Management & Organizational Behavior

Fundamentals of Management

Management and Organizational Behavior

Block

1

FUNDAMENTALS OF MANAGEMENT

COURSE INTRODUCTION

The course Management and Organizational Behavior enables the students to gain an understanding of fundamental principles of management and organizational behavior. With increasing global competition, changes in the world technology, changing business practices, and increasing social responsibility of organizations, the role of managers has become all the more significant. The course equips the students with necessary introduction to basic concepts, theory and application in management. It provides an understanding of managerial functions and early and modern approaches to management thought.

The course demonstrates the importance of people in the success or failure of organizations in the increasingly competitive, global work environment. It helps the students to become more effective in dealing with the human element in a business enterprise. Topics include individual factors such as personality, attitudes, motivation, perception; group factors such as communication, leadership, power and politics, group behavior and work teams and conflict; and organizational factors such as organizational structure, culture, change and development.

The course provides an understanding of the factors that determine personality and perceptions of individuals and how these factors shape the behavior of individuals in organizations. The course provides insights on teams, leadership and empowerment and participation. Motivational theories help students to diagnose and develop solutions to organizational problems. The positive and negative aspects of political behavior through power, influence and coalition formation explain the dynamics of organizational behavior. The course also deals with the issues involved in change management and how organizations develop through techniques and interventions.

On completion of this course, the student would be able to conceptualize on the fundamental principles of management and review basic organizational behavior concepts and research models, moving from individual behavior to the group dynamics and then to the organization as a whole.

The entire course is updated in 2021 with latest examples and illustrations taken from reputed journals and magazines.

BLOCK I: FUNDAMENTALS OF MANAGEMENT

The first block of the course on Management and Organizational Behavior deals with the fundamental concepts relevant to management. The block contains four units. The first unit gives an overview of management. The second unit focuses on the evolution of management from early approaches of management to modern approaches of management thought. The third unit explains the basic functions of management. The fourth unit examines the social and ethical responsibilities of management.

The first unit is *Management: An Overview:* This unit discusses the role and levels of management. The unit also focuses on the managerial skills required at various levels of the organizational hierarchy and briefly explains the various approaches to management. The functions of manager are given in brief.

The second unit is *Evolution of Management Thought*: It deals with approaches to management. The unit discusses four well-established schools of management thought (i) the classical approach; (ii) the behavioral approach; (iii) the quantitative approach and (iv) the modern approaches to management.

The third unit is *Managerial Functions*: This unit elaborately discusses the five basic functions of management i.e., planning, organizing, staffing, leading and controlling. The unit explains the nature, types and processes of planning and provides an idea about Management By Objectives as a management concept and how motivation helps in the achievement of organizational goals. The unit also explains organizing as an important managerial function and discusses various staffing activities like recruitment and selection. The other two managerial functions, leading and controlling are also discussed in this unit.

The fourth unit is *Social and Ethical Responsibilities of Management*: It provides an idea about the social responsibilities of organizations that benefit both the society and the firm; and the arguments against and for social responsibilities of business are discussed. The unit also explains the ways to measure social responsiveness and the concept of managerial ethics.

The Block is updated with current and industry examples, and exhibits in every unit All six four units are updated in 2021 with current examples and industry illustrations, taken from reputed journals and magazines.

Unit 1

Management: An Overview

Structure

1.1   Introduction

This unit provides an introduction to the concept of management. The term 'management' can be interpreted differently in different contexts. In one context, it may comprise the activities of executives and administrative personnel in an organization, while in another, it may refer to a system of getting things done. In a broad perspective, management can be considered as the proper utilization of people and other resources in an organization to accomplish desired objectives. Every organization works towards achieving some common goals and formulates methods to achieve these goals. Managers are the people within the organizations who play a vital role towards achieving the organizations' goals by monitoring and controlling the organizational activities.

This unit provides an overview of management and the role of management in organizations. The unit also explains the management skills required at various levels of the organizational hierarchy and various approaches to management.

1.2   Objectives

By the end of this unit, students should be able to:

- Define management

- Identify the various managerial roles

- Explain the functions of managers

- Classify the various levels of management

- Explain the various management skills required at different hierarchical levels

- State the various approaches to management

1.3   Definition of Management

Management is the process of planning, organizing, leading, staffing, and controlling the activities of various resources within the organization through systematic, coordinated, and cooperative human efforts to achieve organizational objectives (Refer to Figure 1.1 for key aspects of the management process). Harold Koontz and Heinz Weihrich defined management as 'the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.'

Figure 1.1: Key Aspects of the Management Process
Functions of Management
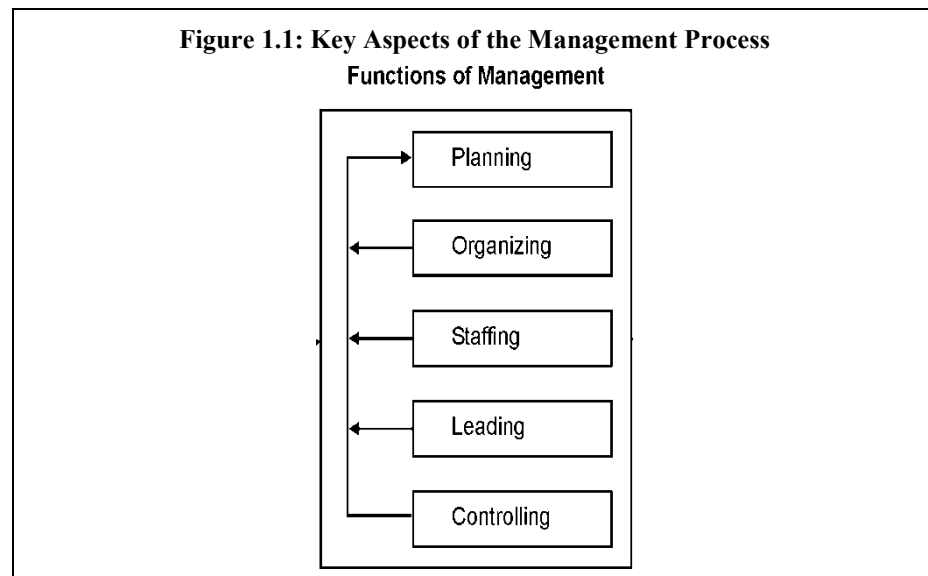
1.3.1 Nature of Management

Even though the practices of management have been in existence informally since ages, the nature of management has been evolving continuously due to various changes in the business environment. To understand the nature of

management, the following aspects of management need to be understood. What is management/ is it a science? Is it an art? Is it multidisciplinary in nature/ is it a profession?

1.3.2 Management as Science

Science is a piece of organized knowledge. The most important feature of any science is the application of a scientific process to the development of expertise. In this regard, we may not call management as pure science like physical and natural sciences. Scientific methods do not back most of the practices in management. However, with the contributions from researchers and practitioners all over the world, management is getting closer to science. Frederick Winslow Taylor was the first manager-theorist to apply scientific principles in the field of management. He attempted to find out the one best way of doing a task scientifically by observing, analyzing, and experimenting. His contribution in the field of management is path-breaking. With his knowledge and experience at a steel manufacturing company, he came up with a few scientific principles in management. Following the lead from F.W. Taylor, his followers, such as Frank and Lilian Gilberth, developed few more scientific ways in management.

Management is a social science and deals with human beings who are very complex, unlike inanimate things such as light or heat. To do controlled experiments is very difficult when human beings are involved. As a result, the rigor found in other sciences such as physics and chemistry is not found in the management field.

1.3.3 Management as Art

Under science, one learns the 'why' of a phenomenon, but under art, one learns the 'how of a phenomenon. Art is mainly concerned with bringing the desired result with the application of skills. By the definition of management, which is to get the things done by others, it seems management is more of an art than a science. In most of the instances, managers or leaders are expected to get the things done by their employees using their own creativity and skill set; it is not much of concern why they have done in a particular way, not any other way to do the same thing as long as they were able to complete the task. Management discipline has both science and art components; it is both science and art. Science and art are not mutually exclusive; actually, they are complementary to each other.

1.3.4 Multidisciplinary

Management is multidisciplinary in nature. The concepts used in management are borrowed from different disciplines such as psychology, sociology,

anthropology, history, political science, economics, statistics, operation research, etc. Management integrates the concepts, theories, ideas from other disciplines and presents newer concepts in the management field, which can be applied in organizational contexts.

1.3.5 Management as a Profession

According to McFarland, a profession should have specialized knowledge, principles, and skills. A profession should have methods of acquiring training and experience. It should have formal ethical codes that guide the people practicing the profession. A professional practicing a profession charges fee for the services he/she provides to their clients. Unlike medicine or law, management is not a prerequisite for anyone to become managers. Even though management has few features to become a profession as of now, management has not achieved the status of a profession.

1.4   The Role of Management

In order to understand the role of management, in the late 1960s, Henry Mintzberg devised a new approach – the managerial roles approach – by observing what managers actually do. He did a careful study of five chief executives at work and found that they were involved in a number of varied, un-patterned activities of short duration. Using a method called structured observation, Mintzberg isolated ten roles which he believed were common to all managers. These roles were grouped into three categories – interpersonal roles, informational roles, and decisional roles. A manager is required to interact with many people, both within and outside the organization and hence, the need to perform interpersonal roles. The three interpersonal roles of a manager are figurehead, leader, and liaison. In his role as a figurehead, a manager performs all the ceremonial or symbolic duties. In the leadership role, a manager is required to motivate the employees to perform at their best to achieve the company's objectives. In the liaison role, a manager is required to interact with people both within and outside the organization.

A manager acts as a channel of information within the organization. The three informational roles of a manager are that of a recipient, disseminator, and spokesperson. In the role of a recipient, a manager receives information pertaining to changes, opportunities and problems that the organization may face. As a disseminator, a manager provides information to subordinates that would influence their performance at work. And finally, a manager performs the role of a spokesperson when he or she represents the organization in public.

The third category deals with the most important role of a manager. In this role, managers perform the most crucial task i.e. they take decisions which may affect an organization's well-being. The four decisional roles of a manager are that of an entrepreneur, disturbance handler, resource allocator, and negotiator.

In an entrepreneurial role, a manager seeks innovative methods to improve the performance of a unit or the firm as a whole. As a disturbance handler, a manager takes remedial actions for situations, which may affect the credibility of a firm. In the role of a resource allocator, a manager allocates various resources of the organization such as money, time, material etc. to the employees for running the business effectively. Finally, in the role of a negotiator, a manager negotiates with other units or other parties like suppliers, customers and government, keeping in mind the interests of his unit or organization.

Check Your Progress-1

1. The process of designing and maintaining an environment in which individuals working together in groups, to efficiently accomplish specific aims is termed as_____.
    a. Administration
    b. Management
    c. Organization
    d. Staffing

2. The _____ role identified by Mintzberg includes the specific roles of entrepreneur, disturbance handler, resource allocator and negotiator.
    a. Decisional
    b. Interpersonal
    c. Informational
    d. Administrative

3. The specific roles of figurehead, leader and liaison fall in category of _____role.
    a. Informational
    b. Decisional
    c. Organizational
    d. Interpersonal

4. Henry Mintzberg classified the managerial roles of recipient, disseminator and spokesperson as _____.
    a. Interpersonal roles
    b. Informational roles
    c. Decisional roles
    d. Intelligence roles

1.5　Functions of Managers

Managers perform five basic functions within an organization:

Planning

Planning can be defined as the process, by which, managers decide the mission and objectives of the firm. It involves taking necessary steps to achieve the desired objectives by establishing guidelines for future activities. Planning helps managers to decide on the activities to be performed with available resources.

Organizing

Organizing is the process of assigning and allocating tasks, authority, and resources to enable a firm to achieve its organizational objectives.

Staffing

Staffing involves manning the various positions in the organizational hierarchy. It involves activities such as identifying work-force requirements, recruitment, selection, and orientation of new employees.

Leading

Leading involves directing, influencing, and motivating employees towards achieving organizational objectives.

Controlling

Controlling can be defined as the continuous measurement and analysis of actual operations against the established industry standards developed during the planning process and corrections of deviations, if any. The main elements of the control process include establishing the standards of performance, measuring the actual performance, comparing the actual performance with the industry standards developed during the planning process, and taking corrective action in case of deviation.

Example: Steps in Management Process

Rajesh planned to establish a firm dealing with the production of household plastic items. As the first step, he formulated the organizational objectives, aiming to design innovative products and maximize market share. Rajesh drew a detailed organizational structure, clearly indicating the hierarchy and staffing requirements. The various functional domains were clearly segregated. While the strategic issues were handled by Rajesh and the top-level managers, operational efficiency on the shop floor was supervised by the first-level managers. Since the staff was new, Rajesh had to exhibit proactive leadership skills in motivating employees to perform their work efficiently. Continuous control of the various processes was required to check for any deviations and implement corrective action.

Check Your Progress-2

5. _____ is a management function which aims at recruiting suitable individuals for filling positions in the organizational hierarchy.

   a. Organizing
   b. Controlling
   c. Planning
   d. Staffing

6. Which of the following management functions helps managers in achieving desired objectives by establishing guidelines for future activities?

   a. Staffing
   b. Controlling
   c. Planning
   d. Organizing

7. _____ involves influencing others to engage in the work behaviors necessary for achieving organizational goals.

   a. Planning
   b. Leading
   c. Controlling
   d. Organizing

8. _____aims at regulating organizational activities so that actual performance conforms to expected organizational standards and goals.

   a. Leading
   b. Controlling
   c. Organizing
   d. Planning

1.6   Levels of Management

The size of the organization determines the organizational structure. Responsibilities of a manager differ according to his position in the hierarchy. This kind of organizational structure is called as a pyramid with top-level managers at the top of the pyramid, middle-level managers at the middle of the pyramid, and first-level managers at the base of the pyramid. Management can be categorized into three major levels:

Top-level Managers

The top-level management is responsible for the overall activities of an organization. It establishes plans and goals that influence the entire organization. Top-level managers are few in number and occupy the posts of 'Chief Executive Officer', 'Chairman', 'President', 'Vice-President', 'Director' etc.

Middle-level Managers

Middle-level managers are directly responsible for managing the performance of first-level managers. They are responsible for the operational efficiency of various departments in an organization and review daily and weekly reports on production or sales. They hold designations such as 'Department Heads', 'Project Leader', 'Plant Manager' and 'Divisional Head.

First-level Managers

Managers at the first-level have the responsibility to manage the performance of the non-managerial personnel in an organization and ensure implementation of operational plans. They are also called Supervisors. They are given different titles in different companies like 'Foreman', Clerical Supervisor', 'Technical Supervisor', etc.

Time Spent in Carrying out Managerial Functions

Though all managers perform all managerial functions, the time spent by individual managers for each activity differs. The importance of managerial functions – planning, organizing, leading, and controlling, varies depending on the manager's level in the organization. The time spent by top-level managers on planning and organizing is much more than that spent by lower-level managers. In contrast, leading is substantially more important for first-level supervisors than for managers at higher levels. Hence first-level supervisors need to spend more time in communicating, motivating, and directing the employees involved in operations. Time spent on controlling is similar at all three hierarchical levels. This similarity reflects a common degree of emphasis at various levels on identifying negative deviations and taking corrective measures.

Exhibit 1.1 explains the intricacies of middle level management.

Exhibit 1.1: Solving the Riddle of the Middle Manager

While many organizations were going digital with the advancement of technology, some organizations were forced to adopt digitization due to the upswing of COVID-19 pandemic. Organizations started functioning in a hybrid (offline and online) manner with distributed and asynchronous

Contd. ......

---

workforces. These changes affected the traditional roles of middle managers, which basically included tracking project status, moving information and acting as an intermediary between junior employees and senior leaders.

This shift to remote work posed challenges to middle managers and lead to their increased stress levels and decreased job satisfaction. A global survey with over 3000 remote knowledge workers also proved that 46% of middle level managers were less satisfied with their jobs. Nevertheless, new set of roles emerged from these challenges for middle managers. Managers can use technology for tracking the hybrid workforces and can strategically invest their time and energy on some core activities like building teams, developing talent and integrating people, who are the true lifeblood of any organization. For this to happen, organizations should take up a two-pronged approach. Firstly, middle managers should be empowered to concentrate on developing connections, creating belongingness amongst diverse employees, and developing talent. Secondly, organizations should design career ladders in such a way that expert individual contributors are allowed to promote in title and compensation according to the expertise and outcomes derived by them and not forcing them to become managers.

Source: https://hbr.org/2021/05/its-time-to-free-the-middle-manager

Check Your Progress-3

9. In the hierarchal structure of an organization, _____managers are at the base of the pyramid.

   a. Top-level
   b. Middle-level
   c. First-level
   d. Link-level

10. Which of the following is a function of middle management?

    a. Reviewing daily and weekly production or sales reports
    b. Selecting board members
    c. Supervising day-to-day operations
    d. Evaluating the all-round performance of various departments

11. _____ Managers deal with the actual operation of an organization's units.

    a. First-level
    b. Top-level
    c. Middle-level
    d. Link-level

12. _____ are at the lowest level of the hierarchy and are directly responsible for the performance of operational level employees.
    a. Middle-level managers
    b. First-level managers
    c. Top-level managers
    d. Trainee-level managers

1.7 Management Skills and Organizational Hierarchy

Robert L. Katz identified three essential skills that are needed by a manager. They are as follows:

Technical Skills

A person's ability to use methods, processes and procedures in a specialized field is known as technical skill--example, engineering, accounts, manufacturing, computers, etc. First-level managers require technical skills for supervising the daily activities of production.

Human Skills

Human skills refer to the ability to work with other people as individuals and in groups. They help employees to communicate, motivate, lead and inspire others in an organization. These skills are equally important for all managerial levels.

Conceptual and Design Skills

Conceptual skills are the skills that are required by the managers to conceptualize abstract and complex situations. These skills are essential for top-level managers, since they need to possess a clear understanding of the overall functioning of the organization and relate it to the external environment.

Design skills are required by top level managers to find solutions to problems in a manner that would benefit the organization. Top managers should suggest a rational and feasible solution to a problem apart from recognizing the problem. The relative significance of these skills varies at different levels in the organizational hierarchy as shown in Figure 1.2.

Figure 1.2: Relative Need for the Main Categories of Skills
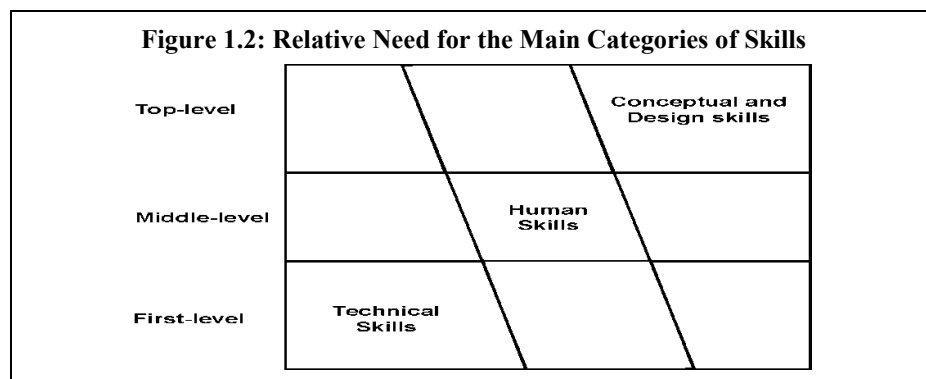
Source: ICFAI Research Center

10

Activity: Sridhar is the marketing manager of GAPL. Twenty sales people report to him daily and he has to motivate them to meet their assigned targets. At the same time, Sridhar has to give a consolidated report on all the marketing activities to the General Manager (Marketing). He also has to attend to the complaints and grievances from the customers. What do you think are the different roles that Sridhar plays while performing his duties?

Answer:

_____

_____

_____

Check Your Progress-4

13. First-level managers must possess _____ skills, which include knowledge of and proficiency in the methods, processes and procedures for carrying out activities.
    a. Human
    b. Conceptual
    c. Design
    d. Technical

14. Which of the following skills is important at all levels of an organization?
    a. Conceptual
    b. Design
    c. Human
    d. Technical

15. Which of the following skills indicates the ability to solve problems in ways that will benefit the enterprise?
    a. Design
    b. Human
    c. Conceptual
    d. Technical

16. Managers possessing _____ skill have the ability to understand and coordinate the full range of corporate objectives and activities.
    a. Design skill
    b. Human skill
    c. Conceptual skill
    d. Technical skill

1.8   Approaches to Management

By studying the various approaches to management analysis, we can understand the concept of management and have a better understanding of managerial functions. The various approaches to management analysis have been listed below:

- The empirical or case approach: In this approach, one tries to understand management principles with the help of cases. It also identifies the situations, wherein organizations have either succeeded or failed by following this approach. However, this approach has only limited value for developing management theory

- The interpersonal behavior approach: This approach is based on individual psychology and focuses on interpersonal relationships.

- The group behavior approach: This approach is based on sociology and social psychology. It stresses on the behavior of people in groups.

- The cooperative social systems approach: It advocates a system of cooperation using both interpersonal and group behavioral aspects.

- The sociotechnical systems approach: It realizes the impact of technical systems on personal attitudes and group behavior. This approach focuses on areas involving close relationships between the people involved and technical systems such as production, office operations, etc.

- The decision theory approach: The focus in this approach is on the decision-making process and people involved in it.

- The systems approach: It considers organizations to be open systems as they interact with the external environment. It recognizes the importance of the inter-relationship between planning, organizing and controlling.

- The mathematical or "management science" approach: This approach treats management as a logical process, which can be expressed in terms of mathematical symbols and relationships.

- The contingency or situational approach: In this approach, the main assumption is that there is no hard and fast rule for all situations. Managerial practice depends upon circumstances. Different circumstances may necessitate the use of different methods.

- The managerial roles approach: This approach had been developed by studying the work methods of five chief executives. The study identified ten managerial roles, which were grouped into three categories – interpersonal, informational and decisional roles.

- The McKinsey's 7-S framework: The seven S's used in this approach are strategy, structure, systems, style, staff, shared values and skills.

- The operational approach: This approach attempts to develop the science and theory of management by drawing upon concepts, principles, techniques and knowledge from other fields and managerial approaches.

1.8.1 Mistakes Managers Make

One good way to learn management is to look at the common mistakes' managers sometimes make. Several studies distinguished between "arrivers" or managers who are successful throughout their careers with "derailers" or managers who had a brilliant start at the beginning of their careers, but they were knocked off by the time they reached middle to upper levels of management. There is a slight difference between arrivers and derailers. Organizations have to pay a heavy price for the mistakes committed by the managers. Here is the list of 5 common mistakes managers make as pointed out by few management experts.

i.   Harassment

ii. Being Unapproachable

iii. Betray Trust

iv. Overly Ambitious

v.   Over Managing

The most common mistake made by the derailers was that they were so insensitive, they lack empathy; they bully their subordinates with their intimidating management style. Derailers try to control their subordinates by adopting an abrasive management style. To show their superiority and to get things done by their subordinates, few managers become very insensitive and do not show empathy towards them. The second mistake committed by the derailers were, often they become unapproachable to their subordinates. Derailers become cold, aloof, or arrogant to others; this is different from harassment as the unapproachable nature of the derailers stems from their expertise, knowledge and experience. Many subordinates accept that their managers are very efficient in their work, they complete their tasks before the deadlines, and they come up with creative ideas to solve their problems. Few managers expect their subordinates to work like them; it creates a lot of problems for them. Subordinates, knowing that there is no margin for error with their managers, hesitate to communicate with their managers. The third mistake committed by derailers involved betraying a trust. It doesn't mean being fraudulent. Instead, it means there can be occasions where managers cannot fulfill their promises because of various reasons such as time, money, or other resources were not enough to complete their task. The problem occurs when managers fail to admit mistakes, not communicating the mistakes to others,

blaming others for the mistakes, and not taking the responsibilities. The fourth mistake committed by the derailers was to be over-ambitious. Their focus is to get attention from the top management, get noticed, and to get promotions. They maintain superficial relationships with their peers and subordinates. The fifth mistake committed by the derailers is overmanaging; they intervene in their subordinates' job and not allow them to make their own decision, not giving enough freedom to their subordinates to express their ideas and opinions.

However, not all managers commit all these mistakes. One should be cautious to foresee such mistakes and manage the organizations effectively and efficiently for the interest of organizations and its employees.

Check Your Progress-4

17. Which of the following approaches to management examines practical cases but is having only limited value for developing management theory?
    a. Group behavior approach
    b. Systems approach
    c. Operational approach
    d. Empirical approach

18. Which of the following is also known as the mathematical approach?
    a. Operational approach
    b. Management science approach
    c. Management roles approach
    d. Systems approach

19. Which of the following approaches to management advocates a system of cooperation using both interpersonal and group behavioral aspects?
    a. Sociotechnical approach
    b. Contingency approach
    c. Situational approach
    d. Cooperative social systems approach

20. In the _____ approach to management, managerial practice depends on circumstances.
    a. Systems
    b. Contingency or situational
    c. McKinsey's 7-S framework
    d. Empirical or case

1.9   Summary

- According to Koontz and Weihrich, 'management is the process of designing and maintaining an environment for the purpose of efficiently accomplishing selected goals.'

- Mintzberg isolated ten roles which he believed were common to all managers and were grouped into three categories – interpersonal roles, informational roles, and decisional roles.

- Managers perform the roles of figure head, leader, liaison, recipient, disseminator, spokesperson, entrepreneur, disturbance handler, resource allocator and negotiator at different points of time.

- The management process involves the steps of planning, organizing, staffing, leading, and controlling the activities of an organization to achieve predetermined objectives.

- Organizational hierarchy includes three levels: top-level management, middle-level management, and first-level management.

- Robert L. Katz categorized three important skills that managers require for good performance. They are: technical skills, human skills, conceptual skills, and design skills.

- The various approaches to management include the empirical approach, interpersonal behavior approach, group behavior approach, cooperative social systems approach, sociotechnical systems approach, decisions theory approach, systems approach, McKinsey's 7-S framework, management science approach, contingency approach, managerial roles approach, and the operational approach.

1.10   Glossary

Conceptual Skills: Key management skills related to the ability to visualize the organization as a whole, discern interrelationships among organizational parts and understand how the organization fits into the wider context of the industry, community and the world.

Controlling: The management function that is aimed at regulating organizational activities so that actual performance conforms to expected organizational standards and goals.

Effectiveness: A dimension of organizational performance involving the ability to make the best use of available resources in the process of achieving goals.

External Environment: The major forces outside the organization that have the potential to significantly influence the likely success or failure of its products or services.

Human Skills: Key management skills associated with a manager's ability to work well with others, both as a member of a group and as a leader who gets things done through others.

Job Rotation: A job design approach that involves periodically shifting workers through a set of jobs in a planned sequence.

Leading: The management function that involves influencing others to engage in the work behaviors necessary to reach organizational goals.

Liaison Role: A role which a manager plays in order to facilitate communication and resolution of issues between two or more departments, thereby facilitating lateral relations.

Management: The process of achieving organizational objectives by engaging in the five major functions of planning, organizing, staffing, leading and controlling.

Middle Level Management: Level of management responsible for the actual direction and operation of the organization's activities.

Mission: The organization's purpose or fundamental reason for existence.

Organizing: The process of arranging people and physical resources into a structured grouping to carry out plans and accomplish organization objectives.

Perception: The process that individuals use to acquire and make sense out of information from the environment.

Planning: It is a process by which managers set objectives, assess the future, and develop courses of action to accomplish these objectives.

Standard: A level of activity established by management as a model for evaluating performance.

Technical Skills: Technical skills of a manager include the knowledge of work methods, processes and procedures to carry out a specific activity.

Top-Managers: Managers at the very top levels of hierarchy who are ultimately responsible for the functioning of the entire organization.

1.11 Self-Assessment Test

1. Your aim after finishing the MBA course, is to secure a job in a nationalized bank as probationary officer. This requires you to appear for a national-level exam and, if you qualify, you will have to attend an interview. Only if you are selected in the interview will you get an appointment. Since you

are a management student, what steps in the management process would you follow to ensure your selection for the post? Explain the various steps in detail.

2. Explain in detail Mintzberg's Managerial Roles.

3. The functions of a manager provide a useful framework for organizing management knowledge. Explain the functions of managers in detail.

4. Describe the various levels of management.

5. How does the importance of the skills given by Katz change according to the management level?

6. Why does management analysis and practice require a systems approach? Managers operate in an open or a closed system. Explain.

1.12 Suggested Readings / Reference Material

1. Aswathappa, K, International Management: Culture, Strategy, and Behavior 9 th Edition Paperback, McGraw Hill, 2020

2. Dwivedi,R.S. Management – An Integrated Approach, National Publishing House. 2016

3. Fred Luthans (International Management: Culture, Strategy, and Behavior, McGraw Hill, 2017

4. Harold Koontz, Heinz Weihrich, Mark V. Cannice, Essentials of Management - An International, Innovation and Leadership Perspective,

   11th Edition, Paperback, McGraw Hill, 2020

5. Stephen P. Robbins, Mary Coulter, Management, 15 th Edition, Hoboken, NJ: Pearson, 2020

1.13 Answers to Check Your Progress Questions

1. (b)   Management

Wherever there are groups of people working together to achieve some common objectives, it becomes essential to guide, organize and control them. Therefore, managers carry out the functions of planning, organizing, staffing, leading and controlling to achieve organizational goals by getting others to do the necessary tasks.

2. (a)   Decisional

In the decisional role, managers take decisions regarding the organization's wellbeing. In the role of entrepreneur, a manager designs and initiates a change within the organization. As a disturbance handler, a manager takes corrective action to solve problems. As a resource

allocator, manager decides on the distribution of resources. And as a negotiator, he deals with various people and groups.

3. (d)   Interpersonal

In the interpersonal role, managers interact with people within and outside the organization. As a figurehead, a manager acts as an organization's representative and carries out numerous symbolic and social duties. As a leader, a manager motivates subordinates to get the job done. In the role of a liaison, a manager serves as a link in the horizontal chain of communication.

4. (b)   Informational roles

A manager acts as a channel of information and performs the roles of recipient, disseminator and spokesperson.

5. (d)   Staffing

In today's world, staffing is better known as 'human resource management.' It aims at manning or filling the various positions in the organizational hierarchy.

6. (c)   Planning

Planning is the process by which managers determines the mission and objectives of the firm and take necessary steps to achieve the desired objectives.

7. (b)   Leading

Leading is the act of making things happen through others. Leading is defined as the function of influencing, motivating and directing people towards the achievement of organizational goals.

8. (b)   Controlling

Controlling can be defined as the continuous measurement and analysis of actual operations against established industry standards developed during the planning process and the correction of deviations (if any).

9. (c)   First-level

In most of the organizations, there are more positions at the first-level, fewer in the middle, and very few at the top. Many describe this kind of an organizational structure as a pyramid, as the managerial positions gradually decline as one progress towards the higher levels of management.

10. (a)   Reviewing daily and weekly production or sales reports

A middle-level manager reviews various production and sales reports and counsels subordinates on production or personnel problems.

11. (c) Middle-level

Middle-level managers are responsible for the performance of lower-level managers. They are a great asset to any organization as they are responsible for implementing the plans and strategies developed by top management for the accomplishment of organizational goals. They also analyze the need for change in the organization, introduce new work practices, and help the employees to adapt to the change process.

12. (b) First-level managers

First-level managers are responsible for the performance of operational level employees. They implement plans developed by middle-level managers and are responsible for the output variables like units produced, inventory levels, labor costs and quality control.

13. (d) Technical

Technical skills include knowledge of the various methods, procedures and processes required for carrying out a specific activity. First-level managers must have technical skills to be able to help and train operational level employees.

14. (c) Human

Human or interpersonal skills determine a person's ability to work well with the other members of a group. As people work in groups at all levels of an organization, human skills are necessary at all hierarchical levels.

15. (a) Design

Design skills are necessary for top level managers as they are involved in recognizing and solving problems in ways that would benefit the organization. They are also required to consider various internal and external factors during the process of problem solving.

16. (c) Conceptual skill

Conceptual skills refer to the ability of a person to think and conceptualize abstract situations. Top-level management is expected to have conceptual skills.

17. (d) Empirical approach

In the empirical or case approach, one tries to understand management principles with the help of cases. It also identifies the situations, wherein organizations have either succeeded or failed by following this approach. However, the case approach is having limited value for developing management theory.

18. (b) Management science approach

The management science approach treats management as a logical process, which can be expressed in terms of mathematical symbols and relationships. Managing is seen as mathematical processes, symbols, concepts and models.

19. (d) Cooperative social systems approach

The cooperative social systems approach integrates both interpersonal and group behavior approaches.

20. (b) Contingency or situational

A contingency approach to management emphasizes adjusting managerial actions and styles to the specific circumstances of the situation confronting the organization.

Unit 2
Evolution of Management Thought

Structure

2.1 Introduction

The previous unit discussed various approaches to management and the functions of management. In this unit, we will discuss about the evolution of management thought.

The evolution of management began with the Industrial Revolution which occurred in the mid-1700's. The earliest contribution to the concept of management can be traced to Robert Owen, a British factory owner who was concerned about the work environment of his workers and executed reforms in the operational process. In the nineteenth century, Charles Babbage advocated the principles of division of labor. Henry Robinson Towne, president of the Yale and Towne manufacturing company, focused on the development of management as a separate field of study and suggested the application of management principles to business situations. However, the development of management thought as a systematic study is a phenomenon of the twentieth century.

This unit discusses the evolution of management thought.

2.2 Objectives

By the end of this unit, students should be able to:

- Explain the early approaches to management

- Compare the classical approaches to management

- Classify the behavioral approaches of management

- Explain the quantitative approaches of management

- Discuss the modern approaches to management

2.3   Early Approaches to Management

The Industrial Revolution, which began in Europe in the mid-1700s, was the starting point for the development of management concepts and theories. The rapid growth in the number of factories during this period and the need to coordinate the efforts of large number of people in the production process necessitated the development of management theories and principles. Many theorists and practitioners in the mid- and late 1800s (preclassical period) contributed valuable ideas that laid the foundation for subsequent, broader inquiries into the nature of management. Five principal contributors can be identified in this early period of development of management thought: Robert Owen, Charles Babbage, Andrew Ure, Charles Dupin, and Henry Robinson Towne.

Robert Owen: Human Resource Management Pioneer

Robert Owen (1771-1858) was a successful British entrepreneur in the early 19th century. He was one of the earliest management thinkers to realize the significance of human resources. He believed that workers' performance was influenced by the environment in which they worked. He proposed legislative reform that would limit the number of working hours and restrict the use of child labor. At his own factories, he introduced a standard working day of 10½ hours and refused to employ children under the age of ten. Owen's proposals were opposed by his business partners and were considered radical (child labor and long working hours were common practices during this era). He tried to improve the living conditions of his employees by ensuring basic amenities like better streets, houses, sanitation, and setting up an educational establishment in New Lanark.

Owen recommended the use of a "silent monitor" to openly rate an employee's work on a daily basis. Blocks of wood were painted in four different colors, with each color signifying a certain level of accomplishment. Depending on the productivity of the employee, blocks of appropriate color were then attached to each machine in the factory. Owen believed that these open ratings instilled pride and encouraged healthy competition. Publicizing of sales and production figures by many modern organizations is based on the same psychological principle.

Owen wanted other manufacturers to share his concern for improving workers' working and living conditions. He argued that a manager's best investment was in his workers. Though Owen's ideas were not accepted by his contemporaries, they laid the groundwork for the human relations movement.

Charles Babbage: Inventor and Management Scientist
British professor of Mathematics, Charles Babbage (1792-1871) is widely known as the "father of modern computing". He was a pioneer not only in the field of computing but also in the field of management. His major contributions to the field of computing were the world's first mechanical calculator and an "analytical engine" (which was a forerunner of the modern computer). The problems he encountered while carrying out his projects led him to search for new ways of doing things. His desire to improve processes led to many contributions to management theory.

Babbage was an advocate of the concept of division of labor. He was impressed by the idea of *work specialization*, or the degree to which work is divided into various tasks. He believed that each factory operation should be thoroughly understood so that the necessary skill involved in each operation could be isolated. Each worker could then be trained in one specific skill and made responsible only for that part of the operation. He observed that work specialization could apply not only to physical work but also to mental work. Babbage felt that work specialization would reduce training time and improve (through constant repetition of each operation) the skills and efficiency of workers. The concept of the assembly line, in which each worker is responsible for a different repetitive task, is based on Babbage's ideas.

Babbage believed that the interests of employees and management were closely linked. He therefore devised a profit-sharing plan under which bonuses were given for useful suggestions contributed by employees and wages were based on the profits generated by the factory. His employee incentive techniques are used even today. The modern-day Scanlon Plan, under which workers offer suggestions to improve productivity and then share the resulting profits, is based on Babbage's ideas.

Andrew Ure and Charles Dupin: Management Education Pioneers
Andrew Ure (1778-1857) and Charles Dupin (1784-1873) were the early proponents of the study of management. Ure was a British academician and Dupin, a French engineer. Ure, who taught at Glasgow University, published *The Philosophy of Manufacturing,* in which he explained the various principles and concepts of manufacturing. In 1819, Dupin was appointed as a management professor in Paris, which marked the beginning

of an illustrious career. His writings, well-known throughout France, may have influenced Henri Fayol's contributions to the theory of management.

Henry Robinson Towne (1844-1924)

Henry R. Towne, President of the Yale and Towne manufacturing company and a mechanical engineer, realized that good business skills were essential for running a business. He emphasized the need to consider management as a separate field of systematic study on the same level as engineering. In a paper, "The Engineer as an Economist," presented in 1886, Towne suggested that management be studied as a science and that principles be developed that could be used across various management situations. Frederick W. Taylor, who attended the presentation, was influenced by Towne's ideas. Subsequently, Taylor developed the principles of scientific management.

2.4   Classical Approach

The classical approach to management focused on the development of efficient methods of managing work and organizations. This approach can be classified into three schools of management. They are:

Scientific Management

Scientific management is defined as "that kind of management which conducts a business or affairs by facts or truths gained through systematic observation, experiment, or reasoning." Important proponents of this theory included Frederick Taylor, Henry Gantt, and Frank and Lillian Gilbreth.

Frederick Winslow Taylor

In 1911, F.W. Taylor published his work, "The Principles of Scientific Management," which proposed the application of scientific methods to management for efficient productivity. His theory was based on four principles:

- Replacement of conventional methods by scientific methods.

- Scientific selection, training and development of workers.

- Equal distribution of work and responsibility between the managers and the workers.

- Improvement of productivity through work and motion studies, tools and incentives.

Piece-rate incentive system

Taylor felt that the wage system was one of the major reasons for soldiering. To resolve this problem, he advocated the use of a piece-rate incentive

24

system. The aim of this system was to reward the worker who produced the maximum output. Under this system, a worker who met the established standards of performance would earn the basic wage rate set by management. If the worker's output exceeded the set target, his wages would increase proportionately. The piece-rate system, according to Taylor, would motivate workers to produce more and thus help the organization perform better.

Time-and-motion study

Taylor tried to determine the best way to perform each and every job. To do so, he introduced a method called "time-and-motion" study. In a "time-and-motion" study, jobs are broken down into various small tasks or motions and unnecessary motions are removed to find out the best way of doing a job. Then each part of the job is studied to find out the expected amount of goods that can be produced each day. The objective of a time-and-motion analysis is to ascertain a simpler, easier and better way of performing a work or job.

Frank and Lillian Gilbreth

After Taylor, Frank and Lillian Gilbreth made numerous contributions to the concept of scientific management. Frank Gilbreth (1868-1924) is considered the "*father of motion study.*" Lillian Gilbreth (1878-1972) was associated with the research pertaining to motion studies. Motion study involves finding out the best sequence and minimum number of motions needed to complete a task. Frank and Lillian Gilbreth were mainly involved in exploring new ways for eliminating unnecessary motions and reducing work fatigue.'

The Gilbreths devised a classification scheme to label seventeen basic hand motions – such as "search," "select," "position," and "hold" – which they used to study tasks in a number of industries. These 17 motions, which they called therbligs (Gilbreth spelled backward with the 't' and 'h' transposed), allowed them to analyze the exact elements of a worker's hand movements. Frank Gilbreth also developed the *micromotion* study. A motion picture camera and a clock marked off in hundredths of seconds were used to study motions made by workers as they performed their tasks. He is best known for his experiments in reducing the number of motions in bricklaying. By carefully analyzing the bricklayer's job, he was able to reduce the motions involved in bricklaying from 18 ½ to 4. Using his approach, workers increased the number of bricks laid per day from 1000 to 2700 (per hour it went up from 120 to 350 bricks) without exerting themselves.

Lillian's doctoral thesis (published in the early 1900s as *The Psychology of Management)* was one of the earliest works which applied the findings of psychology to the management of organizations. She had great interest in the human implications of scientific management and focused her attention on designing methods for improving the efficiency of workers. She continued her innovative work even after Frank's death in 1924, and became a professor of management at Purdue University. Lillian was the first woman to gain eminence as a major contributor to the development of management as a science. In recognition of her contributions to scientific management, she received twenty-two honorary degrees.

Henry Laurence Gantt

Henry L. Gantt (1861-1919) was a close associate of Taylor at Midvale and Bethlehem Steel. Gantt later became an independent consultant and made several contributions to the field of management. He is probably best remembered for his work on the task-and-bonus system and the Gantt chart. Under Gantt's incentive plan, if the worker completed the work fast, i.e. in less than the standard time, he received a bonus. He also introduced an incentive plan for foremen, who would be paid a bonus for every worker who reached the daily standard. If all the workers under a foreman reached the daily standard, he would receive an extra bonus. Gantt felt that this system would motivate foremen to train workers to perform their tasks efficiently.

The Gantt chart used today by many organizations is a simple chart that compares actual and planned performances. The Gantt chart was the first simple visual device to maintain production control. The chart indicates the progress of production in terms of time rather than quantity. Gantt's charting procedures were precursors of today's program evaluation and review techniques.

Limitations of scientific management

Scientific management has provided many valuable insights in the development of management thought. In spite of the numerous contributions it made, there are a few limitations of scientific management. They are:

- The principles of scientific management revolve around problems at the operational level and do not focus on the management of an organization from a manager's point of view. These principles focus on the solutions of problems from an engineering point of view.

- The proponents of scientific management were of the opinion that people were "rational" and were motivated primarily by the desire for

material gain. Taylor and his followers overlooked the *social needs* of workers and overemphasized their *economic* and *physical* needs.

- Scientific management theorists also ignored the human desire for job satisfaction. Since workers are more likely to go on strike over factors like working conditions and job content (the job itself) rather than salary, principles of scientific management, which were based on the "rational worker" model, became increasingly ineffective.

<u>**Check Your Progress-1**</u>

1. Under which system does a worker's wage increase in proportion to the output produced?
   a. Time-and-motion study
   b. Piece-rate incentive system
   c. Micromotion study
   d. Gantt Chart

2. Who proposed the task-and-bonus system under which workers are given a bonus if the work is completed before the set time?
   a. Frederick W. Taylor
   b. Henry L. Gantt
   c. Frank B. Gilbreth
   d. Max Weber

3. The _____ theorists ignored the human desire for job satisfaction.
   a. Scientific management
   b. Bureaucratic management
   c. Administrative theory
   d. Management science

4. Which type of management approach focuses only on the economic and physical needs of workers and ignores their social needs?
   a. Scientific management
   b. Bureaucratic management
   c. Administrative management
   d. Operations management

Administrative Theory

The Administrative management theory focuses on the principles that managers use to coordinate the organization's internal activities. Henry Fayol, a French industrialist, viewed management as a process composed

of five important functions: planning, organizing, commanding, coordinating, and controlling. He emphasized the importance of managerial activities in the overall functioning of the organization.

Henri Fayol

Fayol's Principles of Management

1. **Division of work:** Work specialization results in improving efficiency of operations. The concept of division of work can be applied to both managerial and technical functions.

2. **Authority and responsibility:** Authority is defined as "the right to give orders and the power to exact obedience." Authority can be formal or personal. Formal authority is derived from one's official position and personal authority is derived from factors like intelligence and experience. Authority and responsibility go hand-in-hand. When a manager exercises authority, he should be held responsible for getting the work done in the desired manner.

3. **Discipline:** Discipline is vital for running an organization smoothly. It involves obedience to authority, adherence to rules, respect for superiors and dedication to one's job.

4. **Unity of command:** Each employee should receive orders or instructions from one superior only.

5. **Unity of direction:** Activities should be organized in such a way that they all come under one plan and are supervised by only one person.

6. **Subordination of the individual interest to the general interest:** Individual interests should not take precedence over the goals of the organization.

7. **Remuneration:** The compensation paid to employees should be fair and based on factors like business conditions, cost of living, productivity of employees and the ability of the firm to pay.

8. **Centralization:** Depending on the situation, an organization should adopt a centralized or decentralized approach to make optimum use of its personnel.

9. **Scalar chain:** This refers to the chain of authority that extends from the top to the bottom of an organization. The scalar chain defines the communication path in an organization.

10. **Order:** This refers to both material and social order in organizations. Material order indicates that everything is kept in the right place to facilitate the smooth coordination of work activities. Similarly, social order implies that the right person is placed in the right job (this is achieved by having a proper selection procedure in the organization).

11. **Equity:** All employees should be treated fairly. A manager should treat all employees in the same manner without prejudice.

12. **Stability of tenure of personnel:** A high labor turnover should be prevented and managers should motivate their employees to do a better job.

13. **Initiative:** Employees should be encouraged to give suggestions and develop new and better work practices.

14. **Espirit de corps:** This means "a sense of union." Management must inculcate a team spirit in its employees.

Bureaucratic Management

Bureaucratic management, one of the schools of classical management, emphasizes the need for organizations to function on a rational basis. Max Weber was one of the major contributors to this school of thought. According to Weber, "a bureaucracy is a highly structured, formalized, and impersonal organization." He propagated the belief that an organization should have a defined hierarchical structure managed by clearly defined regulations and lines of authority. The major characteristics of Weber's ideal bureaucracy include:

- Specialization of labor.

- Formal rules and regulations.

- Impersonality in application of rules.

- Well defined hierarchy.

- Career advancement based on merit.

Exhibit 2.1 discusses the association between bureaucratic structure and organizational commitment.

Exhibit 2.1: Bureaucratic structures and organizational commitment: Findings from a comparative study of 20 European countries

This study examines the association between bureaucratic structure and organizational commitment in senior public officials across 20 European countries. The Weberian bureaucratic model has important elements such as 1) a formal structure (e.g. hierarchy and specialization), 2) administrative procedures such as compliance to formal rules and 3) systems such as meritocracy in recruitment, seniority and job security.

Results indicate the importance of looking at individual bureaucrats for knowing broader outcomes. The study throws light on potential positive aspects of closed civil service systems. The major finding of the study is there is higher commitment among closed civil service systems than that of open systems

---

Source: https://www.tandfonline.com/doi/full/10.1080/14719037.2019.1619813 2020

Limitations of bureaucratic management and administrative theory

Scholars who emphasized the human approach to management criticized classical theorists on several grounds. They felt that the management principles propounded by the classical theorists were not universally applicable to today's complex organizations. Some of Fayol's principles were in conflict with the principle of unity of command.

Weber's concept of bureaucracy is not as popular today as it was when it was first proposed. The principal characteristics of bureaucracy – strict division of labor, adherence to formal rules and regulations, and impersonal application of rules and controls – destroy individual creativity and the flexibility to respond to complex changes in the global environment.

Classical theorists ignored important aspects of organizational behavior. They did not deal with the problems of leadership, motivation, power, or informal relations.

<u>**Check Your Progress-2**</u>

5. Which one of the following did not contribute to the behavioral concept of management?

    a. Elton Mayo

    b. Mary Parker Follet

    c. Chris Argyris

    d. Henry R. Towne

6. _____ a branch of the classical viewpoint of management, is based on Max Weber's research in the field of management.

    a. Bureaucratic management

    b. Scientific management

    c. Administrative management

    d. Weber management

7. Which one of the following theories ignored the concepts of leadership, motivation, power, and informal relations?

    a. Pre-Classical

    b. Classical

    c. Behavioral

    d. Modern

8. Specialization of labor, well-defined hierarchy, formal rules and procedures, and merit-based career advancement are the characteristics of _____ management.

   a. Scientific

   b. Administrative

   c. Bureaucratic

   d. Management science

9. Which one of the following management concepts leads to the destruction of the creativity and flexibility required to respond to changes in the global environment?

   a. Bureaucratic management

   b. Scientific management

   c. Operations management

   d. Administrative management

2.5 Behavioral Approach

The behavioral approach focused on the individual's attitude and behavior in an organization. It emphasizes the significance of understanding the various factors that influence human behavior. The early advocates of the behavioral approach were Elton Mayo, Mary Parker Follet, Abraham Maslow, Chris Argyris, and Douglas McGregor.

Mary Parker Follet: Focusing on Group Influences

Mary Parker Follet (1868-1933) made important contributions to the field of human resource management. She gave much more importance to the functioning of groups in the workplace than did classical theorists. Follet argued that organizational participants were influenced by the groups within which they worked.

Follet recognized the critical role managers play in bringing about the kind of constructive change that enables organizations to function. She suggested that organizations function on the principle of "power with" rather than "power over." Power, according to Follet, was the ability to influence and bring about a change. Follet also advocated the concept of integration, which involves finding a solution acceptable to all group members. She believed that managers should be responsible for keeping a group together and ensuring that organizational objectives are achieved through group interaction. Her humanistic ideas have influenced the way we look at motivation, leadership, teamwork, power, and authority.

Block-1: Fundamentals of Management

Elton Mayo: Focusing on Human Relations

Elton Mayo (1880-1949), the "Father of the Human Relations Approach," led the team which conducted a study at Western Electric's Hawthorne Plant between 1927 and 1933 to evaluate the attitudes and psychological reactions of workers in on-the-job situations. The study was started in 1924 by Western Electric's industrial engineers to examine the impact of illumination levels on worker productivity. Eventually the study was extended through the early 1930s. The experiments were conducted in four phases:

a. Illumination experiments
b. Relay assembly test room experiments
c. Interview phase
d. Bank wiring observation room experiments

Illumination experiments

These experiments, initiated by Western Electric's industrial engineers, took place between 1924 and 1927. These experiments involved manipulating the illumination for one group of workers (called the experimental or test group) and comparing their subsequent productivity with the productivity of another group (the control group) for whom the illumination was not changed. The results of the experiments were ambiguous. For the test group, performance improved as the intensity of the light increased. However, the performance of the test group rose steadily even when the illumination for the group was made so dim that the workers could hardly see. To compound the mystery, the control group's productivity also tended to rise as the test group's lighting conditions were altered, even though the control group experienced no changes in illumination. Since there was a rise in performance in both groups, the researchers concluded that group productivity was not directly related to illumination intensity. Something besides lighting was influencing their performance.

Relay assembly test room experiments

A second set of experiments took place between 1927 and 1933. In this phase, researchers were concerned about working conditions such as number of work hours, frequency, and duration of rest periods. The researchers selected six women for the experiments. These women worked in the relay assembly test room, assembling a small device called an electrical relay. The participants were informed beforehand about the experiments. In the course of the experiments, a number of variables were altered in the room: wages were increased; rest periods of varying lengths were introduced; the duration of work was shortened. The workers were

also granted certain privileges such as leaving their workstation without obtaining permission. These workers received special attention from the researchers and company officials.

Generally, productivity increased over the period of the study, regardless of how the factors under consideration were manipulated. The group ultimately concluded that better treatment of employees made them more productive. These experiments recognized the importance of social relations among participants. Since there was no formal supervisor (only the observer was present), the participants experienced more freedom and a feeling of importance because they were consulted on proposed changes. The researchers concluded that employees would work better if management was concerned about their welfare and supervisors paid special attention to them. One of the findings of the study was the identification of the concept which came to be described as the 'Hawthorne effect.' The Hawthorne effect is defined as the possibility that individuals picked up to participate in a study may show higher productivity only because of the added attention they receive from the researchers rather than any other factor being tested in the study.

Interview phase

During the course of the experiments, about 21,000 people were interviewed over a three-year period – between 1928 and 1930 – to explore the reasons for human behavior at work. All the employees in the Hawthorne plant were interviewed. The generalizations drawn from these interviews are given below:

- A complaint is not necessarily an objective recital of facts; it can also be a symptom of personal disturbance, the cause of which may be deep-seated.

- Objects, persons, and events carry social meaning. Their relation to employee satisfaction or dissatisfaction is purely based on the employee's personal situation and how he perceives them.

- The personal situation of the worker is a configuration of relationships. This configuration consists of a personal reference and a social reference. While personal reference pertains to a person's sentiments, desires, and interests, social reference pertains to the person's past and present interpersonal relations.

- The position or status of the worker in the company is a reference from which the worker assigns meaning and value to the events, objects, and features of his environment, such as hours of work, wages etc.

- The social organization of the company represents a system of values from which the worker derives satisfaction or dissatisfaction according to his perception of his social status and the expected social rewards.

- The social demands of the worker are influenced by social experiences in groups both inside and outside the workplace.

Bank wiring observation room experiments

These experiments were undertaken by researchers to test some of the ideas they had gathered during the interviews. The experiments were conducted during 1931-1932.

The fourteen participants in the experiment were asked to assemble telephone wiring to produce terminal banks. This time no changes were made in the physical working conditions. In the Bank Wiring Observation Room experiments, workers were paid on the basis of an incentive pay plan, under which their pay increased as their output increased. Researchers observed that output stayed at a fairly constant level, which was contrary to their expectations. Their analysis showed that the group encouraged neither too much nor too little work. It seemed they had their own idea of what "a fair day's work" was and enforced it themselves. The test room participants did not behave the way the 'economic man model' (this model states that employees are predominantly motivated by money) predicted. Group acceptance appeared to be more important to the worker than money. Thus, these experiments provided some insights into informal social relations within groups.

Contributions of Hawthorne experiments

The Hawthorne experiments, which laid the foundation for the Human Relations Movement, made significant contributions to the evolution of management theory. Some of the contributions of Hawthorne studies are:

- The group is the key factor in job performance

- Perceived meaning and importance of the work determine output.

- Workplace culture sets its own production standards.

Criticism of Hawthorne studies

The Hawthorne studies have received considerable criticism. The procedures, analysis of findings, and the conclusions reached were found to be questionable. The relationship established between the satisfaction or happiness of workers and their productivity was too simplistic. These studies failed to focus attention on the attitudes of employees at the workplace.

Abraham Maslow: Focusing on Human Needs

In 1943, Abraham H. Maslow (1908-1970), a Brandeis University psychologist, theorized that people were motivated by a hierarchy of needs. His theory rested on three assumptions. First, all of us have needs which are never completely fulfilled. Second, through our actions we try to fulfill our unsatisfied needs. Third, human needs occur in the following hierarchical manner: (i) physiological needs; (ii) safety or security needs; (iii) belongingness or social needs; (iv) esteem or status needs; (v) self-actualization, or self-fulfillment needs. According to Maslow, once needs at a specific level have been satisfied, they no longer act as motivators of behavior. Then the individual strives to fulfill needs at the next level. Managers who accepted Maslow's hierarchy of needs attempted to change their management practices so that employees' needs could be satisfied. The hierarchy of needs is discussed in greater detail in Chapter 16.

Douglas McGregor: Challenging Traditional Assumptions about Employees

Douglas McGregor (1906-1964) developed two assumptions about human behavior, which he labeled "Theory X" and "Theory Y." According to McGregor, these two theories reflect the two extreme sets of belief that different managers have about their workers. Theory X presents an essentially negative view of people. Theory X managers assume that workers are lazy, have little ambition, dislike work, want to avoid responsibility, and need to be closely directed to make them work effectively.

Theory Y is more positive and presumes that workers can be creative and innovative, are willing to take responsibility, can exercise self-control, and can enjoy their work. They generally have higher-level needs which have not been satisfied by the job.

Chris Argyris: Matching Human and Organizational Development

Chris Argyris, a Yale University professor, made significant contributions to the behavioral school of management thought. The major contributions of this behavioral scientist are the maturity-immaturity theory, the integration of individual and organizational goals, and Model I and Model II organization analysis.

Argyris points out the inherent conflict between the healthy individual and the rigid structure of the formal organization. He believes that people progress from a stage of immaturity and dependence to a state of maturity and independence. Many organizations tend to keep their employees in a dependent state, thereby blocking further progress. This tendency may keep an individual from realizing his or her true potential. Further, Argyris

argues that several of the basic concepts and principles of modern management – such as specialization – hinder the development of a "healthy" personality. He feels that such incongruence between the organization and individual development results in the failure and frustration of employees. Such incongruence, Argyris argues, can be corrected by techniques such as job enlargement and job loading, which increase the work-related responsibilities of the individual and allow him to participate in the decision-making process.

Model I and Model II organizations

Argyris classifies organizations as Model I and Model II organizations on the basis of the employees' set of values. The employees in Model I organization are manipulative and pitted against each other. They are not willing to take risks. Workers in Model II organization are open to learning and less manipulative. Their access to information gives them freedom to make informed choices, which in turn increases their willingness to take risks. Hence, according to Argyris, managers should strive to create a Model II environment.

Check Your Progress-3

10. Which behavioral thinker supported the idea of 'power sharing' between superiors and subordinates in an organization?
    a. Abraham Maslow
    b. Elton Mayo
    c. Mary Parker Follet
    d. Douglas McGregor

11. Who proposed that human needs develop in a hierarchical manner in the order of physiological needs, safety needs, social needs, esteem needs and self-fulfillment needs?
    a. Elton Mayo
    b. Abraham Maslow
    c. Chris Argyris
    d. Douglas McGregor

12. According to Chris Argyris, organizations can contribute to employee growth_____.
    a. By discouraging risk taking
    b. By keeping them in a dependent state
    c. By allowing them to participate in the decision making process
    d. By preventing them from realizing their true potential

13. Which of the following was not a phase in the Hawthorne experiments?
    a. Illumination experiments
    b. Bank wiring observation room experiments
    c. Group discussions
    d. Interview phase

2.6 Quantitative Approach

The quantitative approach emphasizes the use of mathematics, statistics, optimization models, and computer simulations in managerial decision-making. It consists of three main branches: management science, operations management, and management information systems.

Management Science

Management science aids in effective decision-making by applying modern mathematical and statistical models to managerial practices in the areas of planning and control. It is also referred to as operations research. Recent advances in computers have made it possible to use complex mathematical and statistical models in the management of organizations. However, it has also been criticized for its overemphasis of mathematical tools.

Operations Management

Operations management is the field of study relating to the effective management of production and delivery of goods and services. Operations management is concerned with: (i) inventory management, (ii) work scheduling, (iii) production planning, (iv) facilities location and design, and (v) quality assurance. Forecasting, inventory analysis, networking models, materials requirement planning, and statistical quality control methods are some of the tools used by operational managers.

Management Information Systems

Management information systems aid in designing and implementing computer based information systems for management applications. Data is collected, analyzed, and made available to managers when they need it.

Check Your Progress-4

14. Operations management is not concerned with the _____.
    a. Work scheduling
    b. Production planning
    c. Quality assurance
    d. Development of product strategies
15. Which theory has been criticized for overemphasis on mathematical tools?
    a. Management science theory

    b.   Management Information systems

    c.   Operations management

    d.   Scientific management

16. Operations management is the applied form of _____.

    a.   Scientific management

    b.   Management science

    c.   Management information systems

    d.   Systems

17. Which of the following is **not** an aspect of the operations management theory?

    a.   Work scheduling

    b.   Production planning

    c.   Manpower planning

    d.   Quality assurance

18. Which one of the following is **not** a tool used by operations managers?

    a.   Inventory analysis

    b.   Statistical quality control methods

    c.   Project planning

    d.   Designing computer based information

19. Which management approach involves forecasting, inventory analysis, materials requirement planning systems and networking models?

    a.   Classical approach

    b.   Quantitative approach

    c.   Modern approach

    d.   Preclassical approach

2.7 Modern Approaches to Management

The classical theorists failed to view the organization as a unified system. Modern thinkers endeavored to remove this flaw. They developed two important approaches namely, the systems approach and the contingency approach.

Figure 2.1: A Systems View of Organizations

INPUTS (Resources)	TRANSFORMATION PROCESS (Managerial and Technological abilities)	INPUTS
■ Labor ■ Materials ■ Capital ■ Machinery ■ Information	■ Planning ■ Organizing ■ Staffing ■ Leading ■ Controlling ■ Technology	■ Goods ■ Services ■ Profits and losses ■ Employee satisfaction

FEEDBACK
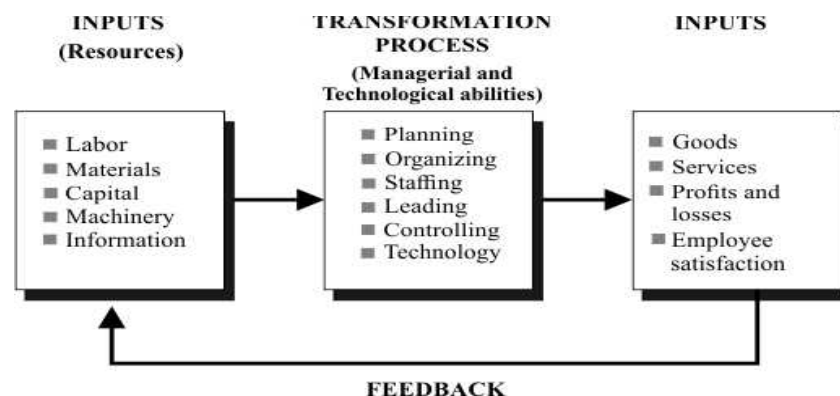
Systems Theory

The systems approach gives managers a new way of looking at an organization as a whole and as a part of the larger, external environment. A system is a group of parts that operate as a whole to achieve a common objective. It has four major components: inputs, transformation processes, output and feedback (Refer to Figure 2.1 for a systems view of organizations). There are two types of systems, namely closed system and open system.

A closed system has no interaction with the external environment. Frederick Taylor, for instance, regarded people and organizations as closed systems. An open system depends on the external environment to carry out its activities. Most organizations are open systems as they depend on the external environment to achieve their goals.

Contingency Theory

It has been developed to adapt to the changing situations of the organizations. It states that there is no single principle to manage all the situations in an organization. The essence of this approach is that managers should identify the situations, interpret them, and apply the approach which suits the situation best.

Theory Z

William Ouchi, a management expert, conducted research on both American and Japanese management approaches and outlined a new theory called Theory Z. This theory combines the positive aspects of both American and Japanese management styles. The Theory Z approach involves providing job security to employees to ensure their loyalty and long-term association with the company. It also involves job rotation of employees to develop their cross-functional skills. This approach advocates the participation of employees in the decision-making process and emphasizes the use of informal control in the organization along with explicit performance measures. The organization shows concern for its employees' well-being and lays emphasis on their training and development. Exhibit 2.2 provides few examples for Theory Z.

Exhibit 2.2: Theory Z

Some of the organizations that practiced Theory Z are Maruti Udyog Limited in India, Toyota, Honda and Nissan. The quality and productivity of these organizations have been quite higher when compared with their competitors in the respective countries. Another important fact is the rate of absenteeism and number of grievances in these companies are very low in these companies when compared with other organizations

---

Source: https://www.businessmanagementideas.com/motivation/theory-z-of-motivation/21005

Activity: You are the manager of Sterling Textiles Ltd, whose objective is to increase productivity. The management has decided to improve the efficiency of each department so that it can achieve overall efficiency. You feel that mere improvement of the departments without coordinating their activities will not serve the purpose. You try to achieve the objective by applying a systems approach to the organization. Explain the systems approach and its application to the organization.

Answer:

_____

_____

_____

_____

Another approach in the field of management thought that is gaining increasing importance is that of quality management. It directs the efforts of management towards bringing about continuous improvement in product and service quality to achieve higher levels of customer satisfaction and build customer loyalty.

Check Your Progress-5

1. Which theory states that there is no best way to manage all situations?
   a. Systems theory
   b. Contingency theory
   c. Administrative theory
   d. Bureaucratic theory

21. Which of the following theories gives managers a new way of looking at an organization as a whole and as a part of the larger external environment?
    a. Contingency theory
    b. Theory Z and quality management
    c. Systems theory
    d. Theory X and Theory Y

22. Which management thinker regarded people and organizations as closed systems?
    a. Elton Mayo
    b. Henri Fayol
    c. Frederick W. Taylor
    d. Chris Argyris

23. Which management theory gives importance to the achievement of customer satisfaction and loyalty?
    a. Management science
    b. Operations management
    c. Situational theory
    d. Quality management

24. William Ouchi developed Theory Z on the basis of _____ approaches to management.
    a. American and Chinese
    b. French and Japanese
    c. American and Japanese
    d. French and Chinese

2.8 Summary

- The evolution of management began with the industrial revolution in the 1800's. Earlier advocates like Robert Owen, Charles Babbage, and Henry Towen paved the way for various approaches like the classical, behavioral, quantitative, and modern management theories.

- The classical approach comprises scientific management, administrative theory, and bureaucratic management. Scientific management was contributed by Frederick Taylor, who emphasized the development of scientific methods for increasing productivity. The administrative theory stresses on the coordination of the internal activities of the organization. The bureaucratic theory focuses on the introduction of formal rules and methods in the organization.

- The behavioral approach emphasizes the human element in an organization.

- The quantitative approach focuses on the application of mathematical and statistical methods in decision making.

- Modern approaches include the systems and the contingency approach. The systems approach states that an organization should be viewed as a unified whole and the contingency theory states that different approaches should be used to adapt to different situations.

2.9 Glossary

Behavioral School: Managerial approach that emphasizes employee motivation as a primary determinant of organizational and managerial effectiveness.

Block-1: Fundamentals of Management

Bureaucracy: Management approach based on a formal organization structure with set rules and regulations.

Classical Viewpoint: A perspective on management that emphasizes finding ways to manage work and organizations more efficiently.

Contingency Theory: An approach to management that emphasizes adjusting managerial actions and styles to the specific circumstances of the situation confronting the organization.

Division of Labor: The breakdown of a complex task into components so that individuals are responsible for a limited set of activities instead of the task as whole. It is often referred to as division of work.

Gantt Chart: A type of planning and control model developed by Henry L. Gantt that relies on a specialized bar chart showing the current progress on each major project activity relative to the scheduled completion dates.

Hawthorne Effect: The possibility that workers who receive special attention will perform better simply because they received that attention; one interpretation of studies by Elton Mayo and his colleagues.

Hawthorne Studies: A series of studies conducted at the Hawthorne plant of the Western Electric Company during the late 1920s and early 1930s whose findings ultimately led to the human relations approach to management.

Japanese Management: An approach that focuses on aspects of management in Japan that may be appropriate for adoption in the United States.

Job Enlargement: A job design approach that involves the allocation of a wider variety of similar tasks to a job in order to make it more challenging.

Management Science: A branch within the quantitative management approach which aims at improving the effectiveness of a decision through the use of sophisticated mathematical models and statistical methods; also called operations research.

Motion Study: Determination of the best sequence and number of motions to accomplish a specified task.

Open System: A system that operates in continual interaction with its environment.

Operations Management: The management of the productive processes that convert inputs into goods and services.

Scientific Management: An approach within classical management that emphasizes the application of scientific method to the workplace and management activities.

Systems Theory: A theory based on the notion that an organization can be visualized as a set of interrelated parts that function as a single unit.

Technology: The knowledge, tools, equipment and work techniques used by an organization in delivering its product or service.

Theory Z: A concept that combines the positive aspects of American and Japanese management styles into a modified approach aimed at increasing managerial effectiveness of American managers.

Therbligs: A term coined by the Gilbreths to refer to the seventeen basic hand motions they identified while carrying out motion studies.

Unity of Command: An organization concept stating that each organization member should report to only one supervisor for any single function.

Work Specialization: The degree to which the work necessary to achieve organizational goals is broken down into various jobs.

2.10 Self-Assessment Test

1. Describe in brief the early approaches to management.

2. Classical management thought can be divided into three separate schools: scientific management, administrative theory and bureaucratic management. Explain in detail.

3. Describe the behavioral school of management.

4. How does the quantitative approach help managers in effective decision making?

5. You are the manager of a company which produces industrial products. The owner of the company is concerned about productivity but neglects the workers and their working conditions. Apply the 'behavioral approach' to explain the flaws in the management process to the owner.

6. The modern approaches to management are suitable in present day situations. Discuss the two types of modern approaches and their significance in today's dynamic environment.

2.11 Suggested Readings / Reference Material

1. Aswathappa, K, International Management: Culture, Strategy, and Behavior 9 th Edition Paperback, McGraw Hill, 2020
2. Dwivedi,R.S. Management – An Integrated Approach, National Publishing House. 2016

3. Fred Luthans (International Management: Culture, Strategy, and Behavior, McGraw Hill, 2017

4. Harold Koontz, Heinz Weihrich, Mark V. Cannice, Essentials of Management - An International, Innovation and Leadership Perspective, 11th Edition, Paperback, McGraw Hill, 2020

5. Stephen P. Robbins, Mary Coulter, Management, 15 th Edition, Hoboken, NJ: Pearson, 2020

Additional References

1. https://www.mckinsey.com/business-functions/organization/our-insights/hr-says-talent-is-crucial-for-performance-and-the-pandemic-proves-it

2. https:// www.druckerchallenge.org /winners-2020/ Winners of the Drucker Challenge Essay Award 2020, Students Category, ist prize winner,

3. **God'sWill Dickson** (Nigeria) "My journal of cognitive errors: Critical Thinking for the Individual" University of Nigeria, Nsukka

2.12 Answers to Check Your Progress Questions

Following are the model answers to the Check Your Progress questions given in the Unit.

1. (b) Piece-rate incentive system

Taylor proposed the piece-rate incentive system in which rewards are based on the output produced. A direct relationship exists between the output produced and the wages. This system was developed to eliminate soldiering.

2. (b) Henry L. Gantt

Henry L. Gantt is best remembered for his work on the task-and-bonus system and the development of the Gantt chart. The Gantt chart is used to compare actual and desired performance. This was the first simple visual device to maintain production control.

3. (a) Scientific management

Scientific management gave importance only to the economic and physical needs of workers and ignored their social needs. Scientific thinkers ignored factors that lead to job satisfaction, like job content and working conditions, and focused on salary.

4. (a) Scientific management

According to scientific management approach, people are rational in nature and are motivated by their desire for material possessions. This approach completely ignores the employees' needs for job satisfaction.

5. **(d) Henry R. Towne**

   Henry R. Towne is a Pre-classical management thinker. He stressed the importance of good business skills for running a business efficiently. He felt that management should be regarded as a science.

6. **(a) Bureaucratic management**

   According to Max Weber, 'a bureaucracy is a highly structured, formalized and impersonal organization.'

7. **(b) Classical**

   Classical theories include scientific management, administrative management and bureaucratic management. These three theories focused only on productivity and ignored various aspects of organizational behavior and the affect of internal and external environments on the behavior of employees.

8. **(c) Bureaucratic**

   Max Weber proposed the bureaucratic theory of management to prevent nepotism in organizations. According to him, "a bureaucracy is a highly structured, formalized, and impersonal organization."

9. **(a) Bureaucratic management**

   The characteristics of bureaucratic management - strict division of labor, formal rules and procedures, and impersonal control - lead to the destruction of the flexibility and creativity required to operate in the complex global environment.

10. **(c) Mary Parker Follet**

    Mary Parker Follet argued that the groups in an organization have an impact on the organizational participants. She viewed power as the ability to influence and bring about change in the organization. She felt that power should not be based on the hierarchy; instead, it should be based on cooperation and should involve both superiors and subordinates. She advocated 'power sharing.'

11. **(b) Abraham Maslow**

    Abraham Maslow argued that human needs are never fulfilled completely, our actions seek to fulfill our unsatisfied needs. He also stated that these needs occur in a hierarchical order, and that once needs at a particular level are fulfilled, they do not act as motivators anymore.

12. (c) By allowing them to participate in the decision making process

Chris Argyris, a behavioral thinker, argued that modern principles of management like specialization may obstruct the growth of a healthy personality. He suggested techniques like job enlargement and job loading to bridge the gap between the individual and organizational goals.

13. (c) Group discussions

The four phases in the Hawthorne experiments were illumination experiments, relay assembly test room experiments, interview phase, and bank wiring observation room experiments. The Hawthorne studies gave rise to the concept of the human relations approach to management.

14. (d) Development of product strategies

Operations management is an applied form of management science. It deals with the effective management of the production process and the timely delivery of an organization's products and services.

15. (a) Management science theory

The management science theory uses mathematical tools like linear programming, the decision theory, and queuing theory, which increase the effectiveness of managerial decision-making. This approach has been criticized for its overemphasis on mathematical tools. Many managerial activities cannot be quantified because they involve human beings who are governed by many irrational elements.

16. (b) Management science

Operations management is an applied form of management science. It deals with the effective management of production process and the timely delivery of an organization's products and services. Forecasting, project planning, and networking models are some of the tools used by operations managers.

17. (c) Manpower planning

Operations management is concerned with the production process and on-time delivery of an organization's products and services. Forecasting, project planning, networking models are some of the tools used by operations managers. Manpower planning, however, is a concept of human resource management which deals with the supply and demand of human resources in an organization.

18. (d) Designing computer based information

Designing computer based information is an aspect of management information systems (MIS). MIS transforms raw data into customized information to suit managers' needs.

19. (b) Quantitative approach

The quantitative approach includes management science theory, operations management, and management information systems. Forecasting, inventory analysis, materials requirement planning systems, and networking models are tools used by operations managers to effectively manage the production process and to deliver an organization's products and services on time.

20. (b) Contingency theory

The contingency theory, which is also known as the situational theory, is a modern approach to management. According to this approach managers must identify techniques that hold good in a particular situation to achieve management goals.

21. (c) Systems theory

The systems theory is a modern approach to management. This theory considers the impact of external environmental factors on management functions. According to this theory, the major components of an organizational system are inputs, transformation processes, output and feedback. Open and closed systems are two types of systems. Open systems interact with the external environment whereas closed systems do not do so.

22. (c) Frederick W. Taylor

A system that does not interact with its environment is regarded as a closed system. Frederick Taylor regarded people and organizations as closed systems.

23. (d) Quality management

Quality management deals with the continuous improvement of product quality and service. This concept is very important for the survival of organizations in today's world.

24. (c) American and Japanese

William Ouchi developed Theory Z on the basis of positive aspects of both the American and the Japanese management approaches. This theory encourages employee participation in the decision-making process, provides resources for employee training and development, and focuses on informal control in organizations.

Unit 3
Managerial Functions

Structure

3.1   Introduction

In the previous unit, the evolution of management, starting from Industrial Revolution was discussed. After that the classical approach to management, the behavioral approach, the quantitative approach and modern approaches to management are discussed.

Managerial functions refer to the different roles and responsibilities of managers, who need certain skills to execute these functions. According to Mintzberg, there are five functions of management: planning, organizing, staffing, coordinating and controlling. Motivation is also considered as an important function of management. Planning is a prerequisite not only for achieving success but also for surviving in a complex and competitive world. The organizing function of leadership controls the overall structure of the company. The main purpose of staffing is to hire the right people for the right jobs to achieve the objectives of the organization. Leading is the art of influencing people to achieve group goals. The controlling function involves setting strategic and operational goals. This unit discusses all the managerial functions with suitable examples.

3.2 Objectives

By the end of this unit, students should be able to understand:
*   Recall the nature and types of plans
*   State the importance of Management by Objectives (M.B.O)

- Discuss Organizing as a managerial function and the benefits of organizing
- Recall significance of staffing
- List the Key elements of Leadership
- Recall the techniques and importance of controlling

3.3 Planning

Planning is the process of bridging the gap between where we are and where we want to be in the future. In other words, planning is "looking ahead, relating today's events with tomorrow's possibilities." It is the process of deciding in advance what to do, how to do, when to do it, and who does what. Proper planning minimizes risk and ensures that resources are efficiently and effectively utilized.

3.3.1 Definition and Nature, Types and Significance of Planning

Definition

Peter Drucker defined planning as "a continuous process of making present entrepreneurial decisions (risk taking) systematically and with best possible knowledge of their futurity, organizing systematically the efforts needed to carry out these decisions and measuring the result of those decisions against the expectations through an organized systematic feedback." Thus, planning is the process of coping with uncertainty by formulating **a** future course of action to achieve specified results.

Nature of Planning

- ♦ **Planning is Goal-oriented:** Planning is a means for achieving set goals or objectives.
- ♦ **Planning is an Intellectual and Rational Process:** Planning requires managers to apply their imagination, creativity and their analytical skills to tackle problematic situations.
- ♦ **Planning is the Primary Function:** Planning is the initial activity in the management process. All other functions of management, i.e. organizing, staffing, directing and controlling, can be carried out efficiently only if they have been properly planned.
- ♦ **Planning is All-pervasive:** The planning function extends throughout the organization.
- ♦ **Planning is Forward-looking:** Planning is primarily concerned with anticipating the future. Predicting future trends and preparing for them is an integral part of planning.
- ♦ **Planning is a Perpetual Process:** Planning is a continuous activity; it goes on as long as an organization exists.

♦ **Planning is an Integrated Process:** Plans made at different levels are interdependent and interrelated. The top level of an organization develops strategic plans, on the basis of which the middle level of management develops tactical plans. In turn, the lower levels of management develop operational plans on the basis of tactical plans. Thus, plans constitute a hierarchy in an organization.

♦ **Planning Involves Choice:** Planning is essentially a decision-making process that involves the selection of a suitable course of action. Usually, several alternatives are available for achieving a particular objective or set of objectives. Since all may not be equally feasible and suitable for the organization, only the best among the alternatives has **to** be selected. Thus, plans are the decisions made after evaluation of alternative courses of action.

Types of Plans
Plans Based on Organizational Level
Organizations establish plans at different levels. These can be classified as:

♦ *Strategic plans:* Strategic plans are long-term plans that apply to the entire organization. They establish an organization's overall objectives and analyze various environmental factors that affect the organization. Strategic plans are applicable to the entire organization and are generally developed by top management in consultation with the board of directors and the middle management.

♦ *Tactical plans:* Tactical plans are laid to achieve short-term goals. They give direction to the major departments and sub-units of an organization in the execution of strategic plans.

♦ *Operational plans:* Operational plans are developed by lower level managers to perform day-to-day operations within a department. Operational plans are designed in specific and quantitative terms.

Plans Based on Frequency of Use
♦ *Single-use plans:* A single-use plan is a one-time plan specially designed to meet the needs of a unique and non-recurring situation.

♦ *Standing plans:* Standing plans are actions developed to deal with recurring situations.

Plans Based on their Time-Frame
Organizational plans have specific time frames. Based on the time frame, they can be classified as:

♦ *Short-term plans:* These provide guidelines to first level managers regarding day-to-day activities. Short-term plans cover a time period of up to one year.

♦ *Intermediate-term plans:* These define the organizational activities and also provide direction to the middle-level managers. They cover time periods ranging from one to five years.

♦ *Long-term plans:* Long-term plans are the strategic plans of an organization. They are developed on the basis of broad organizational objectives. They cover time periods that are longer than five years.

Activity: Assume that after completing your MBA, you want to attain certain goals in life. What are the different types of plans you have made to achieve your life's objectives? Also classify these plans into different categories.

Answer:

_____

_____

_____

_____

Significance of Planning

Planning is a prerequisite not only for achieving success but also for surviving in a complex and competitive world. Planning is very important in all types of organizations. It forces organizations to look ahead and decide their future course of action so as to improve their profitability. The role and significance of planning are discussed below.

♦ **Focuses Attention on Objectives:** Every organization seeks to achieve certain objectives. The planning process helps the organization devise means to achieve these objectives.

♦ **Offsets Uncertainty and Risk:** An important element of planning is to accumulate information for use in forecasting. This information is then used to develop action plans or detailed guidelines for achieving organizational objectives. By forecasting the future, managers can try to reduce the risk of uncertainties and be prepared for unexpected events.

♦ **Provides Sense of Direction:** Setting goals and objectives facilitates the smooth progress of organizational activities.

♦ **Provides Guidelines for Decision-making:** Plans elaborate the actions necessary for achieving organizational objectives and thus help in deciding the activities to be taken up in the future.

♦ **Increases Organizational Effectiveness:** Planning facilitates the optimum utilization of available resources since, while planning, objectives are set by taking into account the resources of the organization. Planning ensures that each resource is used in a specific manner at a particular time.

♦ **Provides Efficiency in Operations:** The planning process can be a valuable method for improving performance at any organization level. It improves performance by focusing management's attention on objectives and by helping management establish priorities and cope with the ever-changing external environment.

♦ **Ensures Better Coordination:** Planning is essential for coordinating the activities of an organization. Well-developed organizational plans unify interdepartmental activities so that the various departments work together to achieve organizational goals.

♦ **Facilitates Control:** Planning provides the basis for control. The function of control is to ensure that the activities being carried out conform to the plans that have been developed. Thus, control cannot be exercised without plans.

♦ **Encourages Innovation and Creativity:** Planning facilitates innovative and creative thinking among managers, which is a prerequisite for the long-term survival and growth of a business.

♦ **Facilitates Delegation:** The planning process facilitates the delegation of authority. Well-established plans act as a guide to subordinates, thus eliminating the need for constant guidance by managers.

Exhibit 3.1 illustrates how few companies could recover from crisis situation due to their agile planning.

Exhibit 3.1: Agile Planning During Crisis Situation

The impact of COVID 19 is seen in almost all businesses. Some could recover fast and some went in to bankruptcy. Those who adapted strategic agility deviating from strategic plans in terms of Triple As *Avoid, Absorb and Accelerate* could recover fast. For instance, Airbnb lost $1 B in its bookings in 2020. By the end of the year, revenues had recovered, as Airbnb could successfully navigate the crisis by deviating from their strategic plan and adapting to the changing environment, using Triple As. They avoided worst impacts and could absorb damage as they were strong before the pandemic crisis. Above all, they accelerated faster than their competitors. On the other hand, California Pizza Kitchen (CPK) known for innovation and forward thinking, had to file for bankruptcy in July 2020 because of mismanagement and

Contd. ......

---

inability to deviate from strategic planning. It could not move fast because stay- at -home norm was practiced by many and as a result their revenues went down. Consequently, many of their operations were closed.

Source: https://hbr.org/2021/09/6-principles-to-build-your-companys-strategic-agility

3.3.2 Motivation

Motivation is basically a psychological process; the process of stimulating people to actions to accomplish goals. Motivation clearly illustrates why some people work hard and some do not. Once planning has been established, motivation becomes necessary to carry out set plans. Motivation plays a significant part in influencing how each organizational or departmental goals are achieved. The important components of motivation are leadership, group dynamics, communication and organizational change.

3.3.3 M.B.O- Concepts, Benefits and Limitations of MBO

Concepts in MBO

Harold Koontz and Heinz Weihrich defined Management by Objectives (MBO) as "a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives."

MBO uses a 'what-how' approach. The employees in question are told what to do, but not how. The 'how' thus becomes a part of their contribution to a successful conclusion.

It aims to increase organizational performance by aligning goals and subordinate objectives throughout the organization. The principle behind MBO is to make sure that all employees in the organization have a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims. When the managers and empowered employees implement and achieve their plans, the objectives of the organization is automatically achieved.

Emphasis on Performance Appraisal

Douglas McGregor, who propounded Theory X and Theory Y, supported the use of MBO as a performance planning and appraisal system. According to him, subordinates should plan their short-term objectives themselves and their superiors should then review these objectives. This system emphasized self-appraisal and self-development.

Emphasis on Short-term Objectives and Motivation

Studies have shown that performance levels were higher when people worked towards specific objectives than when they were simply asked to

do their best. Therefore, goal-setting is an important factor in motivating employees.

Inclusion of Long-term Planning in the MBO Process

Apart from setting individual short-term plans, long-term strategic planning was also recognized as essential for the success of an organization.

Activity: Your objective is to top the class in the final examinations which are due in two months. What steps will you follow to achieve this objective and how will you appraise your performance?

Answer:

_____

_____

_____

_____

_____

Systems Approach to MBO

MBO has come a long way from being considered as a way of promoting managerial self-control to being used in appraising performance, both at the individual and collective levels, in motivating individuals, and in strategic planning. There are many activities that can be integrated with the MBO process. Functions such as planning, controlling, and directing have the highest degree of integration in the process. But other managerial functions like organizing and staffing can also be integrated. Therefore, MBO needs to be viewed as a comprehensive system.

Benefits of MBO

MBO yields a range of benefits when used as an approach to management. These are:

♦ **Better Managing**: MBO helps managers to allocate resources and plan activities effectively.

♦ **Clarity in Organizational Action:** MBO helps to identify the key areas at which the organizational efforts need to be directed.

♦ **Encouragement of Personal Commitment:** In an MBO program, employees are encouraged to set their own objectives. This encourages them to show a commitment to achieving the goals.

♦ **Personnel Satisfaction:** Employees are satisfied since they are allowed to participate in setting their objectives and appraising their performance.

♦ **Basis for Organizational Change:** The MBO process stimulates organizational change. It provides the framework and guidelines for a planned change and helps managers to overcome resistance to change (by employees).

♦ **Development of Effective Controls:** Effective control is possible because MBO makes the management state the objectives clearly. The availability of clearly stated objectives gives the direction for effective control and helps the manager take corrective action in case of deviations.

Limitations of MBO

Though there are many advantages, MBO carries certain limitations. They are:

♦ **Failure to Teach MBO Philosophy**: Managers should communicate the benefits of the MBO process to their subordinates. Failure to understand and make others understand the philosophy of MBO leads to the failure of the MBO process itself.

♦ **Failure to Give Guidelines to Goal Setters**: MBO requires that adequate guidelines be provided to those who are expected to set goals, just like any other kind of planning

♦ **Difficulty in Goal-setting**: MBO emphasizes on setting verifiable goals against which performance can be measured. But setting such goals is a difficult task.

♦ **Emphasis on Short-term Goals**: For quick results, managers emphasize more on short-term goals and giving less emphasis to long-term goals.

♦ **Inflexibility:** Managers need to make changes to their goals in keeping with the revisions in organizational objectives and policies. But they are generally reluctant to change them.

Making MBO Effective

"Management by objectives works if you first think through your objectives. Ninety percent of the time you haven't." – ***Peter Drucker***

For MBO to be successful there should be

♦ Top Management Support
♦ Training for MBO
♦ Formulating Clear Objectives
♦ Effective Feedback
♦ Encouraging Participation

3.4   Organizing

3.4.1 Definition and Benefits of Organizing
Definitions of Organizing

According to L.A. Allen, organizing is "the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." In short, organizing is a managerial function that deals with the allotment of duties, coordination of tasks, delegation of authority, sharing of responsibility, structuring the organization and allocation of resources.

Benefits of Organizing

Effective organizing provides numerous organizational benefits:

- The process of organizing helps an individual develop a clear picture of the tasks he or she is expected to accomplish.

- The process of organizing supports planning and control activities by establishing accountability and an appropriate line of authority.

- Organizing creates channels of communication and thus supports decision-making and control. This is possible through organizational structuring.

- The process of organizing helps maintain the logical flow of work activities. By doing so, it helps individuals and workgroups to easily accomplish their tasks.

- Organizing helps an organization make efficient use of its resources and avoid conflict and duplication of effort.

- Organizing coordinates activities that are diverse in nature and helps build harmonious relationships among members involved in those activities.

- The process of organizing helps managers to focus task efforts such that they are logically and efficiently related to a common goal.

3.4.2 Traditional Perspectives in Organizing:

Many management theorists, for instance Taylor (scientific management), Fayol (classical administrative), and Weber (Bureaucracy), sought to establish universal principles for organizing work, allocating resources, and coordinating activities. The organization theories proposed by Taylor, Fayol, and others emphasized the setting up of a network of functional assignments and establishing clearly defined authority relationships. They also felt that tasks should be specifically designated to individuals.

Fayol and Taylor considered 'organizing' to be a part of management. Organizing was one of Fayol's five universal functions of management. Taylor had a highly structured approach to organizational design. Fayol and other pioneering management theorists who were influenced by Taylor, advocated a closely controlled, authoritarian organization, characterized by an unrestricted downward flow of authority in the form of orders and rules. Their theories of organizing gave rise to the following four principles:

i. **Unity of command**: To ensure the smooth flow of authority in the organization, each individual has to report to a single superior. This approach helps managers to avoid the possibility of conflicting orders.

ii. **Well-defined hierarchy of authority**: The aim of this principle is to ensure the pursuit of organizational goals by the employees in a coordinated manner.

iii. **Authority at par with responsibility**: Authority is defined as the right to get work done through subordinates, whereas responsibility is the obligation of an individual to accomplish the assigned work. When a manager delegates authority, commensurate responsibility must also be expected In return.

iv. **Downward Delegation of Authority and not Responsibility**: A superior has the right to get tasks accomplished by his subordinates, but the responsibility for getting the task done still lies with the superior.

Max Weber, a classical management theorist and a German sociologist, believed that effective organizations (for which he coined the term "bureaucracy") had a formal structure and followed a predefined set of rules and regulations. These organizations had the following characteristics:

a. Every individual in the organization specialized in doing a specific task (resulting in a division of labor).

b. A set of rules and procedures that consistently apply throughout the organization.

c. A hierarchy of authority is established to define a chain of command from upper level of the organization to the lower levels.

d. Impersonality-Hiring and promoting of people in the organization is based on their competence and not on their contacts with influential people.

e. Managements relation with superiors and subordinates are of an impersonal nature and an appropriate social distance is maintained in all interactions.

Weber's theory projected bureaucracy as the epitome of efficiency. But in practice, it was found that organizations that adopted this approach were slow, insensitive to individual needs and highly inefficient. Today, the term "bureaucracy" has come to be associated with inefficiency, inflexibility, and redtapism. However, it is not possible to eliminate bureaucracy altogether. Every well-managed organization, irrespective of its size or purpose, adopts a bureaucratic approach to some degree.

3.5 Staffing

3.5.1 Staffing, Training and Development

Staffing

Staffing is defined as filling and keeping filled positions in the organization. Staffing involves a set of activities aimed at attracting and selecting individuals for positions in a way that will facilitate the achievement of organizational goals. The organizational goals are achieved by inviting applications from and selecting individuals whose goals are congruent to the organizational goals. When staffing, it is necessary to take into account internal factors of the firm such as personnel policies, the climate in the organization, and the appraisal system. Staffing requirements in an organization change according to the external environment as well.

Once the manpower requirement is identified, a number of candidates may have to be recruited. This involves attracting qualified candidates to fill positions in the organization.

Training and Development

Although organizations often recruit fully qualified individuals who require little or no training, training is usually undertaken for new recruits as well as for existing manpower, who require improved skills in order to advance in the organization. Employees at all levels - managerial, technical, and operative -will require some training at some point of time in their careers. Although the objectives, methods, and course or program contents often differ, the basic principles of teaching/learning are the same. Training is formally defined as a planned effort to improve the performance of the employee in his area of work.

Development programs are designed to educate employees beyond the requirements of their present positions in order to prepare them for promotions. They also help them get accustomed to the organizational climate. Development is long-term in nature. It helps the employee fit into the organization.

3.5.2 Recruitment

Heinz Weihrich and Harold Koontz define recruitment as "the process of identifying and attempting to attract candidates who are capable of filling job vacancies appropriately." Therefore, a well-planned and well-operated recruitment system can generate qualified applicants in the required numbers. The more the pool of applicants, the better will be the selection process. Thus, effective recruitment ensures effective selection. The sources of recruitment can be internal/ external or both.

Sources of Recruitment

Internal recruitment: This involves identifying candidates within the organization who have the potential to fill the vacant position.

External recruitment: This involves attracting people from outside the organization to apply for vacant positions in the organization. External sources include:

- *Advertising:* Advertising in local newspapers is a good source of recruiting people for lower level positions. Though advertisements reach a large audience, they are likely to attract many unsuitable candidates. This increases the burden of the initial screeners. In order to avoid this problem, it is essential that the advertisements describe the job qualifications appropriately.

- *Educational institutions:* Educational institutions are an excellent source of potential employees for entry-level positions in organizations. However, some large firms look to educational institutions for high-level positions as well. Business colleges, vocational schools, and universities are good sources of external recruits.

- *Employment agencies:* Employment agencies are a good source for recruitment. Both the job description and job qualifications for the position to be filled must be conveyed clearly to the agency. The candidates are initially screened by the agency before they are sent to the recruiting firm. Therefore, the recruiter needs to spend time only with those candidates who are well qualified for the job.

- *Voluntary applicants:* "Walk-ins," whether they reach the employee by letter, telephone or in person, are also a source of prospective applicants. Some firms view walk-in applicants as aggressive and self-reliant individuals. Others reject all unsolicited applications because they believe that the proportion of qualified applicants from this source is low.

- *Referrals by current employees:* Existing employees can be asked to furnish the names and details of people who they think are suitable for

a particular vacancy in the organization. The employees may suggest the names of friends and relatives who work for another firm. This type of external recruitment can prove to be effective as the employees can provide information on the applicant's ability to perform on the job and how well he or she can get along with others.

The recruitment process

The recruitment process starts when a vacancy arises and is reported to the Human Resource Department. The recruitment process consists of the following steps:

- *Perform job analysis:* Job analysis is the process of determining the tasks required to make up a job and the skills and abilities required by the candidate to perform the duties and responsibilities of the job. Job analysis consists of three steps: i) analyzing the environment in which employees work; ii) determining the duties and responsibilities to be performed; iii) recording the different tasks of the job as they are actually performed. Two widely used systematic job analysis approaches are the functional job analysis (FJA) and the position analysis questionnaire (PAQ). The FJA focuses on the task and technological factors at work. The PAQ too focuses on the task and technological factors, but in addition to these, it also takes into account the human factor. There is considerable overlap between FJA and PAQ. Each attempts to identify work activities and outcomes. But the PAQ, in addition, takes into consideration the individual's psychological responses to the job and its environment.

- *Designing Job Description:* Job description is a written statement describing the objectives of a job, the work to be performed, the skills required, the responsibilities involved, the relationship with other jobs, and the working conditions of the job.

- *Developing a Job Specification:* The next move is to develop a job specification, which is a written document that describes the minimum qualifications required by a person to fill a particular position. It also lists out the skills, education, and previous experience needed to perform the job.

- Attracting *a pool of applicants:* The next step in the recruitment process is to attract a pool of applicants. The future failure or success of a firm is determined by the ability of the firm to attract applicants. The number of applicants that an organization is able to attract depends on the sources used for recruitment.

3.5.3 Selection

Selection is the second step in the staffing process and involves selecting the candidates who best meet the qualifications and requirements of the

job. The aim of effective selection is to choose the candidates who can meet the organization's goals.

The Selection Process

The basic steps in a selection process are as follows:

i. *Preliminary screening:* This is used to quickly assess an applicant's suitability for a particular job. During this stage, unqualified applicants are screened out of the selection process. In this interview, the focus is mainly on the applicant's background, education, and experience.

ii. *Application blank:* After qualifying in the preliminary screening, the qualified candidates are required to fill in a specially designed application form, which helps the organization to obtain the required information on the candidate. Interviewers use the details in this form to familiarize themselves with the candidate before interviewing him.

iii. *Selection tests:* Organizations use various tests to evaluate the skills of a candidate. The candidate is evaluated based on tests of abilities, aptitude, knowledge, and psychological factors. Some of the tests are given below:

- *Intelligence tests:* To test alertness, comprehension, and reasoning.
- *Personality tests:* Test to measure personal characteristics, self-confidence, and emotional stability.
- *Knowledge tests:* To test knowledge about a company, competitors, products, etc.
- *Performance or work sample tests:* To measure practical ability to perform a specific job.

iv. *Comprehensive interview:* At this stage, a detailed interview is designed to find out more details about the applicant. This helps in evaluating the suitability of the candidate for the particular job. Usually, the manager to whom the applicant is supposed to report conducts this interview. The type of interviews used can be structured, semi-structured, or unstructured.

v. *Reference checks:* The recruiting firm asks the applicants to provide names and contact details of persons they can contact if the firm would like to know about the character and suitability of the applicants.

vi. *Physical examination:* Physical examination is the last step before a candidate is selected. The physical examination is conducted to establish a health record of the applicant, protect the organization against unjust compensation claims, and to protect other employees against contagious diseases.

vii. *Making the selection:* Applicants who pass all these selection stages are considered eligible to receive the offer of employment. At this stage, it is up to the applicant to accept the offer or not.

3.5.4 Socialization Process of New Employees

Newly selected employees must be integrated into the organization. The process of adaptation by a new employee is referred to as the socialization process. It is also known as induction process. The new employee has to adapt to a new environment - different work activities, a new boss, different group of co-workers, and different set of job performance evaluation standards. The socialization process determines the future success of the new recruit in the job. Recruitment, selection, and training efforts have a great impact on employee socialization. To make the socialization process effective, the employer should present a realistic picture of the job to the new recruit as well as provide him/her with good quality training.

There are primarily two levels of socialization. The first level - 'initial socialization' - occurs during the recruitment, selection, and during the introductory training efforts made by the firm. This stage ends when the new employees receive an initial orientation on the firm's procedures and policies. The second level called 'extended socialization' aims at making the new recruit feel that he or she is an integral part of the company.

Check Your Progress -1

Indicate your choice of the answer from the options given by putting a √ mark.

1. Which of the following indicate the actions that major departments and sub-units should take to execute a strategic plan?
   a. Operational plan
   b. Tactical plan
   c. Single-use plan
   d. Project plan

2. Which of the following plans provide guidelines for day-to-day actions in an
   organization?
   a. Short-term plans
   b. Long-term plans
   c. Intermediate plans
   d. Standing plan

3. _____advocated the use of MBO as a performance planning and appraisal system.
   a. Douglas McGregor
   b. Peter Drucker
   c. William Ochi
   d. Elton Mayo

4. Max Weber, a German sociologist, believed that effective organizations had
   a formal structure and followed a predefined set of rules and regulations. To
   identify such organizations, he used the term _____ .
   a. Autocracy
   b. Autonomy
   c. Formal
   d. Bureaucracy

5. Which of the following is not included in Job Description?
   a. Working conditions
   b. Duties
   c. Work experience
   d. Objectives

6. _____ is the process of identifying and attempting to attract candidates who are capable of effectively filling job vacancies.
   a. Staffing
   b. Recruitment
   c. Selection
   d. Training

7. _____ involves choosing the candidates who best meet the qualifications and have the greatest aptitude *for* the job.
   a. Staffing
   b. Recruitment
   c. Evaluation
   d. Selection

3.6 Leading

3.6.1 Leadership-Definition, Meaning and Key Elements of Leadership
Definition and Meaning of Leadership
Harold Koontz and Heinz Weihrich have defined leadership as the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals. In other words, leadership is the ability to persuade others to work towards defined objectives enthusiastically. The function of leadership is to set goals, direct the individuals, and motivate people to achieve the goals. A leader makes the followers strive willingly to accomplish group objectives. Therefore, leadership skills are essential if a person has to be an effective manager.
The Exhibit 3.2 explains the importance of trust in leadership.

Exhibit 3.2: Key Elements of Leadership

James Heskett, UPS Foundation Emeritus Professor of Business Logistics, says 'a culture of trust can enhance employee and company performance'. He also questions whether leaders can be trained to foster trust among those they lead? According to him, trust is the bedrock for employee engagement. A culture that fosters trust reduces "friction." As a result, decisions are made and implemented faster and at lower cost, adding greater value. Airbnb's platform brings together rooms and travelers, relies on trust between the company, its landlords, and traveler-renters. This type of working requires a high level of trust.

The research work by Sucher and Gupta suggests that trust can be engineered, at least at the organizational level. Thus trust becomes a key element of leadership

---

Source: https://hbswk.hbs.edu/item/can-we-train-for-trust?cid=spmailing-33663513-WK%20Newsletter%209-8-2021%20(1)-September%2008,%202021

Key Elements of Leadership

It has been observed that every group that attains its goals or performs efficiently has a skilled leader. Efficient leaders possess four major qualities in common.

- *Using power in a responsible manner:* Power is the control a person can exercise over others. In other words, it is the capacity to affect the behavior of others.

- *The ability of a leader to understand people at a fundamental level: A* manager or a leader, who understands the elements of motivation, should be able to use his greater awareness of the nature and strengths of human needs to work out ways of satisfying these needs, so as to get the desired results.

- *The ability of a leader to inspire followers to perform a task to the best of their capacities:* Although the superiors can inspire subordinates by means of various incentives, the behavior of superior's acts as a stronger motivating force.

The style adopted by the leader, and the resulting influence on the work climate in the group or organization: The strength of motivation of followers is influenced by expectancies, perceived rewards, the task to be done, and other factors that are a part of the work climate in an organization. Leadership behavior has a considerable impact on these factors that affect the work climate, and therefore there has been a large amount of research into this area of leadership behavior.

3.7 Controlling

3.7.1 Planning and controlling, Importance of Controlling
Planning and Controlling

Planning and controlling are two managerial functions that are interrelated. Planning is a process of setting goals and objectives and developing action plans to achieve these objectives. Controlling is a process of regulating the activities toward a pre-determined goal. It ensures that the strategies are implemented according to the plans and that the desired results are obtained.

A cyclical relationship exists between planning and controlling. The planning/control cycle begins with the identification of the mission of the organization, the establishment of goals and objectives, and the formulation of plans to accomplish them. When these plans are implemented, the control function monitors the actual performance and compares it with the predetermined standards. If any deviations are discovered, corrective action is taken. If there are no deviations, the operations process continues. Feedback during the planning/control cycle results in a dynamic process in which the means for accomplishing organizational objectives continuously evolve in response to changes in the external environment.

Importance of Controlling

The control function is gaining importance in today's organizations due to a number of factors. These factors include the need for accountability in organizations, the need to detect environmental changes that significantly affect organizations, the growing complexity of present day organizations and the need to identify operational errors in organizations to avoid incurring excessive costs.

Controlling plays an important role in helping managers detect irregularities, identify opportunities, handle complex situations, decentralize authority, minimize costs, and cope with uncertainty.

- **Coping with Uncertainty**

  In today's turbulent business environment, all organizations must cope with change. When organization goals' are established, they are based on the knowledge available at that point of time. However, by the time the goals are accomplished, many changes may have occurred in the organization or its environment. The pace at which environmental and other factors change creates a lot of uncertainty .A constant evaluation and revaluation of the organization's strategic and tactical plans is necessary to keep up with changes and cope with uncertainty.

- **Detecting Irregularities**

  Control systems help managers detect undesirable irregularities, such as product defects, cost overruns, or rising personnel turnover. Early detection of irregularities can prevent minor problems from mushrooming into major ones and often save a great deal of time and money for the organization. Problems such as missing important deadlines or selling faulty merchandise to customers are sometimes difficult to rectify. Identifying aberrations in the early stages helps organizations avoid such problems.

- **Identifying Opportunities**

  Control also helps managers identify areas in which things are going better than expected, thereby alerting management to possible future opportunities.

- **Handling Complex Situations**

  Another important factor contributing to the need for a control mechanism is the growing complexity of today's organizations. When a company requires only one kind of raw material, produces only one kind of product, has a simple organization design, and enjoys constant demand for its products, it can afford to have a very basic and simple system of control. But, as organizations grow or engage in producing many products from a number of different raw materials, and operate in a large market area with many competitors, efficient and effective coordination becomes necessary. In such cases, managers have to keep track of various activities to make sure that they are well synchronized. Thus, sophisticated control systems become necessary to maintain adequate control in large and complex organizations.

- **Decentralizing Authority**

  Controls also help managers decentralize authority. With the help of controls, managers can allow their subordinates to take decisions while ensuring that the ultimate authority remains in their hands.

- **Minimizing Costs**

  When implemented or practiced effectively, effective control systems could improve output per unit of input; eliminate waste and lower labor costs.

- **Levels of Control**

  The different managerial levels like strategic, tactical, and operational levels exercise different degrees of control. These are described in detail below:

- **Strategic Control**

  Strategic control involves monitoring critical environmental factors to ensure that strategic plans are implemented as intended, assessing the impact of strategic plans, and adjusting such plans when necessary. Strategic control is exercised by the top-level managers. It involves effective implementation of strategic plans and scanning the external environment to adjust the plans according to the environmental changes.

- **Tactical Control**

  Tactical control focuses on assessing the implementation of tactical plans at departmental levels, monitoring associated periodic results, and asking corrective action when necessary. Tactical control is exercised by the middle-level managers who deal with functional objectives, programs and budgets. It involves evaluation of tactical plans at the implementation stage and taking corrective action in case of variations in the actual performance.

- **Operational Control**

Lower level managers deal with operational control, which involves assessing the implementation of the operational plans, examining the results, and adjusting the process to the standards.

Activity: Indian Space Research Organization (ISRO) would like to launch an advanced communications satellite in space in a very short time. The project work is going on with technical and operational arrangements. Can you apply the three levels of controls in appropriate situations to ensure that the project conforms to the objectives of ISRO? *Contd. ....*

Answer:

_____

_____

_____

_____

_____

_____

3.7.2 Control Techniques

Managers exercise control using a variety of tools and techniques. The major control systems that assist a manager in exercising control are financial control, budgetary control, quality control, and inventory control.

Major Control Systems

There are six major control systems - financial control, budgetary control, quality control, inventory control, operations management, and computer based information systems. These control systems help managers to ensure that the actual performance matches with the performance standards. Financial control systems help managers keep track of money matters and take necessary steps if the organization is not able to make a profit or meet its profit goals. The budgetary control system provides quantitative tools that help managers compare the actual and the planned revenues and costs of various organizational activities. Quality control is an important issue for every organization that wishes to survive in a competitive environment. The quality control system provides a means of measuring the quality of a product or service.

Inventory control systems help managers control the inventory in such a way that the inputs are available at the right time, at the right place and in the right quantity, thus minimizing costs such as delivery cost, warehousing cost and the floor space occupied.

Control systems vary at different levels of management and with the nature of the time period.

Managerial level — Types of control systems

Managers at different levels operate different control systems. The top-level management deals with financial control while middle-level managers are involved in evaluating financial matters that are related to the different functional departments. The middle and lower level management exercise budgetary control to implement activities in keeping with the budgetary plans. Almost all the levels are involved in quality control, which cannot really be confined to any one level. The middle and lower level management exercise inventory control. However, there is always an overlap in the use of control systems.

Nature of timing – Types of control systems

The time period varies from one control system to another. If the control system comes into operation before the process of transformation, it is called a feed forward control system. If it operates along with the process of transformation, it is called a concurrent control system, and if it comes at the end of a prescribed period, it is called a feedback control system. Financial control is a feedback control as its performance is evaluated at the end of the time period. Budgetary control and quality control are concurrent control systems as they are performed during the activity. Inventory control is a feed forward control system as it ensures that the inputs are supplied in time.

3.7.3 Operations Management and Management Information System (MIS)

Operations Management and its Importance

Operations Management is the application of concepts, procedures and technologies by managers to improve the process of transformation of resource inputs into outputs. The inputs may include manpower, technology, capital, equipment, raw material and information. Operations Management requires managers to plan, organize, control, and coordinate all the activities of the production system that convert the inputs into products or services that are of value to customers.

Importance of Operations Management

The effectiveness and efficiency of an organization depends on Operations Management. An organization provides economic utility of one kind or another. For example, Indian Airlines creates a service that provides time and place utilities. An organization needs to offer superior quality products and services at the lowest possible price and yet maintain its profitability to survive in the long run. This requires not just a well-conceived corporate strategy, but carefully managed operations as well.

Operations Management is a tool through which the management can create and improve the operations of the firm.

Operations Research (OR) for Planning, Controlling and Improving Productivity

Most of the special techniques employed in planning and controlling are based on mathematical models and the use of quantitative data. These techniques are especially useful in managing operations. Conceptual models and fairly exact quantitative data are available in many areas of production and operations management. The tools of operations research are of special interest to production and operations managers. According to the OR Society of America, "OR is an experimental and applied science devoted to observing, understanding and predicting the behavior of purposeful man-machine systems."

The factors that contributed greatly to the rapid growth of Operations Research were the development of advanced computing machines, and their ability to handle voluminous data with complex relationships.

Operations Research gives managers a definite framework for solving their problems. OR requires a problem to be represented in a form that can be analyzed and solved mathematically. The goals and constraints in a given situation should be well defined. The management should ensure that the input data is collected carefully and is relevant and accurate. OR experts then evaluate data, establish and test hypotheses, determine the relationships among various variables develop and verify predictions

based on the hypotheses, and devise measures to evaluate the effectiveness of an action.

Some of the essential characteristics of Operations Research are as given below:

- Operations Research emphasizes the logical physical presentation of a problem in the form of a model.

- It emphasizes the setting of goals while solving a problem and the development of effective measures to determine whether the solution arrived at will help achieve those goals.

- Operations Research incorporates in a model all the variables that are necessary to solve the problem.

- It presents, in mathematical terms, the model, the variables, the constraints and the goals that need to be achieved to solve the problem.

- To the extent possible, Operations Research quantifies the variables involved in a problem.

In the absence of accurate quantifiable data, Operations Research fills the gaps by using mathematical and statistical devices such as probability in a situation.

Management Information System

Information is a major resource for managers. Problems arise in many organizations due to a gap between the actual and the desired state. This gap can be bridged with the help of information — by identifying the gap and finding ways to overcome it.

Meaning of Information

Information is based on data, which refers to unanalyzed and unorganized facts and figures. It can be described as data that has been processed into a meaningful form, which is useful for decision-making.

Attributes of Information

For information to be useful to managers, it must possess the attributes— of accuracy, timeliness, relevance, and completeness.

Information Needs of Managers

Managers need information to perform their managerial activities. Information that is created within an organization is known as internal information. This type of information is essential for managing day-to-day operations. Some examples of internal information are daily receipts and expenditures, quantity of an item in hand or in inventory, cost and selling price of the item, and salespeople's quotas. Information created outside the organization is known as external information. External information is

useful to top-level managers for planning and controlling processes. Some examples of external information are demand for new products or services, information describing customer satisfaction with products and services, information describing change in policies of suppliers, knowledge of promotional campaigns, price changes, or products planned by competing firms, and details of changes in government regulations.

Components of an Information System

An information system can be defined as an organized collection of data, equipment, procedures, and people involved in the collection, storage, and processing of data to produce the information required for the management of an organization. Collecting, organizing, and distribution of information are some of the functions of information systems. There are five key components of an information system - hardware, software, people, data, and procedures.

Management Information System

Management Information System can be defined as a complex interaction among people, computer and communication technologies, and procedures designed to quickly provide relevant data or information, collected from both internal and external organizational resources for organizational use. MIS is designed to acquire, store, and convert data into timely, relevant information to help managers carry out the planning, control, and operational functions of organizations. It provides routine reports for managers and supervisors and reports on costs, quality, and supplier activities for lower and middle level managers.

MIS is based on four key components-data gathering, data entry, data transformation and information utilization.

Check Your Progress 2

Indicate your choice of the answer from the options given by putting a √ mark.

8. Harold Koontz and Heinz Weihrich have defined_____as the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals.

    a. Motivation

    b. Leadership

    c. Controlling

    d. Morale

9. Which of the following control systems helps managers by providing quantitative tools to compare the actual with the planned revenues and costs
   of various organizational activities?
   a. Budgetary control systems
   b. financial control systems
   c. Inventory control systems
   d. Quality control systems

10. Which of the following control systems is a type of feedback control system?
    a. Financial control system
    b. Inventory control system
    c. Budgetary control system
    d. Quality control system

11. Which of the following refers to the total set of managerial activities employed by the organization to transform resource inputs into product outputs?
    a. Strategic management
    b. Operations management
    c. Marketing management
    d. Resource management

12. Which of the following information systems is designed to acquire, store and convert data into timely, relevant information to help management carryout the planning, control and operational activities of the organization?
    a. Office automation system
    b. Executive support system
    c. Decision support system
    d. Management information system

3.8 Summary

- Managerial functions refer to the different roles and responsibilities of managers, who need certain skills to execute these functions. There are five functions of management: planning, organizing, staffing, coordinating and controlling.

- Planning is the process of deciding in advance what to do, how to do, when to do it, and who does what.

- Planning is a prerequisite not only for achieving success but also for surviving in a complex and competitive world. Planning is very important in all types of organizations. It forces organizations to look ahead and decide their future course of action so as to improve their profitability.

- Management By Objectives (MBO) is a systematic and organized approach that allows management to focus on achievable goals and to attain the best possible results from available resources. MBO is an organizational planning/control technique in which specific goals are set collaboratively by superiors and subordinates for the organization as a whole and every unit and every individual within it.

- Organizing is a managerial function that deals with the allotment of duties, coordination of tasks, delegation of authority, sharing of responsibility, and allocation of resources.

- Staffing involves a set of activities aimed at attracting and selecting individuals for positions in a way that will facilitate the achievement of organizational goals.

- Leadership is the ability to persuade others to work towards defined objectives enthusiastically. The function of leadership is to set goals, direct the individuals, and motivate people to achieve the goals.

- Planning and controlling are two managerial functions that are interrelated. Planning is a process of setting goals and objectives and developing action plans to achieve these objectives. Controlling is a process of regulating the activities toward a pre-determined goal. It ensures that the strategies are implemented according to the plans and that the desired results are obtained.

- Operations management requires managers to plan, organize, control, and coordinate all the activities of the production system that convert the inputs into products or services that are of value to customers.

- MIS is designed to acquire, store, and convert data into timely, relevant information to help managers carry out the planning, control, and operational functions of organizations.

- All the five managerial functions-Planning, Organizing, Staffing, Leading and Controlling together help managers in making organizations productive and effective.

3.9 Glossary

1. **Internal Environment:** The general conditions that exist within an organization.
2. **Plans:** Detailed expressions of actions necessary to accomplish stated organization objectives.
3. **Policies:** General guidelines for decision making.
4. **Procedures:** The guides to action that explain in detail the manner in which activities are to be performed.
5. **Program:** Large-scale, single use plan that coordinates a complex set of activities related to a major non-recurring goal.
6. **Strategic plans*:*** Strategic plans are long-term plans that apply to the entire organization. Strategic plans are applicable to the entire organization and are generally developed by top management in consultation with the board of directors and the middle management.
7. **Tactical plans:** Tactical plans are laid to achieve short-term goals. They give direction to the major departments and sub-units of an organization in the execution of strategic plans.
8. **Operational plans*:*** Operational plans are developed by lower level managers to perform day-to-day operations within a department. Operational plans are designed in specific and quantitative terms.
9. **Single-use plans*:*** A single-use plan is a one-time plan specially designed to meet the needs of a unique and non-recurring situation.
10. **Standing plans*:*** Standing plans are actions developed to deal with recurring situations.
11. **MBO**-An organizational planning/control technique in which specific goals are set collaboratively by superiors and subordinates for the organization as a whole. It is a systematic and organized approach that allows management to focus on achievable goals and to attain the best possible results from available resources.
12. **Chain of Command-** The unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.
13. **Application Blank-** A form used widely as a selection method that contains a series of inquiries about such issues as an applicant's educational background, p have revious job experience, physical health and other information that may be useful in assessing an individual's ability to perform a job.
14. **Recruitment-** The process of identifying and attempting to attract candidates who are capable of filling job vacancies appropriately.

15. **Selection**- It is the second step in the staffing process and involves selecting the candidates who best meet the qualifications and requirements of the job.

16. **Leadership**-The ability to persuade others to work towards defined objectives enthusiastically. The function of leadership is to set goals, direct the individuals, and motivate people to achieve the goals.

17. **Inventory control-**A method of balancing the need to have sufficient raw materials, work-in-progress, and finished goods on hand to met demand with the costs involved in carrying the inventory.

18. **Financial control-**Tools relying on financial ratios based on accounting statements, breakeven analysis, and the creation of budgets to control organization activities.

3.10 Self-Assessment Test

1. Explain briefly managerial functions.
2. Describe the nature and significance of Planning.
3. Explain the benefits and limitations of MBO.
4. Define organizing and explain the benefits of organizing.
5. Explain the processes of Recruitment and Selection.
6. What are the key elements of leadership?
7. Discuss controlling as a managerial function.

3.11 Suggested Reading / Reference Material

1. Aswathappa, K, International Management: Culture, Strategy, and Behavior 9 th Edition Paperback, McGraw Hill, 2020

2. Dwivedi,R.S. Management – An Integrated Approach, National Publishing House. 2016

3. Fred Luthans (International Management: Culture, Strategy, and Behavior, McGraw Hill, 2017

4. Harold Koontz, Heinz Weihrich, Mark V. Cannice, Essentials of Management - An International, Innovation and Leadership Perspective,11th Edition, Paperback, McGraw Hill, 2020

5. Stephen P. Robbins, Mary Coulter, Management, 15 th Edition,

Additional References

1. https://www.mckinsey.com/business-functions/organization/our-insights/the-helix-organization**,** October 2019
2. Video: https://www.youtube.com/watch?v=V0FxCkv_mZU
3. Speaker: Gary Harpst- Author of *Six Disciplines for Excellence: Building Small Businesses that Learn, Lead and Last* (Founder and President of Six disciplines) Duration: 2.13 minutes

3.12 Answers to Check Your Progress Questions

Following are the model answers to the *Check your progress* questions given in the unit.

1. **(b) Tactical plan**

   Tactical plans are developed by middle-level managers. Such plans cover a short period (one to three years), require less information, and involve less risk than strategic plans.

2. **(a) Short-term plans**

   Short-term plans provide guidelines to lower-level managers. These plans help managers by stating what task they must do, what methods they should use and where and when they should do them. They also identify the resources available for performing the tasks.

3. **(a) Douglas McGregor**

   Douglas McGregor, the propounder of Theory X and Theory Y, advocated the use of the MBO as a performance planning and appraisal system He suggested that subordinates should set short-term objectives for themselves and then review those objectives with their superiors. Evaluation of performance should be done against the set objectives, primarily by the subordinates themselves. This new approach encouraged self-appraisal and self-development in keeping with overall company objectives.

4. **(d) Bureaucracy**

   A bureaucratic organization is characterized by a set of rules and procedures applied consistently throughout the organization, a well-defined hierarchy, the specialization of labor, and merit-based career advancement. Every organization adopts bureaucracy to a certain extent.

5. **(c) Work experience**

   Job description is the second step in recruitment process. It is a statement describing working conditions on the job, objectives of a job, the responsibilities involved, etc. Work experience forms part of job specification and not job description.

6. **(b) Recruitment**

   Recruitment involves attracting the best qualified applicants to fill the job. Recruitment can be carried out through internal as well as external sources.

7. **(d) Selection**

   In the selection process, individual characteristics are matched with job requirements.

8. **(b) Leadership**

Leadership is the human factor which binds a group together and motivates it towards its goals. In other words, it is the ability to persuade others to work towards defined organizational objectives enthusiastically.

9. **(a) Budgetary control systems**

Budgetary control systems are mostly used by middle-level and lower-level managers for planning and controlling activities. They help managers control the various activities of the organization by comparing the planned revenues and costs with the actual revenues and costs.

10. **(a) Financial control system**

Financial control systems evaluate performance at the end of a particular period (like quarterly, half-yearly or annually). They constitute feedback control systems operating at the end of the transformation process. The recommendations given by feedback control systems are used when planning for future.

11. **(b) Operations management**

Operations management requires managers to plan, organize, control and coordinate all the activities of the production system that convert the inputs into products or services that are of value to customers.

12. **(d) Management Information System**

Management information system is a computer-based information system that is designed to quickly produce relevant data or information needed by managers.

Unit 4

Social and Ethical Responsibilities of Management

Structure

4.1 Introduction

The previous unit was on Managerial Functions. Mintzberg's classification of managerial functions-planning, organizing, staffing, leading and controlling are explained in that unit.

This unit discusses the social responsibilities of management and the arguments for and against social responsibilities of business. The unit also explains the ways to measure social responsiveness and presents some guidelines for ethical management.

4.2 Objectives

By the end of this unit, students should be able to:

- Identify the social responsibilities of management

- Compare arguments for and against social responsibilities of business

- List the various social stakeholders

- Explain the categories for measuring social responsiveness of organizations

- Discuss the significance of managerial ethics

4.3 Social Responsibilities of Management

According to Kenneth R. Andrews, "Social responsibility is the intelligent and objective concern for the welfare of society that restrains individual and corporate behavior from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contribution to human betterment, variously as the latter may be defined."

The operational definition of social responsibility is:

"Social responsibility contends that management is responsible to the organization itself and to all the interest groups with which it interacts. Other interest groups such as workers, customers, creditors, suppliers, government and society in general are placed essentially equal with shareholders."

Social responsibility is the duty of an organization to take measures to protect the welfare of society, along with its own interests. Beyond making profits, organizations should have social responsibility towards stakeholders. Organizations should examine the effects of their decisions on social stakeholders and try to reduce the negative impact of their activities.

4.4 Arguments for and against Social Responsibilities of Business

Arguments for Social Responsibilities of Business

Change in public expectations: The needs of today's consumers have changed, resulting in a change in their expectations of businesses. Since businesses owe their profits to society, they have to therefore respond to the needs of society.

Business is a part of society: Society and business are benefited when there is a symbiotic relationship between the two. Society gains through economic development and the provision of employment opportunities; and business benefits through the workforce and consumers provided by society.

Avoiding intervention by government: By being socially responsible, organizations attract less attention from regulatory agencies. This gives them greater freedom and flexibility in their operations

Balance of responsibility and power: Businesses have considerable power and authority. The exercise of this power should be accompanied by a corresponding amount of responsibility.

Impact of internal activities of the organization on the external environment: Most firms are open systems, i.e., they interact with the

external environment. The internal activities of such firms have an impact on the external environment. To avoid a negative impact on the external environment, firms should be socially responsible.

Protecting shareholder interests: By being socially involved, a company can improve its image and thus protect its shareholders' interests.

New avenues to create profits: Social responsibility involves the conservation of natural resources. Conservation can be beneficial for firms. Items that had been considered waste earlier (for example, empty soft drink cans) can be recycled and profitably used again.

Favorable public image: Through social involvement, a firm can create a favorable public image for itself and endear itself to society. By so doing, a firm can attract customers, employees, and investors.

Endeavor to find new solutions: Businesses have a history of coming up with innovative ideas. Therefore, they are likely to come up with solutions for social problems, which other institutions were unable to tackle.

Best use of resources of a business: Businesses should make optimum use of the skills and talent of its managerial personnel as well as its capital to produce good quality products and services. By so doing, the business will be able to fulfill their obligations toward society. unemployment to lead to social unrest (which will harm business interests), businesses can be sources of employment for eligible youth. resources.

Prevention is better than cure: It is in the interests of business organizations to prevent social problems, instead of allowing large-scale chaotic conditions.

Example: Social Responsibility in Honda 2018-19

Some of the CSR activities undertaken by Honda during 2018-19
Foundation stone laid for Multipurpose Outdoor Stadium in Kolar
On 25th Aug.'18, Honda Motorcycle and Scooter India Pvt. Ltd laid the foundation stone for futuristic sports infrastructure under multiple CSR initiatives to empower the Kolar Gold Field city of Karnataka.Honda 2Wheelers India extends support to 'Nav Disha Sansthan'- Alwar

- Provided Infrastructural support- toilets construction and water purifier installation
- Donated special aid equipment for training and education of visually impaired
- Announced annual sponsorship for 360 specially-abled children

Healthcare to Hut' initiative started by Honda
Under the programme 'Healthcare to Hut', Honda 2Wheelers, conducted essential medical tests for 40,000 poor and needy beneficiaries in 60 villages of Tapukara (Rajasthan), Vithalapur (Gujarat), Narsapura (Karnataka) and Manesar (Haryana).

Source: https://honda2wheelersindia.com/about-us/csr

Arguments against Social Responsibilities of Business

Opposes the principle of profit maximization: The main motive of a business is profit maximization. Social involvement may not be economically viable for a business.

Excessive costs: When a business incurs excessive costs for social involvement, it passes the cost on to its customers in the form of higher prices. Society, therefore, has to bear the burden of the social involvement of business by paying higher prices for its products and services.

Weakened international balance of payments: A weakened international balance of payments situation may be created by the social involvement of organizations. Since the cost of social initiatives would be added to the price of the products, the multinational companies selling in international markets would be at a disadvantage when competing with domestic companies which may not be involved in social activities.

Increase in the firm's power and influence: Businesses are inherently equipped with a certain amount of power. Their involvement in social activities can lead to an increase in their power and influence. Such influence and power may corrupt them.

Lack of necessary skills among businesspeople: Businesspeople do not possess the necessary skills to handle the problems of society. Their expertise and knowledge may not be relevant to deal with social problems.

Lack of accountability to society: Until a proper mechanism to establish the accountability of businesses is developed, they should not get involved in social activities.

Lack of consensus on social involvement: There is no agreement regarding the type of socially responsible actions that a business should undertake.

4.5 Social Stakeholders

Managers who are concerned about corporate social responsibility need to identify various interest groups which may influence the functioning of a firm and which, in turn, may be affected by the firm's decisions. Business enterprises are primarily accountable to six major interest groups: (i) shareholders, (ii) employees, (iii) customers, (iv) creditors and suppliers, (v) society and (vi) government. These groups are also known as social stakeholders.

Shareholders

The primary responsibility of a business is to protect the interests of its shareholders. The shareholders provide the core resource – the capital – that enables an organization to operate and grow. They expect the

management to use the capital judiciously and operate the business in a way that ensures a good return on their investment, both through dividends and through increase in stock value.

Employees

Employees are an organization's biggest asset. Traditionally, managers regarded employees only as factors of production and denied them their rightful share in the distribution of income. However, in the present times, it is mandatory for business firms to protect the interests of their employees. Laws and government regulations now define the responsibilities of the employer: ensuring equal employment for men and women, offering pensions and other retirement benefits, and providing a safe and healthy work environment.

Customers

In recent years, customers have received great attention. Firms have begun to realize the importance of keeping customers happy. Moreover, the growth of consumerism has made firms more aware of their duties towards consumers. Business firms can fulfill their obligations to their customers by charging reasonable prices for their products, ensuring the provision of standardized and quality goods and services, ensuring the easy availability of goods and services, so that customers do not have to spend too much time and energy in procuring them, abstaining from unethical practices like hoarding, profiteering or creating artificial scarcity, and refraining from deceiving customers by making false or misleading claims.

Creditors and Suppliers

Creditors and suppliers are responsible for providing inputs for production process in the form of raw materials and capital. Management is responsible for fulfilling its obligations to its creditors and suppliers.

Society

Organizations function within a social system and draw their resources from this system. Therefore, they have certain obligations towards society. The management of business organizations can fulfill their obligations toward society by preserving and enhancing the well-being of the members of society.

Government

The government of a country provides the basic facilities required for the survival and growth of businesses. The government monitors and, to a certain extent, controls the business systems of the country. Most of the controls imposed by the government are in the best interests of businesses. To fulfill its obligations to the government, the management of business organizations should be law-abiding, pay taxes and other dues fully,

timely, and honestly, not bribe government servants to obtain favors for the company, and should not try to use political influence in its favor.

Check Your Progress-1

1. Which of the following contends that management is responsible to the organization itself and to all the interest groups with which it interacts?
   a. Social responsibility
   b. Social responsiveness
   c. Management responsibility
   d. Organization responsibility

2. Which of the following is an argument against the involvement of businesses in social welfare activities?
   a. Balance of responsibility and power
   b. Protecting shareholder interests
   c. Excessive costs
   d. Favorable public image

3. Many people oppose the involvement of organizations in social welfare activities. Which of the following is **not** a reason for their opposition to such activities?
   a. Excessive costs
   b. Absence of mechanism to ensure accountability to society
   c. Protecting shareholder interests
   d. Weakened international balance of payments

4. The various interest groups that influence a firm's functioning and get affected by the firm's decisions are known as _____.
   a. Social stakeholders
   b. Social law-makers
   c. Social professionals
   d. Social administrators

4.6 Measuring Social Responsiveness

According to Keith Davis and William C. Frederick, social responsiveness is "the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company

and to society." In short, it refers to an organization's sensitivity to social issues and the ability to tackle them.

What Should be Measured?

Many attempts have been made to measure social responsiveness. Some companies establish special committees to evaluate their social responsiveness. The various categories for measuring the social responsiveness of organizations are discussed below.

Contributions

Companies make direct financial contributions to charitable and civic projects. For example, many companies made financial contributions towards relief and rehabilitation work after the Gujarat earthquake (January, 2001).

Fund-raising

This involves fund-raising for a social cause, either by the organization itself or by assisting voluntary social organizations in fund-raising. In India, newspaper companies such as The Times of India and the Indian Express participate in fund-raising campaigns to help people affected by natural disasters.

Volunteerism

Volunteerism refers to the involvement of employees in civic activities. The Boots Company has a volunteering program called 'Skills for Life,' which gives employees a host of opportunities to get involved in community activities in company time. These include giving career talks; conducting mock interviews; supervising students during their work experience period; sharing business skills with local small businesses; and planting gardens and decorating community centers.

Recycling

To conserve the environment, materials like plastic, paper etc. can and should be recycled into useful products. Nike and The National Recycling Coalition have decided to expand their 'Reuse-a-shoe' program to 25 community centers across the United States. This will allow athletic footwear to be recycled into new products like sports surfaces.

Valuing diversity

Companies that value diversity voluntarily take measures to promote equal employment opportunities irrespective of gender, race, and religion. In India, some of the companies that have well-developed diversity policies are Hewlett-Packard, Philips Software, MindTree Consulting, IBM, Motorola, Oracle and Microsoft.

Direct corporate investment

Often, companies make direct investments to provide facilities for a locality or a community. Hewlett-Packard has launched three digital villages across the United States, which will provide local schools, businesses and community technology centers with equipment and training in the latest digital technology. The purpose of these schools, businesses and community technology centers is to offer technological literacy to residents of under-served communities, regardless of their income or educational background.

Quality of work life

Apart from ensuring fair pay, the fair treatment of employees, and safe working conditions, many companies respond to specific employee needs. Tate & Lyle, a global leader in carbohydrate processing, carried out an extensive opinion survey of its employees in UK and Portugal. The survey revealed, among other things, that employees desired to have access to personal training facilities. So, Tate & Lyle set up a new Learning Resource Center at the Thames Refinery in London. This would allow all Thames-based employees to update their existing skills or acquire new ones. The Center also provided employees the facilities for enhancing their professional qualifications or just expanding their knowledge base.

Attention to consumers

Consumers prefer to buy products that are of good quality and are safe to use. Bajaj Auto aims at designing vehicles which give excellent performance and cause the least harm to the environment. It has a well-equipped laboratory to assess vehicle performance and emission standards. Apart from testing the vehicles in the laboratory, Bajaj Auto also employs test riders who test the vehicles on all types of terrain and weather conditions to ensure the suitability of the design before its commercialization.

Pollution control

Pollution is a major problem caused by rapid industrialization. Increasing public awareness and government pressure have made corporations more environment conscious. GVK Industries' first power plant near the Krishna-Godavari gas fields observes stringent pollution control standards. The plant uses natural gas or naptha (instead of coal) to produce electricity, thereby, causing significantly less pollution.

How to Measure SR?

Social audits arose from the need to measure the social responsiveness of organizations. Let us examine the meaning and significance of social audits.

Social audits

The concept of social audit was first proposed in the 1950s by Howard R. Bowen. He defined it as "a commitment to systematic assessment of and reporting on some meaningful, definable domain of the company's activities that have a social impact." Social audits enable management to identify the direct financial benefits as well as the intangible benefits to the organization from socially responsible behavior. Social audits can be broadly distinguished into two types: (i) those required by the government, and (ii) voluntary social programs. The audits imposed by the government involve the audit of pollution control measures, audit of product performance, and audit of equal employment standards. The second type includes voluntary audits made by companies to identify the extent of their social responsiveness.

Social audits are difficult to carry out. As disagreements can arise over areas of social responsiveness to be measured, results can be somewhat intangible and/or difficult to measure. Also, assessments of the quality of social programs are likely to vary.

Check Your Progress-2

5. Which of the following refers to the involvement of employees in civic activities?
   a. Fund raising
   b. Volunteerism
   c. Contributions
   d. None of the above

6. Which of the following refers to efforts made within a firm to evaluate its own social responsiveness?
   a. Social audit
   b. Management audit
   c. Organization audit
   d. Environment audit

7. Which of the following audits help an organization identify the benefits derived from socially responsible behavior?
   a. Management audits
   b. Organizational audits
   c. Social audits
   d. Environmental audits

8. Which of the following refers to the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and to society?
   a. Social responsibility
   b. Organizational responsiveness
   c. Social responsiveness
   d. Social adaptability

9. Which of the following was defined by Bowen "as a commitment to the systematic assessment and reporting of some meaningful, definable domain of a company's activities that have a social impact"?
   a. Social ethics
   b. Ethics audit
   c. Social audits
   d. Code of ethics

4.7 Managerial Ethics

Ethics is a branch of philosophy, which deals with values that reflect conduct. It is a set of principles or standards by which human actions can be judged. Ethics is also a study of moral rules that people apply in decision-making. According to Clarence D. Walton and La Rue Tone Hosmer, "Business ethics is concerned with truth and justice and has a variety of aspects such as the expectations of society, fair competition, advertising, public relations, social responsibilities, consumer autonomy and corporate behavior in the home country as well as abroad."

Types of Managerial Ethics

Archie B. Carroll, an eminent researcher in the area of social responsibility, identified three types of management, depending on the extent to which their decisions were ethical or moral: (i) moral management, (ii) amoral management, and (iii) immoral management.

i. *Moral management:* Moral managers carry out their activities by confining themselves to ethical standards. They achieve the objective of profit maximisation by adopting only legal and ethical practices that are beneficial to the organization as well as society.

ii. *Amoral management:* This approach is neither immoral nor moral. This management category ignores ethical considerations. Intentional amoral managers feel that ethical standards are not suited to business activities. Therefore, they do not consider ethical issues in their decision-making. Unintentional amoral managers are reluctant about considering the moral implications of their decisions and actions.

iii. ***Immoral management:*** Immoral management not only ignores ethical standards but also opposes ethical behavior. Its' main objective is profit maximisation, which has to be achieved even at the cost of being unethical.

Factors that Influence Ethical Behavior

A manager's ethical or unethical behavior is determined by complex interactions between the manager's stage in moral development and various moderating variables.

Stages of moral development

Managers making ethical decisions may belong to any of the three levels of moral development. Each level is further subdivided into two stages. The extent to which the manager's moral judgment depends on outside influences decreases with each successive stage. At the pre-conventional level, managers decide whether an act is right or wrong depending on personal consequences like punishment, favors or rewards. At the second level, the conventional level, managers perceive moral values as important for achieving certain benchmarks and living up to the expectations of others. Finally, at the third level, the principled level, managers frame ethical principles without regard to social pressures.

The different factors that influence managerial ethical behavior are:

Individual characteristics

Personality variables are also known to influence a person's ethical behavior. Two such personality variables are ego strength and locus of control. Ego strength refers to the strength of a person's convictions. People with a higher ego strength tend to do what they think is right. Managers with a high ego strength are more consistent in their moral judgment and moral action than those with low ego strength.

The other personality variable, "Locus of control" describes the degree to which people believe that they control their own fate. Managers with an internal locus of control are more likely to take responsibility for the consequences of their behavior than managers with an external locus of control.

Structural variables

An organizational structure determines the ethical behavior of managers. A proper structural design guides managers to execute activities that are needed to accomplish organizational objectives.

Organization's culture

A strong and ethical corporate culture influences people positively. An organization, which has a pleasant culture, enhances the ethical standards of managers.

Issue intensity

An issue can be considered ethical or unethical depending on certain factors like the extent of harm, consensus about wrong, proximity to victims and concentration of effect.

Check Your Progress-3

10. Which of the following determines a person's ethical or unethical behavior?
    a. Values
    b. Procedures
    c. Rules
    d. Policies

11. Archie B. Carroll's model of managerial ethics indicates that the _____ management approach not only ignores ethical concerns but also actively opposes ethical behavior.
    a. Amoral
    b. Moral
    c. Unethical
    d. Immoral

12. Which of the following managerial ethics strives to follow ethical principles and doctrines?
    a. Moral
    b. Amoral
    c. Immoral
    d. Unethical

13. _____ amoral managers exclude ethical issues from their decisions and actions as they think that general ethical standards are not appropriate for conducting business.
    a. Intentional
    b. Unintentional
    c. General
    d. Formal

14. Which of the following approaches is neither immoral nor moral and simply ignores ethical considerations?
    a. Moral management

b. Amoral management

c. Immoral management

d. Both a and c

15. Ego strength and locus of control are _____that influence an individual's ethical behavior.

a. Values

b. Beliefs

c. Personality variables

d. Structural variables

16. Which of the following indicates the degree to which people believe that they are the masters of their own fate?

a. Locus of control

b. Locus of strength

c. Emotional strength

d. Ego strength

Ethical Guidelines for Managers

To ensure that their decisions and actions are ethical, managers should strive to follow the guidelines listed below:

Obeying the law: Managers must ensure that laws are not broken to achieve organizational objectives.

Tell the truth: In order to build and maintain long-term relationships with relevant stakeholders, it is essential to state the facts clearly and honestly.

Uphold human dignity: People should be treated with respect irrespective of their race, ethnic group, religion, sex or creed.

Adhere to the golden rule: The Golden Rule, "Do unto others as you would have others do unto you," is often applied when monitoring the ethical dimensions of business decisions. It involves treating individuals fairly and with empathy.

Primum non-nocere (above all, do no harm): Some writers regard this principle as the most important ethical consideration. When pursuing profits, organizations should ensure that they do not harm society.

Allow room for participation: This principle advocates the participation of stakeholders in the functioning of an organization. It emphasizes the significance of knowing the needs of stakeholders, rather than deciding what is best for them.

Always act when you have responsibility: Managers should utilize their capacity and resources to take appropriate action when there is need for it.

Mechanism for Ethical Management

Organizations can use a number of mechanisms to help managers improve ethical behavior. They are:

Top management commitment

When the top management is committed to achieving objectives ethically and morally, it influences employees to adopt the same practices.

Code of ethics

A code of ethics is a formal document that defines an organization's values and ethical rules. They guide employees on ethical behavior.

Ethics committee

An ethics committee is responsible for framing ethical policies and implementing them in the right manner.

Ethics audits

Ethics audits involve the systematic assessment of the adherence of employees to the organization's ethical policies. They aid in better understanding of the policies and also identify the deviations in conduct that require corrective action.

Activity: You are the CEO of ZINCO Chemicals Ltd. The company has performed well in the last two financial years and has built up a large consumer base. Recent rumors have linked your marketing staff to widespread unethical practices like giving bribes and using muscle power. You are concerned about the unethical behavior of your employees. What methods would you adopt to help your staff improve their ethical behavior?

Answer:

_____

_____

_____

_____

Ethics training

Organizations set up training programmes like seminars and workshops to improve the ethical behavior of employees.

Ethics hotline

This is a special telephone line that enables employees to bypass the proper channel for reporting their ethical dilemmas and problems. The line is usually handled by an executive who investigates the matter and helps resolve the problems of the concerned employee. Such a facility allows the

problem to be handled internally and reduces the chances of employees becoming whistle-blowers. An employee who reports real or perceived misconduct to an external agency (which may be able to take remedial action) is called a whistle-blower. A manager should take the necessary steps to prevent a whistle-blower from going to an outside person or organization since such action can lead to unfavorable publicity or legal investigation. Exhibit 4.1 shows how ethical guidelines are violated despite strict guidelines.

Exhibit 4.1: Ethical Misconduct

The 2021 report of the Ethics and Compliance Initiative, states that 63% of middle managers were forced by their bosses to go against their organization's ethical code of conduct during 2020. Further, over 50% of middle and upper managers noticed ethical misconduct in their organizations and 79% of employees reported adverse consequences for reporting misconduct. The report states that well administered corporate compliance programs and conducive corporate culture can reduce ethical misconduct significantly. But these are not easily followed and ethical misconduct continues to exist in many organizations.

Source: https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/personal-experience-of-inclusion-critical-to-win-the-war-for-talent, August 09, 2021

Check Your Progress-4

17. Which of the following is not an ethical guideline that would help managers ensure that their decisions and actions are ethical?

    a. Obeying the law

    b. Hiding the truth

    c. Upholding human dignity

    d. Primum non-nocere

18. Which of the following refers to a special telephone line that enables employees to bypass the proper channels for reporting their ethical dilemmas and problems?

    a. Ethics training

    b. Ethics audit

    c. Ethics hotline

    d. Ethics development

19. An _____ audit involves the systematic assessment of conformance to organizational ethical policies, an understanding of those policies, and the identification of serious deviations in conduct that require remedial action.

    a. Social

    b. Ethics

    c. Organization

    d. Moral

20. An employee who reports real or perceived misconduct to an external agency is known as a _____.

    a. Whistle-blower

    b. Whistle-bowler

    c. Whistle-grower

    d. Whistle-mower

4.8 Summary

- Organizations operate in a large and complex environment, as they are open systems. Environmental forces affect the organization and its relationships with society.

- Organizations are expected to have social responsibility, which enables them to protect the welfare of society, along with promoting its own interests.

- A careful analysis of arguments for and against the involvement of organizations in social welfare is necessary to determine whether an organization should implement social initiatives.

- Business enterprises are primarily accountable to major interest groups such as shareholders, employees, customers, creditors and suppliers, society, and government. These groups are also known as social stakeholders.

- Social responsiveness is an organization's capacity to be sensitive to social issues. Organizations adopt different methods to respond to social issues and handle them effectively.

- Ethics is a field of study, which deals with moral and ethical standards. A number of factors influence an individual's ethical behavior. Organizations can adopt various methods like top management commitment, code of ethics, ethics committee, ethics audits, ethics

training, and ethics hotline to improve the ethical behavior of employees.

4.9 Self-Assessment Test

1. Describe in brief the social responsibilities of management.

2. Organizations have different views towards social responsibility. Some feel that they need to be responsible towards society, but others oppose social responsibility saying it does not fall under their purview. Describe the arguments for and against social responsibilities of business.

3. Briefly describe the social stakeholders of management.

4. Describe the various categories for measuring social responsiveness of organizations.

5. What are the various factors that influence the ethical behavior of a manager?

6. List the different types of managerial ethics based on which the management exhibits different degrees of ethical behavior.

4.10 Glossary

Amoral Managers: Manages who are neither moral nor immoral, but ethically lazy.

Code of Ethics: A document prepared for the purpose of guiding organization members when they encounter an ethical dilemma.

Committees: Groups of people who render decisions or offer advice to management.

Corporate Social Responsibility: A term often used in reference to the concept of organizational social responsibility as applied to business organizations.

Immoral Management: An approach to managerial ethics that not only lacks ethical principles but is actively opposed to ethical behavior.

Interest Group: An informal group created to facilitate employee pursuits of common concern.

Management Ethics: Moral premises upon which business decisions are made.

Moral Management: An approach to managerial ethics in which managers strive to follow ethical principles and precepts.

Social Audit: Measurement of a firm's social responsiveness.

Social Responsibility: The obligation of an organization to seek actions that protect and improve the welfare of society along with its own interests.

Social Responsiveness: Degree to which an organization meets its social responsibilities.

Stakeholders: Parties with an interest in a firm's policies and decisions.

4.11 Suggested Readings / Reference Material

1. Aswathappa, K, International Management: Culture, Strategy, and Behavior 9 th Edition Paperback, McGraw Hill, 2020
2. Dwivedi,R.S. Management – An Integrated Approach, National Publishing House. 2016
3. Fred Luthans (International Management: Culture, Strategy, and Behavior, McGraw Hill, 2017
4. Harold Koontz, Heinz Weihrich, Mark V. Cannice, Essentials of Management - An International, Innovation and Leadership Perspective, 11th Edition, Paperback, McGraw Hill, 2020
5. Stephen P. Robbins, Mary Coulter, Management, 15 th Edition, Hoboken, NJ: Pearson, 2020

Additional Reference

1. *https://www.mckinsey.com/featured-insights/artificial-intelligence/ ai-ethics*-podcast AI ethics in today's world, Jan31, 2019

4.12 Answers to Check Your Progress Questions

Following are the model answers to the Check Your Progress questions given in the Unit.

1. **(a) Social responsibility**

   The concept of social responsibility demands that managers pay attention to the welfare of workers, the needs of consumers, the safety of workers and consumers, government regulations, the interests and rights of creditors, and the obligations of the organization towards society as a whole.

2. **(c) Excessive costs**

   If a business spends excessively high amounts in social welfare activities, it might transfer the cost to its customers in the form of higher prices. Indirectly, society will be made to pay for the social involvement of the business.

3. **(c) Protecting shareholder interests**

   A careful analysis of arguments for and against the involvement of organizations in social welfare is necessary to determine

whether an organization should implement social initiatives. Excessive costs, absence of mechanism to ensure accountability to society, and weakened international balance of payments are arguments against social responsibilities of business. Protecting shareholder interests is an argument for social responsibilities of business.

4. (a) Social stakeholders

All organizations should act in socially responsible manner. The major interest groups affected by a firm's decisions are shareholders, employees, customers, creditors and suppliers, society, and government. These groups are collectively known as social stakeholders.

5. (b) Volunteerism

Social responsiveness refers to the degree to which organizations meet their social responsibilities. Volunteerism is one of the categories of social responsiveness. It includes a wide variety of activities like sharing business skills with local (small) businesses, giving career talks, planting gardens, helping the mentally handicapped, etc.

6. (a) Social audit

The social responsiveness of firms is measured through social audits. Audits required by government and voluntary social programs are two types of social audits.

7. (c) Social audits

Social audits help management identify the direct financial benefits as well as the intangible benefits to the organization from socially responsible behavior.

8. (c) Social responsiveness

Social responsiveness is the degree to which an organization meets its social responsibilities. This can be done through fund-raising, contributions, recycling of waste, direct corporate investment in social projects, quality of work life programs, etc.

9. (c) Social audits

Social audits help the management of a company identify the intangible and direct financial benefits of socially responsible behavior to the organization. The two types of social audits are a) those which are required by the government, and b) those which are voluntary. Audit of equal employment standards, pollution control measures, and product performance are social audits

imposed by government. Voluntary social programs are those which are conducted by companies to gauge the extent of their social responsiveness.

10. **(a) Values**

Values refer to the basic convictions held by an individual regarding right or wrong. The personal values of different managers in an organization are often quite different. These values largely determine an individual's ethical or unethical behavior.

11. **(d) Immoral**

Organizations that follow an immoral management approach value company profits above everything else and are not concerned about behaving in an ethical manner.

12. **(a) Moral**

Moral management strives to follow ethical principles and doctrines. Moral managers always consider whether their decisions, actions, or behavior are fair to all the parties involved.

13. **(a) Intentional**

Intentional amoral managers ignore the role of ethics in business and limit ethical behavior to non-business areas of life. Their primary concern is to earn profits. They do not consider the impact of their behavior on their social stakeholders.

14. **(b) Amoral management**

Archie B. Carroll identified three types of management, depending on the degree to which an organization's decisions are ethical or moral. These are moral, immoral, and amoral management. Amoral management is again divided into intentional and unintentional. Amoral managers regard profitability as their ultimate goal and ignore the consequences of their behavior on their social stakeholders.

15. **(c) Personality variables**

Personality variables refer to those characteristics of an individual which influence his/her ethical behavior. Ego strength and locus of control are two types of personality variables. Ego strength refers to the strength of a person's convictions. Managers with a high ego strength show more consistency in their moral actions and moral judgments than managers with a low ego strength. The locus of control refers to the extent to which people believe that their actions are solely responsible for what they are today. Individuals with an external locus of control believe that whatever

happens in life is purely a matter of chance, whereas individuals with an internal locus of control believe that their destiny is under their control. Managers with an internal locus of control take responsibility for their actions and behavior, unlike managers with an external locus of control.

16. (a) Locus of control

Locus of control is a personality variable which influences the extent to which people believe that their actions are solely responsible for what they are today. Individuals with an external locus of control believe that whatever happens in life is purely a matter of chance, whereas individuals with an internal locus of control believe that their destiny is under their control. Managers with an internal locus of control take responsibility for their actions and behavior, unlike managers with an external locus of control.

17. (b) Hiding the truth

Managers need to follow certain guidelines to ensure that their actions and decisions are ethical. Obeying the law, upholding human dignity, primum non-nocere (above all, do no harm), and telling the truth are few guidelines that help managers ensure that they are acting in an ethical manner.

18. (c) Ethics hotline

The ethics hotline is a mechanism for ethical management in organizations. This hotline is handled by an executive who investigates and helps the employees concerned solve their problems internally, thus preventing an employee from contacting outside agency.

19. (b) Ethics

An ethics audit is a mechanism for ethical management. It helps managers create an ethical climate in the organization.

20. (a) Whistle - blower

An ethics hotline is a mechanism for ethical management in organizations. This hotline is handled by an executive who investigates and helps the employees concerned solve ethical problems internally, thus decreasing the chances of employees becoming whistleblowers. The executives should take the required action to prevent employees from reporting such problems to an outside agency, as this would result in bad publicity or legal investigation.

Management and Organizational Behavior

Course Components

BLOCK I	Fundamentals of Management
Unit 1	Management: An Overview
Unit 2	Evolution of Management Thought
Unit 3	Managerial Functions
Unit 4	Social and Ethical Responsibilities of Management
BLOCK II	**Fundamentals of Organizational Behavior**
Unit 5	Understanding Organizational Behavior
Unit 6	Foundations of Human Behavior, Human Relations and Organizational Behavior
Unit 7	Diversity and Ethics
Unit 8	Managing Communication
BLOCK III	**Individual Behavior in Organizations**
Unit 9	Personality and Attitudes
Unit 10	Motivation
Unit 11	Perception
Unit 12	Learning
BLOCK IV	**Dynamics of Organizational Behavior**
Unit 13	Leadership
Unit 14	Empowerment and Participation
Unit 15	Conflict, Negotiations and Inter Group Behavior
Unit 16	Foundations of Group Behavior
Unit 17	Understanding Work Teams
Unit 18	Informal Organizations
BLOCK V	**The Organization System and Development**
Unit 19	Foundations of Organizational Structure
Unit 20	Decision Making
Unit 21	Power and Politics
Unit 22	Organizational Culture
Unit 23	Organizational Change and Development
Unit 24	Future of Organizational Development