COMMERCE

COURSE : COM - 102

ORGANISATIONAL BEHAVIOUR AND THEORY

Contributor :
   Dr. (Mrs.) S.S. Singha
   Department of Commerce
   Dibrugarh University

Editor :
   Dr. A. Bhowal
   Department of Commerce
   Dibrugarh University

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BLOCK-1   BASIC ORGANISATIONAL CONCEPT

INTRODUCTION :

This block consists of three units so as to enable you to understand the meaning and concept of organisation and develop a perspective on organisation and environment interface. These units have been designed to enable you to understand in detail about :

- Basic concepts of organisation.
- Process of organisation.
- Organisational Typologies.
- Organisation and Environment interface.
- Different approaches to organisation theory.
- Appraisal of Classical and Neo-Classical theories of Organisation.

The first unit presents a framework of organization and its typology, various processes of organisation structures etc. It briefly deals with perspective of organisation and environment interface. The second unit elucidates the principles of organisation revolving around traditional theories of organisation i.e. classical and Neo classical approach. The third unit presents modern approaches i.e. (systems & contingency theory of organisation) to the study of organisation.

UNIT-1 ORGANISATION : CONCEPT, TYPOLOGY AND ENVIRONMENT INTERFACE

STRUCTURE :

1.0   OBJECTIVE

After reading this unit, you will be able to

- Define organisation
- Discuss the different organization process
- Identify organisational typology
- Develop a perspective on organization and environment

1.1   INTRODUCTION

This unit presents in brief about the various processes and typology of organisation; what is organisational concept and how does organisation interact with environment. In this unit you will also know about the various terms associated with this subject such as organisation structures, organisation process, organisation behaviour etc. All the terms belonging to the family of organisation, are little different from each other. The organisation may be used to refer to the

process of organizing, the structure that evolves out of the process and the activities / processes that take place within it. All activities involving two or more persons entail the formation of an organisation. Broadly it means something that is organised, it could be family, school, church or football team or it could be corporation army or Government. Organisation could be simple complex depending upon their purposes, size, technology or nature of activities. In Unit-2, we shall discuss approaches to Organisational Analysis.

1.2 CONCEPT OF ORGANISATION

Organisation, large or small, have at least three characteristics :

    i) They are composed of people.

    ii) They exist to achieve objective.

    iii) They require some degree of limitations on member's behaviour

Because people spend a considerable part of their lives working in organisations, it is important to understand how organisations function and how they can be managed effectively. To be effective, managers must be capable of organizing all kinds of resources (human resources, physical resources and other functions) in such a way as to ensure the objectives of the organisation. This process is crucial for the success of – any organisation where people work together as a group. The concept of organisation include (i) division of work (ii) Identification of sources of authority (apart from the formal hierarchy of authority.) such as individuals instinct, culture, the consent of the Government…. etc. (iii) relationship – administrative or operating, vertical, horizontal or formal or informal etc. (iv) coordination which is yet another important component of organisation.

1.3 ORGANISATION PROCESS

Organisation as a process is an executive function which centers around the dynamics of organisation growth and change. If organisation is accepted as a "process", "pattern" or a "system", it will include :

    a) Function of identifying, defining and grouping of work/ activities or tasks, establishing authority

relationship among people and assigning tasks to people.

b) Defining authority, responsibility, delegation and accountability.

c) Allocating resources of an organisation to achieve the specific organizational goals efficiently and effectively.

Six steps in organizing Processes are :

1. Consideration of organizational objectives- "Structure follows Strategy".

2. Grouping of activities into departments.

3. Deciding which department will be key departments. (key Results Areas.)

4. Determining levels at which various decision are to be made.

5. Determining span of Management

6. Setting up a Co-ordination mechanism.

Check your progress 1

State whether the following statement is correct or not ?

Responsibility is meaningless without authority.

For correct answer refer Answers to CYP

1.4   ORGANISATIONAL TYPOLOGY

With the development of science and technology and with the spread of education, social institutions have proliferated. These institutions are engaged in a diversity of tasks and many of them are multiple ended. They overlap in characteristics and functions. Therefore, organisation can be variously classified. They may be grouped on the basis of some broad similarities or differences. They could be classified on the basis of evolution, such as formal or informal 'size, such as large and small. Ownership such as public and private; membership, such as voluntary or compulsory etc. Such classification's do not present analytical framework for the study of organisations. There are various schemes of classifying organisations based on

analytical criteria. These classifications show a great amount of diversity.

1.4.1 ***Based on Function or Purpose*** : Many organization's with different functions or purposes exist. Four such basic functions have been identified which organisation's fill for the society.

1. **Economic Organizations** : Economic organizations are primarily those which are concerned with "adding value" as used by economists. Economic activities can be classified as business and non-business activities. Business activities are characterized by profit motive, risk bearing and creating utility.

2. **Political Organizations** : These are concerned with changing or adopting circumstances to attain value goals. The basic problems of such organizations is to collect resources from various sources and spend them judiciously so that the functions assigned to them are performed efficiently. The attainment of basic goals and values for which society exists is the measurement criterion.

3. **Integrative Organizations** : These are courts, police departments, social agencies and so on and they contribute towards the efficiency with the society operates. They are organizations for social control and maintenance; keep things operating in desired fashion, and keep out disturbing influences.

4. **Pattern Maintenance Organizations** : These are educational institutions, theatrical groups, research institutions, clubs, churches etc. and are concerned with the long-term issues of society's values, patterns and knowledge, culture, etc. Such organizations attempt at creating value systems, furthering knowledge, and making suitable patterns of life.

1.4.2 ***Based on Primary Beneficiary*** : This classification is based on the *cui bono* (who benefits) criterion has been suggested by Blau and Scott. Under this, there are four types of organizations.

1. **Mutual Benefits Associations :** Here the members are the primary beneficiaries. Though efficiency in all organization is necessary, in mutual benefit associations, concern for efficiency is expected not to interfere with the membership ability to decide democratically specific objectives in the organizations. The crucial issue facing this type of organizations is maintaining membership control, that is, internal democracy. This is difficult because of two reasons: membership apathy and oligarcical control. Examples of these types of organizations are trade unions, professional associations, religious sects, etc.

2. **Business Organizations** : Here the owners are the prime beneficiaries through the accomplishment of some immediate task. The owners are not primarily concerned with the nature of the output. The dominant problem of business organization is that of operating efficiency, the achievement of maximum gain at minimum cost in order to further survival and growth in competition with other organizations. Considerations of operating efficiency are expected to reign supreme within the limits externally imposed on them because of their risk bearing considerations. In the long run the profit does not remain the only concern for business organizations because there are many interest groups-employees, customers, government, society etc. – having diverse interest related to the operation of such organizations.

3. **Service Organizations :** Here the primary beneficiary is a part of the public in direct contact with the organization with whom and on whom its members work. Here the clients are the beneficiaries but they do not have the control over the organization. They do not know what means will serve best their interest and they are vulnerable

subject to exploitation and dependent on the integrity of professionals to whom they have come for help. As such, it is the obligation of those who control the organizations to see that proper means are chosen for organizational functioning. Their decisions should be governed not by their own interest but by their judgement of what will serve the client's interest best. Example of such organizations are hospitals, educational institutions, social work agencies, legal aid societies, etc.

4. **Commercial Organizations :** Here the public at large is the prime beneficiary, often, although not necessary, to the exclusion of the very people who are the object of the organization's endeavour. Most of these organizations either perform protecting services for the community or serve as its administrative arm. The basic problem of these organizations is that of external democratic control. The public must possess the means of controlling the ends served by commonwealth organizations. While external democratic control is essential, the internal structure of these organizations is expected to be bureaucratic, governed by efficiency criterion, and not democratic. Examples of these types of organizations are post office, military service, police service. Fire department, etc.

1.4.3 *Based on Means of Control and compliance* : Etzioni has classified organization on the basis of mans of control into three:

1. **Coercive organizations** : based on application of physical means such as prisons.
2. **Utilitarian organizations** : based on application of material means of control such as business organizations.
3. **Normative or social Organizations** : using symbolic means of prestige and esteem, love and acceptances.

Compliance as a basis for organizational typology considers internal structure of the organizations. Compliance involves one party telling or directing another party to do something. A basic internal problem in any organization is members compliance. In actual practice, however the behaviour of an individual is not affected merely by using power or authority by other person, but his involvement in the organization also shapes his behaviour. These actual behaviour is also effected by two dimensions : Power and Involvement.

1.4.4 Based on Decision–Making Strategies : Thompson and Tuden suggest that type of decision in the organization depends on two factors : agreement on objectives and agreement on how to achieve this objectives. The different situations suggest different decision making strategies. In all, there exist four alternatives :

1. **Computational Strategy** : Here there is agreement on objectives and also on how to achieve these objectives. Bureaucratic organizations fall under this category.

2. **Judgemental Strategy** : This involves scenario where there is agreement on objectives but there is need for deliberations regarding how to achieve those objectives. The board of directors type of organizations fall under this category.

3. **Compromise Strategy** : This involves agreement on how to achieve objectives but there exists a dispute regarding priorities of objectives Representative type organizations such as Parliaments and Assemblies fall under this category.

4. **Inspirational strategy** : Here disagreement on objectives as well as how to achieve those objectives exist. Charismatic movement centered around individual heroes fall under this category.

Check your progress 2

Fill in the blank

Oil & Natural gas company is _____ of organisation.

For answers see Answer to CYP

1.5   ORGANIZATION AND ENVIRONMENT INTERFACE

No organizations functions in isolation. It has a large number of other organizations in its environment. Every organization constitutes an environment of the other organization. Besides this external environment, there is an internal environment. Every individual or group constitutes the environment of the other individuals bring their own norms and values and organizations impose their own. When interactions take place between different individuals or groups coupled with organizational norms and values, mutual adjustments take place. Similarly, adjustments take place when one organization interacts with other organizations. Members of the organization under consideration are also members of other organizations in its environment. This fact further complicates the process.

We must, however, remember that a whole organization does not have to interact with another whole organization. Different parts or groups or sub-systems within the organization interact with their relevant external environments outside the organization. For example, the R & D department in a particular organization will have R & D departments in similar organizations as its external environment. It may have nothing to do with other groups outside the organization.

As organizations and their environments interact, one is likely to influence the other. One can visualize a continuum of influence of which the two ends are :- one in which organization dominates the environment and the others in which environment is rare and the only possible example which comes to mind is OPEC in modern times. The examples of environment dominating the organization are numerous. This is especially true of public utilities. Most organizations will, however, fall between these two extremes where there is partial dominance either by the organization or by the environment depending upon their respective strengths and weakness. In general, an individual organization is influenced more by its environment than it influences the environment.

Goals may be considered from three primary perspectives : (i) the environmental level – the goal constraints imposed on the organization by society; (ii) the organizational level – the goals of the organization as a system; and (iii) the individual level – the goals of organizational participants.

In order to explain the environmental determinants of organizational goals, Kast adopts an open-system view that the organization receives inputs, transforms these inputs, and then returns output to the environment. Organization, therefore, depends on the environment for its very survival. Thus, the goals that society prescribes for the organization are of vital importance. Similarly, the environment imposes many constraints on the organization. It may limit the quantity and quality of inputs and also accept or reject the outputs. However, at the same time that the society imposes certain goal constraints. It also serves as a field of exploitation for the organization. Discoveries, inventions, technological changes, population changes, etc., provide new opportunities to organizations. This process of utilising society as a field of exploitation leads to a continual modification and elaboration in the goal structure of the organization.

The influence of environment over organizational goals is, therefore, considerable. Organizations, if they want to survive, must adopt strategies for coming to terms with their environments. Thompson and Mc Ewen suggests strategies for dealing with the organizational environment as either competitive or cooperative. They provide a measure of environmental control over organizations by providing for "outsiders" to enter into or limit organizational decision process. The potential power of an outsider increases the earlier as he enters into the decision process. Various strategies for dealing with organizational environment – competition and three sub-types of cooperative strategy, viz. bargaining, cooptation and coalition differ in this respect. All of these allow outsiders to intervene and limit organizational decisions regarding goals, but the entry of outsiders in different strategies is at different stages. This fact alone makes the difference in the degree of control. We will discuss each of these separately.

a) ***Competition:*** Organizations compete among themselves for the same resources of society. The customer or supplier – a third party – casts his vote in favour of a particular organization by having interaction with it, by buying its product or granting resources to it. This means no organization whose objectives are not acceptable to society or are not supported by society can survive for long. It also

implies that no organization can adopt a goal without considering what society needs. This is how through competition environment diverts the resources of society to acceptable channels and avoids misallocation of resources by elimination of inefficient and undesired organizations. Thus, competition is one process whereby the organization's choice of goals is partially controlled by the environment. It tends to prevent a unilateral or arbitrary choice of organizational goals, Therefore, in order to deal with its environment, organizations must develop its competitive strength, which comes from its flexibility to adapt itself to environmental situation.

b)   ***Bargaining:*** Bargaining is the process of arriving at an agreement between two or more organizations through mutual give and take for exchange of goods or services. It is often witnessed between management and labour, the university authorities and students, dealer and customer, etc. Whatever agreements are arrived at, they cannot be taken as final for ever. In the face of changing environment, a periodic review of relationships is an important means whereby each organization, through negotiation, arrives at a decision about acceptable future behaviour of the parties.

Bargaining is a zero-sum game; to the extent one party gains, the other loses. It focuses on resources rather than explicitly on goals. However, since no goals can be implemented without resources, cooperation or support of the bargaining party becomes necessary and that reduces the probability of arbitrary, unilateral goal-setting. However, unlike competition, bargaining involves direct interaction with other organizations in the environment, rather than with a third party and therefore, invades the actual decision process.

c)   ***Co-optation:*** Co-optation is the process of absorbing new elements into the policy-determining structure of

an organization as a means of averting threats to its stability or existence. It is the process by which power, or the burdens of power, are shared. Organizations, because of their dependency on other organizations, coopt certain members who represent their interests. Such coopted members may not take an active part, but do keep a watch on happenings inside the organization. They are in a position to determine the occasion for a goal decision, to participate in analyzing the existing situation, to consider alternatives and discuss the consequences thereof. Cooptation, thus, makes still further inroads on the process of deciding goals. Besides, these members bring to bear the benefit of their knowledge to the organization concerned. Not only do they thereby protect the interests of organizations they represent, but also help in avoiding decisions with undesirable consequences. This helps integrate the diverse interests of heterogeneous elements in society. For this very reason, cooptation checks arbitrary or unilateral organisational goal-setting.

d) **Coalition:** It is a combination of two or more organizations who, without losing their respective identities, work for common purpose. Generally it arises when it is difficult for any individual organization to undertake a venture, say, the construction of a dam, so that it seeks the support of another organization and joins hands with it. Thus, more than one party come together, decide, terms and conditions of agreement and form a coalition. A coalition works on the basis of a minimum common programme. When differences develop between members of a coalition, even on a minimum common programme there is a threat to the existence of the coalition. When members of a coalition pull in different directions, the coalition is likely to breakdown keeps the coalition together unless cleavages become serious. For example, the Indian

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experience in recent times is a case in point. In many states, no one political party had a clear majority to form a Government. Therefore, many parties having widely differing political philosophies joined hands and formed a Government on the basis of a common programme. But soon after the formation of the Government, different parties started pursuing their own philosophies and the coalition governments failed. Thus, coalition appears to be an extreme form of the environmental conditioning of organizational goals. As the support of other organizations is imperative, it avoids investment of resources in fruitless ventures if an organization is unable to find partners. Besides, a coalition requires a commitment for joint decision of future activities and thus, places limits on unilateral or arbitrary decisions. Because of interdependency, no one party can set objectives or take decisions without consulting others.

Check your Progress 3

Correct the following statement

Burden of the power is shared by the process of Bargaining.

For answer see Answers to CYP

1.6   LET US SUM UP

An organization is a planned coordination of a number of people and their activities for the achievement of some specific goals through division of labour, and hierarchy of authority. There is a great amount of diversity in organizational typology. These are classified on some analytical criteria such as on the basis of Purpose, Mutual benefit, Power & Involvement and Decision making Strategies.

You must, however, remember that every organization constitutes an environment. Besides external environment, there is internal environment, therefore the influence of environment over organization and vice-versa is considerable, specially if organizations want to survive, managers need to focus on the linkages and strategies between the organization and its environment.

1.7   KEY WORDS

1. Organisation Typology : Types of Organisations including business   Organization.
2. Organisation Structure : Relationship between positions of various levels in the Organisation
3. Organisation Strategy : Do's & don'ts that are necessary for the long-term sustainability of the business.

1.8   SUGGESTED READINGS FOR UNIT-1.

- Gupta N. S. : Organisational Theory and Behaviour Himalaya Publishing House. N. Delhi
- Pareek Udai : Organisational Behaviour Process Rawal Publication, Jaipur
- Tripathi P.C. and Reddy P.N.: Principle of Management Tata Mc. Grow-Hall Publishing Company Ltd., N. Delhi.

1.9   ANSWERS TO CYP
- Check your progress 1 : True
- Check your progress 2 : Utilitarian Organisation
- Check your progress 3 : process of co-option

1.10   MODEL QUESTIONS

- What is meant by "Organising"?
- What is an organisation? Mention its Characteristics.
- Briefly explain the steps involved in the "organizing Process" ?
- Explain the various linkages that need to be examined in studying organizational environmental interface.
- Discuss some important typologies of organisation.

Unit-2 APPROACHES TO ORGANIZATIONAL ANALYSIS.

STRUCTURE :

2.0 OBJECTIVE

After reading this unit, you will be able to

- Justify the development in the organisation theory.
- Trace the historical development of classical school of thought.
- Discuss the contributions of classical theory of organisation.
- Identify and describe the Neo-classical approaches.
- Review and Appraisal of the Traditional theories of organisation.

2.1 INTRODUCTION

In Unit-1, you have learnt about the concept of organisation in general, However, the unit-2 elucidates the features of organisation evolving from different schools of thought viz, classical and Neo-classical theory. We also propose to make a review of these two

major organisation theories. The various approaches (classical & Neo-Classical) do differ in their assumptions about how individuals in an organisation behave, how do they solve some problems in the organisation. It is to be noted at the outset that organisation theory is not an end in itself, rather, it serves as a tool to enhance the effectiveness of organisation. In unit-3, we will discuss Systems & Contingency Approach.

2.2   APPROACHES TO ORGANIZATIONAL ANALYSIS :

It is essential to develop a perspective understanding about organizations because human behaviour and organization behaviour are influenced by the people in an organizations and its specific characteristics. The formal study and understanding of organizations first formed expression over the last 100 years or so. Although organizations are as old as civilization, organizations theory is of comparatively recent origin. Theories appeared as business organizations increased in size and complexity. Different theories were products of different times.

The Classical organizations was pioneered by F. W. Taylor and Henri Fayol. Based on experience at the shop level, Taylor stressed the need for a Scientific approach to focus mainly on micro aspects like individual workers, foreman, work processes. Fayol turned his attention to general administration and described macro aspects of organizations with main focus on principle and practice for better performance. Bureaucracy as a concept was first developed by Max Weber, presents a descriptive and scholarly point of view of organizations.

Let us consider in detail different approaches to organisation theory and streams of Classical theory.

2.3   THE CLASSICAL THEORY :

The Classical organization regards the organization as a formal structure based on four premises. They are

 i)   division of labour (refers to division of work)
 ii)   the scalar or functional process (refers to flow of authority and responsibility within the framework of organizational structure.)
 iii) structure (refers to logical culmination of authority and responsibility)

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iv) span of control (refers to number of subordinates supervised by a manager)

2.3.1 Bureaucracy

Bureaucracy is the dominant feature of ancient civilizations as well as modern organizations in contemporary world. Max Weber describes an "ideal type" approach to outline the characteristics of a fully developed bureaucratic form of organization. The features that describes as being characteristic of bureaucracy are common to all social, government organizations. Size and complexity produce bureaucracy. As such, the rigid structures, fixed jurisdictions, impersonal rules and mundane routine, concomitant with bureaucracies often result in delays, produce inertia, lead to wastage of resources and cause frustration. In general parlance the word 'bureaucracy' has come to have a negative connotation and many tended to wish it away. But the features that characterize bureaucracy have become inevitable and ubiquitous with the growing size and complexity in organizations. There is need, therefore, to understand and improve bureaucracies than indulge in dysfunctional debates over their relevance.

Features of Bureaucracy

The features which characterize bureaucracy have been identified by Max Weber by analyzing the way modern organisation officialdom functions. The important features are considered here briefly.

a)   Rules and Regulations
The three elements that constitute bureaucracy include :
- fixed formal rules and regulations specifying official duties in a given structure that imposes jurisdictional limits.
- distribution of formal, positional authority to give commands required for discharging duties at various levels.
- methodological provision for the fulfillment of duties and for the execution of corresponding rights by people with prescribed qualifications.

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The emphasis is on consistency. Objective rationality is sought through impersonal means. Behaviour is subject to discipline and control within the framework of rules.

b) Hierarchy

The principle of hierarchical authority in pyramidical structures is common to all bureaucracies. Each position in the hierarchy covers an area over which it has complete jurisdiction in terms of division of work, competence, authority and responsibility. Power and authority are delegated downward, beginning at the top, from each supervisor to his subordinates.

c) Paper Work

Every decision and the process thereof is recorded in a wide array of written documents and preserved in their original and draft form.

d) Professional Qualifications and Expert Training

Recruitment is based on qualifications and ability. Skills are learnt through training and experience. Conformity with rules ensures job security. Promotions are based on seniority and merit. Knowledge of rules requires a special technical training, administrative rules and procedures.

The foregoing discussion is based on Max Weber's description of an ideal (normative) pattern of organisation. It is difficult to distinguish precisely how the functioning of organizations differs from the ideal. It can nevertheless be said that all organizations have some or all of these features and the difference between one organisation and the other is one of degree alone.

Check your progress 1

Fill in the blank

The concept of Bureaucracy was evoked by_____.

2.3.2 Administrative Theory

Administrative theory is another stream of thought in the classical mould. While the concept of bureaucracy was developed by sociologists in a detached, scholarly way; administrative theory has been developed since 1900 by practical managers. Though both the schools of thought developed independently, they have many things in common. Both tend to be prescriptive about organizations and normally emphasize the need for order and orderly procedures, and point to hierarchy, specialization, structure, order and certainly among others as essential features of organizations.

Among the several proponents of the Administrative theory, the earliest and significant contribution came from Henri F Fayol, a French industrialist, in 1916. The 14 principles that capture the essence of the administrative theory could be summarized as follows :

- Division of work : Divisions of work or specialization gives higher productivity because one can work at activities in which one is comparatively highly skilled.

- Authority and responsibility : Authority is the right to give orders. An organizational member has responsibility to accomplish the organizational objectives of his position. Appropriate sanctions are required to encourage good and to discourage poor performance.

- Discipline : There must be respect for and obedience to the rules and objectives of the organization.

- Unity of command : To reduce confusion and conflicts each member should receive orders from and be responsible to only one superior.

- Unity of direction : An organization is effective when members work together toward the same objectives.

- Subordination of individual interest to general interest : The interests of one employee or group of employees should not prevail over that of the organization.

- Remuneration of personnel : Pay should be fair and should reward good performance.

- Centralization : A good balance should be found between centralization and decentralization.

- Scalar chain : There is scalar chain or hierarchy dictated by the principle of unity of command linking all members of the organization from the top to the bottom.

- Order : There is a place for everything and everyone, which ought to be so occupied.

- Equity : Justice, largely based on predetermined conventions, should prevail in the organization.

- Stability of tenure of personnel : Time is required for an employee to get used to new work and succeed in doing it well.

- Initiative : The freedom to think out and execute plans at all levels.

- Espirit de corps : "Union is strength"

Fayol further explained about the importance of planning, organizing, coordinating, and control in organization. These aspects

have been further developed by subsequent writers like Earnet Dale Herbert G. Hicks, Chester I Bernard, Lyndall F Urwick and many others. It is however not proposed to review the contribution of each of these writers here.

The principles of management enunciated under the administrative theory stream of thought have the potential to comprehend and cope with the growing complexity in organizations to an extent in the sense that they seek to bring order, provide structures relationships in channeling activities and processes and usher and element of certainty in actions though, of course, a maze of rules, regulations, policies, practices, etc. But the real problem is whether and to what extent they really serve as definite principles. For example, concepts such as centralization, decentralization and delegation suffer from superficiality and over-simplifications. Several of the principles occur in pairs and there is little in theory to indicate which is the proper one to apply.

2.3.2 Scientific Management

The third stream of classic school of thought is the scientific management. The principles of scientific management were first developed around 1900. Among the pioneering proponents of the principles of scientific management, particular mention should be made of Frederick Winston Taylor, an engineer by profession. Whereas bureaucracy and administrative theory focused on macro aspects of the structure and processes of human organizations, scientific management concerned itself with micro aspects such as physical activities of work through time-and-motion study and examination of men-machine relationships. Unlike in the other two, the scientific management laid emphasis on activities at shop floor or work unit level than management and based its inductive reasoning on detailed study and empirical evidence.

Taylor's principles of scientific management could be considered as an improvement over the contributions in the other two streams of thought in as much as he tried to use the engineer's discipline to reduce personal factors, randomness and rule of thumb decision-making. Though Taylor too had his share of critics and criticism, his contribution to modern management and use of scientific

methodology for decision-making and management practices are profound.

For Taylor, scientific management fundamentally consists of certain broad principles, a certain philosophy, which can be applied in many ways, and a description of what any one man or men may believe to be the best mechanism for applying these general principles should in no way be confused with the principles themselves.

Taylor described the following four principles of scientific management :

1. Develop a science for each element of a man's work, which replaces the old rule-of-thumb method.

2. Scientifically select and then train, teach, and develop the workman, whereas in the past he chose his own work and trained himself as best he could.
3. Management should heartily cooperate with the workers so as to ensure all the work being done in accordance with the principles of the science which has been developed.
4. There is an almost equal division of the work and the responsibility between the management and the workmen.

The principal techniques he advocated were motion and time study, specialization, standardization, planning, and other work-saving implements, work standards and guidelines, piece rates, wage systems, routing systems and modern cost systems. Most of the developments in the field of industrial engineering and personnel managements can be traced to his work.

Taylor recognized the need for a 'mental revolution'. But most people paid attention to his suggestions concerning "efficiency experts". "motion and time study" and speeding-up techniques to improve output and productivity. When the basic philosophy of scientific management movement had began to be criticized as management gimmicks to get most out of workers. Nevertheless many of Taylor's contributions provide the essence of modern management

practice. Several persons like Henry L. Gantt, Frank and Lillian Gilbreth and Harrington Emerson made important contributions to the scientific management movement and expanded scope of the basic ideas propounded by Taylor.

2.4   THE NEO-CLASSICAL APPROACH

The neoclassical theory, also referred to as the Human Relations school of thought reflects a modification to and improvement over the classical theories. While classical theories focused more on structure and physical aspects of work, the neoclassical theory recognizes the primary of individual and his relations within and among groups and the organization. The theory gained currency only after the World War 1, particularly in the wake of the "Hawthorne experiments" at western Electrical Company by Elton Mayo during 1924 to 1932.

The initial experiments carried out over a period of three years sought to determine the effects of different levels of illumination on workers' productivity. In the test groups, productivity raised irrespective of variations in illumination at indifferent experiments. In the second set of experiments which began in 1927 a smaller group of six female telephone operators was put under close observation and control. Frequent changes were made in working conditions such as hours of work, lunches, rest periods, etc. Still, over a period of time as the experiments continued with such changes, productivity continued to rise. It was concluded that the social or human relationships among the operators, researches, and supervisors influenced productivity more decisively than changes in working conditions. The test group achieved higher morale due to special attention given to the employees as individuals and also the social structure of the work group. The Hawthorne experiments further revealed that a worker's feelings about himself and in work group matter most. The third set of experiments which began in 1931 attempted to understand how group norms affect group effort and output. It was noted that the informal organization of workers controlled the norms established by the groups in respect of each member's output.

These and subsequent findings concerning human behaviour at work focused on worker as an individual and considered the importance of caring for his feelings and understanding the dynamics of the informal organization of workers-which affect the formal organization structure, its activities, processes and output. The neoclassical viewpoint thus gave birth to human relations movement and provided the thrust toward democratization of organizational power structures and participative management.

This approach reflects behaviour science approach as well as utilizes methods ad techniques of social sciences such as psychology, sociology, social psychology, and methodology for the study of human behaviour. Neoclassical approach advocates that managing an organization involves getting things done with and through people and the study of management must be centered around people and their interpersonal relations.

The neoclassical viewpoint does not replace classical concepts. The need for order, rationality, structure etc. have been modified to highlight the importance of relaxing the rigid and impersonal structures and consider each passion as an individual with feelings and social influences that effect performance on the job.

2.5   REVIEW AND APPRAISAL OF CLASSICAL AND NEO-CLASSICAL THEORY

Classical organisation theory provides the basic framework from which later theorists have worked and many insights derived from it bear relevance even today. However, the theory has certain limitations as well. The theory dealt best with stable, simple organizations, whereas organizations today are changing and complex. The classical organisation theory ignores the informal grouping, the inter and intra organizational conflicts, the decision making processes and the behavioural sensitivity. Some of the principles have been stated to be "mere proverbs".

Like classical organisation theory, the neo-classical doctrine "suffers from incompleteness, a short sight, perspective and lack of integration among the many facets of human behaviour studied by it.

Inspite of these criticism the contributions of neo classical school in the form of informal organisation and the human relations approach cannot be undermined. Even today managers do recognize the importance of behavioural process and view employee as valuable resources rather than mere tools. But the complexity of individual behaviour makes prediction of the behaviour difficult.

Check your progress 2

Identify which are of these alternatives is not a principles of Management as given by H. Fayol.

(a) Equity (b) Creativity (c) Discipline (d) Unity.

For answer see Answers to CYP.

2.6   LET US SUM UP

Several school of thought provide the knowledge and the means to understand organisations. The two view points have emerged as traditional approaches in successive stages, indicates a systematic study of organisations. Within the classical approach, three streams stand out : bureaucracy, administration theory and principles of scientific management. The neo- classical approach gives evidence of accepting the classical doctrine, but with modifications resulting from individual behaviour and the influence of the informal group. These theories are simply a road map to guide the manager toward the achievement of the organisational performance.

2.7 KEY WORDS.

- **Human organization :** Organisation created by man where human beings are the members.
- **Organisational concepts :** Concepts that exists amongst the members of the organization.
- **Decentralisation :** Delegation of power, authority (but not responsibility) to subordinates to complete the work as planned for.

2.8   SUGGESTED READINGS FOR UNIT-2

Hayness W & Mukherjee Sampat: 21stCenturyManagement. New Central Book Agency Co. Ltd. Calcutta' 2005.
Sharma R. A.- Organisational Theory & Behaviour : Tata Mc Graw Hills Pub. Co. Ltd. N. Delhi.

2.9   ANSWERS TO CYP

- Check your progress 1:   Max Webber
- Check your progress 2:   Creativity

2.10   REFLECTIVE QUESTIONS :

a)   Discuss similarities and dissimilarities among the three streams of thought in the classical theory.

b)   Discuss the major aspect of neo-classical view-point ? Does it replace the classical theory?

c)   Are Government agencies more bureaucratic than business forms. How an ideal bureaucracy may secure administrative efficiency in an Government organization?

d)   Outline Taylors Scientific Management and examine its relevance to management in the present day business.

UNIT-3 SYSTEM AND CONTINGENCY APPROACHES

STRUCTURE :

3.0 OBJECTIVE

After completing this unit you will be able to :

- Explain modern approach to the study of organisation.
- Identify the elements of systems and contingency theory.
- Discuss the contributions and implications of each theory (Systems and Contingency approach)
- Develop and design an integrated model of the theories of organisation.

3.1 INTRODUCTION

From the Unit-2, it is clear to you that organisations are social units with specific purposes. Several organisational approaches provide the knowledge and the means to understand organisations. However it is the modern theories of organisation (systems approach and contingency approach) which view the organisation as an integrated and organised whole. The systems approach and contingency approach are briefly discussed in this unit-3. In unit-1, of Block-2, we shall discuss about structure of organizational Relationship.

3.2 SYSTEMS AND CONTINGENCY APPROACH

Modern organization theory owes its evolution to the general system theory. It has abandoned the principle of traditional functional departmentation. It largely depends on systems approach which has brought to its credit "the qualities of conceptual analytical base" founded on empirical research and investigation.

"A system can be thought as an organised whole". This organised whole is made up of different parts, which are inter-woven in an orderly manner providing thereby an integrated picture of the body as a whole. To be more specific an activity is the outcome of many sub-activities, which in turn may have their own sub-activities. For instance, the human body is a system, which is composed of many sub-systems such a "digestive system", "circulatory system" and the "nervous system". Each sub-system has its own sub-systems as pointed out earlier. The digestive system, for example, has many sub-systems of its own like "food mastication", "stomach system", and "intestinal system".

System analysis has its own peculiar points under which organization is considered as systems of mutually dependent variables.

Definition. A system has been defined by the *Oxford English Dictionary* as –

"A set or assemblage of things connected or inter-dependent, so as to form complete unity, a whole composed of parts in orderly arrangement according to some scheme or plan."

According to Johnson, Kast and Rosenzweig, System is "an organized or complex whole, as assemblage of things or parts following a complex or unitary whole."

In the words of Keith Davis :
"Whenever people join together in some sort of formal structure to achieve an objective, an organization has been created. Generally, the people also use some sort of technology to help achieve their objective. So there is an *interaction* of people, technology and structure. All three of these elements are influenced by the external social system and they in turn influence in." (*Human Behaviour at Work: Organizational Behaviour,* 1978).

3.2.1 Classification of Systems

A. One classification is into (i) structural system – comprising the structural inter-personal relations, individual and differentiated in terms of authority, status and role; (ii) physical – technical system – forming a set of relationships created for undertaking work; and machine arrangements designed for undertaking work; and (iii) social system – based on the network of social relations between individuals and groups and the status structure, together with the shared beliefs and orientations which serve as standards for human conduct.

B. Another classification is into (i) ideological – religious systems which represent the philosophy of an organization; (ii) social system which includes the roles assumed by the organizational members that establish prestige gradings for members; and (iii) economic-technological system which is the core or central processing activity of the organization.

C. The most important classification, however, is into closed and open systems.

A closed system in one that is self-contained and isolated from its environment. In the strict sense closed systems exist only in theory. In reality systems interact with their environment. It is worth noting that traditional theory treated an organization largely as if it were a closed system. Now it is appreciated better that environmental elements are important and organizations are treated as open systems.

An open system influences and is influenced by the environment through the process of 'influence reciprocity' which results in a dynamic (changing) equilibrium. A business organization provides an excellent example of the process of influence reciprocity and, therefore, is an open system.

3.2.2   Elements of the Systems Theory

In the light of the above definitions and classifications the systems theory of organization may be outlined as follows :

- An organization is a system, which is partly economic, partly technical, party political and partly social.

- It consists of parts, each of which has a sub-system.

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- The organization itself is part of a larger system – the environment, society, economy, and so on.

- There are inter – relationships – (i) among the parts of each sub-system; (ii) among the different sub-systems; (iii) between the different systems and the organization; and (iv) between the organization and the environment – which mean that a change in one part leads to a change in another, change in one sub-system brings about change in another and so on.

- It is the function of management to try to bring about the integration of

  ➢ the different parts of each sub-system;

  ➢ the different sub-systems with the organization;

  ➢ among the different sub-systems themselves; and

  ➢ between the system and its environment.

3.2.3   An Appraisal of Systems Approach to Organization

Though this approach possesses conceptual framework of much higher order as compared to other approaches, it is not an universal theory of organization. The theory was expected to fulfill this criteria but was not successful in its endeavours. Generally speaking two basic shortcomings exist.

- It is felt that the approach is too abstract. It indicates that various parts of the organization are interrelated; organizations being part of social system are interrelated. What it fails to indicate is to spell out the precise relationships among these. What is

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required is a statement of what economic forces initiate what social, technical and psychological changes.

- This approach dose not provide action framework applicable to all types of organizations. Since modern organizations tend to be quite large, many of action framework of systems theory may be quite useful. But then this is not the role of a theory to prescribe actions for a particular category of organizations, rather, the theory should specify the relationships among different variables which can be applied to all organizations.

Check your Progress 1

State which one of the following is not related to System Approach.

a) Sub-system with in a whole

b) Relationship between Sub0systems.

c) Relationship with the environment

d) Relationship with the whole.

For answer see Answers to CYP.

3.3 CONTINGENCY APPROACH

The Contingency Theory takes off from the Systems Theory and utilizes it in tackling specific situations. It relates each situation, comprising the goals of the organization, demands of its members, its environments of different categories and so on to the organization's structure, process and policies. Thus one situation may call for a mechanistic type of organization, another an organismic type.

The contingency movement began by looking for some common characteristics that exist in a number of situations and that could make it possible to qualify the theory to the specifics of the situation. The efforts of contingency advocates have been to isolate the Z variable (if not X, nor Y) or situational determinants.

The pioneers in the contingency field of research contend that once we have complete understanding of what is, what happens, we can begin to consider normative propositions of what managers ought to do or seek.

3.3.1 Elements of the theory

The important elements of the Contingency Theory may be outlined as: -

(a) There is no one best type of organization, which suits all situations. In other words, it recognizes that different organizational structures and process are required for optimum effectiveness in different kinds of environments.

(b) A large number of variables determine these structures and process. Among them are the goals of the organization, the activities that are performed and the nature of the people.

(c) Management has to develop the necessary diagnostic skills so that they can hit upon the right policy at the right time.

(d) Adaptability to change constitutes one of the biggest challenges facing modern organizations.

As already pointed out, the most important feature of the contingency theory is that it is situation-specific. Instead of giving one blanket solution for all kinds of situations it emphasizes that the overall

approach of each organization is contingent upon its own situation – internal and external.

As the environments change, the theory suggests that organizational design and policy should also change gradually in order to confirm to the changing environment. In this respect it is not an ad-hoc device but a long-range strategy.

3.3.2 An Appraisal of Contingency theory

Though the Contingency Theory is an improvement on many of the prevailing theories, still it is not without limitations.

(a) **Complexity and Confusion.** The variables referred to in the theory are so many and diverse that adapting the organization to them is nearly impossible. Moreover, the variables and their relative importance are themselves different in nature in respect of a specific organization.

(b) **Neglect of the Power of Personality.** The organizational approach and management style depend a lot on the personality of the manager. A good manager can turn a bad situation to his advantage while an inefficient manager fails to reap any benefit from a favourable circumstance.

(c) **Limited Dimensions of Empirical Support.** Empirical studies have generally centered round the impact of technological, cultural and economic environments on the organization. But the variables that influence the organization's behaviour are not only numerous but also multifarious.

Systems concepts provide us with a macro-micro- macro paradigm for the study of organizations,, involving a relatively high degree of generalization. Contingency views tend to be more concrete and emphasis more on specific characteristics and patterns of interrelationships among sub-systems.

3.4   AN INTEGRATED REVIEWS OF THEORIES

Exhibit 3-A provides a synoptic view of the different stages of the development of the organisation theory over about a century. At the time organisation size was expanding beyond the manageable limits of an individual or a group of individuals, it was perhaps inevitable to think in terms of identifying certain ways and means to obtain organised functioning.

Let us admit that organizational complexity was increasing and an effort to tide over its concomitant problems was something to be expected. But the second stage of development which spanned over about four decades was a reaction to the overemphasis on the structural aspects of organisation to the neglect of the human factor. This approach did not challenge the basic tenets of the classical theory. In fact, it highlighted the ill effects of its formulations. It was natural and logical now, when a lot of effort had already gone into the structural and human aspects of organizations independent of each other, for the theory to shift its focus from their independence to interdependence and understand the consequence of the interrelationships of organisation to its environment as there are interrelated element with other elements in a higher level system. In other words, the approach to analyse organizations became systemic during the sixties and the seventies. This analysis led to the view that there was no best way of structuring of organizations. So came the contingency view that designing a responsive organisation was contingent upon several factors. This view is still being explored and developed.

Check your Progress 2

State whether true or falls.

Contingency approach is contingent upon the position of the organization in the context of the changes in the environment the organization is in

For answer see Answer to CYP
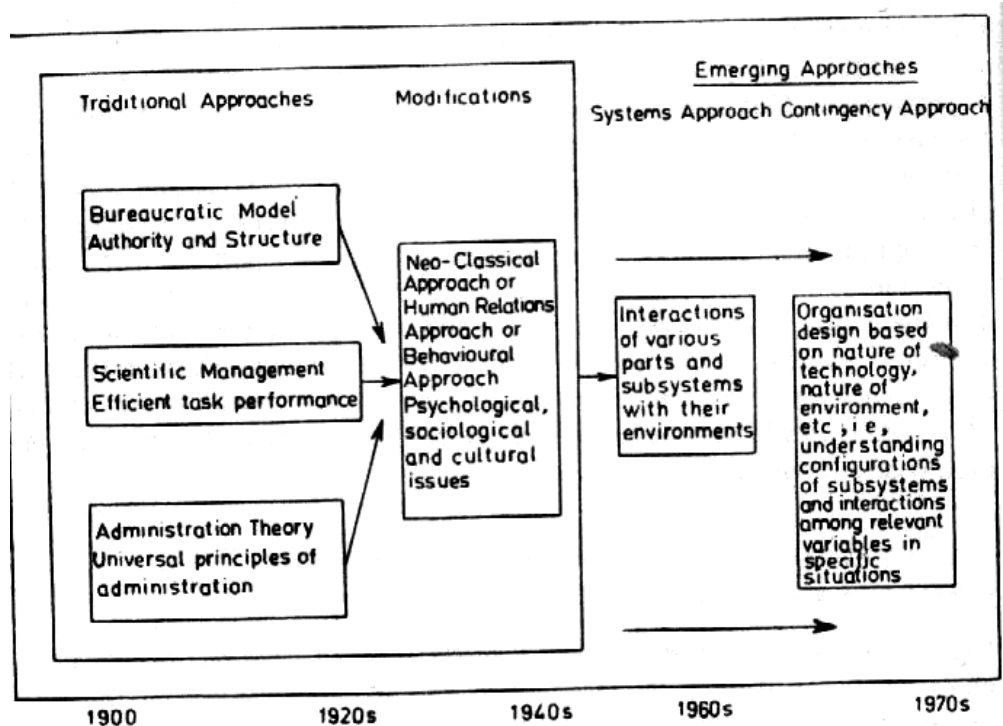
Fig. 6.1: Evolution of Organisational Theory

Exhibit: 3A   Exhibit : 3-A

(Adapted from "*Organisation and Management*" by Fremont E. Kast and James
E. Resenzweig, p. 117)

3.5   LET US SUM UP

In conclusion, it may be stated that the organisation theory is more or less akin to general systems theory, because both study the general growth and stability problems of systems and the interactions among the parts (individuals) in the systems. The systems approach and contingency approach have number of common features. Both look at organisation as an integrated whole. Therefore, these theories are capable of contributing effectively towards general system theory. On the other hand, organisation being diverse and complex in more sense than one, it is difficult if not meaningless to be too general or too

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specific about them. There is as yet, no general, unified, universal theory of organisation as such.

3.6 KEY WORDS

- Empirical Study : studies based on empiricism.

- Universal Theory of Organization : Theory of organization which can explain relationship between sub-system along with the power prediction as to what to do when irrespective of time dimension.

3.7 SUGGESTED READINGS FOR UNIT-3

- Haynes W & Mukherjee Sampat :21st Century Management New Central Book Agency (P) Ltd. Calcutta.

- Gupta N. S. : Organisational theory& behaviour. Tata Mc Graw Hill Pub. Co. Ltd. N. Delhi.

- Subha Rao P. : Management and organizational Behaviour Himalaya Publishing House, Mumbai.

3.8 ANSWERS TO CYP
- Check your progress 1: (d) Relationship with the whole.
- Check your progress 2: correct.
-

3.9 REFLECTIVE QUESTIONS :

a) What is modern organisation theory? How were organisations in the past different from those of today.
b) In what respect in the system approach to organisation superior to the traditional approach.
c) What is contingency view of organisations does it adequately help us in designing structures?

COURSE : COM-102
BUSINESS ENVIRONMENT

BLOCK-2
ORGANISATION STRUCTURE

UNIT-1

**STRUCTURING OF ORGANIZATIONAL
RELATIONSHIP**

UNIT-2

**DEPARTMENTATION & SPAN OF
MANAGEMENT**

UNIT-3

**CENTRALISATION, DECENTRALISATION
AND BUREAUCRATIZATION OF
ORGANISATION**

Block-2 ORGANIZATION STRUCTURE

INTRODUCTION

This block is divided into three units so as to provide you the overall idea about the organizational relationing based on organization structure.

We begin this block by considering the fundamentals of structuring of organizational relationship. This is followed by a detailed study of four main elements of organisation structure – Departmentation, Span of Management, centralization and Delegation of authority. The later part of this block examines the bureaucratization and its impact on organisation structuring. These units have been designed to enable you understand in detail about:

- Basis Departmentation
- Dynamics of Centralization and Decentralization
- Importance of Delegation of Authority
- Bureaucratization of organisation and its consequences

UNIT-1   STRUCTURING OF ORGANIZATIONAL RELATIONSHIP

STRUCTURE

1.0   OBJECTIVE

After studying this unit, you will be able to

- Explain the meaning of organizational structure
- Distinguish between Power and authority
- Identify sources of authority and bases of power
- Analyse the problems associated with status
- Asses the organizational relationship between authority, power and status.

1.1 INTRODUCTION

Given the units under Block-1, we begin this unit by considering the fundamentals of structuring of organizational relationship. This is followed by a detailed study of the network of organizational relationship. These are mainly authority, power and status relationship. This unit also examines the extent or limit of authority and power as well as the problems associated with status relationship. In unit-2, we shall study about departmentation and span of management.

1.2 STRUCTURING OF ORGANIZATIONAL RELATIONSHIP

One of the major ingredients in managing any business is the creation of structure that link the various elements comprising organization.

An organizational structure is the formal network by which jobs/tasks are divided, grouped and coordinated. It reflects the formal relationship among groups and individuals in the organization. It is the organization structure, which gives concrete shape to the organization. The structure specifies division of work activities and shows how different functions or activities are linked. It also indicates the organizations hierarchy and authority structure and shows its reporting relationships.

An organization structure can be viewed as accomplishing four distinct functions (a) dividing work into manageable segments, (b) recombining work in a logical and efficient manner (work teams, departments, etc.) (c) distributing power (authority) to direct or coordinate work and (d) establishing channels of communication and the directive or non-directive nature of information flow.

In brief structure could be viewed as the established pattern of relationships among various components or parts of the organisation. Generally, the formal structure refers to the pattern of formal relationships and duties.

Organisation structure of some kind are required for every firm, large or small which may or may not have an organization Chart. Small business may have structures, which are simple and easy to understand, may be informal and highly changeable. Whereas large, diverse and complex organizations usually have a highly formalized structure which

need to be changed quite frequently. Determining the most appropriate organization structure is not a simple matter and many firms often experience major restructuring or reorganization.

1.4   AUTHORITY

Authority emerges as an important concept in linking the organizational relationship. Authority may be defined as the capacity of a supervisor to make decision affecting the behaviour of subordinates. The term 'authority' implies the right and power of a person to exercise discretion to make decisions, to issue orders, to use organizational resources and to hire and fire employees. Henry Fayol has defined it as "the right to give orders and the power to exact obedience". Therefore the authority granted should commensurate with one's responsibility. However one shouldn't confuse authority with power not granted by the organization (it has been dealt with at length at the later part of the unit).

In any modern organization, work has to be divided among people vertically and horizontally. The vertical arrangement indicates creation of levels according to the degree of expertise required at each level, whereas the horizontal arrangement suggests grouping of activities on the basis of specialization or nature of expertise required. When work is divided among different levels, superior-subordinate relationships are created. This results in a hierarchical ladder or scalar chain. Each level receives authority from the superior level in accordance with responsibility at that level, unless the superior wants to centralize that authority. That is, the lowest managerial level has a limited degree of authority. If we look at the hierarchical ladder given in Fig.I-A, one notice that when one moves from top to bottom, the authority diminishes, but if one looks from bottom to top, the authority increases.

Fig1-A shows distribution of authority among levels.
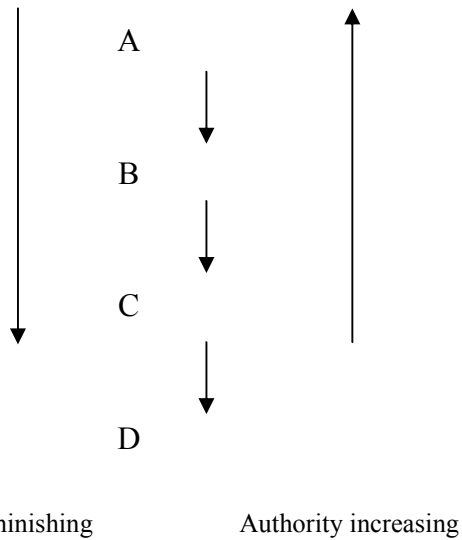
Authority diminishing   Authority increasing
Fig. 1-A Distribution of Authority among Levels

1.3.1 **Types of Authority** : In order to manage contemporary organization characterized by turbulent environment, cut throat competition, managers may exercise several types of authority.The several bases of authority are as follows:-

    A. **Traditional Authority** : Traditional authority rests on the belief of the sacredness of the social order. The father in a patriarchal society, the mother in a matriarchal society maintain their legitimacy through custom.

    B. **Charismatic Authority :** This authority rests on the magical qualities of individual leaders. Subordinates may obey superiors out of respect for their superior ability, character, reputation, mystical personal qualities and the like.

    C. **Rational-legal Authority :** Traditional authority can evolve into rational-legal authority if rules and regulations are formally prescribed in an organisation. Superiors issue orders and subordinates obey them because this is the way the organization is established.

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D. **External Authority :** This authority comes from sources outside the organization. An organization operates legitimately because of sanctions from government or society. The police organization operates legitimately because it is part of the government (state or central) operating in accordance with the laws passed by the Parliament, which in turn, is elected by people, who are the ultimate sources of all authority.

E. **Position Authority :** This authority is institutional and is based on the position enjoyed by a person in the organization.

F. **Functional Authority :** This authority is based on expertise. The expert is accepted because of his power.

Check your progress 1.
State whether following statement is correct or incorrect the function of organization structure is to create divisions amongst the members of organizations only.
For answer see Answer to CYP.

1.3.2 Sources of Authority

There are mainly three schools of thought regarding the sources from which authority originates. They are: (1) the formal authority school of thought (2) the acceptance school of thought and (3) the competence school of thought.

The Formal Authority School :

Advocates of this school of thought believe that all authority originates in the formal structure of an organization. Authority of superior at every level has its source in the position that he occupies in the organization. The formal authority theory traces source of authority upward from any managerial position, from the various subordinate managers upto the managing director who gets his authority from the board of directors and the board gets its authority from the owner shareholders. Thus, every organization represents a chain of command

consisting of authority and responsibility relationships. The point can be better understood with the help of following diagram :

Shareholders
●
Board of Directors
●
Managing Director/Manager
(Chief Executive)
●
Departmental (functional) manager
●
Assistant Departmental Managers
●
Personnel at the Supervisory Level
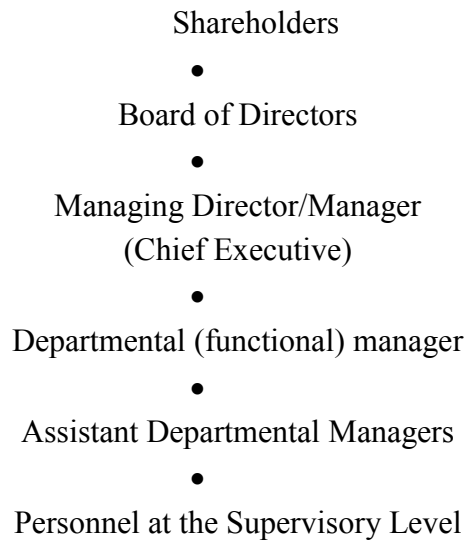
Fig 1-B: Distribution as well as Sources of Formal Authority among Levels.

The above diagram clearly portrays the flow of authority downwards along a hierarchy of positions or in other words we can say that authority is originating from higher positions. The ultimate authority originates from the legitimacy that the institution of private property and the constitution of country provides.

The Acceptance School of Thought *:*
There are many authors in the area of management who disagree with the formal authority approach. They hold the view that authority is the relationship that exist between individuals when one accepts the directive of another, that is, when the individual receiving the directive weights the consequences of accepting it against the consequences of rejecting it and decides in favour of acceptance. This expression of the source of authority is based on the behavioural approach of management. Propounders of the behavioural school such as Mayo, Follett, Barnard, Simon and others state that the true source of authority

of the manager is the acceptance by his subordinates. According to this theory, the manager has no real authority unless and until the individual subordinate can and will accept a communication as authoritative and when the four conditions are fulfilled by the subordinates. Thus the determinates of authority under this school of thought, include subordinates' character i.e. whether

- he can and does understand the communication.

- at the time of his decision, he believes that it is not inconsistent with the purpose of organization.

- at the time of his decision, he believes it to be compatible with his personal interest as a whole, and

- he is able, mentally and physically, to comply with it.

It is clear that a communication which cannot be understood does not carry any authority.

The Competence School of Thought :

In addition to the formal and acceptance theories as the source of authority, there is a third source also where authority is derived from the technical competence or personal qualities of a manager. In this particular case, authority adheres to the individual. This authority cannot be delegated or assigned and reassigned. A person who is a recognized expert in one particular field is often referred to as an authority on certain problems of that field, his authority is accepted not because of any position he holds in the organization but because of his authority of knowledge.

It will be good and desirable to fill managerial positions with an executive who, besides being associated with administrative authority by his superior, also possesses technical authority because he is an expert in the problems involved with his position. This is not always possible and in some cases it is advisable that such an executive receives further training to help him achieve this personal technical authority.

1.3.3. Extent Authority or Limits of Authority :

The presence or absence of authority cannot be judged merely in terms of the acceptance or rejection of a command. A command may

meet with acceptance or rejection in the case of both the presence or the absence of authority. Therefore, the issue of command alone can hardly be the true indicator of the presence of authority. If the command is obeyed, the existence of authority is not visible. The evidence of authority exist only if it needs to be exercised to correct an incorrect decision. The presence of authority is, therefore indicated only if it is coupled with the issue of sanctions for disobedience of the superiors command. Over the period of time, many legal, political, ethical, social, biological, technological, physical and even economic limitations have emerged on the authority of a manager in an enterprise. While exercising authority, the manager must keep these limitations in mind for the successful utilization of authority.

- **Legal Limitation :** The Articles of Association of a Company may put some restrictions on the board of directors. The bye-laws may place further restrictions on the manager's authority. The manager's authority is restricted by the enterprise's objectives, policies, procedures, programmes etc. Commercial and industrial laws in a country put many restrictions on the authority of a manager. For example, in India, no employer can take work from his employees for more than eight hours in a day. Obviously, every manager, at any level in the organisation must respect such restrictions, which affect all managers, alike and one is never free to ignore a procedure, violate a policy or modify a programme. Changes can of course be made but not at the whim of any individual.

- **Natural Biological Limitation :** No subordinate can be ordered to do a job which is impossible to be performed. There are biological constraints, which limit authority just because the human being does not have the capacity to do certain things. For example, one can hardly order a person to walk up the side of a building or do such impossible things.

- **Physical Limitation :** Physical limitations such as climate, geography, chemical elements and so on put limits on authority. For example, an order to make gold from copper would be ineffectual.

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- **Technological Limitation :** There are technological factors also limiting the authority of a manager. For instance, a factory cannot be ordered to be established on the moon, at least not until technology has made this possible. A manager cannot order his peon to type a letter as the latter does not possess the technique of typing. He cannot obey this authority.

- **Economic Limitations :** Sometimes, a manager may not get the work done from the subordinate if the wages paid to him are not in commensurate to the efforts and risk involved in the work.

- **Authority Delegation Limitation :** Each manager is subject to specific limitations ordinarily found in his delegation of authority and assignment of duties. It is possible that a branch manager of manufacturing unit has the authority to make capital expenditure up to rupees five thousand whereas for a local warehouse manager this authority is limited to possible rupees hundred only. Generally, the right to command decreases as it proceeds from the highest to lower level of an organisation structure, as shown below in the figure 2.

Board of directors-
Chief executives -
Departmental
managers -
Supervisory manager
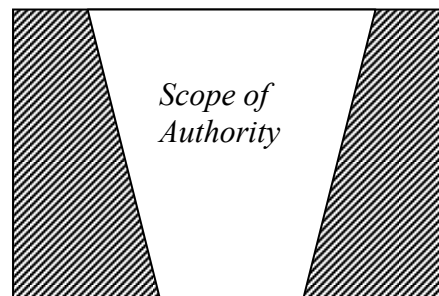
Scope of Authority

Fig: 2 Limitations of Authority

From the above Figure, it is very clear that there are more and more limitations on the scope of authority as one descend the managerial hierarchy. At the bottom, the right to command is severely restricted but as one follows the chain of command to the top of the organisation structure, the area of authority of the executive at each level gradually expands. These limits of authority are, however, subject to changes with time and development.

1.3   POWER

We find direct and indirect references to the dynamics of Power. Whether it is a casual conversation or serious seminar discussion, power emerges as an important ways/theme in managerial discussions. The concept of authority is related to power but it is narrower in scope. Let us discuss the meaning of Power.

Power is understood as the ability to influence people and events. The same meaning has been echoed in the definition of Power given by White & Bednar. "Power is the ability to influence people or things, usually obtained through the control of important resources."

Another comprehensive definition of power is given by Robbins when he wrote that "Power is to be trusted as a capacity that A has to influence the behaviour of B, so that B does something he or she would not otherwise do." This definition implies:

- a potential that need not be actualised to be effective,

- a dependent relationship, and

- the assumption that B has some discretion over his or her own behaviour.

Usually the Power is intertwined with the authority. But there is a difference between the two concepts. As mentioned earlier, Power refers to influence others. The person who possesses Power. (called the Agent) has the ability to manipulate or change the behaviour of others (called the targets). Authority on the other hand, is the source of Power. Authority is institutional and hence legitimate, Power itself need not be legitimate.

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1.4.1 Power Indicators

It is difficult to tell when power is being used. Those who use power usually are not visible. People tend to resist the use of power when they see themselves being influenced in a way that is contrary to their own desires. However, if the attempt to influence appears to be legitimate and rational we are more willing to comply and subject ourselves to the wishes of others.

Frequently, individuals who are using power fail to recognize what they are doing. They honestly feel they are exerting rational influence that can be justified for legitimate reasons other than their personal wishes. They sincerely think their influence is rational rather than political. There is often considerable disagreement about when power is actually being used. (Read also box-1)

Box - I

Symbols of Organizational Power

Executives can use power and political skills in many different, concrete and symbolic ways. Acquiring status symbols (e.g., size of the office, number of telephones, perks, etc.) is one of the most common ways in which an executive's power in the organisation gets manifested. Effective and really powerful executives, however, tend to use power in a manner which contributes to their effectiveness. Some of the indicators of effective utilization of one's power are :

➤ *The executive has easy access to crucial organizational information about major decisions and changes.*

➤ *The executive can favourably intercede on behalf of someone who is in trouble with the authorities.*

➤ *The executive can get desirable placement, promotion or above average salary for subordinate (s).*

➤ *The executives can get approval for expenditure which is beyond budget.*

➤ *The executive has fast, easy and regular access to top decision maker.*

(It is worth noting that, in contrast to authority, which refers only to downward influence, the above manifestations of power, describe power as predominantly referring to horizontal and upward influence.)

To diagnose whether decisions are being made by power rather than by logic and reason, five criteria are available. The most reasonable

way to diagnose power is to look for convergence of power indicators from all five sources. As illustrated, these five indicators include the determinants of power, the consequences of power, power symbols, reputation, and representation on important boards or committees.

As illustrated in Box –II , these five indicators include

   a - the determinants of Power,
   b - the consequences of Power,
   c - Power symbols,
   d – Reputation, and,
   e - Representation on important boards or committees.

Box II Indicators of Power

Indicator	Examples
1. Determinations of power	The capacity to use and of the bases of power : reward power, coercive power, reference power, legitimate power, or expert power.
2. Consequences of power	Budget allocations, win-loss record in debated issues, ability to authorize exceptions to policy, authority to hire and fire others.
3. Symbols	Size, location, and furnishings of one's office. Invitations to attend social events and seating at those events.
4. Reputation	Comments by others acknowledging one's power. Seeking one's advice. Asking for one's opinion.
5. Representation on committees	The number and status of committee memberships; boards of directors, advisory councils. Presidential task forces, and executive committees.

1.4.2 Bases of Power

Where does power come from? Why can some individuals prevail upon others in the allocation of resources or in the hiring and promotion of personal friends? In short, how are some able to acquire power and use it successfully to achieve their own goals?

The answer to the above questions is that power can be derived from five sources: reward power, coercive power, legitimate power, referent power, and expert power. It may be explained here that reward power refers to the leader's ability and resources to reward others; coercive power refers to the capacity of the leader to inflict punishment or avert consequences on the other person; legitimate power refers to the organizational power assigned to the leader to influence other; referent power refers to the endearing qualities of the leader which make followers desire to emulate the leader; and expert power refers to the knowledge possessed by the leader.

Whatever may be the type, all managers deal with power. They use it to motivate subordinates. They use it to mobilize resources for subordinates to carry on their tasks. They use it for rewarding better performance and also to reprimand, suspend or dismiss those whose performance falls short of expectations. Furthermore, power lends orderliness to organization. Without it chaos exists.

1.4.3 Uses of Power

Power can be used by a variety of people in a variety of ways. A useful perspective for studying the uses of power is illustrated in Box-III. It encompasses two related aspects : (a) power bases, requests from individuals possessing power and probably outcomes as correlated in the form of prescriptions for the manager and (b) general guidelines for the exercise of power.

Box III. The Uses and Outcomes of power

Source of Leader Influence	**Type of Outcome**		
	Commitment	Compliance	Resistance
Referent Power	Likely If request is believed to be Important to leader	Possible If request is perceived to be unimportant to leader	Possible If request is for something that will bring harm to leader
Expert Power	Likely If request is persuasive and Subordinates share leader's Task goals	Possible If request is persuasive but Subordinate are apathetic about task goals	Possible If leader is arrogant and insulting, or subordinates oppose task goals
Legitimate Power	Possible If request is polite and very Appropriate	Likely If request or order is seen as legitimate	Possible If arrogant demands are made or request does not appear proper
Reward	Possible Is used in a subtle, very Personal way	Likely If used in a mechanical impersonal way	Possible If used in a manipulative, arrogant way
Coercive Power	Very unlikely	Possible If used in a helpful, non punitive way,	Likely If used in a hostile or manipulative way.

The three potential outcomes of a person's attempted use of power, as indicated in the box depend on : (a) the leader's power base; (b) how that power base is operationalised; and (c) certain characteristics of the follower.

Commitment is the likely outcome when the follower identifies with the leader and accepts the leader's power attempt. Compliance is probably the outcome when the subordinate is willing to accept the leader's desires, provided acceptance does not require extra effort on the subordinate's part. Resistance is the usual outcome when the subordinate is unwilling to comply and may even deliberately neglect to ensure that the leader's wishes are not realized.

1.4.4 Extent of power

It was pointed out earlier that an individual gains power in an organisation in various ways and for various reasons, but the degree of power enjoyed by each individuals or group is different. When this individual or group attempts the incorporation of influence in the decision process, there will be failure or success or there may be varying degrees of success. So there are degrees of power corresponding to the various degrees of impact, which individuals or groups make through their channels of influence.

The extent of power that an individual possesses can be measured in different ways. Goldhammer and Shils point out that the ratio of successful power acts to all of the attempted power acts could be one basis. This may symbolically put it as :

$$EP = \frac{NS}{NA}$$ where EP is the extent of Power, NS is the number of successful acts, NA is number of attempted acts.

These ratios for each power-holder can be compared. Another approach could be to choose some criteria. Two principal criteria are : the number of actions of any given person, in each of any number of selected types of behaviour, over which control is realized; and the number of persons so controlled. This method will give "amounts" for different power-holders and one can easily compare the same. But the same method has to be used for all. To put it symbolically :

AP(Amount of Power)x NB x NP

In which NS represents number of successful acts of a person,

NB represents number of selected behaviours, and

NP represents number of persons so controlled.

This measurement of power of each individual may reveal concentration or diffusion of power in any organization. It has been

pointed out earlier that organization itself allocates power structurally and functionally so that every participant enjoys power to some extent or the other, thus, avoiding the possibility of absolute power. However, if any individual has concentrated power because of functional exclusiveness, it can be diffused through the sharing of that role. But Michels view that power ultimately passes into the hands of an elite does not seem so illogical, as the size of organization has grown so much that there is a large number of participants with divergent interests that too often clash. There is also too much dependence on high level of expertise. Besides, there is disinclination on the part of a vast majority of people towards effective participation on the part of a vast majority of people towards effective participation in organizational affairs. Gradually, those who participate actively and emerge successful are able to control the organization. They start wielding power. This success develops vested interests and the same individuals wish to remain entrenched through fair or foul means. Despite this, there are some limitations on the use of the individual's power. Newman identifies the following:

i)   The formal managerial structure places limits on the use of power.

ii)   Favouring one person often deprives another, and an individual in power soon faces the dilemma of whom to help. The "art" of politics lies in aiding as many people as possible in ways they feel important without seriously antagonsing anyone.

iii) Several persons are active in any political game, and in many situations they tend to check one another (though not necessarily in a way that benefits the enterprise).

Besides, internal departments are themselves created by superordinate organizational powers who explicitly or implicitly set bounds to what they may do.

Before we close this section, it is by now obvious that power is personal and political and hence, it is person specific. The power centre is able to mould behaviour of some people in some matter, grant them

favours or penalize them. Thus a power structure develops and through this one can visualize number of such structure.

1.5 STATUS RELATIONSHIP

Status relations are distinguished from power and authority relations by the fact that status are a product of judgment about where people stand in comparison with each other on some scale of judgment. There are two basic types of relationships

- that between a higher and lower person on a scale of judgment,
- and that between equals who have the same standing on the scale.

Status relations confirm the locational administrative relationships as distinct from the characterization of operating administrative relationships applied to power and authority. Status determine whether people interact as friends or with some constraints.

1.5.1   Status and Its Features

Status is a case of perception : how people look at a position in relation to other positions in the same organization, and even how society in general looks at it. A person, because of his position accorded to him by the union, an outside system, plays a unique role in the organization. Hence, status is not an absolute property of the people. It is the interpretation others place on certain properties an individuals has. They grade positions primarily in terms of their understanding of a social system and acceptance of its norms. It is accorded on the basis of the potentialities of a position in the organization, not what is actually observable of that work by members. There may be two types of status – formal and informal, and the possibility of a divergence between the two exists. Formal status refers to the rank of people as designated by

the authority structure of an organization, whereas informal status refers to the social rank which others accord to a person because of their feelings towards him. But any incongruence between the two makes his position ambiguous and causes anxiety among people in his group.

Barnard classifies the system of status into two – functional and scalar. Scalar status is accorded to a position by the organization in terms of its designation, privileges and prerogatives, do's and don'ts and anyone who occupies that position enjoys that status. It is determined by the relationship of superiority or subordination in a chain of command or formal authority and by jurisdiction. Functional status is gained in terms of the importance of that function, in terms of the competence of that position-holder by virtue of which he enjoys some more privileges necessary for the discharge of that function and for which people hold him in higher esteem than his peers.

We have considered different types of status, which have in the formal organizational set up.

It is also important to understand the sources of status – birth and one's attainment in life. One becomes an industrialists, a high or low cast Hindu etc. because of one's parentage and accordingly society accord him a particular status.

Ascribed status in not based on the individuals attainments in life. When one receives a particular status on the basis of achievement to his credit regardless of his origins, it is called achieved status.

1.5.2 Symbols of Status

Status symbols play an important role that many a time people confuse status symbols with status itself and any change in symbols is regarded as a change in status : Thus, through certain marks of status, the formal status of a position – holder gets established and maintained in the organization.

The marks of status can be broadly grouped into five :

- **Rites of Initiation, Passage and Intensification :** On the occasion of important festivals or the New Year, people greet each other and go to their superiors. Who attends these functions and who goes to whom throws light on the status of a person.

- **Insignia and Other Public Indices of Status :** The possession by a student of particular college badge, and by a sportsman of a badge for representing an university or a state or a nation, etc., indicate the status of person in the organization concerned or in society.

- **Titles and Designations :** Whether a person is secretary, additional secretary, joint secretary, deputy secretary, or under secretary, etc., speak of one's status.

- **Emoluments and Perquisites :** There are, of course, popular indicators. Every organization has a salary structure and generally, organization sees to it that no superior receives less than his own subordinates.

- **Limitations and Restrictions :** organization may earmark certain gates for entry or exit only for certain class of people. It may even earmark certain toilets for the purpose. In one organization, toilets bear a classification not merely in terms of 'Ladies' and 'Gents', but also 'For Officers Only'.

Organizations establish and maintain a status system broadly in the five ways which have just been referred to. These provide a position-holder a formal status which may not necessarily correspond with how others in the organization or in society look at that particular position or position holder.

1.5.3 Problems of Status

The purpose of granting status in organizations is to ease some of the difficulties of coordination and communications. As long as status is regarded as a means of accomplishing these purposes, it is highly beneficial. It helps superior-subordinates and also equals to deal with each other effectively. But invariably some problems arise in practice. A few of the important ones are listed here :

- *Status as an End in Itself* :- The privileges and prerogatives that a position-holder enjoys many times become an end in itself. These facilities are granted to a position-holder for the smooth discharge of his duties. But if attention is all the time focused on the increase and maintenance of the privileges, etc., in order to dramatise his status to those who come in contact with him, the means are likely to become ends.

- *Creation of Social Distance* : As the status levels of some people are different, some individuals place too much emphasis on this inequality of status. As a consequence, the communication flow between two persons enjoying different status levels is not free. In the event of lack of free flow of communication, there is difficulty in the meeting of minds and hence, in agreement. This creates a wide gulf between the two and generates conflicts.

- *Emphasis on Position rather Man and his acts* : The status system violates the basic "givens" of one's personality. It makes people enjoying comparatively low status to maintain an upward focus towards a person enjoying a higher status, irrespective of what kind of a person he is or what his actions are. This creates a psychological problem for several subordinates.

- *Problem of Equity* : The position-holder who places too much emphasis on the perseverance and maintenance of his status and makes little use of it for the conduct of his office raises thorny issues for others. Therefore an offer of perquisites to him is often regarded as equitable by others.

- *Heavy Financial Burden* : Whatever the status system introduced in an organization, its maintenance entails a serious financial burden. It is acutely felt especially when it is not serving an organizational purpose.

- *Difficulty in Circulation of Elite* : As mentioned earlier, many people enjoy ascribed status. Once they enter the organization, the question of their leaving it does not arise. Since they did not come to occupy positions on the basis of their achievements, there is little mobility in their case.

The introduction of fresh blood is not feasible. For the same reason, there are barriers for the most able people in the organization to move up.

Check your progress 4.
Correct the following statement
Status limits its focus on position not on the man & its activities.

For answer see Answer to CYP.

1.6 LET US SUM UP :

We have considered different aspects of structuring of organisational relationship have evolved over time in response to complex, changing requirements. An organisation structure is based on linkages of authority and status, whereas power relationships develop in the process of the functioning of an organisation. Each form of organisation relationship has its unique utilities in the organisational functioning.

1.7   KEY WORDS:

- **Scale of Judgement :** A scale, visible or perceptible, which is used to judging the qualities of any thing / person.

- **Organisation chart :** A chart which reveals positions, levels, rights & duties, flow of

authority & responsibility in the context of any organization.

- **Symbols of status :** Any form of symbol, which includes insignia, titles, designations er, used to indicate or demonstrate status or relative position in the group.

1.8   SUGGESTED READING FOR UNIT-I

- Stephen P. Robbins - Essentials of organisation
  Behaviour
  Prentice- Hall of India Pvt. Ltd.
  New Delhi
- Gupta N. S. -   Organisation Theory & Behaviour
  Himalaya Publishing House.
  New Delhi

1.9   ANSWER TO CYP

- Check your progress 1 : Incorrect.
- Check your progress 2: (d) Personality of the person.
- Check your progress 3: Referent Power
- Check your progress 4: Status should focus on man & its activities. Not on the position.

1.10   REFLECTIVE QUESTIONS
1) What is Power? How is it different from Authority?
2) What are the indicators of Power? Which of the Power base lies with the individuals and also derived from the organisation?
3) "Status provides important incentives in organisation, but if overtressed a gulf may be created between the various levels so as to foreclose effective communication and prosecution of organizational goals". Explain this statement.

UNIT-2 : DEPARTMENTATION AND SPAN OF MANAGEMENT

STRUCTURE :

2.0 OBJECTIVE

After studying this unit, you will be able to

- Discuss the need and bases of Departmentation.
- Explain why organisations can have flatter structure.
- Explain the Span of management.
- Assess the factors determining Span of management.
- Identify appropriate span of management.

2.1 INTRODUCTION

In the Unit-I, We have looked into structuring of organizational relationship. It may be observed that sound organisation by itself does not guarantee success to an enterprise while a poor organisation is almost certain to hinder success. Next to the network of organizational relationship, the other important components of organisation structure is the Departmentation and Span of management. Departmentation is a means of dividing a large and monotonous functional organisation into smaller, flexible administrative units. Since an executive has limited physical, psychological and intellectual abilities and capacities, Span of

control becomes essential. The concept of Span of Control refers to the number of subordinates who can be effectively and efficiently supervise directly by a manager or a supervisor. In this unit we will look into detail the different aspects of these. This unit will be followed by Unit-3, which shall deal with issues like centralization, decentralization & bureaucratization.

2.2   DEPARTMENTATION

In this unit first we will clarify the meaning of the term Departmentation and then proceed to discuss the various bases for Departmentation.

Organisation performing different set of activities cannot achieve the desired objectives with efficiency unless the organizations are structured in small units. These small units of the whole organization is known as Department.

The dictionary meaning of the word "Departmentation" is a separate part or division as of a government, or business or school. According to Kountz, O'Donnell, and Weihrich, the word "department" designates -

A distinct area, division or branch of an enterprise over which a manager has authority for the performance of specified activities. Thus departmentation is the process of grouping of the activities of an organization into a number of principal and separately identifiable blocks for purposes of day-to-day operation and placing each block under a more or less autonomous administrative head assisted by a number of deputies and their subordinates.

Certain key consideration have to be kept in view for setting up departments:

- Division of Labour.
- Specialization
- Efficiency
- Economy
- Control
- Discipline
- Co-ordination
- Consistency.

2.3   CHOOSING A BASES FOR DEPARTMENTATION

The principal bases of departmentation are :
- Function
- Product
- Geographic territory
- Customer
- Equipment
- Time
- Alpha numerical
- Marketing channel
- Combined Departmentation or a composite organisation Structure.

Departmentation by Functions

Activities of the organization may be segmented according to the functions of (i) Production (ii) Marketing (iii) Personnel (iv) Finance. This type of structure is suitable to the organizations dealing in the single product or service. Each of their functions is complementary to each other. It is like Hospitals, Educational Institutions etc. Functions may be different to different sets of organizations. Functions stated above may not be relevant to service organizations such as Hospitals, Universities etc.

Figure: 2A depicts departmentation by functions.

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                        ┌─────────────┐
                        │ Top Manager │
                        └─────────────┘
                               │
        ┌──────────────┬───────┴───────┬──────────────┐
  ┌────────────┐ ┌───────────┐  ┌───────────┐  ┌───────────┐
  │ Production │ │ Marketing │  │  Finance  │  │ Personnel │
  └────────────┘ └───────────┘  └───────────┘  └───────────┘
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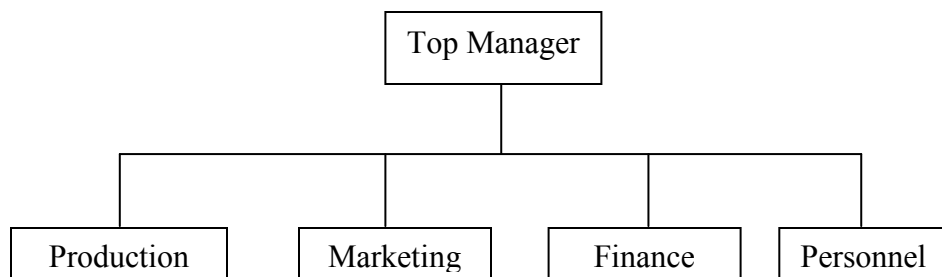
Fig: 2-A : Departmentation by function

A hospital may have such departments as Research, Inpatient, Outpatient etc. Functional organization leads to employment of specialists to perform each task with efficiency which will ultimately be reflected in overall efficiency of the organization. Another advantage pertaining to concentration of authority in the top man is that he seeks to remove all chances of conflict arising out of authority wielded by different set of persons. The limitation is that specialists concentrate and concern themselves with narrower objects in their respective areas of specialization rather than taking the holistic view of the organization. The other problem relates to coordination among different functional areas of the organization. It becomes difficult in the wake of each of the different functions managed by a specialist having his perception and independence in functioning.

Departmentation by Product :

Diversification of products is the orders of the day. Large firms manufacture not one product but a host of products which are distinct from each such as (i) food products, engineering goods and pharmaceuticals; (ii) paper, coal and paints. Even some companies though producing the same over-all product type may actually turn out a variety of sub-products such as cars, jeeps, lorries and tempos. It is advantageous for such organizations to form departments on the basis of products or sub-products.

The chief features of product departmentation are that (a) each department manufactures and markets a particular product as a self-contained unit; (b) the department (which is more commonly known as division) for better functioning sets up production, marketing, personnel and finance units; (c) to co-ordinate these specialized functions of different product departments the head office may also run small centralized service units. Based on functions; (d) each product department is a separate profit centre and responsible for purchase of raw materials, organizes the techniques of production, hires personnel fixes prices and performs other functions as it consider suitable; and (e) still all the different departments (or divisions) remain just segments of the same enterprise of company.

Traditional specialization generally meant – specialization of certain functions or activities such as engineering, law, medicine, surgery, and in business-production, personnel, finance, market analysis. But with progress of science and technology, specialization has

narrowed down further like automobile engineering, electronics engineering and chemical engineering. So the key point for product Departmentation is specialization in particular products.

Conditions for Product Departmentation :

(i) The products must be dissimilar; (ii) the volume of production must be large enough to justify separate functional services; (iii) the engineering and marketing characteristics of each product must be such as to a warrant different treatment; and (iv) each product should also need specialized machines and other physical facilities.

Depatmentation by Territory:

When activities of the organization are grouped on the basis of territory, it is known as Departmentation by Territory or Geographical Departmentation, Under geographical departmentation, the activities of a particular area are grouped and assigned to a manager.

Territorial departmentation is suitable to large scale enterprises where activities are physically and geographically widespread. These forms have similar operations at different geographical regions like Indian Oil Corporation or Hindustan Petroleum who have the net work of outlets in the form of oil pumps or the LPG liquid gas which are spread in every nook & corner of the country. Other such examples may be of automobile assembly, chain retailing and wholesaling. Figure: 2-B depicts departmentation by territory.
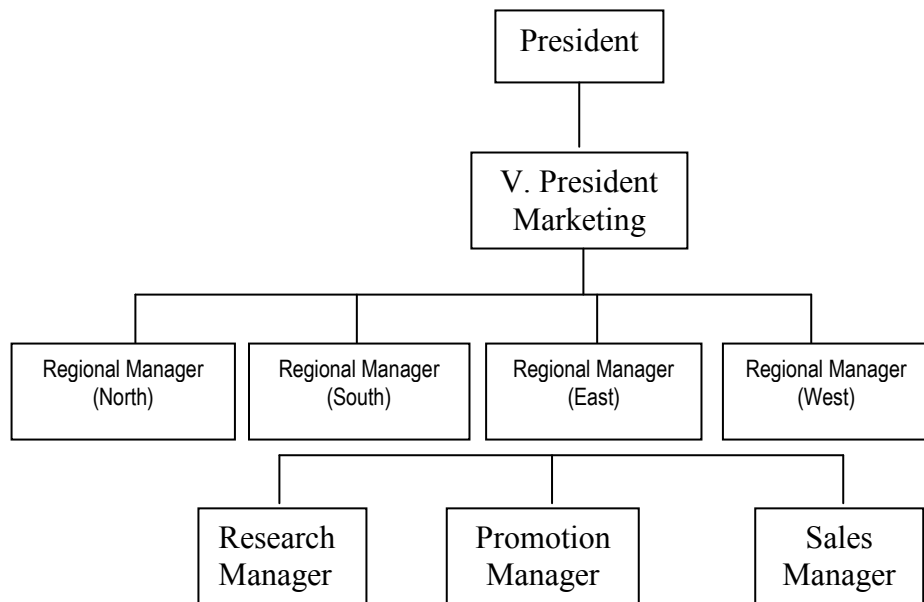
Departmentation by territory places responsibility upto the lower level for boosting up sales. For this purpose the work force operating at the lower level is expected to know the problems of the local markets so that suitable measures could be taken to remove them. Once these problems are removed, it will lead to increasing sales of the products and face to face interaction with local people. Management will come to know the expectations of the local people. They will also acquaint themselves with the expected role of their marketing staff so that a proper training and development module could be designed to make them accessible better to the common man in the local market. The marketing man will now be able to mould the local population towards their goods by convincing them much better.

One of the major limitations of this type of organisation is that it requires a number of persons having managerials abilities to take decisions in different territorial regions. It may also make top management's control a little difficult.

Departmentation by Customers:

Departmentation by customer implies grouping together of activities according to the customer is known as *Departmentation by customer.* This customer may be (i) Wholesalers (ii) Retailers (iii) Mail Order Shoppers. Each officer has to look after the activities of his customers. Likewise in a banking organisation there may be different types of customers. They may be (i) Saving Bank customers (ii) Agricultural Banking (iii) Industrial Banking (iv) Exim Banking.

Departmentation by customers seeks to concentrate on the needs of the customers, which may provide better understanding between the customers and the organization.

The main problem however lies with the difficulty of meeting competing demands of the customers. It requires training and expertise on the part of managers and staff to understand and tackle the problems of customers. In addition, sometimes, the customers' groups are not clearly defined.

Departmentation by Process :

Departmentation may be made according to the processes involved the manufacture of goods or services. Figure : 2-C shows the instances of a workshop with following processes.

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                  ┌─────────────────────────┐
                  │   PLANT SUPERINTENDENT   │
                  └─────────────────────────┘
          ┌──────────┬──────────┬──────────┐
    ┌──────────┐ ┌──────────┐ ┌──────────┐ ┌──────────┐
    │ LATHING  │ │ GRINDING │ │ MILLING  │ │ DRILLING │
    └──────────┘ └──────────┘ └──────────┘ └──────────┘
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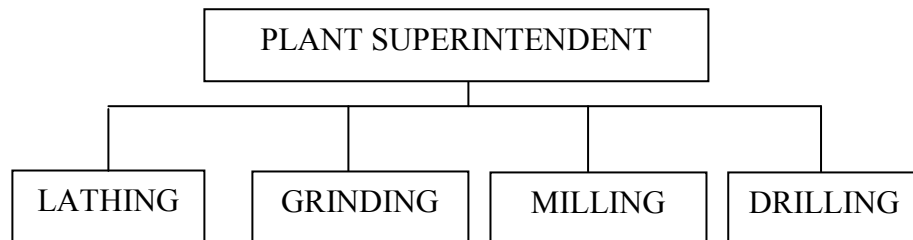
Fig : 2-C ; Departmentation by Process:

Likewise even in service organizations, many processes are involved. For instance to get the passport, following processes are involved :

- Receipt of application
- Scrutiny of application
- Police verification
- Issue of passport.

Some processes are fixed like the issue of passport but in the above examples of workshop, the sequence of the process is not fixed. It changes with the nature of the product.

Departmentation by Time :

This is one of the oldest methods of departmentation. Generally, this form of departmentation is quite common in the production function of industrial enterprise.

Under this method, the activities of an enterprise are grouped on the basis of the time of their performance, For instance, in manufacturing concerns, for managing the activities relating to each shift, a separate department is created.

This method is quite advantageous to enterprises which cannot cope up with the volume of work within the normal working hours and which are required to carry on the activities in the evening shift or in the nightshift.

This method is quite advantageous to enterprises which cannot cope up with the volume of work within the normal working hours and which are required to carry on the activities in the evening shift or in the night shift. Table : 2-D shows departmentation by time.

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Board of Directors

|
↓

Chief Executive/General Manager

↓   ↓   ↓

Morning Shift   Day Shift   Night Shift
Deptt.   Deptt.   Deptt.
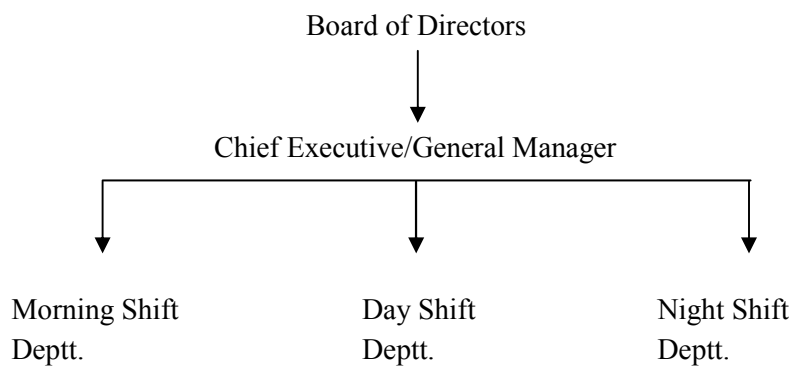
Fig: 2-D: Departmentation by time.

Advantages

- It helps a concern to render service throughout the day.
- It is useful for the running of a process which cannot be interrupted but has to be carried on continuously.
- It helps a concern to put its equipments to maximum use.

Drawbacks

- There is the problem of co-ordinating the work carried on different shifts.
- Under this method, there is lack of effective supervision of work carried out at night.
- This method may increase the cost of production by necessitating the payment of overtime wages.

Departmentation by Number :

Activities are grouped on the basis of more number of workers. Persons who are required to perform the same activities are grouped into small groups. For instance, (shown in Figure : 2-E) in the army, the soldiers are grouped on the basis of their number as squads, battalions

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etc. This method is a very simple method of departmentation as no technique or principle is involved in this method of departmentation.

It is suitable when –

- Work is repetitive and is of an unskilled nature.
- Group efforts are more important than individual efforts.

Chief Executive

↓

Squads

| Battalions Y | Battalions X | Battalions Z |

| Company I | Company II | Company III |
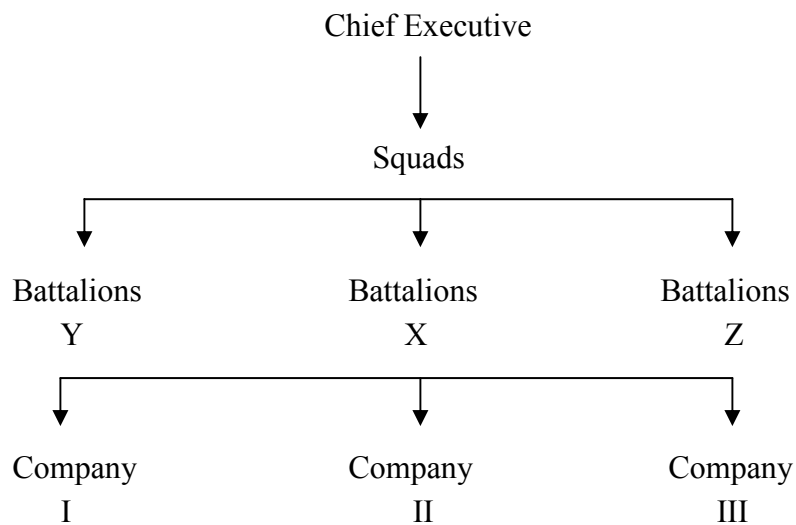
Fig: 2-E ; Departmentation by time

Note : Each battalion may have same number of companies.

Drawbacks

- This method is not useful to the modern management. That is why, these days, this method is not used in industrial unit.

- Under this method, the more number of workers is taken into account for departmentation. The efficiency and the suitability of the workers is not taken into account in the process of departmentation.

- This method is not helpful to attain the organizational objectives.

Marketing Channel Basis :

One of the new forms of basic departmentation is to organize an enterprise around channels of marketing. It is not uncommon for the same product to be sold through widely different marketing channels. This may appear to be customer departmentation and in many respects it

is similar to that. The essential point in this departmentation is the marketing channel used and the customer himself.

It is reasonable to expect that basic departmentation around marketing channels may increase as time passes. Like all types of organization pattern, the purpose of any grouping of activities must be to facilitate successful operation to create an environment for effective performance.

Composite Organisation Structure Or Combined Departmentation :

Departmentation is not an end in itself. In the grouping of activities, the main concern of the executive should be to set up departments that will enable the realization of the enterprise objectives. For this purpose, the manager will have to use many guides for departmentation. Because each method of departmentation has its own advantages and disadvantages of another. In practice, therefore, most enterprises have a composite organization structure.

The departmentation of activities should be done in such a manner that co-ordination is possible for the realisation of activities. Once the major departmentation is created with the help of function, territory, product, marketing or any other basis; sub-departments may be created by any one of the basis discussed above.

Check your progress 1.
Departmentation is
a)   Creating departments.
b)   Process of classifying & regrouping of activities.
c)   Creation of smaller units with in the organization.
d)   Division of work
Find the odd man out.

For answer see Answers to CYP.

2.4   SPAN OF CONTROL

It is also known as span of management or span of supervision or span of authority or span of responsibility. It refers to the number of

subordinates, who report directly to a superior to facilitate vertical coordination and effective supervision of subordinates. In other words, it answers the question "how many employees can a manager efficiently and effectively manage?" The concept of span of control is important because it defines the number of levels in the management hierarchy an organization has (i.e., a tall or flat organization). Usually the span of control varies from 5 to 25 from top management level to junior management level.

Factors influencing span of control are:

- Interaction requirements,
- Competence levels or job related skill,
- Work similarity,
- Physical proximity of subordinates,
- Amount of secretarial assistance available to managers,
- Motivational possibilities of work.

Factors determining the span of management are:

- Personal capacity of managers (quick comprehension, getting along with people commanding loyalty and respect),
- Ability of managers to reduce the time they spend for subordinates,
- Training of subordinates,
- Clarity of plans,
- Use of objective standards for performance,
- Rate of change in the environment,
- Communication techniques used,
- Amount of personal contact needed,
- Variation in organizational level (i.e., junior management, middle management and top management),
- Other factors such as competency of managers, complexity of tasks, positive attitude of subordinates towards accepting responsibility, subordinate's willingness to take reasonable risks etc.

2.5 WHAT IS AN APPROPRIATE SPAN OF CONTROL?

L.F. Urwick suggests that no executive should attempt to supervise directly more than five subordinates. According to Hamilton,

3 to 6 is the ideal span of control. J. C. Worthy, a management expert says span can be as high as 20. Ernest Dale recommends a span of 8 to 20.

Graicuna's Theorem to Determine Span of Control :

V. A. Graicunas, a management consultant of Paris points out that a manager should consider three kinds of interactions with and among subordinates : *(i)* direct one-to-one relationship with each subordinate, *(ii)* direct group relationship (between superior and groups of subordinates) and *(iii)* Cross relationship (among subordinates themselves)

The total number of possible interactions of all types between a manager and his or her subordinates can be determined as illustrated below :

Consider a manager has 'n' subordinates, then:

(i)   direct one-to-one relationships = n.

(ii)   direct group relationships $= n\left(\dfrac{2n}{2}-1\right)$

i.e., between manager and each possible combination of subordinates.

(iii)   Cross relationships among subordinates = n (n − 1) themselves. Total number of relationships or interactions between the manager and his or her subordinates

$$= n + n\left(\frac{2n}{2}-1\right) + n(n-1)$$

For example, let us consider a situation where there are three subordinates to a manager (i.e., n = 3) The interactions or relationships are as shown in *Exhibit* : I

ILLUSTRATION OF NUMBER OF RELATIONSHIPS BETWEEN MANAGER AND SUBORDINATES

```
                        ┌──────────┐
                        │    A     │
                        │ Manager  │
                        └──────────┘
              ┌────────────┘  │  └────────────┐
              ▼               ▼               ▼
        ┌─────────┐     ┌─────────┐     ┌─────────┐
        │    B    │     │    C    │     │    D    │
        └─────────┘     └─────────┘     └─────────┘
                              B  C
```
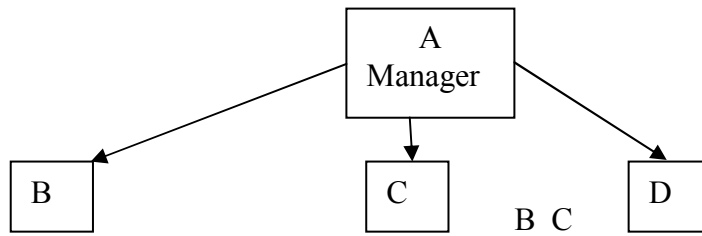
By pass relationships :

Subordinate	Subordinate	Subordinate
(i) direct one-to-one relationship between	A → B	
manager and his / her subordinate	A → C	= 3 (i.e., n)
	A → D	
(ii) direct group relationships	A → B	(C,D present)
According to formula it is	A → C	(B,D present)
	A → D	(B,C present)
	A → B	(C only present)
	A → B	(D only present)
	A → C	(B only present)
	A → C	(D only present)
	A → D	(B only present)
	A → D	(C only present)
	Total 9 relationships	
(iii) cross relationships :	B → C	
(among subordinates themselves)	B → D	

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(According to the formula it is n (n – 1)   C → B

i.e., 3 (3 – 1) = 3 x 2 = 6)   D → B   =
relationship

C → D

D → C

Total number of relationships = 3 + 9 + 6 = 18 .According to the formula
Total number of relationship=18 relationships.

If a manager has only two subordinates, six potential interactions exist. If the number of subordinates increases to three, the possible interactions will increase to 18, with four subordinates it will be 44 and with five subordinates it will be 100. For instance, if n =10. The potential interactions would be 5,210 and with n =12 it would be 24,708.This points out that each additional subordinate adds more complexity as we go on increasing the number of subordinates.

Another management expert Ralph Davis described two kinds of spans : **operative span** for junior level managers and an **executive span** for middle and top managers. According to him operative span could be as high as **thirty** whereas executive span should be limited between **three** and **nine**.

Even though span of control is recognized as crucial factor in structuring organizations, there are no universal, "cut and dry" prescriptions for an ideal or optimal span.

Check your progress 2

What is the least numbers of and maximum number of subordinates that should be under the superior, as suggested by various experts ?

For answer see Answer to CYP.

2.6   LET US SUM UP

The continuum of organisation structure range from Departmentation to span of management. The aim is to take advantage of the division of labour and specialization up to certain limit. Departmentation is the grouping together of similar or logically related work activities. There are several bases of departmentation. This

departmentation is usually shown on an organizational chart. Determination of an appropriate span of management is important to overcome the problems of communication and cost in each departments. Therefore factors determining span of control is an important step in designing organisation structure.

2.7   KEY WORDS

- **Optimal Span :** The size of the span the marginal cost of maintenance and marginal return from the span is equal.
- **Dynamic is span :** Span of management which keeps on changing with the change in the environment- internal and external.

2.8   SUGGESTED READING FOR UNIT-II

- Tripathi P. C. -   Principle of Management, Tata Mc. Grow Hill Publishing & Reddy PN Company Ltd. N. Delhi.
- Stephen P. Robbins -   Essentials   of   organisation Behaviour Prentics – Hall of India Pvt. Ltd. New Delhi.

2.9	ANSWER TO CYP
	Check your progress 1: (d) Division of work
	Check your progress 2: Minimum is 3 & maximum is 30

2.10   REFLECTIVE QUESTIONS

1.   In what way can management departmentalize?
2.   All things are equal, which is more effecting a wide or narrow span of management? Why.

Unit-3 : CENTRALIZATION, DECENTRALIZATION BUREAUCRATISATION OF ORGANISATION

STRUCTURE :

3.0   OBJECTIVE

After studying this unit, you will be to.

- Analyse the dynamics of centralization and Decentralization as organizations get larger and older.
- Discuss the significance of Delegation of Authority in organisation.
- Identify the potential problems in delegation and how to resolve it.
- Trace the features of Bureaucratization of organisation.
- Critically evaluate the degree and impact of Bureaucratization on organization structuring.

3.1   INTRODUCTION

In the unit-2 of Block-2, we studied about Departmentation & Span of Control. In this unit-3, we will reviews briefly the salient features of Centralization and Decentralization, Delegation of Authority as well as Bureaucratic form of organization structure. Each form are helpful in different situations. The later part of this unit focuses on features of bureaucratic organisation structure, which is found common to be to all social institutions, be they political, religious, industry, business, educational or government organizations. In the next unit-1, under Block-3, we will look into the concept and determinants of organizational behaviour.

3.2   CENTRALIZATION AND DECENTRALIZATION

In the words of Henry Fayol, "Everything that goes to increase the importance of the subordinates' role is decentralization: everything which goes to reduce it is centralization. The intensely or degree of centralization or decentralization varies with the nature of decision making, location, also the leadership in the organisation. However once a man's job grows beyond his personal capacity

his success lies in his ability to multiply himself through other people that is through delegation of work to other people in the organisation.

Centralization refers to consolidating decision making under one coordinating head. It is the extent or degree to which power and authority are retained at top level, Decentralization refers to delegation of decision making to subordinate units. It means that, more the lower level employee provide input to decision making, the more decentralization there is. Both Centralization and Decentralization are intended to improve organizational effectiveness. At one point, Ford Motor company suffered because of centralization and General Motors because of decentralization.

It is important to keep in mind that the concept of Centralization and Decentralization is a relative, not an absolute one. What it means that an organisation is never completely Centralized or Decentralized.

3.2.1   Factors Influencing Centralization or Decentralization

Let us now consider the factors which affect Centralization or Decentralization.

- **Organization's environment** – usually the greater the complexity and uncertainty of the environment, the greater is the tendency to decentralize.

- **History of the organization** – there is some relationship between what an organization did in its earlier days and what it chooses to do today in terms of centralization or decentralization.

- **The nature of the decisions being made** – the costlier and riskier the decision, the more pressure to centralize.

- **Abilities of lower-level managers** – if the lower level managers do not have the ability to make high-quality decision, there is likely to be more centralization.

- **If the lower-level managers are well qualified** – then top management can take advantage of their talents by decentralization.

The factors that influence the amount of centralization and decentralization are illustrated in Box : I

Box : I Factors that Influence the Degree of Centralization and Decentralization

More Centralization	More Decentralization
a. Stable environment.	a. Complex and uncertain environment
b. Lack of ability and experience for lower level managers to make decisions	b. Lower level managers are capable and experienced at decision making.
c. Lower level managers do not want to have a say in decision	c. Lower level managers are willing to make decisions or want to have a voice in decision making
d. Decisions are major and significant	d. Relatively minor decisions
e. Organization is facing a crisis or the risk of failure.	e. Corporate culture is open to allow managers to have a say in what happens.
f. Company is large and located in one place	f. Company is geographically dispersed.

3.2.2   Advantages of Centralization
The advantages of Centralization are as follows:

- Easier coordinating of activities of various departments or units and close control of activities.
- Top managers have better experience in making decisions.
- Top managers have broader perspectives.
- Reduced duplication of effort and resources.
- Promotes strong leadership.
- Produces uniformity of policy and action.

3.2.2   Advantages of Decentralization
The advantages of Decentralization are as follows :

- Eases heavy workload of top executives leaving them major issues.
- Enriches job at lower levels.
- Faster decision making at lower levels.

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- Individuals at lower levels are closer to the problem area and are in a better position to make good decisions.
- Enables establishment of relatively independent issues.
- Decisions are adapted to local conditions.

Activity I - Now let us do a simple exercise.

Actively – Factors Affecting Degree of Centralization / Decentralization		
Condition favourable for centralization		Condition favourable for decentralization
No	Is top management's philosophy consistent with strong delegation?	Yes
No	Has organisation grown externally through merger and acquisition?	Yes
No	Is organisation widespread geographically?	Yes
No	Are effective controls available to monitor lower levels?	Yes
No	Is there an adequate number of highly qualified managers?	Yes
No	Does organisation have a diverse product-service line?	Yes

Check your answer with the one provided at the end of the unit.

Check your progress 1.

State whether following statement is correct or incorrect.

Advantages of centralization are the points of disadvantages of decentralization ; and disadvantages of centralization are the advantages of decentralization.

For answer see Answer to CYP.

3.3 DELEGATION OF AUTHORITY

The word "delegation" is a very important concept of management. It describes the way in which formal authority is passed to another person. To be more specific, delegation of authority is the process by which managers allocate authority downward to the people who report to them. As griffin has put it : "Delegation involves the establishment of a pattern of authority between a superior and one or

more subordinates. Specifically, delegation is the process by which the manager assigns a portion of his/her total work load to others." Superiors delegate, or pass authority down, to subordinate so as to facilitate work being accomplished.

The following four actions occur whom delegation takes place :

Firstly, the delegator assigns objectives or duties to the lower level employees.

Secondly, delegator grants the authority necessary to accomplish the objectives or duties.

Thirdly, acceptance of delegation, whether implicit or explicit, creates an obligation or responsibility.

Fourthly, the delegator holds the unemployee accountable for results.

3.3.1 Reasons for Delegation
Prima-facie delegation enables managers to derive the advantages of division of labour and specialization. In other words, it enables managers to accomplish more than if they attempted to handle every task personally.

The reasons for Delegation are
- Allow faster action to be taken.
- Facilitates training and developing personnel (subordinate) in the organization.
- May lead to higher level of motivation.
- Tends to improve attitudes and moral of personnel.
- May result in better decisions.
- Enables managers to perform more challenging jobs

3.3.2. Parts of Delegation Process
Figure : 3-A shows the nature of the delegation process in an organization. It shows that three things are delegated by a manager to a subordinate. First, the managers assigns responsibility, or gives the person a job to do, such as preparing a report.
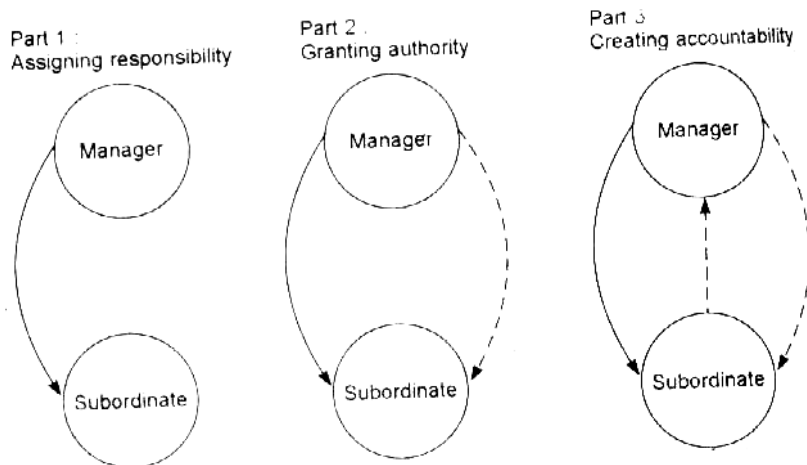
Figure 3-A Parts of delegation process.

Along with the assignment, the individual is also given the authority to do the job. The manager may give the subordinate the power to acquire needed information from confidential files or to direct a group of other workers. Finally, the manager require accountability from the subordinate. That is, the subordinate has an obligation to carry out the task assigned by the manager.

These three parts do not, of course, follow in rigid 1-2-3 order. Indeed, when a manager and a subordinate have developed a good working relationship, the major parts of the process may be implied rather than stated. The manager may simply mention that a particular job must be done. A perspective subordinate may realize that the manager is actually assigning the job to him. From past experience with the boss, he may also know, without being told, that he/she has the necessary authorities to do the job and that he is accountable to the boss for finishing the job as 'agreed'.

Delegation Process :

When managers decide to delegate authority, they create a sequence of events:

> **(i)** **Assignment of tasks** : The manager identifies specific duties or tasks to be assigned to the subordinate before approaching him or her with those task.

> **(ii)** **Delegation of authority :** The manager should delegate to the subordinate adequate authority to

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enable him or her complete the duties or tasks assigned. The authority to be delegated should be adequate to complete the tasks – no more and no less.

(iii) Acceptance of responsibility : Responsibility is the obligation to carryout one's assigned duties to the best of one's ability. Responsibility cannot be delegated, but the employee's acceptance of an assigned task or duty creates an obligation on his or her to do his or her best.

(iv) Creation of accountability : Accountability is the need to answer someone for your actions. It means accepting the consequences of these actions – either credit or blame. When a subordinate accepts an assignment along with the authority to carryout the assignment, he or she is accountable or answerable, for his or her actions.

3.3.3   Potential Problems with Delegation

- If improper feedback is provided, the manager may lose control and may not have the time to correct the situation, if a problem occurs.

- Delegation can fail if the level of responsibility and authority is not clearly defined to or understood.

- If the delegate does not possess the ability, skills and experience to accomplish the job or make decisions, delegation can be a failure.

- If an employee is given responsibility without adequate authority delegated to him or her, problems can result.

How to solve these problems?

There are no easy solutions. Essentially it is a matter of organization and communication. It is not enough for subordinates to understand their own responsibility, authority and accountability. It is

equally vital for the manager to recognize the value of effective delegation. As R. W. Griffin has rightly commented: ''With the passage of time, subordinates should develop to the point where they can make substantial contributions to the organisation. At the same time, the manager should recognize that a subordinate's satisfactory performance is not a threat to his (or her) own career, but an accomplishment on the part of both the subordinate who did the job and the manager who trained the subordinate and was astute enough to entrust the subordinate with the project. Ultimate responsibility for the outcome, however, continues to reside with the manager, who is, in turn, accountable to a higher-level manager''.

However, the conclusion is that delegation is of fundamental importance to effective management. Delegation is considered to be used effectively if you interview / interact with an employees of any organisation you are with and asks him the questions.

Check your progress 2

Find the odd man out from the following:-
 a) Accountability moves downward
 b) Authority moves up are
 c) Responsibility moves downward.

For answer see Answer to CYP.

3.4   BUREAUCRATIZATION OF ORGANIZATION

Bureaucracy as a component of Classical theory has been explained in Unit-I (Block-I). The term Bureaucracy receives the serious attention not only of the layman, but also that of eminent scientists. In simplistic terms, bureaucracy is the connecting link between the mandators of the organization and the workers. When organization-makers find that work has exceeded manageable bounds, they share their tasks with others. These people further multiply themselves through the assignment of responsibilities to others. In this fashion, a hierarchical ladder develops and ultimately, the zone of contact and actual performance is reached where people are engaged in

accomplishing organizational objectives. All these intermediaries who connect the workers with the organization-framers or the mandators can be called bureaucrats and the whole system as bureaucracy. Thus, bureaucracy represents the mandators of the organization and promises to accomplish organizational objectives or to carry out the tasks assigned to it. This duality of loyalty to the organization as well as to those who have appointed bureaucrats is problematic. Additionally, the bureaucrats as individuals have their own objectives also which are, at times, in conflict with organizational goals. All of these, perhaps, put together create a situation which makes bureaucracy a subject matter of heated discussion. In fact, the whole debate on bureaucracy concerns the contradiction between (i) the aspiration of certain group or class to have an active and effective administration at its disposal, and (ii) maximum notice of the opinions of the masters. The analyst of bureaucracy should try to solve the contradiction between two goals that are extremely difficult to achieve simultaneously. i.e., (a) administrative efficiency and (b) representative administration.

3.4.1   Degree of Bureaucratic Characteristics

We are now in a position to list a few important characteristics (explained in unit-1) which Max Weber observed in large modern organizations.

In modern times any organization wholly free from bureaucratic characteristics is highly inconceivable. But there exist wide variations among themselves. The degree of the presence of these characteristics varies from organization to organization. A broad continuum indicating a range from total absence of such characteristics to their extreme presence in certain types of organizations has been presented in Fig. 3-B Organizations which need more dynamism and flexibility and in which hierarchy of authority is not sharp are less bureaucratized, such as research and development laboratories. It is relatively easy for them to relate the functioning of the part to the overall organizational objectives. Most government organizations are very large in size; technologies used for their working are not complex; rules and procedures established once stay for long; there is rigid hierarchy; and hence, they are more bureaucratized.

Absence of	R. & D.	Educational	Business	Government	Military	Ideal
Bureaucratic	Laboratory	Institution	organi-	organization	Organi-	Burea-

De-bureaucratization
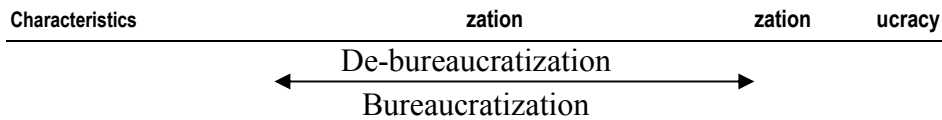
←————————————————————→

Bureaucratization

Fig. 3-B Degree of Bureaucratic Characteristics

Whether and to what extent, the positive features really serve in organisation depends on actual practice, which often fall short of expectations. Subject to certain limitations, before going in detail into dysfunctional aspects of bureaucracy, it is important to consider the functional aspects of "an ideal" bureaucracy :

- **Specialization:** A bureaucratic organisation be it in Government, industry or service – can be "compared with an assembly line in which each member performs his special functions" in a predictable manner.

- **Structure:** By structuring the duties and responsibilities and reporting relationships in a command hierarchy the organisation is provided, a form or structures. Structures sets the pace and framework for organizational processes.

- **Predictability and Stability:** The rules, regulations, trainings, specialization and structure impart predictability and there by ensure certainty and stability to an organisation.

- **Rationality:** Since the criteria for decision making in routine situations is prescribed ahead of events emphasizing consistency in dealing with organizational questions, a measure of objectivity is ensured in organisation.

- **Democracy:** Bureaucracy makes an organisation more democratic by emphasizing more on qualifications and technical competence for purposes of recruitment and highlighting the jurisdictional roles of people at all levels in a hierarchy.

3.4.2   Unintended Consequences or Dysfunctional Aspects

Bureaucracies, particularly in large complex organizations, may have unintended consequences, which are often referred to as dysfunctional aspects of bureaucracy. Over the years, there has been much disenchantment with the functioning of bureaucracies which created many antagonists of bureaucracy who prophesized about its

gradual demise. It is not possible here to list all the dysfunctional functions caused by what Thompson calls as 'bureaucratic' behaviour. There is also no agreement on whether all these are really counterproductive, because some of them at least are perceived at times as disguised blessings. The more prominent among the dysfunctional aspects include the following :

Rigidity :

Critics of bureaucracy argue that rules are often rigid and inflexible, encouraging status- quo and breeding resistance to change. Compliance with rules may provide the cover to avoid responsibility for failures.

Impersonality :

Bureaucracies emphasis mechanical way of doing things, giving primacy to organizational rules and regulations than individual's needs and emotions. Contractual obligations receive primacy, relegating human relations to a back seat. The office a person holds is important than the person *per se*.

Displacement of Objectives :

Rules originally devised to achieve organizational goals at each level become an end in themselves independent of organizational goals. Thompson calls such bureaucratic behaviour as a process of "inversion of ends and means". When individuals holding office at lower levels pursue personal objectives or objectives of sub units, the overall objectives of the organization may be neglected. When objectives get so displaced it is often difficult for managers at higher levels or even for the other constituents of the organizations such as consumers and stock holders to seek redress.

Compartmentalization of Activities :

Specialization and division of labour are encouraged in bureaucracies to improve organizational effectiveness. But the resulting categorization breeds the notion of watertight compartmentalization of jobs, restricting people from performing tasks that they are capable of performing. For example, a pipe fitter can install a pump, but is prohibited from making the electrical connection. It would also encourage a tendency to preserving existing jobs even when they

become redundant. The sequential flow of work may usually have an element of idle time at almost every level. Our emphasis on specialization and categorization may also often induce dysfunctional conflict in the place of coordination and cooperation among various subunits of an organization.

Empire building :

People in bureaucracy often view that the office they hold bestows on them a sense of ownership and privilege with the result there could often be a tendency to use one's position and resources to perpetuate self interests or the interests of the subunit they represent than of the organization.

As Max Weber observed, once it is fully established, it is hard to destroy bureaucracy even if it has outlived its utility. A common tendency in bureaucracies is to relate power and prestige with the number of subordinates, a person has.

Red Tape :

Bureaucratic procedures involve much paper work and routing through proper channel causing inordinate delays and frustration. The procedures are nevertheless valued, perpetuated and multiplied for their own sake as also to pass the buck to others in the chain of hierarchy as far as responsibility for failures go. The negative aspects of bureaucracies can however be overcome if the individual needs and organizational goals are properly reckoned. Whatever the progress in the thinking about and in the actual working of modern organizations, bureaucracy has remained an integral and concomitant feature. There is no use wishing it away. There is every need to understand it better and cope with the possible problems effectively and proactively.

Check your progress-3
Fill in the blank from the given alternatives

Bureaucracy needs rigid -

(a) hierarchy (b) structure (c) red tape (d) principle

For answer see Answer to CYP.

3.5   LET US SUM UP

Each form of organisation structure has its own set of advantages and disadvantages. Centralization and Decentralization both are helpful in different situations. But going on extremes may not be very helpful. Compromises are possible in the context of organization's environment, technology, and aspects of human behaviours, the nature and the ability of its management. Delegation of authority is the downward pushing the authority to make decisions. Delegation is closely related to decentralization in that the greater the amount of delegation, the more decentralized the organisation. The Bureaucratic organization structure as a concept play a dominant role in functioning of organization. The ideal bureaucracy developed by Max. Weber, presents a descriptive, detached, scholarly point of view. Thus bureaucratic characteristics has to be loosened in organizations using dynamic technologies and containing people with task relevant maturity. However bureaucracy has come to stay as it has its utilities too.

3.6   KEY WORDS

- **Conflict of objectives in Bureaucracy :** It is the conflict between the individual goals of the bureaucrats and the goals of the organization where they work.
- **Dysfunctional conflict :** Conflict that arises due to specialization and division of labour infused in Bureaucracy.

3.7   SUGGESTED READINGS FOR UNIT-3

- Haynes W & Mukherjee Sampat   : 21st Century Management New Central Book Agency (P) Ltd. Calcutta
- Stephen P. Robbing   : Essentials   of Organizationa Behaviours. Prentice-Hall of India, Pvt. Ltd. N. Delhi

3.8   ANSWERS TO CYP

- Check your progress 1: Correct.

- Check your progress 2: (c) This is the only correct statement. Rest two, i.e. (a) & (b) are incorrect statements.

- Check your progress.3: hierarchy.

Probable Answers: (for Activity 1)

You may match you answer into the following answers.

- If the employee answer, affirmatively, then it will be high Degree of Decentralization.

- And if the employee says no to the management situation at work place, the degree of centralization will be higher.

3.9   REFLECTIVE QUESTIONS:

1. As a manager, how will you determine what authority and to what extent it should be delegated?
2. What are the indicators of Power? Which of the Power bases are with the individuals and also derived from the organisation?
3. Describe the important elements of bureaucracy? What are its unintended consequences? How would you reduce these dysfunctions?
4. Should a business firm contain a certain amount of bureaucracy. Are governmental agencies more bureaucratic than business firm?
5. Examine any organisation familiar with belongs to centralized or decentralized form of organisation. Analyse, merits and demerits, if any, of the present structure and make suitable recommendation.

COURSE : COM-102
BUSINESS ENVIRONMENT

BLOCK-3

ORGANISATIONAL BEHAVIOUR

UNIT-1

**CONCEPT AND DETERMINANTS OF
ORGANISATIONAL BEHAVIOUR**

UNIT-2

**PSYCHOLOGICAL FOUNDATION OF HUMAN
BEHAVIOUR**

UNIT-3

INDIVIDUAL AND GROUP BEHAVIOUR

BLOCK -3 :   ORGANIZATIONAL BEHAVIOUR

INTRODUCTION :

This block has been divided into three units so as to make you acquainted with psychological foundations of individual behaviour. These units have been designed to enable you to know in detail about:

- Factors affecting organizational behaviour.
- Importance of understanding principles in an organization.
- Appreciate the role of learning and changes in behaviour.
- Changing attitude and organization.
- Determinants of personality.
- Inter personal and group behaviour.

In **Unit-1** an effort has been made to study model of organizational behaviour and **Unit-2** will focus on psychological foundation of individuals behaviour such as perception, learning, attitude and personality. **Unit-3** will equip you with the broad understanding of inter personal and group behaviour as well as behavioural implications of Theory X and Theory Y. The other related issues of organizational behaviour is going to be focused in Block-4.

While going through these units you are supposed to answer the self-assessment questions provided within each of the units so as assess yourself about understanding of the subject matter. In order to equip yourself with the subject, it is better if you read the suggested books at the end of the unit.

Unit-1 CONCEPT AND DETERMINANTS OF ORGANIZATIONAL BEHAVIOUR

STRUCTURE :

1.0 OBJECTIVE

After going through this unit, you will be able to

- Explain fundamental concepts in organizational behaviour.
- Identify the determinants of organizational behaviour.
- Design organizational behaviour model.
- Establish relationship between organization and behaviour to focus on organizational behaviour.

1.1 INTRODUCTION

In the previous unit-3 under Block-2, we studied about Centalisation & Bureaucratization of Organizations. In this unit you will be explained the importance of organizational behaviour and various psychological factors of human behaviour to have a better understanding of study of organizational behaviour and its implications in organization. In the next unit we will look into the Psychological foundations of human behaviour.

1.2 CONCEPT OF ORGANIZATIONAL BEHAVIOUR

The expression organizational behaviour as it is called in some quarters, obviously refers to two things – organization and behaviour.

What is organizational behaviour ?

Organisational behaviour is the study and application of knowledge about how people as well as individuals and group act within the organization. It strikes to identify ways in which people can act more effectively.

Organizational behaviour focuses primarily on two major are as: (i) Individual behaviour which includes behavioural concepts such as attitudes, personality, perception, learning and (ii) group behaviour, which includes individual norms, roles, team building, leadership and conflict.

Organizational behaviour aims to explain, predict and influence behaviour – both individual and group. Human problems need to be tackled humanly. Organizational behaviour will be very useful in this context. It helps to understand the causes for the problem, predict its course of action and control its consequences.

Organizational behaviour starts with a set of fundamental concepts rendering around the nature of people and organizations as shown in Box I.

Box. I Concepts of Organizational Behaviour

Fundamental concepts of Organizational Behaviour	
The nature of principle	*The nature of organization*
• Individual differences	•
• Causes behaviour	ocial systems
• A whole person	•
• Desire for involvement	utual interest
• Value of the person	•
• Holistic organizational behaviour	thics

A brief explanation of each concepts of Organizational behaviour are briefly discussed.

Individual differences :

Even though people have much in common, each person is also different individually. The diverse nature of people originates from

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psychology. Each person is different by birth, and individual experiences after birth tend to make people even more different (i.e. differences due to genetics and environmental effects). Hence, mangers should recognize this fact and motivate employees by treating them as different individuals. This belief in individual differences is known as law of individual differences.

Caused behaviour :

Behaviour of an employee is caused and not random. The behaviour is directed towards some end that the employee believes, rightly or wrongly, is in his / her best interest. Thus, when a worker comes late to his work, pelts stones at a running bus, or abuses the supervisor, there is a cause behind. The manager must realize this basic principle and to solve the problem of late coming or stone pelting, he / she must discover the cause behind the behaviour and tackle the issue at its root.

A whole person :

When an individual is appointed, his / her skill alone is not hired, his / her social background – likes and dislikes, pride and prejudices is also hired. A person's family life cannot be separated from factory life. It is for this reason that managers shall endeavour to make factory, a home away from home. They not only strive hard to develop a better employee out of a worker, but also a better person in terms of growth and fulfillment.

Desire for involvement :

People have the drive for self-efficacy (belief that they have the necessary capabilities to perform a task). Organizations need to provide opportunities for meaningful involvement of people in the activities towards the achievement of organizational goals or objectives.

Value of the person :

People do not want to be treated like a commodity such as land, material, technology, capital and the like. They want to be treated with caring, respect and dignity by their employers. They want to be valued for their skills and abilities and not to be viewed simply as economic tools.

Social system :

Organizations are social systems and consequently, activities therein are governed by social laws as well as psychological laws. People have social roles and social status. Their behaviour is influenced by their group as well as their individual drives. Organization comprises two kinds of social systems – formal social system and informal social system. The concept of a social systems within an organization provides a framework for analyzing organizational issues and helps in understanding and managing organizational behaviour problems.

Mutual Interest :

Formal organizations are formed on the basis of some mutuality of interest among their participants. Organizations need employees to help in achieving organizational goals and objectives while employees need organizations to help them achieve individual objectives.

Ethics :

Organizations, to be successful, must treat its employees ethically so that it can attract and retain valuable employees. Establishing code of ethics, publishing statements of ethical values, providing ethical training, rewarding employees for ethical behaviour – are some of the means taken by several firms in this direction.

Holistic Concept:

When the six fundamental concepts of Organization Behaviour are placed together, a holistic concept emerge. This concept interprets people-organization relationships in terms of the whole person, whole group, whole organization and whole social system. It takes an across the board view of people in organizations in an effort to understand as many as possible of the factors that influence their behaviour. Issues are analysed in terms of the total situation affecting them rather than in terms of an isolated event or problem.

1.3   DETERMINANTS OF ORGANIZATIONAL BEHAVIOUR

The determinants are classified into (i) dependent variables and (ii) independent variables. Dependent variable are responses which are affected by an independent variable. Some of the dependent variables in organizational behaviour are productivity, absenteeism, employee turnover, organizational citizenship and job satisfaction.

Productivity is a performance measure which includes efficiency and effectiveness. Productivity is defined as the ratio of outputs to inputs i.e ,

$$\left[\frac{\text{Outputs}}{\text{Inputs}} \right]$$

Absenteeism is failure of employees to report to work which in turn obstructs work and reduces productivity.

Employee turnover is the voluntary or involuntary permanent withdrawal of employees from an organizations. High employee turnover results in higher recruiting, selecting and training costs and also disrupts the efficient running of an organization.

Organizational citizenship is the discretionary behaviour that is not a part of an employee's formal job requirement, but nevertheless promotes the effective functioning of the organization. Some of the good citizenship behaviour are:

Making constructive statements about their workgroup and the organization, helping others in their teams, voluntarily doing extra activities, avoiding unnecessary conflicts, showing concern for organizational property, and giving respect to rules and regulations.

Job satisfaction is defined as the difference between the amount of reward employees receive and the amount they believe they should receive. It represents an attitude rather than behaviour.

The independent variables are presumed to be the causes of some change in the dependent variables such as productivity, absenteeism, turnover, organizational citizenship and job satisfaction. These independent variables are categorized as: (i) Individual level variables, (ii) Group level variables and (iii) Organization system level variables. Individual level variables which affect the behaviour of an employee are : perception, individual decision making, learning and motivation. Group level variables are: Communication patterns, power and politics and levels of conflict. Organization system level variables, are: the design of the formal organization, the design of work processes and jobs, the organization's human resource policies and practices and the internal culture of the organization.

1.4   ORGANIZATIONAL BEHAVIOUR MODEL

A model is a simple representation of some real world phenomenon. Figure 1-A illustrates the organizational behaviour model.
Organizational Behaviour Model   (Levels of Organizational Behaviour Analysis)

Fig. 1-A Organizational Behaviour Model

```
┌─────────────────────┐
│ Personality         │
│ Perception          │                ┌─────────────────────┐          ┌─────────────────────┐
│ Learning            │───────────────▶│ Individual Behaviour│          │                     │
│ Attitudes and values│                └─────────────────────┘          │                     │
│ Motivation          │                          ▲                      │                     │
└─────────────────────┘                          │                      │                     │
          ▲                                       ▼                      ▼                     │
          │                                                                                    │
┌─────────────────────┐                ┌─────────────────────┐          ┌─────────────────────┐
│ Group Dynamics      │                │                     │          │                     │
│ Leadership          │               │ Group Behaviour     │─────────▶│ Organizational      │
│ Organizational      │───────────────▶│                     │          │                     │
│ Power and Politics  │                └─────────────────────┘          └─────────────────────┘
│ Effectiveness       │                          ▲                          ▲        ▲
│ Communication       │─────────────┐            │                          │        │
│ Conflict            │             │            │                          │        │
└─────────────────────┘             │            │                          │        │
                                     │            │                          │        │
┌─────────────────────┐             │   ┌─────────────────────┐              │        │
│ Organizational Culture│            └──▶│                     │─────────────┘        │
│ Work Stress          │                │ Organization        │                      │
│ Organizational Change and│───────────▶│                     │                      │
│ Development          │                └─────────────────────┘                      │
└─────────────────────┘                          ▲                                   │
          ▲                                       │                                   │
          └───────────────────────────────────────┴───────────────────────────────────┘
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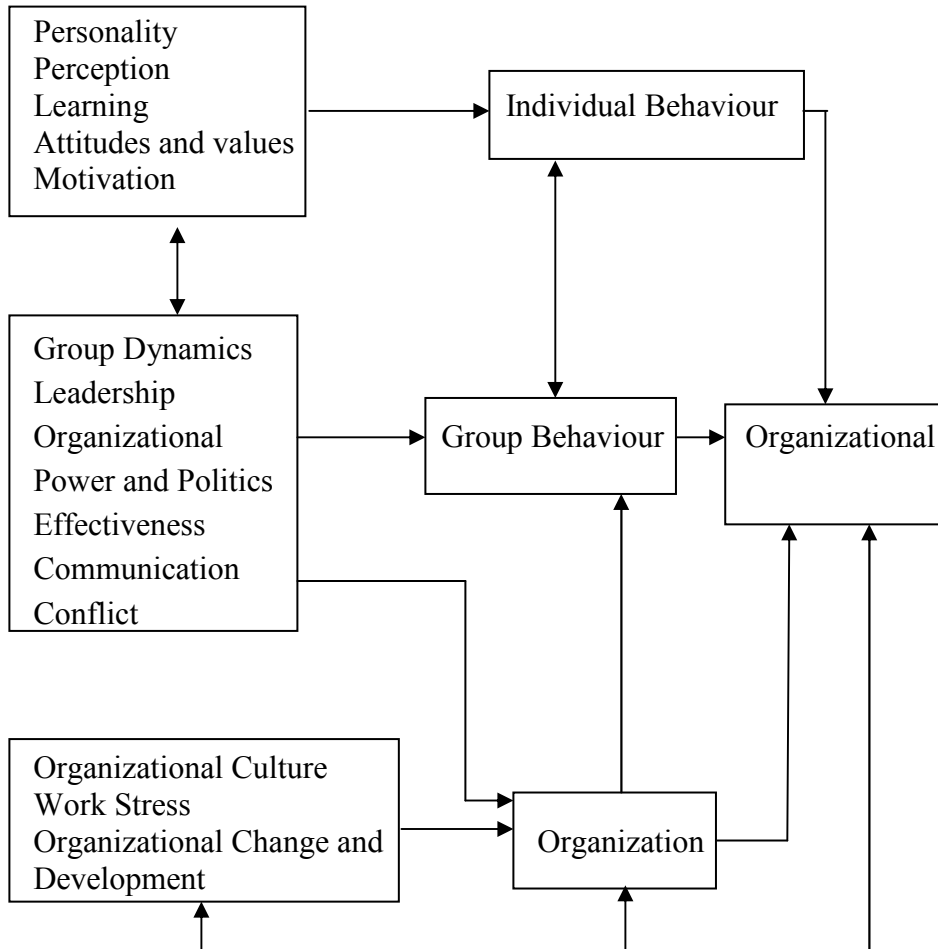
As seen from the figure individual behaviour comprises such aspects as personality, perceptions, attitudes, learning, and motivation. Group behaviour covers such topics as group dynamics, leadership, power and politics, communication and conflict. Study of organizations includes the nature of organizations and organizational change and development. Each level is constructed upon and will influence and is influenced by group behaviour, which in turn has impact on behaviour of organization. The cumulative effect of all these behaviours is felt on organizational effectiveness which in turn has impact on individual, group and organizational behaviours.

┌───┐
│ **Check your progress 2**   │
│ State whether the following statement is correct or not ?│
│ Organisation Culture is the result of group behaviour. │
│   │
│ **For answer see Answer to CYP.**   │
└───┘

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1.5   LET US SUM UP

Organization behaviour is the study of human behaviour in organization. Knowledge about human behaviour is useful to improve organizational effectiveness. Like any other disciplines, the subject organizational behaviour is based on certain fundamental assumptions. The most important of these are (a) individual differences (ii) whole person entity (iii) caused behaviour (iv) human dignity. Every individual bring to the work place a variety of personal attributes like age, sex, education and abilities. The reasons of individual differences and approaches of understanding human behaviour are explained in this unit.

1.6   KEY WORDS

Organisational Citizenship : Informal human behaviours which add to the effective functioning of the organization.
Caused Behaviour : Behavioral output resulting from a cause.

1.7   SUGGESTED READINGS FOR UNIT-I

1. Steven L. Mc Shane & Marry -   Organisational behaviour, at a Mc. Ann. Van Glinow Grew Hill Publishing Company Ltd. New Delhi.
2. Sharma R.A.- Organizational Theory & Behaviour, Tata Mc. Grew Hill Publishing Company Ltd. New Delhi.

1.8   ANSWERS TO CYP
Check your progress 1: Correct.
Check your progress 2: Incorrect.

1.9 REFLECTIVE QUESTIONS :
a. Define organizational behaviour ? Why should organizations give importance in understanding human behaviour ?
b. What are the factors which affect organizational behaviour ?
c. What are the reasons of individuals difference ?
d. Draw a model of organizational behaviour.

UNIT-2   PSYCHOLOGICAL FOUNDATIONS OF HUMAN BEHAVIOUR

STRUCTURE

2.0   OBJECTIVE

After going through this unit-2, you will be able to

- Explain the mechanism of perception and factors influencing perception.
- Appreciate the role of reinforcement in learning.
- Define attitude and discuss the features of attitude.

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- Discuss the various dimensions of personality.

2.1 INTRODUCTION

After going in brief about the concept of organizational behaviour, the Unit-2 will review, the psychological foundations of individual behaviour is about perception, learning, attitude & personality. In the next Unit-3 of Block-3, we shall discuss in detail about individual & Group behaviour.

2.2 PSYCHOLOGICAL FOUNDATIONS OF HUMAN BEHAVIOUR

Organization behaviour is a relatively young field of inquiry that studies what people think, feel and do in and around organizations. Organizations are groups of people who work independently towards some purpose. An understanding of individual behaviour begins with the major psychological contribution to organizational behaviour. These contributions are subdivided into the following four concepts: perception, learning, attitude and personality.

All organizations are composed of individual, with different personality, attitude, values, perception, motives, aspirations and abilities. The main reason to understand behaviour is that individuals are different. No two individuals are similar. In the early studies, theories of organisation and management treated people as though they were the same. In contrast, modern theories of human behaviour are based upon the differences among people and how these differences can affect the organization.

Before we proceed to understand human behaviour, it is better to know what the term 'behaviour' means. Behaviour can be defined as a response/s which is observed directly / indirectly. Direct observation is possible by deploying the responses of people to work environment. Indirect observations are decision making processes and attitudes in terms of results or how people describe them verbally.

Some of the psychological basis of human behaviour such as perception, learning, attitude and personality and motives will be explained in this unit.

2.3   PERCEPTION

Perception is the process of selecting, organizing and interpreting or attaching meaning to events happening in the environment. Perception is the intellectual terms by which a person acquires the information from the environment, organizes it and obtains the meaning from it. Perception basically refers to the manner in which a person experiences the world. Perception is the process by which people interpret, experiences process and use stimulate materials in the environment so that they satisfy their needs.

2.3.1   Perception Process

Perceptual inputs are first received, then processed by the perceiver and the resultant output becomes the base of the behaviour. The figure 2-A illustrates the perceptual process.
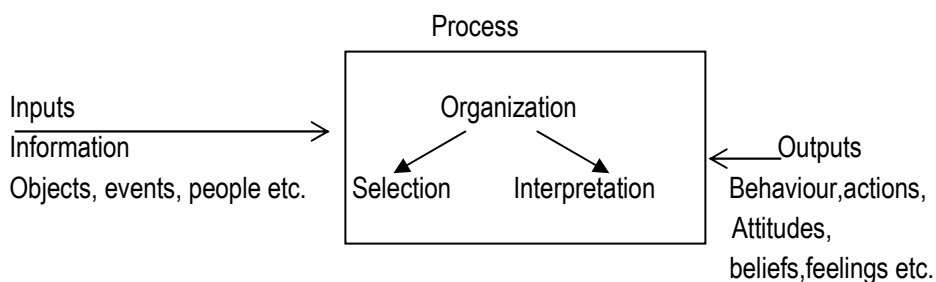

Fig. 2-A Perceptual Process

The model has four variables

Inputs :	Perceived inputs are the objects, events, people etc. that are received by the perceiver.
Process :	The received inputs are processes through the selection, organization and interpretation.
Outputs:	Through the processing mechanism, the output is derived. The outputs may be feelings, actions, attitudes etc.
Behaviour:	Behaviour is dependent on these perceived outputs. The perceiver's behaviour inturn, generates responses from the perceived and

those responses give rise to a new set of inputs.

Mechanisms of Perception

The mechanism of perception are selection, organisation and interpretation. Perceptual selection takes account of only those stimuli that are relevant and appropriate for an individual. Perceptual organisation is concerned with shaping the perceived inputs and converting them into a meaningful shape or form. The final mechanism – perceptual interpretation, deals with inference from observed meaning from the perceived events or objects. From it emerges the resultant behaviour of individual.

Selection

Individuals will not be able to assimilate all they observe so they engage in selectivity. Selection is the fundamental step in perceptual process. Individuals collect bits and pieces of information, not randomly, but selectively depending on the interests, background experience, attitudes of the perceiver.

Dearborn and Simon performed perceptual study in a steel company in which twenty-three business executives were studied about their perceptions of the organisation and their most important problems. They were six sales; five production, four finance and eight miscellaneous managers. All were asked to identify the major problem confronting the company. The result is that virtually all of the managers identified as the most central problem closely related to their own specialty.

Thus people selectively perceive what is most important for them in a particular situation.

Selective perception involves two psychological principles:

a) *Figure Ground Principle:* In the field of perception certain factors are considered significant and give a meaning to the person, and certain others which are whether unimportant for a person or cannot be studied are left: as insignificant. The meaningful and significant portion is called the "figure" and the insignificant or meaningless portion is labeled as "ground".

b)   *Relevancy:* Relevancy is one important criterion for selective perception. People selectively perceive things that are relevant to their needs and desires.

Organisation

The perceived inputs (incoming stimuli) are organized into meaningful pictures to the perceiver. Organising the information that is incoming into a meaningful whole is called "organisation". This process is also labeled as "gestalt process". Gestalt is a German word meaning "to organize". There are different ways by which people organize the perceived inputs, objects, events for e.g. grouping, closure and simplification.

(a)   *Grouping :* Grouping is possible depending on the similarity or proximity. The tendency to group people or things that appear to be similar in certain ways, but not in all, is a common means of organizing the perceptions.

(b)   *Closure***:** People when faced with incomplete information have tendency to fill the gaps themselves to make it more meaningful. The tendency to form a complete message is known as "Closure".

(c)   *Simplification:* Whenever people are overloaded with information they try to simplify it to make it more meaningful and understandable. Simplification occurs when the perceiver subtracts less salient information and concentrates as important one.

Interpretation

The third and most important mechanism of perception is interpretation. Without the interpretation it does not make any sense. Interpretation is subjective and judgmental process. In organisation, interpretation is influenced by many factors such as the halo effect, stereotyping, attribution, impression and inference.

(a)   *Halo effect:* It is the process of using a single trait of individual and drawing a general impression about him. It has an important implication for evaluating employees in an organisation. Those employees with certain features are rated highly on other characteristics also. But halo effect leads to negative effects also. They are more often right than wrong.

(b)   *Stereotyping:* Judging people on the basis of the characteristics of the group to which they belong is called "stereotyping". The word stereotype was first applied by Walter Lippmann to perception. It was basically applied for ethnic prejudice. Second and Backman observe that "stereotyping" is not simply the assignment of favourable or unfavourable traits to a class of persons as a function of whether the observer has a positive or negative attitude toward the person's category. Most stereotypes have both Favourable and Unfavourable traits and more prejudiced individuals assign both in greater degree. Stereotyping greatly influences perception in organizations.

The basic problem with stereotyping is that it does not give indepth truth and gives rise to distortion because sometimes perception may be inaccurate and based on a false impression about a particular group. It is also a major source of social and racial bias.

(c)   *Attribution:* When people give cause and effect explanation to their behaviour it is known as attribution. Perception is distorted sometimes by the efforts of the perceiver to attribute a casual explanation to an outcome. There is a tendency for the individuals to attribute their own behaviour to situational requirements but explain the behaviour of others by their personal dispositions.

(d)   *Impression:* People often form impression of others on the first sight. Even before knowing any of their personality traits they start having impressions and assess. This sometimes leads to perceptual distortion.

(e)   *Inference:* There is a growing tendency on the part of people to judge others on limited information. For example an employee might be sitting at his desk throughout the working hours without doing anything but it is inferred that he is hardworking.

2.3.1.1   *Attribution Theory*

The essence of this theory is the search for attributes (or causes) of perception. It may refer to one's own perception or some other's. According to Kelley.

It is concerned mainly with the cognitive processes by which an individual interprets behaviour as being caused by (or attributed) certain parts of the relevant environment.

Since most causes, attributes and 'why' are not directly observable, the (attribution) theory states that people must depend upon cognitions, particularly perception. The attribution theorist assumes that humans are rational and motivated to identify and understand the casual structure of their relevant environment.

Attribution theory plays a vital role in the fields of motivation, performance appraisal and leadership. Obviously, the more correct the assumptions of the manager about the perceptions of his subordinates, the more realistic will be his attitudes, policies and decisions in respect of them.

Check your Progress 1.
Find the odd man out from the following:
a) Grouping b) Closure c) Simplification d) Assimilation.

For answer see Answer to CYP

2.3.2 Factors Influencing Perception

The factors that influence perception mechanisms are of two kinds – internal and external.

- Internal factors: The internal factors are the needs, desire of individual, individual personality and the experience of people.
- External (exogenous) factors : The external factors which influence the perception are size, intensity, frequency, status etc.

2.3.3 Perception and its application in organizations

People in organizations are always assessing others. Managers must appraise their subordinate's performance, evaluate how co-workers are working. When a new person joins a department he or she is immediately assessed by the other persons. These have important effect on the organization.

i. Employment Interview : Interviewers make perceptual judgments that are often inaccurate. Different interviewers see different things in the same candidate and arrive at different conclusions about the applicant. Employment interview is an important input for the hiring decision, and perceptual factors influence who is hired and vis-à-vis the quality of an organisation's labour force.

ii. Performance Appraisals : An employee's performance appraisal is very much dependent on the perceptual process. An employee's future is closely tied to his or her appraisal – promotions, increments and continuation of employment are among the common outcomes. The performance appraisal represents an assessment of an employee's work. While this may be objective most jobs are evaluated in subjective terms. Subjective measures are judgmental. The evaluator forms a general impression of an employee's work. To the degree that managers use subjective measures in appraising

employee's the evaluator perceives to be 'good or bad' employee characteristics / behaviours will significantly influence the appraisal outcome.

iii.   Assessing Level of Effort : In many organisations, the level of employee's effort is given high importance. Assessment of an individual's effort is a subjective judgment susceptible to perceptual distortions and bias.

iv.   Assessing Loyalty : Another important judgment that managers decide about employees is whether they are loyal to the organisation.

v.   Productivity : What individuals perceive from their work situation will influence their productivity. More than the situation itself than whether a job is actually interesting or challenging is not relevant. How a manager successfully plans and organizes the work of his subordinates and actually helps them in structuring their work is far less influence productivity, it is necessary to assess how workers perceive their jobs.

vi.   Job Satisfaction : Job satisfaction is a highly subjective, and feeling of the benefits that derive from the job. Clearly his variable is critically linked to perception. If job satisfaction is to be improved, the workers' perception of the job characteristics, supervision and the organisation as a whole must be positive.

In order to decrease the errors involved in perception, one has to keep in mind the way the perceptual process works. By understanding the process one can do a better job at minimizing their negative effect. Secondly, one can compare one's perception with other people, if they are representing different backgrounds, cultures or training. This may lead to agreement or otherwise, communications can help to sort out the differences. Thirdly, one should understand other person's point of

view, it may help to know when one is wrong. The point is that one should listen and understand the other person rather than try to convince him or her that one is right. Fourthly, one should be willing to change, when one comes across new information. This will overcome stereotypes, halo effects and perceptual defences. Finally, one should view the world in dynamic terms, because one's behaviour can alter the phenomenon that is the basis for one's perceptions, so one must notice the impact of one's own behaviour.

In short, it can be said that perception skills can be changed by :

- Knowing and perceiving oneself accurately.
- Being empathic i.e. to see a situation as it is experienced by others.
- Having positive attitudes, which helps in reduction of perceptual distortions.
- Enhancing one's self-concept, which helps in perceiving more accurately.
- Making a conscious effort to avoid the possible common biases in perception.
- Communicating with employees to erase incorrect perceptions/
- Avoiding attributions.

2.4   LEARNING

All complex behaviour is learned. If we want to explain and predict behaviour, we need to understand how people learn.

A psychologist's definition is considerably broader than the laypersons' view that "it is what we did when we went to school". In actuality each one of us is continuously going "to school". Learning occurs all the times. Infact learning is generally defind as any relatively permanent change in behaviour that comes about as a result of experience. Ironically we can say that changes in behaviour indicates that learning has taken place and that learning is a change in behaviour. The forgoing definition suggests that we will never see some one Learning. We can see changes taking place but not the learning itself. The concept is theoretical and hence, not directly observable.

In other words, we infer that learning has taken place if an individual behaves reacts, response as a result of experience in a manner different from the way he formerly behaved.

The above definition has several components that deserve clarification.

First Learning involves change although the change may be for good or bad from an organization's point of view.

Second, the change must be relatively permanent. Temporary change may be only reflexive and fail to represent any Learning. This requirement thus, rules out behavioural changes caused by fatigue or drugs.

Third, our definition is concerned with behaviour. Learning takes place when there is a change in action. A change in an individual's thought processes or attitudes if accompanied by no change in behaviour would not be learning.

Fourth, the change in behaviour should occur as a result of experience, practice or training. The crucial test still remains : Does this experience result in a relatively permanent change in behaviour ? If the answer is yes, who can say that Learning has taken place.
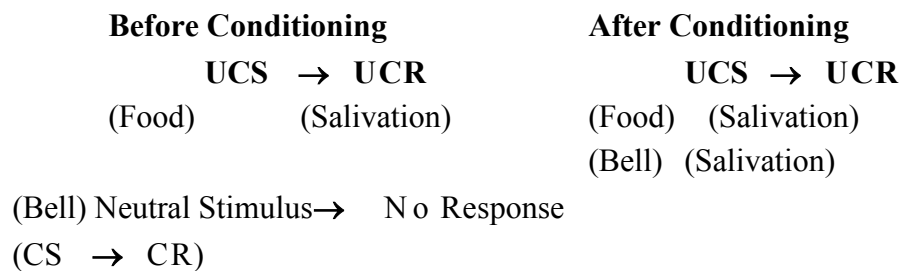
Finally, contrary to popular belief, learning is not confined to one's schooling. Learning occurs throughout one's life.

2.4.1 Learning Process

One reasons why so many different kinds of events are explainable in terms of learning, is that there are at least two different process by which learning takes place. These processes are referred to as **(a) Classical Conditioning** and **(b) Operant or Instrumental Learning.** Another important distinction is between simple and complex learning. While both instrumental and classical conditioning are cases of former, complex learning includes cognitive learning and modeling. Before discussing how behaviour can be changed in organizations, it is necessary to understand how these processes work and in what ways they differ from each other.

Classical Conditioning : Working in Russia, in 1902, Ivan Pavlov, a physiologist discovered that the dog he was experimenting upon, did not salivate only when it was given food, but also when it heard the sound of a bell that used to ring just before the food was offered. It was natural for salivation to occur at the presence of food but why did this happen

when the bell was sounded. According to Pavlov, the neutral stimulus (bell) got paired with the unconditioned stimulus (food), resulting in a learned (conditioned) response of salivation to the new conditioned stimulus (bell). The situation before and after conditioning is represented in Fig. 2-B below:

Before Conditioning   **After Conditioning**

UCS → UCR   UCS → UCR

(Food)   (Salivation)   (Food)   (Salivation)

(Bell)   (Salivation)

(Bell) Neutral Stimulus→   N o Response

(CS → CR)

Figure 2-B : Classical Conditioning

The problem with the example discussed above is that the whole process of learning has to be initiated from outside. Since the bell did ring before the food came, pairing took place. The dog had no part to play in it. This model can therefore explain very few aspects of our behaviour.

Operant Learning : Quite another process was described by the Harvard psychologist, Skinner. Here, every response is followed by a consequence and the consequence determines whether the response will be repeated or not. In Skinner's typical experiments, a pigeon could be trained to press a lever by giving it a food pellet each time the lever was pressed. Of course, the first time the lever would usually be pressed by accident. Gradually as each response was followed by food, the tendency to press the lever increased.

S   →   R   →   Consequence

(Voluntary Behaviour)   (Food Pellet)
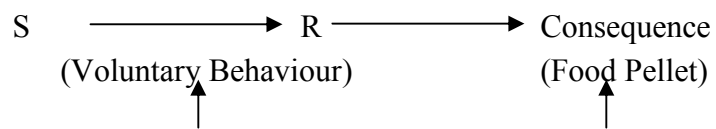
Figure 2-C : Operant Learning

Both classical conditioning and operant learning involve the learning of simple stimulus-response sequences. An elementary response like a motor response may be learned because it has been followed by a positive consequence. Operant learning also explains how more complex sequences can be learned.

Cognitive Learning and Modeling : Some psychologists believe that neither of the process is mentioned above can explain all the learning that takes place. Operant learning takes a lot of time. First of all the right behaviour has to be produced. Then it needs to be rewarded. Only when the same response has been rewarded several times does the change become effective. Once again, it seems unlikely that all learning could be explained in this manner. In fact, most problem solving situations cannot be explained in this manner. In 1914, Kohler demonstrated that if a monkey was given two sticks, both of which were too short to reach a banana lying outside a cage, the monkey would have an experience of 'insight'. Without much prior exposure, the monkey would suddenly join the sticks together and pull the banana inside. This kind of learning takes place inside the mind. It is like fitting two bits of a jigsaw puzzle together. Reinforcement simply plays the part of strengthening the response, it does not actually cause learning. The principle involved here is perceptual reorganization, i.e., putting bits of information you have together in a new way. This kind of learning is probably very important in changing attitudes towards people.

In Modeling, learning takes place through the process of identification. By identifying, a person starts displaying behaviour like that of someone else. In organizations this could show up in small details adopting a style of communication like that of one's superior. Modeling also helps in taking on new roles. A person who has been promoted to a new position may, at least initially, unconsciously imitate some of the behaviour of his predecessor. However, only those people will be chosen as models who seem to have power, control resources, and are seen to be giving direct or indirect reward for their behaviour. The presence of models who are highly identified with organizational goals is likely to go a long way in shaping the behaviour of other members of the organization. Like all other processes. Modeling too can have negative consequences. Thus, subordinate members of an office can learn to come late or display temper tantrums if someone senior to them behaves in this manner. Emotional responses are picked up particularly fast by this method.

2.4.2   Reinforcement

Reinforcement is the most important principle of Learning. Reinforcement may be understood as anything that increases the

strength of response and tends to induce repetitions of the behavriour that proceeded the reinforcement.

Simply told, reinforcement refers to the consequences of behaviour, When we attempt to mould individuals by guiding their learning in graduated steps, we are shaping behaviour.

WE SHAPE BEHAVIOUR BY SYSTEMATICALLY REINFORCING EACH SUCCESSIVE STEP THAT MOVES THE INDIVIDUAL CLOSURE TO THE DESIRED RESPONSE.

Check your Progress 2

Correct the following statement.

Pavlov used pigeon to prove classical conditioning routes to learning.

For answer see Answer to CYP.

2.5 ATTITUDE

Attitude evolve out of perception and learning processes. One is not born with attitudes but acquires them through life experiences. But certain basic attitudes are framed during early years of life . Attitudes are evaluative statements – either favourable or unfavourable – concerning objects, people or events. They select how one feels about something. When I say " I like my job". I am expressing my attitude about work.

Attitudes are related to behaviour. It is an undimentional variable, i.e. positive or negative. It is something inside a person. Attitude in a person could be observed in three ways :

- Direct experience with the person or situation.
- Association with other similar persons or situation.
- Learning from others about their association with person or situation.

Direct experiment is the concrete experience stage of learning. Association is similar to abstract conceptualization and generalization. Learning from others like reflection and observation.

In organizations, attitudes are important because they affect job behaviour. If workers believe, for example, that supervisors, auditors, bosses and time and motion engineers are in all conspiracy to make employees work harder for the same or less money, than it makes sense to try to understand how these attitudes were formed, their relationship to actual job behaviour, and how they might be changed.

2.5.1 Types of Attitudes

Individual possess hundreds of altitudes. But in organizations, attitudes are important because they affect job behaviour. There are three primary attitudes, job satisfaction, job involvement and organizational commitment.

Job satisfaction refers to an individual's general attitude toward his or her job, which is either positive or negative, i.e. satisfied or dissatisfied.

Job involvement measures the degree to which a person identifies with his job, actively participates in it and considers his performance important to his self-worth.

Organizational commitment is an orientation toward the organization in terms of loyalty, identify the involvement in the organization. These attitudes are measured so that behaviours like productivity, absenteeism and turnover can be predicted.

2.5.2 Changing Attitudes

Managers need not be interested only in understating the attitudes of people, but in changing them. Since attitudes are learned they can be changed. Persuasive communications are used to change attitudes. But attitude are slow to change. Because they are based on deep seated beliefs and values.

The barriers to change arise due to number of factors. One obstacle to the change of attitude is the attitude theory of balance and consistency. That is, human beings prefer their attitudes about people and things to be in line (i.e., balanced, consistent) with their behaviours towards each other and objects. When attitudes or behaviours are not consistent, people usually seek to reduce the inconsistency rewarding internally. Leon Festinger has developed a theory in support of attitude consistency. Called cognitive dissonance, Festinger's theory states that dissonance makes an individual feel uncomfortable. This feeling makes the individual try to reduce dissonance.

Cognitive dissonance also occurs when a person behaves in a fashion that is inconsistent with his or her attitudes. For example, a person may realize that smoking and overeating are dangerous, yet continue to do both. Because the attitudes and behaviours are not consistent with each other, the person probably will experience a certain amount of tension and discomfort and may engage in dissonance reduction, seeking ways to reduce the dissonance and tension it causes. The dissonance associated with smoking might be revolved by rationalizing, "just a pack a day will not affect my health", or "I can quit when I have to". With regard to overeating, the person may decide to go on a diet "next week". In general, the person attempts to change the attitude, alter the behaviour, or perceptually distort the circumstances to reduce tension and discomfort.

In the organizational setting cognitive dissonance occurs when an employee desires to leave the present job as there is no use in continuing and working hard. The individual may rationalize his or her stay with such explanations as, "Organization is not bad after all", or "what is the alternative?"

The second barrier to change of attitude is prior commitments. This occurs when people feel a commitment to a particular course of action and are unwilling to change.

The third barrier results from insufficient information. Sometimes people see no reason why they should change their attitudes. The boss may not like a subordinate's negative attitude, but the latter may be quite pleased with his behaviour. Unless the boss can show the individual why a negative attitude is detrimental to career progress or salary increases or some other personal objective, the subordinate may continue to have negative attitude.

The process of change of attitude may begin through an analysis of the strength of the employee's attitude, change the attitude. Employees are most likely to respond to change efforts made by someone who is liked, credible and convincing.

It is easier to change an employee's attitude if he or she is not strongly committed to it. Conversely, the stronger the belief about the attitude, the harder it is to change. In addition, attitudes that have been expressed publicly are more different to change because it requires one to admit he or she has made a mistake.

Measures for changing employee attitudes may be indicated thus :

- making available adequate information about the job, about pay conditions, future prospects and the like;
- placing before the employee some new prospects;
- removal of discrepancies, grievances, frustrations etc.

2.6   PERSONALITY

Why are some people quite and passive, while others are loud and aggressive? Are certain personality type better adapted to certain job types? Before answering these questions, we need to address a more basic one: What is personality?

The most frequently used definition of personality was produced by Garden Allport. He defined personality as the dynamic organization within the individual of these psychological system that determines his unique adjustments to his environment.

Personality can also be described as the sum total of the ways in which an individual reacts and interacts with others.

Some of the other definitions are "Personality is a vehicle to integate perception, learning, values and attitudes and thus to understand the total person". "Personality is an individual's total sense of self, it is an organizing force for the persons particular pattern of exhibited traits and behaviour". Personality is influenced by the personal life and where he is working. Personality is, therefore, a very diverse psychological concept.

2.6.1   Determinants of personality

An early argument in personality research was whether an individual' s personality was the result of heredity or of environment was the personality predetermined at birth? Clearly, there is no simple answer. Personality appears to be a result of both hereditary and environmental factors, moderated by situational conditions.

Heredity

Heredity refers to those factors that were determined at conception. Physical appearance, temperament, energy level and biological rhythms are the characteristics which are generally influenced by one's Parents' i.e., One's Biological, Physiological and Inherent psychological Make up. The Heredity approach feels that personality of an individuals is the Molecular Structure of the genes, located in the chromosomes.

Environment

Culture plays an important role in the formation of personality, i.e. early conditioning, the norms among the family, friends and social groups. With the socialization process in the group, personalities are altered over time.

Situation

Though an individual's personality is consistent, it does change depending on the situation. Different demands in different situations call forth different aspect of one's personality.

The relationship of these three factors affects the formation and development of Personality. Physiological inheritance is entirely an internal contribution. Group and the culture are the early environmental factors that forms later behaviour. Family and the social setting during early stages of education are the important factors which influences the initial formation of personality. Whatever the child learns here lasts for life time. Later in life, it is the peer groups or primary affiliations at work, social activities which shape the Personality.

2.6.2 Key Personality Attributes

Psychologists have studied personality traits extensively, resulting in the identification of sixteen primary personality traits. They are shown in Fig 2-D.

1.	Reserved …………………….	Outgoing
2.	Less intelligent ………………	More intelligent
3.	Affected by feelings …………	Emotionally stable
4.	Submissive …………………...	Emotionally stable
5.	Serious ………………………	Happy-go-lucky
6.	Expedient …………………….	Conscientious
7.	Timid …………………………	Venturesome
8.	Tough-minded ………………..	Sensitive
9.	Trusting ………………….……	Suspicious
10.	Practical ………………………	Imaginative
11.	Fortnight ……………………...	Shrewd
12.	Self-assured …………………..	Apprehensive
13.	Conservative ………………….	Experimenting
14.	Group-dependent ……………..	Self-sufficient
15.	Uncontrolled ……………..…..	. Controlled
16.	Relaxed ………….…………...	Tense

Fig. 2-D Sixteen Primary Traits

These sixteen traits have been found to be generally steady and constant sources of behaviour, allowing prediction of an individual's behaviour in specific situations by weighting the characteristics for their situational relevance. Unfortunately, the relevance of these traits for understanding behaviour in organizations is far from clear.

Four personality attributes have been identified that appear to have more direct relevance for explaining and predicting behaviour in organizations. These are: locus of control, authoritarianism, Mechiavellianism, and risk propensity.

2.6.3   Importance of Personality

Understanding of personality is very important because by determining what characteristics will make for effective job performance, it can aid in personnel selections; by increasing understanding of how personality and job characteristics interact it can result in better hiring, transfer and promotion decisions, and by providing insights into personality development it can help to anticipate, recognize and prevent the operationalising of costly defenses by organizational members.

There are certain procedures by which personality can be predicted:

- 'Rating Scales' from peers or friends help in predicting behaviour.
- 'Experimental procedures' which help in the assessment of some characteristics of person.
- With the help of a 'Questionnaire' one can assess behaviour of the other, provided the answers are genuine.
- Projective Tests like Thematic Apperception Test, Rorschach's Ink-Blot test help in predicting the personality of an individual.

These measurements help in effectiveness of the organization.

Check your Progress 3.

Find the odd man out from the following

a) Personality can be measured
b) Attitude is acquired
c) Attitudes can be changed
d) Personality changes with situation.

For answer see Answer to CYP.

2.7   LET US SUM UP

This unit deals with the importance of understanding individual behaviour. Perception basically refers to the manner in which a person, experiences the world. While learning is a relatively permanent change in behaviour resulting from experience. Reinforcement plays a crucial role in learning. It is understood from this unit, that attitudes are opinion about things. Personality is the result of persons' experiences and genetic influences. Finally, the important of personality determinates and key personality attributes are explained in this unit.

2.8   KEY WORDS

- **Cognotive Learning:** Learning stretching rule existing store   of knowledge existing in once mind.

- **Model:** Pictorial   representation of parts showing relationship   between the parts, & thereby depicting the whole.

2.9   SUGGESTED READINGS FOR UNIT-2

- Aswa   Thappa. K,   Organizational Behaviour.,   Himalaya   Publishing House, New Delhi (4+   enlarged edition).

- Stephen P. Robbins, essentials   of organizational   behaviour. Prentui Hall of India Pvt. Ltd., New   Delhi.

2.10 ANSWERS TO CYP
- Check your Progress1: (d) Assimilation

- Check your Progress 2: **Either** Pavlov used dog to prove classical conditioning route to learning **or** Skinner used pigeon to prove Operant Learning method.

- Check your Progress 3: (c) Attitude cannot be changed. (Because, this is a wrong statement, rest are correct statements.)

2.11 REFLECTIVE QUESTIONS:

a. Describe the basic process by which learning takes place.

b. Is the use of reinforcement sufficient to change behaviour effectively?

c. Discuss citing example, why perception is key factor in management.

d. What are the most common perceptional errors that you make ? How do you think you can rectify them.

e. What is personality ? What are its determinates ? Which of them, you feel, are more important in shaping personality?

f. Do you think it is possible to change attitudes ? If yes, what are the ways ?

UNIT-3   INDIVIDUAL AND GROUP BEHAVIOUR

STRUCTURE

3.0   OBJECTIVE

After going through this unit you will be able to :

- Explain the basics of individual, and group behaviour.
- Compare the basic nature of individual behaviour according Theory X and Theory Y.
- Analyse the implications of Maturation Theory.
- Crucially evaluate the usefulness of Transactional Analysis.

3.1   INTRODUCTION

Individuals and groups, constitute the human resources foundations of organisation. **Unit-1** and **Unit-2** in this Blocks were devoted for the discussion on individual and their behaviour. The nature

and usefulness of groups and the various inputs which influence group behaviour will be discussed in this present **Unit-3**.

This unit shall be followed by unit 1 of Block 4, which deals with motivation related issues.

3.2   GROUP AND INDIVIDUAL BEHAVIOUR

You must understand that many things in life are beyond the capabilities of one person. It takes group efforts, to get the benefits of group synergy. When synergy occurs, groups accomplish more than the total of their individual member capabilities.

It is advisable to understand the usefulness of groups in the first place. Groups are highly useful for organizations and members. They can make important contributions to organizational task accomplishment and can also exert considerable influence on individual work attitude and behaviour.

Formal work groups and informal networks are important aspects of an individual's work setting. Groups are social settings that offer a variety of information, expectations, and opportunities that relate to individual need satisfactions. As a result these groups are major influences on individual work attitudes and behaviours. Figuratively speaking,

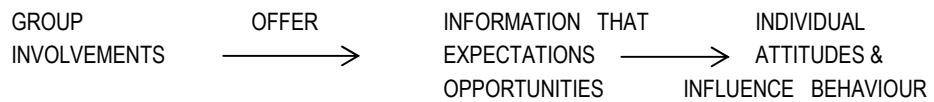| GROUP INVOLVEMENTS	OFFER $\longrightarrow$	INFORMATION THAT EXPECTATIONS $\longrightarrow$ OPPORTUNITIES	INDIVIDUAL ATTITUDES & INFLUENCE BEHAVIOUR

Fig. 3-A Individual and group behaviour

Groups are mechanisms through which people learn relevant job skills and knowledge. Group members can model correct behaviours, offer feed-back on performance, and provide direct instructions and assistance to one another. Often, these relationships among group members assist individuals in building abilities and acquiring competencies required to do well at their jobs. These group benefits often make up for deficiencies in the formal training and education practices of the organisation.

Individual motivation to expend effort on work tasks can also be affected by group involvements. Group members communicate expectations to one another regarding work performance. They may encourage or discourage high levels of effort. Members also influence one another's beliefs and predispositions about various aspects of the work setting. A new employee soon learns, for example, who the "bad" supervisors are or whom you cannot "trust" as co-worker. These influence may even extend to the point of communicating how the individual should feel about his or her job and the organisation. For example, a co-worker may indicate that "this is a good job to have a great place to work."

Perhaps the most apparent function of groups is their ability to satisfy the needs of their members. Groups provide for obvious social interactions and interpersonal fulfillments. A group can provide individual security in the form of direct work assistance and technical advice or emotional support in times of special crises or pressure. Groups also give their members a sense of identification and offer opportunities for ego involvement by assisting in group activities.

3.3   THEORY X AND THEORY

Douglas Mc Gregor proposed two distinct views of human beings : one basically negative, labeled theory X and the other basically positive, labeled. The theory Y.

After viewing the way managers dealt with employees, McGregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions, and that he or she tends to mold his or her behavior toward subordinates according to these assumptions.

Under Theory X, the four assumptions held by the manager are :

- Employees inherently dislike work and, whenever possible, will attempt to avoid it.
- Since employees dislike work, they must be coerced, controlled, or threatened with punishment to achieve desired goals.

- Employees will shirk responsibilities and seek formal direction whenever possible.
- Most workers place security above, all other factors associated with work, and will display little ambition.

In contrast to these negative views toward the nature of human beings, McGregor listed four other assumptions that he called Theory Y :

- Employees can view work as being as natural as rest or play.
- A person will exercise self-direction and self-control if he is committed to the objectives.
- The average person can learn to accepts, even seek, responsibility.
- Creativity – that is, the ability to make good decisions – is widely dispersed throughout the population, and not necessarily the sole province of those in management functions.

What are the motivational implications if you accept McGregor's analysis? Theory X assumes that lower-order needs dominate individuals. Theory Y assumes that higher order needs dominate individuals. McGregor, himself, held to the belief that Theory Y assumptions were more valid than Theory X. Therefore, he proposed ideas like participation in decision making, responsible and challenging jobs, and good group relations as approaches that would maximize an employee's job motivation.

Unfortunately, there is no evidence to confirm that either set of assumptions is valid, or that acceptance of Theory Y assumptions and altering and one's actions accordingly will lead to more motivated workers.

Strictly speaking they represent the two ends of spectrum. Management strategy in practice would lie between them and be conditional on the exigencies of the situation, which include the nature of work, the nature of workers, the strength of trade unions and many other factors. There may be several combinations of the two approaches

such as 10 per cent X and 90 per cent Y; 90 percent X and 10 percent Y; 50 percent X and 50 percent Y; and so on. A strategy which holds good now may not be effective a year hence. Again, in the same firm at about the same time one approach may be useful for one type of activity, but unsuitable to another type.

3.4   CHRIS ARGYRIS BEHAVIOUR ANALYSIS

Professor Chris Argyris of Havard has identified dimensions of the human Personality as it develops. He has postulated a maturation theory of personality development that proposes that all healthy people seek situations that offer autonomy, wise interests, to be treated equally, and the opportunity to exhibit their ability to deal with complexity. Healthy individuals tend to move from immaturity to maturity :

- From being passive to engaging in increasing activity.
- From dependence on others to independence.
- From having few ways to behave to possess many   alternatives.
- From having shallow interests to developing   deeper interests.
- From having a short time perspective to having a   longer time perspective.
- From being in a subordinate position to viewing   oneself as equal or superior.
- From lack of awareness of oneself to awareness of oneself.

According to Argyris, healthy people will show the behaviours of maturity while unhealthy people tend to demonstrate childlike immature behaviours. Further, Argyris argues that most organizations tend to treat their employees like children, making them dependent. Hence, this theory is also known as Maturation Theory. The manager who understands personality development is better able to predict these crises and recognize them as natural transitions that adults encounter.

Neither trait nor type approach, or theories of personality presented help in predicting behaviour of an individual. The reason is, they ignore situational contexts.

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Check your Progress 1.

State one common limitation of the theory given by Mc Gregor and Chris Argyris.

For answer see Answers to CYP.

</div>

3.5   TRANSACTIONAL ANALYSIS AND ITS USES

When two people interact with each other there results a social transaction. Analysis of the social transactions is called Transactional Analysis (TA). A formal definition of TA is that it is "The study of moves people make in their dealings with each other and is based on the idea that people's interactions resemble moves in games."

TA was introduced by Eric Berne and popularized by Thomas Harris in the 1960s. TA has found its acceptance everywhere because of several advantages associated with it. The advantages are :

- The bases of TA are simple to learn.

- The validity of TA is demonstrable.

- It provides a means for reducing the amount of bad feelings experienced by an individual.

- It increases efficient use of time.

- Helps promote effective communication.

- It is applicable at home as it is at work.

- It reinforces and implements other management development
    activities, including communication, leadership, brainstorming, management by objective, job enrichment, conflict resolution, and the like.

TA has certain limitations which are not to be ignored. There are few scientific studies available of its outcome. Besides

TA, basics to understand and utilize ego status, are difficult to define. TA jargon may led to more "cuteness" than insight into human behaviour.

3.5.1 Ego States

Basic to TA is the assumption that a person has three ego states, viz., parent, adult, and child.

The parent ego state represents the part of a person's personality that is authoritative, dogmatic, over protective, controlling, nurturing, critical, and righteous. These characteristics are usually learnt from one's parents or other adults who guided one's early life experiences.

The adult ego state represents the mature, rational, and objective part of a person's personality. These characteristics are acquired as one matures into adolescence and adulthood.

The individual gathers relevant information, analyses it carefully, generates alternatives, and makes logical choices. The adult is the "thinking" ego state. In the state people do not act impulsively or in a domineering way. In dealing with other people the adult state is characterized by fairness and objectivity.

The child ego state represents the childish, dependent, and immature part of a person's personality. These characteristics grow out of one's childhood experiences. Behaviours that are influenced by this ego state are laden with emotion, insubordination, joy or rebellion.

3.5.2 Life Positions

Harris suggests that in the process of "growing up", people make assumptions about themselves and others with whom they interact quite frequently. The combination of an assumption of oneself and another is known as life position. These positions are learned as a result of reinforcements received throughout life for expressions of need and responses to expressed needs and tend to be more permanent than the ego states. Transactional analysis, treating all interactions between two

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individuals as transactions, constructs the following classification of the four possible life positions held with respect to oneself and others :

- I'm not OK – you're OK – signifying competence of other.
- I'm not OK – you're not OK – signifying lack of confidence in one-self and trust in others
- I'm OK – you're not OK – signifying a feeling of domination.
- I'm OK – you're OK – signifying positive outlook toward life.

Harris suggests that the first three positions are based on feelings. The fourth is based on thought, faith and the wager of action. The first three have to do with why. The fourth has to do with why not.

3.5.3 Analysis of Transactions

Let us now understand how to analyse a transaction. The transaction consists of stimulus by one person and response by another, which response in turn becomes a new stimulus for the other person to respond to. The purpose of this analysis is to discover which part of each person- parent, adult, or child – is originating each stimulus and response. This becomes known through many clues which include not only the words used but also the tone of voice, body gestures, and facial expressions.

If a transaction is complementary, it car go in indefinitely. It provides an expected response and leads to open communication between two individuals. This happens when stimulus and response on the P-A-C transactional diagram make parallel lines as is seen in. Fig. 3-B
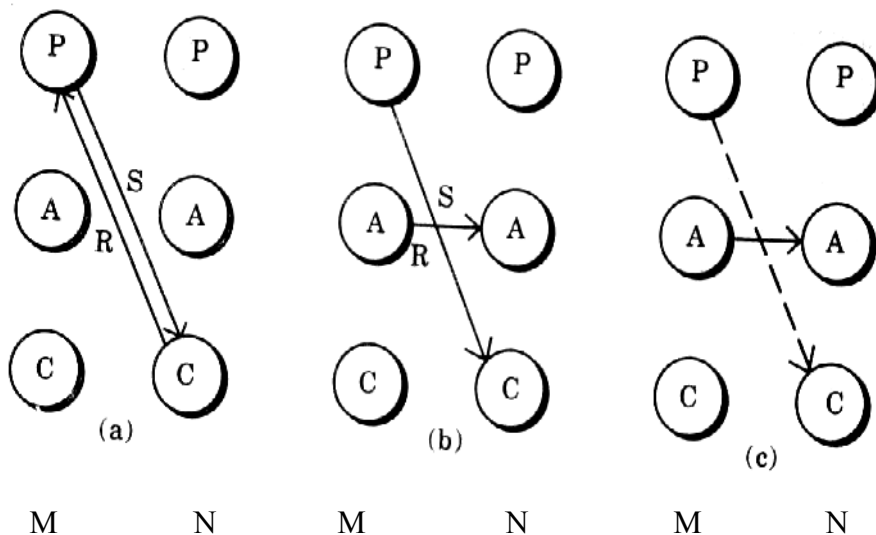
Fig:3-B : Complementary. Crossed and Ulterior Transactions

Key : P=Parent, A= Adult, C= Child, S= Stimulus, R= Response

In all these cases, M who provides the stimulus receives response from N from his expected or appropriate ego state. To cite a few examples in order to clarify the concepts, we have drawn from Harris's I'M OK – YOU'RE OK.

Parent   *– Parent Transaction*
Stimulus   – Kids nowadays are lazy.
Response   – It's a sign of the times.
Adult   *– Adult Transaction*
Stimulus   – Look's like man.
Response   – That's the forecast.

The kind of transaction that causes trouble is the uncomplimentary or crossed transaction. In other words, when stimulus and response cross on the P – A – C transactional diagram, communication stops. An impasse develops and such transactions may set off a whole series of noisy exchanges. In this case, the response in unexpected or inappropriate to the stimulus.

In these situations, M provides the stimulus, but N responds from his unexpected or inappropriate ego state. It may be illustrated as follows :

Adult – Parent Transaction

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Patient (Stimulus) – I would like to work in a hospital like this.

Nurse (Response) – You can't cope with your own problems.

Parent-Parent Transaction

Mother (Stimulus) – Go, clear up your room.

Daughter (Response) – You can't tell me what to do.

You're not the boss around here.

Dad's the boss!

Child-Child Transaction

Little Girl (Stimulus)   -   I hate soup, I'm not going to eat it.

You cook icky.

Mother (Response) -I'm just going to leave and then you can cook your own icky food.

This analysis enables one to determine the existence of patterns of transactions and ultimately know which ego state influences the personalities. This, in turn, indicates the life position an individuals has selected for himself and that helps in predicting future patterns of behaviour.

Check your Progress 2.

Define social transaction in one sentence.

For Answer see Answers to CYP

3.6   LET US SUM UP

Groups are significant because of their impact on individual work, attitudes and behaviour. The specific theories such as Theory X & Theory Y and Argyris' Behavioural analysis are probably the best known explanations for employee motivation. It helps the

practicing managers in explaining employee motivation through predicting behaviour of an individual. The managers who understands personality development is better able to predict the natural transition that adults encounter according to Maturation theory. The theory proposes that all healthy individuals tend to move from immaturity to maturity but most organizations tend to make their employees dependent. Transactional analysis is of practical value to every manager. It has made major contribution to the study of job satisfaction, employee motivation by helping managers in clarifying the source and consequence of the ego states, Parent, Adult and Child behaviour. A transaction is thus primarily a unit of social intercourse and its analysis may provide a clue to the behaviour of individuals as well as groups.

3.7   KEY TERMS

- **Motivation-** Willingness to do a particular function or produce a desired behaviour.

- **Theory X-** Negative assumptions relating to workers in organizational context.

3.8   SUGGESTED READINGS

1.   Tripathi P. C. & Reddy P.N. – Principal of Management.

     Tata Mc. Graw will publishing company limited New Delhi.

2.   Steven L. Mc. Shone and Marry An Non Marry Ann Von Glinow – Organisational Behaviour Tata Mc. Grow Hill-   publishing Company Ltd. New Delhi.

3.9 ANSWERS TO CYP.

- **Check your Progress 1:** Both of them ignore situational context.

- **Check your Progress 2:** Social transaction is a unit of social intercourse which provides the clues as to why people behave they do.

3.10 REFLECTIVE QUESTIONS

1. Bring out the impact of group behaviour in an organisation

2. Compare and contrast Theory X and Theory Y of Douglas Mc Grogor.

3. What are the implications of Maturity & Imatunity theory on the behaviour of employees in an organisation.

4. Explain the parent, child and adult ego states.

5. What is transactional analysis & How does it help in predicting future patterns of behaviour of an organisation.

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COURSE: COM-102
BUSINESS ENVIRONMENT

BLOCK- 4

MOTIVATION AND DIRECTING OF ORGANIZATIONAL BEHAVIOUR

Unit-1

MOTIVATION – NEED HIERARCHY THEORY, TWO FACTOR THEORY, EXPECTANCY MODEL

Unit-2

CONTROLLING – AND BEHAVIOURAL DIMENSIONS OF CONTROL

Unit-3

LEADERSHIP STYLES AND LEADERSHIP EFFECTIVENESS

BLOCK- 4   MOTIVATION AND DIRECTING OF ORGANIZATIONAL BEHAVIOUR

Introduction

This block is divided into three units to enable you to analyse the behaviour of individual and employees in the organisation through different motivational aspects. Is this block an efforts has been made to study some problems in organisation behaviour. This block 'Motivation and Directing of Organisational Behaviour', mainly deals with

- Study of Motivation and Need based theories of Motivation.
- Expectancy model of motivation.
- Behavioural dimentions of control.
- Critical appreciation of leadership styles and
- Finally method of evaluating leadership

Unit-1 will focus on concept of motivation and theories of motivation. **Unit-2** covers discussion on control and its implication on individual behaviour. **Unit-3** will enable you to know different leadership styles practiced by managers / executives in the organisations and to derive leadership effectiveness. The related issues of the subject have also been discussed in block 1,2,3 and 5.

While going through the units you are expected to answer the self Assessment questions provided within each of the units to assess yourself about your understanding of the subject matter.

UNIT-1 MOTIVATION – NEED HIERARCHY THEORY, TWO FACTOR THEORY, EXPECTANCY MODEL

STRUCTURE :

1.0   OBJECTIVE

After reading this unit, you will be able to
*   Outline the basic motivational process.
*   Describe Maslow's Heirarchy of Needs Theory
*   Discuss Two Factor Theory
*   Clarify the key relationships in expectancy model

1.1   INTRODUCTION

Till now we have discussed perception, attitudes, learning and personality and other variables which represent different inputs of intra personal behaviour. This unit is devoted to the discussion of the nature and theories of motivation. These explanations will also give a general guidelines to help you motivate others more effectively. Unit-2 of Block-4 shall deal with controlling and related behavioural issues.

1.2   WHAT IS MOTIVATION ?

Motivation refers to the behaviour itself or the end result of all the inputs. The fact is that some people work harder or exert more effort than others. The result is that individual of lesser ability can, and do, out perform their counterparts. For this reason, an

individuals performance at work or otherwise depends not only on ability but on motivation as well.

Motivation is getting people to do what you want them to do because they want to do it. We might define motivation in terms of some outward behaviour. People who are motivated exert a greater effort to perform than those who are not motivated. However, Such a definition is relative and tells us little. A more descriptive but less substantive definition would say that motivation is the willingness to do something, and is conditioned by this action's ability to satisfy some need for the individual. A need, in our terminology, means a physiological or psychological deficiency that makes certain outcomes appear attractive. This motivation process can be seen in Figure1-A.

| Unsatisfied need | → | Tension | → | Drivers | → | Search behaviour | → | Satisfied need | → | Reduction of tension |
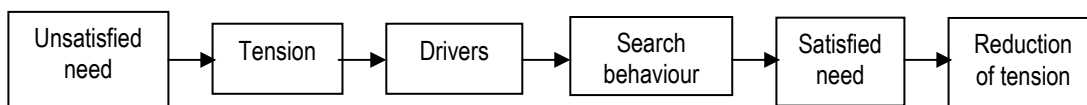
Figure 1 – A   Basic Motivation Process

An unsatisfied need creates tension, which stimulates drives within the individual. These drives generate a search to find particular goals that, is attained, will satisfy the need and lead to the reduction of tension.

Motivated employees are in a state of tension. In order to relieve this tension, they engage in activity. The greater the tension, the more activity will be needed to bring about relief. Therefore, when we see employees working hard at some activity, we can conclude that they are driven by a desire to achieve some goal that they value.

1.3 EARLY THEORIES OF MOTIVATION

The decade of the 1950s was a fruitful period in the development of motivation concepts. The two specific theories was formulated during the period, which though now heavily attacked, and their validity called in question, are probably still the best known explanations for employee motivation. These are, the Hierarchy of needs theory and Two Factor Theory, you should know these theories for at least for two reasons.

- They represent a foundation from which contemporary theories have grown and
- Practicing managers regularly use these theories and their terminologies in explaining employee motivation.
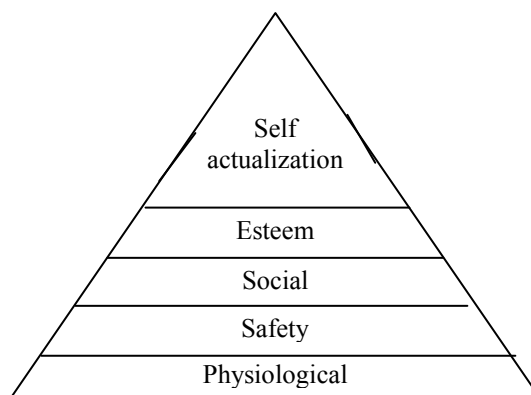
1.4 HIERARCHY OF NEEDS THEORY

It's probably safe to say that the best-known theory of motivation is Abraham Maslow's *Hierarchy of Needs theory*. He hypothesized that within every human being there exists a hierarchy of five needs. These needs are :

- **Physiological** – includes hunger, thirst, shelter, sex, and other bodily needs
- **Safety** – includes security and protection from physical and emotional harm
- **Social** – includes affection, a sense of belonging, acceptance, and friendship
- **Esteem** – includes internal factors such as self-respect, autonomy, and achievement; and external factors such as status, recognition, and attention
- **Self-actualization** –the drive to become what one is capable of becoming; includes growth, achieving one's potential, and self-fulfillment

As each of these needs become substantially satisfied, the next need becomes dominant. In terms of Figure 1-B, the individual moves up the hierarchy. From the standpoint of motivation, Maslow's theory would say that although no need is ever fully gratified, a substantially satisfied need no longer motivates.

Maslow separated the five needs into higher and lower orders. Physiological and safety needs were described as lower order; social, esteem, and self-actualization were categorized as higher-order needs. The differentiation between the two orders was made on the premise that higher-order needs are satisfied internally, whereas lower-order needs are predominantly satisfied externally (by such things as wages, union contracts, and tenure). In fact, the natural conclusion to be drawn from Maslow's classification is that, in times of economic plenty, almost all permanently employed workers will have their lower-order needs substantially met.

Maslow's need theory has received wide recognition, particularly among practicing managers. This can be attributed to the logic and ease with which the theory is intuitively understood. Unfortunately, however, research does not generally validate the theory. For instance, little support is found for the prediction that need structures are organized along the dimensions proposed by Maslow or the prediction that the substantial satisfaction of a given need leads to the activation of the next higher need. So, although the need hierarchy is well known and undoubtedly used by many managers as guide toward motivating their employee, there is little substantive evidence to indicate that following the theory will lead to a more motivated work force.

Figure : 1 – B   Maslow's Hierarchy of Needs

Check your Progress 1

Fill in the blanks.

Higher order needs are satisfied_____ and lower order needs are satisfied_____, at least as suggested by Maslow.

For answer see Answers to CYP.

1.5   TWO FACTOR THEORY

Another very popular theory of motivation is that proposed by psychologist Fredrich Herzberg. This model, which is variably termed as Two factor theory, the dual factor theory, and the motivation hygiene theory, has been widely accepted by managers concerned with the problems of human behaviour at work.

There are two distinct aspects of the motivation-hygiene theory. The first and more basic part of model represents a formally stated theory.

Herzberg carried out his now famous survey of 200 accountants and engineers. Herzberg used the critical incident method of obtaining data for analysis. The respondents were essentially asked two questions: (1) When did you feel particularly good about your job; and (2) When did you feel exceptionally bad about your job.

Responses obtained from this critical incident method were interesting. It was revealed that factors which made respondents feel good were totally different from those which made them feel bad. As seen in Fig. 1- C certain characteristics tend to be consistently related to job-satisfaction (factors on the right-side of the figure), and other to job-dissatisfaction (factors on the left-side of the figure).

Intrinsic factors, such as achievement, recognition, the work itself, responsibility, advancement, and growth seem to be related to job-satisfaction. These factors are variously known as motivators, satisfiers and job content factors. When questioned when they felt good about their work, respondents tended to attributed these characteristics to themselves. On the other hand, when they were dissatisfied, they tended to extrinsic factors, such as company policy and administration, supervision, work conditions, salary status, security, and interpersonal relations. These factors are also known as dissatisfiers, hygiene factors, maintenance factors, or job context factors.
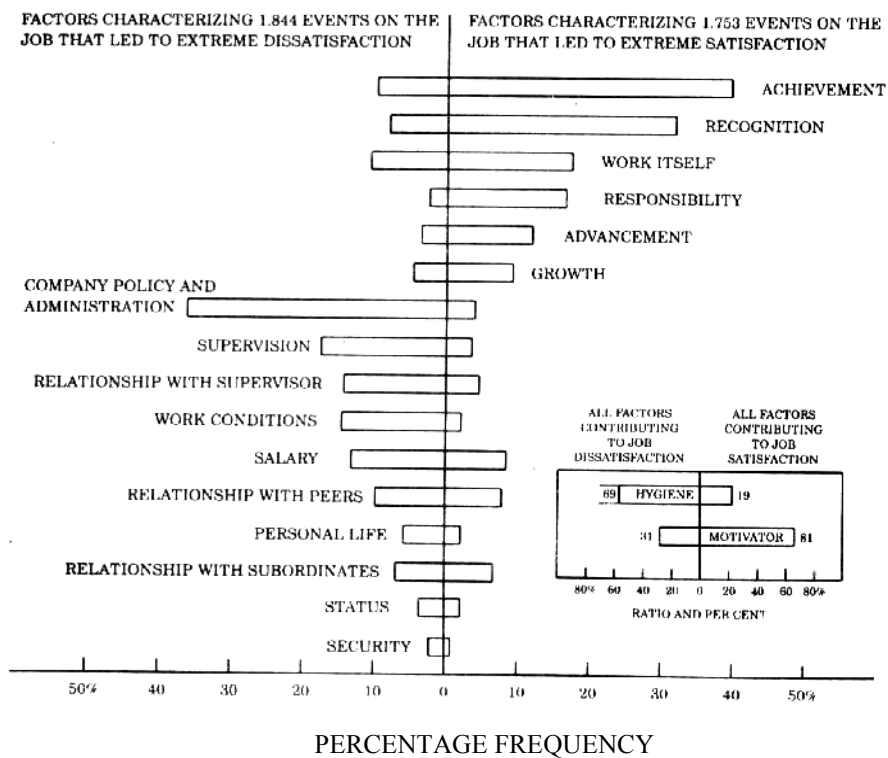
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FACTORS CHARACTERIZING 1.844 EVENTS ON THE JOB THAT LED TO EXTREME DISSATISFACTION

FACTORS CHARACTERIZING 1.753 EVENTS ON THE JOB THAT LED TO EXTREME SATISFACTION

ACHIEVEMENT
RECOGNITION
WORK ITSELF
RESPONSIBILITY
ADVANCEMENT
GROWTH
COMPANY POLICY AND ADMINISTRATION
SUPERVISION
RELATIONSHIP WITH SUPERVISOR
WORK CONDITIONS
SALARY
RELATIONSHIP WITH PEERS
PERSONAL LIFE
RELATIONSHIP WITH SUBORDINATES
STATUS
SECURITY

ALL FACTORS CONTRIBUTING TO JOB DISSATISFACTION

ALL FACTORS CONTRIBUTING TO JOB SATISFACTION

69 | HYGIENE | 19
31 | MOTIVATOR | 81

80% 60 40 20 0 20 40 60 80%
RATIO AND PER CENT

50% 40 30 20 10 0 10 20 30 40 50%

PERCENTAGE FREQUENCY

Fig. 1-C Satisfiers and Dissatisfiers compared.

To achieve motivation, managers should cope with both satisfiers and dissatisfiers. Improve hygiene factors – dissatisfaction is removed from the minds of employees. A favourable frame of mind is now created for motivation. Managers should be realistic not to expect motivation by only improving the "hygiene" work environment. This is the crux of the two-factor theory of motivation.

Evaluation of the Two-Factor Theory

The criticism of the theory includes :

- The procedure that Herzberg adopted is limited by its methodology. When things are going well people claim credit for themselves. Contrarily, they blame failure on the extrinsic environment.
- The reliability of Herzberg's methodology is questioned. Since raters have to make interpretations, it is

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possible that they may contaminate the findings by interpreting one response in one manner while treating another similar response differently.

- The theory, to the degree that it is valid, provides an explanation of job-satisfaction. It is not really a theory of motivation.

- No overall measure of satisfaction was utilized. In other words, a person may dislike part of his job, yet think the job is acceptable.

- The theory is inconsistent with previous research. The motivation hygiene theory ignores situational variables.

- Herzberg assumes that there is a relationship between satisfaction and productivity. But the research methodology he used looked only at satisfaction, not at productivity. To make such research relevant, one must assume a high relationship between satisfaction and productivity.

All things considered, it may be stated. Herzberg's theory has been widely read and few managers are unfamiliar with his recommendations. The increased popularity since the 1960s of vertically expanding jobs to allow workers greater responsibility in planning and controlling them work can be largely attributed to Herzberg's findings and recommendations.

1.6   EXPECTANCY MODEL

The most comprehensive explanation of motivations is expectancy theory. Though it too, has its critics, most of the research evidence is supportive of the theory. Victor H. Vrom has developed the Expectancy theory of Motivation. It states that motivation is an outcome of the interaction of the values one seeks and one's estimate of the probability of certain action leading to those values. Among others, the two key variables in his model are, therefore, expectancies and valences and the relationship is expressed as follows :

Motivation = Valence x Expectancy
Let us now discuss these concepts.

Valence is the strength of a person's preference for a particular outcome. Obviously, for certain things, a person's valence will be positive and for certain others, negative. If he is indifferent to an outcome, then valence is zero. Thus, valences could be regarded to range from $+1$ to -1.

Expectancy is the perceived belief concerning the likelihood that a particular behavioural act will be followed by a particular outcome. It is the estimate of probability of an outcome from an action. Most of the time it is based on previous experience. It is obvious that this probability would range from zero to one. It was once raised in the class by a student that it would even be negative in the form of punishment, i.e., an employee perceives that his behaviour may even lead to punishment. However, here the reference is to the chance of a particular outcome, whatever may be the nature of that outcome. And the chance of the happening of an event or outcome is that it does not happen at all, happens to some extent or happens fully. In brief, the probability of a particular outcome will always range from zero to one. Figure : 1- D exhibits simplification of expectancy theory.

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┌──────────┐   ┌──────────┐   ┌──────────────┐   ┌────────────┐
│Individual│→ │Individual│→ │Organizational│→ │Individuals │
│  effort  │   │performanc│   │   rewards    │   │   goals    │
└──────────┘   └──────────┘   └──────────────┘   └────────────┘
```
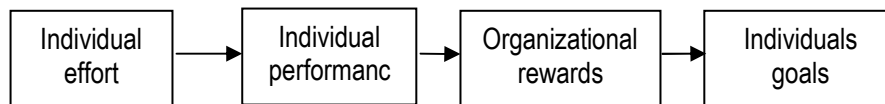
Fig : 1 – D   Simplified Expectancy Model

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1.7 LET US SUM UP

Motivation represents the outcomes of several behavioural inputs. It refers to the behaviour itself or the end result of all the inputs. Several approaches to motivation are available. Early theories are too simplistic in their approach towards motivation. Maslow's need hierarchy, and Herzbergs' two factors model are very popular among the content theories. Maslow believed that there exist a hierarchy of needs and a person gets motivated to satisfy them in hierarchy. Herzberg suggests that two distinct set of factor affect motivation. For Vroom, motivation is the product of some variables such as Valence (an individual's preference for an outcome) and

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expectancy (his belief that effort will lead to task completion). Though no theory is successful in bringing out all the complexities of motivation, all of them together help us understand the behaviour of employees.

Check your Progress 2

State whether following statement is correct or not.

Motivation is the product 'the Strength of preferences for a particular outcome' and 'the Probability that particular outcome resulting from a particular behavioural act.'

For answer see Answers to CYP

1.8   KEY WORDS

- **Hygiene factor:** Factors that do not add to job satisfaction, but their non-fulfillment takes away from job satisfaction level.

- **Valence:** The strength of person's preference for a particular outcome in the context of Organisation where employees work.

1.9   SUGGESTED READINGS FOR UNIT-1

Sharma R. A. :	Organisational theory and Behaviour. Tata Mc Grow –Hill Publisher Crop. Ltd.
	N. Delhi.
Stephen P. Robbins :	Essential of organizational behaviour Prentice-Hall of India Pvt. Ltd.
	N. Delhi.

1.11 REFLECTIVE QUESTIONS

a) Why is Motivation an important issue of interest to managers in organizations?

b) Critically examine the need hierarchy theory of Motivation.

c) Compare and contrast Maslow's need hierarchy theory with Herzberg's Two factors theory of motivation.

d) Indicate how management can successfully motivate its people taking a clue from Vrooms Expectancy model.

e) What is self actualization? Is this need ever satisfied? Explain.

f) There is no universally consistent motivational device. Justify in your own words.

Unit-2 CONTROLLING AND BEHAVIORAL DIMENSIONS OF CONTROL

1.0   OBJECTIVE

After studying this unit, you will be able to :

- Define what is controlling and state why it is necessary?
- Analyse the purposes of control
- Discuss how controlling takes place.
- Explain the steps involved in controlling process.
- Explain the behavioural implications of control
- Discuss the difficulties in obtaining control and how to overcome it.

2.1   INTRODUCTION

In **Unit-1** of Block-4 you, have learnt about motivation and theories related to motivation, which tells you how a manager uses

his personal power to get things done in organisation. However in this **Unit-2**, you will lean more about the position power that is how a manager uses his position and authority to direct the behaviour of people and employees in the organisation. In Unit-3, we will discuss various issues related to leadership.

2.2   CONTROLLING

As the people came from dissimilar backgrounds and have differing abilities, perception, attitudes and motives, not only do their capacities very but also their goals and perceptual difference may cause conflict with organizational goals. There is, therefore, a need for developing rules and procedures which can guide the behaviours of people according to which they carry out their functions. Control brings co-ordination and creates order out of the diverse interests and potentially diffuse behaviour of members.

Control is implicit in organization, controlling is defined as any process that directs the activities of individuals towards the achievement of organizational goals. A properly designed control system alerts managers to the existence of potential problems and helps them take necessary corrective action.

2.2.1 Meaning of Control

Controlling as a managerial functions can be defined in several ways:

(i)   Controlling means ensuring that the organisation is actually achieving the planned objectives.

(ii)   Controlling is the process of comparing actual performance with standards and taking any necessary corrective action.

(iii) Controlling is the process of monitoring activities to ensure that they are being accomplished as planned and of correcting any significant deviation.

(iv) Controlling is the process of measuring progress towards planned performance and applying corrective measures to ensure that performance is in line with the objective set.

(v) Controlling is the process of regulating organizational activities so the actual performance confirm to expected organizational standards (objectives and / or goals).

2.2.2 **Purposes of Control**

Controlling is necessary in managing organizational activities for the following reasons:

- Controlling builds most directly on the planning function by providing means for monitoring and making adjustment in performance so that plans can be realized.

- Controlling ensures efficient and effective utilization of all resources of the organisation.

- Some means of control is necessary because once managers form plans and strategies, they must ensure that plans are carried out. This means that making sure that other people are doing what needs to be done and not doing inappropriate things. If plans are not carried out properly, management must take steps to correct the problem.

Figure 2-A illustrates the purposes of control in organizations.
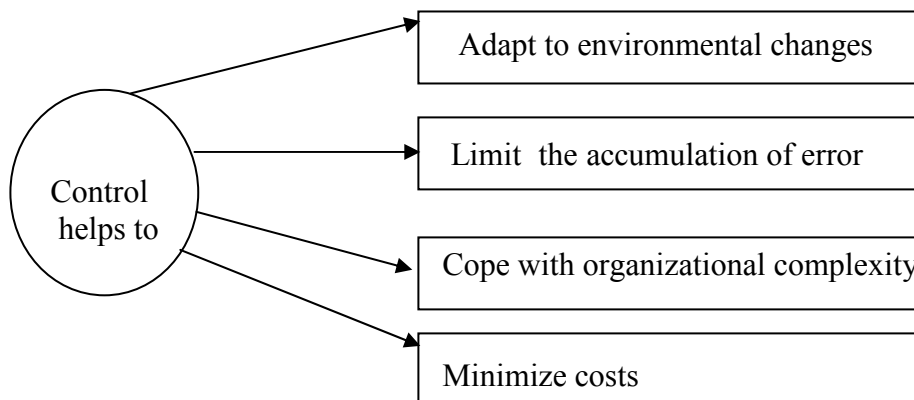
Fig : 2-A **The purpose of control**

- **Adapting to environmental change**: An effective control system provides can help managers anticipate, monitor and respond to changing circumstances.

- **Limiting the accumulate of error:** Adequate quality control is necessary to limit the accumulation of defects to tolerable levels.

- **Coping with organizational complexity:** As the business expands to produce a number of complex products, starts buying a large variety of materials, has a big organization and has many competitors, then a sophisticated control system becomes necessary.

- **Minimizing costs :** Effective control systems can eliminate waste, lower labour costs, energy costs and natural costs and improve the output per unit of input.

2.3   COMPONENTS OF CONTROL PLAN

Any control system has a number of steps involved in the process of control. Henning calls, these steps as components of a control plan. These include

- **Establishment of standards**: In the initial stages itself, organisation has to lay down what it expects of its people. For example, in a factory a carpenter may be expected to manufacture four chairs per day.

- **Measurement of performance :** The next step is to see how much a worker has produced. In organizations where a product is tangible, measurement may not pose any difficulty, whereas it is highly problematic where goals are not so measurable and are less tangible. Leaving aside highly simple organizations, goals in most organizations are both tangible as well as intangible. That is, some aspects of goals are highly measurable and some others are not measurable. It is not difficult to measure the performance of a worker in so simple an organisation as cited earlier, but in other cases, some criteria have to be evolved to judge performance.

- **Comparison of performance with standards:** Once performance is measured, it is set against the standards prescribed in order to see whether it has met the standards laid down. This comparison may bring some deviations or shortfalls to notice.

- **Appraisal of performance :** After deviations are noted, it is felt that the control system has not worked effectively. This calls for certain investigations which would throw light on various issues arising form these deviations.

(a) **The cause of the deviation:** The organisations will be interested in knowing why these deviations have occurred or what these deviations can be attributed to. A related question to this is whether this cause is temporary or permanent, whether it is causing deviations again and again or only occasionally.

(b) **The effect of the deviation:** It is important to know what effect these deviations have on overall service? An answer to this question is important as, if deviations are not serious or are negligible; they can be easily ignored.

(c) **The size of the deviation :** The relevant question here is to understand the magnitude of deviations. There may be deviations only to some extent or just a minor deviation in case of each individual performance, but in the total situation deviation may assume a sizeable proportion. Each bag weighing one quintal of sugar may be short by one kg. Only, but one thousand such bags will be short by one metric tonne.

(d) **The implications of this appraisal:** When the cause for deviation is identified, its effect is known and the magnitude of the problem is also measured, it will be important to know what implications this appraisal has. A number of questions have to be asked like whether the cause is so temporary that there is no need for modification of standards, or the effect and size of the deviation are so insignificant that they can be ignored, whether these deviations call for an action on the part of the authority holder or if no action is taken what is likely to happen.

- **M aking Exceptions :** If problems have risen once in a while, it may be possible to treat that situation as exceptional. In such situations, perhaps, no alteration of control plan is called for. However, where a large number of exceptions are made, there is a cause to question the adequacy of the standard used. Such exceptions must also serve as signals and prepare the organization for meeting eventualities.

- **Making Aggregative Appraisals:** In various parts of the organization, departments and sub-departments, this sequence of control action is followed. Once the picture for various parts of the organization become available, there is need for aggregative appraisals. This kind of appraisal is done less frequently than are individual appraisals. This kind of appraisal occurs to determine on an overall basis how many employees met, exceeded or failed to meet standards during the year, the magnitude by which standards were exceeded or performance failed to measure up, etc.

If the aggregative appraisal and individual appraisals suggest that the deviations are unacceptable and the performance is rejected, there is an immediate need for taking certain remedial measures in this regard.

Check your Progress 1

Fill in the blanks-

_____ is the study of the variation in the performance as compared to stand set and finding causes thereof as well as talking corrective actions where ever necessary.

For answer see Answers to CYP.

2.4 BEHAVIOURAL IMPLICATIONS OF CONTROL

Behaviour control is based upon personal observation of employee behaviour and procedures. Behaviour control usually takes more time than output control because it requires personal surveillance. Managers observe employees at work. Behaviour control is used when outputs are not easily measured. The form of supervisory control

depends on whether employee output or behaviour is measurable. Many organizations incorporate a balance of output and behaviour control to provide evaluation for employees.

A control system and the way that it is used constitutes a potentially powerful tool for influencing the behaviour of individuals in organizations. Just as the manager needs to make a careful and informed choice among control strategies, the organisation need to be conscious of the alternative approaches to designing and using control systems. Becoming aware of the potential effects of control systems and of the importance of the process of control is central to making an organisation and its people more productive and effective.

It is evident that the exercise of control may have some serious behavioural implications. The irritants may develop to planned as well as unplanned control systems, but there are highly serious repercussions of unplanned system because people are not mentally prepared for them. Such controls are exercised intermittently. The behaviourists regard them as improper and as an evidence of bad management. But there is no organisation in which occasional pressures are not exercised for reduction in costs, for effecting economies or for meeting competition from rivals, and the like.

In order to meet targets or deadlines which go on getting revised with the change in the situation, management often resorts to tighter controls and raises standards to a higher level. In the real market situation, management may not have many options open to it if it intends to accept the challenge of a competitor or has to execute an order by a particular date. It may have to bleed the line. As a short-term measure, perhaps, people may tolerate it and record improvement in their performance. But Roethlisberger points out that in any organisation, there are at least two major evaluation systems in terms of which all employees, supervisors, and executives are being evaluated. In the case of one, he is evaluated in terms of certain measurable abstractions and standards relating to term of certain socially accepted codes and norms of conduct. The first evaluation tells him where he stands in the eyes of his fellow associates. If this behaviour persists and people do not socially accept it, it may cause absenteeism, turnover, or people may seek transfer, or actively participate in union activity to apply a brake to

management action, or they may develop apathy and indifference. This phenomenon will have a telling effect on performance which will sharply deteriorate.

2.4.1 Correcting Behavioural Dysfunction in Control

Once events take a wrong turn, it becomes difficult to correct the situation. It is a vicious circle and breaking it is a problem. Burack notes how difficulties in recognizing or correcting behavioural dysfunctions in control systems may arise

- It becomes difficult to detail apparently unconventional behaviour. As human behaviour is unpredictable, at times, there are unexpected responses from people. Such behaviours are difficult to be analysed.

- There is generally a time lapse between initiation of control and the surfacing of negative results. If negative reactions were immediate, they could easily be linked with certain management behaviours. Slow reactions after long time elapses are difficult to be related to a particular management behaviour.

- Many a time organizational procedures or information systems are not able to sense or isolate factors which have caused the situation.

- Sometimes the nature of change is such that the deterioration of organizational health, relationships, performance, etc., takes place only slowly and it becomes difficult to notice its occurrence. The process of deterioration, perhaps, might have set in the early stages itself, but its impact is not noticeable and is felt only after a long time.

To overcome such problems, Likert suggests the following:

- As far as possible, direct hierarchical pressure should be avoided.

- Management should build cooperation and develop teamwork through employee participation in setting goals and striving for open communications.

- It should reinforce both economics as well as non-economic motives.

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- In order to avoid frequent abrupt changes, management should plan for a longer period.

- For obtaining coordination and cooperation, group processes must be strengthened.

- Management should follow an approach which suits the requirements of the organisation.

We have attempted, through this short discussion, to explain the control process which helps make organisations efficient and effective.

2.5   DIFFICULTIES IN OBTAINING CONTROL

However perfect a system one may design, there are always some difficulties in obtaining control. The control system do not always function effectively. There may be changes in the organization which may interfere with one or more elements in the control process. As we move from having the most of the control elements in the hands of one person to having them spread out over a number of people or groups who, in turn, may be widely separated geographically, psychologically or organizationally, the problem of maintaining effective control become greater. Besides, there may be innumerable uncontrolled and unanticipated disturbing influences which can cause a breakdown of the control mechanism.

There are, therefore, many difficulties in obtaining effective control, but we will discuss here the most common types which arise in regard to planned or formal control systems.

Incompleteness of the system: The control system may be incomplete in the sense that is only partially developed, that is, some elements are fully developed and others hardly at all. Argyris effectively describes such a situation in a study on the use of budgets. In this case, the finance department used to gather data on the performance of departments, notice deviations and bring them to the attention of the foreman in charge who was expected to take corrective action. But this foreman did not have sufficient detail to

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analyse the problem and take adequate corrective action. Thus, budgets which were intended to achieve control became a system for developing pressures and frustrations.

Change in Magnitude of Problems : The system should not be so simple as to be thrown away even if there is a slight change in the requirement. It should be adaptive and flexible. For example, in order to measure something of a particular size if we use a stick of that size, that stick will have to be rejected. Since we live in a world where there are constant changes and variations, any control system must have enough slack in them to cope with reasonably expected variations internal and external. In real organizational situations, oversimplification of the control system may lead to serious but less obvious problems. A control system is designed, keeping in mind a particular magnitude of the problem. If there is any variation in the magnitude, the control system is likely to breakdown.

Changes in the frequency of a problem : A control system may be designed taking into account a particular interval in changes. One may visualize a cycle or a periodicity and develop a system which can prove effective if changes occur at those regular intervals. If there is any change in this interval or if change occurs more frequently, the control system is likely to breakdown or at least found inadequate.

Communication Distortions : In organizations, communication distortions occur in a several ways. Quite often communication sent by a sender is differently understood by a receiver. The code books of the two may mismatch. Leakages, losses or blockages of information in channels may also take place. At times, communication channels are poor. For example, it is a poor communication channel if a head of the institution asks his subordinates to send all their communications through his personal assistant. If they are not being fairly treated by the personal assistant, a complaint against him to the chief executive has to pass through himself – a person against whom it works. The consequences are obvious. Therefore, it is poor communication channel.

Another problem regarding communication arises because of the non-congruent goals of the people. Litterer provides an interesting example of two persons who are greatly concerned with eliminating juvenile delinquency. But one wants to do it through punitive action and the other wants to do it through education and social services which change attitudes and living conditions. If these two persons are put together to establish some control systems, the distortions introduced by this non-congruency of goals would seriously hamper likelihood of obtaining effective control.

Time Discrepancies : This discrepancy may develop in two directions. One kind of time discrepancy occurs when performance in judged after it has been carried out or when the project is complete. Any kind of feedback after the project work is over is not useful for any correction in the project which has been completed. Therefore, the system should be such as obtains feedback while the project is on so as to take corrective action simultaneously. Otherwise the system is useful only for finding out whether performance is adequate or not, but not for taking any corrective action.

Another way in which time discrepancy occurs relates to the time horizon of people which in an organisation gets progressively shorter as we come down in a hierarchy. The people at higher levels have a long-term perspective, whereas people at lower levels have a very short-term perspective mainly concerned with immediate problems, say, that of a week or a month. Because of this difference in time horizons, they look at problems differently and this affects the control system.

Uncertainly of standards and decision rules : If the norms and standards, rules and procedures that have been developed by the organisation to regulate the behaviours of organizational participants are vague, uncertain, ambiguous etc. problems would arise in the enforcement of such standards. Different people will provide different interpretations and consequently, there will always be difference of opinion regarding performance.

Control Evasion **:** The control system proves ineffective if there is deliberate evasion of controls. It is, perhaps, the potentially most costly adaptation to controls. There is widespread knowledge that workers evade control procedures and restrict output. What is not so well known is that all levels of management may respond evasively to controls imposed upon their action. Dubin suggests that the fear of criticism by bosses seems to be a central feature of managerial response to control their behaviours. In order to avoid criticism, managers often tend to withhold information that can be useful to their superiors. Thus, adverse information which can bring criticism to them does not reach their bosses. One should not be surprised if managers are also found entering into coalitions and developing mutual protection systems to ward off possibilities of criticism by their superiors.

Use and Misuse of Control's refers to the phenomenon that in order to adhere to the standards laid down, many people act in a manner to make their scores look impressive and thereby impair real efficiency. They change in window-dressing and bleeding the line causing wasted time, production jams, higher maintenance costs, low morale of people, lowered quality, higher unit cost and management frictions.

Check your Progress 2

State whether following statement is correct or not

According to Lekert, economic & non-economic measures are necessary to elicite correct and desired behaviour from the subordinates in the process of control.

For answer see Answers to CYP.

2.6   LET US SUM UP

Control is the vital part of the management process. Organizational control is the process of obtaining congruence between the planned and actual state of organization. It is on the one hand, the process of developing system of standards for the guidance

of organizational behaviour and on the other hand, it is also the process of enforcing a system of standards of organizational behaviour so that the organizational is in accord with plan. Organizational must have some rules, procedures, norms and standards etc. for obtaining coordinated functions of large number of people and ensuring that they function as desired. However, the exercise of these may have some serious behaviour implications. There may be many uncontrollable and unanticipated disturbing influences, which can cause a breakdown of the control mechanism.

Activity-1

1. Understanding control: All organizations, regardless of their goals, need carefully constructed control systems for their efficient function, check yours idea about control and approaches to control.

Instructions: There are 10 statements in the exercise for which you have to indicate your response using a rating scale given below:

Rating scale : Strongly agree= (+2) Somewhat agree = (+1)
          Somewhat disagree = (-1) strongly disagree = (-2)

Exercise

Sl No.	Statement	Yours assessment (Scores)
1.	Effective controls must be rigid if they are to be applied consistently.	☐
2.	The most objective form of control uses quantitative measures.	☐
3.	Since control is restrictive, it should be avoided if possible.	☐
4.	Controlling through rules, procedures and budgets should becaused only in case measurable standards are difficult or expensive to develop.	☐
5.	Business organisations may have a problem of over reliance on measurable control standards.	☐

6. Development of individual self-control should be encouraged by organizations. ☐

7. Behavioural control should be the first type of control to becaused in organizations. ☐

8. Output or quantity control is the easiest and cheapest form of control. ☐

9. Self control is better than other forms of control. ☐

10. Control measures such as return on investment (ROI) are more appropriate for corporations and business units than for small groups or individuals. ☐

11. In a well managed organization control is not necessary. ☐

12. The use of output or quantity controls can lead to undesirable and unwarranted consequences. ☐

13. Standards of control are independent of which constituency is being considered for control. ☐

14. Controlling through rules, procedures and budgets can result in rigidity and loss of creativity in organizations. ☐

15. An organization can not use different forms of control simultaneously. It must decide how it is going to control and adhere to it. ☐

16. Setting quantity targets for divisions within a firm can lead to destructive results. ☐

17. Controls using rules, procedures and budgets are generally not very costly. ☐

18. Individual self-control can result in problems of communication and integration. ☐

Interpretation

The even-numbered statements are all true and the odd-numbered statements are all false. What is expected of you is positive responses for the even-numbered items and negative responses to odd-numbered ones. If you responded as "strongly agree" to all even numbered statements and as "strongly disagree" to all odd-numbered ones, then your total score would be zero which would indicate that you have an excellent understanding of the concept of controlling. Check your responses to find out which items you responded wrongly and try to examine why you answered wrongly.

2.7 KEY WORDS

Aggregative Appraisal : Appraisal of the organization derived by aggregating the appraisal results of the parts constituting the organization.

Behavioural Control: Control of human behaviour in the domain of controlling of the output of the organization where they work for.

2.8 Suggestive readings for Unit-1

K. Shridhara Bhat, Management and Behavioural Process (Text & Cases) Himalayan Publishing Houses, New Delhi.

Sharma R.A., Organisational Theory and behaviour, Tata Mc.Grew Hill Publishing Company Ltd. , New Delhi.

2.9 ANSWERS TO CYP

Check your Progress 1: Control

Check your Progress 2: Correct

2.10 REFLECTIVE QUESTIONS

a) Why control is necessary ? Elaborate.

b) State the purposes of control in organization.

c) Mention the guidelines for dealing with the controlling process.

d) What causes difficulties in obtaining control? How is control evaded and misused ?

e) Point out, in brief, some behavioural implications of control. Suggests, some suitable measures to minimize behavioural dysfunctions of control.

Unit-3   LEADERSHIP STYLES AND EFFECTIVENESS

STRUCTURE

3.0   OBJECTIVE

- After going through this unit you will be able to

- Understand the meaning of leadership, nature of Leadership.

- Differentiate between management and Leadership

- Describe the four basic Leadership styles

- Explain the factors influencing Leadership effectiveness

3.1   INTRODUCTION

In Unit-2 of Block we studied control issues. This Unit-3 is intended to throw light on what is leadership, what makes a leader effective and how a leader is different from Manager. In next Unit-1 of Block-5, we would investigate into the organizational effectiveness.

3.2   LEADERSHIP

In a meeting where members were highlighting absence of leadership in an institution, the institutional head lamented, "I tried to provide leadership, but nobody followed". This cryptic remark of a head of an institution underlines the significance of understanding the leadership phenomenon in an organisation.

Effective leadership is essential for the survival and growth of every organisation. Inspite of high salaries and excellent opportunities in large organisation, shortage or incompetent managers is continuously on the rise in both business and government organizations. The problem is due to lack of people who have developed the ability to lead effectively.

What then does it take to be good leader? And what is the most effective leadership ? And what is the most effective leadership style?

These questions have challenged managers for generations. Research has not identified any set of trait or qualities that are consistently related to effective leadership. The main conclusion that can be drawn from this is that **there is no single effective leadership style.**

3.2.1   What is Leadership?

Leading is the act of influencing others to do what the leader wants them to do. A leader is a person who can influence others (followers). Leadership or leading is one of the many functions of a manager. It is the process of influencing a group towards the achievement of goals.

The primary challenge of leadership and management is to guide an organisation toward achievement of its objectives. The leader influences and encourages employees to attain high levels of performance within the limitation of available resources, skill and technology. A complete understanding of the skills, attitudes and values related to effective leadership is helpful in selecting, training and developing effective managers. Various definitions on leadership highlights the following :

Leadership is the ability of influencing people to strive willingly for mutual benefit.

Ability to awaken or inspire in others the desire to follow a common objective.

Ability to make the followers act the way leader wants.

Ability to shape the attitudes and behaviours of others.

Leadership (L) = f (l, f and s)

I = characteristics of the leader (abilities)

f = characteristics of the followers (attitudes, needs)

s = characteristics of the situation (organizational structure, nature of tasks to be performed).

3.2.2 The Nature of Leadership

The following points bring out the nature of leadership :

- Leadership is a process of influencing and supporting others to work enthusiastically toward achieving objectives.

- It is a critical factor that helps an individual or a group identify its goals and then motivates and assists in achieving the stated goals.

- Leadership is catalyst that transforms potential of an individual or a group into a reality.

- Leadership is the ultimate act that identifies, develops, channels and enriches the potential that exists in an organisation and its people.

3.2.3 Management and Leadership

Management is the process of getting things done through the efforts of others. **Leadership** is influencing others to what the leaders wants them to do. Since managers get all sorts of things done through the efforts of others, they must lead. The primary role of a

leader is to **influence** others to **voluntarily** seek defined **objective** (preferably with enthusiasm).

The main distinction between manager and leaders is one of focus. Leadership focuses on *human interactions* influencing others. Management is more concerned with *procedures* and *results-the process of getting things done.* Managers also plan activities, organize appropriate structures and control resources. Managers hold **formal** positions (with **authority),** where as anyone can use his or her **informal influence.** While acting as a leader, managers achieve results by directing the activities of others whereas leaders create a **vision** and inspire others to achieve this vision and to stretch themselves beyond their normal capabilities.

Box – I

Illustrates the basic distinctions between management

and leadership

Activity	Management	Leadership
Creating an agenda	***Planning and budgeting*** Establishing detailed steps and schedules for achieving the needed results and allocating the resources necessary to make those needed results happen	**Establishing direction** Developing a vision for the future, and strategies for producing the changes needed to achieve that vision.
Developing a human network for achieving the agenda	**Organising and staffing** Establishing a structure, staffing the structure, delegating authority and assigning responsibility, providing policies and procedures and creating systems for monitoring implementation.	**Aligning people** Communicating the direction to all those whose cooperation may be needed to influence the creating of teams and coalitions that understand the vision and strategies.
Executing plans	**Controlling and problem solving** Monitoring results with respect to plans, identifying deviations and taking corrective actions.	**Motivating and Inspiring** Energising people to overcome major barriers to change by satisfying basic, but often unfulfilled needs.
Outcomes	Produces a degree of predictability and order and has the potential to consistently	Produces change to a great extent, and has the potential to produce extremely useful

	produce major results expected by stake holders/	change.

3.2.4 Approaches to the study of Leadership phenomenon

There are broadly three major approaches to the study of the leadership phenomenon. Attempts have been made to understand this phenomenon by studying (i) traits of the leader, (ii) behaviour of the leader and (iii) situations in which leadership is exercised. The trait approach was followed during the 1930s-1950s but when it was found inadequate to explain this complex phenomenon the behavioural approach gained currency during 1950s-1960s. The behavioural approach attempted to explain leaders' behaviour in terms of his styles or practices, but altogether neglected the follower and situational characteristics. Therefore, an approach, called the situational approach, which had the potential to incorporate important variables, developed during the 1970s.

3.3 LEADERSHIP STYLES

The total pattern of explicit or implicit actions of leaders as seen by employees (followers) is referred to as **leadership style.** It represents a consistent combination of philosophy, skills, traits and attitudes that are exhibited in a person's behaviour. Each leadership reflects, implicitly or explicitly, a manager's beliefs about the capabilities of his/her subordinates. Employee perceptions of leadership style are all that really matters to them. Leadership is truly in the eyes of the followers.

Leadership styles differ on the basis of motivation, power or orientation towards tasks and people.

Four basic leadership styles have been identified. They are (i) **autocratic,** (ii) **participative,** (iii) **democratic** and (iv) **Laissez-faire.** The autocratic style represents a **negative leadership** whereas the other three styles represents **positive leadership.** Positive leadership is desirable because it generally results in higher **job satisfaction** and **performance.**

An **autocratic leader** is a **leader who tells subordinates what to do and expects to be obeyed without question.** This style is typical of persons who accepts McGregor's theory X assumptions

(discussed in Block-3, unit-3). Research suggests that autocratic leadership is more effective where the leader has only short-term relationships with subordinates. **A participative (or consultative) leader involves subordinates in decision making but may retain the final authority for decision making with himself or herself. A democratic leader is a person who tries to do what the majority of subordinates desire.** Participative and democratic leaders tend to be those who believe in Theory 'Y' assumptions (discussed in Block-3, unit-3). As the team approach to management increases, **democratic leadership** is becoming more and more important and relevant. Worker's participation in management is being used by many organisation now-a-days and high degree of worker participation has been found to improve **productivity** in organisations.

A Laissez-faire leader is a leader who is uninvolved in the work of the unit or group.

In situations where the subordinates are experts and well-known motivated specialists (such as scientists, professors etc.), this type of leadership can be used. It may be noted that particularly every leader who has attained recognition for effectiveness has done so by being deeply involved and active.

Box : II Illustrates various leadership styles.

Box - II

Leadership Styles

Autocratic	Participative Style	Democratic style	Laissez-faire style
Leadership tell workers what to do	Leadership allow and expect workers' participation	Leadership seek majority rule from workers	Leaders let group members make all decisions

3.3 FACTORS INFLUENCING LEADERSHIP EFFECTIVENESS :

Leadership has been defined as the ability to persuade others to seek defined objectives enthusiastically. Factors that seem to influence leadership effectiveness are discussed in this section. They are (i) Perceptual Accuracy (ii) Background, Experience and Personality, (iii) Superiors Expectations and Styles, (iv) Task Understanding, (v) Peer Expectations.

- **Perceptual Accuracy:** Manager's perceptual accuracy is extremely important for leadership effectiveness. Managers who misperceive employees may miss the opportunity to achieve optimal results. If the manager believes that some of his subordinates are lazy, they have to treat such subordinates as lazy persons and hence their leadership will be less effective.

- **Background, Experience and personality :** A leader's background and experience affect the choice of leadership style. A person who has had success in being relationship oriented probably will continue to use this style. A leader who doesn't trust followers and who has structured the task for years will use an autocratic style. But a leader's style can be altered, if the leader perceives that his or her preferred style is not effective. But if the individual leaders are very rigid, alternation is extremely difficult. Followers are also an important factor in the leader's choice of style. The leadership job is a mutual sharing process. The leader's leadership style depends on the ability and knowledge of followers (or follower's maturity). Hence the leader must determine the background and maturity (both job maturity and psychological maturity)

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of followers before adopting the appropriate leadership style (i.e. autocratic or participative).

- **Superior's Expectations and Style:** A superior who prefers a job-centered, autocratic approach encourages followers to adopt a similar approach to leadership style. Imitation of superior's example is a powerful force in sharing leadership styles.

- **Task understanding:** Tasks are imposed by management or self-generated by the employee. A task has physical properties and behavioural features. The physical properties are a set of instructions from management or the way, the employee interprets the job. The behavioural properties are the requirements of the kind of responses expected of a person doing the task. Leaders must be able to assess correctly the tasks their followers are performing. In an unstructured task situation, directive or autocratic leadership may not be appropriate, the employees need guidelines, freedom to act and the necessary resources to accomplish the task.

- **Peer Expectations:** Leaders have peer relationships with other leaders. These help to exchange ideas, opinions, experiences and giving suggestions. A leader's peer can provide support and encouragement for various leadership behaviours, thus influencing the leaders in the future.

- **Integrating influence factors that influence leadership effectiveness :** Fig-3 A : illustrates that the six factors discussed earlier, can influence leadership effectiveness. Leadership also influence these factors.
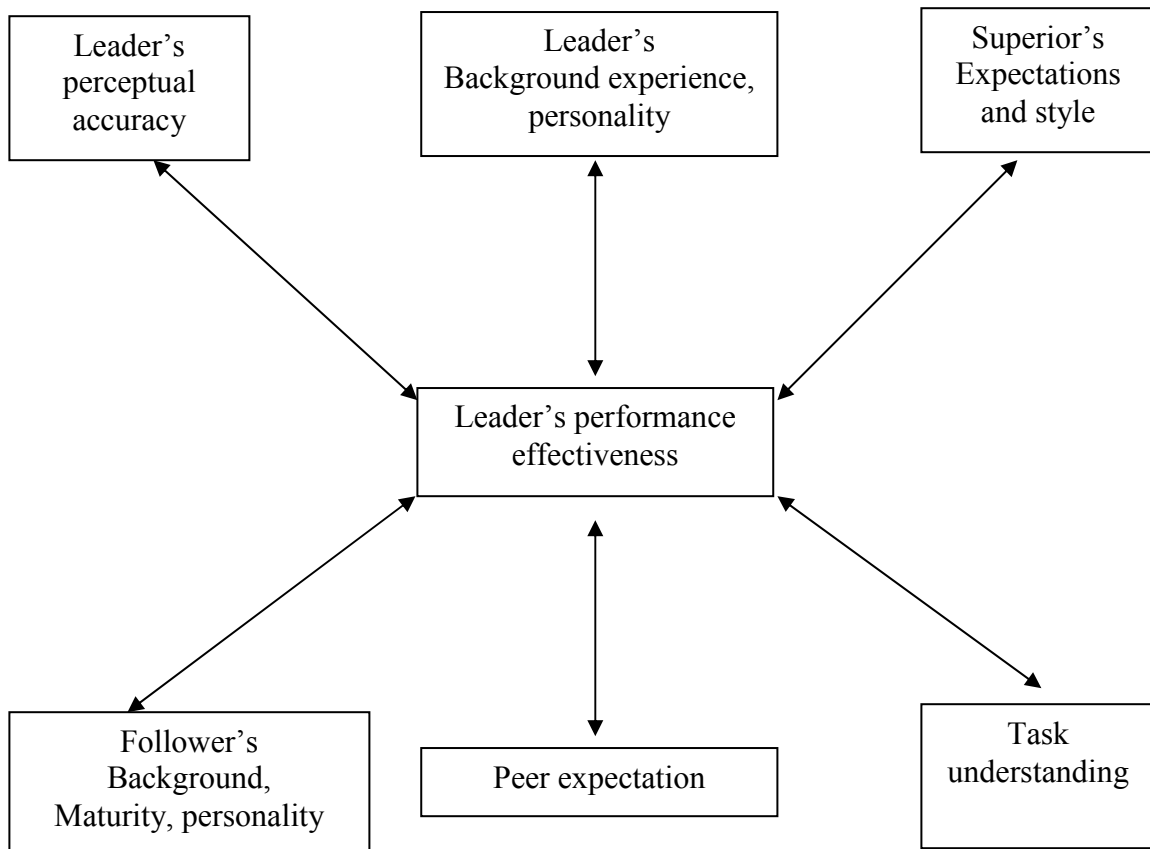
Figure : 3 A : **Selected Factors that Influence Leadership Effectiveness** :

The emphasis in Figure 3-A is on leaders ability to diagnose themselves and their total leadership environment to effect good leadership.

Check your Progress 2

1. Leaders in modern organizations have been confronting many situations which were rarely encountered by organizational leaders of the past.
2. A leadership style is the behaviour a leader exhibits while guiding his followers in appropriate directions.

For answer see Answers to CYP.

3.5   LET US SUM UP

Leadership refers to the process of influencing others to follow enthusiastically towards realization of shared goals. Influence is a two way process. The leader influence and is influenced by followers. Leadership has the ultimate aim of raising the level of human conduct and the ethical inspiration of people. Leadership is a part of management, but not all of it. The fact is that a strong leader can be a weak manager because he is weak is planning or some other managerial duty. Four basic leadership styles are distinguished. They are autocratic, participative, democratic and lassie faire. The autocratic style represents a negative leadership whereas the other three styles represent positive leadership. Various facts that influence leadership effectiveness are i) Perceptual Accuracy ii) Background, Experience and Personality. iii) Superiors expectations and styles iv) task understanding as well as peer expectations.

3.6   KEY WORDS

- **Budgeting:** Forecasting the future and judging the actions in terms of these forecasts.
- **Positive Leadership :**   Leadership style that can exact co-operation of the subordinates for achieving the organization goal and contribution the job satisfaction of workers.

3.7   SUGGESTED READING FOR UNIT-3

- Sharma, R. A.: Organisational Theory and Behaviours Tata Mc Grow – Hill Publishing company Limited. N. Delhi.
- K. Shridhar Bhat : Management and Behavioural Process, Himalaya Publishing House, N. Delhi

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3.8   ANSWERS TO CYP.
Check your Progress 1: (1) False (2) False
Check your Progress 2: (1) False (2) True

3.9   REFLECTIVE QUESTIONS :

a) What is leadership and who is a leader?
b) Discuss the nature of Leadership?
c) Distinguish between 'Management' and 'Leadership'.
d) What do you understand by leadership style?
e) How will you secure effective leadership in the management of an organisation?
f) Discuss the selected factors in influencing leadership effectiveness?

COURSE : COM-102

BUSINESS ENVIRONMENT

BLOCK-5

**ORGANIZATIONAL EFFECTIVENESS
AND DEVELOPMENT**

Unit-1

**ORGANIZATIONAL EFFECTIVENESS - CONCEPT AND
APPROACHES**

Unit-2

COMMUNICATION AND MAKING COMMUNICATION EFFECTIVE

Unit-3

**MANAGEMENT OF CHANGE AND ORGANIZATIONAL
DEVELOPMENT**

BLOCK-5 : ORGANIZATIONAL EFFECTIVENESS AND DEVELOPMENT

Introduction

This block has been divided into three units so as to enable you to understand in detail the approaches to organizational effectiveness and organizational development. **Unit-1** will focus on the basic concepts and determinants of organizational development. While **Unit-2** will deal with different communication networks to make communication and information effective. Finally a detail study and analysis of the management of change and some techniques of organizational development has been focused in **Unit-3.** In sum, Block-5 will provide you with the broad understanding of issues relating to organizational development and organizational effectiveness.

Unit – 1 : ORGANIZATIONAL EFFECTIVENESS – CONCEPT AND APPROACHES

STRUCTURE:

1.0 Objective

1.1 Introduction

1.2 Organizational Effectiveness

    1.2.1 Definition of Organizational Effectiveness

    1.2.2 Effectiveness vis-à-vis Efficiency.

1.3 Determinants of Organizational Effectiveness

1.4 Approaches to Organizational Effectiveness

1.5 Let us Sum Up

1.0 OBJECTIVE

After studying this unit, you will be able to:

- Analyse the concept of organizational effectiveness.

- Discuss the determinants of organizational effectiveness

- Explain the different approaches to evaluate organizational effectiveness and

- Find out the application of organizational effectiveness.

1.1 INTRODUCTION

In the previous Unit-3 of Block-4 we studies various issues related to leadership as well as leadership styles. In the present Unit-1 of Block, we will look into concepts organizational effectiveness and how organizational effectiveness may be modified towards favourable direction and degree. This unit will be followed by a discussion on various issues relating to communication & its effectiveness.

1.2   **ORGANIZATIONAL EFFECTIVENESS**

The organizational effectiveness (OE) is great importance for organization. It is of no use pouring resources in an organization which is not effective. A garden must have plants and trees which grow fruits and flowers at least provide shed against scorching rays of sun. Organizational effectiveness not merely concerns the owners of the organization or those who are employed by it but it is also a vital social issue and a problem for the governments, and stake holders of the organizations. It is quite difficult to put in a definitional framework which is acceptable to all shades of thinking. Although some criteria are developed by the researchers but the lists manifest only the scope of effectiveness. Besides these may not be relevant to every organization. You can judge the effectiveness or in effectiveness of an organization according to the nature and organizational setting.

Organizational functioning is a product of strategic choices. If the purpose of organizations is to achieve results or accomplish certain goals, those who attain favourable results are referred to as successful organizations. If organizations are capable of what they seek to achieve we may refer them as being efficient organizations. However, when we talk of organizational effectiveness, we refer not merely to results, which may in themselves be significant enough, but to a variety of others aspects covering the nature and kind of stimuli, means and ends. The long term values, philosophy, policies, processes and outcomes are all matters, which become relevant.

Effectiveness is related to purposive criteria which places boundaries around the concept of effectiveness and gives it a specific referent.

1.2.1   **Definition of Organizational Effectiveness**

Organizational effectiveness has been defined by different authorities as follows: According to :

•   Barnard : It is the condition of an organization, in which specific desired ends are attained.

•   Mott : It is the ability of an organization to mobilize its centers of power for action - production and adaptation.

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- Georgopalous and Tannenbaum: It is the extent, to which an organization; given certain resources and means, achieves its objectives without placing undue stress on its members.

The above definitions make it clear that organizational effectiveness is directly related to the achievement of goals. It is the contents of these goals which are at the root of differences of opinion. In spite of the problem of fool proof definition of organizational effectiveness, which is universally accepted, if we analyse the above definitions, an organization may be considered as effective which succeeds in achieving the desired objective with efficiency in a given environmental setting.

Before processing further, it is important to make distinction between effectiveness vis-à-vis efficiency.

1.2.2 **Effectiveness vis-à-vis Efficiency**

While effectiveness is judged by the degree or extent to which purposes or goals are achieved, efficiency refers to how much resources have been economically employed or how few inputs have been applied to achieve the results. In this sense, efficiency is akin to productivity, that is, the ratio of output to input.

According to P.F. Drucker, the administrative job of the manager is to optimize the yield from these resources. Economists mean by efficiency the forces or costs. But Drucker emphasizes that the optimizing approach should emphasize effectiveness. According to him, this does not deprecate efficiency. Even the healthiest business, the business with the greatest effectiveness, can well die of poor efficiency. And the most efficient business cannot survive, let alone succeed, if it is efficient in doing the wrong things, that is, if it lacks effectiveness.

Effectiveness is the foundation of success- efficiency is a minimum condition for survival after success has been achieved. Efficiency is concerned with doing right things right . Thus in Drucker's view, while efficiency is necessary for survival, effectiveness is a pre-condition for success. In final analysis a business organization must be both effective and efficient.

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1.3 DETERMINANTS OF ORGANIZATIONAL EFFECTIVENESS

The ultimate object of any organisation is to improve organizational effectiveness. For this purpose, it is necessary to identify the factors or circumstances that determine such effectiveness. These factors have been divided by Rensis Likert into three categories. The list is comprehensive enough. With some minor modifications it appears as follows: in Box – 1

Box-1 : Determinants 0f Organisational Effectiveness

Causal Variables	Intervening Variables	Output or End Result Result Variables
1. Leadership strategies skills and styles	1. Motivation and morale of all the members, their commitments to objectives of the organisation	1.Worker- Management relations
2. Management's decisions		2. Costs
		3 Sales
3. Organisational philosophy, objectives and policies	2. Their skills in performance, conflict resolution, decision making, problem solving etc.	4. Earnings
4. Organization structure		5.Turn-over etc.
5. Technology etc.		

- Causal Variables are those factors which influence the course of developments within the organization and ultimately its results or accomplishments. They are independent in character and can be altered by the top management of the organization. They stand in contrast to factors like general business conditions, government policy and directives which are beyond the control of the organization.

- Intervening Variables represent the prevailing internal state of the organization. They can be divided into two main types (a) attitudinal, and (b) behavioural.

- Output or End-Result Variables are the dependent variables that reflect the achievements of the organization. These are the things in which not only management but also the organization as a whole is interested.

A very important feature of the aforesaid clusters of variables is that they are inter related. The causal variables act as stimuli that influence the organism, i.e. members of the organization through intervening variables which led to certain responses in the forms of end-result variables.

Further, the intervening variables are concerned with building and developing the organization. While they produce end-results which more or less correspond to realization of short-term goals, by their vary nature the intervening variables themselves represent the long-term goals of the organization. Attitudinal changes may be difficult to bring about, but once they are brought about, they tend to stay on.

Check your Progress 1.

State whether the following statement is correct or not ?

Motivation is a causal variable.

For answer see Answers to CYP.

1.4 **APPROACH TO ORGANIZATIONAL EFFECTIVENESS**

There are different approaches to OE such as

- Goal Attainment Approach,
- Systems Approach
- Strategic Constituencies Approach, and
- Behavioural Approach

Goal Attainment Approach :

The goal attainment approach is the most commonly used basis for appraisal of organizational effectiveness. As Chester I. Barnard put it long ago:

"What we mean by effectiveness is the accomplishment of recognized objectives of co-operative effort. The degree of accomplishment indicates the degree of effectiveness".

It is the most natural and logical approach. It is useful for making inter firm comparisons. However there are many difference of opinion about the organization. There might be conflict among goals.

Systems Approach :

The systems approach to organizational effectiveness is based on the concept that the organization is an open system. It means that it interacts with its environment. This interaction takes place in two principal ways. (i) It draws resources of various types from the environment, such as its raw materials, machinery, capital, managerial staff, the labour force and so on. (ii) At the other end is the supply of outputs to the environment which in turn adds to its resources, enriches it and makes it capable of giving more inputs.

Thus, the systems approach to organizational effectiveness has three principal aspects:

- effectiveness in procurement of resources from the environment.
- effectiveness in utilization of inputs for turning outputs; and
- effectiveness in the supply of outputs to the environment.
-

Strategic Constituencies Approach :

This approach is much similar to the Systems Approach with an important difference that instead of taking into consideration the entire environment it concerns itself with only those systems or sub-systems of the environment which are strategic in nature, i.e., which vitally affect the survival of the organization. Thus according to this approach, an effective organization is one that satisfies the demands of those constituencies in its environment, from which it requires its support for its continued existence. It is not easy matter to identify the strategic constituencies in many cases. Moreover, critically of

constituencies in many cases is not rigid and constituency, which is not so critical at present may become very critical in the near future.

Behavioural Approach :

This approach stresses the importance of the behaviour of individuals and groups that constitute the organization. The degree of their contribution is linked with the volume and quality of the efforts they put forth. These efforts are evident in their quality of the efforts they put forth. These efforts are evident in their outward behaviour. The behaviour in turn depends on the extent to which they are motivated. Thus on ultimate analysis, the behavioural approach emphasies the salient principle that the most effective organisation is one in which there is identification of the goals of the organisation with the goals of its members.

Besides this, effectiveness depends on several factors of which human behaviour is the one, though the most important one. Among the other contributory factors are the availability of capital, the quality of raw materials and the machinery. An organization in which the behaviour of its members is at its highest may still be ineffective on the grounds of lack of finance, poor quality of materials and back dated or worn out machinery. Good behaviour of employees cannot be a substitute for any of them.

Inspite of competing values of different approaches each of these models can be used by an organisation depending upon the life cycle of the organisation.

1.5 LET US SUM UP

Effectiveness or otherwise of an organization is related to the efficiency with which the organization has carefully and skillfully accomplishes its desired objectives in given environmental setting. It is the environmental setting which enhances the scope of effectiveness to make it incomprehensible in a definitional framework.

In this unit the circumstances or factors that determine such effectiveness are identified. These are casual, intervening, output or end result variables. The development in OE concept today cannot stated to be pragmatic until the synthesis of different approaches are taken for analysis.

1.6 KEY WORDS

Effective :   Having an effect, powerful in effect.

Efficient :   Capable, competent

Successful :   Accomplishment of what was aimed at, favourable outcome.

1.7   SUGGESTED READING FOR UNIT-1

Gupta N.S.   :   Organisation Theory and Behaviour, Himalayan Publishing House, New Delhi.

Banerjee N. :   Organizational Behaviour, Allied Publishers Ltd., New Delhi.

1.8   ANSWERS TO CYP

- Check your Progress 1 : Incorrect, because it is intervening variable.
- Check your Progress 2 : [a-3], [b-1], [c-4] and [d-2].

1.9   REFLECTIVE QUESTIONS

- What is an organizational effectiveness ?

- What, according to Rensis Lekirt are the determinants of organizational effectiveness? Comment.

- Explain the various approaches or models of organizational effectiveness.

Unit – 2 :   COMMUNICATION AND MAKING
               COMMUNICATION EFFECTIVE

STRUCTURE

1.0   **OBJECTIVE**

After going through this unit you will be able to :

- Define what is communication ?

- Describe the elements of the process of communication.

- Choose the right form of communication.

- Describe the various types of communication networks.

- Discuss the barriers of communication and how to overcome it.

- Make the communication effective.

2.1   INTRODUCTION

In Unit-1, we studied about organizational effectiveness. The purpose of this unit is to explain communication process, different communication networks and barriers which generally make communication ineffective and the issues connected therewith. In the next unit we shall look into the management of change and Organisational Development.

2.2   WHAT IS COMMUNICATION ?

In order for employees to achieve objectives identified by organization, there must be clear understanding of communication. Effective communication is considered as a means for achieving organization objective and not an end in itself. We spend nearly 70 percent of our working hours communicating- writing, reading, speaking, listening – it seems reasonable to conclude that one of the most inhibiting forces to successful organizational performance is lack of effective communication.

Communication is defined as the transfer of information, idea, understanding or feelings among people. It is the exchange of message between people for the purpose of achieving common meanings. Unless common meanings are shared, managers find it extremely difficult to influence others. Communication is the way of reacting to others by transmitting ideas, facts, thought, feelings and values. Its goal is to have the receiver understand the message as it was intended. When communication is effective, it provides a bridge of meaning between the two people so that they can each share what they feel and know. Communication between two persons can help them to overcome misunderstanding if any between them.

Communication always involve at least two people- a sender and a receiver. One person cannot communicate. For example, a lone person lost on an island calling for help cannot communicate because there is nobody to hear him. Communication is, what the receiver understands, not what the sender says.

2.3   PROCESS OF COMMUNICATION

The purpose of any communication is expressed as a message to be conveyed. The message passes between a source (the sender)

and a receiver. The message is converted to symbolic form (called encoding) and passed using a medium (or channel) to the receiver, who translates the sender's message (called decoding). Figure 2.A illustrates communication process.
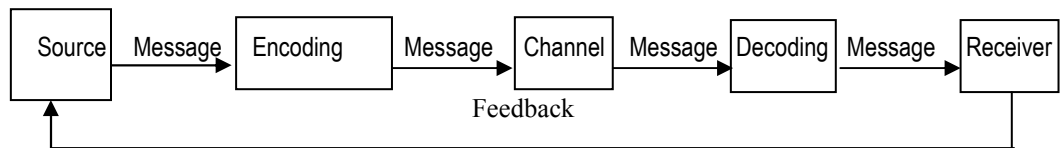
Fig. 2-A communication process.

The various components of the communication process are briefly discussed below:

- **Sender**: The sender is the initiator of the message. Messages are usually initiated in response to an outside stimulus such as a question, a meeting, an interview, a problem or a report.

- **Encoding:** Before the message exchange can take place, the sender must encode the message. Encoding is the process of translating the intended meaning into symbols such as words and gestures.

- **Message:** The outcome of the encoding process is a message consisting of the verbal (oral or written) and nonverbal symbols that have been developed to convey meaning to the receiver.

- The medium is the method used to convey the message to the intended receiver. Examples of medium include written words in a memo, spoken words over the telephone graphics on a slide, and gestures in face-to-face situations.

- **Receiver:** The receiver is the person with whom the message is exchanged. If no exchange takes place, there is no communication. There may be one receiver or more than one or many.

- **Decoding:** When the message is received, the receiver engages in decoding, which is the process of translating the symbols into the interpreted message. For effective communication it is essential that the sender and the receiver achieve a common meaning. However,

the decoding process may result in misunderstanding of the message if the   receiver does not decode the message in the way the sender intended.

- **Noise:** Noise is any factor in the communication process that interferes with exchanging messages and achieving common meaning. Noise can   occur during any stage of the communication process, and it reduces the   probability of achieving   common meaning between sender and   receiver.

- **Feedback:** Feedback is the basic response of the receiver to the interpreted message. In the feedback process, the receiver becomes the sender and the sender becomes the receiver. Feedback gives preliminary information to the seder about the success of the communication process. Without feedback it is difficult for the sender to assess the effectiveness of the communication.

2.4   DIRECTION OF COMMUNICATION

Organizational communication can flow downward, upward, lateral or horizontal communication.

Downward communication : It is sent by a superior to his subordinate or subordinates, from a manger to a deputy manager, from a superintendent to a foreman, from a supervisor to workers. Examples of such communication are: orders and instructions about tasks; information about objectives of the company as a whole; targets and goals of departments; procedures and policies; decisions taken at higher levels conveyed to lower levels; notification of standing orders and so on.

Downward communication is necessary for many reasons. (a) It facilitates the performance of tasks by subordinates throughout the organization. (b) It maintains the vertical chain of command, provides the link among different levels and promotes order and discipline. (c) Further, explaining to subordinates the rationale of jobs, their logical connection with the goals of the organization and the ultimate benefits of good performance to the subordinates themselves can go a long way in promoting employee morale.

Upward Communication : It moves from lower to upper levels, from workman to their supervisor, from supervisors to their foremen, from foremen to their superintendent and from managers to the managing director. Examples of such communication are: reports of performance; feed back information; requests of clarification of instructions, plans and programmes; representation about problems, upward communication is often disallowed by some superiors, foremen do not like to transmit to their bosses the communication, if it is unfavourable to them. But upward communication serves many useful purposes. (a) It contains information about quantity and quality of production, financial data, market reports which is necessary for the higher levels. (b) It improves the relations between subordinates and superiors. When ensured all along the upward chain, it helps in creating a democratic environment and strengthening team spirit. (c) The very opportunity provided to the rank and file to communicate their grievances upwards and convey their constructive suggestions promotes a sense of belonging and contributes to morale.

Lateral or Horizontal Communication : It flows from peers to peers, i.e., among departmental heads, among superintendents, foremen or supervisors of different departments or even sections of the same department. In some cases, it can also be diagonal as from the superintendent of one department to supervisors of another department, or from a supervisor of the production department to the chief personnel officer. Generally, it is concerned with information about method of inter-dependent work, its progress and problems, other matters of common interest, as also inter-unit conflict. One study revealed that only one-third of communication by managers was vertical while two-thirds was cross-wise, i.e., horizontal or diagonal.

The benefits of lateral communication are that – (a) it solves inter-group problems arising from division of labour; (b) it improves understanding and facilitates co-ordination among different functional units;

However, the organization should also guard against the danger of excessive or unrestricted lateral communication. (i)Instead of task co-ordination it may degenerate into idle gossip which means waste of time and loss of output. Widespread lateral and diagonal communication may lead to the growth of an informal organization as a whole which, gradually gaining strength, may pose a challenge to the authority of the formal organization itself.

Check your Progress 1

Fill in the blank-

_____ Communication leads to decentralization and demonstration of the organization.

For answer see Answers to CYP.

2.5 COMMUNICATION NETWORKS

The channels by which information flows are critical once we move beyond groups of two or three individuals. The way a group structures itself will determine the case and the availability with which members can transmit information.

A network is a system of several points of communication for the purpose of decision making. Experiments have shown that the way or pattern, in which communication passes from person to person in small groups, produces significant impact on the management situation, including employees' performance and job satisfaction. Early studies revealed three basic patterns viz.,

(i) Wheel or Star, (ii) Chain and (iii) Circle. Figure 2-B depicts formal communication networks.
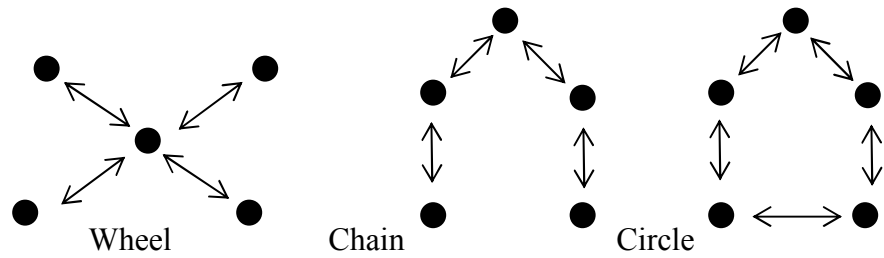
Fig. 2 – B Formal Communication Network

• Wheel or Star – In this pattern one person is at the center of the wheel and the other members can only communicate with him. It is a case of utmost centralization and corresponds to the organizational setting in which the subordinates can communicate only with their direct boss.

• Chain – In this pattern communication passes from person to person, but the two persons at the tail end can communicate with the person at the top only through their immediate bosses. It refers to the chain of command or hierarchy of authority in an organization. It is a case of centralization, though to a lesser extent than in the wheel or star.

• Circle – In this pattern each person is in a position to communicate with two others, one above and another below him. So there is some decentralization.

The overall effects of each pattern are summarized below in Box- I

Criterion	Wheel	Chain	Circle
Speed	High	High	Low
Leadership	Very prominent	Prominent	Practically non-existent
Degree of Accuracy	High	High	Low
Job Satisfaction	Very little	Little	Great

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In addition there is another pattern, known as the All channel or Completely connected pattern, in which each person can talk to any other person. Figure: 2-C depicts all channel network.
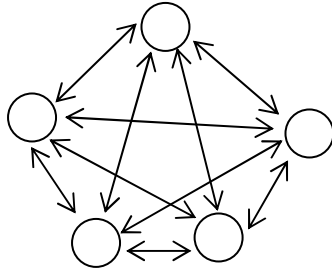

Fig : 2-C All Channel Network

This pattern is comparatively recent, (a) It shows extreme decentralization.(b) Flow of information is absolutely free (c) Motivation is better (d) There is scope for creative thinking. But (i) control and co-ordination are difficult and (iii) communication may turn into gossip and rumour.
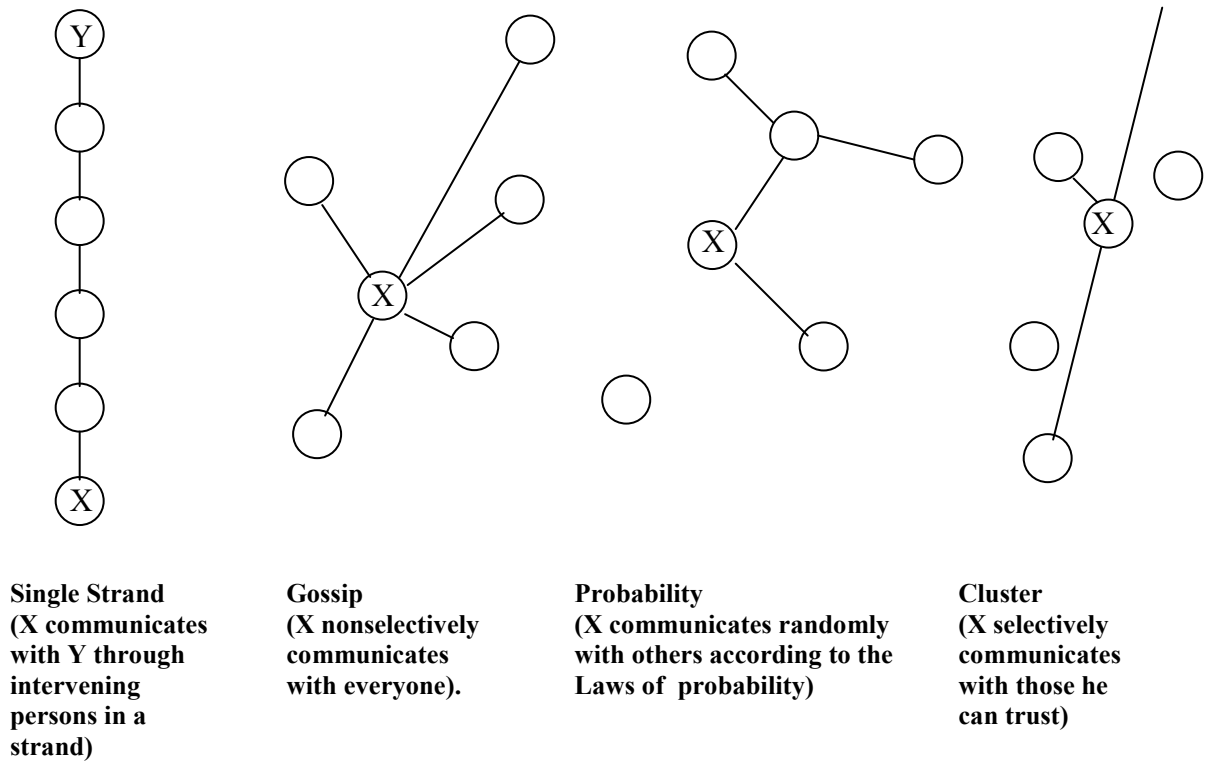
2.5.1   The Grapevine Communication Network

The previous discussion of networks emphasized formal communication patterns, but the formal system is not the only communication system in a group or organization. Let us, therefore, now turn our attention to the informal system – where information flows along the well-known grapevine, and rumors can flourish.

The grapevine is an informal communication system. The grapevine is active in almost all organizations. Today the term grapevine applied to informal communication including company information that is communicated intensely between employees and the people in the community. Although grapevine information tends to be sent orally, or it may be written also. Hand written or typed notes are used sometimes, but in the modern electronic offices these message are flashed through e-mail (electronic grapevine).

Since the grapevine arises from social interaction, it is as fickle, dynamic and varied as people are. It is the expression of their natural motivation to communicate. Grapevine communication can take place also in four other pattern as shown in Fig :2-D

Fig : 2-D Types of Grapevine Chains

| **Single Strand** (X communicates with Y through intervening persons in a strand) | **Gossip** (X nonselectively communicates with everyone). | **Probability** (X communicates randomly with others according to the Laws of probability) | **Cluster** (X selectively communicates with those he can trust) |

Managers should not ignore grapevine communication because it cannot be eliminated. Some wise managers remain tuned to the grapevine to obtain useful information.

2.5.2   Two Way Process of Communication

It is rightly said that communication is a two-pay process. 'Give and take'. 'send and receive', 'speak', listen, understand and do'- constitute the essence of communication. In fact, the term 'communication' itself is derived from the Latin word communicare, which again comes from communis meaning something common. There

has to be a meeting of minds in communication. When one tells anybody to do a thing, the other person first listens, then thinks over the matter, tries to understand its implication; if he does not understand, he may ask questions to the first person for clarification and after getting doubts resolved, he has to act as told. Effective communication is that which brings about behavioural change in the communicate.

Check your Progress 2

Fill in the blanks from the given alternatives

Gossips is _____ Communication which a manager should exploit for the betterment of the organization. (Formed/Informed)

For answer see Answers to CYP.

2.6   BARRIER TO COMMUNICATION AND REMEDIES

Even when the receiver receives the message and makes a genuine effort to decode it, a number of interferences may limit the receivers' understanding. These abstracts act as a barriers of communication and may merge in either the physical surroundings or within an individual's emotions. These barriers may be discussed under four heads:

- Physical Barriers

- Semantic Barriers

- Personal or social psychological barriers; and

- Organizational barriers

Physical barriers: Physical barriers are communication interferences that occur in the environment in which the communication takes place. A typical physical barrier is a sudden distracting noise that temporarily

draws out a voice message. Other physical barriers include distances between people, wall etc.

The remedies for noise has in erecting of glass partitions inside large offices, surrounding noisy machines with sound proof walls and so on.

Semantic barriers: Semantics is the science of meaning, as contrasted with phonetics, the science of sounds. Nearly all communication is symbolic i.e., it is achieved using symbols (words, picture and actions are used) that suggest certain meanings. Semantic barriers arise from limitations in the symbols with which we communicate. Symbols usually have a variety of meanings and we have to choose one meaning from many. Sometime we choose wrong meanings, which lead to misunderstanding. Semantics create difficulties when people form different cultures attempts to communicate with each other. Whenever we interpret symbols on the basis of one assumptions instead of the facts, we make inferences. Inferences are an essential part of most communications. However, inference can give a wrong signal. We need to be aware of them and to appraise them carefully.

The remedies in respect of language barriers may be found in

- The use of simple and familiar words, short sentences and common illustrations.

- Avoidance of adjectives and high flown words and

- Logical arrangement of ideas contained in the message.

Personal Barriers : Personal barriers are communication interferences that arise from emotions, values, and poor listening habits. They may also stem differences in education, race, gender, socio-economic status and other personal factors. Personal barriers are a common occurrence in work situations. Examples include distracting verbal habits such as refuting the word 'ah' or ending every sentence with "you know". Personal barriers often involve a psychological distance, a feeling of

emotional separation. Our emotions act as perceptual filters in nearly all our communications. We see or hear, what we are emotionally "tuned" to see and hear. We communicate our interpretation of reality than what reality is.

It is difficult to change the socio-psychological make up of individuals. Outside interference may not be of any avail. The change must come from within the individual. This can, however, be helpful to some extent by occasional meeting and heart to heart exchanges of views between the participants in the communication process. What is needed is an atmosphere of trust and mutual dependence and an attitude of flexibility and tolerance.

Organizational Barriers : There are some elements and factors in the organization or certain features of it that work as obstacles to the communication process. Among them are organizational policy and managerial attitude; rules and regulations of a restrictive character; too many levels in the hierarchy; and so on.

The remedy calls for an appreciation by top management of the need for percolating information to lower levels, simplification of rules and formalities for the purpose, regular contracts between superiors and subordinates, opportunities for easy access to higher executives, minimization of hierarchical levels, equitable grievance procedure and the like.

2.7   EFFECTIVE COMMUNICATION

There are certain conditions to be fulfilled if communications is to be effective. The importance among them are as follows:

Clarity: Since understanding is the basis of communication, as a first and foremost condition it must be clear, i.e. easily understandable by the receiver. It must bring about a meeting of the two minds – the sender's and the receiver's. This implies two things in particular (a) The communications must be so worded that the real idea to be conveyed forms its centerpiece and (b) it is transmitted in a manner, which suits the receiver.

Interaction: There must be both telling and listening. The sender must verify that the receiver has understood the message. The latter should also be given freedom to interrogate and the former should be in a mood to clarify the doubts. Feedback is essential to complete the two-way process.

Adequacy: The sender must make sure that no essential part of the message is withheld; Otherwise the intended purpose would be only partly served. At the same time, he must take care that the communication does not suffer from redundancy. An effective communications is free from non-essential or superfluous matter.

Timeliness: There is a common saying that one stitch in time saves nine. The communication must reach the receiver in time, so that he can accomplish the intended work in time and also send the feedback in time. Speed is the essence of business. Stale information is not only useless but misleading as well.

Communication Audit : It is tool for evaluating the effectiveness of communication from the macro angle, i.e. in respect of some key managerial activities. It is based on the concept that communication is not an end in itself, but a means to achieve certain organizational goals. The items that are subjected to audit are mainly (a) communication polices, (b) networks; and (c) activities.

Check your Progress 3

Fill in the blanks with appropriate words from the given alternatives.

Effective communication uses science of _____ and science of _____. (a) Audit (b) Phonetics (c) Semantics (d) grapevine

For answer to Answers to CYP.

2.8 LET US SUM UP

Communication is the process of exchanging information and understanding between people. The subject of communication can be studied from two angles: interpersonal communication and organizational communication. There are several components in the communication process. Each part is significant in making the total communication system effective.

Three aspects are unique to organizational communication, viz. direction of communication, communication networks and informal communication.

Direction of communication refers to flow of communication in organization. Communication flows are downward, upward and lateral. The specific flow of communications are called network. The usual networks are 'wheel', 'chain', 'circle' and 'all channel' types.

Alongside the formal communication, informal communication (called grapevine) plays an important role in organization. Managers must try to learn to live with rumours. Which is undesirable but inevitable in organizations. References are made between barriers to effective communication and in effective communication. Remedies to overcome the barriers have been discussed on the same lines.

2.9 KEY WORDS

- Communication Audit: Examination of the effectiveness of communication.

- Gossip: Non-selective way communication process that interferes with exchanging messages.

2.10 SUGGESTED READINGS FOR UNIT-2

Stephen P. Robbins :   Essentials of organizational

Behaviour, published by Prentice Hall of India Pvt. Ltd., New Delhi.

Aswathappa. K : Organizational Behaviour, Himalaya

Publishing House, New Delhi.

2.12   REFLECTIVE QUESTIONS

a)   Describe the process of interpersonal communication.

b)   Distinguish between formal and informal communication.

c)   Explain Communication Network.

d)   Explain how barriers to effective communication can be overcome.

e)   Describe informal communication channels.

Unit-3 MANAGEMENT OF CHANGE AND ORGANIZATIONAL DEVELOPMENT

STRUCTURE

3.0 OBJECTIVE

After going through this unit you should be able to :

- Define change Management

- Explain the nature of change

- Find out the resistance to change

- Discuss the methods of implementing change in organization

- Explain the steps involved in the organizations Development process

3.1   INTRODUCTION

More and more organization today face a dynamic and changing environment that requires these organizations to adapt. We begin this unit with Management of change by looking at specific forces that are acting as stimulants for change. This **Unit-3** also deals with features of organizational development and various forces contributing towards organizational development.

3.2   CHANGE MANAGEMENT

Change can be defined as an alteration in the existing field of forces which tend to effect the equilibrium. Organizations are encountering a wide variety of dramatic changes. Organizations face government regulations or deregulations, expanding or shrinking markets, mergers or hostile acquisitions, downsizing programs, business process re-engineering programs and the like. The faster pace of change required by the electronic age, of the shift to a service economy and the growth of the global competition have made change mandatory and resistance to change-a problem to be solved. The problem for managers is that even if they use their logical arguments and persuasive skills to support a change, the employees remain unconvinced of the need for it. Hence, managers must be able to understand the *nature of change, reasons for resistance to change* and ways to *introduce change* more successfully.

"When an organizational system is disturbed by some internal or external forces, change frequency occurs. Change, as a process, is simply modification of the structure of process of a system. It may be good or bad, the concept is descriptive only."

3.3   NATURE OF CHANGE

Change is an alternative in the current work environment. The shift may be in the way things are perceived or how they are organized, processed, created or maintained. Change is experienced by every individual and organization. Sometimes external events cause change beyond the control of a person or an organization. Some times change results from planning.

3.3.1 Sources of Change

Change originates in either the external or internal environments of the organization. External sources include the political, social, technological or economic environment, competition, social values and economic variables. Managers must adjust to developments in the external environment. Internal sources of change include managerial policies or styles, systems and procedures, processes, methods and employee altitudes.

3.3.2 Types of Change

Change can be understood on the basis of its focus, which can be strategic, structural, process oriented or people centered.

These changes have considerable impact on organizational culture.

Strategic change is a change in the strategy or mission of the organization. *For example,* diversification of business, acquisition of new business or merging with another company are strategic changes which in turn may require a change in organizational culture.

Structural change is a change in the organisational structure such as *team building* or *downsizing*. These changes are made to make operations run more smoothly, improve overall coordination and control or empower individuals to make their own decisions in the area of their work.

Process-oriented change are changes related to technology, automation, robotics, computerization and the like.

People-oriented change include changes directed at the attitudes, behaviours, skills or performance of the employees of the organization. It is very crucial for managers to change their employees in order to change their organizations. People-oriented changes can be achieved through retraining, replacing current employees or increasing the performance expectations of new employees.

3.3.3   Rates of Change

Change can be viewed as *evolutionary* or *revolutionary* based on its pace. *Evolutionary change* focuses on the incremental steps taken to bring about progress and change. It is a gradual continuous change. *Revolutionary change* focuses on bold, major break – through; discontinuous advances. The revolutionary changes ("leaps") bring about dramatic transformations in organizational strategies and structures. These changes are brought about by the practice of "out-of-the-box thinking". *For example,* "Business Process Reengineering" is a tool of revolutionary change which is immediate rather than incremental.

3.4   RESISTANCE TO CHANGE

Introduction of change is a highly complex process. The uncertainties caused by expected change and equilibrium, as a consequence of changes, sometimes results in resistance to change. The resistance may result in decline in production, increase in rates of turnover, absenteeism, strikes and so on. Resistance to change arises from individuals' problem rather than technical problems of change.

In order to reduce the resistance to change, attempts should be made to make them understand why that particular change is needed and how helpful it will be for the organization.

3.4.1   Utility of Resistance

Resistance has usually been seen in negative terms. The proponents of a change are unhappy with resistance shown by some persons or groups. The general experience has been that in many cases resistance plays a positive role. If individuals and groups had not resisted some changes like urbanization of some rural or forest areas, or

construction of roads which disturbed ecological balance and so on, we would have been poorer in our ecological heritage. In the flush or enthusiasm, the proponents of a change do not see some negative (and often unintended) consequences of change. Resistance helps to bring some of these to their notice. Resistance also brings to the notice of the planners the likely difficulties in the implementation of the change. So, resistance at least gives warning which if needed can lead to better implementation of change.

Resistance may also point out flaw in the process of introducing change. If a change is being introduced by outsiders in the organization or the community, it will not be "owned" by them. Resistance may show lack of "ownership" of the change programme by the community, in which it is being introduced. Resistance may show that the process of change has not been participative.

Resistance may, therefore, be helpful in bringing attention to some aspects neglected by the planners – threat to the core values and life styles, unintended disturbances causing problems, "bad" process of introducing change etc. Resistance can be used for making the change process more effective. Taking such a positive approach to resistance Karp suggests 4-step approach to resistance as shown in Box: I. This relates to bringing out resistance (surfacing) by encouraging people to express resistance; giving importance; to it as reflected in listening and acknowledging; exploring the reasons of resistance to learn what can be done; and rechecking after analysis if still the resistance is substantial.

Box-1: Four Step Treatment of Resistance	
• Surfacing	● Make expression of resistance safe
	Ask for it all
• Honouring	● Listen
	Acknowledge
	Reinforce permission to resist
• Exploring	● Distinguish authentic from pseudo
	resistance
• Rechecking	● Probe

3.4.2 Sources of Resistance

Resistance results from disturbance of equilibrium in individuals or groups (organizations). Resistance has been seen as a natural way of keeping homeostatis. Change may produce some stress, as exercise increases pulse rate but "resistance" to this change brings back the heart rate to normal. Similarly, a training programme may bring about temporary change in people influenced by it, but they soon revert to their old habits (unless the training effect is reinforced by other means). In this sense resistance is a natural phenomenon of homeostatis. Similarly, things learned first become "resisters" for new thing. Watson has suggested various forces of resistances, relating personality of individuals and the organizational dynamics, as shown in


Box : II : Forces of Resistance to Change in Individual and Organisation

Individual
- Homeostatis (the tendency to revert to old ways)
- Habit (ingrained accustomed ways of doing things)
- Primary (first experiences powerfully determining our actions)
- Selective perception and retention (using one's own ideas)
- Dependence (learning from role models becoming internalized)
- Super-ego (internalized traditions determining behaviour)
- Self-distrust (blaming onself rather than seeking external change)

Organization
- Conformity to norms (tendency to follow known ways of behaviour)
- Systemic and cultural coherence (tendency to remain homogeneous)
- Vested interests (groups of individuals affected by change)
- The sacrosanct (some areas having strong emotional sensitivity)
- Rejection of "outsiders" (the question of

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3.4.3   Approaches for Reducing Resistance to Change

Change is often necessary despite the resistance that might arise. During downsizing, firms can minimize resistance by communicating the need for new strategies, treating people who are let go with respect and kindness, letting key people know that the firm and the people will be around for long time.

Some of the approaches designed to reduce resistance to change are illustrated in Figure. 3-A

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Build trust

Provide counseling

Allow for negotiation
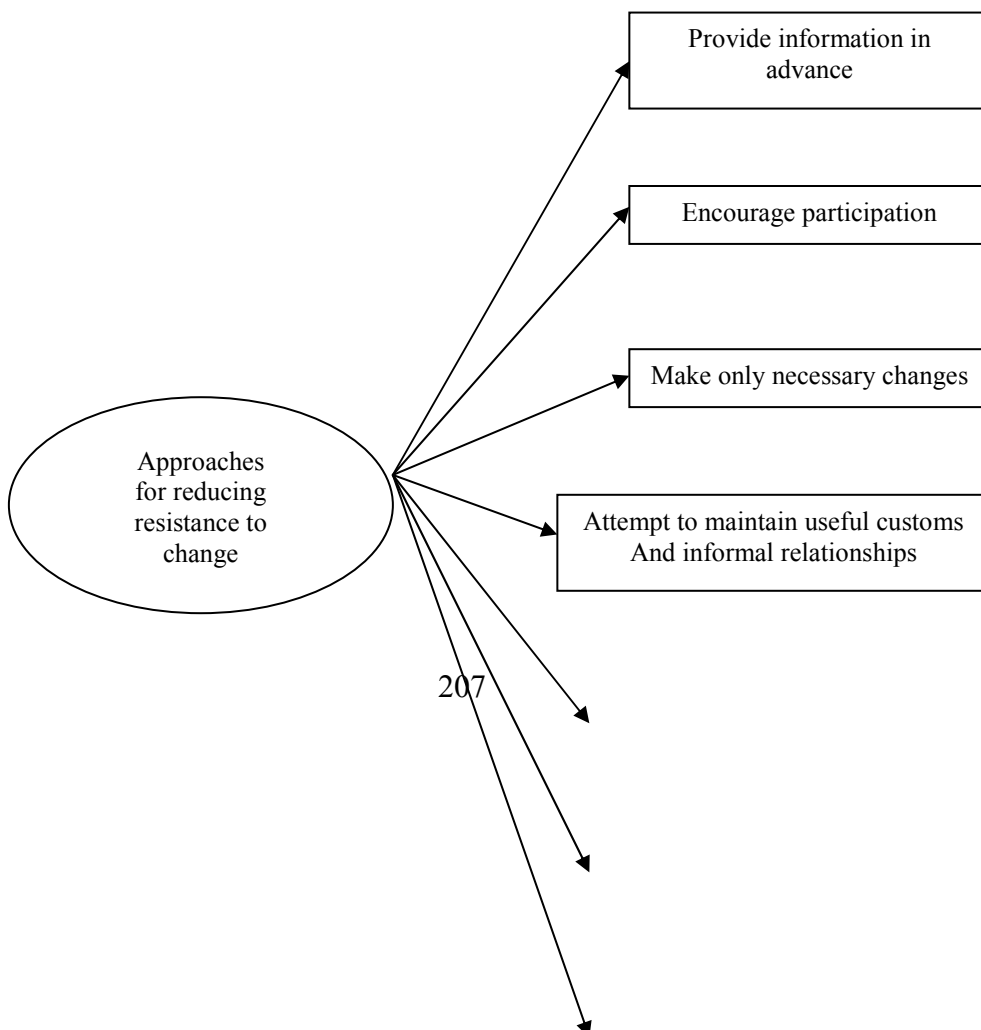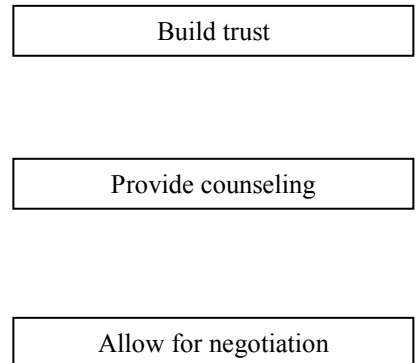
Figure : 3-A Approaches to Reducing Resistance to change.

- ***Provide information in advance*** : Whenever possible managers should provide employee who will be affected by the proposed change, information in advance regarding the reasons for the upcoming change, its nature, its planned timing, and it possible, effects on the organisation and its personnel. Withholding information that could seriously affect the lives and future of particular individuals should be avoided if possible. However, competitive survival of a firm may require the information regarding future changes to be closely held until shortly before the change is to occur.

- ***Encourage participation*** : When possible, employees should be encouraged to participate in establishing the change. A person who is involved in implementing change procedure will likely to be more supportive of the change.

- ***Guarantee against loss*** : To promote acceptance of technological changes, some organizations guarantee that there will be no lay-offs as a result of such changes. In case of changes in methods and output standards, employees are often guaranteed retention of their present level of earnings during the learning period.

- *Make only necessary changes* : Changes should be made only when the situation demands them, not because of the whims and fancies of managers. If a manager makes changes for the sake of change, he will soon discover that any changes proposed by him will receive only minimal acceptance irrespective of whether it is beneficial or not.

- *Attempt to maintain useful customs and informal norms* : Whenever possible, changes should be made to coincide with the cultural and informal norms of the organisation. This is important because of the real value of informal workgroup from the stand point of interpersonal relationships. For instance, when safety shoes were introduced, few would wear them willingly because of their unusual appearance. When they were redesigned to resemble normal shoes, the resistance faded. This implies that changes that go against established customs and informal norms will likely create resistance and have little chance of being readily accepted.

- *Build trust* : If a manager has a reputation for providing reliable and timely information to employees, the explanation as to why a change is to be made will likely be believed. The change may still be resisted, but if the manager is trusted by the employees, problems will be minimized.

- *Provide counseling* : Counseling or discussion with the employees who will be affected by the change may reduce the resistance and may stimulate them to voluntarily adopt a change. Nondirective counseling has been used effectively in many change situations.

- *Allow for negotiation* : Resistance to change can be reduced by the process of negotiation. Negotiation is a primary method used by labour unions to effect modification of proposed managerial changes.

3.5   IMPLEMENTING CHANGE

Successful implementation of change involve three phases as shown in Figure 3-B, Box III. In phase 1, the organisation is relatively

stable. In phase 2 the organisation unfreezes, changes and freezes and in Phase 3, change becomes enduring.

Unfreezing : This involves casting aside existing attitudes and value systems, managerial behaviours, or organizational structures so that new ones can be learnt. Unfreezing creates the need for change.

Unfreezing		*Changing*		*Refreezing*
Recognisig the Need for change, Casting aside old Values, behaviour, or Organizational structures.	⟶	New values, behaviour and structures replace old ones. Action- oriented	⟶	Making change Permanent. Practice what was learnt in the second stage

Fig.3-B : A Model of Change

For unfreezing, the manager must understand the causes for resistance to change. It is common knowledge that there are people who desire status quo and there are also individuals who push for change. And the two groups may be equal in their force as shown in Fig 3-B. The forces against change have strengths equal to those forces pushing for change.

Changing: Actual change occurs at this stage. New value systems, behaviours, or structures replace the old ones. This is the action-oriented stage. This can be a time of confusion, dis-orientation, and despair mixed with hope and discovery.

Refreezing: Here the change becomes permanent. The newly acquired values, beliefs, and structures get refrozen. A new status quo is established at this stage. Refreezing is important because without it there lies a vacuum.

3.5.1   Guidelines for managing change

Managers are concerned with planned change and not merely any change. Change means making things different, whereas planned change involves activities that are intentional and goal oriented. Box : III lists some guidelines for managing change.

Box-III- Guidelines for Managing change.

- Make only necessary and useful change.

- Teach employees to expect continual change and the need to develop new skills.

- Change by evolution, not by revolution.

- Recognise the possibility of resistance to change and develop appropriate strategies for controlling each source of resistance to change.

- Involve employees throughout the change process to miminish resistance.

- Share the benefits of change with employees.

- Diagnose the problems remaining after a change occurs and treat them.

It is also essential for managers to take a broader, systems-oriented perspective on change to identify the complex relationships involved. Organisational development can be a useful method for achieving this objective.

The discussion till now has centered on individual and group level changes. Now let us focus on the management of organisation change, which leads to Organizational Development.

Check Your Progress 1.

Arrange the following & given the reason

a) Freezing   b) Unfreezing c) Changing

For answer see Answers to CYP.

3.6   ORGANIZATIONAL DEVELOPMENT

There is the organizational change which occurs even a long period of time and requires considerable planning and implementation. Popularly called Organizational Development, organizational change is considered to be a modern approach to the management of change. Organisational development is a broad term, more encompassing change approach. This is meant to move the entire organisation to higher level of functioning, while improving greatly the performance and satisfaction of organisational members.

Organisational development is the systematic application of behaviour science knowledge at various levels (group, intergroup and total organisation) to bring about a planned change. The objective of organizational development are :

- Higher quality of work life.

- Higher productivity, adaptability and effectiveness

It seeks to use behavioural knowledge to change beliefs, attitudes, values, strategies structures and practices so that organisations can better adapt to competitive actions, technological advances and their changes in the environment. The general objective of Organisational Development is to change every part of the organisation in order to make it more humanly responsive, more effective and more capable of organizational learning and self-renewal.

3.6.1 Characteristics of Organizational Development

Total and Comprehensive Approach: As already mentioned above, Organisational Development represents a total and comprehensive approach. This itself means a lot. Thus its targets are the entire organisation – from top management to the lowest rank, both managers and their sub-ordinates, both formal work terms and informal groups, as also individual employees. Its activities have wide dimensions – from training to counseling, problem-solving to human resource development, redesigning of structure to reorientation of the organisation culture.

Educational Strategy: Apart from other functions or along with them, it educates everybody in the organisation including groups of

individuals about the need for change, how to face the future. In the words of McFarland:

"Organisational Development is a set of concepts and techniques by which organisation members learn to initiate, accept and cope with change, to develop trust in each other and to function effectively as members of groups and teams."

Behavioural Thrust: The main thrust of Organisational Development is behaviour. It is more organic than mechanistic. In other words, it is heavily concerned with changing attitudes and improving inter – personal relation. As a matter of fact, Organisational Development is the combination of a number of behavioural techniques that have developed in recent years like sensitivity training, transactional analysis and so on. But it has not reached its culmination as yet. Its scope will expand as more and more techniques are discovered.

Internalised Process : Because of its newness and complexity, it requires intervention by an outside consultant, but basically it relies on the creative potentialities of the organisation members themselves. Its aim is entrepreneurship rather than entrepreneurship. Emphasis is placed on self – diagnosis process. Solutions are generated by organisation members themselves instead of being imposed by others. That is why it is considered to be an educational strategy.

Systems Outlook : The underlying philosophy of Organisational Development is the systems concept. It is open and adaptive. It is based on linkages between the individual goals and goals of the organisation, among the goals of different groups and so on. On the other, it guides the organization as whole to be linked with the external environment, to procure good inputs from it and enrich it with good outputs.

Culture of Mutuality: It emphasises trust, inter-dependence and continuous collaboration among the members of the organisation. Team building is one of its important techniques. It is relevant to recall that participation is the soul of the behavioural sciences.

3.7   ORGANIZATIONAL DEVELOPMENT PROCESS

Organisational Development is a complex process which may take a year or more to design and implement and the process may continue indefinitely. It tries to move an organisation from where it is now to where it should be after some time. The major steps in the process of Organisational Development may be analysed as follows.

Problem Identification: The first step is the identification of important problems of the organisation. This may be done by a team of senior managers within the organisation or by consultants hired from outside. It is the top management that appoints a team of managers from within the organisation or a consulting agency from outside.

Problems may be of any category – failing productivity, increasing losses, managerial interia, machine obsolescence, declining sales, rising costs, new import restrictions imposed by the government and so on.

The devices of problem identification are : discussions or interviews with employees, collection of data, observation of situations and the like.

Diagnosis: Once the problems are identified, it is necessary to find out their causes, just as the physician first identifies the disease through the symptoms and then proceeds to investigate into the causative factors,

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Diagnosis requires skills of analysis and observation. It begins with the total system, its structure, functioning, work flows, communications and so on. Sub-systems like the administrative system, the technical system and the human or social system are also enquired into. Initial focus is on the structural variables. Subsequently, the behavioural problems – individuals, group, inter – group are taken care of.

If outside consultants are engaged, they generally help the managers and other senior members of the organisation to sharpen their own diagnostic skills, clarify their own assumptions and goals. Diagnosis takes place through the joint efforts of the consultants and managers.

Planning of Strategy or Strategies : After diagnosis a few strategies or courses of action are formulated by the consultants in close collaboration with the members of the organisation. The pros and cons of different possible alternative strategies are analysed and the best one is selected from among them. If necessary, a small pilot project or a trial run may be undertaken to find out the relative effectiveness of the selected strategy.

Intervention : Once the principal strategy is decided upon and translated into an action programme, the next step is implementation. The basis of implementation of an Organisational Development. programme is intervention. The literal meaning of the term 'intervention' is interference. It makes things happen in Organisational Development.; is generally implies planned changes which are brought about by the outside consultants in collaboration with important members of the organisation.

Evaluation and Feedback : These two virtually take place at different stages of the Organisational Development process. In other words they are continuous operations. When a stage ends it is necessary to evaluate its results so that both the good and bad points can be used as lessons for the next stage.

Evaluation starts by gathering information about the results of past action. The data that are collected are classified and analysed. On

their basis the results are reviewed – which operation has led to desired results, which has failed to do so and why. The information is then communicated to appropriate individuals or groups in the form of feedback.

The tools of evaluation include questionnaire-answers, interviews, meetings, conferences, discussions and so on. Feedback should be in the form of written reports addressed to appropriate persons of groups. Doubts may be clarified through discussion.

3.7.1 Organisational Development Intervention

Intervention is the most important part of Organisational Development. It is the action phase. The literal meaning of 'intervention' is interference. But Organisational Development. will defeat its purpose if it just boils down to interference in what is going on in an organization or in the work of an individual or group. Organisational Development. is for all practical purposes a programme of planned change which is based on collaboration with individuals and groups that are already working in the organisation. Its object is to stimulate and encourage them to be more active and to undertake self-analysis and self-improvement.

It succeeds to the extent that it can utilize existing resources and promote self-direction and self-control among individuals and groups. In the words of Richard Backford : 'the consultant's role has become that of sponge (collecting data), water faucet (giving the information back to the parties) and catalyst (bringing all elements of management together).

3.7.2 Techniques of Intervention

A number of tools and techniques are available for the purpose of Intervention .

- *For individual employees* – Human Resource Development. It is a micro-level technique for the continuous improvement of the capabilities of each member of the organisation. It

comprises many devices of an inter-dependent nature, including Performance and   Potential Appraisal and Career Planning.

- ***For inter-personal relations*** – Sensitivity Training in which 10 or 15 people are guided by an expert and helped through discussion to increase their skills for interaction.

- ***For team or group*** – Team Building in which the members of a team or group are enabled to diagnose and solve problems collectively.

- ***For inter group relations*** – (i) Intergration of Attitudes, (ii) Liaison Group, (iii) Confrontation Meetings and the like.

- ***For the organization itself*** – Survey Feedback which consists in conducting attitude and other surveys and reporting the results back to its members.

- ***For managers*** – Grid Training which is an application of the concept of Managerial Grid, based on the two dimensions of task orientation and employee orientation, to the cases of individual managers for the improvement of their leadership styles.

3.8   BENEFITS AND LIMITATIONS OF ORGANISATIONAL DEVELOPMENT

Organisational Development is a useful organizational intervention. Its major advantage is that it tries to deal with changes in a whole organisation or a major unit of it and in that way it accomplishes more widely dispersed improvement. Other benefits of OD include *higher motivation, productivity, quality of work, job satisfaction, team work and resolution of conflict.* It also *reduces absenteeism* and *employee turnover.*

The limitation of Organisational Development are : it is *time consuming* and *expensive,* some benefits have delayed pay-off period. A notable limitation of Organisational Development is that it may be more compatible with the humanistic values in some states such as US and Scandinarian countries than Japan, Latin America and Africa, Box : IV lists the benefits and limitations of organizational development.

| Box No IV: Benefits and Limitations of Organisation Development: |

Benefits	Limitations
• Organisation-wide changes	• Time consuming
• Higher motivation	• Expensive
• Higher productivity	• Delayed pay-off period
• Better quality of work	• Possible failure
• Higher job satisfaction	• Possible invasion of privacy
• Improve team work	• Possible psychological harm
• Better resolution of conflict	• Potential conformity
• Commitment of objectives	• Potential conformity
• Increased willingness to change	• Emphasis on group processes rather than performance
• Reduced absence	• Possible conceptual ambiguity
• Lower turnover	• Difficulty in evaluation
• Creation of learning individuals and groups	• Cultural incompatibility

Check your Progress 3

State whether you agree to the following statement

Organizational Development needs selective intervention by the external forces.

For answer see Answers to CYP.

3.9   LET US SUM UP

Change involves making things different, change occurs at individual, group and organizational levels. Change is generally resisted. In this unit, it is explained how resistance should be viewed in a positive way, what are the sources of resistance, and what are the approaches to be taken to reduce the resistance to change.

Implementation of change successfully need knowledge about the change process. Change process consists of three stages: Unfreezing,

changing and refreezing. Unfreezing refers to the casting aside old belief, activities and behaviour. Changing refers to the learning that has taken place. Refreezing involves making change permanent.

To change the organization as whole, organizational development is used. Organisational Development attempts to improve organizational effectiveness by planned diagnosis and intervensation, Rather than addressing itself to the individual growth, Organisational Development focuses on the goals, processes and resources of the total organisation.

3.10   KEY WORDS

•   Organizational Culture: Commonly shared beliefs & practices followed across the organization.

•   Intervention: Interference by external agency in the normal functioning of an organization for its development.

3.11   SUGGESTED READINGS FOR UNIT-3

•   Banerjee M –   Organizational Behaviour

Allied Publishers Ltd. N. Delhi

•   K. Shridhara Bhat – Management and Behavioural Process

Himalaya Publishing House, N. Delhi.

3.12   ANSWERS TO CYP

Check your Progress 1: (b), (c), (a); these are stages of

implementing change.

Check your Progress 2: (c)

3.13   REFLECTIVE QUESTIONS

- What is change management?

- Discuss the various types of change?

- Why do people in organization, tend the resist change? Explain instances of resistance to change in your organization and what are the strategies to overcome the resistance.

- What are the sources of resistance?

- Discuss the various approaches for reducing resistance to change.

- Describe the characteristics of Organizational Development.

- State the benefits and limitation of Organizational Development.

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