object using the eyes and hands.
- **Select (St):** choosing among several objects in a group.
- **Plan (Pn):** deciding on a course of action.
- **Inspect (I):** determining the quality or the characteristics of an object using the eyes and/or other senses.
- **Unavoidable delay (UD):** waiting due to factors beyond the worker's control and included in the work cycle.
- **Avoidable delay (AD):** waiting within the worker's control which causes idleness that is not included in the regular work cycle.
- **Rest (R):** resting to overcome a fatigue, consisting of a pause in the motions of the hands and/or body during the work cycles or between them.
- **Find (F):** A momentary mental reaction at the end of the Search cycle. Seldom used.

Effective and Ineffective basic motion elements

Effective	Ineffective
Reach	Hold
Move	Rest
Grasp	Position
Release Load	Search
Use	Select
Assemblan	Plan

Disassemble	Unavoidable delay
Pre-position	Unavoidable delay
	Inspect

Their emphasis on the "one best way" and therbligs predates the development of continuous quality improvement (CQI), and the late 20th century understanding that repeated motions can lead to workers experiencing repetitive motion injuries. Gilbreth was the first to propose the position of "caddy" (Gilbreth's term) to a surgeon, who handed surgical instruments to the surgeon as needed. Gilbreth also devised the standard techniques used by armies around the world to teach recruits how to rapidly disassemble and reassemble their weapons even when blindfolded or in total darkness.

B) Scientific management: The work of the Gilbreths is often associated with that of Frederick Winslow Taylor, yet there was a substantial philosophical difference between the Gilbreths and Taylor. The symbol of Taylorism was the stopwatch; Taylor was concerned primarily with reducing process times. The Gilbreths, in contrast, sought to make processes more efficient by reducing the motions involved. They saw their approach as more concerned with workers' welfare than Taylorism, which workers themselves often perceived as concerned mainly with profit. This difference led to a personal rift between Taylor and the Gilbreths which, after Taylor's death, turned into a feud between the Gilbreths and Taylor's followers. After Frank's death, Lillian Gilbreth took steps to heal the rift; however, some friction remains over questions of history and intellectual property.

C) Fatigue study: In conducting their Motion Study method to work, they found that the key to improving work efficiency was in reducing unnecessary motions. Not only were some motions unnecessary, but they caused employee fatigue. Their efforts to reduce fatigue included reduced motions, tool redesign, parts placement, and bench and seating height, for which they began to develop workplace standards. The Gilbreths' work broke ground for contemporary understanding of ergonomics.

Their management theory outlined three main points:

- 1. Reduce the number of motions in a task:** Frank and Lillian coined the term "therbligs," or elemental motions required for tasks in the workplace. They used

these 18 units to analyze how tasks were completed searching for an object with eyes or hands, grasping an object with hands, assembling and disassembling two parts, etc. From there, they'd figure out which motions were necessary, and then eliminate any unnecessary motions to increase efficiency.

2. **Focus on the incremental study of motions and time:** As engineers, Frank and Lillian closely studied motion and time to calculate the most efficient way to complete a given task. Taking the scientific approach, they measured time and motion to 1/2000 of a second to understand what works best. Their insight was unlike that of most other theorists, as they channeled physical science rather than psychology.
3. **Increase efficiency to increase profit and worker satisfaction:** the main goal as a leader should be increasing efficiency in each individual employee, and in the organization as a whole. Not only will this method save time, it will also afford a higher profit and happier workers.

2.2.2 Mary Parker Follett (September 3, 1868–December 18, 1933)



Early Life

Mary Parker Follett was born in Boston in USA in 1868. She had her early education at Thayer Academy in Boston. She then went to Radcliff College where she studied English, Political Economy and History. She also went to Newnham College in Cambridge. After her studies, she developed a keen interest in social administration and social work in Boston. In 1900, she founded the Roxbury Debating Club. In 1909, she became Chairman of the School House SubCommittee of the Women's Municipal League, Boston. She did social work for women, children and slum dwellers. In 1912, she took to vocational guidance and became a member

of the Placement Bureau Committee, Boston. In this capacity, she came in contact with industry. During the period 1915-33, she presented papers on Industrial Organization at annual conferences of business executives. Thus, Follett, who had initially turned her attention to social administration and the solutions of social problems moved smoothly to the realm of business management and administration.

Career

Follett began working in Roxbury as a voluntary social worker in 1900 at the Roxbury Neighborhood House of Boston. Here, she helped organize recreation, education, and social activities for poor families and for working boys and girls. In 1908, Follett became chair of the Women's Municipal League Committee on Extended Use of School Buildings, part of a movement to open schools after hours so that the community could use the buildings for activities. In 1911, she and others opened the East Boston High School Social Center. She also helped found other social centers in Boston. In 1917, Follett took on the vice presidency of the National Community Center Association, and in 1918 she published her book on community, democracy, and government, "The New State." Follett published another book, "Creative Experience," in 1924, with more of her ideas about the creative interactions that take place between people in group processes. She credited her work in the settlement house movement with many of her insights. She shared a home in Boston for 30 years with Isobel L. Briggs. In 1926, after Briggs' death, Follett moved to England to live and work and to study at Oxford. In 1928, Follett consulted with the League of Nations and with the International Labor Organization in Geneva. She lived in London for a time with Dame Katharine Furse of the Red Cross. In her later years, Follett became a popular writer and lecturer in the business world. She was a lecturer at the London School of Economics in 1933, and she also provided personal advice to President Theodore Roosevelt on organizational management. Among the many contributors to administrative thought, Mary Parker Follett occupies a prominent place, in what was then largely man's world. She have turned her attention from the traditional subjects of study – the state or the community to concentrate on the study of industry. In this context, she was not only evolved principles of human association and organization specifically in terms of industry, but also convinced large numbers of businessmen of the practicability of these principles in dealing with current problems. Follett blended theory, fact and ideal admirably. She demonstrated her beliefs by drawing illustrations almost from every walk of life from the affairs of

government, industry and business, home, war and peace, international institutions and wherever men and women lived and worked together. She was a gifted writer with a rare capacity for presenting original ideas with great simplicity and lucidity. Her writings are replete with practical wisdom, deep flashes of intuition, undepartmentalized thinking and an all-pervading spirit of democratic dynamism. Many of those associated with the 'classical' or scientific management movement like Ordway Tead, Henri Fayol, Oliver Sheldon and Lyndall Urwick were influenced by the philosophy of Follett.

Follett's major ideas could be discussed under the following:

1. Constructive Conflict,
2. Coordination,
3. Power, Authority and Control and
4. Leadership.

1. Constructive Conflict

Follett argues that conflict, as a natural and inevitable part of life, does not necessarily have to lead to deleterious outcomes. Rather, if approached with the right analytical and imaginative tools a conflict can present an opportunity for positive or constructive development. Follett gives a definition of conflict as a difference is a bit unconventional. She argues that differences or conflict of interest in itself, does not make a conflict.

According to Follett, there are three ways to respond to conflict:

- **Dominance:** Dominance means victory of one side over the other. This works in the short term, but is unproductive in the long run (to make her point Follett presciently refers to the results of "The War" – WWI).
- **Compromise:** Compromise means each party having to give up something for the sake of a meaningful reduction of friction. Far be it from ideal, compromise often leaves parties unsatisfied – having given up something of value.
- **Integration:** Follett considers that integration as a method of dealing with conflict has some advantages when compared to compromise: Compromise does not create but only deals with the existing, whereas Integration creates something new, leads to invention and to the emergence of new values. Integration leads to the use

of better techniques. Integration saves time and resources. Integration goes to the root of the problem and puts an end to the conflict permanently.

Steps to Achieving Integration Follett also discuss the ways of achieving integration:

- (a) The first step towards achieving Integration is to bring differences into the open, instead of suppressing them. “We cannot hope to integrate our differences,” she asserts, “unless we know what they are.” Therefore, what is needed is to uncover, identify and understand the real issues involved in a conflict. This involves finding out the significant, rather than the dramatic features involved in a conflict or controversy.
- (b) The second step is the breaking up of the whole, i.e., to consider the demands of both sides involved in the conflict and to break them into their constituent parts involves the examination of symbols, use of which are unavoidable in organizational work. Examination of symbols, in turn, involves a careful scrutinizing of the language used, to see what it really means. To Follett, all language used is symbolic, and therefore, one should be on one’s guard to know as to what is being symbolized. Integration not only involves breaking up of the whole but sometimes one has to do the opposite. It is important to articulate the whole demand, the real demand which is being obscured by miscellaneous minor claims or by ineffective presentation.
- (c) Anticipation of conflict is the third step. Anticipation of conflict does not mean the avoidance of conflict but responding to it differently. To Follett, integration is like a game of chess. Anticipation of response is by itself not enough; there is need for preparation for response as well.

Obstacles to Integration

- 1. Integration requires high intelligence, keen perception and discrimination, and a brilliant inventiveness. It is always easier to fight than to suggest better ways of doing a job. As long as intelligence and inventiveness are not there, resolving conflicts through integration would be difficult.
- 2. Another obstacle is people’s habit of enjoying domination. Too many, integration is a tame affair; it does not give them the thrill of conquest nor the

satisfaction of victory. Follett says that the people with such habit patterns always prefer domination to integration.

3. A third obstacle to integration is that often the problems are theorized, instead of taking them as proposed activities or practical issues needing immediate solution. Quite often, people, forgetting that disagreements will disappear if they stop theorizing, go on theorizing the problem on hand. Follett says that intellectual agreement alone does not solve conflicts and bring integration.
4. Language used is the fourth obstacle to integration. The language used must be favourable to reconciliation and should not arouse antagonism and perpetuate the conflict. Sometimes language used even creates new disputes which were not there earlier.
5. A fifth obstacle to integration is the undue influence exerted by the leaders.
6. Finally, the most important of all obstacles to integration is lack of training. Follett says that in most cases there is a tendency to 'push through' or to 'force through' the plans previously arrived at, based on preconceived notions. Therefore, she pleads that there should be courses to teach the art of cooperative thinking, to master the technique of integration, both for workers and managers. Integration, the option championed by Follett, means creatively incorporating the parties' fundamental desires/interests into the solution. When two desires are integrated, that means that a solution has been found in which both desires have found a place that neither side has had to sacrifice anything.

Let us take one of her illustration.

"In the Harvard Library one day, in one of the smaller rooms, someone wanted the window open. I have wanted it shut. We opened the window in the next room, where no one was sitting. This was not a compromise because there was no curtailing of desire; we both got what we really wanted. For I did not want a closed room, I simply did not want the north wind to blow directly on me; likewise the other occupant did not want that particular window open, he merely wanted more air in the room...."One advantage of integration over compromise I have not yet mentioned. If we get only compromise, the conflict will come up again and again in some other form, for in compromise we give up part of our desire, and because we shall not be content to rest there, sometime we shall try to get the whole of our desire. Watch industrial controversy and see how often this occurs will? Only

integration really stabilizes. But, the stabilization, I don't mean anything stationary. Nothing ever stays put. I mean only that that particular conflict is settled and the next occurs on a higher level.

Follet is cognizant that integrative bargaining is not always a viable option (she provides the example of two men vying for one woman), and that there are a lot of obstacles that get in the way of cooperative negotiation. These include on the one hand, a natural distaste for quarrelling, and on the other, a fighting zero-sum mentality. The method to integrative bargaining according to Follet is to bring the real differences out into the open. Taking her cues from psychology, she writes:

The psychiatrist tells his patient that he cannot help him unless he is honest in wanting his conflict to end. The "uncovering" which every book on psychology has rubbed into us from some years now as a process of the utmost importance for solving the conflicts, which the individual has within himself, is equally important for the relations between groups, classes, races, and nations. In business, the employer, in dealing either with his associates or his employees, has to get underneath all the camouflage, has to find the real demand as against the demand put forward, distinguish declared motive from real motive, alleged cause from real cause, and to remember that sometimes the underlying motive is deliberately concealed and that sometimes it exists unconsciously. The first rule, then, for obtaining integration is to put your cards on the table, face the real issue, uncover the conflict, bring the whole thing into the open....

2. Co-ordination: In an organisation, there are many individuals, groups and departments. They perform many different activities. Co-ordination means to integrate (i.e. bring together) these activities for achieving the objectives of the organisation. Coordination is done to achieve the objectives of the organization. It is a process which is not fixed. It applies to group activities, not individual activities. Coordination encourages the team spirit and gives proper direction to the organisation. It motivates the employees. It makes proper use of the resources. Coordination affects all the functions of management.

Follett's Four Principles of Coordination

This four principles of co-ordination is known as Follett's Principles of Coordination. This four principles may be followed to make co-ordination more effective.

a. Principle of Early Stage: According to this principle, coordination must start at an early stage in the management process. It must start during the planning stage. This will result in making the best plans and implementing these plans with success.

If coordination is started early only then all the management functions will be performed successfully. Thus by initiating proper coordination the organisation will achieve all its objectives easily and quickly.

b. Principle of Continuity: According to this principle, coordination must be a continuous process. It must not be a one-time activity. The process of coordination must begin when the organization starts, and it must continue until the organization exists. Coordination may be done continuously during the management process. It must be done during planning, organising, directing and controlling.

c. Principle of Direct Contact: According to this principle, all managers must have a Direct Contact with their subordinates. This will result in good relations between the manager and their subordinates. This is because direct contact helps to avoid misunderstandings, misinterpretations and disputes between managers and subordinates. It is enable the managers to coordinate all the different activities with their subordinates effectively and efficiently.

d. Principle of Reciprocal Relations: The decisions and actions of all the peoples (i.e. of all managers and employees) and departments of the organisations is inter-related. So, the decisions and actions of one person or department will affect all other persons' and departments in the organisation. Therefore, before taking any decision or action all managers must first find out the effect of that decision or action on other persons and departments in the organisation. This is called the Principle of Reciprocal Relations. Co-ordination will be successful only if this principle is followed properly.

3. Power, Authority and Control

Follett gives special attention to the problems of Power, Authority and Control. She was reveals profound, penetrating and strikingly original insights in her analysis of power.

a. Power: She defines Power as “the ability to make things happen, to be a causal agent, to initiate change”. Power is the capacity to produce intended effects. It is an instinctive urge inherent in all human beings. She makes a distinction between

‘Power-Over’ and ‘Power-With’. The former may tend to be ‘coercive-power’ while the latter is a jointly developed ‘coactive-power’. Power-With is superior to Power-Over, as it is a self-developing entity which promotes better understanding, reduces friction and conflict and encourages cooperative endeavours. However, Follett does not think it possible to get rid of power-over, but thinks that one should try to reduce it. This can be accomplished through integrating the desires, obeying the law of situation and functional unity. In a functional unity, each has his/her functions and he or she should have the authority and responsibility which go with that function. Follett also believes that power can never be delegated or handed out or wrenched from someone as it is the result of knowledge and ability. But, she feels, we can create conditions for the development of power.

b. Authority: Follett defines Authority as vested power, the right to develop and exercise power. Authority in terms of status and the subordination of one to another offends human dignity and may cause undesirable reactions and friction. Therefore, it cannot be the basis of organization. According to her, authority stems from the task being performed and is derived from the situation, and suggests that function is the true basis from which authority is derived. Therefore, she says that central authority i.e., derivation of authority from the Chief Executive should be replaced by Authority of Function in which each individual has final authority within the allotted functions. She feels that authority can be conferred on others and such conferment is not delegation. She expresses the clear terms that ‘delegation of authority’ should be an ‘obsolete expression’. Like authority, responsibility flows from the function and situation. Therefore, one should ask “For what is one responsible?” than “To whom is one responsible?” Follett also believes in the pluralistic concept of responsibility or cumulative responsibility.

c. Control: Like Authority and Responsibility, Control is an important aspect to achieve organizational goals. Unlike classical thinkers, since facts vary from situation to situation, control should depend upon the facts of each situation, instead of superiors controlling subordinates. Similarly, situations are too complex for central control to be meaningfully effective. Therefore, Follett suggests that control mechanisms should be correlated at many places in the organizational structure. If organizations are to be well integrated, unified and coordinated, control should be designed and developed as a part of the unifying process. A unified organization is

self-regulating and self-directing organism. In all such organizations, Follett feels, control tends to be self-control.

Exercising Power, Authority and Control: The Issue of Orders

By addressing the way managers gain influence over informal groups, Follett explains that training the employee can not only help them better understand their job description, but also helps the employer to be better understood.

She argues that “*orders should be the composite conclusion of those who give and those who receive them; more than this, that they should be the integration of the people concerned and the situation; more even than this, that they should be the integrations involved in the evolving situation.*”

- a conscious attitude realize the principles through which it is possible to act on in any matter;
- a responsible attitude to decide which of the principles we should act on;
- an experimental attitude try experiments and watch results;
- Pooling the results.

Follett says that most people, without even knowing the different principles that underlie giving orders, give orders every day. To her, to know the principles that underlie any given activity is to take a conscious attitude. After recognizing the different principles, one must think of what principles he or she should act on and then he or she should give orders in accordance with those principles. To give orders based on principles is a responsible attitude. Trying experiments, noting whether they are successful or a failure and analyzing as to why they are successful or a failure is taking an experimental attitude. Finally, one should pool the experiences of all and see to what extent and in what manner the methods of giving orders can be changed if the existing methods are found inadequate. Many people think that giving orders is very simple and expect that they would be obeyed without question. But, in practice, issuing of orders are surrounded by many difficulties. Past life, training, experience, emotions, beliefs and prejudices form certain habits of mind, which the psychologists call ‘habit patterns’, ‘action-patterns’ and ‘motor-sets’.

This involves four important steps:

- 1) the officials should be made to see the desirability of a new method;

- 2) the rules of the office should be so changed as to make it possible for the officials to adopt the new method;
- 3) A few people should be convinced in advance to adopt the new method to set an example.
- 4) The last is what psychologists call intensifying the attitude to be released. This will prepare the way for the acceptance of orders.

Follett then turns her attention to the environment of giving orders and says that the response to the orders depends upon the place and the circumstances under which orders are given.

She says that the “strength of favourable response to an order is in inverse ratio to the distance the order travels”. Efficiency is always in danger of being affected whenever the long distance order is substituted for face-to-face suggestion. As a manner of giving orders are also important. Alleged harassing, tyrannical and overbearing conduct of officials is an important reason for many industrial controversies. Treating men without regard to their feelings and self-respect would result in strikes and strained industrial relations. The language used often arouses wrong behavioural patterns. The more one is bossed over, the more one develops opposition to bossing. **Depersonalising Orders:** From the foregoing, it is evident that giving of orders are a complicated process. Therefore, either people stop giving orders, or become ‘authoritarian’ to ensure compliance to their orders. To avoid too much of bossism in giving orders or giving no orders at all, Follett suggests depersonalizing the orders. Study involve the problem of discovering law of the situation and obeying it by all concern. One should not give orders to another, but both should agree to take orders from the situation. If orders are a part of the situation, the question of someone giving and someone receiving orders does not arise and both take the orders from the situation. Follett says that two heads of departments do not give orders to each other. Each studies the situation and decisions are made as the situation demands. Depersonalizing orders, however, does not mean that one should not exercise authority. It only means exercise of authority of the situation. She gives the example of a boy who says no and then gets a pail of water for his mother. In this case, he resents the command, but recognizes the demand of the situation. Follett also observes that the situation is never static, it always develops and evolves. Therefore, the order too should never be static; but should always keep

up with the situation. The external orders can never keep pace with the situations and only those drawn fresh from the situation can do so. Therefore, Follett says, the order must always be integral to the situation.

4. Leadership: Follett gives considerable attention and discusses at length the process of Leadership. She believe that the old ideas of leadership can change because the changes in the concepts of human relations, and developments in management. To Follett, an leader is not the President Of the organization or Head of the Department, but one “who can see all around a situation, who sees it as related to certain purposes and policies, who sees it evolving into the next situation, who understands how to pass from one situation to another”. According to her, a leader is “the man who can energize his group, who knows how to encourage initiative, how to draw from all what each has to give”. He is the man who can show that the order is integral to the situation”. Leadership goes to the man who can grasp the essentials of an experience and, as we say, “can see it as a whole” and “to whom the total inter-relatedness is most clear”. He is the expression of a harmonious and effective unity which he has helped to form and which he is able to make a going concern. Such people Follett is found not just at the apex but throughout the organization. According to Follett, coordination, definition of purpose and anticipation is the three functions of the leader. A leader has also to organize experience of the group and transform it into power. Follett stresses that leaders are not only born but can be made through education and training in organization and management. **Follett distinguishes between three different types of leadership: Leadership of Position, Leadership of Personality, and Leadership of Function.** Leadership goes to the man with the knowledge of the situation, who understands its total significance and who can see, it, through. Such experts can give orders even to those of higher rank. The Leadership by function are an inherent in the every job. Though, the personality plays the large part in leadership, Follett believes that leadership of function is becoming more important than leadership of personality. Follett also believes that the success of any organization depends on its being “sufficiently flexible to allow the leadership of function to operate fully – to allow the men and women with the knowledge and the technique to control the situation”. Thus, Follett has called attention to the emergence in American life of 15 “leadership by function”, long before the term “Situational Leadership” came into use.

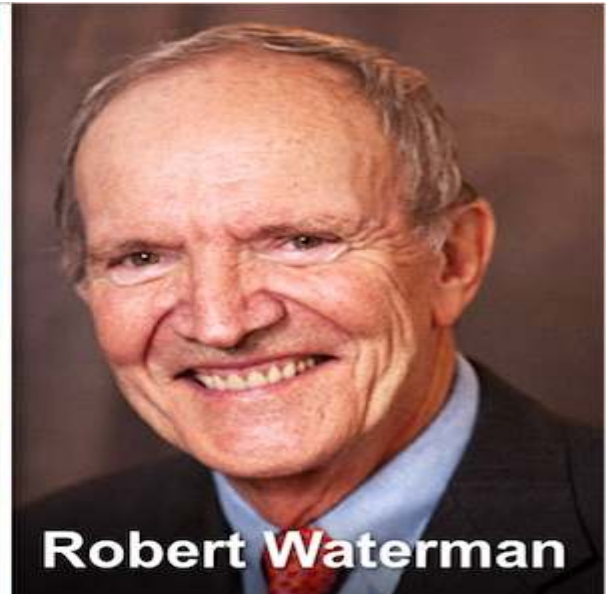
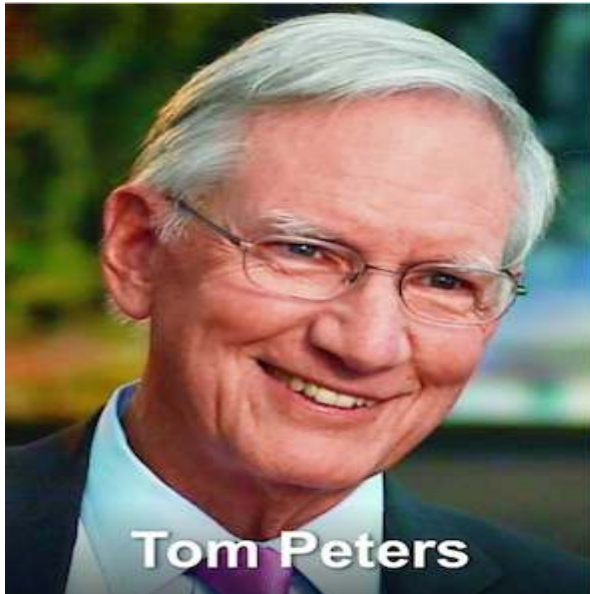
Follett distinguishes between three different types of leadership: Leadership of Position, Leadership of Personality, and Leadership of Function. In the first, the leader holds a position of formal authority and in the second, one becomes a leader because of his forceful personality. One who holds both position and personality can 'lead' much more easily. But in modern organizations, it is not the persons of formal authority or of personality who 'lead' but those who possess expert knowledge. They exercise leadership because others are influenced by their judgments. "The man possessing the knowledge demanded by a certain situation tends in the best managed business, and other things being equal, becomes the leader at that moment." Thus leadership goes to the man with the knowledge of the situation, who understands its total significance and who can see it through. Such experts can give orders even to those of higher rank. Leadership of function is inherent in the job. Though personality plays a large part in leadership, Follett believes that leadership of function is becoming more important than leadership of personality. Follett also believes that the success of any organization depends on its being "sufficiently flexible to allow the leadership of function to operate fully – to allow the men and women with the knowledge and the technique to control the situation". Thus, Follett has called attention to the emergence in American life of 15 "leadership by function", long before the term "Situational Leadership" came into use.

Contribution/Evaluation of Mary Parker Follett

Follett provided several contributions to the development of management, the most important being her managerial philosophy with its emphasis on the spirit of democratic dynamism and human behavior. She maintained that attitudinal change is required for the integrative process to work properly. Individuals must develop a cooperative attitude that fosters a search for integrative solutions to conflict and aspire only to exercise, 'power-with' rather than grasp for 'power-over'. Appreciating her contribution, George Claude writes: "Mary Parker Follett was a true management philosopher, a pioneer who helped span the gap between the mechanistic approach of Taylor and our contemporary approach emphasizing human behavior". Metcalf and Urwick observe: "Her conceptions were in advance of her time. They are still in advance of current thinking. But they are a gold-mine of suggestions for anyone who is interested in the problems of establishing and maintain human cooperation in the conduct of an enterprise". Indeed, much of what Follett wrote has become accepted and may now seem commonplace. Comparing

Follett with Florence Nightingale (the founder of modern nursing), Bertram Gross comments: “But she was no less an innovator, 16 and her intellectual horizons were much broader”. Follett was again the first management thinker who endeavoured to build a theory for the professionalization of business management. Pugh, Hickson and Hinings have this to say about Follett: “The core of her contribution is the proposition that in a democratic society, the primary task of management is to so arrange the situation that people cooperate readily of their own accord”. While a few writers on organization label Follett as a ‘classical’ thinker, others criticize her stating that ‘there is nothing classical in her ideas’. But it must be stated that Follett herself criticized the classical theory of management for its one-sidedness, mechanism, and for ignoring psychological aspects. But own ideas on various aspects of administration and management were not free from criticisms. She was criticized for ignoring the social nature or the processes involved in the management of organizations. “She threw all real social, class conflicts off the scale and considered only psychological conflicts rising mainly from lack of understanding, misapprehensions and differences in the personnel qualities. Her ideas on integration were criticized as being illusory.” She was also criticized for not interpreting the social content of organization scientifically. Baker observed that Follett was never a systematic writer; she threw out interesting ideas more or less randomly and, therefore, the thread of consistency was hard to find and harder to follow. Not all her readers would see where her thoughts would lead them. Therefore, it was observed that her 17 valuable ideas and useful recommendations do not conform to a theoretically well-founded and integrated system. Notwithstanding these criticisms, Follett’s contribution to administrative theory is “seminal and indeed prophetic”; her ideas in the realm of conflict, integration, coordination, control, authority and leadership convince everyone about the validity and justification of the multi-dimensional focus of her universalistic approach. As Metcalf and Urwick have observed her conceptions were in advance of her time. They are still in advance of current thinking. But they are a gold-mine of suggestions for anyone who is interested in the problems of establishing and maintaining human cooperation in the conduct of an enterprise.”

2.2.3 Tom Peters' and Robert Waterman's



Thomas J. Peters is a speaker, professional agitator, and author. His famous works include *The Circle of Innovation*, *The Little BIG Things*, and *Re-Imagine!*, *Thriving on Chaos*, *Liberation Management*.

He was born in 1942 and went to Cornell University on a US Navy scholarship. He earned a bachelor's degree in Civil Engineering and served for four years in the US Navy. Following that, he got a PhD in Organisational Behaviour from Stanford University. In 1974, he joined US management consulting firm McKinsey in their San Francisco office, quickly becoming a partner. There, he took on a major research project looking at the organisational and implementation aspects of companies, while colleagues in the New York office got the plum research project around strategy. As Peter's project matured, long-serving McKinsey colleague, Robert Waterman, became involved, and their work morphed into the McKinsey 7S Model and then into the book, *In Search of Excellence*.

Robert Waterman

Robert H. Waterman Jr. is a director at a leading consulting firm. He's also the writer of many books, including *The Renewal Factor* and *What America Does Right*.

Robert Waterman grew up in the US during the war and attended the Colorado School of Mines, where he graduated in 1958 with a Bachelor's degree in

Geophysics. He then went on to gain an MBA from Stanford University in 1961. He joined McKinsey in 1964 and remained with the firm until 1985, leaving as a senior director and a member of the Firm's Executive Committee. He is working in Australia and the San Francisco office. It was in the latter that he met and started to work with Tom Peters on the project that would become the book, *In Search of Excellence*. When Peters was fired from McKinsey for an article that was read as denigrating strategy in favour of operations and implementation, Waterman remained with the firm. Peters was granted 50 percent of the royalties of the book the two were working on. McKinsey retained the 50 percent share for Waterman's half. After 35 years, the book remains in print and, while some of its exemplars have not proved to show such enduring excellence, the ideas persist. Almost 25 years ago, working with his good friend and colleague, Tom Peters, Bob Waterman coauthored *In Search of Excellence*. A few months after its publication, *Excellence* reached the top of the *New York Times* Best-Seller List, and then improbably stayed on top for a year and a half.

Tom Peters & Robert Waterman – In Search of Excellence

Eventually, this hard line rankled and Waterman left the firm. His co-founded energy firm AES, and served on a number of corporate boards. Increasingly his non-executive roles focus on not-for-profits. *In Search of Excellence* evolved from unstructured research into a two-day, 700-slide seminar that Peters gave in Germany, to Siemens. Invited to do the same for PepsiCo, Peters was requested to trim down and focus his presentation. The result was eight key lessons he drew from his research.

TOM PETERS' SEARCH FOR AN EXCELLENCE MODEL Peters and Waterman identified the following eight attributes which characterized the excellent, innovative companies in their study (op cit p. 13-16):

First Principle: "A Bias for Action"

The top firms have a bias for action. They are always ready to react fast and effectively. They use many short-term task forces that small teams of people. These task forces take steps in a short span. This is the opposite of working with a bigger team that works for months. Such task forces cut across the old structural barriers in the firm. They conjoin to respond to a specific project. These groups leverage from their member's critical skills. Some firms like Walt Disney promote communication

through a “first name” policy. Others, like Delta and IBM, have an “open door” policy. A practice named “chunking” also encourages such action approach. Chunking mean breaking things up to make the work process smoother. It can take many forms for example, forming task forces, creating quality circles, setting project centers etc. It involves using the task force as a building block within the company. These forces often structure and follow up fast. They don’t need to give too much documentation. *Willingness to Innovate and Process Simplification:* Great firms’ readiness to innovate also encourages action. They’re ready to take risks on new things and make mistakes. A sort of playfulness is linked with such innovation. For example, at HP, product designers keep models of their new products on their desks. This is so that everyone can try them out. If the experiments are failures, the firms end their development. This process is similar to playing poker. You know when to fold and when to hold. Experiments which work are developed further. Simplifying processes also promotes such bias to action. This simplification includes narrowing plans down to just a few targets. Plus, not keeping lengthy memos. This builds a clear action plan.

Second Principle: “Close to the Customer”

Great firms have another critical principle. They are in close touch with their consumers. These firms are dedicated to giving customers a reliable and quality service. Customer orientation is their main driving force and not technology or being a low-cost provider. For example, IBM became a market leader due to its commitment to service and not only due to its technology. Commitment to customers means taking steps which mightn’t make financial sense in short-run. But, in the long-term, it pays off regarding consumer loyalty. For example, Frito spent thousands of dollars to restock a store. Even if it only needed a few packs of potato chips. At times, its salesmen would assist in cleaning a store after an accident. Such acts of going the extra mile added to the firm’s success. These companies also stress the significance of placing consumer interests first on their staff. They train their team to build such an orientation. There’re many examples of consumer focus. For example, McDonald’s dedication to cleanliness “*Along with bigness comes complexity, unfortunately and most big companies respond to complexity in kind, by designing complex systems and structures.*” For many firms, such emphasis also meant getting their niche. Like smart technology manipulation, better segmentation, pricing skills, etc. Technology and cost often don’t drive great firms. Instead, they’re

quality driven, encouraged by service. Being close to the consumer is example of excellent listening skills. It's about understanding what the customers want. This way, customer input results in future development and innovation. Hence, most of the actual innovation comes from the customers.

Third Principle: “Autonomy and Entrepreneurship”

To create entrepreneurship and freedom, great firms motivate people to be innovative. They encourage them to be champions at exploring and creating. These companies want their managers to encourage the development of new ideas. For example, a firm may recognize a product champion who's often a loner but has faith in a product. Great firms acknowledge that such champions are leaders. Hence, they give support to help pioneers prosper. Plus, such firms can tolerate failures. They understand that experiments can't always work. And that people need to make many attempts and go through failures. For example, through this approach, 3M came up with over 50,000 products. And, this is how they launch 100 major products every year.

Fourth Principle: “Productivity through People”

Great firms respect their people. This includes giving training, setting SMART expectations and providing freedom to take initiatives. Diverse firms show such people-orientation in diverse ways. Delta encourages the “family feeling.” HP practices “managing by wandering around.” They both build a great culture in which people can prosper. This approach may result in hoopla and celebration. But, all of this works well. People feel good and stay motivated.

Fifth Principle: “Hands-On, Value-Driven”

Great firms are value-driven and practical. They know what they stand for. Plus, they take the value creation process very seriously. There's a clearly-defined list of guiding principles. All employees are expected to walk and talk about these values. These firms weave many legends and stories to embed the values in their culture. But, they confine the content of these beliefs to just some core values.

Sixth Principle: “Stick to the Knitting”

The great firms focus on their core business in which they're great. For example, 3M focuses on goods which use its coating and bonding know-how. It aligns itself with firms which expand in related areas. In contrast, firms which

diversify too much are less successful. Researchers like Richard Rumelt validate that firms which focus on their core do better.

Seventh Principle: “Simple Form, Lean Staff”

Such firms adopt the principle of “lean staff, simple structure.” They try to have simple processes and rule. Management layers are as few as possible. Such simplicity allows them to be more flexible in responding to changes. *“Nothing is wrong with financial measures, mind you. Can’t live without them but they’re far from the whole picture.”*

Eighth Principle: “Simultaneous Loose-Tight Properties”

Lastly, these excellent firms follow a mix of individual freedom and central direction. They do have strict controls. But, they’re also open and flexible to change. The essence is that the firm allows co-existence of overall direction and individual freedom.

After the Search: Both Peters and Waterman followed up the book with their own takes on what next and, in particular, addressing the shortcomings of their earlier research. Two remarkable minds came together and, arguably, each did their best work in collaboration with the other. The excellent companies were, above all, brilliant on the basics. Tools didn’t substitute for thinking rather, these companies worked hard to keep things simple in a complex world. They persisted. They insisted on top quality. They fawning their customers. They listened to their employees and treated them like adults. Tom Peters and Nancy Austin published in 1985 the second book on Excellence called “A Passion for Excellence”. The findings from the first book were now simplified into the simple model or scheme. We regard such a process as one of the critical indicators of excellence, and as one of the most critical pre-conditions for a real people involvement, where people’s competencies and creativity will be released to the benefit of all stakeholders of the company. Another important finding in the study was that many of the practices considered being basic principles of the quality movement (TQM, Six Sigma, etc.) proved to be ineffective or even detrimental under certain conditions. Examples were empowerment of the workforce, use of natural work teams, benchmarking, eliminating quality control inspection, and not inspecting quality into the product service. The conditions for what is a best practice depend on the company’s situation. The analyses proved that it takes a very different set of activities and beliefs to move a lowperforming up to

the medium-performance level than it does to move a medium performing organization up to the high-performance level. We agree with this finding, and we recommend therefore organizations to be very critical against long lists of so-called best practices. It is always better to identify what are the most important general principles for achieving excellence in the long run, and then use these general principles as the basic work principles when specific practices are being tailored to organizational contexts.

In *Search of Excellence* : In the book, there is the discussion regarding America's best-run firms, in the book of Robert Waterman and Tom Peters there is a focus on the McKinsey's 7-S Framework that how a company can effectively focus on the management if the company. Regarding the framework, there is the analysis of the "staff, shared values, style, systems, structure, strategy, and skills". The organization needs to give the abnormal state preparing, and there is the need to center around the arrangement of controlling standards in the center business for the advantage. It is known that are stress activities can be a hurdle in the company and the employee or company can face issues if they are facing stress. Moreover, it is known that communication needs to be effectively concerned in the company so that employees can understand the goals in an effective way. Furthermore, it is noticed that technology or cost cannot help the company to grow, or cannot drive top firms. With the assessment of consumer needs, the company can grow; the company also needs to support entrepreneurship so that there could be new ideas and new talent in the company. The company needs to provide high-level training, and there is the need to focus on the set of guiding principles in the core business for the benefit. It is realized that is pressure exercises can be an obstacle in the organization and worker or organization can confront issues if they are facing pressure. Also, it is realized that correspondence should be adequately worried in the organization with the goal that workers can comprehend the objectives in a compelling way. With the appraisal of customer needs, the organization can develop; the organization likewise needs to help business enterprise so that there could be new thoughts and new ability in the organization.

Check Your Progress: 1

Fill in the Blanks

1. ----- is the determining nature of the best way of doing a work based on the careful scrutiny of the job performed within the organisation eliminating unnecessary and inefficient processes.
2. ----- are 18 kinds of elemental motions
3. ----- means victory of one side over the other
4. ----- means to integrate (i.e. bring together) these activities for achieving the objectives of the organisation
5. Tom Peters, Bob Waterman coauthored book -----.

2.2.4 Concept of Organisational Learning Approach

Organizational learning is a relatively recent metaphor for the organization which matches two concepts learning and organization and enables exploration of the organization as if it were endowed with a stock of knowledge, skills and expertise. At a theoretical level it represents the organization which acts according to principles of experimentation, of trial and error, of success and failure, of discovery and invention. A brief history of the concept of organizational learning is presented in order to show the polysemy of the term 'learning' (as learning curves, as behavioral change through trial and error, as adaptation to the environment, as economy of search, as the modification of mental maps). It is argued that one of the main liabilities of the concept of organizational learning is that the traditional psychological models of learning (based on stimulus-response theory) have been transferred uncritically to the study of organizational learning and with them a realist ontology. The growth of the field began in the 1980s and can be explained by at least three external factors: the speed of technological change, the advance of globalization, and growing corporate competition. Future developments in the field are growing around the concept of practice or of knowing in practice. Organizational learning is the process of creating, retaining, and transferring knowledge within an organization. An organization improves over time as it gains experience. From this experience, it is able to create knowledge. This knowledge is broad, covering any topic that could better an organization. Examples may include ways to increase production efficiency or to develop beneficial investor relations. Knowledge is

created at four different units: individual, group, organizational, and inter organizational. Organizational learning happens as a function of experience within an organization and allows the organization to stay competitive in an ever-changing environment. Organizational learning is a process improvement that can increase efficiency, accuracy, and profits. A real-world example of organizational learning is how a new pizza store will reduce the cost per pizza as the cumulative production of pizzas increases. As the staff creates more pizza; they begin to make pizzas faster, the staff learns how to work together, and the equipment is placed in the most efficient location leading to cheaper costs of creation. An example of a more formal way to track and support organizational learning is a learning agenda.

Organizational learning is an aspect of organizations and a subfield of organizational studies. As an aspect of an organization, organizational learning is the process of creating, retaining, and transferring knowledge. Knowledge creation, knowledge retention, and knowledge transfer can be seen as adaptive processes that are functions of experience. Experience is the knowledge that contributes to the procedural understanding of a subject through involvement or exposure. Research within organizational learning specifically applies to the attributes and behavior of this knowledge and how it can produce changes in the cognition, routines, and behaviors of an organization and its individuals. Individuals are predominantly seen as the functional mechanisms for organizational learning by creating knowledge through experience. However, individuals' knowledge only facilitates learning within the organization as a whole if it is transferred. Individuals may withhold their knowledge or exit the organization. Knowledge that is embedded into the organization, in addition to its individuals, can be retained. Organizations can retain knowledge in other ways than just retaining individuals, including using knowledge repositories such as communication tools, processes, learning agendas, routines, networks, and transactive memory systems. As a subfield, organizational learning is the study of experience, knowledge, and the effects of knowledge within an organizational context. The study of organizational learning directly contributes to the applied science of knowledge management (KM) and the concept of the learning organization. Organizational learning is related to the studies of organizational theory, organizational communication, organizational behavior, organizational psychology, and organizational development. Organizational learning has received contributions from the fields of educational psychology, sociology, economics,

anthropology, political science, and management science. Organisational learning is the process by which an organisation improves itself over time through gaining experience and using that experience to create knowledge. The knowledge created is then transferred within the organisation.

Organizational learning is the way in which an organization creates and organizes knowledge relating to their functions and culture. Organizational learning happens in all of the organization's activities, and it happens in different speeds. The goal of organizational learning is to successfully adapt to changing environments, to adjust under uncertain conditions, and to increase efficiency.

According to Argote (1993), managers in manufacturing plants saw organization learning occur when they found ways to make individual workers more proficient, improve the organization's "technology, tooling, and layout," improve the organization's structure, and determine the organization's strengths

2.2.5 Need of organizational learning

The Need of organizational learning occurs in organizations that develop a learning culture:

1. Increased employee job satisfaction
2. Lower turnover rates
3. Increased productivity, profits and efficiency
4. Developing leaders at all levels
5. Enhanced adaptability throughout the organization

When organizations dedicate time and resources to developing a learning culture and implementing organizational learning, they are more competitive. This increased ability to react quickly to fast-changing market conditions is just one of the reasons why organizational learning is important. An organization that embraces the lessons that can be learned from failure and studies its own processes will be an organization that contains more knowledge about best practices, and will be much more able to adapt. By creating an environment where all employees are teachers and students, there is an equal exchange of information that allows each person to contribute in a substantial manner.

- 1. Systematic problem solving:** Most training programs focus primarily on problem-solving techniques, using exercises and practical examples. These tools are relatively straightforward and easily communicated; the necessary mind-set, however, is more difficult to establish. Accuracy and precision are essential for learning. Employees must therefore become more disciplined in their thinking and more attentive to details. They must continually ask, “How do we know that’s true?”, recognizing that close enough is not good enough if real learning is to take place. They must push beyond obvious symptoms to assess underlying causes, often collecting evidence when conventional wisdom says it is unnecessary. Otherwise, the organization will remain a prisoner of “gut facts” and sloppy reasoning, and learning will be stifled.
- 2. Experimentation:** This activity involves the systematic searching for and testing of new knowledge. Using the scientific method is essential, and there are obvious parallels to systematic problem solving. But unlike problem solving, experimentation is usually motivated by opportunity and expanding horizons, not by current difficulties. It takes two main forms: ongoing programs and one-of-a-kind demonstration projects.
- 3. Learning from past experience:** Companies must review their successes and failures, assess them systematically, and record the lessons in a form that employees find open and accessible. One expert has called this process the “Santayana Review,” citing the famous philosopher George Santayana, who coined the phrase “Those who cannot remember the past are condemned to repeat it.” Unfortunately, too many managers today are indifferent, even hostile, to the past, and by failing to reflect on it, they let valuable knowledge escape.
- 4. Transferring knowledge:** For learning to be more than a local affair, knowledge must spread quickly and efficiently throughout the organization. Ideas carry maximum impact when they are shared broadly rather than held in a few hands. A variety of mechanisms spur this process, including written, oral, and visual reports, site visits and tours, personnel rotation programs, education and training programs, and standardization programs. Each has distinctive strengths and weaknesses.
- 5. Learning from others:** Of course, not all learning comes from reflection and self-analysis. Sometimes the most powerful insights come from looking outside one’s immediate environment to gain a new perspective. Enlightened managers know that even companies in completely different businesses can be fertile sources of ideas and

catalysts for creative thinking. At these organizations, enthusiastic borrowing is replacing the “not invented here” syndrome. Milliken calls the process SIS, for “Steal Ideas Shamelessly”; the broader term for it is benchmarking. Learning organizations cultivate the art of open, attentive listening. Managers must be open to criticism.

6. Measuring Learning: Managers have long known that “if you can’t measure it, you can’t manage it.” This maxim is as true of learning as it is of any other corporate objective. Traditionally, the solution has been “learning curves” and “manufacturing progress functions.” Both concepts date back to the discovery, during the 1920s and 1930s, that the costs of airframe manufacturing fell predictably with increases in cumulative volume. These increases were viewed as proxies for greater manufacturing knowledge, and most early studies examined their impact on the costs of direct labour

2.2.6 Evaluation of Organisational learning approach

1. Neglect of power issues: Various criticisms of the concept have been raised in the learning organisation literature. Grey (1998, p. 7) claims that while the learning organisation may replace bureaucratic or single loop learning, in itself it is just as narrowly defined. It is no more than just another form of (self)-control, 'part of the sustained assault on bureaucracy which typifies recent managerial discourse'. What is more, its goals are still primarily tied to business outcomes. The apparently emancipatory ideas about empowerment are more rhetoric than reality. By the same token, Örtenblad (1998) contends that the learning organisation is just another way for a company to become independent of any individual member. According to him, practices like work rotation and information sharing as well as ideas about shared vision are primarily aimed at that objective. These issues of power and control are not often addressed in literature about the learning organisation.

2. A restricted view of learning and work: Poell, Tijmensen and Van der Krogt (1997) express three concerns about the learning organisation concept. Firstly, its notion of learning is fairly limited, in that it seems to equal discussion and reflection aimed at shared values. Secondly, it is unclear exactly how the work is organised in a learning organisation. Implicitly, the work type to which most literature refers seems to be team-based group work. Again, this is a fairly restricted view of work organisation. Thirdly, the perspective of a learning organisation is appealing, but it remains quite unclear how the concept can be implemented satisfactorily. Poell and Tijmensen (1996) express two more criticisms. For one thing, although workers get

more room to organise their own learning, this can also have a negative impact. Not all workers are able or willing to find their own learning route, especially if it means the everyday learning activities they undertake by themselves are ignored or undervalued.

The learning organisation asks a lot from its workers:

1. The willingness to learn continuously;
2. The need to be innovative and engaged in double loop learning on a permanent basis;
3. The responsibility for their own development;
4. The ability to learn together with colleagues.

The last point of criticism refers to the highly internal orientation of the concept of the learning organisation. It is all about the workers, the managers and the training consultants. The external orientation is restricted to market developments and clients. External influences such as government policies, union pressure or advances in the professional field are hardly taken into consideration, even though they have considerable impact on learning issues.

3. An alternative view of the learning organisation: Poell, Tijmensen and Van der Krogt (1997) present an alternative concept of the learning organisation in response to the criticisms they have raised. It focuses on multi-faceted learning and work arrangements (not only group learning in multi-functional teams) and enabling people to handle tensions they encounter in everyday work life (not only developing shared values). Tensions arise because there are always several actors within and outside the organisation who want to impact on the way learning and work are organised. In order to create learning and work arrangements in which all of them can participate effectively,

It is important:

1. To deal with the autonomy and empowerment of individual employees;
2. To provide a clear policy and direction;
3. To allow participation and learning in groups, emphasising shared understanding and reflection;

4. To take into account the professional field where new methods and insights are developed.

A learning organisation should explicitly address the relationship between learning and work and provide people with possibilities to connect the two in multiple ways. Although the two cases presented in Boxes 1 and 2 offer some examples of how this could be achieved, the organisations involved did not really pay much attention to explicitly relating learning to work. There is still significant room for progress in this area.

Senge (1990) argues that often it is failure that provides the richest learning experience, which is something that organizations need to understand and use more effectively. He criticizes the way we reward success and look down upon failure as something that can be detrimental to the long term health of the organization. Levitt and March (1996) further argue that success is ambiguous and depends on how it is interpreted. This interpretation may not only vary significantly between different groups within the organization, but may change over time as success indicators and levels of aspiration change.

Levitt and March (1996) also discuss superstitious learning. This occurs when positive or negative results are associated with the wrong actions. Success and failure can both generate superstitious learning. If a firm does well, the routines that they followed are linked to this success and are subsequently reinforced. The opposite is true for failure. In such cases, the organization thinks that it has learned when in fact it has not. Real organizational learning would have resulted from the examination of the information generated from their actions rather than from relatively arbitrary success or failure criteria.

2.2.7 Concept of Virtual Organisations

A virtual organisation is one whose employees is spread geographically and communicates via phone, email, and the internet. The concept explores technologies and issues surrounding virtual organisations from a knowledge management perspective. A virtual organization is a temporary or permanent collection of geographically dispersed individuals, groups, organizational units, or entire organizations that depend on electronic linking in order to complete the production process (working definition). Virtual organizations do not represent a firm's attribute but can be considered as a different organizational form.

The term *virtual organization* is used to describe a network of independent firms that join together, often temporarily, to produce a service or product. Virtual organization is often associated with such terms as virtual office, virtual teams, and virtual leadership. The ultimate goal of the virtual organization is to provide innovative, high-quality products or services instantaneously in response to customer demands. The term virtual in this sense has its roots in the computer industry. When a computer appears to have more storage capacity than it really possesses it is referred to as virtual memory. Likewise, when an organization assembles resources from a variety of firms, a virtual organization seems to have more capabilities than it actually possesses.

Definition:

This new form of organisation, i.e., ‘virtual organisation’ emerged in 1990 and is also known as digital organisation, network organisation or modular organisation. Simply speaking, a virtual organisation is a network of cooperation made possible by, what is called ICT, i.e. Information and Communication Technology, which is flexible and comes to meet the dynamics of the market. Alternatively speaking, the virtual organisation is a social network in which all the horizontal and vertical boundaries are removed. In this sense, it is a boundary less organisation. It consists of individual’s working out of physically dispersed work places, or even individuals working from mobile devices and not tied to any particular workspace. The ICT is the backbone of virtual organisation. It is the ICT that coordinates the activities, combines the workers’ skills and resources with an objective to achieve the common goal set by a virtual organisation. Managers in these organisations coordinate and control external relations with the help of computer network links. The virtual form of organisation is increasing in India also. Nike, Reebok, Puma, Dell Computers, HLL, etc., are the prominent companies working virtually. While considering the issue of flexibility, organisations may have several options like flexi-time, part-time work, job-sharing, and home-based working. Here, one of the most important issues involved is attaining flexibility to respond to changes – both internal and external – is determining the extent of control or the amount of autonomy the virtual organisations will impose on their members. This is because of the paradox of flexibility itself. That is: while an organisation must possess some procedures that enhance its flexibility to avoid the state of rigidity, on the one hand, and simultaneously also have some stability to avoid chaos, on the other. The Virtual Organisation is a

flexible network of independent entities linked by telecommunication and computing technologies to share skills, knowledge and access to expertise in non-traditional ways. It is a form of cooperation involving companies, institutions and/or individuals delivering a product or service on the basis of a common business understanding. Units participate in the collaboration and present themselves as a unified organisation (Peng, 2001).

The top 10 biggest virtual companies to date are:

- **Scopic Software** – 230 employees
- **Articulate** – 169 employees
- **10up.com** – 120 employees
- **Clevertech** – 119 employees
- **Basecamp** – 114 employees
- **Buffer** – 112 employees
- **X-Team** – 104 employees
- **Scrapinghub** – 99 employees
- **Zapier** – 89 employees
- **Collage.com** – 77 employees
- **Fire Engine RED** – 70 employees

2.2.8 Characteristics /Features of virtual organisation:

Partners in virtual organizations share risks, costs, and rewards in pursuit of a global market. The common characteristics of these organizations include a purpose that is motivated by specific market opportunities, world-class core competence, information networks, interdependent relationships, and permeable boundaries. Virtual organizations represent structures that are motivated by specific market opportunities. Once the alliance has been formed and the opportunity has been exploited, partners may move on to new partnerships and alliances. Each partner in a virtual corporation contributes a world-class core competence, such as design, manufacturing, or marketing. This ability of multiple firms to create synergies among world-class functions and processes creates untold possibilities. As organizations create these new linkages, advanced information technology becomes an important

element, and key to the success of a virtual organization. Computerized information systems allow employees from geographically dispersed locations to link up with one another. The virtual office may use desktop videoconferencing, collaborative software, and intranet systems to enhance the flow of information among team members. Besides the need for instantaneous communication with one another, members of these autonomous virtual teams have increasing requirements regarding the amount and quality of information they need to do their work. Members of the virtual organization, in turn, create a network of interdependent relationships. These relationships require firms to be much more dependent on one another than they have been in the past, demanding unprecedented levels of trust. Strong interdependencies cause organizations' boundaries to be blurred as competitors, suppliers, and customers enter into cooperative agreements. These new relationships among firms obligate organizations to use innovative management practices.

- 1) **Information is power:** The absence of information and knowledge renders virtual teams to emasculate and ineffective. Information technology, i.e., seamless web electronic communication media does not allow happening this and keeps the organisation going. According to Pattanayak, following are the salient features of virtual organisations:
- 2) **Lower Overhead Costs.** Virtual organizations enjoy significant decreases in operating costs. Aetna was able to shed 2.7 million square feet of office space and save \$78 million due to a shift toward virtual teams and remote work. American Express also enjoyed lower overhead costs to the tune of nearly \$15 million thanks to a focus on hiring remote workers.
- 3) **Improved Employee Satisfaction.** Employees are simply happier when they are able to work from home. 82% of remote workers have reported that they have lower stress levels. The study also showed that a shift toward remote work led to fewer absences and a higher morale.
- 4) **Improved Employee Efficiency.** Remote employees get more work done without the transactions of the office. 30% of workers in a recent survey stated that working remotely allowed them to accomplish more in less time.
- 5) **Improved Scalability and Growth Potential.** Without the overhead typically associated with maintaining an office space and fewer investments in supplies,

companies can free up capital to improve their scalability and growth potential. Remote teams are simply more agile.

- 6) **Larger Talent Pool.** Startups who hire workers remotely are able to access a larger pool of talent. You can hire talent from anywhere in the world without limiting yourself to one specific geographic location.
- 7) **Improved Employee Retention.** Employees that are happier in their work are more likely to stick around. With competitive salaries, remote workers are less likely to leave their jobs.
- 8) **Access to New Markets.** Hiring remotely allows your startup to tap into new markets. This is particularly useful when it comes to remote sales teams, who will be able to reach out to new customers that otherwise, would have been out of reach for your organization.

9) Technology:

New technology has transformed the traditional ways of working. In particular, the worlds of computing and telephony are coming together to open up a whole new range of responsibilities. Computer Telephony Integrations (CTI) will usher in a new revolution to the desktop. The CTI has traditionally been used in all call centre applications.

10) E-mail Integration:

Integrating Short Message Service (SMS) into the existing e-mail infrastructure allows the whole organisation to take advantages of SMS products such as 'Express Way'.

11) Office System Integration:

SMS technology can greatly enhance the existing or new office systems, e. g., phone messages can be sent via SMS rather than returning it in a message book.

12) Voice Mail Alert:

SMS technology added to the existing voice mail system builds an effective method of receiving voice mail alerts.

13) Mobile Data:

This enables a laptop to retrieve information anywhere through the mobile phone network. Mobile data communications revolutionize where and how work is done. In the past, corporate information has been inaccessible from many places where it is needed. One's ability to link laptop to mobile phone keeps one connected to his/her virtual organisation from anywhere.

2.2.9 Implications of Virtual Organisation:

Virtual organizations can also be identified in terms of 4 basic management activities that depend on separating requirements from satisfiers:

- 1) Formulation of abstract requirements (e.g., request for information)
- 2) Tracking and analysis of concrete satisfiers (e.g., information services)
- 3) Dynamic assignment of concrete satisfiers to abstract requirements on the basis of explicit criteria and:
- 4) Exploration and analysis of the assignment criteria (associated with the goals and objectives of the organization)

Structuring through virtual links : virtual organizations are structured and connected through virtual links by utilizing IT. They are also linked to a variety of seemingly disparate phenomena, including virtual memory, virtual reality, virtual classrooms, virtual teams and virtual offices. Virtual teams are in this sense “as of teams” that meet into an “as of office”. Virtual teams allow managers to assemble groups of employees to meet transient, unanticipated needs.

Airbus: A good example of a very successful virtual organization is Airbus. Airbus is an Aero-Space Consortium operating on a commercial aircraft market. This organization is characterized by strong cooperation on a large scale, with the objective to maximize market opportunities and gain competitive advantages through shared resources and capabilities. These large dynamic virtual organizations have the following properties:

- 1) Real from the outside, unreal from the inside
- 2) Own identity, or no own identity

- 3) Semi-stable or temporary cooperation between independent organizations
Distributed ownership, power and loyalty

At any time, at any place

Virtual organizations can be seen as distributed and independent organizational units that are supported by and structured and connected through virtual links by utilizing information technology. The focus of virtual organizations is on the virtuality, which means “at any time and “at any place”. A conceptual organization is abstract, unseeing and exists within the minds of those who form a particular organization. Virtual organizations are a special case of an organization network, which is structured and managed in such a way that it operates vis-a-vis customers and other stakeholders as an identifiable and complete organization. They can be dynamic and agile, web-based and shared knowledge based. These organizations represent strong cooperation on a large scale with the objective to maximize market opportunities and gain competitive advantage through shared resources and capabilities to offer products and services on a worldwide scale.

Check Your Progress: 2

True or False

1. Organizational learning is the process of creating, retaining, and transferring knowledge within an organization
2. The study of organizational learning indirectly contributes to the applied science of knowledge management
3. Organizations dedicate time and resources to developing a learning culture
4. Learning organizations are structured and connected through virtual links by utilizing IT
5. Airbus is an Aero-Space Consortium operating on a commercial aircraft market.

2.3 Summary:

Frank Gilbreth is well-known for his work with construction workers on the efficiency of motion. He developed many of the concepts and applications that are now element of modern management techniques. Mary Parker Follett’s contribution to management theory has come to be recognized, relatively little attention has been given in recent years to her work around the development of thinking and practice in

the field of informal education and lifelong learning. At one level, this is not surprising, just as her ideas around management were out of step with the dominant discourses of the 1930s and 1940s, so her concerns with local democracy, group process and the educative power of associational life do not find an ready response within policy debates today. However, it may well be that her time has come. Recent attention to the decline in civic community, most notably by Robert Putnam, may well encourage people to look at what Follett have to offer. Her argument for the development of schools as community centres still hold considerable power her exploration of the nature of experience still offers educator insights; and the case for the development of local groups and networks as the bedrock of democracy is as strong as ever. Thomas J. Peters is a speaker, professional agitator, and author. His famous works include **The Circle of Innovation**, **The Little BIG Things**, and **Re-Imagine! Thriving on Chaos**, **Liberation Management**, and Robert H. Waterman Jr. is a director at a leading consulting firm. He's also the writer of many books, including **The Renewal Factor** and **What America Does Right**. Organizational learning is the process of creating, retaining, and transferring knowledge within an organization. An organization improves over time as it gains experience. From this experience, it is able to create knowledge. This knowledge is broad, covering any topic that could better an organization. A virtual organization is a temporary or permanent collection of geographically dispersed individuals, groups, organizational units, or entire organizations that depend on electronic linking in order to complete the production process

2.4 Terms to Remember

1. **Motion Study:** Motion study is identifying the best way of doing the job helped in recognizing the key skills for doing the job effectively
2. **Fatigue Study:** Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task.
3. **Conflict:** as a clash between individuals arising out of a difference in thought process, attitudes, understanding, interests, requirements and even sometimes perceptions.
4. **Integration:** behavior, as of an individual, that is in harmony with the environment.

5. **Excellence:** the quality of being outstanding or extremely good.
6. **Virtual:** not physically existing as such but made by software to appear to do so.

2.5 Answer to Check Your Progress

Check Your Progress: 1

1. Motion study 2. Therbligs 3. Dominance 4. Co-ordination 5. *In Search of Excellence*

Check Your Progress: 2

True or False

1. True 2. False 3. True 4. False 5. True

2.6 Exercise

1. Explain the contribution of Frank Gilbreth
2. Describe the contribution of Mery Parker Follett
3. Explain the contribution of Tom Peters and Robert H. Waterman
4. Explain the Need and Evaluation of Organisational Learning Approach
5. Explain the Features and Implication of Virtual Organisation
6. Write short notes
 - a. Motion Study
 - b. Constructive Conflict
 - c. Obstacles to Integration
 - d. In Search of Excellence
 - e. Organisational Learning
 - f. Virtual Organisation

2.7 Reference for Further Study

1. Tom peters and Robert H. Waterman: In Search of Excellence
2. P.C. Tripathi and P.N.Reddy: Principles of Management
3. Koontz O'Donnell and Weilhrich: Principles of Management



Unit-3

Strategic Management

Content:

- A. Concept, Importance, Levels of strategy, Strategic intent, different types of strategies, strategic analysis and choice-corporate level Analysis (GAP Analysis, BCG Matrix, GE9 Cell Matrix) Industry level Analysis (Porter's 5 Forces Model)
- B. Strategy Implementation and Control- Techniques of Strategy Evaluation- Functional Issues and Behavioural Issues and McKinsey's 7-S Model, Strategic Control Technique.

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3.6 Exercise

3.0 Objectives of the unit-

- To understand a very important concept of strategic Management. i.e. the basic idea of strategy and strategic management.
- The main objective is to understand the whole process of strategic management. Right from strategies planning, strategies formation, implementations up to its evaluation and control techniques.
- To understand the important models or techniques of analysis of strategies at corporate level and industry level..
- To study the strategy implementation procedure and evaluation techniques in respect of different Issues.
- To get the knowledge of McKinsey's 7-S model for strategic control.

3.1. Introduction

Strategic Management is about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management is the ongoing planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives. Changes in the business environment require organisations to constantly assess their strategies for success. The strategic management process helps organisations take stock of their present situation, chalk out strategies, deploy them and analyse the effectiveness of the implemented management strategies.

3.2. A) Strategic Management

The strategic management discipline was originated in the 1950s and 1960s. Among the many early contributors, the most important contributors were Peter Drucker, Philip Selznick, Alfred Chandler, Igor Ansoff, and Bruce Henderson. The discipline draws from earlier thinking and texts on 'strategy' dating back thousands of years. Prior to 1960, the term "strategy" was primarily used regarding war and

politics and not for business. Many companies built strategic planning functions to develop and execute the formulation and implementation processes during the 1960s.

3.2.1. Concept

Peter Drucker was a prolific management theorist and author of dozens of management books, with a career spanning five decades. He addressed fundamental strategic questions in a book, '*The Practice of Management*' published in 1954. The first responsibility of top management is to ask the question 'what is our business?' and to make sure that it is carefully studied and correctly answered." He wrote that the answer was determined by the customer. He recommended eight areas where objectives should be set, such as existing market, innovation, productivity, physical and financial resources, worker performance and attitude, profitability, manager performance and development, and public responsibility.

Strategic Management is the way that a company's executives decide what they want to achieve. Then they plan actions for use of resources over time in order to achieve the set goals. Thus, strategic management is the management of an organisation's resources to achieve its goals and objectives. Strategic management involves setting objectives, analysing the competitive environment, examining the internal organization, evaluating strategies, and ensuring that management should focus on these set strategies. Strategic management extends to internal and external communication practices. It also works for tracking, which ensures that the organisation meets goals as defined in its strategic management plan.

In the field of management, '*strategic management*' involves the formulation and implementation of the major goals and initiatives taken by an organisation's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization operates.

Strategic management provides overall direction to an enterprise and involves specifying the organisation's objectives, developing policies and plans to achieve those objectives, and then allocating resources to implement the plans. Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision-making in the context of complex environments and competitive dynamics. Strategic management is not static in nature; the models often¹ include a feedback loop to monitor execution and to inform the next round of planning.

Main purpose of strategic management is to make the organisation able to compete. Putting strategic management plans into practice is the most important aspect of the planning itself. Plans in practice involve identifying benchmarks, realigning resources; both financial and human and putting leadership resources in place to look after the creation, sale, and deployment of products and services.

Michael Porter identifies three principles of strategy:

- creating a "unique and valuable [market] position"
- making trade-offs by choosing "what not to do"
- creating "fit" by aligning company activities with one another to support the chosen strategy

3.2.1.1. Definitions of Strategy

Before we look for the definitions of strategic Management, we must see the definitions of strategy

Strategy (from Greek word *stratēgia*, "art of troop leader; office of general, command, generalship") is a high level plan to achieve one or more goals under conditions of uncertainty. In the sense; "art of the general", was included with several subsets of skills including tactics, siege craft, logistics etc. The term was first used in the 6th century C.E. in East Roman terminology, and was translated into Western vernacular languages only in the 18th century. Until the 20th century, the word "strategy" was used to denote "a comprehensive way of pursuing political ends, including the threat or actual use of force, in a logic of wills" in a military conflict.

- Henry Mintzberg from McGill University defined strategy as, 'a pattern in a stream of decisions to contrast with a view of strategy as planning.'
- Henrik von Scheel defines the essence of strategy as, 'the activities to deliver a unique mix of value choosing to perform activities differently or to perform different activities than competitors.'
- MaxMcKeown (2011) argues that 'strategy is about shaping the future' and it is the human attempt to get 'desirable ends with available means'.
- Michael Porter defined strategy in 1980 as the 'broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals' and the 'combination of the *ends* (goals) for

which the firm is striving and the *means* (policies) by which it is seeking to get there’.

- Dr. Vladimir Kvint defined strategy as ‘a system of finding, formulating, and developing a doctrine that will ensure long-term success if followed faithfully.’
- Complexity theorists define strategy as ‘the unfolding of the internal and external aspects of the organisation that result in actions in a socio-economic context.’
- Chandler wrote that, ‘Strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.’

In simple words a strategy means; to achieve objectives in a complex form.

A strategy could be;

- a plan or course of action or a set of decision rules making a pattern or creating a common direction,
- the pattern or common threat related to organisation's activities which are derived from policies, objectives and goals,
- a concern with resources bounded with time, space and environmental factors.

3.2.1.2. Definitions of Strategic Management-

Now we will go to the definitions of Strategic management-

Strategy has been practiced whenever an advantage was gained by planning the sequence and timing of the deployment of resources while simultaneously taking into account the probable capabilities and behaviour of competition. (Bruce Henderson)

Strategic management analyses the major initiatives taken by organisation’s top management on behalf of owners involving resources and performance in internal and external environments. It involves the organisation's mission, vision and objectives while developing policies. Plans for projects and programs are designed to achieve these objectives and then resources are allocated to implement them. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. Recent studies and leading management theorists

have advocated that strategy needs to start with stakeholders expectations and use a modified balanced scorecard which includes all stakeholders.

Strategic Management is defined as, ‘the dynamic process of formation, implementation, evaluation and control of strategies to realise the organisation's strategic intent.’ ‘Strategic management is the management of an organisation’s resources to achieve its goals and objectives. Strategic management involves setting objectives, analysing the competitive environment, evaluating the internal organization, assessing strategies, and ensuring that management rolls out the strategies across the organisation.’

Strategic management can also be defined as ‘a bundle of decisions and acts which a manager undertakes and which decides the result of the firm’s performance.’ The manager must have in-depth knowledge and ability to analyse the general and competitive organisational environment so as to take right decisions at right time. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats). This is helpful in ensuring the best possible utilization of strengths, minimising the organizational weaknesses, making use of arising opportunities from the business environment without ignoring the threats.

From above definitions it is clear that-

Strategic management is a **dynamic and continual process.**

- 1) It includes phase wise **process in sequential order** i.e. establishment of strategic intent, formulation of strategies, implementation of strategies and strategic evaluation.
- 2) The major **initiatives are taken by organisation’s top management** on behalf of owners including resources and performance in internal and external environments.
- 3) It ensures **the organization's mission vision and objectives while developing policies and plans** for projects and programs.
- 4) It is related with **maximum balanced benefits for all stakeholders.**
- 5) Making companies **able to compete** is the purpose of strategic management.
- 6) Strategy, thus **bridges the gap** between “where we are” and “where we want to be”.

Self -Evaluation Exercise no -1

Fill in the blanks:

1. Strategic Management is the way that a company's executives decide what they want to achieve and planactions and use of resources over time in order to _____.
2. Strategy is a word derived from _____ word *stratēgia*.
3. Strategic management is a _____ and continual process.
4. SWOT Analysis means _____.

3.2.2. Importance of Strategic Management-

Following are the few points indicating importance of Strategic Management

1. **Ensures Competitive Advantage** -Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organisation. An organisation is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.
2. **Supports Sustainable Development-** Strategic management is an activity of planning for both predictable as well as unfeasible contingencies. It is applicable to both small and large organisations. In fact, even the smallest organisation face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage.
3. **Provides the direction** - Strategic management is a way in which strategists set the objectives and proceed for attaining them. It deals with making and implementing decisions about future direction of an organisation. It helps in identifying the direction in which an organisation needs to move.
4. **Controls the business** -Strategic management is a continuous process that evaluates and controls the business and the industry in which an organisation is involved. It evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

5. **Constitutes the business environment**-Strategy is significant because it is not possible to predict the future without a perfect foresight. The organisations must be ready to deal with the uncertain events which constitute the business environment.
6. **Deals with long term developments**- Rather than routine operations, strategic management deals with probability of innovations of new products, new methods of productions and new markets to be developed in future.
7. **Anticipates behaviour of stakeholders** -The probable behaviour of customers and competitors could be anticipated with help of strategic management. Strategies dealing with employees will predict the employee behaviour in advance.
8. **Well defines roadmap of an organization**. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organisation's strengths and to minimize the strengths of the competitors.
9. **Gives a broader perspective to the employees** -The employees of an organisation can better understand how their job fits into the entire organisational plan and how it is co-related to other organisational members. It is an art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can correlate themselves very well with each organisational task. They can understand the reaction of environmental changes and probable response of the organization with the help of strategic management.
10. **Incorporates various functional areas**- One of the major role of strategic management is to incorporate various functional areas of the organisation completely and to ensure these functional areas harmonize and get together well.
11. **Develops focused View**- Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.
12. **Strengthens ability to face competitors**-It assists the organisation in becoming proactive, rather than reactive, to make it analyse the actions of the competitors

and take necessary steps to compete in the market, instead of becoming spectators.

3.2.2.1.Steps in Strategic Management Process:

Strategic management process has following four steps

Environmental Scanning-

Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analysing the internal and external factors influencing the organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.

Strategy Formulation-

Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.

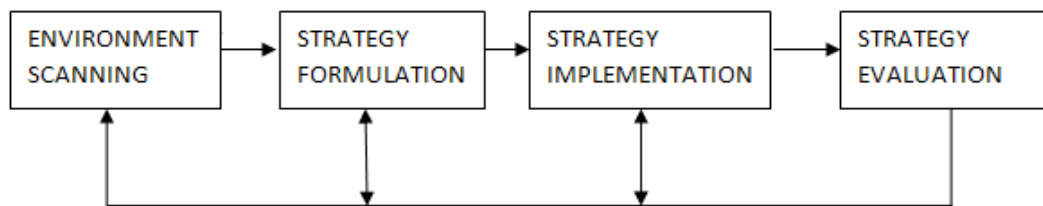
Strategy Implementation-

Strategy implementation implies making the strategy work as intended or putting the organisation's chosen strategy into action. Strategy implementation includes designing the organisation's structure, distributing resources, developing decision making process, and managing human resources.

Strategy Evaluation-

Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

These steps are carried, in chronological order, while creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per requirement, to make essential changes.



Source: bizfluent.com

3.2.3. Levels of strategy

Strategy may operate at different levels of an organization – corporate level, business level, and functional level. The strategy changes are based on the levels of strategy.

a) Corporate Level Strategy

Corporate level strategy occupies the highest level of strategic decision making and covers actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various strategic business units (SBUs) for optimal performance.

Top management of the organisation makes such decisions. The nature of strategic decisions tends to be value-oriented, conceptual and less concrete than decisions at the business or functional level.

b) Business Level Strategy.

Business level strategy is applicable to those organizations, which have different businesses and each business is treated as strategic business unit (SBU). The fundamental concept in SBU is to identify the discrete independent product / market segments served by an organization. Since each product/market segment has a distinct environment, a SBU is created for each segment. For example, Reliance Industries Limited operates in textile fabrics, yarns, fibers, and a variety of petrochemical products. For each product group, the nature of market in terms of customers, competition, and marketing channel differs.

Hence, it requires different strategies for its different product groups. Thus, where SBU concept is applied, each SBU sets its own strategies to make the best use of its resources (its strategic advantages) in the environment it faces. At such level, strategy is a comprehensive plan for providing objectives to SBUs, allocation of

resources among functional areas and coordination between them for making optimal contribution to the achievement of corporate level objectives.

For example, Andrews says that in an organization of any size or diversity, corporate strategy usually applies to the whole enterprise, while business strategy, less comprehensive, defines the choice of product or service and market of individual business within the firm. In other words, business strategy relates to the 'how' and corporate strategy to the 'what'. Corporate strategy defines the business in which a company will compete preferably in a way that focuses resources to convert distinctive competence into competitive advantage.'

Corporate strategy is not the sum total of business strategies of the corporation but it deals with different subject matter. While the corporation is concerned with and has impact on business strategy, the former is concerned with the shape and balancing of growth and renewal rather than in market execution.

c) Functional-Level Strategy.

Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical. Such decisions are guided and constrained by some overall strategic considerations. It deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordination between them for optimal contribution to the achievement of the SBU and corporate-level objectives.

The functional-level strategy may be operations level strategies as each function may be divided into several sub functions. For example, marketing strategy as a functional strategy can be sub-divided into promotion, sales, distribution, pricing strategies as sub function strategy contributing to functional strategy.

Self -Evaluation Exercise no -2

Fill in the blanks-

1. _____ means when profitability of any company is higher than the average profitability for all companies in its industry.
2. Strategy may operate at different levels of an organization – corporate level, business level, and _____ level.

3. Business level strategy is – applicable in those organizations, which have different businesses-and each business is treated as strategic business unit.
4. SBU stands for_____.

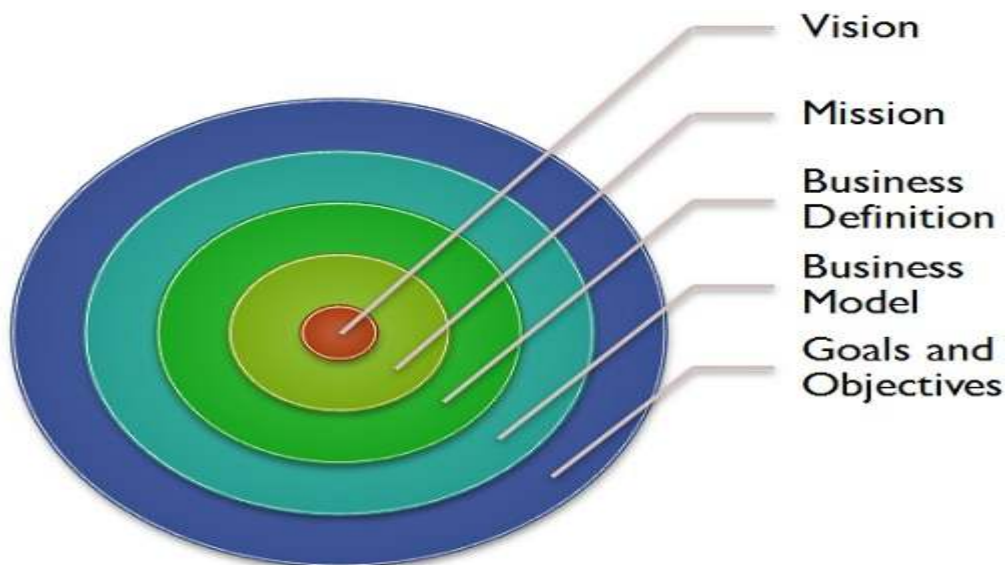
3.2.3.1. Strategic Intent

Definition:

Strategic Intent can be understood as the philosophical base of the strategic management process. It implies the purpose, which an organization tries for achieving. It is a statement that provides a perspective of the means, which will lead the organisation, reach the vision in the long run.

Strategic intent gives an idea of what the organization desires to attain in future. It answers the question what the organization strives or stands for? It indicates the long-term market position..

Strategic Intent Hierarchy



Source: theintactone.com

1. **Vision:** Vision implies the blueprint of the company’s future position. It describes where the organisation wants to land. It is the dream of the business and inspiration, base for the planning process. It depicts the company’s aspirations for the business and provides a peep of what the organization would

like to become in future. Every single component of the organization is required to follow its vision.

2. **Mission:** Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the business. It is designed to help potential shareholders and investors understand the purpose of the company. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and business makeup.
3. **Business Definition:** It seeks to explain the business undertaken by the firm, with respect to customer needs, target audience, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices. The corporate restructuring also depends upon the business definition.
4. **Business Model:** Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financing details. Rival firms, operating in the same industry relies on the different business model due to their strategic choice.
5. **Goals and Objectives:** These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable actions, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the period.

The vision, mission, business definition, and business model explains the philosophy of business but the goals and objectives are established with the purpose of achieving them.

Strategic Intent is extremely important for the future growth and success of the enterprise, irrespective of its size and nature

3.2.4. Types of strategies

A) Based on the status of business

1. Growth Strategies–

These are pursued basically to accelerate the pace of growth of an organisation. Most organisations chase expansion in order to exploit market opportunities.

Expansion helps a firm dominate the market and gain control over competition. Organisational resources can be put to good use. Expansion strategies are also known as growth strategies.

2. Stability strategy-

A stability strategy involves maintaining the status quo or growing in a methodical, but slow manner. The firm follows a safety-oriented, status-quo-type strategy without effecting any major changes in its present operations. The resources are put on existing operations to achieve moderate, incremental growth. As such, the primary focus is on current products, markets and functions, maintaining the same level of effort as at present. Organisations might follow a stability strategy for a variety of reasons.

3. Retrenchment strategy-

Retrenchment strategy is a corporate level, defensive strategy followed by a firm when its performance is disappointing or when its survival is at stake for a variety of reasons. Economic recessions, production inefficiencies, and innovative breakthroughs by competitors are only three causes.

Managers choose retrenchment when they think that the firm is neither competitive enough to succeed through a counter attack (on market forces affecting its sales negatively) nor nimble enough (effecting fast changes) to be a fast follower.

4. Combination strategies—

Combination strategies are a mixture of expansion, stability or retrenchment strategies. They are a hybrid variety and can be applied in a firm either at the same time in different businesses or at different times within the same business. There is no reason to focus attention on any single strategy.

Depending on requirement, a firm can choose an appropriate path. The firm can pick up internal growth strategies such as market penetration, market development or product development or go after external growth strategies such as joint ventures, mergers etc. in order to achieve the chosen goals.

B) Based on the functions of business

1. Research and development strategy –

Businesses cannot grow and survive without new products. It is the role of R&D specialists to generate new product ideas, nurture them carefully and develop them fully into commercially viable propositions. Where innovation proves to be a costly exercise imitation could also be tried as a fruitful option. Many Japanese electronics companies were quite successful in copying American technology and by avoiding R&D costs, improved their competitive strength significantly.

2. Operations Strategy-

This strategy outlines steps to keep costs under check and improve operational efficiency. The focus is on arriving at decisions regarding plant layout, plant capacity, production processes, inventory management etc.

3. Financial strategy –

It deals with financial planning, evaluating investment proposals securing funds for various investments and controlling financial resources. Thus raising funds, acquiring assets, allocating funds to operations, using funds efficiently etc. are all part of the strategy.

4. Marketing Strategy –

It deals with strategies relating to product pricing, distribution and promotion of a company's offering important issues here cover what type of products at what prices through which distribution channel and by the use of which promotional tool and sales force etc.

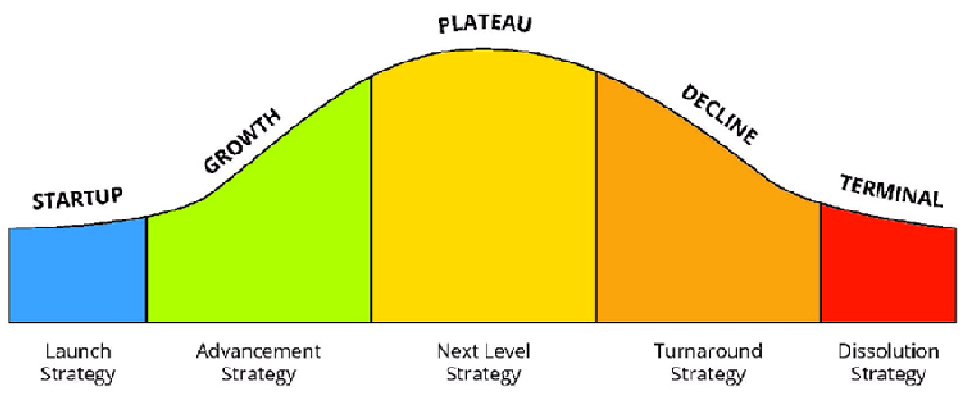
5. Human Resources strategy-

HR strategy deals with hiring, training, assessing, developing rewarding motivating and retaining the number and types of employees required to run the business effectively, internal (union contracts, productivity indices, labor turnover, absenteeism accidents etc) and external factors (labor laws, son of the soil, reservation, equal employment opportunity, employment of children and women etc.) need to be carefully evaluated while formulating HR strategies.

C) Based on Organisational Life-cycle

All nonprofit organisations have certain strategy based on their phase in the lifecycle.

First, there is the startup phase where everything is exciting and new. Next, comes the growth phase where everything is up and to the right. But nothing grows forever, so all growing organizations hit plateaus. Some organizations find a way to get growing again. Some remain on the plateau for years. Many eventually lose momentum and enter the decline phase, which can last for decades. Some organisations find a way to make hard choices that return the organisation to a season of growth. Those that can't adjust to a shifting environment eventually run out of cash and move into the terminal phase. Each phase in the organisational lifecycle requires a different type of strategy.



Source: outcomesmagazine.com

1. Launch Strategy

Organizations in startup mode need a strategy built on experiments and fast failures with rapid iterations. They need to remain flexible and alert to opportunities as they arise. Typically, they will have a compelling vision and goals that are relatively short term. Because they are starting something new, they will need to learn their way forward. If they do write a formal strategic plan, it will tend to grow stale quickly.

2. Advancement Strategy

For growing organizations, a strategy with longer-range goals is appropriate. Advancement strategies are about setting clear priorities and building capacity to handle growth. Capacity- building areas include office space, support staff, back office services and growing the donor base. Because growth is happening naturally, there is little need to push the organization to move ahead. Instead, the leaders need to remove obstacles and set clear priorities and growth targets. A formal, long-range strategic plan can be useful for strategic alignment.

3. Next Level Strategy

For organizations on a plateau, growth has stalled. They are not in noticeable decline, but what used to be effective doesn't work as well anymore. It feels like they must push harder now to get the same results. They need a breakthrough. They want to take the organization to the next level but they don't know how to get there. They need a next level strategy. This could be realized by refining their ministry model, expanding to new groups to serve, adding new ministries, or starting a new division. On a plateau, organizations still have time to experiment and innovate. A formal, long range plan is helpful for managing current work, but the organization needs a breakthrough to get to the next level. This requires creativity.

4. Turnaround Strategy

First, the leaders need to admit that the organization is in decline and not on a plateau. Some cost-cutting and right-sizing might be in order. A turnaround strategy deals with the root causes of the decline, ensures the right people are on the bus, and maps out a path for significant organizational change. Formal, long-range plans tend to be unhelpful because what the organization is currently doing isn't working. Instead, they need a short-term plan for an organizational make-over. If successful, the organization can move to a new growth curve.

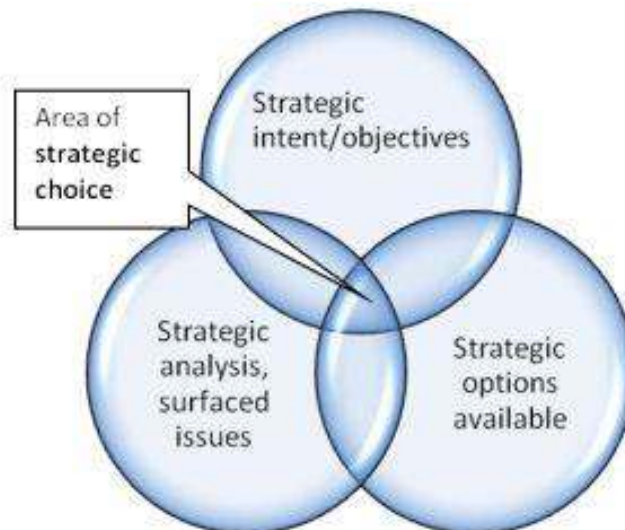
5. Dissolution Strategy

Organizations that can't find the will to change or don't adapt to a changing ministry context, will one day run out of cash and close. When nearing or entering the terminal phase, the organization needs a dissolution strategy. This plan is about shutting down with integrity, paying all bills, and selling or donating any remaining assets. It can take the form of merging with another nonprofit or selling property to developers. This plan needs to focus on stewardship.

3.2.5. Strategic Analysis and Choice

Strategy analysis and choice focuses on generating and evaluating alternative strategies, as well as on selecting strategies to pursue. Strategy analysis and choice seeks to determine alternative courses of action that could best enable the firm to achieve its mission and objectives. The firm's present strategies, objectives, and mission together with the external and internal audit information, provide a basis for generating and evaluating feasible alternative strategies. The alternative strategies represent incremental steps that move the firm from its current position to a desired future state. Alternative strategies are derived from the firm's vision, mission, objectives, external audit, and internal audit and are consistent with past strategies that have worked well. The strategic analysis discusses the analytical techniques in two stages i.e. techniques applicable at corporate level and then techniques used for business-level strategies.

An effective strategic choice process positions an organization for making sustainable strategic decisions. At the heart of effective strategic planning lies the ability to surface the truly important issues and to make good choices, in the process of deciding how to address these issues. The strategic choice space is in the area of overlap among these three components, as depicted in this diagram. The shaded background suggests the pervasiveness of contextual influences on the process.



Source: strategicplanning.com

The overlaps between pairs of components may stimulate decision and possible other thoughts are required to clarify what are the really important elements in any decision.

A) Corporate level Analysis

3.2.5.1.GAP analysis

Gap analysis is a tool that organisational managers can use to work out the size, and sometimes the shape, of the strategic tasks to be undertaken in order to move from its current state to a desired, future state.



Source: clearpointstrategy.com

Analysis of gaps is a very effective technique for guiding the planning team in looking for corporate strategies to achieve targeted levels of corporate performance. This kind of analysis is a very simple procedure. So often the simplest tools are the most useful! However certain other key things must be in place to be able to take advantage of this tool. Requirements for effective gap analysis

The things required are -

- Clearly agreed indicators of overall corporate performance; it is highly desirable that that the indicator of overall corporate performance should be traceable through a range of **business performance metrics**, in the form of simple cause and effect relationships, sometimes called a value driver tree.
- Sound data feeding the results measured by the **key performance indicators (KPI)** used in the organization, including data on the performance of the organization for the past few years.

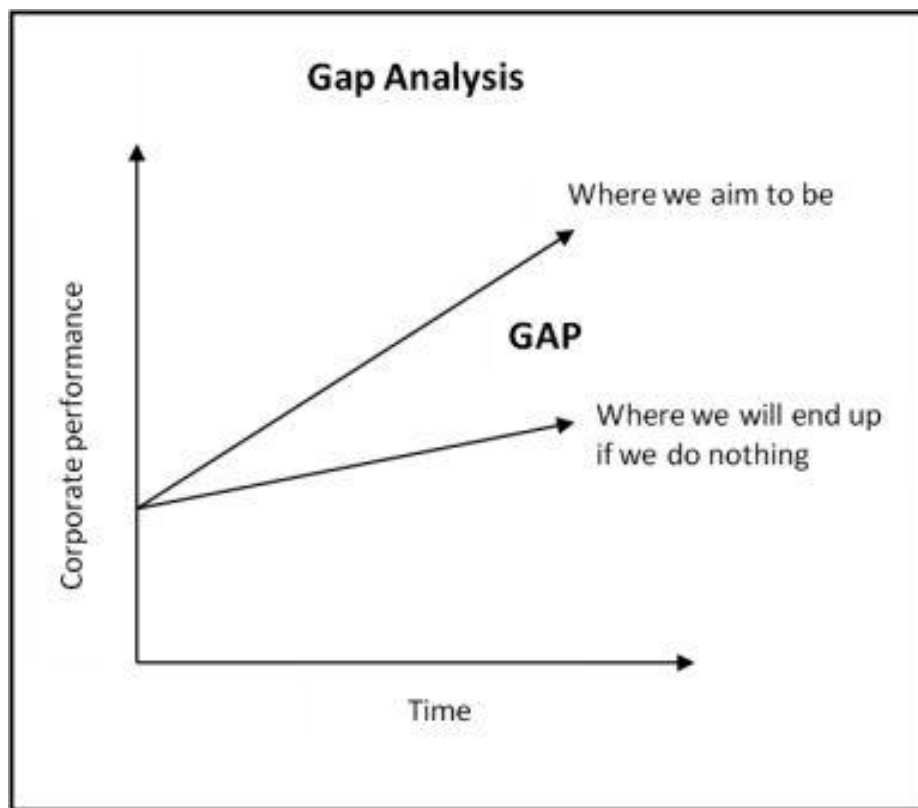
- An agreed time span for the strategic planning exercise for comparing forecast performance under different assumptions. These various sets of assumptions may be trialled in a process of **scenario planning**.
- Before **performing an analysis** the strategic planning team needs to undertake **target setting**. The targets for desired future performance of the organization need to be set using the corporate performance indicator mentioned above. Target setting should be done with possible risks of **corporate collapse** in mind.
- The availability of **forecasting techniques**, for the strategic planning team to use in the **business forecasting** of likely corporate results under various scenarios. This may sometimes warrant the employment of **business forecasting software**.

With all of these things in place then the analysis consists of addressing two questions, and measuring the difference between the two answers.

- Where do we intended to be in X years, where ‘X’ is the planning horizon, say usually at least 3 years for corporate strategic planning? This is the target setting question.
- Where are we likely to be in level of corporate results, in X years if we do not do anything different to what we currently are doing? This is the business forecasting question.

The difference between the two sets of results is the ‘gap’ to be closed by changes to strategies.

A simple version of gap analysis is depicted in this diagram-



Source: marketbusinessnews.com

The challenge for the strategic planning team is to close the gap. The key process for finding what is required to do this is called the **SWOT Analysis**.

3.2.5.2. BCG Matrix

Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 * 2 matrix) developed by BCG, USA. It is the most renowned corporate portfolio analysis tool. It provides a graphic representation for an organization to examine different businesses in its portfolio on the basis of their related market share and industry growth rates. It is a two dimensional analysis on management of SBU's (Strategic Business Units). In other words, it is a comparative analysis of business potential and the evaluation of environment.

According to this matrix, business could be classified as high or low according to their industry growth rate and relative market share.

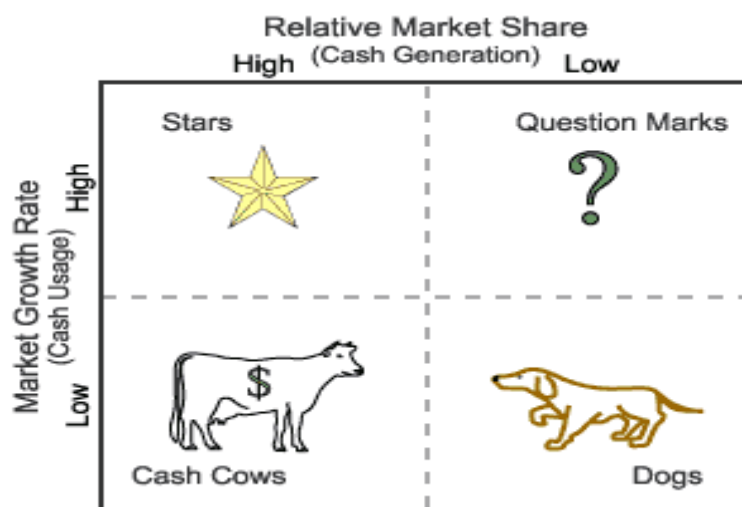
Relative Market Share = SBU Sales this year leading competitors sales this year.

Market Growth Rate = Industry sales this year - Industry Sales last year.

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

BCG matrix has four cells, with the horizontal axis representing relative market share and the vertical axis denoting market growth rate. The mid-point of relative market share is set at 1.0. if all the SBU's are in same industry, the average growth rate of the industry is used. While, if all the SBU's are located in different industries, then the mid-point is set at the growth rate for the economy.

Resources are allocated to the business units according to their situation on the grid. The four cells of this matrix have been called as stars, cash cows, question marks and dogs. Each of these cells represents a particular type of business.



BCG Matrix (Source: smartinsights.com)

1. **Stars-** Stars represent business units having large market share in a fast growing industry. They may generate cash but because of fast growing market, stars require huge investments to maintain their lead. Net cash flow is usually modest. SBU's located in this cell are attractive as they are located in a robust industry

and these business units are highly competitive in the industry. If successful, a star will become a cash cow when the industry matures.

2. **Cash Cows-** Cash Cows represents business units having a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be utilized for investment in other business units. These SBU's are the corporation's key source of cash, and are specifically the core business. They are the base of an organization. These businesses usually follow stability strategies. When cash cows lose their appeal and move towards deterioration, then a retrenchment policy may be pursued.
3. **Question Marks-** Question marks represent business units having low relative market share and located in a high growth industry. They require huge amount of cash to maintain or gain market share. They require attention to determine if the venture can be viable. Question marks are generally new goods and services which have a good commercial prospective. There is no specific strategy which can be adopted. If the firm thinks it has dominant market share, then it can adopt expansion strategy, else retrenchment strategy can be adopted. Most businesses start as question marks as the company tries to enter a high growth market in which there is already a market-share. If ignored, then question marks may become dogs, while if huge investment is made, and then they have potential of becoming stars.
4. **Dogs-** Dogs represent businesses having weak market shares in low-growth markets. They neither generate cash nor require huge amount of cash. Due to low market share, these business units face cost disadvantages. Generally retrenchment strategies are adopted because these firms can gain market share only at the expense of competitor's/rival firms. These business firms have weak market share because of high costs, poor quality, ineffective marketing, etc. Unless a dog has some other strategic aim, it should be liquidated if there are fewer prospects for it to gain market share. Number of dogs should be avoided and minimized in an organization.

Limitations of BCG Matrix

The BCG Matrix produces a framework for allocating resources among different business units and makes it possible to compare many business units at a glance. But BCG Matrix is not free from limitations, such as-

1. BCG matrix classifies businesses as low and high, but generally businesses can be medium also. Thus, the true nature of business may not be reflected.
2. Market is not clearly defined in this model.
3. High market share does not always leads to high profits. There are high costs also involved with high market share.
4. Growth rate and relative market share are not the only indicators of profitability. This model ignores and overlooks other indicators of profitability.
5. At times, dogs may help other businesses in gaining competitive advantage. They can earn even more than cash cows sometimes.
6. This four-celled approach is considered as to be too simplistic.

3.2.5.3. GE9 Cell Matrix

Another popular “Corporate Portfolio Analysis” technique is the result of pioneering effort of General Electric Company along with McKinsey Consultants which is known as the ‘GE NINE CELL MATRIX’.

GE nine-box matrix is a strategy tool that offers a systematic approach for the multi business enterprises to prioritize their investments among the various business units. It is a framework that evaluates business portfolio and provides further strategic implications.

Each business is appraised in terms of two major dimensions – Market Attractiveness and Business Strength. If one of these factors is missing, then the business will not produce desired results. Neither a strong company operating in an unattractive market, nor a weak company operating in an attractive market will do very well.

GE Nine-Cell Planning Grid:



Source: management.net

The vertical axis denotes industry attractiveness, which is a weighted composite rating based on eight different factors. They are:

1. Market size and growth rate
2. Industry profit margins
3. Intensity of Competition
4. Seasonality
5. Product Life Cycle Changes
6. Economies of scale
7. Technology
8. Social, Environmental, Legal and Human Impacts

The horizontal axis represents;

Business strength or competitive position, which is again a weighted composite rating based on seven factors as listed below:

1. Relative market share
2. Profit margins
3. Ability to compete on price and quality
4. Knowledge of customer and market
5. Competitive strength and weakness
6. Technological capability
7. Caliber of management

The two composite values for industry attractiveness and competitive position are plotted for each strategic business unit (SBU) in a company's portfolio. The Pie chart (circles) denotes the proportional size of the industry and the dark segments denote the company's respective market share.

The nine cells of the GE matrix are grouped on the basis of low to high industry attractiveness, and weak to strong business strength. Three zones of three cells each are made, indicating different combinations represented by green, yellow and red colors. So it is also called 'Stoplight Strategy Matrix', similar to the traffic signal.

The green zone suggests you to 'go ahead', to grow and build, pushing you through expansion strategies. Businesses in the green zone attract major investment.

Yellow cautions you to 'wait and see' indicating hold and maintain type of strategies aimed at stability.

Red indicates that you have to adopt turnover strategies of divestment and liquidation or rebuilding approach.

This matrix offers some advantages over BCG matrix in that, it offers intermediate classification of medium and average ratings. It also integrates a larger variety of strategic variables like the market share and industry size.

Advantages

- Helps to prioritize the limited resources in order to achieve the best returns.

- The performance of products or business units becomes evident.
- It's more sophisticated business portfolio framework than the BCG matrix.
- Determines the strategic steps the company needs to adopt to improve the performance of its business portfolio.

Disadvantages

- Needs a consultant or an expert to determine industry's attractiveness and business unit strength as accurately as possible.
- It is expensive to conduct.
- It doesn't take into account the harmony that could exist between two or more business units.

GE nine cell planning grid, tries to overcome some of the limitations of BCG matrix in two ways:

1. It uses multiple factors to assess industry attractiveness and business strength in place of the single measure employed in the BCG matrix.
2. It expanded the matrix from four cells to nine cells. It replaced the high/low axes with high/medium/low making a finer distinction between business portfolio positions.

The grid then does rating of each of the company's business units on multiple sets of strategic factor within each axis of the grid.

In order to assess the industry attractiveness factors such as market growth, size of market, industry profitability, competition, seasonality and cyclical qualities, economies of scale, technology, and social/environmental/ legal/human factors are included.

For assessing business strength factors such as market share, profit margin, ability to compete, customer and market knowledge, competitive position, technology, and management caliber are identified. The strategists then calculate "subjectively" a business's position within the planning grid by quantifying the two dimensions of the grid.

The strategist first selects industry attractiveness factors to measure industry attractiveness and then assign each industry attractiveness factor a weight that

reflects its perceived importance as compared to other attractiveness factors. Favorable to unfavorable future conditions for those factors are forecast and rated based on some scale (0 to 1 scale is illustrative). Then a weighted composite score is obtained for a business's overall industry attractiveness. In order to assess business, a similar procedure is followed in selecting factors, assigning weights to them, and then rating the business on these dimensions.

Thus the GE planning grid might prove to be a useful tool for assessing a business within a corporate portfolio. Usually several managers are involved during the planning process. The inclusion and exclusion of factors and their rating and weighting are primarily matters of managerial judgment. This classifies businesses in terms of both the projected strength of the business and the projected attractiveness of the industry.

The decisions concerning the resource allocation remain quite similar to those in the BCG approach. Business classified as invest to grow would be treated like the stars in the BCG matrix. These businesses would be provided resources to pursue growth-oriented strategies.

Businesses classified in the harvest/divest category would be managed like the dogs in the BCG matrix. Businesses classified, as selectivity/ earnings would either be managed as cash cows or as question marks. While the strategic recommendations generated by the GE planning grid are similar to those from the BCG matrix, the GE nine-cell grid improves on the BCG matrix in three fundamental ways.

- i) The terminology associated with GE grid is preferable because it is less offensive and more universally understood.
- ii) The multiple measures associated with each dimension of the GE grid include more factors relevant to business strength and market attractiveness than simply market share and market growth.
- iii) The nine-cell format allows finer distinction between portfolio positions than does the four-cell BCG format.

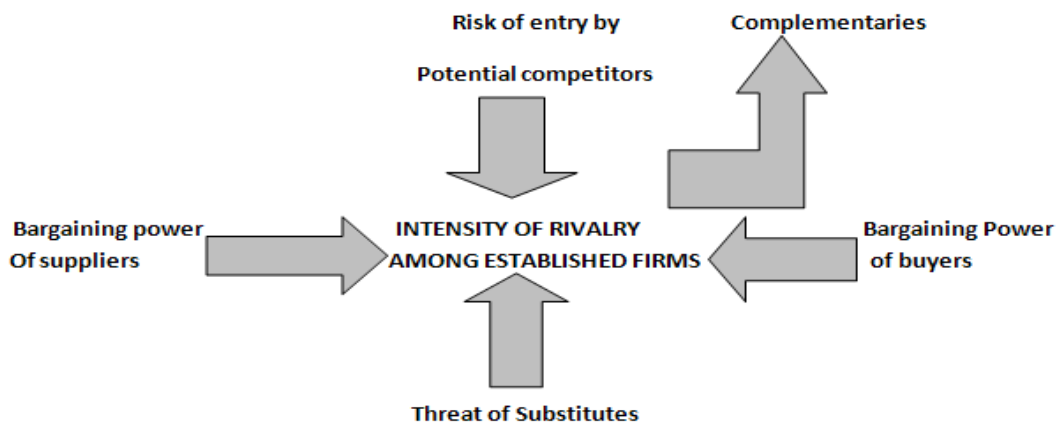
B) Industry Level Analysis-

It includes number of models but the most popular model is discussed below.

3.2.5.4. Porter's 5 forces Model

Michael Porter (Harvard Business School Management Researcher) designed various vital frameworks for developing an organization's strategy. One of the most renowned among managers making strategic decisions is the five competitive forces model that determines industry structure. According to Porter, the nature of competition in any industry is personified in the following five forces:

- i) Threat of new potential entrants
- ii) Threat of substitute product/services
- iii) Bargaining power of suppliers
- iv) Bargaining power of buyers
- v) Rivalry among current competitors



Porter's Five Forces model (*Source: mindtools.com*)

The five forces mentioned above are very significant from point of view of strategy formulation. The potential of these forces differs from industry to industry. These forces jointly determine the profitability of industry because they shape the prices which can be charged, the costs which can be borne, and the investment required to compete in the industry. Before making strategic decisions, the managers should use the five forces framework to determine the competitive structure of industry.

Let's discuss the five factors of Porter's model in detail:

1. **Risk of entry by potential competitors:** Potential competitors refer to the firms which are not currently competing in the industry but have the potential to do so if given a choice. Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The threat of entry by potential competitors is partially a function of extent of barriers to entry. The various barriers to entry are-
 - Economies of scale
 - Brand loyalty
 - Government Regulation
 - Customer Switching Costs
 - Absolute Cost Advantage
 - Ease in distribution
 - Strong Capital base
2. **Rivalry among current competitors:** Rivalry refers to the competitive struggle for market share between firms in an industry. Extreme rivalry among established firms poses a strong threat to profitability. The strength of rivalry among established firms within an industry is a function of following factors:
 - Extent of exit barriers
 - Amount of fixed cost
 - Competitive structure of industry
 - Presence of global customers
 - Absence of switching costs
 - Growth Rate of industry
 - Demand conditions
3. **Bargaining Power of Buyers:** Buyers refer to the customers who finally consume the product or the firms who distribute the industry's product to the final consumers. Bargaining power of buyers refer to the potential of buyers to bargain down the prices charged by the firms in the industry or to increase the

firms cost in the industry by demanding better quality and service of product. Strong buyers can extract profits out of an industry by lowering the prices and increasing the costs. They purchase in large quantities. They have full information about the product and the market. They emphasize upon quality products. They pose credible threat of backward integration. In this way, they are regarded as a threat.

4. **Bargaining Power of Suppliers:** Suppliers refer to the firms that provide inputs to the industry. Bargaining power of the suppliers refer to the potential of the suppliers to increase the prices of inputs(labour, raw materials, services, etc) or the costs of industry in other ways. Strong suppliers can extract profits out of an industry by increasing costs of firms in the industry. Suppliers' products have a few substitutes. Strong suppliers' products are unique. They have high switching cost. Their product is an important input to buyer's product. They pose credible threat of forward integration. Buyers are not significant to strong suppliers. In this way, they are regarded as a threat.
5. **Threat of Substitute products:** Substitute products refer to the products having ability of satisfying customer needs effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a setting a limit on the price that firms can charge for their product in an industry. Lesser the number of close substitutes a product has, greater is the opportunity for the firms in industry to raise their product prices and earn greater profits (other things being equal).

The power of Porter's five forces varies from industry to industry. Whatever be the industry, these five forces influence the profitability as they affect the prices, the costs, and the capital investment essential for survival and competition in industry. This five forces model also help in making strategic decisions as it is used by the managers to determine industry's competitive structure.

Porter ignored, however, a sixth significant factor; complementariness. This term refers to the reliance that develops between the companies whose products work is in combination with each other. Strong complementariness might have a strong positive effect on the industry. Also, the five forces model overlooks the role of innovation as well as the significance of individual firm differences. It presents a stagnant view of competition.

3.2. B) Strategy Implementation and Control

3.2.1. Strategy Implementation

The second stage of strategic management, after strategy formulation, is “strategy implementation” or, what is more familiar to some as “strategy execution”. This is where the real action takes place in the strategic management process, since this is where the tactics in the strategic plan will be transformed into actions or actual performance.

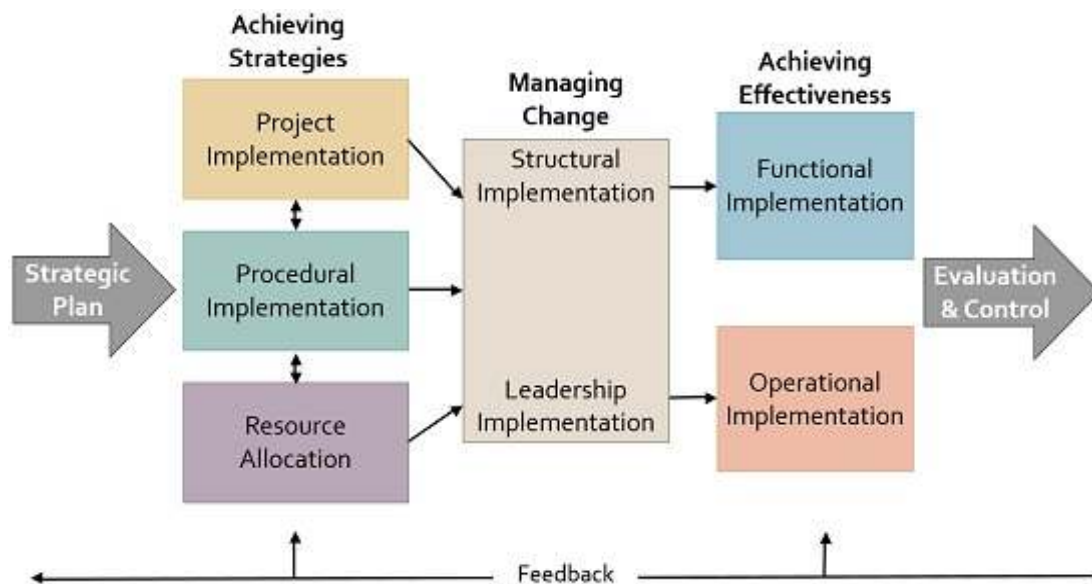
Needless to say, it is the most rigorous and demanding part of the entire strategic management process, and the one that will require the most input of the organization’s resources. However, if done right, it will ensure the achievement of objectives, and the success of the organization.

If strategy formulation tackles the “what” and “why” of the activities of the organization, strategy implementation is all about “how” the activities will be carried out, “who” will perform them, “when” and how often will they be performed, and “where” will the activities be conducted.

3.2.1.1. Definition:

Strategy Implementation refers to the execution of the plans and strategies, so as to accomplish the long-term goals of the organization. It converts the opted strategy into the moves and actions of the organisation to achieve the objectives

Simply put, strategy implementation is the technique through which the firm develops, utilizes and integrates its structure, culture, resources, people and control system to follow the strategies to have the edge over other competitors in the market.



Source: businessjargons.com

Strategy Implementation is the **fourth stage of the Strategic Management process**, the other three being a determination of strategic mission, vision and objectives, environmental and organisational analysis, and formulating the strategy. It is followed by Strategic Evaluation and Control.

3.2.1.2. Process of Strategy Implementation

1. Building an organization, that possesses the capability to put the strategies into action successfully.
2. Supplying resources, in sufficient quantity, to strategy-essential activities.
3. Developing policies which encourage strategy.
4. Such policies and programs are employed which helps in continuous improvement.
5. Combining the reward structure, for achieving the results.
6. Using strategic leadership.

The process of strategy implementation has an important role to play in the company's success. The process takes places after environmental scanning, SWOT analyses and ascertaining the strategic issues.

3.2.1.3. Pre-requisites of Strategy Implementation

- **Institutionalization of Strategy:** First of all the strategy is to be institutionalized, in the sense that the one who framed it should promote or defend it in front of the members, because it may be undermined.
- **Developing proper organizational climate:** Organizational climate implies the components of the internal environment that includes the cooperation, development of personnel, the degree of commitment and determination, efficiency, etc., which converts the purpose into results.
- **Formulation of operating plans:** Operating plans refers to the action plans, decisions and the programs, that take place regularly, in different parts of the company. If they are framed to indicate the proposed strategic results, they assist in attaining the objectives of the organization by concentrating on the factors which are significant.
- **Developing proper organisational structure:** Organization structure implies the way in which different parts of the organisation are linked together. It highlights the relationships between various designations, positions and roles. To implement a strategy, the structure is to be designed as per the requirements of the strategy.
- **Periodic Review of Strategy:** Review of the strategy is to be taken at regular intervals so as to identify whether the strategy so implemented is relevant to the purpose of the organisation. As the organization operates in a dynamic environment, which may change anytime, so it is essential to take a review, to know if it can fulfil the needs of the organization.

Even the best-formulated strategies fail if they are not implemented in an appropriate manner. Further, it should be kept in mind that, if there is an alignment between strategy and other elements like resource allocation, organizational structure, work climate, culture, process and reward structure, then only the effective implementation is possible.

3.2.1.4. Aspects of Strategy Implementation

- Creating budgets which provide sufficient resources to those activities which are relevant to the strategic success of the business.
- Supplying the organization with skilled and experienced staff.

- Conforming that the policies and procedures of the organisation assist in the successful execution of the strategies.
- Leading practices are to be employed for carrying out key business functions.
- Setting up an information and communication system that facilitates the workforce of the organisation, to perform their roles effectively.
- Developing a favourable work climate and culture, for proper implementation of the strategy.

Strategy implementation is the time-taking part of the overall process, as it puts the formulated plans into actions and desired results.

3.2.2. Strategic Control

“It is the process by which managers monitor the ongoing activities of an organization and its members to evaluate whether activities are being performed efficiently and effectively and to take corrective action to improve performance if they are not” -Sam Walton

Managers exercise strategic control when they work with the part of the organisation they have influences over to ensure that it achieves the strategic aims that have been set for it. To do this effectively, the managers need some decision making freedom: either to decide what needs to be achieved or how best to go about achieving the strategic aims. Such decision making freedom is one of the characteristics that differentiate strategic control from other forms of control exercised by managers (e.g. Operational control – the management of operational processes).

Strategic controls take into account the changing assumptions that determine a strategy, continually evaluate the strategy as it is being implemented, and take the necessary steps to adjust the strategy to the new requirements. In this manner, strategic controls are early warning systems and differ from post-action controls which evaluate only after the implementation has been completed.

3.2.2.1.. Types of Strategies Control

Important types of strategic controls used in organizations are:

1. **Premise Control:** Premise control is necessary to identify the key assumptions, and keep track of any change in them so as to assess their impact on strategy and

its implementation. Premise control serves the purpose of continually testing the assumptions to find out whether they are still valid or not. This enables the strategists to take corrective action at the right time rather than continuing with a strategy which is based on erroneous assumptions. The responsibility for premise control can be assigned to the corporate planning staff who can identify key assumptions and keep a regular check on their validity.

2. **Implementation Control:** Implementation control may be put into practice through the identification and monitoring of strategic thrusts such as an assessment of the marketing success of a new product after pre-testing, or checking the feasibility of a diversification programme after making initial attempts at seeking technological collaboration.
3. **Strategic Surveillance:** Strategic surveillance can be done through a broad-based, general monitoring on the basis of selected information sources to uncover events that are likely to affect the strategy of an organisation.
4. **Special Alert Control:** Special alert control is based on trigger mechanism for rapid response and immediate reassessment of strategy in the light of sudden and unexpected events called crises. Crises are critical situations that occur unexpectedly and threaten the course of a strategy. Organisations that hope for the best and prepare for the worst are in a vantage position to handle any crisis.

3.2.2.2. Process of Strategic Control

Strategic control processes ensure that the actions required to achieve strategic goals are carried out, and checks to ensure that these actions are having the required impact on the organisation. An effective strategic control process should by implication help an organisation ensure that it is setting out to achieve the right things, and that the methods being used to achieve these things are working.

Regardless of the type or levels of strategic control systems an organization needs, control may be depicted as a six-step feedback model:

1. Determine What to Control:

The first step in the strategic control process is determining the major areas to control. Managers usually base their major controls on the organizational mission, goals and objectives developed during the planning process. Managers must make

choices because it is expensive and virtually impossible to control every aspect of the organization.

2. Set Control Standards:

The second step in the strategic control process is establishing standards. A control standard is a target against which subsequent performance will be compared. Standards are the criteria that enable managers to evaluate future, current, or past actions. They are measured in a variety of ways, including physical, quantitative, and qualitative terms. Five aspects of the performance need to be managed and controlled. These aspects are: **quantity, quality, time cost, and behavior.**

Standards reflect specific activities or behaviors that are necessary to achieve organizational goals. Goals are translated into performance standards by making them measurable. An organizational goal to increase market share, for example, may be translated into a top-management performance standard to increase market share by 10 percent within a twelve-month period. Helpful measures of strategic performance include: sales (total, and by division, product category, and region), sales growth, net profits, return on sales, assets, equity, and investment cost of sales, cash flow, market share, product quality, valued added, and employees productivity.

Quantification of the objective standard is sometimes difficult. For example, consider the goal of product leadership. An organization compares its product with those of competitors and determines the extent to which it pioneers in the introduction of basis product and product improvements. Such standards may exist even though they are not formally and explicitly stated.

Setting the timing associated with the standards is also a problem for many organizations. It is not unusual for short-term objectives to be met at the expense of long-term objectives. Management must develop standards in all performance areas touched on by established organizational goals. The various forms standards are depend on what is being measured and on the managerial level responsible for taking corrective action.

3. Measure Performance:

Once standards are determined, the next step is measuring performance. The actual performance must be compared to the standards. Many types of measurements taken for control purposes are based on some form of historical standard. These

standards can be based on data derived from the **PIMS (profit impact of market strategy)** program, published information that is publicly available, ratings of product / service quality, innovation rates, and relative market shares standings.

Strategic control standards are based on the practice of competitive benchmarking – the process of measuring a firm’s performance against that of the top performance in its industry. The proliferation of computers tied into networks has made it possible for managers to obtain up-to-minute status reports on a variety of quantitative performance measures. Managers should be careful to observe and measure accurately before taking corrective action.

5. Determine the Reasons for the Deviations:

The fifth step of the strategic control process involves finding out: “why performance has deviated from the standards?” Causes of deviation can range from selected achieve organisational objectives. Particularly, the organisation needs to ask if the deviations are due to internal shortcomings or external changes beyond the control of the organisation. A general checklist is mentioned below.

- Are the standards appropriate for the stated objective and strategies?
- Are the objectives appropriate in light of the current environmental situation?
- Are the strategies for achieving the objectives appropriate?
- Are the firm’s organisational structure, systems (e.g., information), and resource support adequate for successfully implementing the strategies and therefore achieving the objectives?
- Are the activities being executed appropriate for achieving standard?

5. Compare Performance to Standards:

The comparing step determines the degree of variation between actual performance and standard. If the first two phases have been done well, the third phase of the controlling process – comparing performance with standards – should be straightforward. However, sometimes it is difficult to make the required comparisons (e.g., behavioral standards). Some deviations from the standard may be justified because of changes in environmental conditions, or other reasons.

6. Take Corrective Action:

The final step in the strategic control process is determining the need for corrective action. Managers can choose among three courses of action: (1) they can do nothing (2) they can correct the actual performance (3) they can revise the standard.

When standards are not met, managers must carefully assess the reasons why and take corrective action. Moreover, the need to check standards periodically to ensure the standards and associated performance measures are still relevant for the future.

The way the evaluation and control process works is quite straightforward:

Set objectives, Evaluate actual performance against the objectives, and based on the variances take corrective actions. The final phase of controlling process occurs when managers must decide action to take to correct performance when deviations occur. Corrective action depends on the discovery of deviations and the ability to take necessary action. Often the real cause of deviation must be found before corrective action can be taken. Causes of deviations can range from unrealistic objectives to the wrong strategy being selected achieve organizational objectives. Each cause requires a different corrective action. Not all deviations from external environmental threats or opportunities have progressed to the point a particular outcome is likely, corrective action may be necessary.

To conclude, strategic control is an integral part of strategy. Without properly placed controls the strategy of the company is bound to fail. Strategic control is a tool by which companies check their internal business process and environment and ascertain their progress towards their goal.

3.2.2.3. Techniques of Strategy Evaluation:

Strategic management is the process of developing an organization's mission and goals, and then outlining the steps and processes necessary to reach the company goals. Techniques for evaluating the effectiveness of a company's strategy include evaluating internal and external forces that influence strategy execution, measuring company performance and determining appropriate corrective measures.

Internal Forces

Strategy evaluation should begin with an examination of the internal forces that will influence your company's ability to follow the strategic plan. Your evaluation should consider the value of company resources such as financial assets, proprietary information and the people who are available to guide the company to meet its goals. This evaluation will help you understand how these assets can be developed to expand the company's capabilities. All of these internal forces combined are what set your company apart from your competitors.

External Forces

The next technique for strategy evaluation is to consider the external forces that will influence your company's ability to complete its mission. The primary external force your company must face are your customers. Customers purchasing the products and services your company produces will determine the success of your company. Is your company meeting the expectations of your customer base? Along with the consideration of your customers, you must evaluate the strengths and weaknesses of your competitors. Do your competitors have differentiating capabilities that will pull your customers away?

3.2.3. Strategy Evaluation-

3.2.3.1. Objectives

Following are two major objectives of Strategy Evaluation-

- **Measuring Performance**

The Evaluation process will help you determine if the strategy you have developed is leading the company to meet its mission and goals. Begin this evaluation technique by evaluating if the results that have been realized through company operations have been successful. Evaluate if the sales force has been successful in meeting all of the sales goals. If you have a manufacturing facility, are production targets being met? Also evaluate if your company has been able to garner a greater share of the market.

- **Correcting Performance**

After your evaluation has considered all of the company's historical performance data, the next step is determines what corrective measures should be taken to insure

company operations are correctly aligned with the strategic plan. Many times making corrections to strategic operations will force changes that will cause objections, yet change is an essential element of the controlling process. You must ensure the company will be able to meet all of its short and long term strategic goals. Adjusting strategic operations is an essential technique of strategy evaluation.

3.2.4. Issues in Strategic Implementation and Control:

The issues related to strategic implementation and control are classified into:

1. Functional or Operational Issues
2. Behavioural or Motivational Issues

3.2.4.1. Functional / Operational Issues:

Even if managers agree to evaluate the strategy, the problem of strategic evaluation is not over, though it is a beginning. This is so because strategic evaluation is a nebulous process; many factors are not as clear as the managers would like these to be. These factors are in the areas of determination of evaluative criteria, performance measurement, and taking suitable corrective actions. All these are involved in strategic control. However, nebulousness /unclear nature is not unique to strategic control only but it is unique to the entire strategic management process.

3.2.4.2.. Behavioural or Motivational Issues:

The basic issue in strategic control is the motivation of managers (strategists) to evaluate whether they have chosen correct strategy after its results are available. Often, two problems are involved in motivation to evaluate the strategy –

- a) Psychological barriers and
- b) Lack of direct relationship between performance and rewards

a) Psychological Barriers

Managers are seldom motivated to evaluate their strategies because of the psychological barriers of accepting their mistakes. The strategy is formulated by top management which is very conscious about its sense of achievement. It hardly appreciates any mistake it may commit at the level of strategy formulation. Even if something goes wrong at the level of strategy formulation, it may put the blame on

the operating management and tries to find out the faults at the level of strategy implementation.

This over-conscious approach of top management may prevent the objective evaluation of whether correct strategy has been chosen and implemented. This may result in delay in taking correct alternative action and bringing the organization back at satisfactory level. This happens more in the case of retrenchment strategy, particularly divestment strategy where a particular business has failed because of strategic mistake and in order to save the organization from further damage, the business has to be sold.

b) Lack of Direct Relationship between Performance and Rewards:

Another problem in motivation to evaluate strategy is the lack of direct relationship between performance achievement and incentives. It is true that performance achievement itself is a source of motivation but this cannot always happen. Such a situation hardly motivates the managers to evaluate their strategy correctly. This happens more in the case of family-managed businesses where professional managers are treated as outsiders and top positions, particularly at the board level, are reserved for insiders.

Naturally, very bright managers are not motivated to evaluate correctness or otherwise of their strategy. The family managers of such organizations are even more prone to psychological problem of not evaluating their strategy and admit their mistakes.

Thus, what is required for motivating managers to evaluate their performance and strategy is the right type of motivational climate in the organization. This climate can be set by linking performance and rewards as closely as possible. This linking is required not only for the top level but for the lower down in the organization too. Many forward-looking companies, though few in number, have taken this step when they have adopted the policy of taking board members from outside their families and friend groups.

These companies have taken this step not only to satisfy the requirements of financial institutions of broad basing the directorship but they have taken this step to motivate their top-level managers. Naturally, top managers in such companies can take any step to fulfill the organizational requirements including the evaluation of their

3.2.5. Benefits of Strategic Evaluation and Control

The main benefits of strategic evaluation and control are:

Provide *direction*

It enables management to make sure that the organisation is heading in the right direction and corrective action is taken where needed.

Impart *guidance*

Everyone within the organisation, both managers and workers alike, learn what is happening, how their performance compares with expectations, and what needs to be done to maintain the good work and improve performance.

Improve *confidence*

Information about good performance improves confidence in everybody. Those within the organisation are likely to be more motivated to maintain and achieve better performance in order to maintain their track record. Other stakeholders such as customers, government authorities, shareholders, etc. are likely to be impressed with the good performance.

Self -Evaluation Exercise no -3

Fill in the blanks-

1. Strategic Management has mainly _____ steps.
2. Techniques for evaluating the effectiveness of a company's strategy include evaluating _____ and _____ forces.
3. There are _____ major objectives of Strategy Evaluation.
4. The major Issues related with strategic control are _____ and _____.

3.2.6. McKinsey's 7-S Model

The McKinsey 7S Model is a framework for organizational effectiveness which claims that there are seven internal factors of an organisation that need to be aligned and reinforced in order to be successful.

3.2.6.1. Understanding McKinsey 7S Model

The 7S Model specifies seven factors that are classified as "hard" and "soft" elements. Hard elements are easily identified and influenced by management, while soft elements are fuzzier, more intangible and influenced by corporate culture.

The hard elements are:

- Strategy
- Structure
- Systems

The soft elements are:

- Shared values
- Skills
- Style
- Staff

Consultants Tom Peters and Robert Waterman, authors of the management bestseller "In Search of Excellence," conceived of the McKinsey 7S Model at consulting firm McKinsey & Co. in the early 1980s.

The framework is used as a strategic planning tool by organizations to show how seemingly disparate aspects of a company are or how they are interrelated and reliant upon one another to achieve overall success.

3.2.6.2. Special Considerations

- The **strategy** is the plan deployed by an organization in order to remain competitive in its industry and market. An ideal approach is to establish a long-term strategy that aligns with the other elements of the model and clearly communicates what the organization's objective and goals are
- The **structure** of the organization is made up of its corporate hierarchy, chain of command, and divisional makeup that outlines how the operations function and interconnect. In effect, it details the management configuration and responsibilities of workers.

- The **Systems** of the company refer to the daily procedures, workflow, and decisions that make up the standard operations within the organization.
- **Shared values** are the commonly accepted standards and norms within the company that influence and temper the behavior of the entire staff and management. This may be detailed in company guidelines presented to the staff. In practice, shared values relate to the actual accepted behavior within the workplace.
- **Skills** comprise the talents and capabilities of the organization's staff and management, which can determine the types of achievements and work the company can accomplish. There may come a time when a company assesses its available skills and decides it must make changes in order to achieve the goals set forth in its strategy.
- **Style** speaks to the example and approach that management takes in leading the company, as well as how this influences performance, productivity, and corporate culture.
- **Staff** refers to the personnel of the company, how large the workforce is, where their motivations reside, as well as how they are trained and prepared to accomplish the tasks set before them.

3.2.6.3. Special Keys of 7S model

- The McKinsey 7S Model is a framework for organizational effectiveness that postulates that seven internal factors of an organization must be aligned and reinforced in order to be successful.
- The McKinsey 7S Model comprises easily identifiable hard elements, which are easily influenced by management, and soft elements, which are fuzzier, more intangible, and influenced by corporate culture.
- The McKinsey 7-S Model is applicable in a wide variety of situations where it's useful to understand how the various parts of an organization work together. It can be used as a tool to make decisions on future corporate strategy.
- The framework can also be used to examine the likely effects of future changes in the organization or to align departments and processes during a merger or

acquisition. Elements of the McKinsey Model 7s can also be used with individual teams or projects.

3.2.7. Strategic Control Techniques:

The controlling function includes activities undertaken by managers to ensure that actual results conform to the planned results. Control tools and techniques help managers pinpoint the organisational strengths and weaknesses on which useful control strategy must focus.

In order to simplify the discussion of the tools and control techniques, many authors divide them into two categories: nonfinancial and financial.

Nonfinancial control techniques do not require financial data to be used, while financial control techniques require some form of financial data such as profits, costs, or revenues. Each of the control techniques is intended for a different purpose. Therefore, in order to make rational choices about which control techniques to implement, managers must understand what a given control techniques can and cannot do.

Strategic controls are intended to steer the company towards its long-term strategic direction. After a strategy is selected, it is implemented over time so as to guide a firm within a rapidly changing environment. Strategies are forward-looking, and based on management assumptions about numerous events that have not yet occurred.

Objective of **Traditional** control approaches seeks to compare actual results against standards expected. Manager evaluates the work and uses the evaluation as input to control future efforts. While this approach is not much useful, it is inappropriate as a means to control a strategy.

The techniques can be classified on the basis of monitory importance as-

a) Nonfinancial control techniques:

Nonfinancial control techniques include rewards and punishments, selection procedures, socialization and training, the management hierarchy, management by exception, inventory and quality control, and PERT.

b) Financial Control Techniques:

Financial controls help managers to keep costs in line, maintain a viable relationship between assets and liabilities, sustain adequate liquidity and achieve general operating efficiency. Some best-known and most commonly used financial control techniques are: budgets, ratio analysis, break-even analysis, and accounting audits.

Experts on **strategic management process** have identified certain types of strategic controls. According to them, there are **four types of strategic controls**. **These are:**

1. Premise Control:

Every strategy is founded on certain assumptions relating to environmental and organisational forces. Certainly some of these forces or factors are very sharp and any change in them is sure to affect the strategy to a great extent. Hence, premise control is a must to identify the key postulations and keep track of any change in them in order to assess their impact on strategy and, therefore, its implementation.

For example, this presumption may relate to changing government policies, market competition. Change in composition due to sudden killing virus or widespread war conditions or natural calamities and organisational factors such as improvising production technology, VRS scheme to get high tech employees, market innovation strategies.

Here, premise control serves to test continuously these assumptions to determine whether they are still valid or not. This facilitates the strategists to take necessary corrective action at the right time than just pulling on with the strategy based on vitiated or invalid postulations.

The responsibility for premise control is generally assigned to the corporate planning department that identifies the key assumptions and keeps a regular check on their validity.

2. Implementation Control:

In order to implement a chosen strategy, there is need for preparing quite good number of plans, programs and projects. Again resources are allocated for implementing these plans, programs and projects. The purpose of implementation

control is to evaluate as to whether these plans, programs and projects are actually guiding the organisation towards its pre-determined goals or not.

In case it is felt, at any time, the commitment of resources to a plan, program or project is not yielding the fruits as expected; there is need for matching revision. That is implementation control is nothing but rethinking or strategic rethinking to avoid wastes of all kinds.

One way of using implementation control may to identify and monitor the strategic beat points such as an assessment of marketing success of a new product after pretesting or checking the feasibility of a diversification programme after preliminary attempts at seeking technological collaboration.

In the first case, the company is to evaluate whether the new product launch will really benefit or it should be forgone in favour of another programme. In second case, implementation control helps to ascertain whether a diversification move is going to succeed or not. Another tool of implementation control is the milestone reviews through which critical points in strategy implementation are identified in terms of events, major resource allocation, or even time.

This is almost similar to identification of events and activities in programme evaluation review technique (PERT)/critical path method (CPM) networks. Once the milestones are identified, a comprehensive review of implementation is made to reassess its continued relevance to attain the objectives.

3. Strategic Surveillance:

Premise control and implementation control are more specific by nature. Strategic surveillance is more generalised and overriding control designed to monitor a broad range of events. Both events; inside and outside the organisation which are likely to threaten the course of a firm's strategy are checked. Such strategic surveillance can be done through a broad and general monitoring based on selected information sources to uncover events that are likely to affect the strategy of an organisation.

Professor David A. Aker, suggests a formal yet simple strategic information scanning system which can enhance the effectiveness of the scanning effort and preserve much of the information which may lost within the organisation.

4. Special Alert Control:

Special alert control is based on a trigger mechanism for a rapid response and immediate reassessment of a given strategy in the light of a sudden and unexpected event. Special alert control can be exercised via formulation of contingency strategies and assigning the responsibility of handling unforeseen events to crisis management teams. The instances of sudden and unexpected events include, sudden fall of government at center or at state, terrorist attacks, industrial disaster or any natural calamity like earthquake, floods, fire, etc.

Self -Evaluation Exercise no -4

Fill in the blanks-

1. The McKinsey 7S Model is a framework for organizational effectiveness which is affected by 7 _____ factors.
2. Special alert control is based on a trigger mechanism for a rapid response and _____ event.
3. Every strategy is founded on certain assumptions relating to environmental and _____ forces.
4. The controlling function includes activities undertaken by managers to ensure that actual results are conformed to _____ results.

3.3 Summary

Strategic management process is highly essential in 21st century for any business organisation. Strategic Management is about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage. Main purpose of strategic management is to make the organisation able to compete.

All phases of Strategic Management including strategic planning, strategic implementation and evaluation and strategic control play significant role in the strategic management process. Particularly evaluation and control gives ideas about how well things are going at every phase of the process and to take whatever action is necessary to improve performance. After evaluation it could be known how good strategic plans are and how well they are implemented. The information for any

organisation from evaluation enables it to exercise better control over the strategic management process.

Strategy may operate at different levels of an organization – corporate level, business level, and functional level. The strategy changes are based on the levels of strategy. Strategy analysis and choice seeks to determine alternative courses of action that could best enable the firm to achieve its mission and objectives. Different kinds of strategies are classified on the basis of business statue, business function and organisational life cycle stage. Different techniques can be used for strategic analysis. They include gap analysis, BCG matric, GE9 cell matrix and Porter’s five forces model.

The McKinsey 7S Model is a framework for organizational effectiveness comprising of seven internal factors. Four of them are soft factors, namely, shared values, skills, style and staff. Remaining three; strategy, structure and system are hard factors. This model is useful for designing future strategies and examining the likely effects of future changes in aligning departments and processes during a merger or acquisition.

Strategy formulation tackles the “what” and “why” of the activities of the organization, strategy implementation is all about “how” the activities will be carried out, “who” will perform them, “when” and how often will they be performed, and “where” will the activities be conducted. There are four types of strategic control. They are: premise control, implementation control, strategic surveillance and special alert control.

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Answers –

Self -Evaluation Exercise no -1

Fill in the blanks-

1. Achieve the objectives
2. Greek
3. Dynamic
4. Strengths, weaknesses, Opportunities, Threats

Self -Evaluation Exercise no -2

Fill in the blanks-

1. Competitive advantages
2. Functional level
3. Strategic business unit
4. Strategic business unit

Self -Evaluation Exercise no -3

Fill in the blanks-

1. Four
2. Internal and external
3. Two
4. Functional and Behavioural

Self -Evaluation Exercise no -4

Fill in the blanks-

1. Internal
2. Unexpected
3. Functional
4. Planned

Exercise-

Answer the following-

- Q. 1. What do you mean by strategy? Give its features.
- Q. 2. Explain the concept of Strategic Management. Also give its importance.
- Q. 3. Describe different steps in the process of Strategic Management.
- Q. 4. What do you mean by strategic implementation and control?
- Q. 5. Give the techniques of strategy evaluation in brief.
- Q. 6. Discuss the strategic control techniques.
- Q. 7. Write Short notes
 - a. GAP Analysis
 - b. McKinsey's 7-S Model
 - c. Porter 5 Forces Model
 - d. Strategic Intent.
 - e. Types of strategies.
 - f. BCG Matrix
 - g. GE9 cell Matrix
 - h. Strategic Intent.



Unit-4

Contemporary Issues in Management

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4.0 Unit objectives

After studying this Unit you will understand-

- Contemporary issues in management.
- Ethical Issues in different areas of management.
- Nature of management in 21st century organization.
- Challenges and opportunities in E-Commerce, E-Business and M-Commerce.

4.1 Subject Matter

4.1.1 Introduction

Contemporary management examines the current issues faced by business and the strategies adopted to resolve them. It focuses on the need of changing the way of thinking to address the issues as they emerge. It requires rethinking of traditional management practices and developing new tools and practices that are helpful to give adaptive response to the emerging novel issues. These contemporary issues are related to quality, supply chain, green business, workforce management business ethics, stakeholder interest, social needs, technology application innovation and research etc. This Unit deals with ethical issues, management of 21st century organization and challenges and opportunities of E-commerce, E-business and M-commerce.

4.1.2 Ethical Issues

An ethical issue is an identifiable problem, situation or opportunity that requires a person to choose from among several options that may be evaluated as ethical or unethical. Ethical dilemmas faced by manager are highly complex in nature as there are no clear guidelines. It is choosing between monetary profit and appropriate behavior.

Definition :

“Ethical issue is a problem or situation that requires a person or organization to choose between alternatives that must be evaluated as right (ethical) or wrong (unethical)” – Business Dictionary

Ethical issues in business are a situation where a moral conflict arises and must be addressed. In other words it is an occasion where a moral standard is questioned or rules and regulations are violated. Ethical issues arise because of –

- Conflict of interest between shareholders and stakeholders.
- Selfish interest of management
- Desire of making short term gain
- Wilful neglect of socio-cultural factors
- Unethical culture of organization
- Unclear policies of organization

While resolving the ethical issues, managers must be aware of

- policies of the organization
- laws of land
- customs and expectations of society
- principles of morality
- impact of company's ducts or services and actions on various stakeholders (i.e. employees, customers, suppliers, shareholders, investors etc.
- Impact on environment

Benefits of going ethical : If ethical issues are solved in an appropriate manner taking into consideration ethical values and fair interests of stakeholders, the following benefits accrue to the organization.

1. Enhances of reputation of organization
2. Builds customer loyalty
3. Creates a positive work environment
4. Avoids legal problems
5. Attracts and retains talented employees.

Companies have recognized the need of doing business ethically and are paying attention to financial, social and environment performance. This has lead to the introduction of tripple bottom line, "people, planet and profit". Dow Jones sustainability Index requires the companies to report their performance based on this tripple line.

4.1.2.1 Social Issues

Social issues in management are concerned with relationship between business and society or interaction between business and government. Management decisions should be aline with social welfare and state policy. They should foster the wellbeing of society. Social issues faced by management are numerous and having influence on various sections of society, as stated below.

1. Discrimination in employment on the basis of gender and race.
2. Child labour

3. Sexual harassment of women at workplace.
4. Wage inequality
5. Employment of gay
6. Employment of physically disadvantaged people.
7. Employee privacy
8. Manufacturing/Marketing of anti-social products like cigarettes, liquor
9. Export of goods to enemy/unfriendly countries.
10. Contribution to political parties.
11. Contribution for charitable cause
12. Occupational safety and health
13. Employee benefits
14. Exploitation of workforce
15. Modernisation and automation policies
16. Employment of sons of soil (locals)
17. Denying access on social grounds
18. Relations with labour union

4.1.2.2 Ethical Issues in cultural area :

Ethics related cultural issues are arising significantly because of cross-cultural environment in organizations. Culture is an aggregation of shared assumptions, values and beliefs that govern the behavior of people. In today's organization employees having different culture are working. Companies are going to other countries for business purpose. In these situations managers are confronting with the issue of cultural clash. Understanding 'culture' has become important. Culture impacts the pace of business, business protocol, decision making and negotiating process, employees and projects, and propensity for risk taking. Geert Hofstede has developed the cultural dimensions theory to examine the effects of a society's culture on the values of its members and how these values relate to behavior. Hofstede's theory is a framework used to understand the difference in culture across countries

and their impact on business. Hofstede has identified six dimensions of culture as follows.

1. Power distance index
2. Individualism vs collectivism
3. Uncertainty avoidance
4. Masculinity-feminity (task orientation vs person orientation)
5. Long-term orientation vs short term orientation.
6. Indulgence vs Restraint

1) Power distance index : The power distance index show the extent to which power is distributed unequally and is accepted and expected by the followers or lower levels. Higher power distance index is an indication of unequal power distribution, subordinates accepting it without question. This situation is found in Asian Countries. On the other hand, the lower power distance index indicates that the culture encourages distribution of power, participative style of management and subordinates to have voice in decision making. This situation prevails in the United States, Germany and other western countries.

2) Individualism vs Collectivism : This dimension considers the relative importance of individual or groups and the dependence on groups. In individualism greater importance is on attaining personal goals. A person's self image is defined as 'I'. In collectivism greater importance is on group goals and well-being of the group. Group loyalty is high. A person's self-image is defined as 'we'. The United States is considered as one of the most individualistic countries in the world. In Japan, on the other hand 'collectivism' matters most.

3) Uncertainty avoidance : This dimension deals with a society's tolerance for uncertainty and ambiguity. It expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity, and its impact on rule making. Countries with a low uncertainty avoidance index show a more relaxed attitude. They accept the truth that future is uncertain, make minimum rules for constraining the uncertainty.

4) Masculinity-Feminity : This dimension is defined as "a preference in society for achievement, heroism, assertiveness and material rewards for success."

The society at large is more competitive. Men dominate in masculine society. Femininity stands for a preference for co-operation, modesty, caring for the weak and quality of life. In feminist society people focus on managing through discussion, consensus, compromise and negotiation. Japan is masculine society; whereas Sweden is a feminist society according to Hofstede model.

5) Long-term Orientation vs Short-term Orientation : Countries with a long-term orientation tend to be adaptive, pragmatic, modest and more thrifty. They give more importance to long-term gains. On the other hand countries with a short-term orientation place emphasis on short-term gains and quick results. They are typically religious and nationalistic. e.g. The United States has a short-term orientation and a strong sense of nationalism.

6) Indulgence vs Restraint : Indulgence indicates that a society allows relatively a high gratification of human desires relating to enjoying life and having fun. Restraint, on the other hand, indicates that a society suppresses gratification of needs and regulates it through strict social norms.

On the backdrop of the above the managers should understand that

Every culture is different from others. The values and beliefs of people of every culture should be respected. Cultural relativity should be accepted. We must understand individuals in the context of their own culture. Eastern countries like Japan value collectivism and group accomplishments, while western countries like the U.S.A. value individuals and personal accomplishments. Eastern cultures may value interdependence while western cultures may emphasize independence. Giving a gift or bribe may be ethical or unethical. In China giving gift is treated with respect and a part of business etiquette. In western countries bribes are not considered "right" and are often against the law. Knowing the cultural difference will help the managers to avoid costly problems and failure of business.

4.1.2.3 Ethical Issues in financial area :

Every business enterprise requires funds for its operation. Corporate entities require huge amount of funds. Finance is required for formation, day-to-day functioning and future growth. Ethical issues in finance are related to preparation, presentation and disclosure of financial transactions, taxation, appropriation of assets and investment decision.

Some of the unethical issues in finance area are described below.

1) Fraudulent financial reporting : It is the misstatement of the financial statements by company management with the objective of misleading investors and maintaining the company's share price.

2) Insider trading : It is a practice of trading in securities of a company to take advantage of material inside information about the company which is not available to the general public. It gives the trader an unfair advantage over other traders in the same security.

3) Diverting company funds to personal accounts of directors, their, relatives and friends.

4) Tax evasion : The practice of deliberately showing less income to reduce tax liability. In other words it is an act of dishonest tax reporting.

5) Misappropriation of funds : An act of intentional, illegal use of funds of the company for one's own use or other unauthorized purpose.

6) Deliberate delays in paying wages to employees, interest to financiers, bills of vendors, and dealer commission and promotion expenses.

7) Non on under payment of dues of employees provident fund, medical expenses, and allowances.

8) Unjustifiably high remuneration of directors, managing directions and chief executive officers.

9) Hypothecating goods with a number of banks.

10) Wilful violation of rules and regulations.

4.1.2.4 Ethical Issues in Marketing area :

Marketing is concerned with satisfying a need or want of people by offering a product or service. In to-day's world of global competition, marketing function has assumed more importance. It is easy to produce anything but difficult to market it. In order to increase market share, companies are devising novel marketing plans, policies and programmes. Ethical marketing is less of a strategy and more of a philosophy that seeks to promote honesty, fairness, responsibility and truth in all aspects of marketing. Ethical issues in marketing are related to the following...

- 1) Marketing of anti-social products like tobacco and alcohol. Everybody knows that consumption of tobacco and alcohol is harmful to health. Still companies keep on manufacturing and marketing these products.
- 2) As regards 'product' the various decisions involved are regarding quality, safety, packaging and warranties. These decisions have certain ethical obligations for instance product should live upto the claims made about it. Selling sub-quality, faulty products is unethical. We may remember instances of automobile companies calling back their vehicles due to safety problems and high accidents.
- 3) Predatory pricing is a serious ethical issue in marketing. The practice of selling a product or service at a very low price with an intention of driving out competitors out of the market is definitely unethical.
- 4) Selective marketing practice may be used to discourage the demand from undesirable market group or exclude them altogether e.g. gay, ethnic minority and over-weighted groups.
- 5) Bid rigging is an unethical practice in which a commercial contract is promised to one party, but for the sake of appearance several dummy parties present a bid.
- 6) Bait and switch practice is also regarded as unethical. In this practice customer is baited for a low priced product through advertisement and then citing the reason of unavailability of that product he is asked to switch over a high priced product.
- 7) Price fixing : It is a policy in which a price is maintained at a certain level agreed upon by all competitors. Customers have no choice than to buy the product/service at 'fixed' price.
- 8) Price collusion is a practice where several companies hold the price at an agreed high level in the hope of earning large profits or restricting the market.
- 9) Unjustifiable price discrimination.
- 10) Price gouging

It is a situation where businessmen take advantage of a disaster to charge excessive prices for basic necessities. e.g. selling foodgrains and vegetables at inflated price during the outbreak of corona virus.

11) In case of advertising and promotion a large number of examples can be found. Some of them are described below.

- **Surrogate advertising** : findings ways to remind consumers of the products of which advertisements are prohibited by law, without referencing them directly. e.g. advertisement of 'Soda' by the same brand name of liquor.
- **Unverified claims** : Advertisements containing 'high claims' about the product without any scientific evidence. e.g. shampoo commercials promise long, stronger and shiner hair without telling 'why' and 'how'.
- **Negative advertising** : The form of advertising that aims to criticize a competitors faults and degrade their messages.

Use of Violence : The recent trend in advertising is using violence to give message about the product e.g. advertisements of soft drinks. Violence in advertising is becoming a disturbing trend and its effects on children are serious.

Advertising to children : The commercial ads of products/services meant for children are often debatable. Due to gullibility and lack of knowledge children fall prey to such ads and want these products even though they are not healthy, safe and desirable. These advertisements provoke both the children and their parents to buy the product/service e.g. advertisement of so called health drinks, They affect their lifestyle, thinking and behaviour.

- Impact of advertisement on children as viewers has become a matter of concern to-day. Children are becoming addict to mobile games, wasting time and endangering lives.
- Stereotyping or depicting women as sex symbols merely to draw attention of viewers to a product. e.g. showing half-naked women in advertisements for toilet sops, perfumes and toothpastes, smart phones and other products not strongly related to women is unethical

4.1.2.5 Ethical Issues in environmental area :

Business depends on and impacts on natural environment. Business draws heavily from nature in various forms like land, water, minerals but gives back very little to the nature. Considering the negative impact on nature, environmentalists and governments have become active about environment protection and sustainable development. Big corporates have also started working on the ways of reducing

negative impact of their decisions on environment. Environmental considerations have become a part of corporate policies and progress. The environmental issues faced by managers are described below.

1. Minimum use of natural resources.
2. Minimum production of waste.
3. Reuse and recycling of waste.
4. Waste disposal practices.
5. Making environment friendly products.
6. Green accounting system.
7. Adapting processes that have built in consideration for environment.
8. Disposal of plastic and electronic waste.
9. Compliance with rules and regulations regarding environment protection.

Examples of unethical practices

1. Releasing industrial waste and water, untreated, in the river.
2. Use of CFC gases in refrigerators, air conditioners, industrial solvents etc.
3. Production of chemical fertilizers and pesticides.

Examples of ethical practices

1. Production of organic vegetables.
2. Making light bulbs by using LED technology
3. Digital operations

4.1.3 Management of 21st Century Organization :

Organizations in 21st centuries are different from the traditional organizations. They operate in various countries; cater to the global demand and use ultra-modern technology. The features of 21st century organizations are stated below.

1) **People driven :** The 21st century organizations are 'people driven'. Human beings in the organizations are regarded as 'assets' to leverage and not a resource to manipulate. Importance of 'Knowledge workers' has increased. The employees are encouraged to give new ideas. Employees are exposed to different situations in

various fields so that they can learn from practice, become aware of all parts of the organization and be ready for future leadership.

2) **User centric** : Today's organizations are becoming 'user centric'. Their efforts are directed towards understanding the needs of users and fulfilling those needs.

3) **Flatened structure** : 21st centuries have flatened structure with minimum hierarchies. The days of tall, vertical structures have gone. Self-managed teams are being created. These teams are working horizontally, exchanging and collaborating with other teams without the need to go up or down the vertical structure.

4) **Evolving ecosystem** : 21st century organizations are viewed as evolving ecosystem like an organism which adopts itself according to the changing environment. Instead of long-term fixed plans from top management, local level managers are allowed to take micro decisions to respond promptly to market change. Growth and direction are being allowed to happen organically instead of predetermined.

5) **Flexible jobs, changing roles** : The idea of flexible jobs and changing roles is replacing the practice of fixed jobs and roles. Employees are required to perform various jobs. To-day's organizations need 'generalists' more than 'specialists.'

6) **Technology driven** : Modern organisations are high-tech organizations. They are using advanced technology not only for production but also for other functional areas of management. Automation, online operations, work from home, networking are given more importance.

7) **Self-managed groups** : To-day's organizations are emphasizing self organization of individuals and small groups. These groups generally consist of 10-15 people. They are free to manage their finance, personnel and day-to-day operations. This arrangement helps to respond fastly to emerging situations.

8) **Distribution of leadership** : In modern organizations there are small networked teams and workgroups. They are interconnected with other various groups along vertical hierarchy. Individuals can be a member of various groups at a time. In this model leadership and decision-making power is distributed all over the organization. The role of upper management is limited to guiding the organization.

Management Issues :

Management of 21st Century organization in the volatile, uncertain and complex environment is a highly challenging task. To-day's managers require a different mindset and skill to manage the different issues. Some of the managerial issues are discussed below.

1) Managing a diverse workforce : 21st organizations are working in different parts of the world. People belonging to different race, religion, colour, age, gender and culture working side by side is a common picture in the modern organizations. They have some similarities as well as some differences. Their feelings, attitudes, values, abilities and skills are impacted by their race, religion and culture. For example American workers, Japanese Workers and Indian Workers are not 'similar' in their attitudes, values and work culture. Understanding the workforce diversity and bringing them to a common platform is an important issue today.

2) Managing in global environment : To-day American companies are working in China, India and other countries. Japanese Companies like Suzuki, Toyota, are working in America and India. The global environment in which companies are working has created challenges before the management. Political, legal, economical and social environment differs from country to country. It either ensures stability and ease of doing business or result in instability and makes doing business difficult. Management should study properly the conditions in the country in which they are functioning and formulate their strategies. The presence of terrorism in a country may cause disturbance and loss of property and lives.

3) Talent Management : As Stephen P. Robbins point out, "Organizations want a talented workforce because it is the people, their skills, abilities, and experience who make the organization successful." Due to severe shortage of talented people, attracting and retaining such people has become an important issue in managing a 21st century organization.

4) Managing change : In present world the rate of change is unprecedented. Organizations are facing changes due to the pressure of external and internal forces. Changes are occurring in product design, customer expectations, production methods, marketing practices, work methods and every other area. Management has to anticipate the change, be proactive, plan and implement change process with minimum resistance and stress.

5) Managing innovation : Managing innovation is another important issue in 21st century. 'Innovate or vanish' is the warning to the organizations. Innovation is required to meet the expectations of every stakeholder, to retain market share, competitive strength of the organization. Managements should allocate more resources for innovation, encourage employees to do something different, stimulate and nurture innovation.

6) Managing environmental issues : Due to increased environmental awareness and pressures for sustainable development, managers have to play a critical role in determining the consequences of manufacturing operations on environment and undertake measures for minimizing the negative effects of their products and operations. Managements have to work on four issues viz. raw materials, energy type, pollutants emitted and waste generation.

4.1.4 Challenges and Opportunities in E-Commerce, E-Business and M-Commerce.

In 21st century business models have been changing from physical or location based to electronic or online. Emergence of E-business, E-commerce and M-commerce has created opportunities on one side and challenges on the other side. In this part we are going to discuss all these aspects.

E-Commerce is buying and selling of goods on internet. It includes commercial transactions. e.g. online shopping, online banking, online ticket booking etc. There are four types of e-commerce as mentioned below.

B2B : It means buying and selling of goods and services between Businesses. e.g. Alibaba, Qualcomm, Oracle etc.

B2C : It means selling of goods by the business to customers. e.g. Amazon, Flipkart etc.

C2C : It means a commercial transaction between customer and customer e.g. OLX, Quicker etc.

C2B : Commercial transaction between customer and business.

E-business : E-business means doing all business transactions. It is running the business using internet, intranet, extranet and other devices. It uses website, customer

relationship management (CRM), Enterprise Resource Planning (ERP) etc to conduct all business transactions. There are two types of e-business as mentioned below.

Pure Play : The business having an electronic existence only. e.g. Swiggy

Brick and Click : The business exists both in online i.e. electronic and offline form i.e. physical mode.

It should be noted that E-business is a wider and e-commerce is sub-part of e-business.

M-Commerce : Mobile commerce also known as, M-commerce is the use of wireless handheld devices like cell phones and tablets to conduct commercial transactions online. It is a subset of e-commerce.

Transactions done through M-commerce

- Purchase and sale of products
- Online banking
- Money transfer
- Payment of bills
- Ticket booking
- Location-based services
- Content purchases and delivery
- Mobile marketing

Challenges in E-commerce, E-business and M-commerce

Today we are living in the age of digital business. Digital business is increasing day by day. Though e-commerce, m-commerce and e-business has tremendous potential for growth, it faces a number of challenges too. Some of these challenges are discussed below.

1) Inadequate digital infrastructure : Even though the extent of e-business is increasing in the country, its potential cannot be fully exploited due to inadequate digital infrastructure. We have limited data store, exchange and processing facilities, computers, internet connectivity, application softwares, networking facilities, user devices etc.

2) Logistics problem : Limited transport network is another big challenge before e-business industry in developing countries, E-business companies take 8 to 15 days for delivery of the goods ordered. As there is no face-to-face contact between buyer and seller, immediate delivery is not possible.

3) Building trust : In e-business buyer and seller have no opportunity to have physical contact. They cannot see each-other in online shopping. The buyer obviously may have doubts about the quality of product, regular service and timely delivery. The seller has only the name and mobile number/e-mail of the buyer. He does not know more about the buyer. Building trust between them is another challenge in online shopping.

4) Customer loyalty : One bad experience-faulty product, late delivery, poor after-sales service, unsatisfactory operation of the product and the customer is lost. He/she may not visit your website again. Retaining customer is a major problem in e-commerce.

5) Customer Service : Prompt response to customer complaints and after-sales service is another challenging issue in online business. In online shopping the buyer and seller are from different places. The local service stations are not enthusiastic in servicing the product purchased online. The problem arises in case of durable goods, electronic items, mobile phones, e-gadgets etc.

6) Genuine buyers : In case of cash on delivery the problem of judging genuineness of buyers arises. If a person does not take delivery of the product ordered, the efforts and expenses of e-seller go waste. A large number of instances happen every year due to fake orders, bogus customers.

7) Product sourcing : Searching a right product to sell online is a major challenge in e-business. When you are not manufacturing the product yourself, it is challenging task to find a product that people are willing to buy from you.

8) Customer Search : Finding the target audience, i.e. people who may buy our products is another challenge for e-retailers. How to attract the target audience efficiently without adding to marketing budget is a major problem before e-retailers. Online shoppers depend more on technology and social media for obtaining information about the product reviews of customers, and recommendations of their friends and relatives. They use 'Google' and other search engines for searching the

product, watch product reviews on you tube, ask opinions on social media and then decide.

9) Generating adequate seals : E-retailers need to generate adequate sales by converting 'visitor's into actual customers. Competition in e-business industry has intensified in last decade. There are big e-commerce companies in operation; in India. e.g. Amazon, Flipkart, Snapdeal, Myntra, Paytm etc.

10) Privacy of customer data : Maintaining privacy of the customer data i.e. name, address, mobile number, e-mail id, financial details, is a serious problem in e-business. The data collected by the company may be shared or re-used without the permission of the customer. This data may be hacked and misused, causing financial loss to the customer.

11) Low digital literacy : Digital literacy is a pre-requisite of e-business. The number of mobile and internet users has considered significantly in recent years. However, people are not yet used to digital business. They prefer physical transactions to digital transactions. Again they are not familiar with procedural aspects of e-business and e-wallet facility. Low rate of digital literacy is, thus, a major challenge before e-business industry.

Opportunities for E-Commerce, E-Business and M-Commerce

Widespread internet facility, cheaper availability of computing technology, increasing number of internet users have opened tremendous opportunities to e-business players. Ease of establishment of e-enterprise and government encouragement have also helped this phenomenon. Let us discuss some of the opportunities.

- 1) **Global Market :** There are no geographical boundaries for e-business. Anyone can order anything from anywhere in the world. Catering to global market is possible due to e-business.
- 2) **24*7*365 :** E-business has broken down the time-barriers that location based business face. E-business shop is open for 24 hours a day, seven days in a week and 365 days in a year. As long as the internet connection is available, people can buy at any time as per their convenience.
- 3) **Wide Product Range:** E- commerce has no product restriction. It can deal in wide range of products e.g. Amazon's product range includes toys, televisions

lets cosmetics, healthcare products, apparels, furniture, grocery items, computers, smart phones and much more. This provides an opportunity to fulfill various needs of a customer at one platform. In grocery category itself Amazon India has 3.5 lakh products. In no way location based shops can compete with e-commerce companies.

- 4) **New Business areas** : The computing and internet technology helps a company to introduce new businesses based on novel items. E.g. Ola, Swiggy etc. Car rental service is started by Ola without owning a single car. Recently face book has invested huge amount in Reliance Industries Jio platform which will provide retail service to consumers through nearby retail stores.
- 5) **Vast rural Market** : E-business companies have tremendous scope in rural markets. With increase in internet penetration, improved transportation facilities and digital literacy in rural areas, vast rural markets are awaiting e-companies.
- 6) **Service Sector** : There are huge opportunities to E-commerce companies in various sub-areas of service sector such as digital payment, money transfer, insurance, ticket booking, education, food delivery etc.
- 7) **Agricultural Sector**: Agriculture sector has huge potential for online business. Online business platforms can be started to buy and Sell seeds, fertilizers, pesticides, farm equipment and final agri produce e.g. e-nam mobile app started by government of India, Kissan-Abhiman started by Zee TV channel.

4.2 Summary

Contemporary issues in management are the issues arising in present times while managing the business organizations. They are the effect of globalization, technology and environment. Contemporary issues are related to quality, ethics, talent hunt, innovation, work automation, social responsibility and sustainable development.

Ethical issues in management are related to social, cultural, financial, marketing and environment aspects. Social issues are concerned with the relationship between business and society. Child labour, gender discrimination, in employment, sexual harassment of women employees, employee unions, privacy of employee, trade with unfriendly countries, occupational safety and health etc are some of the ethical issues related to social aspects of business. Cultural issues arise due to cultural differences

in the organization and include individualism vs collectivism, power distance, monochronic vs. polychronic culture, time value etc. Ethical issues in finance are related to presentation and reporting of financial transactions, audit, taxation, appropriation of assets and investment decision. Marketing ethics is concerned with decisions relating to 4 P's of marketing-Product, Price, Place and Promotion. Some of them include marketing of anti-social products, use of children and women in advertisements, faulty products, high claims about product, dumping and selective marketing etc Business should take care of nature environment. Environment related ethical issues are drawing more attention of government, environment activists and general public. Most of the environment related issues include choice of product, product process and operations. Management should plan strategies for minimum use of raw materials, reuse of waste water, no use of plastics, hazardous chemicals, launching of green products etc. It should also observe the rules and regulations made for environment protection; waste disposal etc.

Management of 21st century organization has become a challenging task because of volatile and uncertain global business environment. Technology is also impacting the business models and practices. 21st century organizations are people and technology driven, user centric and adaptive. They have thin structure, self-managed teams and focus on innovation. There is distribution of leadership across all levels. Management of 21st century organizations requires addressing various issues like workforce diversity, global business environment, natural environment protection and sustainable development. Other issues are related to management of change, technology, innovation and knowledge workers.

We are living in digital age. E-commerce, E-Business and M-Commerce business is increasing day-by-day. E-commerce means buying and selling of goods using internet. There are four types in E-Commerce viz. Business to Business (B2B), Business to Customer (B2C), Customer to Customer (C2C) and Customer to Business (C2B) E-Business means carrying out all business transactions by using internet and other electronic devices. E-business is a broader term and E-commerce is a part of E-business. Mobile Commerce (M-commerce) is the use of handheld devices like cell phones, and tablets to conduct commercial transactions online. Challenges before E-commerce, E-business and M-commerce are inadequate digital infrastructure, logistics, trust building, customer loyalty, customer service, finding genuine buyers, product sourcing, privacy of customer data, low digital literacy etc.

where as the opportunities are tremendous global market, convenience, wide product range, new business areas, vast rural markets, changing buying preference etc.

4.3 Terms to remember

1. **Flat organization** : An organizational structure with less or no middle management levels.
2. **Diverse Workforce** : Employees of different ethnicity, culture, ages, genders and religions.
3. **Ethical Issue** : A situation where a moral conflict arises.
4. **E-Commerce** : Buying and selling of goods on internet.
5. **E-Business** : Doing all business transactions online.
6. **M-Commerce** : Buying and selling of goods and services through wireless handheld devices such as smart phones and tablets.

4.4 Exercise

A) Write Short Answers

1. Explain the nature of 21st century organisation.
2. Explain ethical issues in social area.
3. Explain the ethics related cultural issues.
4. What is E-Commerce?
5. What is E-Business?
6. What is M-Commerce.

B) Long Answer Questions

1. Discuss the issues faced in managing 21st century organization.
2. Explain the ethical issues related to finance area in business.
3. Discuss the ethical issues related to environment arising out of conducting business.
4. What is marketing ethics? Explain the unethical marketing practices followed in business.

5. Explain the challenges and opportunities before E-business and M-commerce in modern times.

C) Write Short Notes

1. Diverse workforce in 21st century organization
2. Talent Management
3. Business ethics and environment
4. M-Commerce
5. Opportunities before E-Commerce
6. Managing in global environment

4.5 Books for further reading

1. Stephen P. Robbins and Mary Coulter : Management, Prentice Hall.
2. Drucker P. F. : Practice of Management, Allied, New Delhi (1970)
3. Uberoi N. K. : Environmental Management, Excal Books (IMT Ghazidbad)
4. Biswanath Ghosh : Ethics in Management and Indian Ethos, Vikas Publishing House.
5. Dava Chaffy : E-Business and E-commerce Management, Strategy, Implementation and Practice, Pearson (2013).



Unit-1

Introduction to Organizational Behaviour

Unit Structure

- 1.0 Learning objectives
- 1.1 Introduction
- 1.2 Subject Matter
 - 1.2.1 Concept and Significance of Organizational Behaviour
 - 1.2.2 Nature and Scope of Organizational Behaviour
 - 1.2.3 Contributing disciplines to Organizational Behaviour
 - 1.2.4 Relationship between management and Organizational Behaviour
 - 1.2.5 Ethical Issues in Organizational Behaviour
 - 1.2.6 Historical Development of Organizational Behaviour
 - 1.2.7 Models of Organizational Behaviour
- 1.3 Summary
- 1.4 Terms to remember
- 1.5 Check your progress
- 1.6 Answers to 'Check your progress'
- 1.7 Exercise
- 1.8 Books for further reading

1.0 Learning objectives

After studying this unit, you will be able:

1. To understand as to what is meant by organizational behaviour, and its significance and the stages of its historical development
2. To explain the nature and scope of organizational behaviour and its relationship with management

3. To comprehend the disciplines, which contribute towards development of organizational behaviour
4. To outline various ethical issues involved in organizational behaviour
5. To explain various models of organizational behaviour

1.1 Introduction

Organizations are social systems and human mechanisms created for accomplishment of objectives. Therefore, social and psychological forces govern the organizational activities. Even though, the human factor is the central and crucial for the survival, growth and development of organization, the history shows that no two individuals are likely to behave in the same manner in a particular work situation. A number of individual and group drives influence their behaviour at workplace. Furthermore, in an organization, there exists formal subsystem and informal social subsystem. They are interlinked and interdependent. The interaction of these subsystems as well as individual and group behaviour affects not only the productivity and profits of a company but its survival as well. This necessitates the study of organizational behaviour.

In simple words, organizational behaviour refers to the analysis of an organization's structure, functions and the behaviour of its people. The behavioural study encompasses both individuals as well as groups. The roots of organizational behaviour are found in sociology and psychology in particular, which makes it interdisciplinary. The study of organizational behaviour enables the management to make optimum utilization of diverse workforce on one hand to develop it on the other. The scope of organizational behaviour is quite extensive and the great importance is attached to it.

1.2 Subject Matter

Human beings are the critical inputs for every organization. Their behaviour altogether affects the organizational culture, productivity and profitability of organization. Therefore, the study of organizational behaviour has become quite vast and multidimensional. The present unit focuses on the nature, scope and significance of organizational behaviour along with other relevant aspects.

1.2.1 Concept and Significance of Organizational Behaviour

A) The Concept of Organizational Behaviour

In a common parlance, the Organizational Behaviour refers to the study of behaviour of people working in an organization. An organization the group of people arranged in a specific hierarchy for efficient work through process, which comprises various activities, to achieve common goals. The term behaviour implies what and how people think, feel, do, respond and react under a particular situation.

Organizational behaviour is a branch of social science, which examines human behaviour in a work specific environment and determines its impact on job structure, performance, communication, motivation, leadership etc. It is the systematic study and application of knowledge about how individuals and group of individuals behave within the organization where they work. Thus, it encompasses the study of both 'individual' and 'group' performance and activities within an organization. In short, the concept of organizational behaviour refers to the study of how people behave within organization at individual level as well as the group level. Consequently, for the study of organizational behaviour, the foundations of individual behaviour and group behaviour are considered simultaneously.

Definition:

In simple words, 'Organizational Behaviour (OB)' may be defined as 'the study of human behaviour in organizational settings, the interface between human behaviour and the organization, and the organization itself.' Some of the important definitions of 'Organizational Behaviour' are given hereunder.

(a) Fred Luthans:

"Organizational behaviour is directly concerned with the understanding, prediction and control of human behaviour in organizations."

(b) Keith Davis:

"Organizational Behaviour is the study and application of knowledge about how people act within organizations. It is human tool for the human benefit. It applies broadly to behaviour of people in all type of organization such as business, government, schools, etc. it helps people, structure, technology, and the external environment blend together in to an effective operative system."

(c) Stephen Robbins:

“Organizational Behaviour is the field of study that investigates the impact that individuals, groups, and structure have on an organization for the purpose of applying such knowledge to improve an organization’s effectiveness.”

(d) Raman J. Aldag:

“Organizational Behaviour is a branch of the Social Sciences that seeks to build theories that can be applied to predicting, understanding and controlling behaviour in work organisations.”

(e) Newstrom and Davis:

“Organizational Behaviour is the study and application of knowledge about how people act within an organization. It is a human tool for human benefit. It applies broadly to the behaviour of people in all types of organization.”

(f) L. M. Prasad:

“Organisational behaviour can be defined as the study and application of knowledge about human behaviour related to other elements of an organisation such as structure, technology and social systems.”

In short, the study of Organisational Behaviour helps in understanding:

- why people behave in a particular way?
- why one individual works effectively than the other individual in the same organization ?
- why one group works effectively than the other group in the same organization ?
- why one individual works more effectively in one organization as compared to the other organizations?

B) Significance of Organizational Behaviour

The systematic study of organizational behaviour provides insight on how employees behave and perform at the workplace. It helps to understand as to what can motivate the employees, increase their performance and establish the strong relationship with their employees. The study of organizational behaviour is significant from the following points of view.

1) Optimum Utilization of Human Resources:

The study of organizational behaviour makes the management create the atmosphere of mutual understanding, cohesion, co-operation, harmony and teamwork all over the organization. This has positive influence on work-behaviour of employees, which ultimately leads to optimum utilization of their potentials. The people work with due responsibility, they control wastages of material, time and energy and they make optimum use of materials. All this leads to optimum utilization of both physical as well as human resources.

2) Helps to Understand and Predict the Human Behaviour:

The founding principle of creation and development of interpersonal relationship is the mutual understanding. The proper understanding between management and employees leads to establish harmonious relationship and strong bond between them. The study of organizational behaviour achieves this aim. The management becomes able to properly predict the behaviour of their employees in terms of response and reaction towards the managerial policies and decisions. This helps to avoid the contingent consequences.

3) Facilitates to Build Strong HR Policies:

Employees enthusiastically welcome the employee-friendly HR policies. The favourable HR policies always motivate employees to contribute towards the development of the organization. Because of good HR policies, both management and employees become permanent partners in the growth and development of business. The better understanding of organizational behaviour facilitates the management to formulate the employee-friendly HR policies.

4) Facilitates Co-ordination:

The organization is a complex cluster of various interlinked departments and people. Therefore, only proper co-ordination amongst them can ensure the smooth functioning of the organization. The proper understanding of organizational behaviour helps to achieve proper co-ordination between various departments, sub-departments and people working therein.

5) Helps to Choose Proper Means of Motivation:

The same motivator for all employees may not produce the expected results. In other words, the same type of motivator cannot motivate all employees effectively,

because all people are not the same and their needs are not the same. Therefore, the manager has to choose the right motivator to motivate right employees at the right time. Here, the basic understanding of people and their behaviour helps the managers to choose the proper means of motivation (i.e. motivator)

In other words, it helps the managers apply appropriate motivational techniques in accordance with the nature of individual employees.

6) Facilitates Alteration of Leadership Style:

There are different types of leadership styles, ranging from extremely autocratic to extremely democratic. However, the adoption of proper leadership style largely depends upon the characteristics of work force. Moreover, the once adopted leadership style needs to be altered in accordance with the changes in the behaviour of work force. The proper study of organizational behaviour plays vital role in this decision.

7) Leads to Higher Efficiency:

Efficiency happens when the people generate the maximum output by using the minimum input. Therefore, alternatively, it can be understood as the enhancement of productivity. The managers with proper understanding of human behaviour at workplace can effectively motivate the employees, enhance cohesion, skillfully involve them in productive activities and utilizes their potentials. This leads to achieve the higher efficiency.

8) Helps to Achieve Organizational Effectiveness:

The better understanding of organizational behaviour helps the managers to achieve the organizational effectiveness by proper talent management, leadership development, proper organization design and structure, implementation of scorecards, change management and transformation, deploying smart processes and smart technologies and managing human capital properly.

9) Boosts Employee Morale:

The study of OB helps the management to infuse the sense of responsibility among employees on one hand and achieve the work-life balance and improves the quality of their work life. The integrated efforts aimed towards the improvement of quality of work-life leads to boost the employee morale.

10) Helps to Create Good Organizational Culture:

Application of some progressive and humanistic models of OB helps the firm to create and sustain its own distinguished organizational culture. This helps to build the good image of the company in the eyes of society.

11) Improves Industrial Relations:

The study of organizational behaviour focuses on creating the devoted, morally committed and contented human resource for the firm. Most of the HR policies are devised for the betterment and welfare of employees, which enhances their affinity, loyalty and integrity with the firm and its management. It builds better relationship by achieving employee's individual and organizational objectives. This ultimately, leads to improves industrial relations i.e. employee-management relations. In short, OB helps to maintain cordial industrial relations, which help to increase the overall productivity of the industry

12) Helps to Sustain Changes in Business Environment:

Every business firm is affected by internal and external as well as micro and macro environmental factors. Especially, the most dynamic external environment increases the importance of OB as a field of study, because it affects the internal environment of the firm as well. The systematic analysis of human asset of the firm and its alteration according to the changes occurring in the business environment helps the firm to survive in turbulent and vibrant business environment.

1.2.2: Nature and Scope of Organizational Behaviour

A) Nature of Organizational Behaviour

Organisational behaviour is the systematic study and application of knowledge about how individuals and groups act within the organization where they work. Productivity and profitability are the focal areas of any business organization. As the human factor is the major contributor to the productivity, the study of human behaviour, the behaviour of the groups of people working in an organization as well as the impact of situational factors occupies the great importance. The following points explain the nature of organizational behaviour.

1) A separate field of study and not merely a discipline: OB is not based on a specific theoretical foundation as disciplines do. OB assumes the status of a distinct

field of study, which represents the behavioural approach to management. OB has ainter-disciplinary orientation.

2) An interdisciplinary orientation: Organizational behaviour invariably integrates the relevant knowledge taken from related disciplines such as psychology, sociology and anthropology. It has become a unique field of study. The concepts drawn from other disciplines have made OB a very sound and unique. For example, the concepts of personality and motivation are drawn from Psychology, team-work, team-process from Sociology, power and influence from political science, stress and its effects from Medical science, attitude change and group process from Social-Psychology, decision-making from Economics and individual and organizational culture from Anthropology.

3) An applied science: The study of Organizational behaviour does not only discuss the cause-effect relationship but prescribes how the findings of applied research can be applied in the organisations. The findings of the research in human and organizational behaviour are used to solve the organizational problems related to human behaviour. OB uses the scientific research to help understand and predict organizational behaviour.

4) Humanistic and optimistic approach: Organisational behaviour deals with the human asset of the organization, which is to be handled very delicately and carefully. OB focuses on boosting morale and efficiency of employees by keeping them mentally and physically sound and economically satisfied. It adopts the humanistic approach towards the employees of the organisation and not purely mechanistic one.

OB focuses the attention on ‘people’ part of the organization from humanistic point of view. It is based on the belief that needs and motivation of the people are of high concern. Further, there is optimism about the innate potential of man to be independent, creative, predictive and capable of contributing positively to organizational objectives.

5) Total system approach: The human behaviour is studied in view of his/her complex socio-psychological framework and the attempt is made to find out the solution for their socio-psychological problems.

6) Evolution of OB models: OB has developed five different models namely, Autocratic Model, Custodial Model, Supportive Model, Collegial Model and

Stimulus-Organism Behaviour Consequences Model. All these models are related to human behaviour. These are models are increasingly used in organisations to understand human behaviour and to gear up them to enhance productivity.

7) Aims at enhancing organisational effectiveness: OB investigates the impact of individuals, groups and structure on behaviour within organization for the purpose of applying such knowledge towards improving an organization's effectiveness.

8) A normative science: OB being a normative science prescribes how the various findings of researches can be applied to get the expected organizational results, which are acceptable to the society.

9) Science as well as an Art: OB, being a part of general management, involves the 'acquisition of knowledge' and 'application of knowledge.' Acquisition of knowledge of human and organizational behaviour is a science and its application in the organization is an art, which calls for personal skills.

B) Scope of Organizational Behaviour

Some internal organizational elements and some external elements are included in the scope of organizational behaviour, as follows.

1) People: Organisations are regarded as the social systems. The people are the integral part of the internal social system of the organization. The people are consisted of 'individuals' and 'groups' The behavioural aspects of an individual such as personality, perception, attitudes, values, job satisfaction , learning and motivation are studied Likewise, the aspects of group behaviour such as group dynamics, group conflicts, group cohesion, communication, leadership, power and politics etc. are studied

People are living and moving objects of an organization. They have sentiments, thinking ability, feelings etc. unlike machines. Many formal and informal groups of people are formed in the organization. The group dynamics, their forming, changing and disbanding affects the organizational performance and effectiveness. Therefore, the people and their behaviour remain at the centre of organizational behaviour.

2) Technology: People are given the assistance of buildings, machines, tools, equipment and other resources to work with. This creates the physical condition within which people work. The nature of technology largely depends on the nature of the organization and influences the work itself and the working conditions. This

means that the technology used by the organization has impact on the performance and effectiveness of organization. Use of modern technology leads the organization on both these fronts and vice versa. Hence, technology is another vital aspect in the study of organizational behaviour.

3) Structure: In an organization, different people are given different roles and they all are tied with certain relationship with others. In this structure, everybody attempts to accomplish the organizational goals in a co-ordinated manner. The organizational structure relates to power and duties. One has the authority over others and others have a duty to obey him. The structure is also an integral part of the organizational behaviour.

4) Social system/ External environment: Social system provides the external environment within which an organization operates. No organization can operate in isolation of the society. There exist many organisations in the society, which influence each other. This external environment provides completion for resources and power.

5) Spectrum of activities: Large number of psychologists, social scientists and academicians has carried out research on various issues related to organization behaviour, employee performance and job satisfaction etc. Accordingly a number of activities are involved in organizational behaviour. Some of them are as follows.

- a) Study of personality perception, emotions, learning, abilities and attitudes and their impact on performance
- b) Group behaviour, power and politics
- c) Employee motivation and leadership
- d) Creating effective work teams and groups
- e) Job design
- f) Organizational culture and impact of culture on organizational behaviour
- g) Management of change
- h) Management of conflict and stress
- i) Organizational development
- j) Transactional analysis

1.2.3 Contributing disciplines to Organizational Behaviour

Many disciplines like psychology, sociology, social, psychology, anthropology, political science and economics have contributed towards the development of Organizational Behaviour as an applied behavioural science. Many concepts of organizational behaviour have their origin in those disciplines. The concepts drawn from other disciplines have made OB a very sound and unique. Therefore, organizational behaviour has the interdisciplinary orientation. The disciplines contributing to the development of organizational behaviour are briefly described here below.

1) Psychology:

Human beings are at the centre of organizational behaviour, which are psychological entities. Therefore, it is imperative to know as to how individuals behave in response to a stimulus. Here, the knowledge of psychology is vital to describe the human behaviour under different circumstances. OB is concerned with the understanding and changing the human behaviour. Psychology, which is the science of measuring, explaining and changing the behaviour of human beings and other animals, has contributed the basic concepts regarding human behaviour at work place. The major contribution of psychology to OB includes theories of learning, determinants and types of personality, perception, job satisfaction, attitude measurement, biases and their influence on decision-making, leadership effectiveness, motivational drives, job satisfaction, performance appraisal, job design and work stress and the like. Many learning theorists, personality theorists, counseling psychologists, industrial and organizational psychologists have contributed to the development of OB as a unique discipline.

2) Sociology:

The sociology discipline helps to understand as to how individuals relate to groups and to each other. Psychology studies the individual behaviour but sociology studies individual's behaviour in relation to their fellow human beings. Organizations are formal groups of people wherein a number of other informal groups are working. Therefore, in organizational setting, the study of group behaviour, group dynamics, work teams, inter-group conflicts, group performance, overall organizational culture, communication and the like is very important. Many sociologists have contributed towards this end.

3) Social Psychology:

Under organizational setting, it is important to understand as to how individuals and organizations perceive conflict, threats and undergo stress. As the name suggests, the social psychology blends the concepts from psychology and sociology. The social psychology has primarily contributed in the areas of measuring, understanding, and changing attitudes, communication patterns, building trust, satisfaction of individual needs and group decision-making process.

4) Anthropology:

The study of anthropology helps in understanding the customs, traditions and social mores (ethnicity/ civilization) of people since the organization is a microcosm of the larger society. The New Webster's Dictionary defines anthropology as the science of man and mankind, including the study of the physical and mental constitution of man, his culture development, social conditions, as exhibited both in the present and the past. The 21st century has seen the emergence of the large globalized organizations worldwide, which are based on multicultural and multilinguistic pattern. The knowledge of anthropology helps to understand the differences in fundamental values, attitudes, and behaviour between people within different organizations and in different countries in global perspective. In this regard, the anthropology has concretely contributed to OB.

5) Political Science:

Political science studies the behaviour of individuals and groups within a political environment and as such, it helps in understanding the power, authority and corporate politics. The discipline of political science has contributed to OB in structuring of conflict, allocation of power and how people manipulate power for individual self-interest.

6) Economics:

The economic man model believes that a man is a rational animal and his behaviour is influenced by economic factors. The Economics, as a discipline, helps the managers in appreciating monetary (wage and bonus) and non-monetary incentives (housing, medical care, promotion) to employees so that they are motivated to produce more efficiently and effectively.

1.2.4 Relationship between Management and Organizational Behaviour

Every manager has to perform four basic functions of management namely planning, organizing, directing, coordinating and controlling. However, apart from these functions, OB plays important role in business as well as in management. Even though, organizational behaviour is a part of management, the sound knowledge of OB helps in enriching all the managerial functions. After all management involves getting work done from people and the study of OB helps in understanding as how individuals, groups and structure effect and are influenced by behaviour in organizations.

In organizational setting, the resources are arranged into four groups such as human, financial, physical and information. The managers use and compose these resources with the four basic functions of management such as planning, organizing, directing and controlling, with the purpose of achievement of organizational goals effectively.

The relationship between management and OB can be explained as under.

1) Planning and OB:

Planning is the first important function of management, which means deciding in advance what is to be done in future. Planning itself includes main plans, derivative plans, policies, schedules, programmes, budgets, strategies etc. After all, all these will have to be implemented by human beings working in the organization. Therefore, while formulating plans and policies, the basic socio-psychological characteristics of people in the organization have to be taken into account. In other words, the scientific study of OB facilitates the formulation of workable plans and policies on factual basis.

2) Organizing and OB:

The organization is the human mechanism created for implementation of predetermined plans and policies. It impels assembling the physical human resources together for attainment of organizational goals. While building an organization, a number of factors have to be taken into consideration such as degree of centralization and decentralization, allocation of power and resources, hierarchical relationships, delegation of authority, assigning jobs and fixing up responsibility, accountability.

The study of OB provides the foundation for taking the decisions with respect to the above aspects of organization.

3) Directing and OB:

Directing includes commanding, communicating, motivating and leading. All these functions invariably have the human side. Therefore, the effective directing cannot be performed by neglecting the human factor. The sound knowledge of OB helps the manager in analyzing the human behaviour, their needs and choose the appropriate motivators and appropriate leadership styles, create effective communication channels etc.

4) Controlling and OB:

Controlling is regarded as the end function of management, which provides the feedback on the performance of departments, processes, people, plans and policies. There are various traditional and modern techniques of control. However, the human being is at the centre of each of these control technique. The OB influences the controlling function as it directs the management to determine the natural constraints on human capacity and the degree of liberty and tightness. The management can take care that the controlling should not harass and discourage the people in the organization. Some of the IT companies are now making the exercises obligatory after office hours for stress-relief. m

1.2.5 Ethical Issues in Organizational Behaviour

Ethics involves the manner in which all the individuals in an organization behave and relate with each other and clients in the process of achieving an organization's goals and objectives. According to Halbert & Ingulli it is the responsibility of any organization's management to enforce and emphasize good morals amongst its members and to avoid unethical conducts since the same may ruin success.

Individuals are usually responsible for their moral behaviour in the organization and the entire organization is morally responsible towards all its members. Good ethics in an organization promotes a good rapport among the workforce and they co-operate each other with positive attitude. The ethical climates inspire members of the organization with the will to do what is right for them and the entire organization. Organizations usually pay a lot of attention influencing ethical behaviour in

employees. Their influence may be on the grounds of workforce diversity and the technical application of the organization.

Ethical behaviour is the behaviour that judges as good, right, just, honourable or failing to meet the obligations. This judgement of behaviour as ethical or unethical is based on the principles and rules, which comes from the ethics theories, personality traits and social and moral values. The following are the ethical issues involved in OB.

(I) Ethical issues concerning HR management

The employees are the human asset of an organization. There are a number of ethical issues relating to work force of the organization. Some of them are listed here below.

- 1) To provide the greatest welfare to the greatest number of people inside and outside the organization
- 2) To avoid the practice of maximizing the profit by cutting the number of employees (retrenchment)
- 3) To respect and protect the fundamental rights of individuals as guaranteed by the Constitution of India
- 4) To respect the privacy of individuals
- 5) To ensure equitable distribution of benefits and costs
- 6) To have the policy of 'equal pay for equal work'
- 7) To enforce the disciplinary rules impartially
- 8) To observe the principle of justice and impartiality while selecting and appointing the employees
- 9) To have written code of ethics for both the employees and the management
- 10) High morality by seniors in the organization
- 11) Impartial performance appraisal
- 12) Visible recognition of high moral behaviour
- 13) Visible punishment for unethical behaviour

- 14) No favouratism and/or discrimination on any grounds especially on the grounds of religion, caste, creed, language and culture
- 15) Clear promotion policy—based exclusively on seniority or merit or both
- 16) Judicious transfer policy
- 17) Not to use transfer as a tool to punish employees
- 18) Not to resort to unfair labour practices
- 19) Providing the safe work place
- 20) Prevention of sexual harassment of women employees at workplace
- 21) Prompt and fair grievance redressal mechanism for employees
- 22) Respecting the government laws passed to protect the labour class

(II) Ethical issues concerning Consumers and Society in general

- 1) Recognition of legitimate rights of consumers
- 2) Not to resort to unfair trade practices
- 3) Not to exploit the consumers by charging exorbitant prices, black marketing, hoarding, adulteration, profiteering
- 4) Prompt and fair grievance redressal mechanism for consumers
- 5) Avoid exaggerated and sexually-appealed advertisement-to follow the rules of ethical advertisement

(III) Ethical issues concerning Environment

- 1) Environment protection
- 2) Avoidance of production of environment damage-prone commodities
- 3) Support to the efforts of sustainable development
- 4) Support environment protection movement

The above list of ethical issues in OB is just indicative and not exhaustive.

1.2.6 Historical Development of Organizational Behaviour

History always has important lessons to teach. The roots of today's developed field of organizational behaviour are found in history. The behavioural side of

management was recognized by earlier practicing management pioneers. There were varied and complex reasons for the emergence of the importance of the organization as a social entity. The Greek philosopher Plato wrote about the essence of leadership and Aristotle about influential communication. In 16th century too, Italian philosopher Niccolo Machiavelli wrote about the organisational power and politics.

The historical development of organizational behaviour can not be isolated from the history of management thoughts, because the contributions of earlier management thinkers have provided the strong foundations for development of organizational behaviour as a separate field of study. The historical development of OB can be traced back through following phases.

1) **Industrial Revolution and the Aftermath:**

James Watt and Adam Smith are regarded as two men who were most responsible for destroying the old England and launching the world towards industrialization. In 1760, James Watt introduced the steam engine which laid the foundation of industrialization. In 1776, Adam Smith advocated a new form of organizational structure based on 'division of labour' In the industrial environment created by Industrial Revolution (1760) the conditions of early factories were extremely harsh. There were vary hazardous working conditions for all employees, there were long working hours normally of 14 hours per day and even the 5 to 6 years old children had to work under the same conditions. The factory owners used to take more care of their costly machines but neglected the well-being of their employees.

a) Robert Owen (1771-1858): Robert Owen, a young Welsh factory owner and best known for modern textile factory, was one of the first to emphasize the human needs of employees. He sowed the first seeds of concern for workers. He cut down the working hours from 14 to 10 and improved the working conditions at workplace, he taught his workers cleanliness and temperance. He opposed employing the child labour. Because of many of his contributions towards the welfare of the workers, he is called the 'Father of Personnel Management'. In short, he laid the foundation of modern organizational behaviour.

*b) Andrew Ure (1778-1857):*In 1835 Andrew Ure published the book entitled '*The Philosophy of Manufacturer*', in which he included the human factor as one of the factors of production, besides the mechanical and commercial parts. He realized

the importance of human factor and provided workers with hot tea, payments of medical treatment and sickness charges.

c) Mary Parker Follet (1868-1933): An American Social Worker and Management Consultant, Mary Parker Follet, realized the importance of groups and their workings. She wrote about the group relations, group dynamics, group conflicts and conflict resolution.

d) F. W. Taylor (1856-1915): Fredrick Winslow Taylor, the father of Scientific Management, worked to achieve his goal of making work behaviours stable and predictable so that the maximum output could be achieved. He advocated the monetary incentive systems to motivate employees, believing that human are primarily motivated by money. He suggested that the right people should be selected for right jobs, they should be trained adequately and be placed them in suitable jobs and should be paid handsomely. Taylor was the first to introduce the systematic use of goal setting and rewards to motivate employees. Taylor's contribution paved the way towards the study of OB. In the further period, different compensation systems were introduced to motivate workers by Halsey, Rowan and Gantt.

e) Lilian Gilbreth (1878-1972): Lilian's doctoral thesis on 'The Psychology of Management' was the early work applying the findings of psychology to the workplace. She had a particular interest in the human implications of scientific management. She argued that the chief purpose of scientific management is to help people reach their maximum potential by developing their skills and abilities.

2) Hawthorne Studies and the Human Relations Movement:

The limitations of Scientific Management gave momentum to emergence of human relations movement. The human relations movement was founded by sociologist George Elton Mayo in 1930. It was based on the series of Hawthorne Studies. The movement focused on exploring the effects of social relations, motivation and employee satisfaction and workplace productivity. This movement emphasized on employee co-operation and morale and advocated that people should be treated as human beings and not as machines. The management should listen to people's needs and problems and involve them in decision-making in matters relating to working conditions.

Hawthorne studies, carried out by Elton Mayo at the Western Electric Company's Hawthorne Works in Chicago, provided the historical roots for the

notion of a social organization made up of people. During 1924 to 1932, four experiments were carried out at Hawthorne. The experiments showed that the worker is not a simple a tool but a complex personality interacting in a group situation that often is difficult to understand. The study revealed the importance of the social factor. The experiments revealed that the social and psychological factors are responsible for workers' productivity and job satisfaction. Only good physical working conditions are not enough to increase productivity. The informal relations among workers influence the workers' behaviour and performance more than the formal relations in the organization. This marked the beginning point for the academic field of organizational behaviour.

Chester Barnard, Henri Fayol, Abraham Maslow, Fredrick Herzberg, David McClelland and Victor Vroom made great contribution to the growth of OB as a distinct discipline.

1.2.7 Models of Organizational Behaviour

The historical development of management thoughts has led the development of various models of organizational behaviour. Basically, organizational behaviour is the study of behaviour of people, individuals and groups working in the organizations which aims at building better relationships by achieving human objectives, organizational objectives and social objectives. The blend of all these elements develops various models that the organization operates from. OB models help managers to properly handle the human element in the organizational climate. These models also help in understanding the context of the manager-employee relationships. These models interpret the assumptions of managers about people and how people respond to various orientations of managers. Every organization adopts one or more models of behaviour. The five OB models are discussed hereunder.

1) Autocratic Model:

Autocratic model has its roots in the industrial revolution. It is based on the concept that managers are superior and have exclusive power to hire and command the employees. As an autocrat, the managers see authority (power) as the only means to get the things done. Employees have to obey the orders without interrogating. The manager acts more as boss who has power to hire, fire, and perspire employees. Employees are controlled by the managers based on official authority and power attached to their posts. The managers assume that nobody wants to work unless he is

forced to do so. Managers think that employees are passive and resistant to organizational needs. The model is compatible with Theory X assumptions of Douglas McGregor and Likert's exploitative authoritative management system. The organizational climate is characterized by one-way downward communication, strict supervision and comprehensive control, high use of authority, high dependence on managers, use of carrot and stick method etc. Military organizations all over the world are based on autocratic model and it is commonly used in railways, defense organization, banks and police department in India.

In modern times, the autocratic model is regarded as ineffective and certain other shortcomings such as i) downward communication prevents feedback to management, ii) it fails to generate commitment among workers to accomplish organizational goals, iii) it fails to motivate employees to further develop their skills, iv) employees are given just subsistence wages that is required to meet their basic needs and v) it develops the feeling of insecurity and frustration among employees.

2) Custodial Model:

This is the progressive model, which focuses on development of better relationship with employees. The managers holding the custodial model believe that if the feeling of insecurity, frustration and aggression is removed from employees' minds, they might feel like working.

Custodial model regards that owners or industrialists are the custodian of all resources in the organization and they are bound to look after the welfare of employees. They measure both managers and employees on equal footing and regard that nobody has monopoly rights. Employees depend on the organization for their security and welfare. They need not depend on managers or boss. Redressal of grievance procedure exists in the organization. Employees can take their problems to direct to the employer (i.e. owner or industrialist). Organization looks after the employees' welfare during the tenure of service and after retirement. Employees are provided enough wages and salary and post-retirement benefits to enable them to live comfortably after retirement. This model takes into consideration the security needs of employees and gives a psychological reassurance of economic rewards and benefits. Thus, this model emphasizes on economic reward, security, organizational dependence and maintenance factors rather than motivational factors.

To satisfy employees' security needs, many organizations began to provide welfare programs, such as pension plans, child-care centers at the workplace, loan facilities, health and life insurance. The model depends on the economic resources of the organization and its ability to pay for the benefits of employees. Hence the custodial model succeeds only in that organization which has substantial economic resources. One great benefit of the custodial OB model is that it brings security and satisfaction to employees. However, mere satisfaction does not necessarily produce strong motivation. The drawback of this model is that management decides what benefits are best suited for the employees; therefore, it is not a suitable model for matured and talented employees.

3) Supportive Model:

The focus of this model is on employee-participation in managerial decision-making process. Supportive model believes that employees are active and with ideal environment and support, they can use their energies and skill for higher productivity of the organization. Autocratic model aims at meeting employees' basic need while custodial model aims at meeting their security needs. However the supportive model aims at meeting employees' other needs like affiliation and esteem.

The supportive OB model depends on leadership instead of power (as in autocratic model) or money (as in custodial model). Through leadership, management provides a climate to help employees grow and accomplish in the interests of the organization the things of which they are capable. Employees are regarded as active workers who having their own values, attitude, desires and preferences. Leaders use attitude and value system of employees to motivate them. They develop positive outlook towards work culture. Managers and workers participate together in the development of organization while achieving development of their own skills. The manager's role is one of helping employee solve their problems and accomplish their work.

In short, the supportive OB model seeks to create supportive work environment and motivate employees to perform well on their job. It is believed that the employees would seek achievement and responsibility and would work hard without being pushed, if the supportive environment is provided in the organization. It is compatible with Theory 'Y' assumptions given by McGregor.

Though, this is very progressive and humanistic model it has proved effective only in developed countries and not in developing countries like India, because of restrictive social and cultural environment. Further, this model is more suitable for employees at managerial levels rather than on operative levels.

4) Collegial Model:

The term 'collegial' refers to a body of persons having a common purpose. The basis of collegial model is the partnership of the employees with owners. This model is based on the principle of mutual contribution by employer and employees. Each employee should develop a feeling that he is a part of the whole and contributing something to the whole and recognizes the others contribution. Management is supposed to be joint-contributor and not the boss. Managers are not considered superior to the employees. The combined efforts of owners and employees contribute to the growth and performance of the organization.

This model emphasizes on team management between workers and owners. Employees are self-disciplined and self-motivated and given responsible and trustworthy jobs.

This model is based on the team concept in which employee develops a high degree of understanding towards others and shares common goals. Employees feel needed and useful and regard themselves an important asset of the organization. In this kind of organizational environment, the employees feel some degree of fulfillment, worthwhile contribution, and self-actualization.

5) System Model:

Employees want a work context that is ethical, infused with integrity and trust and provide an opportunity to experience a growing sense of community among co-workers. To accomplish this, the managers must increasingly demonstrate 'caring and a compassionate attitude' and being sensitive to the needs of adverse workforce. There is a sense of psychological ownership for the organization and its products / services. This model reflects the values underlying positive organizational behaviour, where managers focus their attention on helping employees develop feelings of hope, optimism, self-confidence, empathy, trustworthiness, esteem, courage and resiliency.

Under this model, the managers show genuine concern and empathy for employees and foster self-esteem. It also helps employees to learn and share what is learned with others, to identify and confront issues in ethical ways, encourages employees to feel comfortable with change and uncertainty and builds cohesive and productive work-teams. This model emphasizes on fulfillment of higher-order needs like social, status, esteem, autonomy and self-actualization.

1.3 Summary:

It is an undeniable fact that people can make or break the organization. Therefore, they have to be handled carefully and delicately. Organizational Behaviour, the interdisciplinary and unique discipline, helps the managers to understand, describe, measure and change the behaviour of people working in the organization. It is the study and application of knowledge about how people, individuals and groups act in organizations. It interprets people-organization relationships in terms of the whole person, the whole group, the whole organization and the whole social system. Its purpose is to build better relationships by achieving human objectives, organizational objectives, and social objectives. Therefore, in order to run the businesses effectively and efficiently, the study of organizational behaviour is very essential. Depending upon the circumstances in the organization and nature of business, the managers can make use of any of the OB models, which have been evolved over the time.

1.4 Terms to Remember

- 1) **Organization:** An organized group of people with a particular purpose, such as a business or government department
- 2) **Behaviour:** The way in which one acts or conducts oneself, especially towards others
- 3) **Organizational Behaviour:** The behaviour of employees at work place
- 4) **Ethics:** The moral principles that govern a person's behaviour or the conducting of an activity
- 5) **Collegial:** Relating to or involving shared responsibility, as among a group of colleague
- 6) **Custodial:** Relating to or having parental responsibility

- 7) **Autocratic:** Making over use of power, taking no account of other people's wishes or opinions
- 8) **Supportive:** Providing encouragement or emotional help

1.5 Check your progress:

1) Fill in the blanks:

- 1) ----- defines Organizational Behaviour as ‘the field of study that investigates the impact that individuals, groups, and structure have an organization for the purpose of applying such knowledge improving an organization’s effectiveness.’
- 2) Organizational behaviour has an ----- orientation.
- 3) OB has developed ----- different models.
- 4) OB is regarded as ----- science.
- 5) People and their ----- is an integral part of study of OB.
- 6) Organizational Behaviour encompasses the study of -----and ----- behaviour
- 7) The human relations movement was founded by -----
- 8) Hawthorne experiments were conducted in ----- phases.
- 9) The basis of ----- model is the partnership of the employees with owners.
- 10) Under ----- model, the managers show genuine concern and empathy for employees and foster self-esteem.
- 11) The ----- model believes that if the feeling of insecurity, frustration and aggression is removed from employees’ minds, they might feel like working.
- 12) The ----- model believes that employees are active and with ideal environment and support, they can use their energies and skill for higher productivity of the organization.
- 13) The ----- model believes that the managers are superior and have exclusive power to hire and command the employees.

- 14) 'Equal pay for equal work' is an ethical issue concerning ----- management
- 15) It is a legal and ethical duty of manager to prevent ----- harassment of women at work place.
- 16) The discipline of ----- has contributed to OB in structuring of conflict and allocation of power.
- 17) The knowledge of ----- helps to understand the differences in fundamental values, attitudes, and behaviour between people within different organizations and in different countries in global perspective.
- 18) The discipline of ----- has contributed in the areas of measuring, understanding, and changing attitudes and group decision-making process.
- 19) The major contribution of ----- to OB includes theories of learning, personality, perception, job satisfaction and attitude measurement among others.
- 20) OB helps to build harmonious ----- relations.

1.6 Answers to 'Check your progress'

(1) Stephan Robbins (2) interdisciplinary (3) five (4) applied/normative (5) behaviour (6) Individual, Group (7) Elton Mayo (8) four (9) Collegial (10) System (11) Custodial (12) Supportive (13) Autocratic (14) Human Resource (15) sexual (16) Political Science (17) Anthropology (18) Social Psychology (19) Psychology (20) industrial

1.7 Exercise:

(I) Short Answer Type Questions:

- 1) Explain the scope of Organizational Behaviour
- 2) Explain the Supportive Model of OB
- 3) Explain the relationship between Management and OB.
- 4) Outline the ethical issues in Organizational Behaviour.
- 5) Write about 'Historical Development of OB'

(II) Long Questions:

- 1) Define 'Organizational Behaviour and explain its significance.
- 2) Discuss, in brief, various models of Organizational Behaviour.
- 3) Explain the nature and scope Organizational Behaviour.
- 4) Explain in detail the Autocratic and Collegial models of Organizational Behaviour.
- 5) What do you mean by 'Organizational Behaviour'? Explain the disciplines contributing to OB.

(III) Short Notes:

- 1) Collegial Model of OB
- 2) Supportive Model of OB
- 3) Autocratic Model of OB
- 4) Custodial Model of OB
- 5) System Model of OB
- 6) Disciplines contributing to OB
- 7) Nature of Organizational Behaviour

1.8 Books for further reading:

- 1) Human Behaviour at Work--- Keith Davis
- 2) Organizational Behaviour –Stephen Robbins
- 3) Organizational Behaviour –Dr. Anjali Ghanekar
- 4) Organizational Behaviour –V. G. Kondalkar
- 5) Organisational Behaviour --- Luthans Fred
- 6) Organisational Behaviour --- Steven L. Mchane and Mary An Van Glinow

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Unit-2

Individual and Group Behaviour

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2.0 Objectives :

After studying this unit, you will be able to,

- Know the concept of personality, its determinants and types.
- Know the meaning of perception, process of perception and factors affecting perception.
- Know the concept of attitude, formation of attitude and types of attitude.
- Know the concept of values and its types and formation of values. The concept of job satisfaction, its determinants and measurements.
- Know the meaning of learning, determinants of learning and its principles.
- Know definition and importance of group, types of group and the process of group development.
- Know the norms of group behaviour, cohesion, role and intergroup concepts and also the group performance factors.
- Know the meaning of quality circles and work teams.

2.1 Presentation of subject matter :

Human behavior is very complex in nature and very difficult to define in absolute terms. Various internal and external factors affect the human behavior. Further the human behavior is quite different, when an individual is alone and when he/she is in a group, that is, an individual behavior is affected by various psychological traits like personality, perception, attitude, values, job satisfaction and learning. Likewise, the different groups in the organization and the group performance factors also influence the behavior of individuals in the group. Quality circles and work teams are important issues which influence group behaviour.

2.1.1 A) Foundations of Individual Behaviour

The study of organizational behaviour invariably consists of the study of individual behaviour and the group behaviour. All individuals working in the same organization are not same in all respects. They differ from each other, which are known as individual differences. Such differences may be relating to their perception, ability, personality, motivation, attitude, learning, values and job satisfaction etc. All these are known as the foundations of individual behaviour. Out of these eight

components of individual behaviour, the four components namely perception, personality, values and job satisfaction are discussed in detail hereunder.

a) Personality : The Concept :

The behaviour of an individual is determined by certain internal factors and certain external environmental stimulus. An individual's behaviour is associated with certain factors lying within him /herself and some in the external environment. Personality of an individual is one of the important determinants of his/her behaviour. Therefore the analysis of personality is vital to the study of organizational behaviour.

Personality is an important aspect in understanding the human beings which are the most important resources of an organization. The term 'personality' is something which represents the 'unique qualities' exclusive to a particular individual. Personality is the complex set of various factors. The general meaning of personality is the external appearance. As the term 'personality' is understood in different perspective by different people, there is no single universally accepted definition of it. Its origin can be traced in Latin word 'per sonare' which means 'to speak through'. The Latin term was used to denote the masks worn by actors in ancient Greece and Rome. However, for the purpose of study of OB, the term 'personality' is understood in the light of the definitions given by some authorities.

Definitions:

1) **Stephen P. Robbins:** 'Personality is the sum total of ways in which an individual reacts and interacts with others.'

2) **Salvatore Maddi:** 'Personality is a stable set of characteristics and tendencies that determine those commonalities and differences in the psychological behaviour (thoughts, feelings, and actions) of people that have continuity in time and that may not be easily understood as the sole result of the social and biological pressures of the moment.'

3) **Gordon Allport:** 'Personality is the dynamic organization within the individual of those psychophysical systems that determine his unique adjustments to his environment.'

4) **Glueck:** ‘Personality is a pattern of stable states and characteristics of a person that influences his or her behaviour towards goal achievement. Each person has unique ways of protecting these states.’

The study of personality is very essential and helpful to predict the behaviour of an employee and to ensure effective job performance.

Determinants of Personality :

A man is born with certain physical and mental qualities and the environment further shapes his or her personality. People are enormously complex; their abilities and interests and attitudes are diverse. However, heredity, environment (culture) and situation are regarded as the chief determinants of personality.

1) **Heredity :** The heredity approach argues that the ultimate structure of an individual’s personality is the molecular structure of the genes, located in the chromosomes. Heredity refers to acquisition of certain biological, physical and psychological commonalities from parents, which are reflected in physical stature, facial attractiveness, sex, temperament, muscle composition of an individual. These characteristics are transmitted through genes which determine hormone balance, which later determine physique and subsequently the personality. Parents prominently pass on the common traits such as shyness, fear and distress, aggressive, submissive, laziness, ambitious, loyal and timid to the next generation. Hereditary factors usually determine the physical and psychological characteristics and the energy level of employees.

2) **Environment :** An individual’s personality formation is influenced by the cultural, social and family factors. An individual’s personality is conditioned by the norms of his/her family, friends and the social groups. An individual is born and brought up in a particular environment, which leaves deep marks on his/her personality. Every child copies the behaviour of his/her parents, uncles, aunts and even neighbours. People born in different cultures have different personalities which significantly influence their behaviour. Certain personality traits such as independence, aggressive, competitive and co-operative can be culturally determined. To analyze the behaviour of an employee, it is important to understand the familial and socio-cultural environment in which he/she is brought up.

3) **Situation :** Human personality is also influenced by situational factors. Therefore, the person-situation interaction is an important factor in understanding an

individual's personality. An individual's personality, while generally stable and consistent, does change in different situations. The different demands of different situations make people act differently. Different traits of personality are reflected under different situations. The situational requirement gets extended to the place of work of an individual. The present challenging and demanding work environment affects the personality and behaviour of an employee to a greater extent.

Types of Personality :

There are different traits of an individual's personality. Based on those traits different types of personality are identified, as follows.

1) The Myers-Briggs Type Indicator (MBTI) : Katharine Briggs and her daughter, Isabel Briggs Myers, developed the Myers-Briggs Type Indicator (MBTI). It is essentially a 100 - question personality test that asks people how they usually feel or act in particular situations. Based on the answers given by individuals, they are classified into four broad categories as follows: (a) Extroverted or Introverted (E or I), (b) Sensing or Intuitive (S or N), (c) Thinking or Feeling (T or F) and (d) Perceiving or Judging (P or J)

Taking two possible choices from the above four categories, sixteen different personality types are identified. The combination of these preferences makes up an individual's psychological type. The MBTI is extensively used as a basis for understanding individual differences.

2) The Big Five Personality Types : Under this theory, the following five types of personality are identified based on different traits. (a) Extraversion: One who gives importance to relationships, (b) Agreeableness: One who thinks in a different manner, (c) Conscientiousness: One who is in possession of reliability, (d) Emotional stability: One who has ability to withstand stress, (e) Openness to experience: One who is interested and fascinated by novelty.

3) Physiognomy Personality Types : Based on physical structure and psychological characteristics of persons William Sheldon has developed three types of personality as follows. (a) Endomorph: One who is friendly, have concern for people, helps others in trouble, has very slow reaction to stimuli. (b) Mesomorph: One who has strong and tough body and seeks to physical adventure, enjoys body building, feels restless, shows high aggression and self assertiveness, likes to take risk and develops competitive spirit. (c) Ectomorph: One who has a thin and flat

chest, feels shy and avoids social contacts. He is intelligent but typically anxious, ambitious, and dedicated to his work. He is quick to react and hypersensitive to pain and pleasure.

4) Extrovert-Introvert Personality Types : According to Carl Jung, the personality is developed as a process of creativity. It consists of four phases: thinking, feeling, sensation and intuition. Individual Personality is a mixture of these factors. His theory proposed two personality characteristics on two extreme ends, such as extrovert and introvert type personality (a) Extrovert: One who is more sociable and reality-oriented. Such individuals are performers. (b) Introvert: One who is less risk-taker and directive –oriented. Such individuals require strong motivation and specific directions.

5) Type A and Type B Personality : Friedman and Rosenman have given Type A and Type B personalities.

a) Type ‘A’ Personality : Type ‘A’ personalities are those who are aggressively involved in a chronic, incessant struggle to achieve more and more in less and less time. People having Type ‘A’ personality are always moving, walking and eating rapidly. They feel impatient with the speed the events take place. They are irritated by slow movements of others. They always strive to do two or three thing at any one time and cannot cope with leisure. They are generally obsessed with work involved with numbers.

b) Type ‘B’ Personality : Type ‘B’ personalities are rarely harried by the desire to obtain a wildly increasing number of things. People having Type ‘B’ personality never suffer from sense of urgency, always feel no need to display or discuss either their achievements, play for fun and relaxation. They have tendency to relax without guilt.

b) Perception :

Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. (11) Actually we receive the information from the environment through observing, hearing, feeling, tasting and smelling, then we interpret the meaning to such information. Why we study about perception in OB? Because the individual’s behavior in the organization is depending on perception.

- **Perception Process :**

Perceptual Process

Perception is the process of receiving, selecting, organising, interpreting, checking and reacting to stimuli. This process is like an input –through-output process in which the stimuli can be considered as inputs, transformation of inputs through selection, organisation and interpretation as “throughputs” and the ultimate action (behaviour) as outputs. The perceptual process can be presented with the help of following figure.

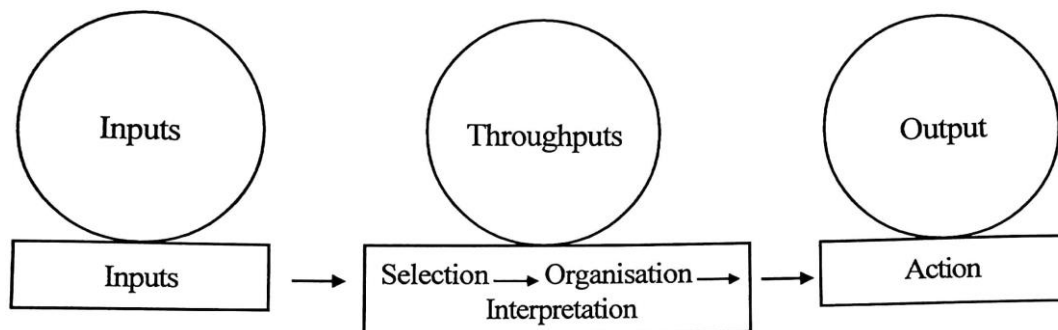


Fig. 2.1 The Perceptual Process

CS Scanned with CamScanner

The perceptual process involves the following steps.

1. Receiving Stimuli: The perception process starts with the reception of stimuli. The stimuli are received from the various sources. We see things/objects, hear sounds smell, test and touch things. In this way, the reception of stimuli is psychological aspect of perception process. Stimuli may be external to an individual.

2. Selection of Stimuli: After receiving stimuli, stimuli are selected because individual receives number of stimuli's every day. Selection of stimuli is not made at random, but depending on the two types of factors namely external and internal factors. The external factors relates to stimuli such as intensity of stimuli, its size, movement, repetition etc. The internal factors relates to stimuli such as individual's age, learning, interest etc. Normally, individual selectively perceive objects or things which interest to him most in a particular situation and avoid those for which they are indifferent.

3. Organisation of Stimuli: Having selected stimuli or data, these need to be organised in some form so as to adding some meanings to them. Thus, organising the bits of information into meaningful whole is called “organisation”. There are three means through the selected data (input) are organised. The three means are as below-

i) Grouping: grouping is based on the similarity of various stimuli perceived. The tendency to group stimuli i. e. people or a thing appearing similar in certain ways has been a common means of organising the perception.

ii) Closure: When people face with the incomplete information, they tend to fill the gaps themselves to make it meaningful. They may do it on the basis of their experience, hunches, guess of past data.

iii) Simplification: When people find themselves overloaded with information they try to simplify it to make it more meaningful and understandable. In this process what they do is to subtract less salient information and concentrate on important ones only.

4. Interpretation: the data collected and organised remain meaningless for the perceiver till these are assigned meanings. Giving meanings to data is called interpretation. Interpretation of data forms one of the most important elements in the perceptual process. Several factors influence interpretation in organisations. These factors are –

i) Halo Effect: Drawing a general impression about an individual based on single characteristic or quality is called halo effect, however, it has an important implication for understanding or evaluating an employee in the organisation. An employee, based on halo effect, may be rated as bad in one trait, but good in other trait.

ii) Attribution: Explaining human behaviour in terms of cause and effect is called attribution. But, attributing casual explanation to a particular human behaviour sometimes tends to distort perception. A unique tendency is observed among individuals is that they attribute their own behaviour to situational requirements but explain the behaviour of others by their personal disposition.

iii) Stereotyping: When individuals are judged on the basis of characteristics of the group to which they belong, this is called stereotyping. E.g. ‘workers cannot learn

new skills'. The stereotyping makes the perception inaccurate based on a false premise about group.

iv) Personality: Personality of the perceiver also affects what is to be perceived. The researchers reported in this context that secure individuals tend to perceive others as warm and cold and indifferent and persons accepting themselves and having faith in their individuality perceive things favourable.

v) Situation: the situation in which we observe or see things influences our perception about them. Closely related to situation is time, light, heat or other situational factors that affect perceiver's perception about the things or events to be perceived.

vi) Perceiver: Factors residing in the perceiver himself do also operate to shape and sometimes distort his perception. The perceiver's attitudes, motives, interests, past experiences, and expectations are among the more relevant personal factors that affect perception.

5. Action: Action is last step in the perceptual process. Action is the resultant behaviour of individual emerging from the perceptual process. The action may be positive or negative depending upon favourable perception held by the perceiver. The action may be covert or overt. The covert action relates to change in attitudes, opinion, feelings impression, etc. The overt action may be in the form of one's behaviour easily noticeable and visible.

Factors Affecting Perception

Factors affecting perception relate the perceiver, perceived and situation. These factors influence perception. All these factors are of two kinds— i) Internal Factors, and ii) External Factors . These are discussed below.

I) Internal Factors -

(i) Personality : Personality is shaped by the perception of the individual. For example, a boss who is authoritative perceives the subordinates as being incompetent and not interested to work, while the boss who is democratic in nature perceives the subordinates as being efficient and may rely on delegation and empowerment.

(ii) Learning : The past experiences and learning strongly influence the learning of the employees. For example, managers in the organization are influenced by their functional backgrounds while making decisions.

(iii) Motivation : Motivation also determines what a person perceives. A person's most urgent needs and desires at any particular time can influence perception. (14)

(3) Perceptual Organization : Perceptual organization is the process by which individuals group stimuli into recognizable and identifiable patterns. Once the stimulus is received from outside, the mental processes begin organizing this stimulus into a meaningful and identifiable whole.(15) Following factors are helpful in understanding perceptual organization-

(i) Perceptual Grouping : Perceptual grouping is the tendency to curb individual stimuli into meaningful patterns. It includes-

(a) Principle of Similarity : The principle of similarity states that the objects having same size, shape or colour are grouped together. For example, if in the manufacturing organization, the workers wear yellow hard caps and visitors are supposed to wear white hard caps, then the supervisor can easily identify the visitors.

(b) Principle of Proximity : The principle of proximity that a group of stimuli close together will be perceived as a whole pattern of parts belonging together. For example, workers working on the same machine are perceived to be one group.

(c) Principle of closure : The principle of closure demonstrates the individual's ability to perceive a whole object even though only part of the object is evident.

(d) Principle of Continuity : The principle of continuity is the tendency to perceive objects as continuing patterns.

(ii) Perceptual Constancy : The perceptual constancy permits the individuals to have constancy or stability in a highly complex world. The constancy consists of shape, size and colour constancy.

(iii) Perceptual Context : The perceptual context provides meaning and value to stimuli.

(iv) Perceptual Defence : The perceptual defence means an individual puts up a defence when confronted with conflicting, unacceptable or threatening stimuli.

(4) Process of Interpreting : Once the data is received and organized, the perceiver interprets or assigns meaning to the information.

(5) Process of Checking : After the interpretation of data, the perceiver tend to check whether his/her interpretations are right or wrong.

(6) Reacting : This is the last stage of perception. The perceiver takes the action in relation to the perception.

II) External Factors -

(i) Size : The objects having larger size attracts more attention than the smaller ones. For example, a relatively taller person is more likely to be noticed as compared to a person with average height.(12) It is not necessary that objects having large size are having more importance than small objects.

(ii) Intensity : If there is more intensity, it attracts more attention. For example, bright lighting or loud noise attracts more attention of us.

(iii) Colour : Dark colour attracts more attention than lighter ones. For example, colour photographs or movies relatively attracts more attention than black and white photographs or movies.

(iv) Contrast : The contrast of the object attracts more attention. For example, when we use black or red marker pen on the white board, it attracts more attention of the individuals,

(v) Motion : A moving object attracts more attention than the object which is stationary. For example, we are more attracted to video clippings than photographs.

(vi) Repetition : An object which is repetitive in nature is attracting more attention than a non-repetitive one. For example, the advertisements of various products shown on T.V. every day and every time draws more attention of individuals and motivate them to buy the products.

(vii) Nature : The nature of the object affects its selection. If the object is visual one, it draws more attention than auditory ones. For example, T.V. attracts more to us than radio.

(viii) Novelty and Familiarity : Novelty and familiarity can attract attention, depending on circumstances. New objects in familiar settings or familiar objects in new settings will draw the attention of the perceiver. (13)

c) **Attitude : Concept :**

Attitude is defined as one's belief, feelings, and action tendencies towards objects, ideas and people. This attitude may be positive or negative. The question is how the attitude is formed?

- **Formation of Attitude :**

(1) **Direct Experience with the object :** An individual develops the attitude by observing and experiencing with the object, that is if an individual is having favourable experience with the object, he/she may develop positive attitude or else negative attitude if he /she is having unfavourable experience with the object.

(2) **Family and Peer Groups :** An individual develops the attitude from parents, family members and peer groups.

(3) **Neighbourhood :** The neighbours also play a vital role in the development of attitude of an individual.

(4) **Economic Status and Occupations :** The economic status and occupations also affect the formation of attitude of an individual.

(5) **Mass Communications :** All types of mass communications-television, radio, newspapers, magazines and internet provide lot of information to the people and develop their attitude.

- **Components of Attitude :**

(1) **Informational or Cognitive Component :** Informational or cognitive component consists of one's beliefs, values, ideas and other information a person has about the object.

(2) **Emotional or Affective Component :** Emotional or affective component consists of an individual's feeling that is positive, neutral or negative about an object.

(3) **Behavioural Component :** Behavioural component consists of the tendency of an individual to behave in a particular manner towards an object.

- **Measurement of Attitude :**

(1) **Thurston Attitude Scale :** Thurston attitude scale is a questionnaire that are to be filled by the employees. This scale is used to measure the attitude of the employees.

(2) **Likert Scale** : Likert scale is a five point scale questionnaire which is used to measure the attitude.

(3) **Opinions Survey** : Opinions survey are also questionnaires in which individuals are asked questions on either 'yes' or 'no' or 'satisfied', 'neutral' or 'dissatisfied'. The data thus collected is compiled, tabulated and analysed to know the attitude of individuals.

(4) **Interviews** : This is one of the popular methods in which individuals are asked questions by the interviewer. The data thus collected is compiled, tabulated and analysed to measure the attitude of individuals.

Types of Attitude

Attitudes consist of feelings, thoughts and intentions to act. An Individual can have various attitudes; however organisational behaviour focuses on job related attitudes only. There are three types of job related attitudes as below-

1. Job satisfaction: Job satisfaction means an individual's positive emotional state towards his/her job. It is a set of favourable or unfavourable feelings and emotions with which employees view their work. Job satisfaction is an affective attitude – a feeling of relative like or dislike towards something. The job satisfaction is concerned with the dimension such as – pay, work itself, opportunities for promotion, supervision, and co-workers.

2. Job involvement: Job involvement is the degree to which employees immerse themselves in their jobs, invest time and energy in them and view work as a central part of their overall lives. Employees with high level of job involvement strongly identify with their jobs and take utmost care about the kind of job they do. Job involved employees are likely to believe in the work ethic, to exhibit high growth needs, and to enjoy participation in decision making. . Such employees seldom will be tardy and absent. They are willing to work long hours and they will attempt to be high performer.

3. Organisational Commitment: In addition to job satisfaction and job involvement other job related distinct employee attitude is organisational commitment. Organisational commitment, or employee loyalty, is the degree to which an employee identifies with the organisation and wants to continue actively participating in it. It is a measure of the employee's willingness to remain with a firm

in the future. It often reflects the employee's belief in the mission and goals of the firm, willingness to spent efforts in their accomplishment, and intuitions to continue there. It is usually stronger among longer-term employees, and those who have relished personal success in the organisation.

d) Values: Concept :

Values are important in the study of human behaviour as they dictate the attitude and behaviour of people in the organization. Values help in identifying individual differences that affect the behaviour. Values represent individual's standards, faith, ideals or even events and activities. Values consist of one's opinion about what is right, fair, just and desirable. Values are beliefs about what is 'desirable or good' and what is 'undesirable or bad' For example, if a person likes non-violence and equality, he would always tend to live in peace, preach peace and give equal opportunities to his subordinates. Belief in non-violence and equality is his value. In short, values are beliefs that guide actions and judgments across a variety of situations. Values shape the attitude and behaviour of a person. Obedience, truth, non-violence, freedom and salvation are the examples of values.

According to Milton Rokeach (1973) 'Value represents basic conviction that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence.'

Values are genetically inherited to a large extent of the total value possessed by an individual and stable in nature and do not change.

Types of Values:

The different types of values have been categorized by Milton Rokeach and Schermerhorn, which are described briefly hereunder. Milton Rokeach through his Rokeach Value Survey (RVS) has worked out two basic sets of values as Terminal Values and Instrumental Values. Each of these sets consist 18 values.

1) Terminal Values : Terminal values represent the goals to be achieved, or the end states of existence. Rokeach identified a comfortable life, an exciting life, a sense of accomplishment, a world of peace, a world of beauty, equality, family security, freedom, happiness, inner harmony, mature love, national security, pleasure, salvation, self-respect, social recognition, true friendship and wisdom etc. as terminal values

2) Instrumental Values : Instrumental values reflect the means to achieve goals, i.e. they represent the acceptable behaviour to be used in achieving some end state. Rokeach identified ambition, broad-minded, capability, cheerfulness, cleanliness, courageousness, forgiveness, helpfulness, honesty, imaginativeness, independence, intelligence, logic, lovingness, obedience, politeness, sense of responsibility and self-control etc. as instrumental values.

John Schermerhorn has categorized the values into six types as follows.

a) Theoretical Values : Interest in the discovery of truth through reasoning and systematic thinking.

b) Economic Values: Interest in usefulness and practicality, including the accumulation of wealth.

c) Aesthetic Values: Interest in beauty, form and artistic harmony.

d) Social Values: Interest in people and love as a human relationship.

e) Political Values: Interest in gaining power and influencing people.

f) Religious Values: Interest in unity and understanding the cosmos as a whole.

Formation of Values :

Values are acquired very early in life. They are transmitted by parents, teachers, friends, and peer groups at workplace.

1) Parents : At the early age, the values of parents are transmitted in an individual. Parents have substantial influence on their children's values. The reaction of either parent to everyday events demonstrates what is good and what is bad, what is acceptable and what is unacceptable and also what is important and what is unimportant.

2) Schools : Schools also play vital role in formation of values of an individual. The environment in the schools, teachers and classmates help to form different values.

3) Religious organizations : A number of religious and spiritual values are inculcated by religious organizations.

4) Socio-Cultural groups : The socio-cultural atmosphere, in which an individual is brought up, influences the formation of values.

5) Workplace : The experiences with the peers or co-workers also help to form certain values of an individual.

Job Satisfaction: Concept :

The study of job satisfaction is important in the study of human behaviour. Job satisfaction focuses on employee attitude towards his job. Job satisfaction is concerned with feelings one has towards the job. Victor Vroom (1964) has shown the relationship between job satisfaction and various aspects of job behaviour such as job satisfaction and employee turnover, job satisfaction and employee absenteeism, job satisfaction and industrial accidents. Job satisfaction has following three dimensions:

- (a) Job satisfaction is the emotional response (i.e. which can not be seen) to a job situation.
- (b) Job satisfaction is related to what an employee actually gets as reward and what he/she expects to get.
- (c) Job satisfaction is related to job dimensions, such as job content, remuneration, attitude of co-workers and opportunity of growth etc.

Definitions of Job Satisfaction :

- 1) **Locke (1976) :** ‘Job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences.’
- 2) **Spector (1997) :** ‘Job satisfaction is the extent to which people like or dislike their jobs.’
- 3) **Lambert, Barton, and Hogan (1999) :** ‘Job satisfaction the fulfillment or gratification of certain needs that is associated with one’s work.’

Determinants of Job Satisfaction :

The job satisfaction is affected by a number of factors. The following are the determinants of job satisfaction.

1) Pay : Wages, salary and other fringe benefits play a vital role in satisfying the workers. If the workers perceive that they are fairly paid in accordance with their qualification, experience and hierarchical status, they are satisfied with the job.

Wages and salary must ensure workers the maintenance of their social status and should be able to fulfill their expectations.

2) Work/ Job Content : Content of the work or job itself is regarded as the major source of job satisfaction. The job should be fascinating. The following kinds of work/job can satisfy the employees. (a) Interesting and challenging job (b) Job giving opportunity to use skills and experience (c) Job having encouraging and interesting contents (d) Not a boring job (e) Job providing status (f) Job providing autonomy to think and operate etc. On successful completion of such a job, the workers get a sense of satisfaction. On the other hand, a boring and tough job, having a little challenge and encouragement fails to develop a sense of satisfaction in the minds of workers.

3) Promotion : Clear, just and fair promotion policy of the organization keeps workers satisfied. The incremental and growth-oriented promotional policies ensure job satisfaction of workers. Performance-based promotion may bring more satisfaction than seniority-based promotion.

4) Supervision : Quality of supervisors, their availability, quality of their advice and guidance etc. affect the job satisfaction of workers. If supervisors take personal interest in the affairs of employees both on personal and official level and opportunity given to workers to participate in decision making improves the job satisfaction of workers.

5) Job-person compatibility : If the workers are assigned the job matching with the personality characteristics of workers, it brings them job satisfaction.

6) Working condition : Working conditions have influence on job satisfaction. The working conditions characterized by light, ventilation, cleanliness, enough space, adequate latest tools, upgraded technology and latest systems add to job satisfaction.

7) Work group : The nature of work group affects job satisfaction. The work group providing support, comfort, counsel and help to co-workers enhance the job satisfaction. The friendly and co-operative work group makes the job more enjoyable and satisfying.

Measurements of Job Satisfaction :

Truly speaking, measuring job satisfaction is difficult as it is an abstract personal cognition that exists only in worker's mind and intangible. However, there are several techniques devised for measuring job satisfaction, as follows.

1) Rating Scales : This is a common technique of measuring job satisfaction. Usually, following three rating scales are used to measure job satisfaction.

a) The Minnesota Satisfaction Questionnaire (MSQ) : This technique helps to get a clear picture of the relevant satisfactions and dissatisfactions of workers. It is given by Weiss, Dawes, England and Lofquist in 1967. It measures employee's job satisfaction on 20 facets of work. Participants indicate their level of satisfaction using a five-point scale for each item on the measure, such as 'strongly agree', 'agree', and 'disagree', 'undecided' and 'strongly disagree' and the researchers accordingly measure the satisfaction and dissatisfaction of workers.

b) Job Satisfaction Survey (JSS) : Spector introduced this technique in 1967. This technique measures the job satisfaction as well as overall satisfaction using nine aspects. They are nature of work, pay, fringe benefits, contingent rewards, promotion, supervision, operating conditions, co-workers and communication. Each of the nine aspects' subscales contains four items and a total satisfaction score is computed for all of those items.

c) The Job Description Index (JDI) : This technique measures job satisfaction on the dimensions identified by Smith, Kendall and Hulin in 1969. It measures one's satisfaction in five aspects such as pay, promotions and promotion opportunities, co-workers, supervision and the work itself. The scale contains 72 items with job satisfaction and participants answer either 'yes', 'no', or 'can't decide' in response to each item. A value is then calculated for each aspect based on respondents' reply on the items for each aspect. This technique helps to ascertain with what areas the workers are more or less satisfied.

2) Critical Incidents : Fredrick Herzberg has popularized this method of measuring job satisfaction. Under this method, the workers are asked to describe incidents (events) on the job when they were extremely satisfied or dissatisfied. Then the incidents are analyzed and positive and negative attitudes are identified. This technique helps to find out satisfying and dissatisfying factors.

3) Personal Interviews : Personal interviews of employees help to explore their attitudes about job. The authenticity of this method largely depends upon the relevancy and quality of questions asked by the interviewer and accurate responses given by workers during interview.

4) Action Tendencies : Under this method, the workers are asked the questions on how they feel like behaving with respect to certain aspects of their job. The information so gathered is analyzed and job satisfaction is measured.

5) Porter and Lawer's Technique : This method consists of collecting information regarding different aspects of the job. The worker is asked to indicate the degree to which he thinks a certain job feature is present in his existing position and how much he would like it to be there. He is then required to rate its importance to him. Then the gap between the scales of 'what exists' and 'what ought to be' is computed, which is known as 'divergence score' Then the overall as well specific score for each aspect is calculated to understand the job satisfaction of an individual worker.

e) Learning :

In our lifetime, learning always occurs. Learning is defined as a relatively permanent change in behavior or potential behavior as a result of direct or indirect experience.(1) Thus, it is clear that there should be change in the behaviour and it should be permanent in nature, then only, it can be said that learning has taken place. The change in the behavior may be better or worse from an organizational point of view. In other words, temporary changes in the behavior is not called as learning.

• **Nature of Learning :**

- (1) Learning always change in behavior, it is immaterial whether the change is good or bad. Further it is not necessary, that good performance occurs through learning.
- (2) The change in the behavior should be permanent, then only it constitutes learning. Because temporary changes in the behavior is not part of learning.
- (3) Due to practice, training and experience, the change in behavior occurs.
- (4) Learning occurs throughout the human life, that is right from birth to death.
- (5) For learning to occur, the practice or experience must be reinforced, or else the change in behavior will disappear.

Determinants of Learning

Learning simply means modification or change of behaviour through practice, training, or experience. It involves change and change which is relatively permanent. Learning is reflects in behaviour, change in behaviour occurs as a result of experience, practice, or training. The practice or experience reinforces learning to occur. Now it important to understand what determines change in behaviour i. e., learning. The important factors that determine learning are as follows:

1. Motive: A motive is inner psychological state of an individual which activates, directs, sustains or stops his behaviour towards some goal. Motives are the primary energisers of behaviour. They arise continuously and determine the general direction of an individual's behaviour. Without learning cannot occur.

2. Stimuli: Stimuli are objects that exist in the environment in which a person lives. Stimuli increase the probability of eliciting a specific response from a person. A Stimuli may be of two types –

a) Generalisation: The generalisation has important implications for human learning. Generalisation takes place when the similar new stimuli repeat in the environment.

b) Discrimination: In case of discrimination, responses vary to different stimuli. e . g. A degree college student may learn to respond to video teaching but not to the oral lecturing by his teacher.

3. Responses: The stimulus results in responses – may be in the physical form or in terms of attitudes or perceptions or in other phenomena. Responses are the determinants of learning because; it takes place on the positivity of response.

4. Reinforcement: Reinforcement is another important determinant of learning. Reinforcement increases the strength of response and tends to induce repetitions of the behaviour that preceded the reinforcement. Measurable modifications can take place with reinforcement.

5. Retention: Retention means keeping in mind and reproducing the learned object over a time. It is remembrance of learned behaviour over time.

Principles of Learning

Principles of learning are most useful for the trainer to impart the knowledge and skill to the trainees. The principles can be applied carefully considering the particular task to be learned and the context in which the learning takes place. Following are the principles of learning.

1. Motivation: Motivation for learning is the basic principle, because without motivation learning does not take place. Motivation may be seen at different levels of complexity of a situation. Motivation directs and controls the behaviour of a human being towards learning. It inspires the learner to involve in the process of learning.

2. Reinforcement, Punishment and Extinction: Reinforcement is the attempt to develop desirable behaviour towards learning. There are two types of reinforcement viz. Positive reinforcement and Negative reinforcement. Positive reinforcements strengthen the desirable behaviour. In negative reinforcement, an unpleasant event that precedes behaviour is removed when the desired behaviour occurs.

Punishment is the attempt to eliminate an undesirable behaviour. It is used in two ways. One is to punish a person to apply negative consequences called punishers and the way to punish a person is to withhold a positive consequence following an undesirable behaviour.

Extinction is the weakening of behaviour by making sure it is not reinforced. Extinction is an alternate to punish undesirable behaviour.

3. Whole versus part learning: Learning a whole job is superior to making it into parts and learning the parts. In part learning, an individual has to learn each part separately and must be able to combine the separate parts so that the whole performance can be accomplished.

4. Learning curves: It is a diagrammatic presentation of the amount learned in relation to time. The points of time are plotted on X-axis and amount of learned is plotted on Y-axis. Based on the time consumed for learning a particular amount of object, a typical curve is drawn, which shows the extent to which rate of learning increases or decreases with the practice.

5. Meaningfulness of material: The principle of meaningfulness of material establishes the relation between learning and the subject learnt. The more the meaningful material, the better does learning proceed. Organisation of meaningful

units, use of familiar terms, and providing conceptual base and logical reason for material makes learning meaningful.

6. Learning styles: Learning style denotes to the ability of an individual to learn. There are four learning styles. Viz. Accommodator, Diverger, Converger, Assimilator. Accommodator learns by doing and feeling. He tends to learn primarily from hands-on experience e.g. learning in marketing, politics, public relations and management. Diverger learns by doing and feeling. The diverger has ability to view concrete situations from different angles e.g. learning in arts, entertainment, and service sector. Convergents learn by doing and thinking. Convergents seek practical use for information. e. g. learning in engineering, IT, and managerial job. Assimilator learns by observing and thinking. The style is effective at understanding a wide range of information and putting in to logical form e. g. learning in education, information, and science.

- **Theories of Learning :**

How learning occurs? There are various theories that explain how learning occurs-

- 1) **Classical Conditioning :**

The well known experiments on classical conditioning were conducted in the early 1900s by Russian Psychologist Ivan Pavlov (2), to teach dogs to salivate in response to the ringing of a bell. When he presented a piece of meat to the dog, the dog exhibited a noticeable increase in salivation. The dog did not salivate at all, when Pavlov did not give the meat and merely rang a bell. Then he used to ring the bell when the meat was served to the dog. Thus, the dog began to salivate when the bell was ringing, even if no food was offered. The result was, the dog had learned to respond that is, to salivate to the bell. The meat was an unconditioned stimulus; it invariably caused the dog to react in a specific way. The bell was an artificial or conditioned stimulus. The behavior of the dog was conditioned response. (3) Classical conditioning theory of learning is criticized on the ground that it is passive. This theory explains the simple cause and effect relationships between one stimulus and one response. It is not explaining the more complex forms of learned behavior that affects the individuals. Further, It does not explain situations where individuals rationally and objectively select a course of action. An alternate approach to classical conditioning was proposed by B.F. Skinner (4), known as operant conditioning.

2) Operant Conditioning :

In operant conditioning, individuals learn to repeat the behavior for those actions which have pleasant effects, and less likely to repeat the behavior for those actions that are not pleasant. It is also known as reinforcement theory and it suggests that behavior is a function of its consequences.(5) For example, if an employee gets a promotion due to hard work, then he/she will repeat the same behavior in the future, that is, he/she will continue the hard work in the job.

3) Cognitive Learning :

Cognition refers to individual's ideas, thoughts, knowledge, interpretations and understanding about environment. In cognitive learning, the learning is taking place after deliberate thinking about the problem or situation and this thinking is based on intuition and known facts. The individuals respond in an objective and goal oriented manner. Cognition, in fact, is the act of knowing an item of information and this knowledge affects the behavior of the person so that the information provides cognitive cues towards the expected goal.(6) Kohler, a German Psychologist had conducted his study on apes and found that they behave intelligently and were capable of problem solving. He hung bananas at the top of the cage, out of the reach of the apes. He left the boxes and sticks in the cage. The apes made unsuccessful attempts to reach the bananas by jumping or swinging sticks. Finally, they solved the problem by putting the boxes one on top of the other, and reached to the bananas. According to Kohler, a solution gained through insight is more easily learned, less likely to be forgotten. In simple terms, individuals use past learning and experience as a basis of present behavior. Secondly individuals do make choices about their behavior that is if they are having two alternatives, they are selecting one. Third, the individuals know the consequences of their choice of the behavior. Finally, individuals evaluate those consequences and add them to prior learning.(7)

4) Social Learning :

Social learning theory is also called as observational learning or vicarious learning. The individuals learn by observing others, that is from parents, teachers, boss, motion pictures, TV artists and others. Social learning involves following processes-

(a) Attentional Processes : A learner learns by paying attention to the model that is paying attention to the critical features of the model, the greater the attention, the more effective the learning will be.

(b) Retention Processes : The learner should have good retention of the model's behavior, that is, how well the learner remembers the model's action after the model is no longer readily available.

(c) Motor reproduction process : The learner has to convert the observation into doing, that is the learner has to do exactly what the model does.

(d) Reinforcement process : The learner should have some motivation to learn from the model. The learner can learn if positive incentives or rewards are provided to him/her. Behaviours that are positively reinforced will be given more attention, learned better, and performed more often.(8)

- **Types of Learning :**

After discussing about theories of learning, we shall discuss about types of learning-

1) Learning through Reinforcement :

In this learning, an individual learns from past experience with the environment and he/she tries to maximize positive consequences and minimize adverse consequences. This type of learning is also called as Behaviour Modification.(9) To have the desired behavior, reinforcement plays a key role. Reinforcement is the process of developing and strengthening desirable behavior. Reinforcement is classified into following types-

(a) Positive Reinforcement : Positive reinforcement is a reward or other desirable consequence that a person receives after exhibiting behaviour.(10) Appreciation of punctuality by the boss is positive reinforcement for the subordinate and he/she tries his/her level best to maintain that behavior.

(b) Negative Reinforcement : Negative reinforcement or avoidance is the opportunity to avoid the unpleasant behavior. The main purpose of the negative reinforcement is to increase the occurrence of desirable behavior. For example-if boss scolds the subordinate for coming late in the office in front of other employees, then that person will try his level best to come on time in the office (desired behavior).

(c) **Extinction** : Extinction decreases the frequency of behavior by withdrawing a reward, which was given previously. For example-when you are working in the organization at lower level, you are encouraging your colleagues to come at any time in your room and have talk with you. But after some time, you are promoted to higher level, if your colleagues enter in your room then you scold them and instruct them not to enter in your room every now and then. Thus, extinction decreases the behavior of your colleagues which was previously rewarded by you.

(d) **Punishment** : Punishment is an attempt to decrease the frequency of undesirable behaviours. For example- memo, pay cut, demotion and termination.

2) **Learning through Feedback :**

Feedback is the process of providing information to people about the consequences of their behavior. Feedback is an effective tool by which people learn what behaviours are appropriate or necessary in a particular situation, also feedback helps the employees to improve their performance.

3) **Learning by Observing :**

A person learns lot of things by observing others and modify his/her behavior that lead to favourable outcomes. Many times, he/she observes the behavior of his/her role model and then practice behavior , that is what known as Behavioural Modelling. It works best when model is respected and model's actions are followed by favourable consequences.

4) **Learning through Experience :**

In the organization, employees are learning the task through the experience of others as well as observation. Such type of learning takes place, when we practice new behaviours and watch the environmental responses to our actions.

2.1.2 B) **Foundations of Group Behaviour :**

• **Introduction :**

An individual cannot live alone in the society. He/she has to live in the association of others. More specifically an individual has to live in the group. The question is what is group? A group is a collection of two or more individuals who have mutually depended relationships.(16) These groups play an important role in the organization.

a) Definitions and Importance of Group

Definitions of Group

- a) "A collection of two or more individuals who are interdependent and interact with one another for the purpose of performing to attain a common goal or objective."

- Sizilagy and Wallace

- b) The group in psychological terms as : "Any numbers of people who (1) interact with one another; (2) are psychologically aware of one another; and (3) perceive themselves to be a group."

- E. H. Schein

Importance of Group :

- (1) Personal Characteristics : The group fulfils the need of companionship. The individuals join the group to share the similar beliefs, values and attitudes.
- (2) Security : The group provides all type of security like job security, economic security, physical and psychological security to the individuals.
- (3) Identity : The group provides an identity to its members.
- (4) Information : Since the regular communication takes place between the group members, hence they get all type of information speedily.
- (5) Esteem : The group enhances the self esteem of the group members.
- (6) Power : The group provides power to its members.

b) Types of Groups :

The groups working in the organization are classified into formal groups and informal groups-

(I) Formal Groups : The formal groups in the organization are established by the management. They perform well defined tasks to achieve organizational objectives. Formal groups are further classified into task groups, command groups and committies-

- (a) Task Groups : Task groups are the groups which are formed temporarily to complete a particular task or project. For example, in the organization a

disciplinary committee is formed to look into disciplinary issues. Such groups consist of employees from different departments. When the particular task is completed, the members return back to their original group or department.

- (b) **Command Groups** : These are the permanent groups in the organization and comprises of supervisors or managers and subordinates. The various functional departments like production, sales, finance and human resource are the examples of command groups. These groups attain the objectives of the organization.
- (c) **Committees** : For special purpose the committees are set up. They are either permanent or temporary in nature.

(II) **Informal Groups** : Informal groups in the organization are formed due to communication, affiliation and friendship. These groups are also called as clique. These groups are not structured formally by the organization. The informal groups are classified as follows-

- (a) **Interest Groups**- An interest group is the group of individuals who share a mutual interest.
- (b) **Friendship Groups**- When the group members have common characteristics like age, marital status, common values and college affiliations, they are called as friendship groups. These groups satisfy the affiliation needs of the members.
- (c) **Reference Groups**- Reference groups are the groups with which an individual identifies for the purpose of forming opinions or making decisions.

c) Process of Group Development :

The groups are generally having a life cycle. We can refer it as five stage model of group development.

(1) Forming : The first stage in the group formation is forming, where there is uncertainty about group purpose, structure and leadership. Members explore the possibility that what type of behavior is acceptable. This stage is complete, when members begin to think of themselves as part of a group.

(2) Storming : At this stage, intergroup conflict arises due to the need of role clarity and behavioural expectations. When this stage is complete, there will be a relatively clear hierarchy of leadership within the group.

(3) **Norming** : At this stage, close relationships develop among group members and they demonstrate group cohesiveness.

(4) **Performing** : At this stage, there is team work, role clarity and task accomplishment. Performing is the last stage in permanent work groups.

(5) **Adjourning** : For the temporary committees, teams, task forces and similar groups, adjourning is the last stage. At this stage, the group prepares for its disbandment or wrapping up activities.

d) Group Behaviour: Meaning :

Groups are inevitable, inseparable and important part of organizational life. Individuals not only form groups but they live and move in groups. Therefore, their existence and importance can not be ignored. The behaviour of the group affects the productivity. Elton Mayo's Hawthorne experiment (1920) has revealed that the group behaviour has major bearing on productivity. The term 'group behaviour' refers to the way people behave in large or small group situations or the interaction between members of a group.

Norms of Group Behaviour :

Norms means the standards or rules of behaviour. Norms are also known as the acceptable terms of behaviour of group members. These norms tell the members what they ought to and ought not to do under certain circumstances. Group norms usually put the strong pressure on the group members to modify their behaviour and conform to group norms.

Examples of group norms :

- a) Placing cell phones on silent mode
- b) Engaging emotionally and mentally in the assigned task
- c) Speaking honestly and with respect to others
- d) Maintaining confidentiality

The following are important characteristics of group norms.

- a) Norms serve as the basis for behaviour of group members
- b) Group norms are essential for survival of a group

- c) Group norms predict the likely behaviour of the group members
- d) Interpersonal problems and discomfort among group members is reduced
- e) Group norms convey the distinctive values and identity of the group
- f) Norms are applied to all members of a group
- g) Such norms may be relating to appearance (such as dress code) , performance (such as level of output) , social arrangement (such as with whom the group members should have lunch) and allocation of resources (such as allocation of new tools and equipment).

Group Cohesion :

According to Stephon Robbins ‘Group cohesion is the degree to which group members are attracted to each other and are motivated to stay in the group.’

Cohesiveness literally means ‘solidarity’ or ‘attractiveness’ of the group to its members. Emotional connectedness to the group and shared group goals are strong forces which lead members to remain in a group. Group cohesiveness represents the desire to stick together and respect and encourage individual differences. The more cohesive the group, the more likely it is to have common values and standards of behaviour. Cohesion has direct impact on a group’s behaviour.

Factors affecting Group Cohesion :

Usually the following factors affect the group cohesion.

1) Size of the group : Small groups are more cohesive and effective while large groups have less cohesion. In small groups, there are few members. Hence, all members have constant face to face contacts and high degree of interaction and communication.

In too large groups, the communication within members may be broken down. If the group size expands, the interaction with all members becomes difficult. It becomes difficult to get all members of the group to agree on common goals and activities. Moreover, many sub-groups may be created within the larger groups and the group cohesiveness will suffer.

2) Status : Status of the group determines the degree of group cohesiveness. If the status of the group is high, the group cohesion may be stronger.

3) Time spent together : If more time is spent together by group members, more they will get to know each other, get closer to each other. They become more friendly and co-operative. This strengthens the degree of group cohesion.

4) Location/ Proximity : Nearness or working closely together helps in strengthening group cohesion. It helps face to face contact. A small isolated work group is more cohesive and will work better to attain its goals. On the other hand, where there is no dividing line between one group and another, cohesion is more difficult.

5) Interdependency : If the activity of one member is dependent upon other, this enhances group cohesion. If every member of the group is doing independent activities, the cohesion is less.

6) Homogeneity and Heterogeneity : If the group is composed of individuals having similar personality characteristics, similar intellects, similar abilities and experience, there will be strong group cohesion. If there are wide differences in personalities, intellects, experience, values or status, there will be weak cohesion.

7) Previous Success : When a group achieves a meaningful goal earlier, this will increase the group cohesion as such success is shared by all members of the group. The groups having the history of success are found more cohesive. Failure to accomplish the group goals reduces the group cohesion. .

8) External Threats: External threat is very powerful force which keeps group unified and cohesive. Especially, when such threat is from outside force, the people prefer to remain cohesive. This binds together all the members against a common enemy and thus makes its members forget their differences. For example, threat from management brings employees together who were otherwise scattered.

9) Stability: If the group members are frequently changed, group cohesion is adversely affected. The higher the degree of member turnover, lesser is the group cohesion. On the contrary, if the stable relations persist for long-term, cohesion will be strong.

Group Role :

Role is a set of expected behaviour patterns attributed to someone occupying a given position in a social unit. An employee plays a number of diverse roles, both on and off the job and his/her behaviour varies with the role he/she plays. Roles may be

compatible or conflicting. Therefore, it is important in the study of group behaviour to understand the multiple roles played by employees on and off the job. Usually, following different role requirements are to be performed by individuals.

a) Role Identity : This refers to certain attitudes and behaviour consistent with a role.

b) Role Perception : This refers to how he/she is supposed to behave and act in a particular situation. It is one's own view of how one is supposed to act in a given situation.

c) Role Expectation : This refers to how others believe one should act in a given situation.

d) Role Conflict : This occurs when an individual is confronted with situations, where compliance with one role may come in the way of the other role expected of him/her. An extreme role conflict may arise in the situations where two or more role expectations are mutually contradictory.

People have the ability to shift roles rapidly when they recognize that the situation and its demands clearly require major changes. For example, the attitude and behaviour of an employee towards management changes positively if he is promoted to the higher post and it changes negatively when he is demoted or a disciplinary action is taken against him. The women have also shifted their role perception and role requirements from traditional house-maker, nurse and teacher to doctors, lawyers, engineers and entrepreneurs.

Managers must know the sources of roles and the existence of multiple roles in the groups. In organizational setting, it is important to look at the role expectations through the viewpoint of the psychological contract. A psychological contract is an unwritten agreement existing between employee and the employer. It sets out mutual expectations, i.e. what the management expects from employees and what employees expects from the management.

Intergroup Conflict :

John Newstorm and Keith Davis define conflict as 'any situation in which two or more parties feel themselves in opposition.' In social setting, such conflict arises between different ethnic groups, religious groups, sports groups etc. In organizational setting, the conflict may arise at different levels —individual, group and

organization. Conflict arising within members of a group is known as intra-group conflict, while conflict arising between two or more groups of an organization is known as inter-group conflict. It is a disagreement or hostility between different groups.

Such intergroup conflict occurs between groups at different levels (i.e. higher level group v/s middle level group), between different departments (i.e. production department v/s marketing department), between trade union and management (i.e. managers v/s members of a trade union), between shift to shift (i.e. day shift group v/s night shift group), between gender to gender (i. e. women group v/s men group) , between location to location (i.e. Mumbai plant group v/s Hyderabad plant group) Intergroup conflict often lead to minimizing intra-group conflict as people tend to come together to oppose another group.

Intergroup relations between two or more groups and their respective members are essential to complete the work required to operate a business. The functional conflict is considered positive because it enhances performance and identifies weaknesses. However, dysfunctional conflict is confrontation between groups that harms the organization or hinders attainment of goals.

Causes of Intergroup Conflict:

There are two main causes of intergroup conflict, one is the competition for valued material resources and the other is social rewards like respect and esteem. Following are the causes /sources of intergroup conflict.

- a) Different values
- b) Incompatible performance criteria
- c) Unequal Rewards
- d) Difficulty in apportioning credit
- e) Dependence on common resources
- f) Information and rumours
- g) Differences in personal background
- h) Difference in task and time
- i) Difference in status/ status struggle

- j) Poor communication
- k) Diversity of groups
- l) Desire to dominate others
- m) Prejudice
- e) Group Performance Factors :

There are various factors that influence the performance of the group. These factors are broadly classified into two categories-

(I) External Conditions : Since a group is a subsystem of a formal organization, there are various elements that influence the group-

(1) Organization Strategy : The organizational strategy is set up by the top management, that describes the organization's goals and the means for attaining these goals. As per these strategies the organizational resources are allocated among various work groups. Thus the strategies influence the power of various work groups.

(2) Authority Structures : The authority structure in any organization defines that what decisions a group is empowered to make.

(3) Formal Regulations : The rules, policies, procedures and other forms of regulations make the behavior of work group members more consistent and predictable.

(4) Reward System : A well designed reward system influence and motivate the group members for good performance.

(II) Group Members' Resources :

(1) Abilities : The performance of the group is depending on intellectual abilities of its individual members. The members who are interested to undertake complicated task tend to be more involved in the group activity. They generally contribute more and emerge as the group leaders.

(2) Personality Characteristics : There are various personal characteristics like sociability, self reliance and independence tend to be positively related to group productivity, morale and cohesiveness. Whereas there are some personal

characteristics such as authoritarianism, dominance and unconventionality tend to have adverse effect on group performance.

f) Quality Circles and Work Teams :

Quality Circles :

Quality circles can be a useful tool if used properly in the organization. Quality circles were first seen in the United States in the 1950's and then in 1960's they were developed by Dr. Kaoru Ishikawa in Japan.

Quality circles are voluntary groups of employees who work on similar tasks or share an area of responsibility. Quality circles meet on a regular basis to discuss and solve problems related to work. They operate on the principle that employee participation in decision-making and problem-solving.

In organization, the quality circles are used to increase productivity, improve quality and boost employee morale. The members of quality circles are given enough training, power, autonomy and support by senior management.

Quality circles are volunteer groups who operate in accordance with the set rules and priorities, make decisions by consensus and have organized approaches to problem-solving. Effective quality-circles help improve the quality of work and product.

Work Teams :

'Groups' and 'teams' are not same. In organizational context, there is difference between these two terms. A team is more than just a group. A work-team is formed of a small number of employees considering their abilities, skills, job-knowledge and experience etc. A small number means between 2 to 25 members. A work team having less than 10 members is considered as an effective team. Such work-teams play vital role in development of organisation in terms of performance. The collective dynamism of a work team enhances the level of performance.

Henry J.E. defines a team as 'a small number of employees with complementary competencies in terms of abilities, skills and knowledge and are committed to common performance goals and working relationships for which they hold themselves mutually accountable.'

In short, work-teams are small groups with complementary skills who hold themselves mutually accountable for common purpose, performance goals and approach.

In a work-team, each member is encouraged to contribute his knowledge, skill and expertise to the overall effort of the team.

Types of Work-Team :

There are following types of work-teams.

1) Functional/ Permanent Teams : These teams are formed on permanent basis. They are not dissolved. For example, production department, marketing department, finance department etc.

2) Ad-voc/ Temporary Teams : They are formed for a shorter period. They are dissolved when the purpose for which they were formed is fulfilled. For example, teams formed for doing excess tasks

3) Task force/ Problem-solving Teams : These teams are formed for a special purpose to work on a specific project or to find out solution to a critical problem. For example, quality circles

4) Self-managed Teams : Such teams consist of the individuals shouldering the key managerial responsibilities who work together for the common purpose but without supervision of a leader.

5) Cross functional Teams : Such teams are composed of people having knowledge and skills of various work areas (cross functional areas) to identify and help solve mutual problems or accomplish common task.

6) Virtual Teams : These teams consist of the people who are separated by geographical distance but connected through computer. They use WAN (Wide Area Network), Video Conferencing, e-mail and social networking sites such as Facebook, Twitter, Orkut etc. to connect across nations.

2.2 Summary :

Learning is defined as relatively change in behavior as a result of direct or indirect experience. The change in behavior should be permanent, or else, it cannot be said as learning.

The classical conditioning theory of learning explains the simple cause and effect relationships between one stimulus and one response.

The operant conditioning theory of learning describes that individuals learn to repeat the behavior for those actions which have pleasant effects. It is also known as reinforcement theory.

In cognitive learning, the learning takes place after deliberate thinking about the problem or situation and this thinking is based on intuition and known facts.

In social learning, the individuals learn by observing others like parents, teachers, friends and others. Thus, it is also called as observational learning or vicarious learning.

There are various types of learning and the individuals learn through reinforcement, feedback, observation and feedback.

Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. This process begins with receiving stimuli and then stimuli is selected. There are various external and internal factors that affect the selection of stimuli. In perceptual organization, the individuals group stimuli into recognizable and identifiable patterns. In process of interpreting, the perceiver assigns meaning to the information. After the interpretation of data, the perceiver checks whether his/her interpretations are right or wrong. In the last stage of perception, the perceiver takes the action.

Attitude is one's belief, feelings and action tendencies towards objects, ideas and people. The attitude is formed with the direct experience of the object, family and peer groups, neighbourhood, economic status, occupations and mass communications. There are three components of attitude viz. informational or cognitive component, emotional or affective component and behavioural component. The attitude is measured through Thurston Attitude Scale, Likert Scale, Opinions Survey and Interviews.

A group is a collection of two or more individuals who have mutually depended relationships. The groups are classified into formal groups and informal groups. The formal groups are established by the management. These consists of task groups, command groups and committees. Informal groups in the organization are formed due to communication, affiliation and friendship. These groups are interest groups,

friendship groups and reference groups. The group development process in the organization consists of forming, storming, norming, performing and adjourning.

There are various factors that affect group performance. These factors are classified into two categories viz. external conditions and group members' resources.

2.3 Terms to remember :

Personality - Pattern of responses of an individual in a given situation

Extrovert - An optimist and sociable person

Introvert - A self confident and pessimistic person

Formal Group - A unit established by the organisation to accomplish specific tasks.

Informal Group - A group emerging within organization on the basis of similarity of thoughts, objectives or location etc.

Job Satisfaction - Psychological expression of contentment on the job

Rating Scales - A measurement scale which contains certain statements with specific answers

Team - Composition of two or more people who interact with and influence each other toward common purpose.

2.4 Exercise :

(I) Short Answer Type Questions:

1. Discuss in detail the classical conditioning and social learning theory.
2. What are the different types of learning?
3. Define perception. Explain in detail the perceptual process.
4. What is attitude? How the attitude is formed?
5. What are the different types of groups? Explain the importance of the group.
6. What is the process of group development? Discuss the factors that influence the performance of the group.
7. Explain types of values

8. What are determinants of Personality?
9. What are determinants of Job Satisfaction?
10. Explain types of work teams.
11. What is meant by Inter-group Conflicts? Explain its causes.
12. Explain different Group Roles

(II) Long Questions:

- 1) What is meant by Personality? Explain types of personality.
- 2) What do you mean by Job Satisfaction? Explain the methods of measuring job satisfaction.
- 3) What is meant by Group Cohesion? Explain the factors affecting Group Cohesion.

(III) Short Notes:

- 1) Value Formation
- 2) Quality Circles
- 3) Group Norms
- 4) Group Cohesion
- 5) Determinants of Job Satisfaction

IV) Case Study

Analyze the case answer the questions given under it.

A Company employing 2200 workers and 350 officers, is having a turnover of Rs. 150 crores and profit of Rs. 1 crore per annum. The company has one recognized union, which is not affiliated to any political party. The employee's participation in the management is very well. The company has good industrial relations. There are many Shop-Floor Committees and they all receive very good participation from employees. Most of the decisions are take and implemented generally through employee's participation scheme.

Although Company's target for production and marketing are achieveved, there is much scope for improving productivity. There are certain hurdles for improving

productivity such as absenteeism, late coming, refusal of work, going outside the factory premises on duty, roaming in the factory premises and not to follow strictly tea and lunch timing. To improve overall productivity and to overcome all above hurdles, Management has decided to form a committee having representatives from union and management. This committee is supposed to discuss the problem, analyze it and find the solution to overcome the problem and implement self-discipline scheme in the factory.

The groups will consist of almost equal number of representatives from management side and the union side. One of the group members will act as leader and will present the case to the whole class.

- (a) As a representative of Employees' Union how would you defend employees' side and what would you suggest to inculcate the self-discipline among employees?
- (b) As a representative of Management how would you defend company's side and what would you suggest to inculcate the self-discipline among employees?
- (c) What are your ideas to control resource wastages (especially time) and improve productivity?

(Courtesy : Anjali Dhankar's book on Organisational Behaviour)

2.5 Books for further reading :

1. Keith Davis : 'Human Behaviour at Work'
2. Stephen Robbins : 'Organizational Behaviour'
3. Dr. Anjali Ghanekar : 'Organizational Behaviour'
4. V. G. Kondalkar : 'Organizational Behaviour'.
5. Luthans Fred : 'Organizational Behaviour'
6. Steven L. Mchane & Mary AnVan Glinow : 'Organizational Behaviour'.

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Unit-3

Organizational Conflict and Negotiation

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3.0 Unit Objectives :

After studying this topic student can understand :

- 1) Concept of Conflict and Negotiation
- 2) Types, Source and Levels of Conflict
- 3) Traditional and Modern Approach to conflict
- 4) Functional and Dysfunctional Conflict
- 5) Resolution of Conflict
- 6) Bargaining Strategies, The Negotiation Process, Individual difference in negotiation effectiveness, Third party negotiations.

3.1 Presentation of subject matter :

Organisational conflict is a vital aspect of the study of organisational behaviour. Organisations are social organisations, because people work together to attain organisational objectives. There may be differences in the opinion of the people. These differences may result in conflict. Conflict was considered to be harmful, however, it is accepted worldwide and it may give certain benefits and vision to analyse oneself. Therefore, one should know the concept of conflict, organisational conflict, its sources and approaches to deal with the conflict.

Today's organisations are becoming more complex due to change in technique, technology, competition, legal and environmental issues. This results in increase in the stress amongst members in the organisation. Excessive stress is dysfunctional and it has ill effects. Therefore, it is important to study what is stress? What is job stress and its symptoms. An attempt should be made to identify the causes of stress, so that one can manage the stress. This unit also touches on identifying causes of stress, measurement of stress and how to manage the stress.

Introduction :

As organisations became more complex, the potential for the amount of stress increases. Urbanisation, industrialization and the increase in scale of operations are causing increasing stresses. These are the inevitable consequences of socio-economic complexity. People feel stressed, as they can no longer have complete control over what happens in their life.

Many people experience high or moderate degree of stress in their daily life. A feeling of frustration, dissatisfaction, psychosomatic and psychological disorders in the life of individuals reflects in high stress. Even psycho-social stress has been also increasing due to change in physical and socio-cultural environment in the society and modern life style of the people.

The modern organisations presently recognised that people face various types of stress in their daily work and personal life. Stress is an inherent part of life; it cannot be totally eliminated. There is no escape from stress in modern life. People working in every place; develop emotional or physical problems, which results in stress. The reason for it may be temporary or enduring, reasons may vary from place to place and person to person.

3.1.1 Organisational Conflict and Negotiation :

Every organisation has its own members. If members have the right to express their differences and solve their conflicts within it, organisation becomes more stable. Organisational conflict is an inevitable phenomenon. Earlier, conflict was considered to be harmful, but now it is accepted worldwide that moderate level of conflict is good for the organisation.

Organisational conflict starts from latent status, then it travels through perception and ultimately it gives its outcome. Organizational conflict originates from individual, between individuals, groups and between groups. It is expected that the managers of the respective organisations have to keep organisational conflict at a moderate level. Similarly, if there is absence of conflict, it needs to be stimulated as absence of conflict is also not a good sign for organisational performance and liveliness. Organisational performance has a relationship with organisational conflict. When organisational conflict is at peak or higher level, the organisational performance will be extremely low. Even when organisational conflict is lowest, it would also result in to poor performance because lack of motivation stimulation would be in place if the conflict is at its low. The moderate level of organisational conflict would lead to high performance. Further, if organisational conflict is too high, it would adversely affect the organisational performance. Organisational conflict, though inevitable, is desirable also. Without effective means to handle the conflict, it can tear the relationship. It can restrict the exchange of ideas, information and resources. This situation, if persists, it works as hindrance to achieve

organisational objectives and goals. Organisational conflict is thus, helpful to increase awareness of what problems exist, who is involved and how to solve the problem.

Under current of ego battles between bosses can cause stress for subordinates and peers. The employee faces embarrassing stress in this situation as he or she cannot take side with either of the boss, and has to pretend to support, individually and severally, both of them. This is a case of inter personal and intra-personal conflict and organizational behavior leading to stress.

A) Organisational Conflict :

The study of organisational conflict is an important aspect in studying the dynamics of organizational behaviour. In present corporate environment conflict has become very common phenomenon. Conflict is bad as it has adverse effects on the individual performance. If conflict is beyond control it takes a destructive dimension. When employees do not cope up with the conflict situation, there is an increase in absenteeism and turnover of employees. It can be so disastrous that can lead to demise of an organization. American Firm Shea and Gould perished due to high degree of conflict. On the other hand it has been opinioned that conflict is good for the organization as it produces new ideas, increases competitive spirit, cohesiveness in the team and installs an atmosphere of brotherhood in the organization. This is only possible if ideas are properly chanelised and there is proper delegation of authority, empowerment and autonomy in functioning.

3.1.2 The Concept :

The Webster's Dictionary defines conflict as "a battle, contest of opposing forces, discord, antagonism existing between primitive desires, instincts and moral, religious, or ethical ideals." Conflict occurs when two or more people or organizations disagree because their needs, wants, goals, or values are different. Hurt feelings, anger, bruised egos, and poor communication are all the precursors to conflict. However, conflict is not the end of the world, or your team or group.

- **Definitions :**

Conflict is defined by Thomas K.A. as the "process that begins when one party perceives that another party has negatively affected something that the first party cares about." Conflict must be perceived by either of the parties. Stiff opposition due

to incompatibility of organizational goals characterizes it. Conflict can also be caused due to difference about interpretation of facts or issues involved. Conflict takes an ugly turn and takes a form of violence due to disagreement based on behavioral expectations. It could be covert or overt and can be seen when one observes violent acts of individual in organizations.

Austin defines conflict as a "disagreement between two or more individuals or groups, with each individual or group trying to gain acceptance of its views or objective over others."

- Nature and Scope of Conflict :

Every organization has its objective. It is further broken down as departmental objectives, group goals and lastly individual goals. When individual interacts with another individual there is perceptual and communication problems that causes misunderstanding and leads to individual conflict situation. It is also true of groups. Group conflicts indicate the way of inter-group behaviour in an organization. This is more relevant in the Indian context, where inter-union rivalry is most cognizable. Inter-group conflict occurs due to group competition and group cohesiveness. This leads to a feeling of 'we' and 'they'. "We are always right and they are always wrong". Hence a beginning of conflict. Aims and objectives of various organizations differ drastically that give rise to greater competition hence a high level of conflict. Conflict can arise between employer and employees, management and workers, one department and another, stakeholders, shareholders, producer and customers and between various trade unions that are often politically motivated. Schein has pointed out that, this problem exists because as groups become more committed to their goals and norms, they are likely to become competitive with one another and seek to undermine their rivals' activities, thereby becoming a liability to the organization as a whole. The overall problem, then, is how to establish high productive, collaborative intergroup relations. Michael⁴ states that conflict can lead to breakdown in standard mechanism of decision making so that an individual or group experiences difficulty in selecting an action alternative. The breakdown may be because of competing demands on an individual or group rivalry and competition. There can be vertical and horizontal conflicts; or individual conflict, group conflict and organizational conflict.

Conflict can be considered as expression of hostility, negative attitude, aggression and gross misunderstanding. It is caused due to varying interest of

individual or groups. Pondy has described that the term 'conflict' is used in four ways to indicate

1. Antecedent conditions of conflictual behaviour, such as scarcity of resources.
2. Affective states of individuals involved such as stress, tension, hostility, anxiety etc.
3. Cognitive state of individuals, that is their perception or awareness or conflictual situations.
4. Conflictual behaviour, ranging from passive resistance to overt aggression.

3.1.3 Types of Conflict :

As discussed earlier, organizations exist on various groups and departments where scarce resources have to be put in to use through various processes. Systems and subsystems exist in the organizations that are managed by individuals and work teams or work groups. While interacting with each other on individual, team or group levels, there may be occasions when conflict occurs due to perceptual differences. The conflict may be intra-personal, inter-personal, intra-group, inter-group or intra-organizational in nature.

These are discussed below.

- Intra-personal Conflict: Intra personal conflict is also called the conflict within the individual. This type of conflict can be of two types

(a) **Value conflict** : Every individual has to play certain roles, which conforms to his value system. However, there are certain situations when an individual may have to compromise on value system and beliefs. For example, finance manager of an organization, while submitting tax returns to the government may conceal some facts, which may go against his belief and value system. This situation may cause tension and conflict within the individual.

(b) **Decision-making** : Problem solving is one of the important jobs every individual has to undertake in work environment. Every problem has various courses open. At times it is difficult for a person to select an appropriate course of action. This situation causes conflict within the individual. He therefore will have to take decisions based on the past experience and the knowledge. It may be noted that decision-making has become simpler these days due to firstly; information

technology where required data is available and secondly, group decision is the norm in most of the organizations.

- **Inter-personal Conflict :**

Inter-personal conflict relates to conflict between two or more individuals and is probably the most common and recognized form of conflict. Interpersonal conflict is caused due to disagreement over goals and objectives of the organization. These are heightened due to difference of opinion of individuals and when issues are not based on facts. Every organization is full of unresolved issues, problems and differing situations that lead to conflict. Conflict can also take place between one person of a group with another person of the same group or another group on issues relating to decision-making. Individuals may have a difference of opinion on selection of a particular course of action that will lead to disagreement and often result in the conflict. It is the merit of the issue, and willingness of members of the organization to accept the others point of view that will avoid the conflict situation.

- **Intra-Group Conflict :**

Intra-group conflict relates to values, status and roles played by an individual in the group and the group norms. Individual may want to remain in the group for social needs but may disagree with the methods and procedures followed by the group. The conflict may arise when social changes are incorporated in the group. When group faces new problems and when values are changed due to change in social environment. Intra-group conflict is like Inter-personal conflict except that the people involved in the conflict episode belong to a common group.

- **Inter-Group Conflict :**

Conflicts between different groups, sections and departments are called inter-group conflict. For example, conflict between production and sales departments over the quality being produced and the customer requirements. Inter-group conflict causes due to factors inherent to the organizational structure like independence, inconsistency in various policy matter, variance on promotion criteria, reward system and different standards being adopted for different sub-units and departments. Organizational objectives can only be achieved when all departments work towards attainment of organizational goals. This is possible when interactions between departments are smooth and cordial. Conflict can be avoided by better

communication between departments, joint decision making, removing disparity in group goals and paying due respect and displaying concern for other group's views.

- **Inter-Organizational Conflict :**

Inter-organizational conflict takes place between two dependent organizations. Conflict can take place between government organization, unions and the operating industry. Government organizations function to ensure that minimum standards are followed by the organizations. Managers must try and reduce inter-organizational conflicts by adopting positive approach and by following strictly, the rules and regulations laid down by the government agencies. Conflict can also take place between seller and buyer organizations.

Intra-Organizational Conflicts

Intra organizational conflict encompasses horizontal, vertical, line–staff and role based conflicts. Let us briefly study these situations.

Horizontal Conflict

Horizontal Conflict is caused due to incompatibility of goals, sharing limited resources and difference in time orientation. It leads to tension, misunderstanding and frustration on the part of both the parties. Horizontal conflict relates to employees or group at the same level. Organizational goal at implementation level vary from department to department. Finance department may not be able to spare additional amount as may be required by research and development department for new product development, which may cause tension, misunderstanding between two individuals or departments. Individuals may not be able to meet the targets of production in given time due to variety of reason that may cause conflict with sales department as the latter would like to flood the market with their product to make the presence felt. It has been seen that due to increased interdependence of individuals or groups to carry out various functions, situations do arise where there is difference of opinion on issues that cause conflict between individuals or groups.

Vertical Conflict

Vertical conflict refers to conflicts that might take place between different levels of hierarchy. Conflicts between subordinates and superior occur due to incompatibility. It is generally caused because of differences in perception, value system, goals that may be assigned, cognition and difference in individual behaviour.

Conflict is also caused due to inappropriate communication between individuals at two different levels.

Line and Staff Conflict

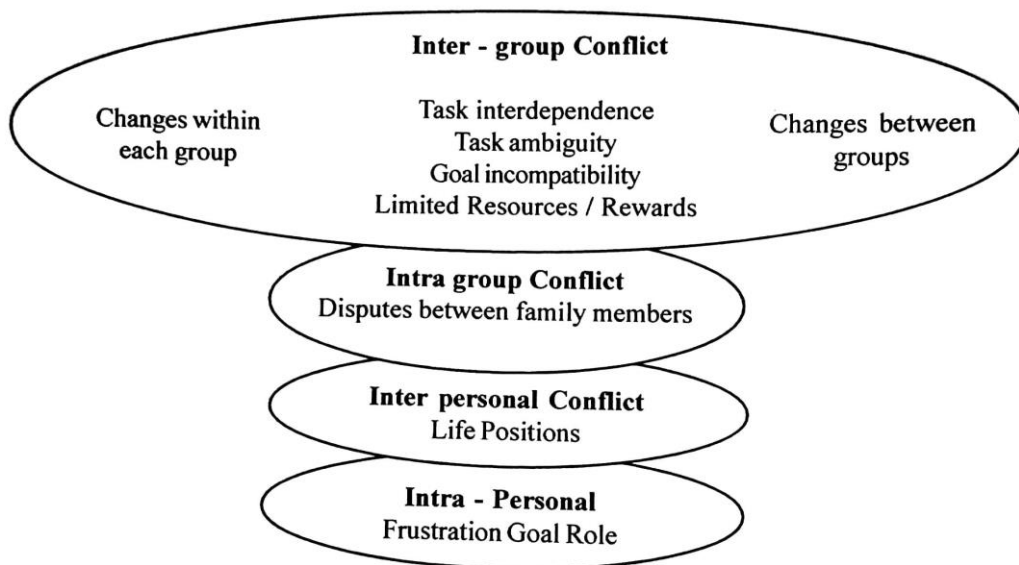
Line and staff conflict has been traditional. Line authority creates product and services and contributes directly towards the revenue generation. While staff authority assists line authority and acts in advisory capacity staff and line authority have a different predispositions and goals. They have different skills and expertise. Since staff authority (managers) are in the chain of command and have a day to day access to the top boss, have a tendency to dictate terms to the line authority and usually disregard the working knowledge of the line authority. They have tendency to dominate and disregard the efforts put in by line authority managers. On the contrary staff managers have a technical know-how and they are able to advice the line authority to cut down cost of production and save on wastage etc. Line authority does not like their advice at times. Staff managers get frustrated when their suggestions and ideas are not implemented by line managers and hence the cause for conflict. In the process the organizational goals are not achieved as per plans.

Role Conflict

A person in an organization has to perform various roles. Conflict arises when roles assigned to him have different expectation. 'Time' management may cause conflict. A person may be asked to take care of an additional section in the absence of section head. Value system in an organization is also a cause for conflict. Supervisor is asked to be honest while he is dealing with sale of the product while the same person may be asked to pay commission to an official from whom a sanction is required to be obtained, thereby causing a conflict situation in the ethical value system of an individual. When an individual is line or a staff employee and also a union representative, has to perform duties of conflicting nature hence a role conflict.

3.1.4 Sources and Levels of Organisational Conflict :

Study of organisational conflict Resentially involves a study of sources and levels of organisational conflict. The different levels of conflict in organisational life are - intra - individual, inter - individual, intra - group and intes group conflict. These levels are described below.



(Source - Organisational Behaviour - K. Ashwathapp pp.460)

Intra Personal -

- There could be conflict within an individual himself. Such conflict may form following categories.
- approach-approach conflict - An individual is attracted as well as repelled to some event, object or situation.
- avoidance - avoidance conflict - An individual is repelled to two equally unappealing alternatives.
- multiple conflict - It is a combination of above categories.

Interpersonal :

- Interpersonal conflict may arise between different individuals in an organisation. The sources of such conflicts are formal. The people naturally differ over facts, goals, methods, norms, values etc. They have different interests and perceptions. The sources of interpersonal conflict are -
 - Perception - Value system - Resources
 - personality - status - Roles etc.

Intra - group :

- This conflict arises due to an individual's inability to conform or adhere to the groups norms. This conflict arises when differences over an issue crop up between the members of the group. The sources for this conflict are -

- novel problem faced by a group.
- new valued adopted in a group.
- Extra - group role contradicts with intra group role.

Inter group :

- This conflict is the conflict between different groups or task groups or structures in an organisation. The inter-group conflict arises when following sources become actively responsible.

- Existence of positive felt need for joint decision making.
- Differentiation of goals.
- Differences in perception of reality.
- Task ambiguity.
- Reward system differences.

3.1.5 Traditional and Modern Approach to conflict :

a) Traditional Approach :

During the earlier times of 20th century, conflict was considered to be bad and negative aspect. It was regarded as harmful, necessary and synonymous to violence. It was also considered that conflict arises due to absence of trust, poor communication, lack of open mindedness as well as failure of management in understanding employees needs. The view stressed further that conflict must be avoided. As it was considered as a negative aspect of organisation, conflict was not at all accepted at any level. Later on there was gradual development in the thoughts. But even during the evolution of administrative and scientific management schools, organisation structure was not accepting conflict in itself. The structure was properly developed for an organisation where rules and regulations were inbuilt in the structure of an organisation. There was a mechanism in the management system where adequate attention was paid by the managerial staff to ensure that there was no misunderstanding among the employees. Further the care was also taken to avoid

even a mild conflict emerging in an organisation. Thus, the traditional view was totally apposing the conflict at any level. Even a small or moderate conflict was not accepted in an organisational structure as conflict was viewed as bad and negative aspect of an organisation.

b) Modern Approach :

Modern approach is opposite to the traditional view of conflict. In modern approach, conflict is considered as necessary in organisational effectiveness. Peaceful, cooperative groups where conflict does not exist, are static and uninnovative as per modern approach. Conflict is desirable in an organisation as it keep the organisation alive. Conflict is also inevitable considering the variety of people working together with their perception. Thus, conflict should be integral part of an organisation. When there is interaction within an inter group, difference of opinion is bound to be there. Such disagreement may lead to conflict. Therefore, conflict should be considered as an inevitable and it should be managed effectively.

Conflict should be expressed. It enhances the communication and promotes growth. Moderate level of conflict may generate creative and innovative ideas. Similarly such conflict may create a competitive environment which results in increase in productivity. Due to conflict, analytical thinking, challenging views and competing alternatives may come out. Conflict can even serve as power equiliser between two partics. This can be observed during the union - management meetings. One powerful centre may, after discussion, tends to equalise itself as the discussion produceeds.

Thus, the modern approach towards conflict holds that conflict is inevitable. It is necessary to have conflict for keeping organisation alive, creative and innovrative. It also entances communication and productivity. It is necessary to manage the conflict effectively.

3.1.6 Functional and Dysfunctional Conflict :

Conflict that supports the individual and group goals, which leads to higher performance is called functional conflict while the conflicts that hinders individual or group performance is called dysfunctional conflict. The latter generally takes destructive form. There is thin margin between the two types of conflicts mentioned above. While evaluating the impact of conflict on goal achievement, individual perception and effect of group performance should be evaluated. If the conflict

contributes towards higher performance then the conflict should be called functional or otherwise dysfunctional. Conflict can be broadly classified in three types i.e. task oriented conflict, behavioural conflict and structural conflict or process conflict. Task conflict relates to the group goals or objectives to be achieved by the group while behavioral conflict relates to individual's value system, approach, attitude, ego state, skill and norms being followed by him. Studies reveal that most of the dysfunctional conflict fall under this category. Process conflict is related to how a task is being accomplished in the organization. It is related with various processes, procedures, drills and instructions that are being followed on a particular job. When individual differs in this regard, conflict arises. This type of conflict can be eliminated to a large extent by following strict discipline in the work procedure and adhering to the rules and regulations. Positive points of functional conflict is as under:

- **Functional Conflict :**

1. Conflict develops cohesiveness within the group members. A group goal therefore becomes a priority. Individual goals are then relegated to secondary position.
2. Conflict leads to innovation and creativity, as there is competing spirit among various groups.
3. Conflict provides challenging work environment and enhances opportunities for self-development of group that leads to formation of group norms.
4. Enhance work culture leads to upgradation of various systems within the organization and therefore growth is achieved.

- **Dysfunctional Conflict :**

Conflict may turn out to be detrimental and disastrous and having deleterious effects. Dysfunctional nature of conflict can be identified in the following circumstances:

1. When conflict does not lead to solution.
2. When basic goals of the organization are neglected.
3. People should be treated with due respect. If it is violated and a climate of distrust and suspicion is created people feel defeated and demeaned which develops antagonism and leads to conflict.

4. Conflict may lead to absenteeism and subsequently to increased turn over if not controlled in time.
5. Dual management style may create hatred and lead to dysfunctional conflict.
6. Disagreement with management may be considered as disloyalty, if this environment prevails, an opportunity for creativity would be lost and employees would loose interest in their job. This would lead to increased conflicting situations.

3.1.7 Resolution of Conflict :

Conflict between parties can be resolved by five different modes. Parties involved may adopt any of the following solutions, which are explained below.

Avoidance : One or both parties could avoid facing the conflict. The situation pertains to un-cooperative and unassertive behaviour on the part of parties involved. A Party may avoid facing B Party. When situation reaches a point of negligence by A Party, B Party may take advantage of the situation. By avoiding, the individual might side step, postpone or even withdraw from the conflictuating situation. This strategy is useful when issues involved in conflict are of a very minor nature or when more important issues deserve attention. This strategy suits a manager whose power base is very low and there is no chance of satisfying one's own concerns. Avoidance strategy should be applied when one feels that people in the organization should cool down so that the issue can be handled at a later date in a better psychological environment. The issue can also be postponed if additional information is required to be obtained. Avoidance is a poor strategy hence if someone else is able to handle the situation of conflict more effectively, should be allowed to do so. Managers having high score on avoidance as a strategy of conflict management, may suffer from delayed decision making and hence the loss to the organization. Those who have a low score on avoidance thereby wanting to attend to every single issue may spend lot of time on every trivial issue, hurt people's feelings and stir hostility in the organization that should be taken care of.

Competing : This strategy may be adopted when other strategies of conflict resolution are not workable. Competing is also useful in emergencies where quick decisions are required. In this strategy power must be used unilaterally as a weapon when unpopular decisions like termination, pay cuts, layoffs, cost cutting and

enforcing discipline are required to be taken. This strategy is based on win-lose principle of managing conflicts. The managers who are high on power base have an added advantage in using competing strategy because people from opposite side would not dare confront a person who is so powerful. There is a tendency that managers using this strategy should be careful about 'yes' men around them. They should identify conflicting situations and take bold decisions based on win-lose strategy. On the other hand there are managers who are low on competing mode, are likely to feel powerless in many situations. Not realizing that though they have power but they are not comfortable using it. By trying to use power, one could enhance one's achievement. Another drawback in scoring low is that such individuals find it difficult to take bold stand on various issues concerning organizations. In situations when a manager is very low on 'concern for the people' may postpone vital decisions on matters pertaining to subordinates that may be detrimental to organizational effectiveness.

Collaborating : Strategy of collaboration involves attempt of one party to work with the other party in cooperative manner and find solutions to the problem for mutual benefits. The strategy involves identification of areas of disagreement, examining the issue in greater detail and a workable solution arrived at, which is for mutual benefit. This strategy signifies when two sets of solutions are important for both parties to be compromised. Hence finding integrated solution becomes imperative. This strategy signifies joint efforts, gain for both parties and integrated solutions arrived at by consensual decisions. Sekaran concluded that when people are high on collaborating, they have to be concerned about how they spend their time and other organizational resources. Collaboration is time and energy consuming. Not all situations need collaborative solutions. Excess use of collaboration and consensual decision-making may reflect risk aversion tendencies or an inclination to defuse responsibility. When people score low on collaborating, they may fail to capitalize on situations, which would benefit immensely from joint problem solving. Also by ignoring the concerns of employees, decisions and policies may be evolved, which make the organizational members both unhappy and uncommitted to the system. The strategy attempts a win-win solution to their goals

Accommodating : In accommodating mode a person scarifies his own interest for accommodating other person's interest. It is form of selfless generosity, obeying other person's point of view. This mode is usually adopted when other person's view

is stronger, you want to achieve goodwill and indicate that you are reasonable. This strategy of conflict resolution is important when you want other person to give at a later date when it favours you. Sekaran concluded that when people are high on accommodating score they might be differing too much to the wishes of others and pay very little attention to their own ideas and concern even though they may realize that they are not getting the attention they deserve. This might even lower one's self esteem in addition to depriving on the influence, respect and recognition from others, since it negates the potential contribution that individuals are capable of making to the organization. While individual low on accommodating score, they should start thinking about whether they lack the goodwill of others and whether others perceive them as unreasonable, uncompromising, rigid and demanding.

Compromising : In conflict situation, compromising is a mode when both parties try to find out some expedient, mutually acceptable solution that sacrifices both the parties partially. In compromising, there is no clear winner or loser. None of the party is fully satisfied as they ration the object of conflict and accept the solution which is not complete to either of the parties. In compromising, there is a possibility of an atmosphere of 'gamesmanship' in the work environment. There is also a possibility of compromising on certain principles of behaviour which is not desirable. Values, ethics, principles and long term objectives of the organization must be protected while adopting compromising. When people are tough to compromise, they find it hard to make concessions and land up in power struggle that must be avoided. Compromising policies can easily be adopted when competing or collaboration strategy fails. Research indicates that people have underlying disposition to handle conflict in certain ways. Especially individuals have preferences among the five conflict handling intensions. Their preferences tend to be relied upon quite consistently, and a persons intensions can be predicted rather well from a combination of intellectual and personality characteristics. When confronting conflict situation, some people want to win it at any cost, some wants to find an optimum solution, some want to run away, others want to be obliging, and still others want to "split the differences" (Robbins Stephen P.)

B) Negotiations

It is a part of everyday life though it is mainly used as a tool of conflict resolution in many organizations. Walton and Mckersie described negotiation as 'deliberate interaction of two or more complex social units which are attempting to

define or redefine the terms of the terms of their interdependence.’ Gottschalk defines negotiation process as ‘an occasion where one or more representatives of two or more parties interact in an explicit attempt to reach a jointly acceptable position on one or more divisive issues.’

Negotiation is not only a ‘ritual’, but it is a ‘process’. It allows the representatives of different interest groups to reach a mutually acceptable settlement of an issue. Negotiating is a skill that can be learned and improved upon by the interested groups or parties or any one.

The most common examples of negotiation is that of collective bargaining between the trade union and management. For example the management may agree to increase the wages of workers by Rs. 1,000 p.m. on a condition that workers improve productivity by 8%. Thus, the union can accept this appreciating that it is possible and both the groups would be satisfied with this. The terms ‘negotiation’ and ‘bargaining’ is used interchangeably by many renowned authors. The importance of negotiations has considerably increased in recent times. With the complexities in organization, emergence of teams, matrix structures etc., negotiation has become important.

3.1.8 Bargaining Strategies :

A) Distributive Bargaining :

This strategy involves dividing a fixed amount of resources among the negotiating parties. The significant feature of this method is that it operates under zero-sum conditions. In such condition, one party gains certain amount in the process while the another party suffers almost the same amount of loss which the other party has gained. This form is also known as win-lose strategy apart from zero sum. In this distributive bargaining, each party has certain resistance point, which represents the lowest outcome that they are willing to accept. If the outcome falls below that resistance point, the negotiation process can be called off. The area between target and resistance point represents aspiration range of each of negotiating parties. aspiration range of each of negotiating parties. If the resources are limited, each party bargains aggressively and treats the other party as a rival or competitor.

In an organisation, if a labour union and management agree to enhance the salary by 6% with no additional burden on employees, it is a loss of 6% of additional salary on the management and revenue gain for employees without additional

burden. This is, therefore, called as win-loss strategy. Here, one party is at an advantages while almost equal amount of loss is suffered by the another party.

B) Integrative Bargaining

This strategy is based on an assumption that there exists one or more solutions to a problem that could result in a win-win situation. This is opposite to distribution strategy. While distributive strategy assumes that there is no solution which satisfies both parties as one of the parties has to suffer and another gets an advantages the integrative strategy is better as it provides solution which satisfies both of the parties. It develops long term relationship between the negotiating parties. It eliminates differences and ensures cooperation of parties involved in negotiation. There is no winning or losing for any of the parties who aspire negotiation. Both the parties get something which they intend under negotiation, for this purpose, the parties have to be honest while negotiating. Trust matters most in such negotiation. Apart from these, the negotiating parties need to show some flexibility also in order to reach at a settlement which will be beneficial for both.

Suppose there is negotiation between the management and trade union on wage Like. Management is ready to give pay Like to its employees from them. If the trade union agrees with this, the employees also get additional wages. The burden is not on management as the increased efficiency will add to the revenue. Apart from the distributive and integrative approaches there are few other approaches also though these two approaches are more popular and widely used in the negotiation process. These two approaches are briefly discussed below.

C) Attitudinal Structuring

This approach functions to influence the attitudes of the participants towards each other. The negotiating parties try to influence each others attitude. By influencing the attitude, an attempt is made to reach a settlement which can be agreed upon by both of the parties.

D) Intra organizational Bargaining

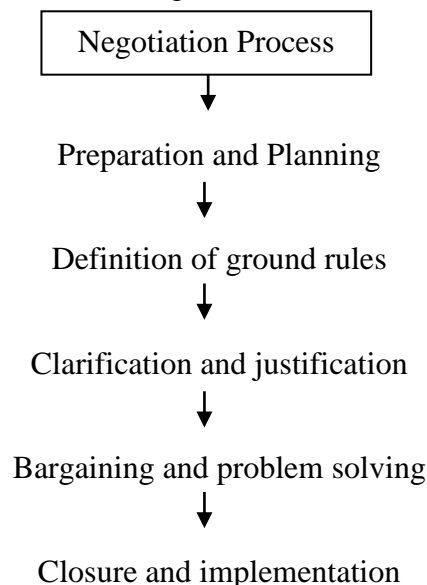
This approach function to achieve consensus within each of the negotiative groups or parties. Here, the bargaining within the groups and they try to reach to a consensus. This consensus can be reached by deliberations and extensive discussions. This approach reaches the settlement but it may take some time to solve the issue.

3.1.9 The Negotiation Process

Negotiation is basically a process of advancing proposals, discussing and criticizing them, explaining and exploring their meaning and effects; seeking to secure their acceptance, and making counter-proposals or modifications for similar evaluation. (Dale Yoder). Primarily, the purpose of negotiation is to reconcile differences between management and union as well as to devise ways of advancing the common interest of the parties. Negotiation process may take the character of mutual problem solving. The process involves the recognition of common interest of the parties, the areas of agreement and disagreement and possible solutions, to the mutual advantage of both sides.

Negotiation process in respect of labour contract, can be depicted as a) a poker game, with the largest pots going to come up with a strong hand on the occasions on which they are challenged or seen by other side, b) an exercise in power politics, with reference to relative strength of decisive parties, c) a debating society marked by both rhetoric and name calling; and d) a rational process with both sides remaining completely flexible and willing to be persuaded only when all the facts have been dispassionately presented. (Dunlop and Healy). Preparation, if properly done, can reduce uncertainty, improve communication and contribute to effective negotiation. The process of negotiation consists of five stages as discussed below:

figures 3.1



These steps are briefly described below.

1) Preparation and Planning

Before starting the negotiation, the background of the conflict, reasons which led to the conflict have to be understood. Once the reasons are identified, goals are to be set and written to ensure that the process does not distract from its objectives. While setting goals, which achievements are sought by the parties of the negotiating process. Each of the negotiating parties has certain high priority objectives. If these objectives are not satisfied in the process, the agreement is not reached. The best alternatives are then offered which satisfy the objectives of high priority. Negotiating parties with their own strategy, discuss the basic rules and procedures to be followed in the process. The strategies are also planned.

2) Defining ground rules

The negotiating parties arrive at the negotiating table with their strategy. The basic rules are defined. If there are several members in the negotiating party, the person who represents the group is identified. The issues to be discussed, time limit for negotiation, orders and priorities of the parties are also decided. Then the probable strategies are discussed and finalized. The list of demands and proposals are put forward in the process and then the rules are identified.

3) Clarification and Justification

Once the demands and proposals of the negotiating parties are presented, both of the parties attempt to clarify any doubts which may arise with regard to the demands or proposals by their opponents. The negotiating parties explain the justification behind the demand put by them. The documents in support of their rationale or justification are also presented in the process of negotiation. This process justifies and clarifies the demands of the negotiating parties and prioritizes the demands so as to reach a settlement.

4) Bargaining and Problem Solving

The demands put forward by the negotiating parties should not be such that they act as a hindrance in the process. The important and unimportant demands are initially put together. In the process of negotiation, some unimportant demands are dropped to arrive at a consensus. If some issues are critical and difficult to solve or settle, that issue is set aside and other issues are solved quickly. The critical issues are solved

later. If conflict is getting intensified, there has to be some kind of break in the process to ease the tensions. Lateran, more conducive environment is created for peaceful negotiations. This gives time to think over their strategies and modify them if necessary.

5) Closure and implementation

After the bargaining, the parties arrive at an agreement which is mutually acceptable. The agreement is the result of several rounds of discussions and deliberations. The final agreement is then formally written and signed by both the parties. This is followed by the establishment of procedures to be implemented and monitored for effective implementation of the agreement.

3.1.10 Individual differences in negotiation effectiveness

It is known that the personal characteristics influence how effectively the negotiation process is implemented. Hence, naturally the individual differences have an impact in the effectiveness of negotiation. Positive expectations and comfort can yield better results in the negotiations. Broadly, abilities, personality the key areas of individual differences. In the following table, these differences and their impact on negotiation effectiveness has been explained.

Table No 3.1

Individual differences vis-a-vis negotiation

Key Individual Differences	Drivers of Differences	Impact on effectiveness on negotiation
Personal Background characteristics	Age, Sex, Culture, Experience in negotiation, Education, Personality, Religion, Appearance, Socio economic status	These characteristics influence not only the behavior of negotiator, but also the way others treat them.
Abilities	Cognitive intelligence, Emotional intelligence, Cultural intelligence, Creativity.	Better these abilities, valuable it is for boosting win-win outcome.
Personality Traits	Extraversion, openness, Self	These traits have minimal influence on negotiation

	esteem Traits, Agreeableness	process. These traits tend to be liability in strictly competitive situation.
Motivation	Concern Risk Propensity Pro social	These characteristics help to reach win-win agreement. Concern leads to better outcome.
Expectation and belief	Self efficacy Implicit belief Ethics.	Ethics may leave negotiators less satisfied.

The individual differences and their impact on negotiation process is explained further, as summarized in the above table, in detail as below:

1) Personal background Characteristics

These characteristics are age, sex, culture, education, experience in negotiation, religion, appearance, have a huge impact of the behavior of negotiators. Similarly, these characteristics also influence the way the other people them. Sometimes, the personal bias about religion and culture may largely affect the process of negotiation. Better appearance, education may positively influence the negotiation process.

2) Abilities

The negotiators, with certain abilities can perform better. These abilities include cognitive intelligence, emotional intelligence, cultural intelligence creativity. If these abilities are present with the negotiator, it is easier for him to understand the purpose of negotiation. These abilities also help him in understanding justification of demands put by the parties. This is helpful in coming out with a better solution or agreement. These abilities take the process of negotiation to result in a win-win outcome.

3) Personality traits

The traits like openness, communication, self esteem, agreeableness are generally known as important characteristics. But in the process of negotiation, such traits have a very minimum impact on effectiveness of negotiation process. Further, sometimes these traits become liability in the process as these characteristics like self esteem are proved to be hindrance in the process.

4) Motivation

The ability to have concern about oneself, risk propensity, being prosaically are some motivational characteristics. These characteristics have proved to be helpful in reaching positive outcome in the negotiation process. If negotiator does not have these qualities, it becomes difficult to come out with solution. But if negotiator and/or the negotiating parties have these abilities, the process of negotiation result in a better outcome, which satisfiers both if the parties.

5) Expectation and belief

Self efficacy, implicit belief and ethics are the characteristics which are subject to individual differences. Particularly if the parties stick to ethics and self efficacy it be comes difficult to arrive at a positive outcome. Similarly implicit belief also acts as hindrance in the process of negotiation. Even if the process gives the result, its outcome leaves the parties less satisfied.

Using these individual differences and understanding their impact on the process of negotiation, one can think of some ways of increasing effectiveness in the negotiation process with understanding of individual differences.

Personality traits are difficult to change. But holding positive expectations and beliefs, adjusting the comfort level, positive mental frame are some of the characteristics which can hold good in the process of negotiation. The negotiation parties may have differences in abilities, but the abilities and traits of the negotiator largely impact the process of negotiation. This impact can be positive as well as negative depending on the situation is handled.

3.1.11 Third Party Negotiations

Generally, there are two parties in the negotiation process. There are issues of conflict among these parties and through negotiation, they try to solve the conflict by arriving at a solution which is acceptable to both of the parties. But sometimes, Even after the negotiation, a solution is not reached or even the process of negotiation itself remains income late due to the non-cooperation or personal differences or any other reasons like lack of proper communication, no proper middleman to facilitate negotiation etc.

In such a situation, a third party, which is not related with any of the negotiating parties, comes in to the picture. Third party acts as a catalyst who helps in conflicting

parties negotiate when they can not do so by themselves. Negotiation in such case, is not just a arbitration. In third party negotiation, the conflicting parties are committed to accept the solution given by the third party.

Role of Third Party Negotiator

There are different roles played by third party negotiator. These roles are briefly explained below.

1) Arbitrator

Arbitrator is a natural third party who has the legal power to bind both of the parties in an agreement determined by arbitrator. Generally arbitrators are legally appointed and all the conflicting issues are third to be legally solved. Legally, the solution so reached has to be accepted by the conflicting parties.

2) Mediator

Mediator is slightly different from that of arbitrator. Mediator is not necessarily a legal person. Normally, mediator is a person who is known to the conflicting parties and both of these parties have faith in him. The issues of conflict are not necessarily legal; but some issues are conflicting due to different perceptions or differences among the parties. As mediator is more of friend than a legal arbitrator, the process is more friendly and flexible to both of the parties. The outcome reached in this process is accepted by both of the parties as this results in more win-win type of solution to both of the parties.

3) Conciliator

Conciliator is a trusted third party whose role is to ensure that a steady flow of accurate information exists between the negotiation parties. In this type of third party negotiation, conciliator focuses more on flow of information. The demanding parties, their justification and the relevant information is constantly verified so that the authentic information flows in the process and no unnecessary or false statements come into picture. As the conciliators are trusted, the solution reached in the process is also accepted by both of the parties.

4) Consultant

A consultant is a third person who teaches and advises the negotiating parties on skills and techniques of negotiation. Normally, consultant is a qualified, educated

and technically competent person. He can independently think on conflicting issues and come out with practical solution. The approach of consultant in this process is generally very professional. He uses his skills, expertise in the subject to understand the issues. His applications and analytical thinking facilitates the proper solution to conflicting issues. Thus, the consensus can be reached in the process of negotiation which can be accepted by both of the parties.

3.2 Summary :

The term conflict is used to describe differences among individuals. Traditionally, conflict was treated as negative concept. Conflict was not accepted in an organisational structure. But the modern view of conflict states that absence of conflict is not good sign. The presence of conflict keeps an organisation alive, innovative and creative. It also holds the view that conflict enhances the communication within the organisation. Thus, conflict is an inevitable part of any organisation. Moderate level of conflict is welcome and there are positive results of conflict as well, what is necessary is that such conflict has to be managed effectively and kept at moderate level to avoid organisational disturbances.

The conflicts may create instability in any organization. Hence it is needed to resolve the conflicts as early as possible. This mechanism can be done through the process of negotiation. Negotiation helps the parties to arrive at a conclusion which is mutually acceptable to both of the parties. There are mainly two strategies of negotiation viz, distributive and integrative. But apart from this, attitudinal structuring and intra organizational bargaining can also be considered as strategy of negotiation, Proper planning, defining rules, justifying demand and implementation are the steps for successful negotiation.

There can be individual differences, but with the help of some traits and technique use, the positive impact of these differences can be possible. Sometime, there is very low possibility of negotiation particularly when the parties stick to their demand. In such cases, third party negotiation can be done. This negotiation can be through arbitrator, mediator, conciliator or a consultant. This facilitates arriving at mutual consensus on settlement of conflicting issue.

3.3 Terms of Remember :

- **Conflict** - Process that begins when one party perceives that another party has negatively affected something that the first party cares about.
- **Functional Conflict** - Conflict that supports the individual and group goals, which leads to higher performance.
- **Dysfunctional Conflict** - Conflict that hinders individual or group performance.
- **Negotiation** – A deliberate interaction with two or more conflicting parties to resolve the issue.
- **Distributive Bargaining** - The process of negotiation where one party suffers the loss which is almost equal to the gain received by the another party.
- **Integrative Bargaining** - The process of negotiation where both parties arrive at a mutual consensus with win-win situation.
- **Third Party Negotiation** - It is the process when two parties can not come to an acceptable solution to the conflict and a person other than these two parties act as negotiator to solve the issue.

Check your Progress.

- 6) Negotiation is a
- a) Process b) ritual c) routine activity d) conflict
- 7) Third party negotiation is
- a) always necessary b) sometimes necessary
c) compulsory d) all of the above
- 8) arrives at a win-win situation
- a) Distributive b) Integrative bargaining
c) Attitudinal structuring d) None of the above
- 9) is not a role of third party negotiation
- a) A consultant b) An arbitrator c) A mediator d) An advocate

Answers

- 6) a 7) b 8) b 9) d

3.4 Exercise :

(A) Write short notes on the following.

- i) Functional conflict
- ii) Role conflict
- iii) Conflict management
- iv) Positive aspects of conflict
- v) Traditional view of conflict
- vi) Inter-group conflict

(B) Answer the following.

- i) Explain the concept of conflict. What are traditional and modern views of conflict?
- ii) Discuss various types of conflicts in an organisation.
- iii) Explain the nature and scope of conflict.
- iv) What are the sources and levels of conflict?
- v) What is functional and dysfunctional conflict?
- vi) Explain the techniques of resolution of conflict.

3.5 Books for Further Reading :

1. Aswathappa K. (2016) : Organisational Behaviour, Himalaya Publishing House, Mumbai
2. Khanka S. S. (2014) : Organisational Behavior, S. Chand and Sons, New Delhi
3. Subba Rao P. (2015) : Organisational Behaviour, Himalaya Publishing House, Mumbai
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5. Srivastav A. K. (1999) : Management of Occupational Stress, Gyan Publishing House, New Delhi

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7. McShane S. L. and Vone Gline (2001) : Organisational Behaviour, Tata McGraw Hill Publishing Company Ltd., New Delhi.
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Unit-4

Organizational Culture and Quality of Life Work

Unit Structure

4.0 Objectives

4.1 Introduction

4.2 Presentation of Subject Matter

Organizational Culture and Quality of Work Life

A] Organizational Culture

4.2.1 Introduction

4.2.2 Meaning and Definition

4.2.3 Types of Culture

4.2.4 Functions of Organizational Culture

4.2.5 Creating, Sustaining and Changing a Culture

B] Quality of Work Life

4.2.6 Concept of QWL

4.2.7 Principles of QWL

4.2.8 Constituents of QWL

4.2.9 Quality of Work Life in Indian Context

4.2.10 Managing Work Life Conflict in Organizations

Check your Progress

4.3 Summary

4.4 Terms to remember

4.5 Answers to check your progress

4.6 Exercise

4.7 References for further study.

4.0 Objectives of the Unit :

After studying this unit you will be able to-

1. Understand the concept of organizational culture.
2. Understand the functions of organizational culture.
3. Know the concept of Quality of Work Life and constituents
4. Understand the Quality of Work Life in Indian Context.
5. Understand Constituents of Quality Work Life.

4.1 Introduction:

In the previous unit we discussed organizational conflict and negotiation. Organizational conflicts, Quality of Work Life and organizational culture cannot be studied separately because they are closely correlated. Culture has great impact on the working of the organization. Many aspects in culture have positive or negative impact on Quality of Work Life and conflict. A group of individuals works together to achieve the organizational objectives. Culture is nothing but customs, belief, morals, law, art habits, values and norms that are shared by the individuals in being in the people. Organizational culture is a belief, value and norms system adopted and shared by members of organization. The performance, relationships and satisfaction of employee mainly depends up on organizational culture. The initial part of this unit also focuses on creating culture, sustaining the culture and changing the culture.

The experiences of the employees at the work are different for each of them. The concept of the Quality of Work Life (QWL) is the quality of relationship between employees and the total working environment. The QWL offers certain benefits to the employees and ultimately to the organization. The later part of this unit focuses on the constituents of quality of work life and QWL in Indian Context.

4.2 Presentation of subject matter:

[A] Organizational Culture:

4.2.1 Introduction:

Culture is the set of important understandings that members of a community share in common. It is the collection of shared (stated or implied) beliefs, values, rituals stories, myths and specialized language that foster a feeling of community

among organization members. It consists of a basic set values, ideas, perceptions, preferences, concept of morality, code of conduct, patterns, explicit and implicit of and for behavior acquired and transmitted by symbols etc. which create distinctiveness among human groups. Organizational Culture is considered as a vital factor in the organization in enhancing employee performance and satisfaction. In recent years the concept of organizational culture has been recognized as a major dimension for the understanding and practice of organizational behavior.

Social culture creates the wide ranging situations in which organization operates. It provides the multifaceted social system of values, customs, norms and laws in which organizational behavior occurs. According to Kurt Lewin, employee behavior is a function of interaction between personal characteristics and the environment around the people. Part of that environment is the social culture in which the individual lives and works, that provides broad bases as to how a person with a given background will behave.

People are affected by the culture in which they live e.g. a person growing in middle class family are taught the values, beliefs and expected behaviors are common to that family. The same is applicable in business organization. An individual working for Microsoft, Google, Wall-Mart, Tata Motors, Reliance, Infosys or any other organization with a firmly established culture will be taught the values, beliefs and expected behaviors of that particular organization. Just as society has a social culture; a workplace has an organizational culture.

4.2.2 Meaning and Definition:

The term culture is a broader and covers many aspects. It includes knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man in a society. While, organizational culture is a set of assumptions, beliefs, values and norms that are shared by an organization's members. This culture may be created by its founder, key members or it may have simply evolved across time. It represents key elements of the work environment in which employees perform their jobs. Organizational culture, though intangible, it is present and pervasive and it is affected by almost everything that occurs within an organization.

Definitions:

1. **Edger Schein**-“A pattern of basic assumptions invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that has worked well enough to be considered valuable and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.”
2. **Kouzes, Caldwell and Posner** - “Organizational culture is a set of shared; enduring belief communicating through a variety of symbolic media creating meaning in people’s work lives”.
3. **J.C. Spender** - “Organizational culture is a belief system shared by an organization’s members”.
4. **Ralph H. Kilman** - “Organizational culture has been defined as the philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that knit an organization together and shared by employees”
5. **Linda Smircich**- “Organizational culture is a system of shared values, assumptions, beliefs and norm that unites the members of an organization”
6. **Ralfa Linton** - “Organizational culture is the set of values that helps members understanding what the organization stand for, how it does things, and what it considers important”.
7. **Ricky W. Griffin** –“Organizational culture is the collection of shared beliefs, values, rituals, stories, myths and specialized language that foster a feeling of community among organization members”.

Thus, organization culture contains a whole complex pattern of beliefs, expectations, ideas, values, attitudes and behavior displayed by one and all the employees of the organization.

Characteristics of Organizational Culture:

Following are some of the agreed characteristics of organizational culture

1. **Inherently Symbolic:** Actions do, in fact, often speak louder than words. Some words or slogans may have great symbolic meaning. But often we need to read between the lines to discover true cultural meaning

2. **Historically Based:** Shared experiences, over extended periods of time, bind groups of people together are the important factors of organizational culture. We tend to identify with those who have had similar life experiences. Trust and loyalty, two key components of culture, are earned by consistently demonstrating predictable patterns of words and actions.
3. **Individual Autonomy:** Organizational culture involves the degree of responsibility, freedom and opportunities of exercising initiative that individuals have in the organization.
4. **Dynamic:** In long term, organizational cultures promote predictability, conformity and stability. Just beneath this apparently stable surface, however, change boils as people struggle to communicate and comprehend subtle cultural clues.
5. **Observed Behavioral Regularities:** Behavioral regularities such as use of common language, terminology and rituals related to esteem and conduct can be observed among the organizational participant.
6. **Structure:** Organizational culture includes the degree to which the organization creates clear objectives and performance expectations. It also includes the degree of direct supervision that is used to control employee behavior.
7. **Norms:** Standards of behavior exists and guidelines on how much to do can be observed among the organizational participant.
8. **Dominant values:** There are major values that the organization advocates and expects the participants share. For example- high efficiency, low absenteeism, high quality etc.
9. **Conflict Tolerance:** The degree of conflict present in the relationships between colleagues and work groups as well as the degree to which employees are encouraged to look conflict and criticisms openly is an important aspect of organizational culture.
10. **Philosophy:** There are policies that describe the organizational beliefs about how employees and customers are treated.
11. **Emotionally Charged:** People tend to find their organization's culture a comforting security blanket that enable them to deal with (or sometimes mask) their insecurities and uncertainties. Not surprisingly, people can develop a

strong emotional attachment to their cultural security blanket. They will fight to protect it, often refusing to question its basic values.

12. **Rules/Norms:** Organizational culture has distinguished norms of behavior of the people. These rules are strict guidelines related to getting along in the organization.

4.2.3 Types of Cultures:

There are two prominent types of cultures—

1. Dominant Culture and Sub Culture:

Large organizations have dominant culture and several sub-cultures. When we talk about organizational culture, we generally mean dominant culture. Dominant culture is a macro view that helps to guide the day to day behavior of the employees. They are attached to different roles, functions and levels. A dominant culture normally referred to as the organizational culture, reflects core values that are shared by majority of employees. This is distinctive personality of organization.

A sub-culture is a set of values shared by a small minority of organization's members. Sub-cultures are formed in departments, divisions and geographical areas, and reflect the common problems of employees who work in these areas. A sub-culture arises as a result of problems or experiences that are shared by the members of a department or unit. A sub-culture consists of core values of dominant cultures. There could be variation and clashes between a sub –culture and another and between the dominant cultures.

It is necessary for every organization to have a dominant culture because if there are only numerous sub-cultures, the value of organizational culture as an independent variable will lessen and the concept of shared behavior will no longer be effective.

2. Strong and Weak Cultures:

A strong culture is characterized by the organization's core values being intensely held and widely shared. The more members who accept the core values and the greater their commitment to those values is, the stronger the culture is. A strong culture has a great influence on employee behavior visible in reduced turnover, low absenteeism, increased comprehensive and positive attitudes. Strong culture has

some distortional consequences such as tending to group think, collective blind spot and resistance to change and innovation. It tends to discourage diversity.

Organization's core values are highly held and occasionally shared in Weak Culture. It is characterized by the presence of several sub-cultures, sharing of few values and behavioral norms by employees and existence of few sacred traditions.

The sub-types cultures are as given below-

1. **Unhealthy Culture:** There are organizations that have unhealthy cultures. One unhealthy trait politicizes internal environment that allows influential managers to operate independently and resist needed change. Unhealthy culture is characterized by a version of looking outside the box for superior practices and approaches.
2. **Mechanistic and Organic Cultures:** Mechanistic culture is mostly found in public sector companies which includes hierarchies, supervision, control, formalities and flow of authentic and communication from top to bottom. This culture follows the status quo strategy and resists innovation and aggressive on the part of employee. These organizations lack customer orientation and employee welfare.

Organic culture is mostly found in private companies. There is no rigidity in jobs and roles. Freedom is given to just themselves to the environmental requirements. The organic culture is characterized by emphasizing on task accomplishment, team work and free flow of communication.

3. **Authoritarian and Participative Cultures:** Power is concentrated with leader and the obedience to order and discipline are forced in authoritarian culture. An disobedience is punished severely to set an example to others. Authoritarian culture adversely affects on the initiative and innovativeness of employees.

On the other hand, there is decentralization of power and authority of decision making in participate culture. There is two way communication. Participative culture encourages the employee to be innovative.

Goffee and Jones have given four distinct types of culture.

These types depend upon two dimensions i.e. sociability and solidarity. The dimension sociability is people oriented and the solidarity is task oriented. According to Goffee and Jones, there are following four types of culture-

- 1. Networked Culture:** It is high on sociability and low on solidarity. The organization treats its members in a quite friendly manner and there is open sharing of information.
- 2. Mercenary Culture:** It is low on sociability and high on solidarity. The organizations with mercenary culture are task oriented and believe in competition.
- 3. Fragmented Culture:** Fragmented culture is low on both sociability and solidarity. There is little or no identification with the organization. It is the individual members commitment, productivity and quality of work which is of utmost importance.
- 4. Communal Culture:** It is high on both sociability and solidarity. The organizations with communal culture value both people and tasks. Work accomplishment is from committed people and there is relationship of trust and respect.

4.2.4 Functions of Organizational Culture:

Organizational culture has direct impact on employees' behavior. Organizational Culture performs several functions in the organization such as-

- 1. Understanding Values and Beliefs:** Culture provides shared patterns of cognitive perceptions or understanding about the values or beliefs held by the organization. This enables the organizational members as to how to think and behave in the expected manner.
- 2. Shared Pattern of Feelings:** Organizational culture provides shared patterns of feeling to the organizational members to make them know what is expected to value and feel.
- 3. Boundary Defining:** The most important function of culture is that it has a boundary defining role which means it provides a base for distinction between one organization and the other. Such base helps to identify easily the members and non-members of the organization.

4. **Facilitates the Generation of Commitment:** Organizational culture facilitates the generation of commitment by employee towards the organization larger than one's individual self-interest.
5. **Enhancement of Social Stability:** Organizational culture enhances social stability by holding the organizational members together and providing them appropriate standard for which the members should stand for.
6. **Control Mechanism for the Employees:** Organizational culture acts as a control mechanism that guides and shapes the attitudes and behavior of organizational members. It helps organizational members to stick consistently to the prescribed and expected mode of behavior.
7. **Ensures the Behavior in Expected Direction:** Organizational cultures perform the function of ensuring the behavior of all employees in the expected and same direction so as to achieve the predetermined goals.

4.2.5 Creating, Sustaining and Changing a Culture:

Organizational culture contains a whole complex pattern of beliefs, expectations, ideas, values, attitudes and behaviors displayed by all employees in the organization. A culture once established is likely to fade away with the passage of time and the environmental changes. This is discussed in the following paragraphs-

Creating a Culture:

The organizational culture does not start out of thin air, it has to be established. Values and beliefs have their stand on the past happenings. This suggests that the ultimate source of an organization's culture is its founders. The founders are said to be the creators of organization culture. The founder of the organization starts with a vision of what their organization should be? Therefore, the vision is imposed on all organizational members. The members follow the vision through interaction and their own experience.

According to Edger Schein organizational culture is formed in response to two major challenges that confront every organization: 1) External Adaptation 2) Internal Integration.

- 1) **External Adaptation:** External adaptation and survival is related to how the organization will find a niche in and cope with its constantly changing external environment. This includes addressing following issues-

- a) Mission and Strategy- Identifying the primary mission of the organization, selecting strategies to pursue this mission.
 - b) Goals- Setting specific goals.
 - c) Means- Determining how to pursue the goals, selecting an organizational structure and reward system.
 - d) Measurement- Establishing criteria to measure how well individuals and teams are accomplishing their goals.
- 2) **Internal Integration:** It is concerned with the establishment and maintenance of effective working relationship among the members of the organization. Internal Integration involves addressing the following issues-
- a) Language and Concepts- Identifying methods of communication, developing a shared meaning for important concepts.
 - b) Group and Team Boundaries- Establishing criteria for membership in groups and teams.
 - c) Power and Status- Determining rules for acquiring, maintaining and losing power and status.
 - d) Rewards and Punishments- Developing systems for encouraging desirable behavior and discouraging undesirable behaviors.

Process of Creation of Organisational Culture:

Organizational culture can develop in a number of different ways; the process usually involves the following steps-

1. A person who is later on known as the founder has an idea for a new enterprise. The founder brings in one or more other key people and creates a core group that shares a common vision with the founder. All these key people are those who believe that the idea is a good one, is workable, is worth running risks for and is worth the investment of time, money and energy that will be required.
2. The founder core group begins to act in earnest to create an organization by raising funds, obtaining patents, incorporating, locating space, building and so on.
3. At this point, others are brought into the organization and a common history begins to be built.

4. The founders traditionally have a major impact on that organization's early culture. They have a vision or mission of what the organization should be. They are unconstrained by previous customs or ideologies. Basically the new enterprises have a small size which further facilitates the founders imposing their will on all organizational members. The founders generally have their own biases as to how to get the original ideas fulfilled. Therefore, the organization's culture results from an interaction between-

- a) The founders biases and assumptions and
- b) What the original members who the founders initially employ learn subsequently from their own experiences.

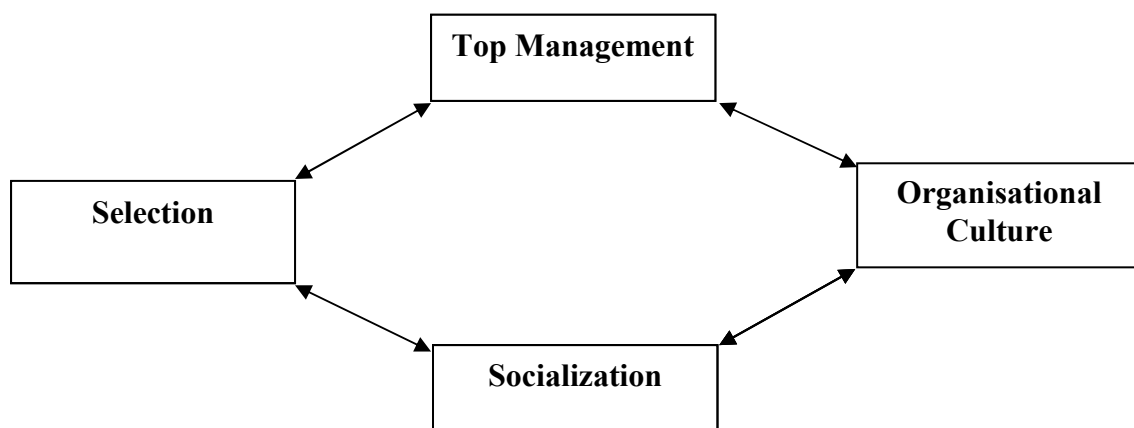
The late J. R. D. Tata demonstrates this type of culture creation. He created a distinctive culture in his organization through vision, belief in professionalism, honesty and fair dealings, consultative and supportive role, social responsibility etc. The McDonald's culture came from its founder Ray Kroc and the same culture is still alive even after his death in 1984

Sustaining Culture:

Once the culture is created, it is needed to be sustained and strengthened. Following three are the important practices undertaken for this-

Figure 4.1

Sustaining and Strengthening Organizational Culture



Source: Gupta Shashi and Joshi Rosy (2007), Organizational Behavior, Kalyani Publishers, pp 31.9

1. **Selection:** The first such practice is the careful selection of candidates. Standardized procedures should be used to hire right people for right jobs. Trained personnel interview the candidates and attempt to screen out those whose personal styles and values do not fit with the organization's culture. By identifying the candidates who can culturally match the organizational culture, selection helps sustain culture to a large extent. Additionally, the selection process provides to the applicants, information about the organizational culture. If the applicants perceive a conflict between their values and values of the organization, they can themselves decide not to join the organization.
2. **Top Management:** The actions of top management also have a major impact on the organization's culture. Through what they say, how do they behave senior executives establish norms that filter through the organization as to whether risk taking is desirable, how much freedom managers should give to their subordinates, what is the appropriate dress code, what actions will pay off in terms of pay raise, promotions and other rewards and like.
3. **Socialization:** The organization may have done a very good job in the recruitment and selection of the employees, but sometimes the employees are still not indoctrinated in the organization's culture. Since these persons are not familiar with the organization's they are most likely to disturb the existing beliefs and customs of the organization. Therefore, it is very essential for the organization to help the new employees adapt to its culture. This adaption of socialization involves three steps-
 - a) **Pre-Arrival:** This stage encompasses all the learning that occurs before a new member joins the organization.
 - b) **Encounter:** The new employees see what the organization is really like and confront the likelihood that reality and expectations may differ. This is the stage of induction.
 - c) **Metamorphosis:** In the third stage, the relatively long lasting changes take place. The new employees master the skills required for their new roles and make the adjustment to their work group's values and norms.

Changing a Culture:

The organizational culture is subject to change depending upon the environmental changes. Sometimes an organization determines that its culture is unfavourable to the organizational effectiveness and it has to be changed. For example, if there is a change in the external environment, the organization must adapt itself to the changing conditions or it will not survive. Though, it is very difficult to change the old cultures, it is something which the management cannot do without. Organizational culture should be allowed to change in order to keep the organization dynamic. Organizational culture is needed to be changed if it is weak or unhealthy.

Changing organizational culture can be a tricky business, and at least two perspectives suggest caution. One concern is stated by Peter Drucker. He questioned whether the deep, core values of organizational culture are amenable to change. According to him, focusing managerial efforts on changing on effective behavior and procedures is more meaningful than attempting to change organizational culture. Drucker further states that changing behavior will work only if it can be based on the existing culture. The second caution in culture change considers the difficulties in accurately assessing organizational culture because most large, complex organizations actually have more than one culture.

In spite of these two concerns, changing organizational cultures is both feasible and, in the case of failing organizations, sometimes essential.

Requirements for Successful Change in Organizational Culture:

1. Understanding the old culture first because a new culture can't be developed unless managers and employees understand where they are starting from.
2. Providing support for employees and teams who have ideas for a better culture and are willing to act on their visions.
3. Finding the most effective subculture in the organization and using it as an example from which employees can learn.
4. Not attacking culture head on but finding ways to help employees and teams do their jobs more effectively.
5. Treating the vision of a new culture as guiding principle for change, not as miracle.

6. Recognizing that significant organization wide change takes five to ten years.
7. Living the new culture because actions speak louder than words.

The cultural changes can take place under following conditions -

- a) **Dramatic Crisis:** Any dramatic crisis in the organization like a major financial set back, loss of a major customer or a technological breakthrough by a competitor may force the management to look into the relevance of the existing culture.
- b) **Change in Top Leadership:** If some of the top executives leave the organization and new leadership takes over, they may provide an alternative set of key values or a new culture. This new leadership may be more capable of responding to the crisis.
- c) **Young and Small Organization:** When the organization is new and its size is small, it will be easier for the management to change the culture.
- d) **Weak Culture:** Weak cultures are more amenable to change than strong ones. The higher the agreement among the members on the organizational values, the more difficult it will be to change.

Necessity of Cultural Change:

Cultural change is necessary due to following reasons-

- a) If the industry is extremely competitive and changes rapidly.
- b) If the company is mediocre or worse.
- c) If the organization is about to become a very large one or smaller and growing rapidly.
- d) Change in the composition of workforce needs change in the culture.
- e) Strategic changes in the organization also require change in organizational culture.
- f) If the organization has merged or acquired new company.
- g) When the culture of an organization does not fit a changing circumstances.
- h) Technological changes also ask for changes in organizational culture.

B| Quality of Work Life (QWL)

4.2.6 Concept of Quality of Work Life:

The term Quality of Work Life aims at changing the entire organizational climate by humanizing work, individualizing organizations and changing the structural and managerial systems. It takes into consideration the socio-psychological needs of the employees. It seeks to create such a culture of work commitment in the organizations which will ensure higher productivity and greater job satisfaction for employees. QWL is used to describe the broader job related experience an individual has. It represents concern for the human dimensions of work.

Quality of Work Life refers to the favorableness or unfavorableness of the job environment of an organization for its employees. It is generic term which covers a person's feelings about every dimension of his work e.g. economic incentives and rewards, job security, working conditions, organizational and interpersonal relationships etc. The term Quality of Work Life has different meanings for different people. Following are some of the important definitions of QWL-

Definitions of Quality of Work Life:

1. **Harrison:** "QWL is the degree to which work in an organization contributes to material and psychological well being of its members."
2. **D. S. Cohan:** "QWL is a process of joint decision making collaborations and building mutual respect between management and employees."
3. **American Society of Training and Development:** "QWL is the process of work which enables its members at all levels to participate actively and effectively in shaping the organization's environment, methods and outcomes."
4. **Richard Walton:** QWL is a process by which an organization responds to employee needs for developing mechanisms to allow to share fully in making the decisions that design their lives at work."
5. **American Center for the QWL (1977)** " An activity which takes place at every level of an organization which seeks greater organizational effectiveness through the enhancement of human dignity and growth, a process through which the stockholders in the organization - management, unions and employees learn how to work together better to determine for themselves what action changes

and improvements are desirable and workable in order to achieve the twin and simultaneous goals of an improved quality of life at work for all members of the organization and greater effectiveness for both the company and the unions”.

Richard E. Walton, stated the concept of QWL using eight parameters. They are as follows-

1. **Adequate and Fair Compensation** : Adequate and fair compensation is an important parameter of QWL. Provision of sufficient income to maintain a socially acceptable standard of living, minimizing the gap between executive and hourly worker pay, paying at a rate that is proportionate to the number of jobs a worker can perform well rather than the number actually scheduled to be done.
2. **Safe and Healthy Working Conditions** : Safe and Healthy Working Conditions include provision for overtime in case the worker works for more hours than the standard hours, physical working conditions so as to minimize risk of illness and accidental injury. Further, there should be age limits on work that is potentially harmful to those below or above a certain age.
3. **Opportunity to Use and Develop Human Capacities**: Every individual has tremendous capacities and skills. They must get opportunity to make use for development of their skills and Capacities. These factors may be involvement in planning, autonomy, work requiring multiple skills rather than the repetitive application of one skill, information and perspective and whole task.
4. **Future Opportunity for Continued Growth and Security**: The factors such as expanding one’s capabilities, opportunity to use knowledge and skills, impartial promotion opportunities, job security and income security are included in opportunity for growth and security.
5. **Social Integration**: Social integration includes freedom from prejudice, social equality, mobility, interpersonal openness, supportive face to face work groups, and a sense of community in the organisation that extends beyond these primary groups.
6. **Constitutionalism in the Work Organization** : Constitutionalism in the work organization means right to privacy and freedom of speech, equitable treatment of employees.

7. **Balanced Role of Work in the Total Life Space:** A balanced relationship among work and non-work and family aspects of life is an integral part of QWL. The work requirements including schedules, career demands and travel, do not take up leisure and family time on a regular basis and that advancement opportunities do not require frequent geographical moves.
8. **Social Relevance of Work:** Recognition of the social responsibility of the organisation in how it markets products, disposes of waste, and treats employee's practices are the factors involved in social relevance of work.

Thus, Quality of Work Life is related to the material and psychological well being of the members of organization. QWL is associated to job satisfaction, humanizing work and organizational development programmes. It is a process of responding the employee needs positively. The success and outcomes of the organization depends up on the QWL in an organization. In QWL, process of joint decision making is also considered as key factor.

4.2.7 Principles of QWL:

According to N. Q. Herrick and M. MaCcobay, there are four basic principles to humanize work and improve the QWL.

1. **The Principle of Security:** Quality of work cannot be improved until employees are relieved of the anxiety, fear and loss of future employment. The working conditions must be safe and fear of economic want should be eliminated. Job security and safety against occupational hazards is an essential precondition of humanization of work.
2. **The Principle of Equity:** There should be direct and positive relation between efforts and reward. All types of discrimination between/among people doing similar work and with same level of performance must be eliminated. Equity also requires sharing the profits of the organization.
3. **The principle of Individualism:** Employees differ in terms of their attitudes, skills, potentials etc. Therefore, every individual should be provided the opportunities for development of his personality and potential. Humanization of work requires that employees are able to decide their own pace of activities and design of work operations.

- 4. The Principle of Democracy:** This means greater authority and responsibility to employees. Meaningful participation in decision making process improves the quality of work life.

4.2.8 Constituents of QWL:

QWL refers to the favorableness or unfavorableness of the job environment for the people. Quality of Work Life is not a sole responsibility of management itself, it is the common responsibility of management, workers, union leaders, government officials as well as behavioral scientists. Quality of Life and the Quality of Work Life differ from each other. QWL is specially concerned with work related aspects of quality of life. The constituents of QWL are as given below-

1. Job Satisfaction
2. Job Involvement
3. Equitable Wages
4. Equal Employment Opportunities
5. Safe Work Environment
6. Opportunities for Advancement
7. Intrinsic Job Motivation
8. Participation in Management
9. Social relevance of the work or product
10. Happiness of Employee
11. Supervisory behavior

If these components of QWL are provided in a systematic way the result will be in enhanced performance, productivity and satisfaction level of employee. On the other hand, stress related elements such as ambiguity, work overload, poor environment, professional isolation, dissatisfaction on the part of job, supervisor and environment etc. affect negatively on QWL.

4.2.9 Quality of Work Life in Indian Context:

During the era of LPG the study of QWL has become an important aspect in Indian corporate world. In India the QWL movement is spreading with greater speed.

National Institute of Labor has undertaken a leading role in spreading QWL movement in India. Following are some of the elements that necessitated to spread the QWL movement-

- a) Changing profile of labor i.e. from rural, illiterate, caste based individuals to urban, educated and social inclusiveness has created more concern towards QWL.
- b) Establishment of HRD Ministry by Government of India has made significant difference in the recognition and status of workers which lead to QWL.
- c) There is increasing awareness among the workers and workers unions about the QWL. The workers are much bothered about their demands of proper working conditions which is one of the important constituents of QWL.
- d) HRM has become an important part of the organizations. Effective use of HR in business enterprises has given a platform for QWL.
- e) The increasing practice of workers participation in management has also led to spread of QWL movement in India.
- f) Job enrichment and the concept of Quality Circles in industrial establishments are also the reasons for emergence of QWL in Indian industrial sector.

4.2.10 Managing Work Life Conflict in Organizations:

Conflict is destructive in nature and it should be resolved as soon as possible after it has developed, but all efforts should be made to prevent it from developing. Conflict management in organizations mainly involves preventing or curing. The conflict resolution/management style depends upon the nature of conflict, sensitivity of the conflict and the leader. There are two approaches for managing the organizational conflict viz. Preventive measures and Curative Measures. These to measures are discussed in the following paragraphs.

A] Preventive Measures:

In preventive measures, the management tries to create a situation or environment where dysfunctional aspects of conflicts do not take place. Some of the preventive measures of managing Work Life Conflicts in organizations are as given below-

1. **Standardized rules and Procedures:** The simple and less costly method of reducing conflicts is to prepare set of standardized rules and procedures to be followed in the functioning of groups/departments and individuals. Such standardized rules and operating procedures may be proved very fruitful even managing complex disputes.
2. **Establishing Common Goals:** The major reason for the development of conflict is the incompatible goals. This leads to conflicts among groups and between individual and the organization. Therefore, it is necessary to find common goals upon which groups can agree and to reestablish valid communication between the groups. The mutual dependence of the groups can be brought through the super ordinate goals because there are the goals which are of high value to the group.
3. **Reduction in Interdependence:** One of the main reasons for inter-group conflict is interdependence among them e.g. line and staff managers. As such, less the interdependence, less will be the amount of conflict among them. However, such interdependence cannot be altogether avoided.
4. **Reduction in Shared Resources:** One more reason for inter-group conflict is sharing of the scarce resources by the groups. Such sharing of resources should be reduced. The resources can be increased so that each unit will be independent in using them. However, this is not possible all the time.
5. **Trust and Communication:** If there is greater trust among the members of the organization, there will be open and honest communication. Individuals and groups should be encouraged to communicate openly with each other. This will definitely remove the misunderstandings.
6. **Coordination:** Properly coordinated activities reduce the conflict. Wherever there are problems in the coordination, a special liaison office should be established to deal with these problems. The role of leader is very crucial in coordination.
7. **Exchange of Personnel:** This measure is very popular method used in reducing the conflict in the organization. The personnel in the conflicting groups may be exchanged for a specified period. It is very similar to role reversal. It is aimed at greater understanding between people by forcing each to present and defend the other's position.

8. **Use of Superior Authority:** If conflict is not resolved by two organizational groups or members, it may be referred to a common superior, who will resolve the conflict by giving a decision. Such a decision may not necessarily bring agreement, but it will usually be accepted because of the recognized superior authority of high ranking official.
9. **Reorganization of Groups:** A manager can prevent the occurrence of many conflicts by reorganization of the groups. People who have got something in common will be placed in one group. Because of something in common, these people tend to see things in the same perspective, to have common interest and objective, to approach problems in the same way.

B] Curative Measures:

Curative measures include the resolution of conflicts when they take place and become dysfunctional in the organization.

1. **Avoidance:** If, in a conflicting situation, party X is concerned neither about himself nor the other, X is likely to avoid facing or handling the conflict. In such situation conflict is ignored or neglected, then Y might just get the better of X by taking advantage of X's avoidance behavior. An avoiding style may reflect a failure to address important issues and a tendency to remain neutral when there is a need to take a position. This measure is suitable when- more information is needed to make a good decision, someone else can resolve the conflict more effectively.
2. **Competing:** If, X has very high concern for himself but very low concern for the other, then he will take a very high competitive stance and would approach the conflict situation from 'I win- you lose' stance. The competitive mode of handling the conflict will then resolve who wins and who loses in the situation. A competing style is high on assertiveness and low on cooperativeness. This style is power oriented and approaches conflict in terms of 'Win-Lose' strategy. A competing style may be necessary when a quick, decisive action is required or when important but unpopular courses of action may be taken.
3. **Collaboration:** If X has concern both for the self and for the other then X would approach the conflict situation in a collaborative mode with a desire to solve whatever problem exists, in a way that would benefit both the parties. Collaborating involves an attempt to work with the other person to find

solutions that would be satisfying to both parties. The collaborating style is high on both cooperation and assertion. It is possible only if the parties to a conflict recast it as a problem solving situation.

4. **Accommodating** : If X is highly concerned about the other but not so much about himself, i.e. X is cooperative but very unassertive about satisfying his own concerns, then he will be eager to give into the other and please him (the other). The accommodating style of conflict solving is low in assertiveness and high in cooperativeness. A person who uses an accommodating style, as the primary approach to conflict management, may be showing too little concern for personal goals. This style is helpful in maintaining harmony in the organization.
5. **Compromise** : If X has medium level of concern both for himself and the other, then he would take a compromising stance with the attitude of ‘give and take’ and be willing to share the resources so that neither totally wins nor totally loses. Compromise is a common and practical approach to conflict management because it often fits the realities of organizational life. However, it is possible only when the conflict is not important enough to either party.

4.2.11 Work Life Balance:

In the modern era of 21st century, Work-life Balance is an issue of prime importance in today’s working scenario for professionals who struggle to prioritize their personal and professional lives. This change in the overall work environment has impacted organizations in turn and how they manage their daily operations. Employee’s expectations and behaviour towards work and home responsibilities have also changed. These changes have forced organizations to implement better working conditions and other benefits and policies to allow employees to manage a healthy work-life balance.

The performance of any organization depends on its employees, which in turn depends on numerous other factors. They can be work related or family related or personal. How people manage different aspects of their lives helps to achieve a work-life balance. A major portion of an individual is spent at the work. Any problem either at work place or at personal life will definitely affect the balance and thus it is very much essential that both are maintained well. In this influx of globalization, organizations feel the heat in the form of competition to perform better or fulfill the promises made to the customers in time to survive the business.

This heat to a large extent percolates down to the employees, putting pressure on them to show up at work places, leading to very high stressful situation. In this process lot of demands pile up from the personal side of the life which is equally important for the employees, which they cannot afford to ignore. Balancing professional and personal life, better productivity and a harmonious life have become challenging. Work life balance can be defined as the perfect integration between work and life both not interfering with each other.

In this chapter enlighten on the concept of work–life balance, including definitions, concepts, and its significance in organizational as well as individual goal attainment. The significance of the work-life-balance of an employee and tries to provide some solutions to this contemporary global crisis which demands greater stability in the corporate world. It also reflects on the factors influencing work-life balance and on the solutions entailing wider scope for employers and employees to relate the same and attain optimum results and satisfaction in their lives. This could appropriately be understood as the harmony between office and personal life.

4.2.11.1 Need for Work Life Balance:

The work-life balance looks different to everyone, being on-call every evening and weekend for years is not sustainable. It is essential for the balance between personal as well as organizational life i.e. balance between home and in the office work. The outcomes of imperfect work-life balance faced in the day-to-day life are:

- 1. Stress:** employees must be ever performing and ever learning to adapt themselves to the dynamic market conditions. Adding to this is the constant pressure from the superiors to meet the targets. Thus, employees have no other choice, but to sacrifice their personal space. The entire process is creating stress on the employees which are the root cause for many other problems.
- 2. Physical problem:** The numbers of employees suffering from physical ailments like hypertension, diabetes, heart attacks have grown considerably in the past. Women employees are the worst affected due to the long and stressful working hours and are facing severe gynecological problems like cancer and abortions, etc.,
- 3. Relational problems:** since employees are spending more time at work rather than at home, spouses, parents, children are no longer given the time they deserve.

4. **Hangover:** working for longer hours at the office, increases employee interaction. The employees tend to stay in their professional world (mentally) though they are at home. The effect of professional anger is carried to home.
5. **Unethical practices:** to handle the stress, the employees tend to adopt Unethical practices like boozing, smoking, drugs, improper relation etc. Also there are chances that the employee may resort to unfair means to get their work done ultimately by hook or crook.
6. **Disturbed families:** the worst hit is the family members of the employees. Fighting with the target achievement may sometimes result in neglecting the family. The number of broken family has gone up drastically.
7. **Decreased performance:** employees in the organization are never at peace. When they are at work place issues at home are a concern and vice-versa. Unknowingly, the employees get into a frustration and cannot give their best to their profession.
8. **Changing Work Culture.** There is a shift in the organizational work culture. Today's work culture provides flexible work hours, focus on results and recognition of achievements. This has made the workplace even more competitive as employees are always expected to give their best. It is also seems that the with globalization, organizations are working 365 days, 24 hours and 7 days a week irrespective of the time zones. Even the technology has added to the speed of work but the workload remains the same.

It is stated that the work-life balance helps to lead the productivity is higher, absenteeism is lower, and physical and mental health improves with a higher commitment as well as motivation to work. It is also understood that, maintaining a healthy work-life balance is not only important for health and relationships, but it can also improve your employee's productivity, and ultimately performance.

4.2.11.2 Role of HRM in Achieving Work-Life Balance:

It is first priority should be to make the business organization to promote employee work-life balance. The HR department should assist the employee to maintain a Work-Life Balance. The HR manager must carefully identify the issues and find a solution with the cooperation of the employer. The organizations must

include providing Work-Life Balance as an HR policy. Some of the decisions which HR can help in are:

- Planning the work
- Providing a Flexi approach towards work
- Job analysis specifications/ descriptions
- Being empathetic towards the employees
- Providing space for the personal lives of the employees
- Family get-together's at the work place
- Conduct frequent training programs
- Effective communication system
- Organizational culture
- Worker's participation in management

Human resources management led to business organization into fostering a workplace culture, which encourages a work-life balance for employees. Moreover, HR managers need to examine situation, think about what employees value, manage other people's expectations, care employees health, learning approach, effective fun plan for employees' personal time etc., in this way HR managers can achieve Work-Life Balance. Thus, the Human Resource Managers have played a significance role in work life balance.

4.2.11.3 Steps to achieve Work-Life Balance:

Two main issues in Work-Life Balance are Time and Stress. An individual who maintains time and stress perfectly will have a perfect Work-Life Balance. Time and stress are interrelated in a sense that one is the outcome of mismanagement of the other. If the activities of an employer are not planned properly, he runs out of time and pressure builds up leading to stress—the instrumental factor disturbing the balance between professional and personal life.

Time management + Stress management = Work-Life Balance

A. Tips for Time management:

- Proper planning

- SWOT Analysis
- Expert advice
- Reminders
- Motivators
- Self-motivation

B. Tips for Stress management:

- Take it easy
- Try to get solution instead of brooding over the problem
- Accept the fact and stop the blame game
- Boost yourself
- Enjoy your work

In this way, we can achieve and maintain balance between work and personal life is essential to combat stress, which ensures both individual success and the success of organization. In addition to improving performance, employees place a high value on balance between work and personal life. Hence, business organization should take initiatives for the work life balance, which is a part of their culture as well as business organization able to better attract better human resources.

Thus, it is understood that, the work-life balance is an issue of great importance that has to be addressed by the organizations at the earliest. After all the employees are the greatest asset and the organization performance is affected by employee performance. The Organization Authorities, Human Resource Manager and employees are responsible for the attain Work-life balance, which makes the organization the happiest place to work in. In spite of higher salaries and other monetary and non monetary benefits, a comfortable working environment, less work load and organizations taking care of employees. Instead of this numerous factors are affect the performance of an employee achieving balance in work and familial life. Balance between professional and personal life improves performance at work and also helps in getting the job satisfaction. It will create positive work environment as well as organization culture.

4.2.12 Hybrid Work Culture:

Hybrid work culture is a flexible work model that supports a blend of in-office, remote, and on-the-go workers. It offers employees the autonomy to choose to work wherever and however they are most productive. A hybrid work culture allows employees to work on site while other work from different location e.g. at home or anywhere else. It is vital to create inclusive practices to reach as many people as possible for higher involvement and a smoother workflow. Hybrid work is not just a physical location issue. It is about the place, time, and tasks. When considering the future of work, location shouldn't be leaders' main focus anymore.

The hybrid workplace is a concept on the lips of every industry trend in the world today. It seems that the digitalization becoming more normalized across every sphere in the global village. Every workplace needs to maximize and transcend obstacles and innovations to ease into the hybrid workplace. It is noted that, the COVID-19 pandemic brought a wave for an increased need for a hybrid workplace. Although some countries have relaxed the lockdown in their states, businesses are taking their time to set up a more formidable work arrangement. Many are already operating the hybrid system while others are running fully remote. The pandemic has taught the work a lesson of preparation and planning. Beyond that is also the lesson of flexibility and adaptability in the workplace. In prioritizing the future of work, there is the need to embrace the hybrid workplace model. Indeed, the future of work would likely be the hybrid workplace model.

According to Gartner: it has defined as “employees have more options for when, where and how to collaborate in hybrid work environments, but organizations and their leaders have to intentionally create those opportunities”.

In other word it can be defined as an arrangement where “employees are free to work either from the office or remotely. They can utilize both options considering all the different factors at play, as per their needs and the needs of their organization. In a hybrid work model, workers have more flexibility and can do their work wherever they are most productive.”

4.2.12.1 Gartner Approaches to Hybrid Work Culture:

Gartner has identified four work modes that teams should intentionally leverage as they move into the hybrid environment. This approach yields four work modes

that organizations must invest equally in if they are to succeed in the hybrid environment:

1. **Working together, together:** When teams are collocated, contributing to meetings in a shared space.
2. **Working together, apart:** When teams are distributed, but participating in virtual meetings.
3. **Working alone, together:** When teams are in shared spaces, but not working at the same time.
4. **Working alone, apart:** When teams are distributed, and individuals are conducting deep focus work.

Flow Chart: Gartner Approaches to Hybrid Work Culture

Collocated	Working Together, together	Working Alone, together
Distributed	Working Together, Apart	Working Alone, Apart
	Synchronous Work	Asynchronous Work

*(Sources: *Gartner.com, <https://www.gartner.com/smarterwithgartner/4-modes-of-collaboration-are-key-to-success-in-hybrid-work>)*

From the above flow chart it is stated that teams are collocated, contributing to meetings in a shared space and teams are distributed, but participating in virtual meetings. Therefore, teams are in shared spaces, but not working at the same time and it's distributed, and individuals are conducting deep focus work. Furthermore, it's relevant to create opportunities to optimize human cooperation and mental well-

being. Without developing these habits, it's easy to lose the bonds and human connections that make teams thrive. It is proven that people who interact with their coworkers closely experience stronger work bonds and higher levels of productivity. Overall, the well-being of employees improves. It is also found that, the 39% of workers currently work from home at least several times a week, followed by 71% of employees rate their companies as very well or reasonably well prepared, 83% of professionals working from home are very or somewhat satisfied, 68% of employees consider working from home to be possible (*Source: Bidt-Bavarian Research Institute for Digital Transformation: Representative short survey*).

4.2.12.2 Advantages of Hybrid Work Culture:

The hybrid work culture has more advantages in any business organization. The advantages to a hybrid work culture include improved work-life balance, more efficient use of time, control over work hours and work location, more opportunities for continuous learning, improved collaboration and work relationships, and better outcomes for employees' mental health, increased productivity and employee satisfaction. Hence, herewith classify advantages in point of view of employees and employers as follows,

- **Advantages in Point of View Employees:**
 1. It is easier to organize your everyday life.
 2. Working hours can be kept more flexible.
 3. No more commuting means more time in the day.
- **Advantages in Point of View Employers:**
 1. Can offer flexibility and empower employees to work to their strengths, which in turn boosts productivity for the employer
 2. Reduces costs and ecological footprint
 3. Can be a positive alternative to completing deep-focus tasks in the office, teams can find a good balance of creativity and collaboration

Thus, it is understood that the flexibility offered by hybrid work culture is unparalleled, its have more benefits to work life balance. However, creating a successful hybrid workplace that fosters collaboration, productivity, and growth will

require some careful preparation and planning as businesses continue to evolve and adapt to the uncertainties of today and tomorrow.

4.2.12.3 Challenges of Hybrid Work Culture:

The hybrid work culture has some challenges as include having the right tools to be effective at work, feeling less connected to the organization's culture, impaired collaboration and relationships, and disrupted work processes. Hybrid work is creating a need for better coordination of resources, both at home and on-site. Let's look at the most common challenges of hybrid working culture and consider how employees and employers can work together to get over these hurdles. The challenges are point out with consideration of employees and employer views as follows,

- **Challenges in Point of View Employees:**

1. A lack of protocols can cause confusion for some employees, due to an absence of clear structures.
2. Employees who enjoy interacting with colleagues could feel isolated.
3. A decrease in the direct presence of the employer means greater individual responsibility, which in turn can lead to more pressure.

- **Challenges in Point of View Employers:**

1. Define and communicate a Hybrid Working Policy.
2. Mapping employees needs.
3. Setting up a system of digital collaboration tools easy to use and that reaches everybody.

Thus, it is understand that, the success of any hybrid workforce is contingent on building relationships, defining hybrid work policies, maintaining a remote-compatible culture, securing buy-in from leadership, and keeping teams securely connected whether at home or in the business organization. It seems that the hybrid work culture is growing in popularity as people look to balance the advantages of work life balance. The success of any hybrid workforce is contingent on building relationships, defining hybrid work policies, maintaining a remote-compatible culture, securing buy-in from leadership, and keeping teams securely connected whether at home or in the business organization. The hybrid work culture have some

challenges but also due to flexibility of work, work life balance and efficient use of time, control over work hours and work location, more opportunities for continuous learning, improved collaboration and work relationships etc., increase productivity and efficiency of business organization.

4.2.12.4 Steps to Effectively Implement Hybrid Work Culture:

The hybrid working culture comprises a mixture of remote and in-office work to provide support and flexibility to employees. The hybrid workforce is those who divide their working hours between their office and home. They work in the office for collaborative work and stay home to execute the planned tasks. These employees get the freedom to choose when they want to work. This flexibility of working makes the hybrid working culture enticing to both employers and employees. However, it is need to follows some steps to effectively Implement Hybrid Work Culture, which is point out as follows,

1. Ensure that they are familiar with organizational policies and procedures.
2. Think about the design of jobs and the structure of weekly or daily tasks. Reflect on what needs to change in terms of systems, processes or activities to support hybrid work.
3. Encourage team members to think about where and when they are most productive and tailor their working days and time accordingly.
4. Provide clarity to the team on their level of autonomy relating to hybrid working.
5. Talk to individuals about their working styles and preferences relating to remote and hybrid work.
6. Encourage workers to disconnect meaningfully when working remotely, taking proper breaks and managing their digital wellbeing.
7. Manage individuals' workload effectively through agreeing realistic objectives, providing constructive feedback and joint problem solving to resolve issues which might cause people stress or to work excessive hours.
8. Be clear about their own availability and hybrid working schedule, including when and how to schedule time with them.

9. Encourage social connections between the team to support effective relationships.
10. Share team working patterns to provide clarity on who is working where and when.

Thus, it is described that, the hybrid working at scale is a largely new and untested concept. The hybrid working will be quickly learned, and organisations should be prepared to adapt their approach. It means flexibility and adaptability in the workplace. Finally, it is stated that the organisations should be mindful that hybrid working is just one form of flexible working: workers often also desire time flexibility, and benefits can also be realised by providing this, both for workers and the organisation itself. Hence, hybrid work culture can provide a framework that makes managing people and spaces easier, leaders must create rules to foster a strong working culture that attracts and retains the best employees.

Check your Progress:

Section I- Fill in the blanks.

1. is a belief, value and norms system adopted and shared by members of organization.
2. QWL stands for.....
3. According to, employee behavior is a function of interaction between personal characteristics and the environment around the people.
4. have dominant culture and several sub-cultures.
5. is mostly found in public sector companies.

Section II- State whether the following statements are true or false.

1. Power is concentrated with leader and the obedience to order and discipline are forced in authoritarian culture.
2. Culture enables the organizational members as to how to think and behave in the expected manner.
3. The ultimate source of an organization's culture is its employees.
4. The actions of top management do not have a major impact on the organization's culture.

5. Metamorphosis stage encompasses all the learning that occurs before a new member joins the organization.

Section III- Match the appropriate pairs.

- | | |
|-------------------------------|--|
| a) QWL | l) Curative measure of conflict |
| b) Principle of Equity | m) Participation in decision making |
| c) Democracy | n) Direct relation between effort and reward |
| d) To reduce shared resources | o) Preventive Measure to reduce conflict |
| e) Avoidance | p) Job satisfaction, humanizing work |

4.3 Summary:

Organizational Culture is considered as a vital factor in the organization in enhancing employee performance and satisfaction. Culture includes knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man in a society. While, organizational culture is a set of assumptions, beliefs, values and norms that are shared by an organization's members. It contains a whole complex pattern of beliefs, expectations, ideas, values, attitudes and behavior displayed by one and all the employees of the organization. Culture may be Dominant Culture and Sub Culture or Strong and Weak Cultures. The founders are said to be the creators of organization culture. Once the culture is created, it is needed to be sustained and strengthened. Sometimes an organization determines that its culture is unfavorable to the organizational effectiveness and it has to be changed. Quality of Work Life aims at changing the entire organizational climate by humanizing work, individualizing organizations and changing the structural and managerial systems. It takes into consideration the socio-psychological needs of the employees. QWL is the degree to which work in an organization contributes to material and psychological well being of its members. QWL is the favorableness or unfavorableness of the job environment for the people. Conflict is destructive in nature and it should be resolved as soon as possible after it has developed, but all efforts should be made to prevent it from developing. Conflict management in organizations mainly involves Preventing or Curing.

4.4 Terms to remember

1. **Quality of Work Life:** QWL refers to the favorableness or unfavorableness of the job environment for the people.
2. **The Principle of Democracy:** This means greater authority and responsibility to employees. Meaningful participation in decision making process improves the quality of work life.
3. **Metamorphosis:** The new employees master the skills required for their new roles and make the adjustment to their work group's values and norms.
4. **The Principle of Equity:** There should be direct and positive relation between efforts and reward. All types of discrimination between/among people doing similar work and with same level of performance must be eliminated.
5. **Boundary:** A base for distinction between one organization and the other. Such base helps to identify easily the members and non-members of the organization.
6. **Preventive Measures:** Preventive measures of conflict are those measures where in the management tries to create a situation or environment where dysfunctional aspects of conflicts do not take place.

4.5 Answers to check your progress

Section I: 1. Organizational culture 2. Quality of Work Life 3. Kurt Lewin

4. Large organizations 5. Mechanistic culture

Section II: 1. True 2. True 3. False 4. False 5. False

Section III: a-p, b-n, c-m, d-o, e-l.

4.6 Exercise

A) Short answer type questions.

1. What is Organizational Culture?
2. What is Quality of Work Life?
3. State the factors influencing organizational culture.
4. What are the curative measures to reduce Work Life Conflict?
5. What are the preventive measures to manage Work Life Conflict?

6. What are the functions of organizational culture?
7. Write a note on creating organizational culture.
8. What is the necessity of cultural change?
9. Explain the QWL in Indian context?
10. Work Life Balance
11. Hybrid Work Culture

B) Broad Answer type questions.

1. Define Organizational Culture. Explain the characteristics of Organizational Culture.
2. What do you mean by Quality of Work Life? What are the principles of QWL?
3. What is Quality of Work Life? Explain the constituents of QWL.
4. What is organizational culture? Describe types of organizational culture.
5. What do you mean by Managing Work Life Conflict in Organizations? Explain the measures to manage organizational conflicts?
6. Define work life balance and discuss the Need of work life balance?
7. Discuss the role of HR in achieving Work-Life Balance and State Steps to achieve Work-Life Balance.
8. What is Hybrid work Culture? Explain advantages and challenges of hybrid work culture.

4.5 References for further study

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