

# Principles of Management and Organisational Behaviour

IMMM



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# Course Outcomes

The course on “Principles of Management and Organisational Behaviour” helps you gain insights into fundamental management principles and organisational behaviour theories. Understand the concepts to analyse organisational dynamics, enhance leadership skills, foster effective teamwork, and develop strategies for achieving organisational objectives in a diverse workplace. The book comprises the following twelve chapters:

**Chapter 1: Evolution and Nature of Management** - This foundational chapter commences with a historical perspective and schools of management thoughts, followed by the concept of management. At the end of the chapter, it explains the duties of managers.

**Chapter 2: Planning, Organising, Directing, Monitoring, & Controlling** - The chapter introduces the concept of planning. Then it describes the concept of organising. At the end of the chapter, it covers monitoring and controlling and the concept of directing.

**Chapter 3: Personality and Work Performance** - This chapter begins with the concept of personality. Then it explains the concept of attitude. Further, it covers personality and work performance.

**Chapter 4: Power, Politics and Authority** - This chapter explains the concept of power. Then it discusses the concept of organisational politics. Further, it delves into the concept of morale. At the end of the chapter, it explains the concept of authority.

**Chapter 5: Motivation and Leadership** - This chapter discusses the concept of motivation. Further, it explores the concept of leadership. At the end of the chapter, it explains the relationship between leadership and teamwork.

**Chapter 6: Conflict Management** - The chapter lays the groundwork by explaining the concept of conflict and conflict resolution through negotiation. Then it explores the concept of communication. Further, it explains the coordination.

**Chapter 7: Introduction to Organisational Behaviour** - This chapter begins with an introduction to organisational behaviour. It describes the different disciplines and organisational behaviour. It also explains how managerial skills impact organisational behaviour? Further, it covers the concept of international organisational behaviour.

**Chapter 8: Organisation and Individual Behaviour** - This chapter introduces the meaning of organisation. Then it discusses the attributes of individual behaviour.

**Chapter 9: Group Behaviour and Team Work** - This chapter focuses on the meaning of a group. Then it delves into the group dynamics. The chapter concludes with an explanation of group formation and group decision-making. At the end of the chapter, it explains the concept of teams.

**Chapter 10: Developing Organisational Culture** - This chapter commences with the concept of organisational culture. It explores the development and sustenance of an organisational culture. The chapter extends to three levels of organisational culture. At the end of the chapter, it describes the impact of organisational culture on employee's performance.

**Chapter 11: Organisational Change, Design and Development** - This chapter begins with the concept of organisational change. Then it explores resistance to change, then discusses change management and organisational structure. At the end of the chapter, it explains organisational development and creating a learning organisation.

**Chapter 12: Decision-Making in an Organisation** - The final chapter explores the concept of decision-making. Further, it explains the process of decision-making. The chapter concludes with models of decision-making and strategic decision-making.

# Evolution and Nature of Management

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**LEARNING OBJECTIVES**

After studying this chapter, you will be able to:

- Discuss the historical perspective of management
- Explain the school of management thoughts
- Elaborate the concept of management
- Describe the duties of managers

**1.1 INTRODUCTION**

Every industry and every business operation depend to a large extent on the efficiency of management. Effective application of the principles of management is needed to turn any job into a success. Management is the art of getting things done by people.

According to **Koontz and O Donnel**, *management is the creation and maintenance of an internal environment in an enterprise where individuals working in groups can perform efficiently and effectively towards the attainment of group goals, it is an art of getting the work done through and with people in formally organized groups.*

In this chapter, you will study about the historical perspective of management. Then the chapter discusses the school of management thoughts and concept of management. At the end of the chapter, it describes the duties of managers.

**1.2 A HISTORICAL PERSPECTIVE**

Since the dawn of civilisation, management is being practised in some form or the other. From the time when people began living together and working within groups, managerial and organisational techniques have been evolving. For example, without applying the techniques and principles of management, the execution of wonder tasks, such as the Pyramids of Egypt, the Roman Catholic Church and the Chinese Wall would not have been possible.

The conceptual framework and an organised body of knowledge management were little developed by ancient origins till the end of the 19<sup>th</sup> century. The systematic and scientific application, and study of organisational management mainly took place after the start of the Industrial Revolution. Since that time, the management thoughts have been growing rapidly. Some of the major contemporary contributors to the school of management have been Peter. F. Drucker, Henri Fayol, Max Weber, Frederick Winslow Taylor, Michael Porter, Peter Senge, George Elton Mayo, Douglas McGregor and Abraham H. Maslow.

**1.2.1 | IMPACT OF INDUSTRIAL REVOLUTION**

The industrial revolution brought major industrialisation during the late 1700s and early 1800s. The mechanisation of agriculture, textile manufacturing, and revolution in power dramatically affected social, economic and cultural conditions. Factory systems, developed during the industrial revolution, are considered to be

## NOTES

responsible for the creation of capitalism and modern business techniques. The production efficiency was improved due to inventions like the steam engine, that reduced the time taken to manufacture the products. The industrial revolution resulted in an increase of employment opportunities. Because of the emergence of more factories, there was a need of employees and managers to operate them. New and innovative products started emerging. Increased innovation resulted in the need of higher levels of education and motivation required for training the workers. The industrial revolution brought into light the significance of management for the effective running of businesses. During the period of industrial revolution, labourers were considered to be the most lethargic people who needed to be controlled and supervised. Therefore, efforts were made to achieve maximum output with minimum costs of labour and production to increase overall efficiency.

### 1.2.2 | DEVELOPMENT OF MANAGEMENT THOUGHTS

The concept of development of management has taken place as a result of complex ongoing evolutionary processes in the past. The idea of management has been practised from the ancient times of Sumerians, Babylonians and Romans. But it started nurturing and gaining significance after the start of the industrial revolution and was affected by many forces. These forces are depicted in Figure 1:

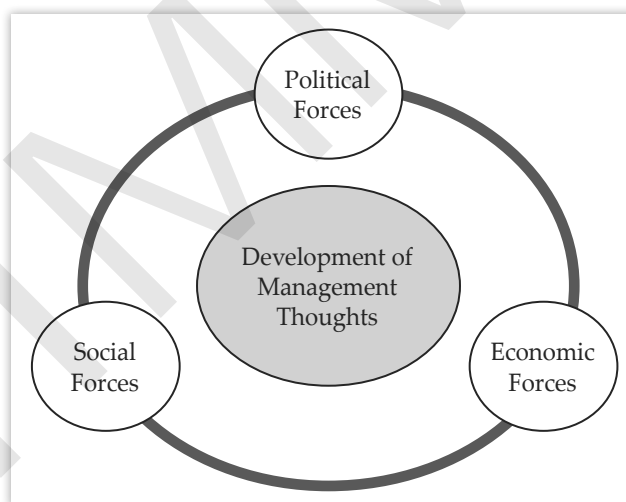


FIGURE 1: Development of Management Thoughts

#### SELF ASSESSMENT QUESTIONS

1. Max Weber was a contemporary contributor to the school of management thought. (True/False)
2. The \_\_\_\_\_ Revolution brought into light the significance of management for the effective running of businesses.

### 1.3 | SCHOOLS OF MANAGEMENT THOUGHTS

The schools of management thoughts encompass a range of approaches and perspectives put forth by experts across diverse disciplines. These varied viewpoints serve as guidelines for effective management, offering managers different lenses

through which they can achieve organisational goals efficiently. Several models and concepts of management have evolved over time to act as the foundation of managerial decision-making and organisational development. The main stages of development of management thought include Classical theories (Bureaucracy, Scientific Management and Administrative Theories); Neo-classical theories (Human Relations and Quantitative Approach), and others (Systems Approach, Contingency Approach, and Modern Management).

### 1.3.1 | CLASSICAL SCHOOL OF THOUGHT

The classical theory of organisation is also called empirical approach or functional approach or management process approach. The classical theory of organisation is based on the following principles:

- Organisation is a systematic process of inter-related functions. The inter-relationship between these functions and the mechanics through which these functions are performed form the core of the classical approach.
- The theory assumes that the principles and functions of management can be universally applied in different situations.
- Principles should be developed on the basis of the experiences of practicing managers to act as guidelines for executives and management training.
- Emphasis is placed on formal education and training of managers for developing managerial skills. Enhancing the efficiency of human resources improves the organisation's efficiency and productivity.
- The economic efficiency and formal structure of the organisation are given utmost importance.
- The workers are motivated by economic gains.

Classical approach uses the observation method to draw common management principles from the past experiences of managers. This approach provides a scientific basis for universal management practice and lays the foundation for scientific management and general administrative management. It gives the researchers a starting point for verifying and improving the validity and applicability of management knowledge. However, this approach has a few limitations, as given below:

- It undermines the role of human factors because it mainly follows a mechanistic framework for viewing people in an organisation.
- It ignores the effects of environmental dynamics on management. Also, relying too much on past experiences may prove to be illogical because a management principle/technique found effective in the past may not be fruitful in future conditions.
- The case study method adopted in classical organisational theory may not incorporate the totality of real situations.

The classical theory of management emerged during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, primarily focusing on the structure, efficiency, and productivity of organisations. It comprises three main branches:

- **Scientific management:** Developed by Frederick Taylor, this approach aims to improve efficiency in the workplace by emphasising scientific methods to optimise tasks and processes. He gave four principles:
  - Science, not a rule of thumb
  - Harmony, not discord
  - Cooperation, not individualism
  - Development of workers to their greatest efficiency and prosperity
- **General administrative management:** Proposed by Henri Fayol, this theory focuses on the functions of management and the principles that guide managerial practice. Henri Fayol developed the following principles of management:
  - **Division of work:** According to this principle, the work of every individual in the organisation should be limited to the extent of one main function. This helps in getting better work done in the same capacity.
  - **Authority and responsibility:** Parity should be maintained by all managers between authority and responsibility.
  - **Discipline:** A sense of respect for designed rules and regulations must prevail throughout the organisation to ensure smooth functioning.
  - **Unity of command:** For ensuring stability in the company, each individual must execute orders of, and be accountable to, only one supervisor.
  - **Unity of direction:** Just like unity of command helps in grouping of persons, unity of direction helps in grouping of activities. There has to be only one plan and one head/department for all activities of the same nature and objectives.
  - **Subordination of individual interests to general interests:** As far as possible, the individual interests must be combined with the common interests of the organisation, and if there is a conflict between the two, organisational interests shall prevail over the individual interests.
  - **Personnel remuneration:** There must be fair methods of payment of remuneration to the employees.
  - **Centralisation:** As per Fayol, the degree of concentration of authority should be dependent upon the optimum utilisation of personnel's skills.
  - **Scalar chain:** It refers to the chain of superiors in an organisation ranging from the top-level authority to the lowest level. It should also allow for cross-communication in case of any need for immediate communication or an emergency.
  - **Order:** This is concerned with the proper arrangement of physical resources and the proper placement of human resources in the entity. There has to be a proper place for everything and everyone.

- **Equity:** All employees of the organisation should be treated with respect and justice.
- **Stability of tenure of personnel:** The management should strive to minimise employee turnover by making employees comfortable in their respective jobs and by assuring them job security.
- **Initiative:** The employees at all levels of the organisation should be given an opportunity to initiate and participate in the formulation and execution of plans.
- **Esprit de corps:** It refers to the harmony of interests and the unity of efforts. Oral communication and unity of command are very important in achieving esprit de corps.

Fayol identified five primary functions of management:

- **Planning:** Setting goals and creating strategies to achieve them.
  - **Organising:** Allocating resources and establishing a structure to carry out plans.
  - **Commanding:** Directing and leading employees to execute tasks effectively.
  - **Coordinating:** Harmonising activities and efforts within the organisation.
  - **Controlling:** Monitoring performance and taking corrective actions as needed.
- **Bureaucratic management:** Introduced by Max Weber, this theory emphasises a formal organisational structure based on rules, hierarchy, and impersonal relationships. Key features include:
- **Clear hierarchical structure:** Well-defined levels of authority and a chain of command.
  - **Division of labour:** Specialisation based on expertise and competence.
  - **Formal rules and procedures:** Standardised processes and regulations for consistent operations.
  - **Impersonal relationships:** Decision-making based on rules and merit rather than personal biases or preferences.

### 1.3.2 | SCIENTIFIC SCHOOL OF THOUGHT

Frederick Winslow Taylor, the father of scientific management theory, conducted a series of experiments to develop systematic and scientific ways of doing things in order to optimise efficiency. He believed that there was a scientific way of designing and performing organisational jobs. The scientific approach emphasised the need for managers to adopt systematic and scientific ways to encounter managerial problems instead of using old rule-of-thumb methods or trial and error methods. Taylor advocated a detailed study of each job scientifically to analyse the job and find out the best way of performing it.

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The following techniques of scientific management were developed:

- **Time study:** This study is designed to identify the standard time for each job to be carried out under certain specified conditions. This is done by analysing the job by dividing it into its constituent elements and recording the time required for carrying out each constituent element.
- **Motion study:** This study is used to carefully study the movement of both machines and workers so as to find out and eliminate wasteful and unnecessary movements.
- **Fatigue study:** It involves establishing the necessary duration and frequency of breaks needed to complete a task. According to Taylor, continuous work leads to fatigue, and individuals require rest intervals to replenish their energy. Thus, providing these breaks helps them regain their lost stamina.
- **Method study:** It revolves around discovering the most optimal approach or method to finish a task. Its primary objective is to enhance work methods, reducing product costs while maximising customer satisfaction.
- **Simplification and standardisation:** Scientific management focuses on the implementation of pre-determined standards laid down in respect of materials, time, tasks, quality, and cost. Standardisation of work ensures simplicity and uniformity of operations.
- **Scientific task planning:** Work scheduling and an efficient routing system are developed to forecast each step of a task/operation to be taken at the right time, in the right place, and at the right degree. Planning results in the performance of each operation with optimum efficiency.
- **Differential piece rate system:** This system determines the remuneration of workers by creating a direct connection between wages and productivity of workers. Under this system, two wage rates are laid down, one low rate for failing to achieve the standard output from workers, and the other high rate for meeting or exceeding the standard output from workers. These differential wage rates act as a motivating factor for the workers to increase efficiency and reach the desired output.
- **Functional foremanship:** Taylor suggested a system of functional foremanship on the ground that a single supervisor cannot hold expertise in all aspects of work supervision. Therefore, he developed a system wherein eight supervisors or foremen supervise the job of a worker. These 8 foremen are:
  - Instruction card clerk
  - Time and cost clerk
  - Route clerk
  - Disciplinarian
  - Speed boss
  - Gang boss
  - Repair boss
  - Inspector

### 1.3.3 | BEHAVIOURAL SCHOOL OF THOUGHT

Behavioural approach is an extension of the human relations approach to management. While the human relations approach emphasises an individual and his needs by highlighting interpersonal relationships, the behavioural approach emphasises groups and group behaviour by highlighting group relationships. The behavioural approach focuses on the wider subject of organisational behaviour. It is concerned with the study of the behaviour, attitudes, and performance of both individuals and groups in an organisational setting. The major propositions made by this theory were as follows:

- An entity is characterised by socio-technical system.
- Individuals react differently to same situations because they possess different perceptions and values.
- Management should strive to achieve harmony between individual goals and organisational goals.
- People's behaviour as individuals may differ from their behaviour as members of a group.
- Interpersonal relations among individuals are influenced by a number of factors.
- People work with each other in their own informal groups, each with separate cultures and communication systems.
- Informal groups have a great influence on the performance and behaviour of employees.

### 1.3.4 | MODERN MANAGEMENT THEORY

Since 1950, a new stream of management thought and practice has evolved. Modern management theory is defined as the application of systems approaches and contingency approaches to organisations and management. The main features of modern management theory are as follows:

- **Systems approach:** The study of management is characterised by the systems approach.
- **Dynamic:** The ability of an organisation's management to respond and adapt to its dynamically changing environment is crucial for the survival and growth of the organisation.
- **Multi-motivated:** Business managers are required to meet multiple objectives to strike a balance between the interests of stakeholders, society, employees, and the government.
- **Multi-dimensional:** There are multiple levels of management, ranging from top-level to middle-level to lower-level operations.
- **Multi-variable:** An event in an organisation may be the result of several inter-related factors, controllable or uncontrollable. Effective planning and control are imperative for effective handling of these factors.

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- **Multi-disciplinary:** The thought of modern management draws on techniques and concepts by integrating ideas from different fields, such as economics, sociology, operations research, etc.
- **Probabilistic:** The decisions and actions of the managers are dependent upon uncertain variables and the prediction of future events.
- **Adaptive:** This theory considers management as an adaptive system which continuously adjusts the functioning of the organisation according to its dynamically changing environment.

EXHIBIT

QUANTITATIVE APPROACH

W.C. Churchman and his associates developed the concept of a quantitative approach to management. This theory recommends the use of operations research for solving managerial problems. It strives to find the right answers to managerial problems through the use of statistical and mathematical techniques. Quantitative approach gave rise to techniques like electronic data processing, network analysis, management information systems, and linear programming. Such techniques aid in planning and decision-making. The use of econometric models for organisational decision-making at all levels of management is stressed by this approach. Quantitative methods replace intuition and hunch with logical and factual data analysis in decision-making processes.

SELF ASSESSMENT QUESTIONS

3. The basic principles of management were developed by Henri Fayol. (True/False)
4. \_\_\_\_\_ is an extension of the human relations approach to management.

ACTIVITY

Visit an organisation and observe the inter-relationships between people, departments, superiors, and subordinates. Co-relate such observation with administrative theory and give an example of each of the 14 principles of organisation given by Henri Fayol.

1.4 CONCEPT OF MANAGEMENT

Management is the art of getting things done from others. Peter F. Drucker defines management as a multipurpose organ that manages work, business, managers and workers. It is the effective utilisation of physical, mechanical and human resources to achieve the objectives of an enterprise. In simple words, management is the process of converting ideas into actions by getting things done with people and from people in an organisational setting. The main characteristics of management are as follows:

- Management is a universal process which can be applied in every business situation.



- Management is purposeful and is directed towards the achievement of certain economic/non-economic goals.
- Management involves creativity on the part of managers in seeking to attain maximum efficiency from optimum utilisation of all resources.
- Management reconciles individual efforts and goals with group efforts.
- Management is a social process because it is done by people, for people and from people.
- Management is multidisciplinary as it derives knowledge from varied fields.
- Management is a dynamic and continuous process.
- Management is situational and contingent upon the circumstances of a given reality.

### 1.4.1 | FUNCTIONS OF MANAGEMENT

Management in an organisation is operated through a number of functions. The functions of management form the process of management in an organisation and define the roles and jobs of managers. The functions of management are shown in Figure 2:

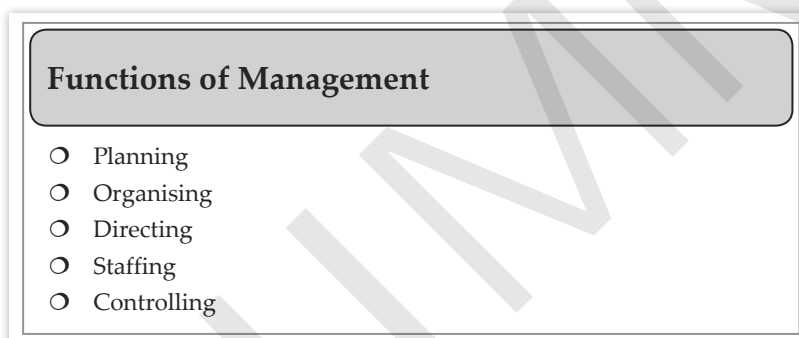


FIGURE 2: Functions of Management

Management is described as a process of planning, organising, staffing, directing and controlling the human efforts and utilising the resources towards the achievement of organisational goals. As such, the functions of management as described by Henri Fayol are as follows:

- **Planning:** Planning refers to the function of deciding in advance what has to be done, how it has to be done, and who has to do it. It involves setting goals in advance and development of ways of achieving those goals efficiently and effectively. Although planning cannot prevent problems, it can predict them so as to enable preparation of contingency plans to deal with them as soon as they occur.
- **Organising:** Organising is the next step after planning. It involves assignment of duties, grouping of tasks, establishment of authority and allocation of resources for carrying out the predefined plans. After the establishment of plans, organising function helps to examine the resources and activities required for implementing those plans. The most important component of organising is grouping of tasks into work units/departments and establishing authority-responsibility

relationships within the entity's hierarchy. Proper organising techniques bring work accomplishment with efficiency and effectiveness in operations.

- **Directing:** Directing is the process of influencing, motivating and leading the employees to perform their assigned tasks effectively. It involves creating an atmosphere to encourage subordinates to do their best. Through motivation and leadership, managers are required to effectively communicate and supervise their employees at work. Managers should ensure that work is directed in such a manner that enables employees' performance in conformity with established organisational policies and techniques.
- **Staffing:** Staffing refers to finding the right people for the right jobs. In order to achieve organisational goals, it should be ensured that the right people possessing the right expertise are available at the right time and place to carry out the work. The activities involved in staffing include selection, recruitment, training and placement of human personnel.
- **Controlling:** It is the process of monitoring of organisational performance towards the achievement of organisational goals. It includes the establishment of performance standards, measurement of current performance, comparison of performance with established standards and taking corrective measures in case of deviations.

#### 1.4.2 | SIGNIFICANCE OF MANAGEMENT

Management is an integral activity for any organisation because of the following reasons:

- **Achievement of group goals:** Management is required for achieving the goals of an organisation. The manager has to channelise individual efforts towards a common direction for achieving the overall goals of the organisation.
- **Increases efficiency:** Through better planning, organising, staffing, directing and controlling the organisational activities, the managers are able to reduce costs and enhance productivity.
- **Creates a dynamic environment:** Organisations have to work in constantly changing environments. Individuals who resist change are motivated by the managers to move from their comfort environments towards more challenging ones. This helps organisations to maintain a competitive edge.
- **Achievement of individual goals:** Through motivation and leadership, managers drive their teams in such a way that team members are able to achieve their personal goals while contributing to group success and overall organisational goals. Management develops cooperation, team spirit and commitment to the individual as well as group success.
- **Development of society:** Every organisation has to serve multiple objectives to meet the purposes of both internal and external people affected by it. To fulfil these purposes, management helps in the development of an effective organisation, which, in turn, helps in the development of society. It, thus, helps in providing good-quality products and services, creating employment opportunities, adopting the latest technologies, and leads to complete societal growth and development.

### 1.4.3 | MANAGEMENT: SCIENCE OR ART?

Art is the personalised application of theoretical knowledge and skills to achieve the best-desired results. Management is art because it holds the following essential elements of art:

- **Personal skills:** Similar to an artist, a manager applies his knowledge and skills to streamline the efforts of individuals in an organisation.
- **Practical know-how:** Management is a personalised technique of adopting one's own knowledge and perceptions to solve business problems.
- **Creativity:** Management is creative in its approach because it deals with new situations and involves the conversion of inputs into outputs.
- **Result orientation:** Management aims to achieve concrete results, such as sales growth, profits and social confidence.
- **Constant practice with perfection:** A long period of experience in management helps refine this continuous practice and gain mastery in this field.

Science is a systematised body of knowledge relating to a specific field of enquiry. Management is science because it holds the following essential elements of science:

- **Systematised body of knowledge:** Management runs through principles and theories in every area of its specialisation. For example, effective delegation of authority should be based on certain principles.
- **Development through research, observation and experimentation:** The theories and principles of management have evolved through the process of continuous theoretical research and practical experiences over a number of decades.
- **Universal application:** Management principles can be widely, repeatedly and universally applied in all organisations and in different situations.
- **Taught and learnt:** Just like science subjects, the theories of management can be taught and learnt in industrial sectors and in classrooms.

### 1.4.4 | MANAGEMENT VS. ADMINISTRATION

There are three types of views regarding the kind of relationship that exists between management and administration. These views are shown in Figure 3:

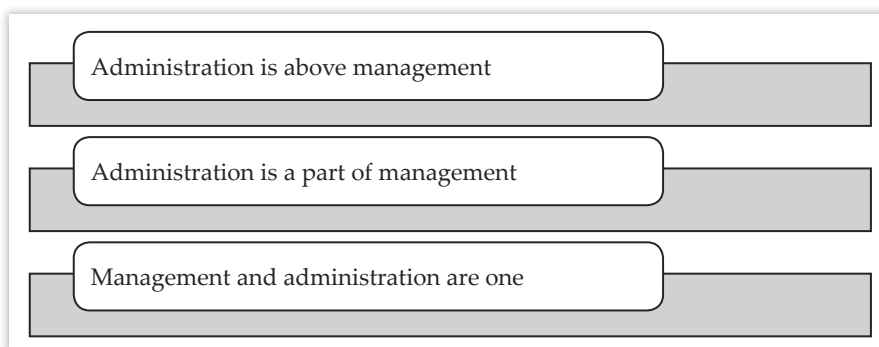


FIGURE 3: Management vs. Administration

## NOTES

There has always been a controversy on the use of the terms 'management' and 'administration'. Various experts have given divergent opinions on the usage of the two. There are three points of view in this behalf:

1. **Administration is above management:** This view holds that administration is a higher-level functional activity and management is a lower-level functional activity. While the administration is a determinative or thinking function, which lays down the major policies and broad organisational objectives, management is an executive or doing function which directs human efforts towards the achievement of predefined objectives.
2. **Administration is a part of management:** Another viewpoint is that management is a comprehensive function and administration forms a subset or part of it. Management is the generic and complete process involving effective planning and guidance of operations, while administration is a smaller process involving the performance of procedures and checking of progress against plans.
3. **Management and administration are one:** Many writers like Henri Fayol, Harold Koontz, George R. Terry and William H. Newman make no distinction between the terms 'management' and 'administration'. As per William H. Newman, administration or management is concerned with leadership, guidance and control of group efforts of the individuals towards attainment of common goals. Henri Fayol also states that all entities require the same functions to be performed and the same principles to be observed.

## SELF ASSESSMENT QUESTIONS

5. Management is which of the following?
  - a. Art
  - b. Science
  - c. Both of these
  - d. None of these
6. Management is described as a process of planning, organising, staffing, directing and controlling efforts and resources of an organisation. (True/False)
7. \_\_\_\_\_ includes the establishment of performance standards, measurement of current performance, and comparison of performance with established standards.

## 1.5 DUTIES OF MANAGERS

The success of any organisation depends upon the interpersonal, decision-making and informational roles performed by the managers. A manager's duties and responsibilities must incorporate the following points:

- To give a meaningful direction to the organisation.
- To meet the challenges of increasing competition.
- To be responsive towards the needs of customers with respect to quality of products, reasonable prices, etc.

- To be responsive towards the workers with respect to their salaries, provident fund, etc.
- To ensure timely payments to suppliers and creditors for the supply of raw materials and consumables.
- To ensure that the operations of the company are carried out legally within the scope of existing legislations framed by the Government, for instance, in relation to tax payments.
- To nurture and retain talented employees in the organisation, initiate for skills enhancement and undertake regular training of employees.
- To maintain efficiency and effectiveness of operations for profit generation.
- To motivate the subordinates.
- To create a sense of loyalty among co-workers.
- To demonstrate leadership skills while keeping in mind the interests and welfare of his subordinates.
- To take care of the obligations towards the society.
- The actions of the organisation should be such that the environment is not damaged.

#### SELF ASSESSMENT QUESTIONS

8. Every manager is responsible towards the society as a whole. (True/False)

## 1.6 SUMMARY

- The idea of management has been practiced since the ancient times of the Sumerians, Babylonians, and Romans. But it started nurturing and gaining significance after the start of the industrial revolution and was affected by many forces.
- Several models and concepts of management have evolved over time to act as the foundation of managerial decision-making and organisational development.
- The main stages of development of management thought include Classical theories (Bureaucracy, Scientific Management and Administrative Theories); Neo-classical theories (Human Relations and Quantitative Approach), and others (Systems Approach, Contingency Approach, and Modern Management).
- The classical theory of management emerged during the late 19th and early 20th centuries, primarily focusing on the structure, efficiency, and productivity of organisations.
- Frederick Winslow Taylor, the father of scientific management theory, conducted a series of experiments to develop systematic and scientific ways of doing things in order to optimise efficiency.
- The behavioural approach is an extension of the human relations approach to management. It is concerned with the study of behaviour, attitudes, and performance of both individuals and groups in an organisational setting.

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- Modern management thought is defined as the application of systems approaches and contingency approaches to organisations and management.
- Peter F. Drucker defines management as a multipurpose organ that manages work, business, managers, and workers.
- Management is described as a process of planning, organising, staffing, directing, and controlling human efforts and utilising the resources towards the achievement of organisational goals.
- The success of any organisation depends upon the interpersonal, decision-making, and informational roles performed by the managers.

### 1.7 KEY WORDS

- **Resources:** A stock of materials, money, staff, and other assets that can be utilised/drawn by an entity to function properly and effectively.
- **Subordinate:** A person holding a lower rank in an organisational hierarchy and working under the directions of a superior.
- **Superior:** A person holding a higher rank or position in an organisational hierarchy and instructing people working under him.
- **System:** A set of collective activities of a complex whole that work together as components of an interconnecting and interrelated mechanism.
- **Theory:** A set of principles, suppositions or ideas on which the practice of management or any other activity is based.
- **Behavioural approach:** Concerned with the study of behaviour, attitudes and performance of both individuals and groups in an organisational setting.

### 1.8 CASE STUDY: USE OF SCIENTIFIC MANAGEMENT THEORY

During World War II, assembly lines were used for the production of war weapons in the United States of America. While the men soldiers were fighting in the war, there was a huge need for workers to produce and supply war weapons. Hence, the Government called upon the women workers to execute the work of production of war weapons and work in machine plants and factories. Women came from all across the nation and joined their hands to work in the assembly lines of the US defence production plants.

Frederick Taylor's theory of management was encountered to be followed by the women workers during the complete process of production at the defence plants. It was seen that although the women workers did not possess the requisite knowledge and training to perform their tasks, the rate of production of war weapons was very high. This happened because of the use of assembly lines in factories. The assembly line was analysed through scientific techniques to be the most efficient and time-saving method of getting tasks done. While certain workers were allotted some task, other workers were allotted another task. With the weapons, rolling into the assembly line, each worker performed a specific task in a limited amount of time

before the products moved into the next production phase. This ensured maximised production and efficiency. Thus, Taylor's scientific theory of management was successfully adopted wherein managers and workers adopted a systematic way of completing tasks.

With the help of women workers, the US was able to supply the needed support to its war soldiers and continue its war efforts.

## QUESTIONS

1. Explain the techniques used in the scientific theory of management.  
(Hint: Time study, motion study, differential piece rate system)
2. How was the existence of scientific theory evident in the US defence production plants?  
(Hint: Use of assembly lines)

## 1.9 EXERCISE

1. Define the term 'management'.
2. What are the main functions of management?
3. Briefly discuss the various management theories.
4. What are the duties of a manager?
5. Explain the significance of management for an organisation.

## 1.10 ANSWERS FOR SELF ASSESSMENT QUESTIONS

Topic	Q. No.	Answer
A Historical Perspective	1.	True
	2.	Industrial
Schools of Management Thoughts	3.	True
	4.	Behavioural approach
Concept of Management	5.	c. Both of these
	6.	True
	7.	Controlling
Duties of Managers	8.	True

## 1.11 SUGGESTED BOOKS AND E-REFERENCES

### SUGGESTED BOOKS

- Plunkett, W., & Attner, R. (1994). *Introduction to Management*. Belmont, Calif.: Wadsworth.
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UNIVERSITY



# Planning, Organising, Directing, Monitoring, & Controlling

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Discuss the meaning, significance and process of planning
- Explain the concept, principles and process of organising
- Describe the concept of monitoring and controlling
- Elaborate the meaning of directing in detail

**2.1 INTRODUCTION**

In the previous chapter, you were acquainted with the historical perspective of management. The chapter also described the school of management thoughts and concept of management. The duties of managers were also discussed.

In organisational management, planning involves setting goals, outlining strategies, and defining tasks. Organising entails structuring resources and responsibilities. Directing focuses on guiding personnel towards goals. Monitoring ensures progress tracking and timely adjustments. Controlling involves evaluating outcomes against objectives, implementing corrective actions, and maintaining efficiency. Together, these functions form the fundamental principles of management, providing a comprehensive framework for achieving organisational success and adapting to dynamic environments.

In this chapter, you will study the concept of planning. The chapter also discusses the concept of organising. Then it describes the monitoring and controlling. At the end of the chapter, you will study the concept of directing.

**2.2 CONCEPT OF PLANNING**

The term 'planning' has its significance in everyday life. For example, you as students decide in advance about how to move ahead with the preparation of your examinations. In a layman's language, planning is a systematic way of deciding about the things to be done in a purposeful manner. From a management point of view, planning is the process of deciding about what needs to be done in the future, and then taking appropriate steps for the same in order to achieve specific organisational objectives.

It involves looking into the future and answering to questions such as:

- What is likely to be there in the future?
- How will it affect the organisation?
- What should be the direction of the organisation?
- How should the organisation cope with future events?

Planning involves goal-oriented behaviour, the orderly and disciplined approach of the work, and proper allocation of scarce resources. In short, planning is the process of setting future goals and choosing on the means of achieving those goals.

## 2.2.1 | NATURE AND SIGNIFICANCE OF PLANNING

Planning possesses the following unique characteristics which make it distinguishable from other functions:

- Planning precedes all managerial functions. The functions of organising, staffing, directing, and controlling are subsequently performed.
- It is a process involving a series of steps.
- Planning is pervasive at all levels of management – from the chief executive level to the lowest-level supervisor.
- It is future-oriented and intends to make a provision for taking future contingencies.
- Planning is based on information of current conditions, past trends and future possibilities.
- It is an intellectual process and requires the use of conceptual skills.
- Planning is a form of problem-solving and decision-making.
- Planning generally takes place at two levels, i.e., corporate planning level for the entire organisation, and functional planning level for various units/divisions of the organisation.

The significance of planning is explained as below:

- **Gives direction:** Planning sets a clear direction for the activities of the organisation and for the jobs of managers and employees. It explains where the organisation is heading towards and for what.
- **Alternative courses of action:** Planning provides an opportunity for the managers to analyse, understand, and examine different courses of action along with their likely favourable/unfavourable consequences.
- **Reduce uncertainty:** Planning helps an organisation cut through the uncertainties and complexities of the environment and to seek control over future changes.
- **Minimises the extent of arbitrary decisions:** Planning gives an organisation the capability to assume calculated risks and, therefore, minimises the dependence on luck and impulsive elements.
- **Key function:** Planning is the prime managerial function. All other functions, such as motivation, leadership, supervision, and communication are addressed to the implementation of plans. In fact, control is meaningless without the existence and execution of plans.
- **Resource allocation:** It helps in finding out ways for judicious allocation of scarce resources in the best possible manner.
- **Resource use efficiency:** By optimum utilisation of resources and waste reduction, and by rectifying deficiencies and loopholes in existing systems, planning results in overall improvement in the usage of resources.

## 2.2.2 | PROCESS OF PLANNING

Although there is no standardised format of planning, it should consist of a series of sequential activities:

1. **Planning to plan:** Before initiating the planning process, managers should inject a culture of planning at all management levels through the use of training/conferences on the methodology of planning.
2. **Appraisal of internal environment:** The top management should analyse the current organisational affairs including existing processes, activities and problems to locate the strengths and weaknesses of the organisation.
3. **Appraisal of external environment:** It is also imperative for the top management to analyse the external environmental conditions, such as economic, technological and social conditions. These conditions may have a bearing on the organisation's present and future functioning.
4. **Definition of key issues/key areas for planning:** After analysing the internal and external conditions, the managers must figure out as to which aspects of processes, businesses, markets, and products need to be refined, strengthened or modified.
5. **Development of alternative plans:** Based on the definition of key issues, the management must then generate alternative plans of action to meet the desired results.
6. **Medium-range and short-range plans:** The long-term plans of top management should be divided into more specific medium-term and short-term plans. Medium-term plans are from one year to three years and short-term plans have a duration of less than a year.
7. **Implementation of plans:** Arrangements should be made for effective implementation of decisions and plans by pinpointing the authority and responsibility among various managers in respect of acquisition and allocation of resources, completion of day-to-day tasks, activating communication, etc.

## 2.2.3 | BARRIERS TO EFFECTIVE PLANNING

Some of the limitations of planning are as follows:

- **Bases on assumptions:** Planning is based on certain assumptions or forecasts about the future behaviour. If the future events do not turn out as thought of, the plans may get widely affected.
- **Little control:** The managers do not have much knowledge and control over the external elements of the environment. Natural calamities, governmental changes, etc., cannot be brought under the discipline of planning.
- **Delay:** The process of planning includes a lot of thinking and deciding before the actual execution of things. This is expected to delay action.
- **Rigid:** The functioning of an organisation tends to become rigid due to the introduction of plans because managers insist on complete compliance with pre-defined plans.
- **On paper:** It is quite possible that plans may remain on paper only. They may not be implemented due to time constraints.

## SELF ASSESSMENT QUESTIONS

1. Planning is the process of setting \_\_\_\_\_ goals and choosing on the means of achieving those goals.
2. Planning precedes all managerial functions. The functions of organising, staffing, directing and controlling are subsequently performed. (True/False)

## 2.3 CONCEPT OF ORGANISING

In a layman's language, organising means arrangement, division or grouping of some activities. In the organisational scenario, as many people are appointed, there is a need for division and further subdivision of work among them. In the case of large organisations, distinguishable departments are created for carrying out separate functions. Moreover, each department gets sub-divided into smaller sections. Division of work continues until the time the work gets segregated into several positions of managers and employees. The relationships among these positions are then established. The ultimate outcome is the creation of an organisational structure encompassing formal relationships. Thus, organising refers to the process of arranging and distributing the work of a group of people among its members.

### 2.3.1 ORGANISING PROCESS

The organising process is explained, as shown in Figure 1:

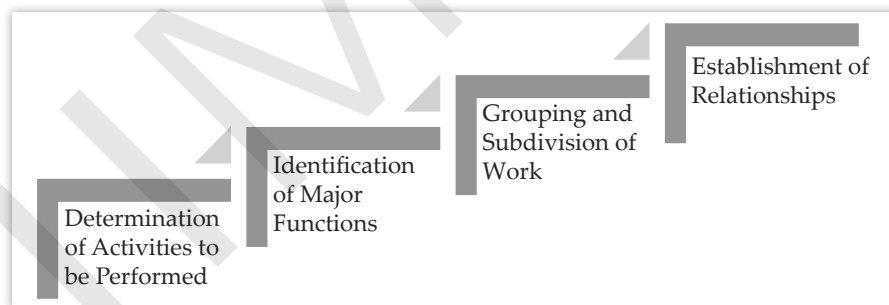


FIGURE 1: The Process of Organising

The steps involved in the process of organising are as follows:

1. **Determination of activities to be performed for the achievement of objectives of the entity:** In manufacturing, trading or service organisations, several activities take place, such as production, purchases, sales, transportation, etc., depending upon the nature of the organisation. While carrying out these activities, many other minor activities have also to be performed, such as marketing, procurement, financing, accounting, recruitment, training, etc. Since different organisations serve different purposes, it is important to define the activities for each organisation separately.
2. **Identification of major functions related to these activities:** The next step involves identifying the functions to which these activities are related. For example, production, finance, selling and personnel are the main functions in manufacturing organisations. For each of these functions, a separate department

is created and managerial positions are created for supervising the activities of each department.

3. **Grouping and subdivision of work within each function:** The activities in each function are to be grouped into smaller units on the basis of similarity. For example, production department activities are divided into a few workshops where the production actually takes place. Also, separate production-related sections can be created for repairs and quality control. This process of division and sub-division continues until individual positions have been fixed for carrying out all types of work in the organisation. The main objectives behind this step are the simplification of a huge amount of work which cannot be executed by one person, and assignment of work to individuals who possess the necessary skills to improve efficiency.
4. **Establishment of relationships among groups and individuals:** In an organisation, the activities performed by different persons holding different positions should be related to each other. This calls for defining the authority, responsibility, and accountability of every person. Fixation of relationships among individuals helps to avoid any conflict or confusion and ensures that work is executed as planned.

### 2.3.2 | PRINCIPLES OF ORGANISING

The principles underlining the concept of organising have been developed by many management expert thinkers from time to time. These principles are as follows:

- **The principle of objective:** Every organisation and every part of an organisation should be represented by a clearly defined purpose, whether implicit or explicit.
- **The principle of correspondence:** The authority and responsibility relationships among members of the organisation must be precisely and formally casted to ensure smooth functioning.
- **The principle of responsibility:** The responsibilities of higher authorities for supervising the actions of their subordinates must be absolute.
- **The scalar principle:** There must exist a clear line of flow of formal authority moving from the top level of management to the bottom levels of each organisation.
- **The principle of span of control:** It is presumed that no supervisor can directly control the working of more than five or six subordinates, the work of whom is interrelated.
- **The principle of departmentalisation:** All the organisational functions of a similar nature should be categorised together under one area called a department.
- **The principle of specialisation:** As far as possible, the work carried out by each and every individual in the organisation must be confined to the execution of one leading function.
- **The principle of unity of command:** Every individual must be following and reporting to the orders of only one superior to avoid any contradiction.
- **The principle of co-ordination:** The objectives of every organisation can be achieved when there are synergy and smooth coordination of efforts.

- **The principle of definition:** There must be a clear description in writing of every position in the organisation.

### 2.3.3 | OBJECTIVES OF ORGANISING

The main objectives of organising are as follows:

- **Common purpose:** Organising gives a clear mission to the organisation that is easily understandable and manageable. The main purpose of organising is to unify the employees and help them understand the entity's direction.
- **Coordinated effort:** Organising seeks to coordinate the efforts of work in such a manner that maximises the utilisation of resources keeping the common purpose in mind.
- **Specialisation and division of labour:** Organising ensures that all tasks are divided into separate departments/jobs in order to maximise efficiency and reduce time. This brings the most efficient use of specialised skills of the employees.
- **Hierarchy of authority:** Organising function formally fixes the position-based reporting structure and determines who supervises whom. The fixed span of control of managers clarifies who all directly report to a manager.

### 2.3.4 | SPAN OF CONTROL

Span of control refers to the number of subordinates under the manager's direct control. It is a concept that explains the number of people that are managed by someone. Span of control is a chain of command idea where the numbers of subordinates are properly recognised to understand a manager's reach. Following are the two types of spans of control:

- **Narrow span of control:** A narrow span of control occurs when a manager oversees a limited number of subordinates, leading to a tall organisational structure. This setup assigns more layers to management as a manager handles a smaller group of individuals, resulting in a tall structure. Figure 2 shows the narrow span of control:

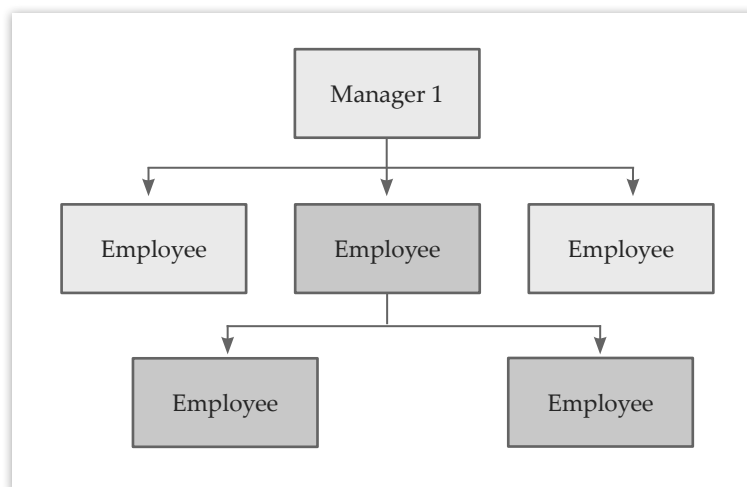


FIGURE 2: Narrow Span of Control



- **Wide span of control:** A wide span of control occurs when a single manager oversees many subordinates, resulting in a flat organisational structure. In this setup, a manager can effectively supervise and manage multiple individuals simultaneously. Unlike narrow spans of control that increase the number of hierarchical levels, leading to taller structures, wide spans of control entail fewer levels in the chain of command, contributing to a flat organisation. Wide spans of control are most effective when dealing with competent individuals who require minimal supervision, performing standardised tasks in a similar manner. Figure 3 shows the wide span of control:

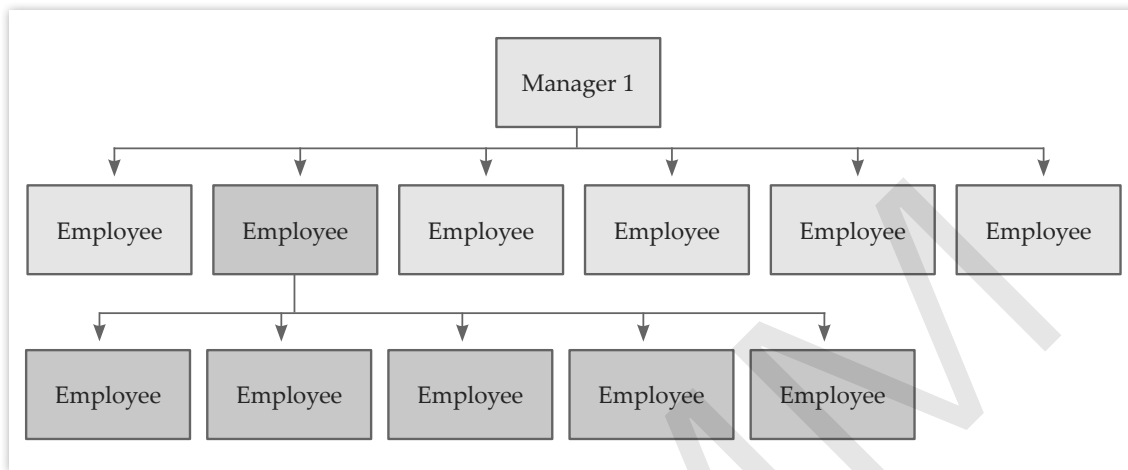


FIGURE 3: Wide Span of Control

### 2.3.5 | DELEGATION

Delegation is a concept of management which involves shifting responsibility to subordinates, allowing them to make decisions of their own accord with minimal intervention. Delegation is an important part of effective management. It is a management concept in which superiors determine what tasks they should do themselves and what jobs they can delegate to their associates. Delegation helps in creating a team spirit, makes everyone feel a part of the team, encourages communication, and helps team members and leaders recognise their full potential. It involves authority distribution for less crucial jobs to subordinates, accompanied by no transfer of accountability.

Delegation is important in an organisation due to the following reasons:

- It allows more time for managers to concentrate on the tasks that are of higher importance for the organisation.
- It allows for a change of routine, which brings a sense of freedom.
- It enables subordinates to learn new work, which helps in employee growth and provides an opportunity for the development of new skills that can improve the chances of promotion.
- It motivates the subordinates, as they feel trusted and appreciated in the organisation.

### 2.3.6 | DUTY, RESPONSIBILITY AND ACCOUNTABILITY

Let us discuss the meaning of duty, responsibility, and accountability:

- **Duty:** Duty refers to an obligation or a moral or legal requirement to do something. It often arises from a position, role, job, or relationship. It is a sense of commitment or responsibility to fulfill certain tasks or obligations. Duty implies a sense of honour, respect, and commitment to performing one's responsibilities, often beyond personal interests or preferences. For instance, a doctor has a duty to provide the best possible care to their patients, while a citizen may have a duty to obey laws and contribute to the well-being of their community.
- **Responsibility:** Responsibility is the state or fact of having a duty to deal with something or having control over someone. It involves being accountable for actions, decisions, and obligations. When someone is responsible, they are reliable, accountable, and capable of fulfilling their duties. Responsibility can also refer to the willingness to accept the consequences of one's actions or decisions. For example, a manager has the responsibility to oversee a team's tasks and ensure they are completed effectively and on time.
- **Accountability:** It is the acknowledgment and assumption of responsibility for actions, decisions, and policies. It involves answering for the outcomes or consequences resulting from those actions or decisions. In various contexts, individuals or entities are held accountable for their performance, behaviour, or use of resources. Accountability often involves explaining or justifying actions, accepting consequences, and being transparent about one's actions. For instance, a government official might be accountable to the public for their decisions and actions while in office.

#### SELF ASSESSMENT QUESTIONS

3. The ultimate outcome of organising is the creation of an organisational structure encompassing formal relationships. (True/False)
4. What is the final step in organising?
  - a. Establish authority-responsibility relationships
  - b. Determine activities
  - c. Identify major functions
  - d. Group and subdivide work

#### ACTIVITY

Visit an organisation's website and read its annual report. Apply the steps of organising process to determine its major functions, departments and authority-responsibility relationship levels.

## 2.4 | MONITORING AND CONTROLLING

Monitoring entails the structured observation, supervision, and management of procedures, actions, or systems within a company. It revolves around consistently overseeing ongoing activities to evaluate advancement, detect any deviations from

intended courses or norms, and gather information to aid in decision-making. The process involves gathering data, assessing performance metrics, and comparing them with predetermined benchmarks or objectives. Monitoring involves:

- Periodic and continuous checks during implementation
- Integration with various management functions and monitoring systems
- Operating at multiple levels
- Inclusive of systems of continuous reflection

Controlling is the process of setting mechanisms used to evaluate processes, employee performance, and overall organisational performance against the set standards. In case of any changes or deviations from the set standards, appropriate measures are taken to correct these deviations to ensure that the organisation stays on course.

According to **George R. Terry**, “Controlling is determining what is being accomplished, i.e., evaluating the performance and, if necessary, applying corrective measures so that the performance takes place according to plans.”

Following are the five steps involved in controlling process:

1. **Setting standards:** This step defines the benchmarks or criteria against which performance will be measured. Standards can be quantitative (such as sales targets or production quotas) or qualitative (like customer satisfaction levels).
2. **Measuring performance:** Once standards are set, the next step involves measuring actual performance against these standards. This could involve gathering data, using metrics, or conducting assessments to evaluate how well the organisation is progressing towards its goals.
3. **Comparing performance and standards:** This step involves a comparative analysis of measured performance against the established standards. It helps identify any deviations or variations and provides insight into where the organisation stands in relation to its goals.
4. **Taking corrective action:** When deviations are identified, controlling involves taking corrective action. This might involve adjusting processes, reallocating resources, revising plans, or providing additional training to ensure that performance aligns more closely with the standards.
5. **Follow-up and feedback:** Controlling does not end with corrective action. It includes monitoring the effectiveness of the actions taken and providing feedback loops to ensure sustained improvement. This step often feeds back into the setting of new standards or the modification of existing ones.

Let us discuss the two types of control:

- **Feed-forward control:** It is also referred as pre-control. Feed-forward control is preventive in nature, which means it takes place before a work is performed. It aims to identify and mitigate potential issues before they occur by adjusting processes, systems, or behaviours. Feed-forward control operates before the actual execution of a task or process, addressing potential problems in advance.

## NOTES

For example, in manufacturing, a company may conduct extensive quality checks on raw materials before they enter the production line to prevent flaws or defects in the final product. Training programmes for employees before launching a new system or process also exemplify feedforward control.

- **Feedback control:** It is also referred as post-action control. Feedback control concentrates on evaluation and correction after the task or process has been executed. It involves analysing actual outcomes against predetermined standards and adjusting based on the results. It operates after the completion of a task or process, focusing on learning from past outcomes to improve future performance. For example, a company reviewing customer feedback and sales data to identify areas for improvement in a product or service after its launch demonstrates feedback control. Performance appraisals and post-project evaluations also fall under feedback control mechanisms.

## SELF ASSESSMENT QUESTIONS

5. \_\_\_\_\_ includes monitoring the effectiveness of the actions taken and providing feedback loops to ensure sustained improvement.
6. Feedback controls are also referred as pre-controls. (True/False)

## 2.5 CONCEPT OF DIRECTING

Directing is defined as the managerial function of motivating, supervising, leading and guiding the subordinates of the organisation to achieve the desired goals. The function of directing is the connecting link between all the functions of management and is the one which initiates action. All actions of performance revolve around this function. Directing helps in boosting and mobilising the resources and efforts in an organisation towards the attainment of certain goals. The process of telling persons what they need to do and overseeing their performance to check if they perform to the best of their capabilities is known as directing. It comprises all activities undertaken by a manager to induce and influence their subordinates for achieving the desired goals. It bridges the gap between management decisions and their actual execution. This function helps integrate the individual goals with the goals and objectives of an organisation. The elements of directing function are shown in Figure 4:

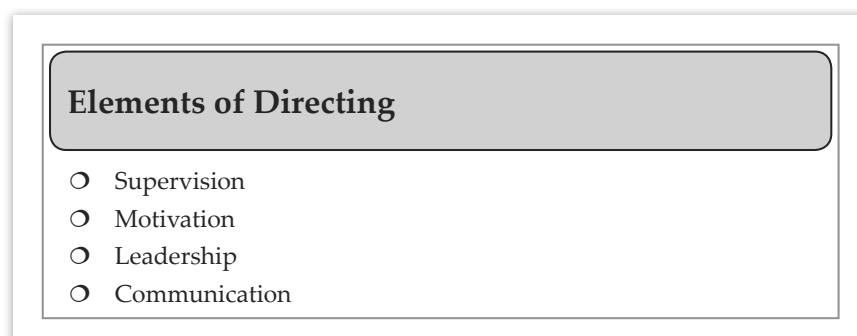


FIGURE 4: Elements of Directing

Following are the elements of directing:

- **Supervision:** Supervision is the act of overseeing the work of subordinates to ensure that they perform in accordance with the plans, procedures and policies of the entity while maintaining the deadlines. It also includes assisting the subordinates in resolving their work problems. Supervision of subordinates' performance by managers occurs at all stages of an organisation, i.e., top-level managers oversee middle-level managers, middle-level managers oversee lower-level managers and lower-level managers, oversee operatives.
- **Motivation:** Motivation is the art of getting work done with people's cooperation and securing the organisational goals. Every manager is required to motivate people properly, study the work behaviour of his juniors, and adopt necessary techniques to keep them satisfied. To create the willingness to work amongst the subordinates is the major responsibility of all managers. It might be possible that a worker is immensely qualified and capable, but nothing can be achieved from him unless he is motivated to work. The managers should assess the needs of workers and develop an environment with appropriate incentives to induce workers and satisfy their needs.
- **Leadership:** Leadership is one of the important elements of directing function. Every manager must effectively lead his team of people working under him to nurture the sense of teamwork and attain the organisational goals. Leadership involves inspiring people to execute their tasks with confidence. It is a cohesive force that keeps the workgroup intact and ignites a sense of co-operation. The subordinates must be led by a manager to work with zeal and enthusiasm.
- **Communication:** The manager and the very process of management cannot be successful unless there runs an effective communication among superiors, subordinates, peers and outsiders. The function of directing becomes effective only through the process of communication. Managers use communication for issuance of orders, for giving advice and guidance, for taking reports and feedback from juniors, etc. Managers can render motivation and leadership functions only when there is regular interaction with the workers.

#### SELF ASSESSMENT QUESTIONS

7. Directing does not bridge the gap between management decisions and their actual execution. (True/False)
8. The process of management cannot be successful unless there runs an effective \_\_\_\_\_ within an organisation.

## 2.6 SUMMARY

- Planning is the process of deciding about what needs to be done in the future and then taking appropriate steps for the same in order to achieve specific organisational objectives.
- The steps in the planning process include planning to plan, appraisal of the internal environment, appraisal of the external environment, the definition of key issues/

NOTES

key areas for planning, development of alternative plans, segregation of medium-range and short-range plans, and implementation of plans.

- Organising refers to the process of arranging and distributing the work of a group of people among its members.
- The process of organising includes determination of activities to be performed for the achievement of the objectives of the entity, identification of major functions related to these activities, grouping and subdivision of work within each function and establishment of relationships among groups and individuals.
- Delegation is a concept of management leadership that requires superiors to determine what tasks they should do themselves and what jobs they can delegate to their subordinates.
- Controlling is the process of setting mechanisms used to evaluate processes, employee performance, and overall organisational performance against the set standards.
- Directing is defined as the managerial function of motivating, supervising, leading, and guiding the subordinates of the organisation to achieve the desired goals.
- The four elements of the directing function are supervision, motivation, leadership and communication.

## 2.7 KEY WORDS

- **Heuristics:** These are simple rules that people follow to find sufficient, but not optimal/perfect, results while making judgements.
- **Rational:** An action or a belief that is backed by proper reasoning or logic.
- **Change agent:** An individual from inside or outside the organisation, who supports the transformation of the organisation to implement a desired change.
- **Standards:** These are the benchmarks or criteria against which performance will be measured.

## 2.8 CASE STUDY: DELEGATION OF AUTHORITY AND RESPONSIBILITY AT SWASTIK TILES COMPANY

Swastik Tiles Company, a renowned manufacturer of high-quality ceramic tiles, has experienced significant growth over the past few years. With an expanding product line and increasing market demands, the company faced challenges in managing operations efficiently. To address this, the management decided to restructure the delegation of authority and responsibility within the organisation.

The company's CEO, Mr. Patel, recognised that the existing hierarchical structure led to bottlenecks in decision-making and hindered the timely execution of tasks. As a result, the company encountered delays in responding to market trends, which affected its competitiveness.

## Changes Implemented

- **Delegation of authority:** Mr. Patel initiated a delegation strategy aimed at distributing decision-making power across various levels of the organisation. Department heads were granted more autonomy to make decisions related to their respective areas without constant approval from higher management.
- **Responsibility assignment:** Alongside authority delegation, clear responsibilities were assigned to each level of management and staff. Roles and expectations were articulated to ensure everyone understood their duties and contributions towards the company's goals.

## Results

- **Improved efficiency:** Delegation of authority led to quicker decision-making processes. Department heads were able to respond promptly to market changes, leading to more agile operations.
- **Enhanced employee morale:** Empowering employees with responsibilities and decision-making authority increased their sense of ownership and commitment to their work.
- **Increased innovation:** With more autonomy, teams were encouraged to propose and implement innovative ideas, fostering a culture of creativity and continuous improvement.

## QUESTIONS

1. Assess the impact of delegating decision-making authority on Swastik Tiles Company's operations and overall performance. How has it influenced the company's agility and competitiveness?

(**Hint:** Quicker decision-making processes, department heads were able to respond promptly to market changes, leading to more agile operations)

2. Suggest strategies for Swastik Tiles Company to refine its delegation framework to ensure a more seamless distribution of authority and responsibilities across various organisational levels.

(**Hint:** Refinement of delegation framework, training, and development)

## 2.9 EXERCISE

1. Define planning and discuss its significance as an organisational function.
2. What do you understand by organising? Explain the steps involved in the organising process.
3. Briefly explain the relevance of the directing function.
4. What are the steps involved in controlling process?
5. Define duty and responsibility.

**2.10 ANSWERS FOR SELF ASSESSMENT QUESTIONS**

Topic	Q. No.	Answer
Concept of Planning	1.	future
	2.	True
Concept of Organising	3.	True
	4.	a. Establish authority-responsibility relationships
Monitoring and Controlling	5.	Follow-up and feedback
	6.	False
Concept of Directing	7.	False
	8.	communication

**2.11 SUGGESTED BOOKS AND E-REFERENCES****SUGGESTED BOOKS**

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# Personality and Work Performance

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## LEARNING OBJECTIVES

After studying this chapter, you will be able to:

- Define the concept of personality and explain the various factors determining personality
- Explain the personality theories briefly
- Describe the work attitude
- Elaborate the relationship between personality and work behaviour

## 3.1 INTRODUCTION

In the previous chapter, you learned about the concept of planning. The chapter also described the concept of organising. Monitoring and controlling were also discussed. At the end of the chapter, you studied the concept of directing.

Personality and attitude significantly influence organisational performance. Individuals with positive attitudes tend to exhibit higher motivation, productivity, and job satisfaction, contributing positively to team dynamics and organisational culture. Conversely, negative attitudes can lead to decreased morale, conflict, and decreased performance. Personality traits shape how individuals approach tasks, interact with colleagues, and respond to challenges, impacting overall organisational effectiveness and success.

In this chapter, you will study the concept of personality. Then you will be acquainted with the concept of attitude. At the end of the chapter, you will understand the personality and work performance.

## 3.2 CONCEPT OF PERSONALITY

Personality is defined as a combination of physical, mental and moral qualities of individuals reflected in their unique behaviour, which separates them from others. To facilitate a better understanding of the concept of personality, we first need to look at its essential elements.

The pictorial representation of the elements of personality is given in Figure 1:

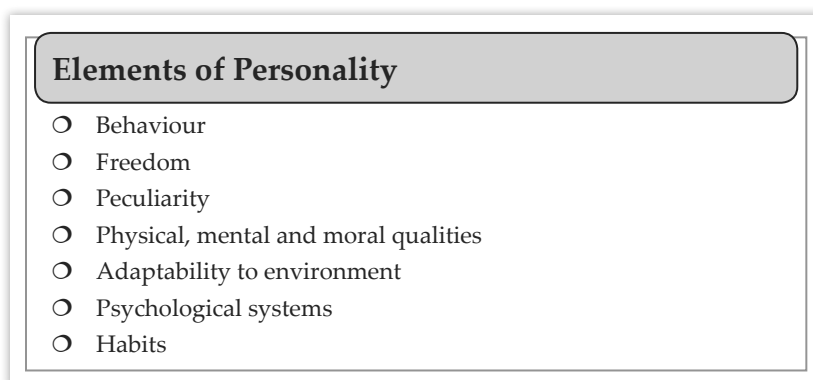


FIGURE 1: Elements of Personality

## NOTES

The elements of personality are described in the following points:

- **Behaviour:** Behaviour represents the action or reaction of an individual in response to the external or internal stimuli that is in response to the environment.
- **Freedom:** Freedom refers to the state of being free and able to act according to your own wishes. In this state, one would experience no constraints or restrictions on expressing one's emotions, feelings, ideas and willingness to do whatever one wants.
- **Peculiarity:** It defines that every individual is unique and possesses varied characteristics and qualities. For example, the manner in which a person talks, reacts, or behaves may be entirely different from others.
- **Physical, mental and moral qualities:** Physical and moral orientations differ among people. Some may be fair, tall and intelligent; whereas, some may be just opposite to this. Mental qualities deal with intelligence and logic, while the moral qualities refer to trustworthiness, honesty and other abstract qualities.
- **Adaptability to environment:** This defines the individuals' ability to adapt to the varying conditions or situations in their surroundings. It is observed that individuals behave differently in different events and situations. They can adjust themselves to varied social groups.
- **Psychological systems:** It refers to the set of components or parts of the body that help in thinking, analysing and reacting to situations or objects.
- **Habits:** It refers to the unconscious or recurring pattern of behaviour that is acquired by an individual through a continuous and repetitive process. For example, the habit of smoking.

Personality is an all-inclusive concept encompassing traits and tendencies which bring dynamism and consistency in a person's overall behaviour. In other words, personality can be considered as an individual's essence because personality reflects the basic, real and invariable nature of an individual. As **Carver** and **Scheier** puts, *Personality is a dynamic organisation inside the person of psychophysical systems that create a person's characteristic patterns of behaviour, thoughts and feelings.*

### 3.2.1 | FACTORS DETERMINING PERSONALITY

The abilities, attitudes and interests of people are complex and enormously diverse. The factors which influence, mould, develop and determine the personality of an individual are known as determinants of personality. These are explained below:

- **Heredity:** It refers to those factors that individuals inherit from their biological parents. Heredity factors, also known as biological factors, tend to determine the nature and character of a person. Examples of heredity factors are physical stature, height, temperament and muscle composition of a person.
- **Environment:** This consists of various factors which are mentioned as follows:
  - **Social factors:** It includes the religious and social associations of an individual. The society, to which an individual belongs, influences his/her personality. For example, the personality of an individual gets affected by his/her peers.

- **Situational factors:** It helps in defining behavioural patterns and reactions of an individual to situations at any given point of time. The behaviour of an individual in a particular situation further depicts his/her future reaction in a similar situation. For example, if an individual has performed well in one type of stressful situation, he/she can also handle other types of demanding situations.
- **Cultural factors:** These factors refer to the social, religious and intellectual beliefs of an individual. The cultural factor affects the behaviour of an individual to a great extent. For instance, an individual having a great interest in any form of art will behave in a more elegant way as compared to those who do not have any interest in art.
- **Family factors:** It includes factors that contribute to one's ethics and moral values. A family influences the principles or ideologies of all the members of the family, such as grandparents, parents and siblings.
- **Other factors:** There are some other factors, such as law, economic conditions, informational inputs and published literature that can influence the personality of an individual. For example, the deteriorating economic condition of the country causes the situation of unemployment. Sometimes, such a situation persuades the educated but unemployed individuals to indulge in certain criminal or unethical activities, which influence their personalities altogether.

### 3.2.2 | PERSONAL VALUES

In our day-to-day life, individuals come across various situations where they have to decide between a good and bad course of action. This decision depends on the values possessed by an individual. Values are moral ideas, preferences, needs, general orientations and conceptions of people towards the world. Values can be defined as an individual's innate convictions that predetermine his/her reaction in a particular situation. The factors that contribute to value-building are family, philosophy, past experiences and ethical standards of the individual. Values form the basis of an individual's attitude, perception and behaviour.

#### Rokeach Value Survey

Rokeach value survey was conducted by Milton Rokeach, which consists of a set of 18 values. The survey predicts that people involved in similar occupations generally follow similar values. All 18 values of Rokeach value survey are divided into the following two parts:

- **Terminal values:** These values represent the end-state of anything. Such values comprise goals that individuals would like to achieve during their lifetime. For example, family security, a sense of accomplishment, etc.
- **Instrumental values:** These values work as a means to achieve terminal values. They signify the preferable modes of behaviour of an individual. For example, hard work, excellence, etc.

## Generational Values

Generational values refer to a certain set of values that are followed by different generations and are identifiable with varied periods of time. In an organisational setting, it is important to comprehend how employees of different generations see the world, what motivates them and how do they learn. The knowledge of generational values helps to facilitate an understanding of employees' behaviour in the organisation. The various types of generations and their respective work values are explained in the following points:

- **The builders:** It comprised people who were born before 1946. These people had experienced the turmoil of World War II; therefore, they greatly valued financial security and togetherness (teamwork). They had a lot of idealistic values in place, such as close family ties and long marital commitments. The builders value hard work, conservatism and loyalty for their respective organisations.
- **The baby boomers:** This category involves people who were born between 1946 and 1964. The impact of post war affluence had generated the interest of baby boomers in political and social issues. In addition, their value system was affected by increasing divorce rate and participation of women in the workforce. The baby boomers value success and ambition in their lives.
- **The X generation:** This generation involves people who were born between 1965 and 1976. Such people had difficult financial and social time; therefore, they were focussed on materialism. They longed for material success and meaningful relationships. Their dominant work values are team-orientation, work-life balance and loyalty in relationships.
- **The Y generation:** It involves people who were born between 1977 and 1997. Such people were very much familiar with the Internet and had a huge reservoir of information. Their dominant work values are self-reliance, financial success and synergy.

### 3.2.3 | PERSONALITY AND PERSONAL VALUES AT WORK

Values have two attributes, namely content attributes and intensity attributes. Content attributes signify what is important for an individual and intensity attribute signify how much it is important for an individual. When the values are ranked in the order of intensity, it generates an individual's value system. Each person holds a different hierarchy of values. It is important to study the values of employees because they influence perceptions, motivation, interpersonal relationships, leadership styles, behaviour, etc.

When an individual's personality and values are recognised, it helps the organisation and managers to predict the behaviour of such an individual. Businesses should analyse the personality attributes of individuals to identify the most suitable persons for a particular job. Organisations tend to match the individuals with the optimum roles and responsibilities keeping in view their values and personality traits. For example, if an employee is an extrovert and high in openness, the organisation should fit him in a role that demands a new and diverse range of activities rather than regular fixed routine. Matching jobs with personalities help improve job satisfaction and job efficiency. Persons with positive values and attitudes towards

their jobs and the organisation contribute the best in achieving their personal goals as well as organisational goals.

In addition to the consideration of job fitness, organisations increasingly look for employees whose personal values are in conformity with the company's values. For example, organisations engaged in charitable businesses prefer to recruit employees whose values and personality revolve around the humanitarian and social cause. Similarly, employers should also work towards maintaining the values of their employees intact. For example, organisations, nowadays, are offering flexible working hours, catering for the workers, values of autonomy, freedom of expression and family orientation. Values contain the judgemental elements of what is right or good and what is wrong or bad. The persons having high-value systems are involved in constructive actions and are refrained from indulging in destructive actions. Therefore, organisations must try to inculcate high-value systems in their employees.

### 3.2.4 | PERSONALITY THEORIES

Some of the theoretical approaches to understanding personality as given by different psychologists are described below:

- **Psychoanalytic approach:** This approach of personality was put forth by Sigmund Freud. This theory studies the influence of unconscious thoughts, childhood experiences and aggressive instincts on an individual's personality. Freud stated that there are three levels of awareness at which psychological forces function.

These are conscious level comprising feelings, sensations, and thoughts which a person is aware of; preconscious level comprising information, not in current awareness but which can enter the mind; and unconscious level comprising wishes, feelings, and drives not in awareness but which can influence one's activity. The personality of a human arises because of the conflict between a person's aggressive or biological impulses seeking pleasure and the internal or social constraints restricting them. Personality emerges during the course of efforts carried out to resolve these conflicts. Freud believed that there are three structures interacting with each other:

- **Id:** It refers to the unconscious and primitive part of the personality which ignores morality and needs of the external world. It runs on the principle of seeking immediate satisfaction.
- **Ego:** It means the rational and conscious part of the personality that processes our thoughts and activities. It works on the principle of reality and takes into account the demands of the real world so as to maintain a balance between internal needs and external demands.
- **Super Ego:** It refers to the conscience's voice and represents the values imposed by society and parents. It makes judgment of right and wrong and forces the ego to not only consider the real world but also the ideal circumstances.
- **Trait perspective:** Traits are some specific characteristics of behaviours. They represent an individual's stable predisposition to react and behave in a particular manner. The focus of trait theory is to enumerate a list of personal characteristics of

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human behaviour. These traits help identify, measure and describe the differences between individuals. Some of the traits can be extraversion, neuroticism, agreeableness, openness to experience, and conscientiousness.

- **Behavioural Theory:** Proposed by B.F. Skinner and others, this theory focuses on how behaviour is learned and shaped through interactions with the environment. It suggests that personality is a result of learned behaviours, rewards, punishments, and observations of others.
- **Social cognitive perspective:** This theory was developed by Albert Bandura. It holds that behaviour is influenced by an interaction between the individuals and their societal factors. Although thoughts, feelings and actions emanate from the social context, however, human beings engage in cognition processes and have the ability to self-regulate their behaviour.

SELF ASSESSMENT QUESTIONS

1. Personality is an all-inclusive concept encompassing traits and tendencies which bring dynamism and \_\_\_\_\_ in a person's overall behaviour.
2. Personality arises because of the conflict between a person's aggressive/biological impulses seeking pleasure and the internal or social constraints restricting them. (True/False)
3. Personality emerges out of which structural component?
  - a. Id
  - b. Ego
  - c. Super Ego
  - d. All of the above

ACTIVITY

Research and study about the trait theory of personality in detail. Come up to provide with one example each of various personality traits as laid down by McCrae and Costa.

### 3.3 CONCEPT OF ATTITUDE

Attitude can be defined as the tendency of an individual to react positively or negatively in a specific set of circumstances. Attitudes are general evaluations that individuals make about themselves, objects, issues and other persons. These are the feelings and beliefs which determine the behaviour of the individuals. Many psychologists emphasised the importance of attitude in every aspect of life. According to **Zimbardo**, *an attitude can be defined as a positive or negative evaluation of people, objects, events, activities, ideas or just about anything in your environment.*

According to various social psychologists, the attitude of an individual can be categorised into three parts: cognitive, affective and behavioural component.



### 3.3.1 | ELEMENTS OF ATTITUDE

Attitudes of an individual are made up of several elements, such as ideas and beliefs. These elements develop an understanding of the behaviour of an individual towards people, activities and events. Attitudes are acquired from experience and have a direct impact on subsequent behaviour. The elements of attitude are explained in the following points:

- **Affective:** It is responsible for the emotional set-up of an individual. It expresses an individual's likes or dislikes. The evaluative or affective elements speaks about how a person feels.
- **Behavioural:** It consists of an individual's tendencies to behave in a particular way towards an object or situation. This gives a predisposition to act in a certain manner.
- **Cognitive:** This refers to the beliefs, thoughts, values and attributes that a person associates with an object. It is also called the belief or opinion segment of an attitude related to a person's general knowledge.

The elements of attitude influence the psychological setup, behaviour and reaction of individuals in different situations. The elements of attitude are also represented in Figure 2:

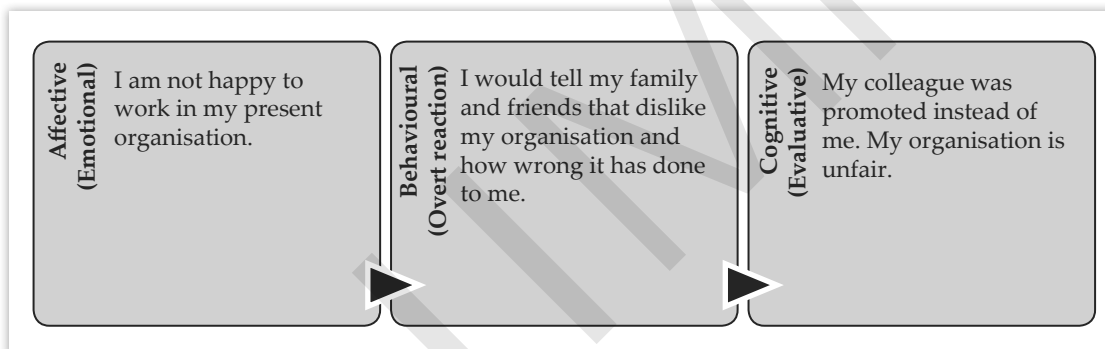


FIGURE 2: Three Elements of Attitude

In the first case, the employee is giving a feedback that is based on his/her emotions. In this situation, the affective element is playing an important role. In the second case, the employee is feeling frustrated and this is reflected in his/her behaviour. In the third case, the employee is giving a critical comment about the organisation due to his/her psychological framework and experience. In this situation, the cognitive attitude of the employee is playing an important role.

### 3.3.2 | WORK ATTITUDE

Entities and their organisational behaviour deal with work-related behaviour and attitudes. The study of job/work attitude is very important for an organisation as it provides valuable information about its employees. There are three major types of job attitudes, namely job satisfaction, job involvement and organisational commitment. Organisational commitment is further divided into three categories that are affective commitment, normative commitment and continuance commitment.

All three types of job attitudes are shown in Figure 3:

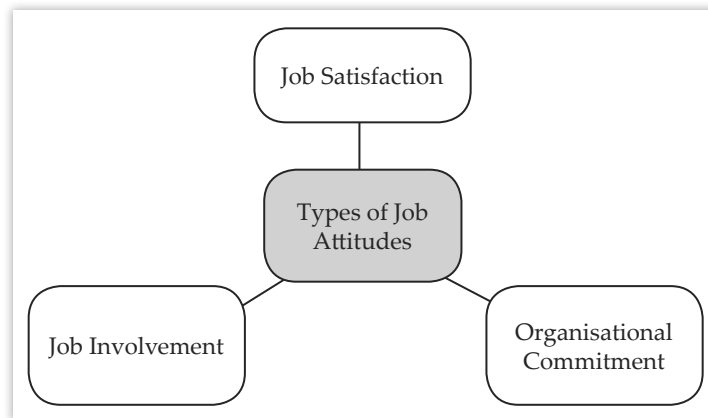


FIGURE 3: Types of Job Attitudes

Let us discuss the types of job attitude in the following points:

- **Job satisfaction:** Job satisfaction indicates various positive attitudes that individuals hold towards their jobs. An employee with a high level of job satisfaction feels very happy to work in an organisation. The productivity of such an employee is quite high.
- **Job involvement:** Job involvement refers to the degree to which employees identify themselves with their jobs. The employees generally relate the outcome of the work with their self-worth.
- **Organisational commitment:** It refers to a situation when employees become associated with one particular organisation and accept its vision, mission, philosophy and goals. People are unwilling to leave such an organisation and develop a sense of involvement within the entity. Organisational commitment is of three types, which are explained as follows:
  - **Affective commitment:** This component indicates that an employee is emotionally very attached to an organisation. Thus, he may wish to be connected with the organisation for a long period.
  - **Normative commitment:** This commitment indicates that employees work in an organisation due to their priority towards ethics and morals. For instance, persons having social inclination tends to work towards the commitments of an NGO.
  - **Continuance commitment:** This commitment indicates that employees wish to work in an organisation because they feel that it is better to stay in an organisation rather than leaving it. Employees may do it because of monetary satisfaction, job profile or any other reason.

#### SELF ASSESSMENT QUESTIONS

4. \_\_\_\_\_ indicates various positive attitudes that individuals hold towards their jobs.
5. Organisational commitment refers to a situation when employees become associated with one particular organisation and accept its vision, mission, philosophy and goals. (True/False)

## 3.4 PERSONALITY AND WORK PERFORMANCE

Personality affects all the aspects of performance of an individual, including how he reacts to work situations or conditions at his job. Every personality is not suitable for every job requirement or job position. Therefore, it is necessary for managers to recognise personality traits and pair jobs with personalities which fit in them the most. This helps in increased job satisfaction, improved efficiency and better productivity. The study of personality is important as personality-related information can be helpful to companies in recruiting the right people for various job positions, in guiding the people in need of psychological help, and in the appropriate mapping of the potential of all employees.

### 3.4.1 PERSONALITY, BEHAVIOUR AND WORK PERFORMANCE

There is a significant relationship between personality, behaviour and performance, which shows that individuals' personalities influence their behaviour to improve the performance. This relationship is shown with the help of Figure 4:

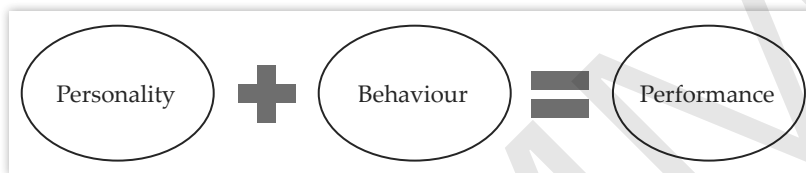


FIGURE 4: Relationship between Personality, Behaviour and Performance

The following points explain this relationship briefly:

- **Locus of control:** Locus of control refers to the attribute of an individual to either control the situations or give up. There are two different types of locus of control—internal and external. Internal locus of control signifies that an individual can control the situations; whereas the external locus signifies that the situations control the individual. Individuals, with internal locus of control, seek prospects for progression and trust their abilities and judgement at work. This leads them to take new challenges and complete tough tasks successfully. However, external locus of control makes individuals believe that they have no or little control over the events of their lives. Individuals, with external locus of control, remain dormant and do not take initiatives. Thus, individuals with internal locus of control give better performance as they remain self-motivated.
- **Introversion and extroversion:** Introversion and extroversion describe the propensity of individuals to interact with others in their surroundings. Introversion directs an individual to turn inwards and experience feelings, ideas, thoughts, beliefs and values within themselves. However, extroversion is the propensity in individuals to focus outward for searching external stimuli with which they can interrelate and interact.
- **Taking risk:** Risk-taking is the ability of an individual to take challenging tasks. Risk-taking individuals have the tendency to take quick decisions and do not rely on others. On the other hand, individuals who are hesitant to make risky decisions are very patient as well as use the available information before making any decision.

- **Authoritarianism and dogmatism:** Individuals with authoritarian personality strongly believe in conventional values, power, authority and social status. In the workplace, they strive to control the actions of their subordinates with their authority. On the other hand, dogmatism refers to the rigid, stubborn and arrogant personality of an individual towards any opinion or belief. It should be noted that a person having a mix of authoritarianism and dogmatism personalities is not good for the organisation as his/her presence can hurt creativity and organisational effectiveness.
- **Work ethics:** Ethics refer to a set of values or beliefs held by individuals. Individuals, who follow work ethics, are greatly occupied in their jobs. Such individuals naturally become good performers, since they believe in doing things in the best possible manner. On the other hand, individuals, who do not follow work ethics, try to do the minimum required work to save their jobs.
- **Machiavellianism:** This refers to the usage of manipulation and exploitation as a primary way of attaining one's goals. Individuals, with a high degree of Machiavellianism, are cool, logical, analytical, willing to turn and twist facts and figures to influence others, or try and take advantage of others. Such individuals may not be great performers; however, they still gain influence on the higher management with the help of their tactics.

### 3.4.2 | PERSONALITY RELATED TO THE WORKPLACE

Organisations prefer to hire employees whose personality traits match with the requirements of a specific job. The following points explain the concepts, which an entity uses, to match personality traits with the job requirements:

- **Person-organisation fit:** This concept focusses on the personality traits of the employees, which make them eligible for an organisation. There are different types of organisations having distinct work cultures. Some organisations resist change and some prefer change to grow in future. Therefore, before hiring a person, the organisation checks whether the person would be able to adjust in the organisation or not.
- **Person-job fit:** The concept focusses on the personality traits of employees, which make them eligible for a specific job. Research indicates that employees' productivity is higher when the job requirements are matched with their personality traits. For example, if a shy and introvert person gets into the job of marketing, he/she would not be able to provide the required productivity.

#### Holland's Personality Job-Fit Theory

Holland provided six personality types with their respective congruent jobs. According to him, employees' job satisfaction is higher when their personality types are in sync with the congruent jobs. The six types of personality traits and their congruent jobs are as follows:

- **Realistic:** The employees, who prefer physical and practical activities that require specific skills or talent, possess realistic personality traits. The congruent jobs for realistic personality types are the jobs of mechanics in any field, such as motor mechanic and drill press operator.

- **Investigative:** The employees, who prefer activities that involve rational/analytical thinking, possess investigative personality traits. The congruent jobs for investigative personality types are the jobs of economists, mathematicians and scientists.
- **Enterprising:** Enterprising personality traits are possessed by employees who prefer activities which reflect power. The personality traits of these employees are self-confident, ambitious and dominating. The congruent jobs for enterprising personality types are lawyers and politicians.
- **Artistic:** The employees, who have artistic personality traits, prefer activities which involve creativity. The personality traits of these employees are imaginative, emotional and impractical. The congruent jobs for artistic personality types are painters, writers and interior designers.
- **Social:** The employees, who prefer activities that involve social service, possess social traits. The personality traits of these employees are cooperative, friendly and sociable. The congruent jobs for social personality types are the jobs of social workers, teachers and advisors.
- **Conventional:** The employees, who prefer activities that are systematic and rule-oriented, possess conventional personality traits. The personality traits of these employees are unimaginative and inflexible. The congruent jobs for conventional personality types are accountants and bank tellers.

Following are some common workplace personalities:

- **The Leader:** Natural leaders take charge, set goals, and inspire others. They're often decisive, confident, and visionary, guiding teams toward success.
- **The Team Player:** These individuals excel at collaboration, communication, and supporting others. They prioritise teamwork and contribute positively to group dynamics.
- **The Innovator:** Innovators are creative thinkers who generate new ideas, solutions, and approaches. They're often open-minded, imaginative, and eager to explore unconventional paths.
- **The Analytical Thinker:** These individuals thrive on data, logic, and details. They're methodical, precise, and excel at problem-solving by analysing information thoroughly.
- **The Go-Getter:** Highly motivated and driven, go-getters are ambitious, goal-oriented individuals who are persistent in achieving their objectives. They're often proactive and self-starters.
- **The Diplomat:** Diplomatic personalities excel in conflict resolution, negotiation, and maintaining harmony. They're adept at navigating tricky situations and fostering positive relationships.
- **The Mentor:** Mentors are experienced individuals who enjoy guiding and supporting others' development. They're patient, empathetic, and willing to share knowledge and expertise.
- **The Organised Planner:** These individuals excel at structure, planning, and time management. They're reliable, detail-oriented, and ensure tasks are executed efficiently.

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- **The Social Butterfly:** Social butterflies are outgoing, friendly, and thrive on social interactions. They excel in networking, relationship-building, and often contribute to a positive work environment.
- **The Problem Solver:** These individuals are adept at finding solutions to challenges. They possess a can-do attitude, resilience, and adaptability to overcome obstacles.

SELF ASSESSMENT QUESTIONS

6. Introversion and \_\_\_\_\_ describe the propensity of individuals to interact with others in their surroundings.
7. Organisations prefer to hire employees whose personality traits match with the requirements of a specific job. (True/False)

### 3.5 SUMMARY

- Personalities are impressions of objects, people, and situations which we carry along with us and this reflects in our interactions and behaviour.
- The factors which determine the personality of an individual can be heredity factors, environmental (social, situational, cultural or family) factors and other factors.
- Values are moral ideas, preferences, needs, general orientations and conceptions of people towards the world.
- When an individual's personality and values are recognised, it helps the organisation and managers predict the behaviour of such an individual. Businesses should analyse the personality attributes of individuals to identify the most suitable persons for a particular job.
- The theoretical approaches to understanding personality are the psychoanalytic approach, trait perspective and social cognitive perspective.
- Attitudes are general evaluations that individuals make about themselves, objects, issues, and other persons.
- The various types of job attitude include job satisfaction, job involvement and organisational commitment.
- Organisations prefer to hire employees whose personality traits match with the requirements of a specific job.

### 3.6 KEY WORDS

- **Psychological:** It relates to behavioural activities affecting an individual's mind and is connected to the emotional and mental state of the individual.
- **Trait:** It refers to a genetic characteristic or distinguishable quality belonging to an individual.
- **Dissonance:** It means a lack of harmony, unity or agreement between a set of people or things.
- **Persuasion:** This is the process of prompting and convincing someone to do some acts or believe some facts.

### 3.7 CASE STUDY: TRAIT THEORY OF PERSONALITY

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Julia, a 20-year-old financial trainee, works at Lite Corporate Ltd. in Bangalore. The colleagues working with Julia in the financial section describe her as being kind, loyal to work, and caring to fellow members. She prefers reading and going for movies rather than attending a social gathering. Julia works extremely hard in the tasks assigned to her by the finance supervisor and also takes initiative to help her fellow trainees. She also maintains a strong relationship with her family and friends. Personality refers to the characteristic features of an individual with reference to his/her thoughts, feelings and actions. Personality theories are used to explain the personality of an individual. The trait theory of personality put forth by McCrae and Costa aims to identify how an individual's personality is developed and influenced by different characteristics.

By using the trait theory of personality, it is possible to have a better understanding of Julia's personality features. The trait theory suggests that there are five major personality dimensions. These include neuroticism, openness to experience, extraversion, agreeableness and conscientiousness. The personality of a person is assessed through a combination of high and low ratings for every such personality dimension. Using the trait theory, Julia's personality is described as conscientious, well-organised, hardworking and introverted. This personality type is examined owing to the nature of kindness, loyalty, and de-social behaviour of Julia. However, trait theory suffers from the limitation that it does not take into account the unstable/ changing nature of personalities and also ignores the effects of genetics and environment on an individual's personality. It also does not take into consideration the unconscious thoughts and feelings which can influence an individual's behaviour.

#### QUESTIONS

1. How does trait theory help in examining an individual's personality?

(**Hint:** The focus of trait theory is to enumerate a list of personal characteristics of human behaviour. These traits help identify, measure and describe the differences between individuals.)

2. Why is it necessary to understand the personality traits of employees working in an organisation?

(**Hint:** Managers must analyse the personality of workers so as to judge who is suited the best for a specific type of job.)

### 3.8 EXERCISE

1. Define personality and briefly discuss the various factors determining personality.
2. Explain the theories of personality.
3. What do you mean by attitude? Describe the elements of attitude.
4. Describe the three types of job attitude.
5. What do you understand by the term "personal values"?

**3.9 ANSWERS FOR SELF ASSESSMENT QUESTIONS**

Topic	Q. No.	Answer
Concept of Personality	1.	consistency
	2.	True
	3.	d. All of the above
Concept of Attitude	4.	Job satisfaction
	5.	True
Personality and Work Performance	6.	extroversion
	7.	True

**3.10 SUGGESTED BOOKS AND E-REFERENCES****SUGGESTED BOOKS**

- Hicks, R. (2010). *Personality and individual differences*. Bowen Hills, Qld.: Australian Academic Press.
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# Power, Politics and Authority

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## LEARNING OBJECTIVES

After studying this chapter, you will be able to:

- Define the concept of power
- Discuss the causes of organisational politics
- Explain the concept of morale
- Describe the concept of authority

## 4.1 INTRODUCTION

In the previous chapter, you were acquainted with the concept of personality. The chapter also described the concept of attitude. Personality and work performance were also discussed.

Power, politics, and authority significantly influence organisational dynamics. Power determines control over resources and decision-making, shaping hierarchies and relationships. Politics involves transforming power and influence, affecting decision outcomes and organisational culture. Authority defines formal power structures, guiding actions, and responsibilities. Their interplay shapes organisational behaviour, resource allocation, and the distribution of influence, impacting performance, employee morale, and organisational effectiveness.

In this chapter, you will study about the concept of power. Then the chapter describes the concept of organisational politics. At the end of the chapter, you will study the concept of morale and concept of authority.

## 4.2 CONCEPT OF POWER

Power means the ability of someone to successfully influence others to work in the desired fashion. Power is the capability of a person or group of persons to cause some action to be done by another person or group of persons, which might not have been done otherwise. It forms a way of directing and controlling the organisational activities and objectives. Managers or supervisors are said to hold power if their subordinates perform work in the exact manner proposed/desired by them. Thus, the ability of managers to get work done largely depends upon the power held by them. An individual's power can be generated from two sources:

- **Formal power:** Formal power is one that emanates from the position occupied by a person in the organisational hierarchy. The higher the position of the person in the organisational structure, the greater is the power enjoyed by him.
- **Informal power:** Informal power is one that does not emanate from the holding of formal positions in the organisational structure. It is not formally given and revealed in organisations. However, people possessing informal power are as powerful as those holding positions in the entity. This becomes possible because of their personality traits, expertise, knowledge and skills.

The terms 'power' and 'authority' are used interchangeably. However, they differ in the fact that while power signifies the capability to influence people, authority signifies the right to command. Authority is connected with legitimate hierarchical

position and, on the other hand, power has to be exercised by managers. In fact, authority is one of the sources of power.

#### 4.2.1 | TYPES OF POWER

The following are the types of power:

- **Coercive power:** This is all about making people do things by scaring them with consequences, like getting fired or demoted at work. It is like forcing someone to do something because they are afraid of what might happen if they do not.
- **Reward power:** Here, it is about offering goodies like bonuses, promotions, or special perks to get people to do what you want. But remember, the person promising these goodies might not be the only one making the decisions about them.
- **Legitimate power:** This comes from having an official role, like a boss or a manager. But it is only effective if you are in that role, and it is limited to what that role allows you to do.
- **Expert power:** This is about being good at something or knowing a lot about a specific topic. When you are an expert, people listen to you and trust your knowledge because you really know your stuff.
- **Referent power:** This is like when famous people or influencers have a big following, and what they say or do influences a lot of people. Their influence can range from what products people buy to who they vote for in elections.

#### 4.2.2 | RISK TAKING ATTITUDE

Risk-taking attitude involves a willingness to step into uncertain situations, make decisions that involve some level of uncertainty or potential loss, and be comfortable with the possibility of failure. People with a risk-taking attitude often see opportunities where others might see potential problems and are more inclined to take calculated risks to achieve their goals or pursue new experiences. A risk-taking attitude can be incredibly valuable within an organisation for several reasons:

- **Innovation and growth:** Taking risks often leads to innovation. Trying new ideas or approaches, even if they might not succeed, can lead to breakthroughs, new products, or improved processes. This innovation is crucial for a company's growth and staying competitive in the market.
- **Adaptability:** In rapidly changing industries or markets, being open to taking risks allows organisations to adapt more quickly. It helps them respond to changing trends, customer needs, or technological advancements.
- **Employee engagement:** Fostering a culture that encourages calculated risk-taking can boost employee engagement. It encourages creativity and initiative, making employees feel more empowered and valued within the organisation.
- **Learning and improvement:** Embracing risks means being open to learning from both successes and failures. When risks pay off, it reinforces effective strategies. When they do not, it provides valuable lessons that can guide future decisions and improvements.

- **Competitive advantage:** Organisations willing to take well-considered risks often gain a competitive edge. They can seize opportunities that others might shy away from, positioning themselves as innovators or leaders in their field.
- **Problem-solving:** A risk-taking culture encourages thinking outside the box. It helps employees approach problems creatively and find unconventional solutions that could yield better results.

#### SELF ASSESSMENT QUESTIONS

1. The \_\_\_\_\_ of managers to get work done largely depends upon the power held by them.
2. The terms 'power' and 'authority' are used interchangeably. (True/False)

### 4.3 CONCEPT OF ORGANISATIONAL POLITICS

Organisational politics covers a range of activities indulged into by the managers for increasing their power so as to favour their personal goals and group goals. Such activities are undertaken in organisations to use and develop power or other resources for the purpose of obtaining a preferred outcome of an individual in some uncertain or choice-making situations.

Employees of an entity engage themselves in political behaviour for gaining promotion or for influencing the organisation towards their own favour. Thus, organisational politics is the unauthorised use of power for protecting one's own personal interests. People indulge in politics to gain command over resources, to acquire more power in the entity, to exhibit more voice in decision-making and to meet their personal goals.

The political behaviour of organisations is characterised by activities, such as leaking sensitive and confidential information, spreading false rumours, exchanging each other's favours for mutual benefit, and lobbying for or against someone or something in the organisation. Hence, organisational politics is self-serving behaviour which is not formally sanctioned by organisations.

#### 4.3.1 | ROOT OF POLITICAL BEHAVIOUR

There are several factors which influence the political behaviour of individuals in an organisation. These are discussed below:

- **Individual factors:** Sometimes, the root cause of organisational politics is an individual's high need for power. They need to gain power for acquiring control and for influencing the process of decision-making. These are self-monitored people who play politics because they expect quick and huge success in life at any cost.
- **Organisational factors:** The factors of an organisation which influence an individual to indulge in politics in the organisation are as given below:
  - Each department and each individual of the organisation want to hold optimum resources. As organisational resources are limited, people indulge in politics to take the maximum advantage in the distribution of resources.

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- Opportunities for promotion, position, etc., are limited in an organisation and are open to negotiation. Individuals who need such opportunities believe that during the process of distribution or appraisals, they might be deprived of such opportunities. Hence, they engage in politics to secure their position.
- When there are unclear rules or policies and uncertainty/ambiguity in decision-making, some individuals engage in politics to take advantage of these loopholes.
- Since the process of performance evaluation is qualitative and subjective, people may play politics to achieve outcomes in their favour.
- In cases of high-performance pressure, people take the help of politics to exert pressure on authorities to lower performance targets and to withdraw control.
- The democratic and participative culture of decision-making gives rise to politics because all individuals want to give their opinions and enhance their importance.
- If people at the top-level of the organisation engage in politics, it is but natural that people at the lower levels will also play politics.

#### 4.3.2 | POLITICAL STRATEGIES

The categories or strategies of political activities undertaken in organisations are as follows:

- **Blaming or attacking others:** The members of an organisation make efforts to attack or blame unwanted/rival individuals for their own failures. The purpose is to project a bad image of the rival persons or groups.
- **Distributing information selectively:** Possession of information is a tool of power. Powerful members possessing strategic and relevant information share it with their own favoured persons to enhance power base and take the support of such favourable persons.
- **Forming coalitions:** Two or more persons form a coalition and join hands to influence the behaviour of others, to achieve some common goal, to influence organisational decisions, or to gain favourable support.
- **Cultivating networks:** Varied social relationships develop some networks in the organisation. These networks facilitate in getting information, gaining support, helping members' initiatives, supporting members' decisions, etc., from the people who are part of the network.
- **Creating obligations:** Persons holding power in an organisation try to create obligations on people. This is done so that they may get support from all the obliged persons in case of need.
- **Managing impressions:** People try to showcase their behaviour in such a manner that they create favourable images about themselves in the minds of others. They project themselves to be the protectors of the interests of people or become more visible in the situations of crisis to gain maximum attention of individuals.

- **Controlling information channels:** People holding power in an organisation influence informal behaviour of others. They set some desired behaviour to be encouraged and some undesired behaviour to be discouraged. The individuals use politics to please those powerful people by trying to exhibit the desired behaviour.

### 4.3.3 | MANAGING ORGANISATIONAL POLITICS

It is necessary to carefully manage the politics. Otherwise, it may prove to be detrimental to the organisational work environment. The managerial awareness of organisational politics is essential in effective reduction of politics through the proper implementation of certain strategies. These strategies can be as follows:

- **Maintaining a collegial organisational culture:** In the case where the organisational values are truly shared among employees and a collective sense of belonging runs across all members, it will create a sense of security among employees in the organisation culture which shall reduce political attempts.
- **Preserving job satisfaction:** For preventing organisational politics, employee job satisfaction should be maintained. It is of utmost importance in order to successfully harness the combined/collective efforts of the employees.
- **Allowing for employee control:** The managers should give employees control of their own work environment and should make them feel self-monitored. If employees are given a sense of security through control of their work environment, the need to engage in politics to gain control shall diminish.
- **Involving employees in decision-making:** If employees are allowed to give their input through involvement in the process of decision-making, their need for wanting to be involved will be met. This will take away their urgency to indulge in any politics.
- **Emphasis on teamwork:** Teamwork should be encouraged in a manner that it is mutually beneficial to both employees and the entity. To avoid engagement of employees in politics to satisfy their personal objectives, the managers must incorporate plans which bring all people together as a team to meet individual employee goals as well as organisational objectives.

#### SELF ASSESSMENT QUESTIONS

3. Organisational politics is the unauthorised use of power for protecting one's own personal interests. (True/False)
4. It is necessary to carefully \_\_\_\_\_ the politics for the betterment of the organisational work environment.

## 4.4 | CONCEPT OF MORALE

Morale refers to the feelings of esprit de corps, satisfaction, enthusiasm and zeal in individuals which give them confidence that they will be able to cope with all tasks assigned. Morale refers to complete satisfaction that a worker derives from his or her job, the immediate working atmosphere, and the several factors appealing to his individual preferences. It is a set of attitudes and feelings that act as a reservoir of

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mental and physical factors of strength for the employees, such as self-confidence, positive thinking and optimism. The feelings and attitudes of employees at their work-place have a direct impact on the determination of their behaviour and work performance. Thus, morale is considered as an invisible cause that invariably determines the success or failure of an organisation. Morale of employees keeps changing from time to time and is of non-static nature. Employee morale has a direct association with employee retention. The employees who experience a high level of job satisfaction are expected to work and remain longer in the organisation.

#### 4.4.1 | CREATING A POSITIVE ENVIRONMENT BY BUILDING STAFF MORALE

Good staff morale is beneficial to an organisation. High morale increases employee retention, reduces turnover, decreases the cost of recruiting and training employees and causes employees to go beyond expectations and raise productivity.

The elements of creating good employee morale are depicted in Figure 1:

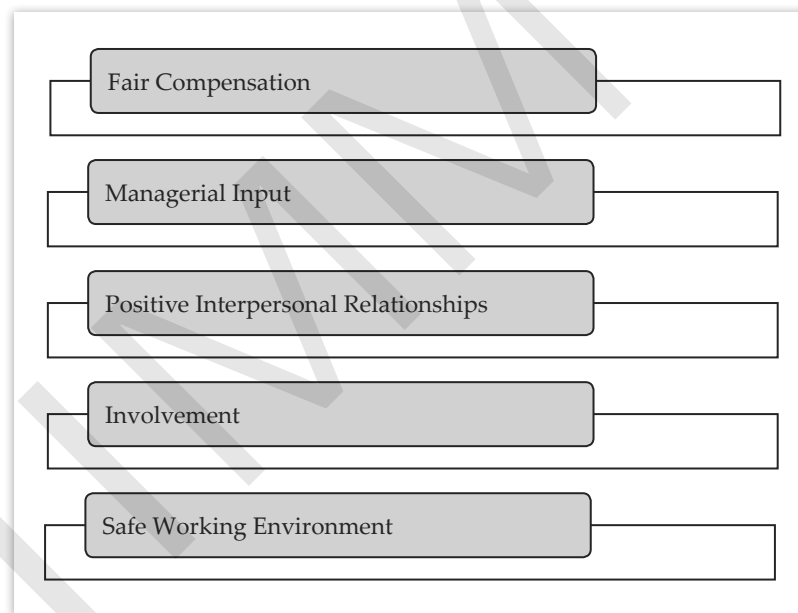


FIGURE 1: Elements of Good Morale

The elements of creating good staff morale are as follows:

- **Fair compensation:** A fair base of compensation structure based on performance helps to increase employees' contentment. This translates into good morale.
- **Managerial input:** The managers who act as a supportive mentor for their subordinates and maintain one-to-one working relationships with them prove to be successful in improving morale and increasing productivity.
- **Positive interpersonal relationships:** The morale of staff can suffer if there exists a negative interpersonal relationship within group members. It can also give rise to staff conflicts.
- **Involvement:** The employees are keen to be involved in projects and take more responsibility. The opportunities for involvement at some level of the project's decision-making improves the morale of employees.



- **Safe working environment:** Maintaining a clean and healthy working place helps to boost the confidence of employees in the company.

#### 4.4.2 | STAFF MORALE: INFLUENCING FACTORS

Employee morale is influenced by a number of factors. These include the following:

- **Organisational objectives:** Employees feel highly motivated and have high morale when their individual objectives are properly aligned with organisational goals.
- **Organisational design:** Organisational structure affects the quality of employee relations. This is because large organisations have lengthy channels of vertical communication and pose a difficulty of upward communication. Hence, employee morale tends to be lower there.
- **Personal factors:** Individual factors of employees, like educational background, age, training, intelligence and interest taken by workers in the jobs affect the level of employee morale.
- **Rewards:** Adequate compensation for work performed, fair wage system, incentives and promotions help in improving the morale of employees.
- **Leadership and supervision:** The attitude of employees gets affected by the nature of supervision. A good leader who is in direct contact with his employees can influence the activities and morale of the employees.
- **Work environment:** The place of work, building, conditions of tools and machinery, safety and medical aid, etc., impact the morale of an employee.
- **Job satisfaction:** If the employees have ample opportunities to grow their personality and prove their talents/skills in the jobs, they will tend to have higher morale.
- **Compatibility with fellow employees:** Employees have high morale if they enjoy companionship, confidence and acceptance of their fellow colleagues. Faith and a sense of loyalty with co-workers improve the satisfaction of employees.
- **Opportunity to share profit:** The morale of an employee gets impacted by the opportunities of career progress and possibilities of increase in wages provided in any organisation.

#### 4.4.3 | SIGNS OF LOW STAFF MORALE

As high morale ensures smooth flow of operations and better productivity in the organisation, therefore, perceptive managers should always be on a lookout for signs to any deterioration in the morale of employees. Some of the indicators of low/poor morale of employees in an organisation are as follows:

- High rate of absenteeism of workers from duty.
- Disinterested employees' tardiness or the quality of being late to work.
- High labour turnover caused by a large number of dissatisfied persons leaving the organisation in search of employment elsewhere.

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- Strikes and sabotages made by workers.
- Lack of pride in work and disheartened behaviour of employees.
- Wastage and spoilage of resources.
- Increasing staff conflicts and jealousy among employees.
- Increase in errors and the need for re-work at the workplace.
- Frequent customer complaints on the quality of products produced.
- Lack of initiative on the part of employees.
- Low productivity and efficiency.
- Uncooperative attitudes among co-workers.
- Lack of enthusiasm and zeal in workers.
- Increased grievances of workers.
- Rise in the number of accidents at the factory level.

The following strategies and measures can be used by managers for improving the morale of employees:

- Ensuring informal discussions and effective two-way communication between management and employees to keep them informed about organisational plans and procedures.
- Showing a sense of concern for workers by writing their names on workstations, asking for their opinions, and allowing them to add their creative thoughts.
- Maintaining job enrichment and job satisfaction of employees.
- Modifying the work environment by creating social contacts among workgroup team and developing the tendency of taking regular rest breaks.
- Giving proper monetary and non-monetary incentives to all employees in the organisation.
- Taking welfare measures, such as providing canteen facilities, club facilities and children's education facilities.
- Encouraging social group activities to increase group cohesiveness.
- Providing proper training to workers to help them work efficiently and without any frustration.
- Ensuring ample opportunities for workers' participation in management to take the consultation of workers whenever a change is implemented in the organisation.
- Providing a feeling of belongingness to the employees so as to treat them as parts of the entity.
- Teaching work ethics and corporate values of the workers.
- Securing support to employees from their supervisors and freedom to share their thoughts.

#### 4.4.4 | CORRELATION BETWEEN MORALE AND PRODUCTIVITY

The impact of the level of employees' morale on the level of productivity in an organisation is unpredictable. The research has not come up with any direct relationship between productivity and employee morale.

Accordingly, Figure 2 below shows the different combinations of productivity and morale:

Morale \ Productivity	High	Low
	High	High productivity - High morale
Low	High productivity - Low morale	Low productivity - Low morale

FIGURE 2: Relationship between Morale and Productivity

These are explained as follows:

- **High productivity and high morale:** This situation is based on the basic assumption that if proper leadership is provided, the entity becomes more productive. It generally occurs when the employees are motivated through financial and non-financial incentives to achieve high standards of work performance.
- **Low productivity and high morale:** This situation can arise when employees tend to utilise their time and efforts for the satisfaction of personal objectives which are not related to the entity's goals. Also, employees having high morale can still cause low productivity if there is the use of faulty machinery, lack of work training and ineffective leadership or supervision.
- **High productivity and Low morale:** This situation can occur only for a short period of time. Low morale cannot result in maintaining high productivity for a long span of time. It generally occurs when there is exceptional supervision, fear of losing jobs, and mechanical work involving less use of human skills.
- **Low productivity and Low morale:** In the long-term, low morale results in a low level of productivity. This situation signifies a normal relationship.

The relationship between employee morale and productivity is complex. This is because employee morale is only among one of the factors which influence an entity's productivity.

#### SELF ASSESSMENT QUESTIONS

5. Morale is considered as an invisible cause that invariably determines the success or failure of an organisation. (True/False)
6. High rate of absenteeism of workers from duty is a cause of \_\_\_\_\_ staff morale.

## 4.5 AUTHORITY

Authority is defined as the right of an individual to use resources, issue commands to subordinates, and take decisions in order to achieve the organisational objectives. When a worker is assigned certain duties to perform, he should also be given the appropriate authority to carry out such performance. Otherwise, he shall not be able to do it.

For example, a typist of a company cannot execute his typing job unless and until he has been provided with the right to access necessary facilities, such as a table, a chair, a typewriter and carbon papers. The authority also includes the right to give orders, make decisions and take appropriate actions when the orders are not carried out. For example, a construction engineer has the authority to give commands to his subordinates, seek assistance of experts and architects, and procure necessary materials. The authority relationships can be divided into the following three types:

- **Line authority:** Line authority refers to the authority of a manager over his immediate employees or subordinates. It is the right of a manager to give orders and to check that such orders are carried out. Managers have the right to take an action if the orders are not obeyed. Thus, line authority is an authority that a manager gets from his superior and shares it with his subordinates. For example, owner-manager enjoys line authority on his production manager, production manager enjoys line authority on his workshop manager, workshop manager enjoys line authority on his foreman, and foreman enjoys line authority on his workers.
- **Staff authority:** Managers of both line department and staff department enjoy immediate line authority over their subordinates. When the work of line managers increases to a certain extent, staff persons are appointed to help and assist them in their tasks. The staff members provide information, suggestions, and guidance to the line managers. For example, a personnel manager is recruited to help the managers working with the hiring and training team. The personnel manager does not enjoy the final authority to appoint people because the final authority lies with line managers only. The advice provided by staff managers can be either accepted or rejected by the line managers.
- **Functional authority:** Functional authority is quite similar to line authority, except for the fact that it is exercised by the manager over a person who is not his immediate subordinate. For example, the production department is a line function and the security department a staff function. The decisions relating to production are taken by the production manager. However, in the event of a fire, the security manager shall be given functional authority to handle emergency situations in the production department. This authority shall be exercised until the crisis situation is over. The functional authority is used to take advantage of specialised skills and knowledge of functional experts, such as purchasing manager, personnel manager, etc.

#### 4.5.1 AUTHORITY, RESPONSIBILITY AND ACCOUNTABILITY IN MANAGEMENT

The authority, responsibility and accountability are the three requisites for ensuring effective functional management. These are explained as follows:

- **Authority:** Authority is the right to give orders properly. It should follow clear paths and should be clearly defined. The organisational structure must precisely define the paths. Also, the job descriptions must clearly describe the complete scope of authority for every position.
- **Responsibility:** The assumption of responsibility is the primary task of every manager. Responsibility should be analysed by measuring one's own performance in terms of what was ordered to do and what has been actually accomplished. If there is a responsibility to do something, there cannot be any excuses for not attaining that objective regardless of what happens.
- **Accountability:** Every individual is held accountable by his supervisor and will also hold his subordinate accountable. Accountability is the liability of any variance/deviation from the job's anticipated norm, whether positive or negative. It requires the need for an explanation.

##### SELF ASSESSMENT QUESTIONS

7. \_\_\_\_\_ authority refers to the authority of a manager over his immediate employees or subordinates.
8. Accountability is the liability of any variance from the job's anticipated norm, whether positive or negative. (True/False)

##### ACTIVITY

Find a large organisation and study about its organisational structure on its website. Prepare a hierarchical structure representing the relationships among the various positions of the organisation.

## 4.6 SUMMARY

- Power is the capability of a person or group of persons to cause some action to be done by another person or group of persons, which might not have been done otherwise.
- Organisational politics is the unauthorised use of power for protecting one's own personal interests.
- The political strategies adopted by individuals include blaming or attacking others, distributing information selectively, forming coalitions, cultivating networks, creating obligations, managing impressions, and controlling information channels.
- Organisational politics can be managed by maintaining a collegial organisational culture, preserving job satisfaction, allowing for employee control, involving employees in decision-making, and giving emphasis on teamwork.

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- Morale refers to complete satisfaction that a worker derives from his or her job, the immediate working atmosphere, and the several factors appealing to his individual preferences.
- Factors influencing staff morale are organisational objectives, organisational design, rewards, leadership and supervision, work environment, job satisfaction, and compatibility with fellow employees.
- Signs of low staff morale include a high rate of absenteeism, disinterested employees' tardiness, high labour turnover, strikes and sabotages, the lack of pride in work, wastage and spoilage, etc.
- Authority is defined as the right of an individual to use resources, issue commands to subordinates, and take decisions in order to achieve the organisational objectives.

#### 4.7 KEY WORDS

- **Labour turnover:** It refers to the rate at which the employees in an organisation leave their employment during a particular period.
- **Productivity:** Productivity measures the efficiency of people, machinery, and systems in converting the inputs into desired outputs.
- **Absenteeism:** It is defined as the practice of being away from duty without any valid planned reasons indicating poor individual performance.
- **Organisational culture:** It comprises values, beliefs and behaviours that contribute to the social and psychological environment of the organisation.
- **Coalition:** Coalition denotes a group formed by two or more persons who agree to come in partnership and work for achieving a common goal.

#### 4.8 CASE STUDY: PRESENCE OF ORGANISATIONAL POLITICS

Ronald Szoc was an employee of Westinghouse Electric Corporation located in Evanston, the United States of America. He was a part of the small consulting group comprised of one director and six employees. All the six employees felt that the director was doing a poor job, and, therefore, planned to bring this fact to the attention of director's supervisors so that he could be replaced with someone better. This information leaked to the headquarters and a few management representatives from the headquarters visited the location office for consulting the six employees. They told the employees, "We don't care whether or not you feel that the director is doing a bad job. He shall continue to be the head of the consulting group regardless of his experience or reputation." This incident taught Ronald Szoc about the political dimension of organisational life where there was no space for questions of truth or efficiency.

It was clear that there was the use of organisational politics at the top levels of management. Attempts were made by higher authorities to influence the behaviour of employees (members of the consulting group) and other events in the organisation to protect their own self-interests, advance their own goals, and meet their own needs. Thus, certain people were gaining something (i.e., continuance in directorial position) at the expense of others or at the expense of the whole organisation.

## QUESTIONS

1. What do you understand by organisational politics? How was it evident at Westinghouse Electric Corporation?

(**Hint:** Unauthorised use of power for protecting one's own personal interests.)

2. What causes political behaviour to take place at the organisations?

(**Hint:** When there are unclear rules or policies and uncertainty/ambiguity in decision-making, some individuals engage in politics to take advantage of these loopholes)

### 4.9 EXERCISE

1. Explain the concept of power.
2. Define morale. Enumerate a few indicators of low employee morale.
3. How is morale related to productivity?
4. What do you mean by organisational politics? Explain some of the strategies of political behaviour adopted in an organisation.
5. What do you understand by authority, responsibility and accountability?

### 4.10 ANSWERS FOR SELF ASSESSMENT QUESTIONS

Topic	Q. No.	Answer
Concept of Power	1.	ability
	2.	True
Concept of Organisational Politics	3.	True
	4.	manage
Concept of Morale	5.	True
	6.	low
Authority	7.	Line
	8.	True

### 4.11 SUGGESTED BOOKS AND E-REFERENCES

#### SUGGESTED BOOKS

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# Motivation and Leadership

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Define the meaning of motivation
- Discuss the process of motivation and theories
- Define the concept of leadership
- Elaborate the relationship between leadership and teamwork

**5.1 INTRODUCTION**

In the previous chapter, you learned the concept of power. The chapter also described the concept of organisational politics. At the end of the chapter, you studied the concepts of morale and authority.

Motivation and leadership are vital in organisations. Motivation drives individuals towards goals, enhancing productivity and job satisfaction. Effective leadership provides vision, guidance, and support, inspiring teams to achieve objectives collaboratively. Leaders foster a positive organisational culture, encourage innovation, and empower employees to reach their potential. By understanding motivations and exhibiting strong leadership qualities, organisations cultivate engaged, high-performing teams and promote sustainable success.

In this chapter, you will study the concept of motivation. Then you will be acquainted with the concept of leadership. At the end of the chapter, you will understand the relationship between leadership and teamwork.

**5.2 MOTIVATION**

Motivation is a process which inspires an individual to intensify and use his efforts for the attainment of specific goals or objectives. Motivators are those stimulants which induce or drive a person's action towards a desired direction. There are various definitions of motivation given by several psychologists and behaviour analysts. Some of these definitions are as follows:

According to **Dalton E. McFarland**, *the concept of motivation is mainly psychological. It relates to those forces operating with the individual employee or subordinate which impel him to act or not to act in certain ways.*

According to **Vance**, *motivation implies any emotion or desire which so conditions one's will that the individual is properly led into action.*

According to **Hodge and Johnson**, *motivation in organisational settings refers to the willingness of an individual to react to organisational requirements in the short run. The greater the magnitude of positive motivation of an individual towards the organisation, the more is the likelihood that he will perform effectively in his position, even if it causes some amount of personal deprivation.*

### 5.2.1 | MOTIVATION: DEFINING ATTRIBUTES

Motivation stimulates a person into action and induces him to enthusiastically continue the course of action for the achievement of desired goals. Motivation is an internal feeling that helps individuals in attaining their personal and professional goals in an efficient manner. It generates a drive for achieving a set of goals and move in the desired direction. Motivation exhibits a number of features, which are as follows:

- It is complex and is influenced by a number of variables.
- It can be positive through the use of rewards or negative through the use of punishments.
- It influences the behaviour of individuals positively so that they can give their best to accomplish the organisational objectives.
- It reduces absenteeism and employee turnover as employees take more interest in their work.
- It encourages employees to fulfil their own unsatisfied personal goals.
- It helps the employees achieve individual, group and organisational goals.

### 5.2.2 | FACTORS AFFECTING MOTIVATION

Motivation is a complex subject as it deals with explaining and predicting the behaviour of employees. Traditionally, it was believed that employees are motivated by just giving opportunities for making money. However, later, it was realised that other needs of individuals should also be considered to motivate them. Motivation is greatly influenced by the following factors that exist within an organisation:

- **Relationship between co-workers:** It is important for an organisation to maintain mutual respect among co-employees. If the employees regard each other and clearly understand their roles and responsibilities, it creates good employee relations and decreases their stress levels. A relaxed workplace can increase the motivation levels of employees.
- **Difference in performance appraisal system:** Performance appraisal system is different in different countries. The performance appraisal system differs because of varying economic, business, political and social guidelines of countries. Appraisal of performance affects the motivation levels of employees.
- **Workplace leadership role:** It is the responsibility of leaders to maintain a conducive work environment and to deal effectively with different employees. This helps to create a culture of honour and mutual respect, which strengthens motivation levels of individuals.
- **Work ethics:** Motivation can be drawn from a feeling of being ethical. The definitions of ethics differ from culture to culture. However, few basic things remain unethical in all the cultures. Adherence to work ethics greatly affects the motivation level of an individual.
- **Conflict management:** The chances of conflict rise when the organisation is comprised of people from different cultural and educational backgrounds. Maintaining proper policies and procedures for managing conflict at the workplace will motivate employees to work effectively.

### 5.2.3 | PROCESS OF MOTIVATION

Motivation encourages people to put their best efforts to achieve organisational goals. The process of motivation is depicted in Figure 1:

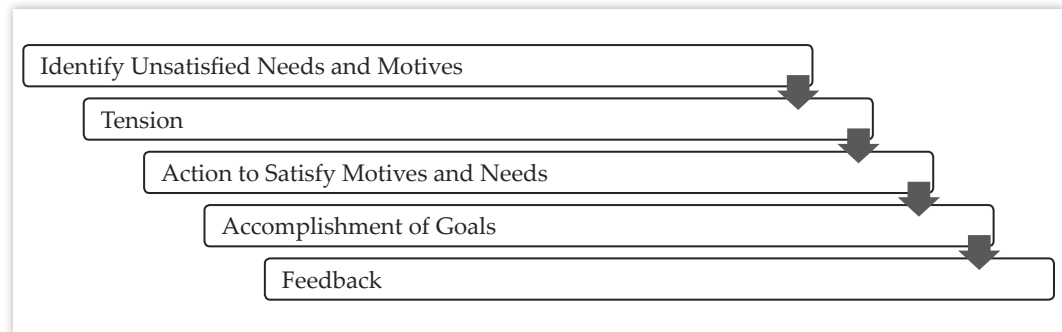


FIGURE 1: Motivation Process

The process of motivation begins with the identification of unsatisfied motives and needs of individuals. This creates tension among individuals. Individuals may remain in a state of tension if their needs are unsatisfied. However, all the individuals have innate drives to fulfil their unsatisfied needs. These drives compel individuals to search for the behaviour that should be adopted to fulfil their needs. The internal stimulus created by tension calls for actionable behaviour.

If individuals make efforts in the right direction, they can satisfy their needs and accomplish goals. This, in turn, reduces their tension. The process of motivation ends with feedback. Depending upon the information of how well a goal is achieved, the related goals and motives may be modified, revised or improved. As soon as one need is satisfied, another need emerges to motivate an individual to work further.

The process of motivation uses different tools on the basis of age, culture and sex of employees. It takes into consideration the complex nature of employees for motivating them to retain in the organisation. The employees are retained generally by providing better salary packages and services. The motivation process also keeps track of the changes in the needs of employees with respect to the changes taking place in the organisation.

### 5.2.4 | DIFFERENT MOTIVATION THEORIES

Numerous researchers and theorists, such as David C. McClelland, Abraham Harold Maslow and Douglas McGregor, provided their views on motivation. The motivation theories help in understanding human nature and provide strategies for getting the tasks done from people. These theories threw light on different areas of human motivation. Some of the theories provided by eminent theorists are as follows:

- Maslow's Hierarchy of Needs
- Theory X and Theory Y
- Theory Z
- Herzberg's Two-Factor Theory/Motivation-Hygiene Theory

- McClelland's Theory of Needs
- Goal-Setting Theory
- Equity Theory
- Vroom's Expectancy Theory
- ERG Theory

Following are the description of these theories:

### Maslow's Hierarchy of Needs

The most widely used need hierarchy theory of motivation has been given by psychologist **Abraham Harold Maslow**. The following are the levels of needs arranged in the order of their importance to employees, as given by Maslow:

- **Physiological needs:** These include primary needs for hunger, thirst, shelter, sex and other physical needs.
- **Safety needs:** These include the need for safety and protection from physical and emotional harm.
- **Social needs:** These include the need for affection, association, belongingness, acceptance and friendship.
- **Esteem needs:** People have a natural desire to be respected and identified by others. These include the needs of self-respect, self-confidence, autonomy, status, recognition and attention.
- **Self-actualisation needs:** These include a need for the drive to become what one is capable of becoming. It includes the growth and achievement of one's potential.

All these needs of an individual must be satisfied in a hierarchical manner. The diagrammatic representation of these needs is shown in Figure 2:

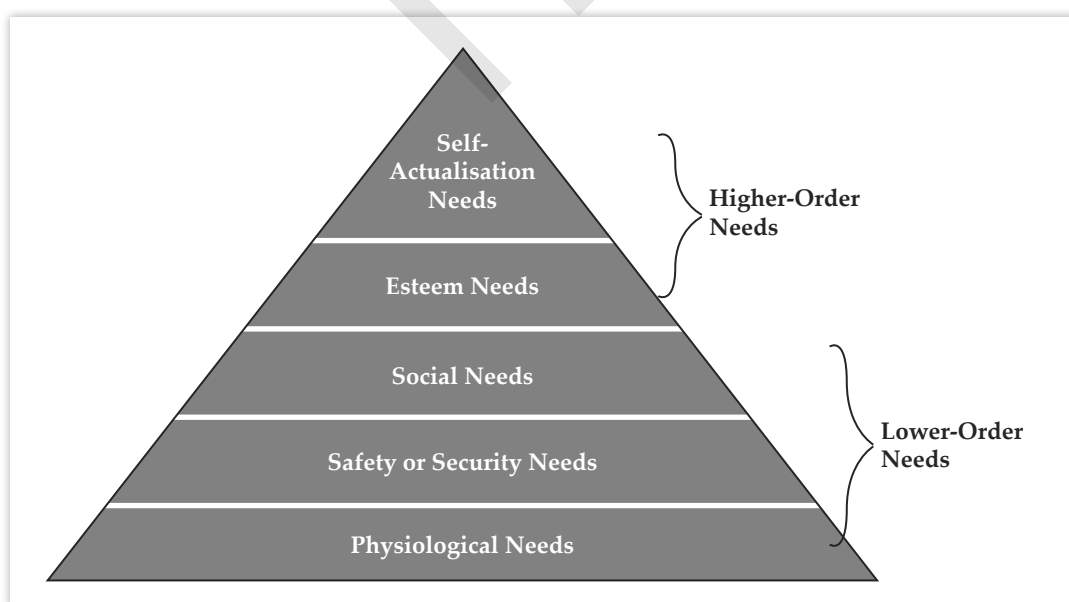


FIGURE 2: Maslow's Level of Needs

## NOTES

While safety, social and physiological needs are classified as lower-level needs, self-actualisation and esteem needs are classified as higher-level needs. Individuals first begin by satisfying lower-level needs and then proceed towards satisfaction of higher-level needs. As one need gets considerably satisfied, the next one becomes dominant for the individuals. So, they keep on moving up in the steps of hierarchy. However, until and unless the first need gets satisfied, individuals do not move to the next need. While lower-level needs are externally satisfied from salary, incentives, etc., higher-level needs are internally satisfied by the employees through growth and development.

Many times the physiological, safety and social needs are considered as deficiency needs as they are concerned with the needs that an individual lacks; and the esteem and self-actualisation needs are considered as growth needs as an individual works towards their development.

Maslow's theory explains the hierarchy of needs in a simple and logical manner. However, there are following drawbacks of the theory:

- Following a hierarchy is not always feasible because an individual's needs might fall into two levels of needs simultaneously. For example, an individual may have his/her physiological and social needs to be dominant at the same time.
- Measuring some needs, for example, the self-actualisation, remains difficult.

### Theory X and Theory Y

Theory X and Theory Y were developed by Douglas McGregor. Let's discuss this theory in detail:

- **Theory X (Negative motivation):** The organisational structure is based on a traditional organisational structure having one-way upwards communication channels and centralised decision-making. According to this theory, there is little participation of employees in the setting of plans and objectives because objectives are fixed by the superiors. The subordinates experience low commitment towards goals. The leader is autocratic in nature and acts as a guiding force for controlling and overseeing the performance of all subordinates. Thus, the motivation for work is completely monetary which is affected in employees through the use of punishments and threats. This theory is criticised because it is based on misconceptions of human nature and vague assumptions.
- **Theory Y (Positive motivation):** The organisational structure is based on a human relations approach allowing for two-way upward and downward communication channels. As per theory Y, the participation of employees is allowed in the development of plans and objectives. Subordinates can also explore alternatives, and this results in the setting of plans jointly by superiors and subordinates. The subordinates experience high motivation and commitment to goals. The leader is democratic and participative in nature. Thus, the employees feel responsible, committed, and accountable to perform well towards the attainment of pre-defined goals; and are positively motivated. The motivation is generally non-financial in nature and is positively driven.

## Theory Z

Theory Z is a management philosophy that originated in the 1970s and was proposed by William Ouchi, a professor of management. The following features of Theory Z underscore these assumptions:

- **Mutual Trust:** Trust, integrity, and openness play pivotal roles in enhancing organisational efficiency. Heightened trust minimises conflicts among employees, fostering better teamwork and collaboration. This theory also contends that a formal structure isn't necessary when there's seamless teamwork and collaboration to drive effective changes.
- **Employee Involvement:** Enhancing commitment and performance levels necessitates active employee involvement. This entails their participation in decision-making processes, particularly in matters that affect them directly, fostering a greater sense of responsibility and engagement.
- **Strong Connection:** Establishing a robust bond between the organisation and its employees is vital for fostering loyalty and commitment. This involves the organisation actively facilitating career advancement opportunities such as promotions and measures for long-term employment, fostering an environment where individuals feel motivated to excel.

Theory Z of motivation emphasises creating an integrated organisation where employees align. Effective coordination between managers and their teams is crucial for boosting job satisfaction and employee engagement. Empowered, accountable, and independent employees feel valued, nurturing a positive workplace culture that prioritises employee well-being.

## Herzberg's Two-Factor Theory/Motivation-Hygiene Theory

Frederick Herzberg proposed the two-factor theory which investigates about people's expectations from their jobs. He asked people to describe the situations when they felt good or bad about their jobs. From the responses, Herzberg concluded that the following two factors are related to job satisfaction and job dissatisfaction:

- **Intrinsic factors/motivators:** Intrinsic factors are present within the job, occur at the time of job performance, and are related to job content. Such factors ensure positive feelings of employees about the job. These factors help in increasing and maintaining high levels of job satisfaction and job performance. These are referred to as motivational factors.
- **Extrinsic factors/hygiene factors:** Extrinsic factors are maintenance factors that relate to conditions under which a job is executed. They are environment-centred, related to the job context, and are associated with negative feelings of employees. These are the factors whose absence causes dissatisfaction among employees. Such factors do not provide any motivation as they do not render any growth in job productivity.

Herzberg suggested that environmental factors should also be taken into consideration for deciding the motivation level of employees. However, since hygiene factors can only prevent employees from becoming dissatisfied, therefore, managers are suggested to concentrate more on motivational factors than hygiene

factors. Extrinsic factors should be kept in check to keep the employees satisfied. An appropriate combination of motivators and hygiene factors leads to better employee satisfaction. One of the limitations of Herzberg's two-factor theory is that determining the reliability of two-factor theory is difficult due to a lack of clear understanding about intrinsic and extrinsic factors.

### McClelland's Theory of Needs

McClelland's theory of needs was proposed by David McClelland. It concentrates on three needs and out of these three needs, any need can be dominant for an individual. The concept of motivation is based on three needs and their three respective drives:

- **Need for achievement (N Ach):** Drive to excel
- **Need for power (N Pow):** Drive to control others
- **Need for affiliation (N Aff):** Drive to maintain close interpersonal relationships

The individuals with high **N Ach** get motivated if they are given challenging jobs because they are creative, hardworking and open-minded. They have an urge to succeed by doing something different from others. They like to set difficult targets and solve complex problems. Such individuals prefer jobs that have personal responsibility, feedback and moderate or calculative risks.

The individuals with high **N Pow** like to control and affect the behaviour of others as they are manipulative in nature. They gain satisfaction by exercising control over other people. When individuals with a high need for power use their traits positively, they can become successful managers with belief in a democratic style of leadership. On the other hand, if they use their traits negatively, then they can become autocratic style leaders.

The individuals with high **N Aff** have an urge to develop interpersonal relationships. Such individuals perform better in situations where they get personal support. They avoid conflict with others and show compliance with their friends because they desire for social acceptance and feelings of belongingness. The efficiency or performance level of such individuals increases when they work in a team with their friends.

McClelland had given the relationship between motivation and the three needs. This relationship can be helpful for managers to motivate their employees and get the work done.

### Goal-Setting Theory

Goal-setting theory was given by Edwin Locke. It states that challenging and specific goals contribute to higher task performance, provided employees are directed through appropriate feedback of results. This theory helps employees remain motivated by keeping their goals in mind and improving their performance. It also suggests that feedback and commitment lead to higher performance and bridges the gap between the actual and expected performance of individuals. As per this theory, for achieving self-improvement, an individual should have goals that are specific



(S), measurable (M), attainable (A), relevant (R) and time-bound (T) – known as SMART goals.

The goal-setting theory is based on five basic principles which are as follows:

- **Clarity:** Individual goals should be measurable and unambiguous. Goals should also be communicated clearly so that the employees may know what is expected from them.
- **Challenge:** Objectives should be a bit difficult to attain. However, goals must not be very challenging that they sound unrealistic, nor should they be non-challenging, that will keep the employees demotivated. Therefore, an optimum level of challenge is required in the goals.
- **Commitment:** It refers to the dedication of employees to achieve their goals. When the goals are challenging, they increase the commitment of employees. High commitment level ensures improvement in the performance of employees.
- **Task complexity:** It refers to the level of difficulty involved in a task. A challenging task keeps the employees motivated. However, a highly challenging task may be burdensome for the employees.
- **Feedback:** It helps the employees understand the goals clearly and overcome the obstacles in achieving these goals.

### Equity Theory

The equity theory was given by J. Stacy Adams. It is based on the assumption that individuals compare their job inputs and outcomes with those of others, and then the inequities found in the comparisons create negative or positive feelings among them. The motivation level of a person is correlated with his perception of fairness, justice, and equity provided by the management. Higher his perception of equity, greater is the level of motivation and vice versa.

Referents form an important variable in the equity theory. There are four referent comparisons that an individual can use, which are as follows:

1. Comparison with other individuals outside the employee's organisation (Other-outside).
2. Experience of an employee inside the same organisation at a different position (Self-inside).
3. Comparison with other employees in the same organisation (Other-inside).
4. Experience of an employee outside his/her organisation in a position or situation (Self-outside).

An employee can choose to compare himself with his peers inside or outside his current organisation or with his past job experiences held by himself. For any employee, the choice of the referent will depend on the information the employee holds about referents as well as the suitability of the referent at that time.

Table 1 shows how equity is established:

TABLE 1: Establishment of Equity

Ratio Comparisons	Perception
$O/IA < O/IB$	Under-rewarded (Equity tension)
$O/IA = O/IB$	Equity
$O/IA > O/IB$	Over-rewarded (Equity tension)

Where  $O/IA$  represents the employee, and  $< O/IB$  represents relevant others.

Employees desire fair and equitable compensation/return for the contributions made by them to their jobs. They are concerned with both their own individual rewards and also the rewards other people are getting in their comparison. They decide about their equitable returns after making a comparison between inputs and outputs of themselves with the inputs and outputs of their peers.

The inequity-behaviour relationship states that if an employee feels that inequity exists, this would lead to tension that would persist until equity is achieved. In order to get relieved from tension, they would exhibit behaviour and take steps to reduce tension by either altering or distorting the inputs and outputs. For example, they may decide not to overexert or to leave the organisation. When the employee feels that there is equity, he/she becomes satisfied. Thus, the equity theory states that it is essential to make people feel important and equal, otherwise, they could quit the organisation.

### Vroom's Expectancy Theory

The expectancy theory was given by Victor Vroom. This theory is one of the most widely accepted explanations of motivation. According to this theory, the employees will be motivated to apply great effort when they believe that it would result in performance appraisals and rewards, such as bonus, incentives and promotion. Vroom's expectancy theory focusses on three relationships, which are as follows:

- **Effort-performance relationship (expectancy):** This refers to the perception of an individual that a particular amount of effort will lead to a certain level of performance.
- **Performance-reward relationship (instrumentality):** This refers to the perception of individuals that if they perform in a particular way, they might get certain rewards or attain the desired outcome.
- **Rewards-personal goals relationship (valence):** This refers to the perception of individuals whether the rewards provided by the organisation are able to fulfil their personal goals or not. It signifies the attractiveness of the potential organisational rewards for the persons.

## ERG Theory

The Existence, Relatedness and Growth (ERG) theory was propounded by Clayton Alderfer. This theory is a refinement and outgrowth of Maslow's need hierarchy theory. As Maslow's theory identifies five needs, ERG theory condenses these five needs into three needs, which are shown in Figure 3:

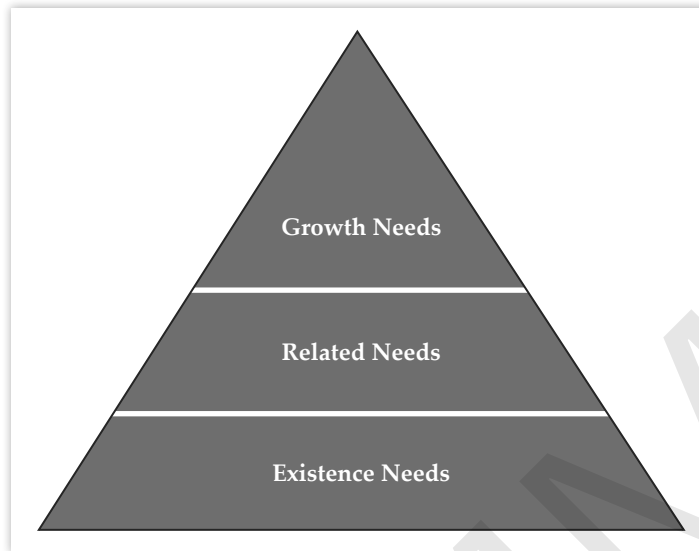


FIGURE 3: ERG Categories of Needs

The needs of ERG theory are explained as follows:

- **Existence needs:** These are concerned with fulfilling the basic existence requirements of employees. These include the factors that Maslow has included under physiological and safety needs. For example, job security, monetary rewards, etc.
- **Related needs:** These are concerned with an individual's desire for maintaining important interpersonal relationships and feelings of belongingness. Individuals who possess a dominant desire for relatedness require interaction with others to satisfy those needs. Maslow's social as well as esteem needs form a part of this group.
- **Growth needs:** These are related to the desire for development in organisational career as well as personal life. According to Alderfer, growth is an intrinsic desire for personal development. Maslow's self-actualisation needs are included in this group.

As per ERG theory, motivation is measured by the sum of products of instrumentality, expectancy and valence. It can be given as:

$$\text{Motivation} = \sum (\text{Instrumentality} \times \text{Valence} \times \text{Expectancy})$$

Individuals try to satisfy a need when they are deprived of it, i.e., motivation comes from deprivation. Contrary to Maslow's assumption that needs are satisfied in a particular order, Alderfer believed that all three needs can operate simultaneously. For example, a person with higher qualifications may desire to secure a higher

NOTES

organisational position, even though his basic needs are still unsatisfied. Also, ERG theory suggests a relationship between frustration and motivation. An individual may try to satisfy a lower-order need because of the frustration caused by the satisfaction of higher-order need. Hence, a higher-order need brings him back to the satisfaction of a lower-order need.

SELF ASSESSMENT QUESTIONS

1. Growth needs under ERG theory are related to the desire for development in organisational career as well as personal life. (True/False)
2. According to Herzberg, intrinsic factors are maintenance factors that relate to environmental conditions under which a job is executed. (True/False)
3. As per J. Stacy Adams, the motivation level of a person is correlated with his perception of fairness, justice and \_\_\_\_\_ provided by the management.

ACTIVITY

Go through various theories of motivation in detail for understanding different aspects of human motivation. Compare them and provide at least one advantage and limitation of each of the theories.

## 5.3 CONCEPT OF LEADERSHIP

Leadership is a process by which an individual influences the behaviour of others to achieve an organisational objective and directs the organisation in a manner which makes it more coherent and cohesive. In an entity, leadership is concerned with influencing employees to accomplish organisational goals. It is the ability of an individual who is known as a leader to motivate others to work with confidence and zeal to attain some pre-determined goals. Leadership has been defined in different ways by various management practitioners.

**Koontz and O'Donnell** define leadership as *the ability to exert interpersonal influence by means of communication towards achievement of goals.*

According to Management guru **Peter F Drucker**, *leadership is the lifting of people's vision to a higher sight, the raising of their performance to a higher standard, and the building of their personality beyond its normal limitation.*

Leadership is a managerial function which initiates action, motivates people, provides guidance to people and builds morale of employees with a view to maximise efficiency and attain entity's goals. We must agree that leadership is a vital ingredient in business success and that great leaders make great organisations.

### 5.3.1 CHARACTERISTICS OF A LEADER

The basic qualities possessed by a leader in influencing his subordinates acts as a benchmark for organisations to accept and confer leadership upon a manager. Every leader should exhibit useful and appropriate qualities which his subordinates can find credible.

According to Chester Barnard, some qualities needed of a leader include the following:

- Decisiveness to take right decisions at the right time
- Persuasiveness to inspire others to move in the desired action
- Vitality and endurance to achieve high performance and strengthen hardship
- Stability in behaviour to maintain internal consistencies within a group of people
- Intellectual ability to think critically, solve problems and evaluate situations
- Knowledge possession and sharing

Also, Terry provided the following list of leadership characteristics:

- Emotional stability
- Empathy
- Objectivity
- Social skills
- Personnel motivation
- Good communication skills
- Technical competence
- Teaching abilities
- Energy
- Knowledge of human relations

In a nutshell, a leader is said to be effective in his roles if he is human-hearted, considerate, respects the dignity of his followers, and demonstrates proper behaviour through moral character.

### 5.3.2 | LEADERSHIP TYPES AND STYLES

Leaders can be classified on the basis of their skills, abilities or authorities. There are four types of leaders in an organisation as explained below:

- **Corporate-level leaders:** These include the top management, such as Chief Executive Officers (CEOs), directors, presidents, and senior executives. They give directions to carry out the process of strategic management.
- **Business-level leaders:** These include the SBU (Strategic Business Unit) or division-level leaders, such as vice president and general manager. They give directions to their staff for attaining organisational goals.
- **Functional-level leaders:** These include leaders who can perform the specific functions, such as marketing, finance and operations in an organisation. They manage the work at the functional level.
- **Operational-level leaders:** These include leaders who undertake the process of implementation of the strategies within the functional areas. These could include leaders such as assistant manager of marketing and deputy manager of operations.

## NOTES

Leadership style refers to the pattern of behaviour which is exhibited by a leader while influencing the subordinates towards the attainment of the entity's goals. Figure 4 shows the different styles of leadership put forth by Kurt Lewin and his associates:

Styles of Leadership	1. Autocratic Style
	2. Democratic Style
	3. Laissez-Faire Style

FIGURE 4: Different Styles of Leadership

The following section briefly explains the different styles of leadership:

- **Autocratic style:** This leadership style is also referred to as a directive style or authoritative style because the majority of the authority is retained by the leader himself. In this style, the autocratic leader takes decisions without the consultation of his subordinates. The leader issues orders to subordinates and expects them to follow such orders completely and obediently.
- **Democratic style:** This leadership style is also known as consultative, participative or consensus style because the decision-making process involves subordinates. The democratic leader obtains the opinion of his group members and takes a decision only after consulting with them. A decision is made only when all the employees agree to the same.
- **Laissez-Faire style:** This leadership style is also known as free-reign leadership because the power of making decisions is fully left with the employees. People are allowed to make their own decisions and the involvement of the leader is minimised. Thus, the followers enjoy complete freedom and become self-sufficient in making their own goals and attaining them. The guidance of the leader is provided only when requested.

A single leadership style cannot be suited in all situations. Therefore, based on the situations and the needs of employees and entity, two or more styles of leadership can be combined by a leader for influencing his followers.

### 5.3.3 | DIFFERENCE BETWEEN LEADERS AND MANAGERS

A good leader need not be a good manager, but an effective manager must necessarily have some of the qualities of a good leader. In the opinion of Warren Bennis, key differences between the two are as follows:

- The manager does the administration work; the leader works on innovations.
- The manager controls risks; the leader takes risks.
- The manager directs; the leader coaches.

- The manager maintains; the leader develops.
- The manager focusses on systems and structures; the leader focusses on people.
- The manager relies on control; the leader inspires trust.
- The manager has a short-range view; the leader has a long-term perspective.
- The manager asks how and when; the leader asks what and why.
- The manager has his/her eyes always on the bottom line or profits; the leader has his/her eyes on horizon or new developments.
- The manager accepts and maintains the status quo; the leader challenges and changes it.

#### SELF ASSESSMENT QUESTIONS

4. The \_\_\_\_\_ leader takes decisions without the consultation of his or her subordinates.
5. Laissez-Faire style of leadership is also known as free-reign leadership. (True/False)

## 5.4 RELATIONSHIP BETWEEN LEADERSHIP AND TEAMWORK

The concept of leadership has undergone a radical change. Leadership and teamwork are strongly connected. The leaders have to lead their teams effectively towards attainment of common group goals. Modern leaders are expected to play multi-dimensional roles in managing their teams in organisations, which are explained in the following points:

- **Team empowerment:** This means putting employees in charge of what they do. Leaders are being advised that for being an effective leader, they are supposed to share powers and responsibilities with team members. Empowerment requires leaders to ask for suggestions and lets employees make the decisions. It is easiest to implement empowerment in smaller and less bureaucratic organisations. Empowerment presents the employees with an opportunity for taking initiatives.
- **Coaching:** Leaders are expected to provide instruction, guidance, advice and encouragement to help team members improve their job performance. This is the contemporary role given to a leader. However, its usage is still not pervasive, persistent and very apparent. Several authors have defined coaching as a method of directing, instructing and training an individual or a group, with the aim to achieve some goals/develop specific skills.
- **Importance of technology:** Modern organisations are highly technology-intensive. Decision-making has become more result-oriented and time-bound with the advent of technology. It is expected that a modern leader should be fully aware of the impact of technology within and outside the organisation.
- **Leadership succession planning:** This refers to identifying future leaders and ensuring their continuous development. Succession planning helps to find talent in an organisation and encourage them to not only excel in whatever they do, but also to motivate team members by setting examples.

6. A modern leader should be fully aware of the impact of technology within and outside the organisation. (True/False)

## 5.5 SUMMARY

- Motivation is a psychic force which drives a person's actions towards the realisation of his/her goals.
- As per Maslow's theory, while safety, social and physiological needs are classified as lower-level needs; self-actualisation and esteem needs are classified as higher-level needs.
- The motivation aspect of Theory Z revolves around creating an environment that values employee input, provides a sense of security, promotes collective decision-making, and prioritises overall well-being, all of which contribute to higher levels of employee motivation and engagement.
- Herzberg's two-factor theory provides two factors of motivation, namely, intrinsic factors/motivators and extrinsic factors/hygiene factors.
- McClelland's theory of needs divides needs into three types, i.e., need for achievement, need for power and need for affiliation.
- The equity theory states that the motivation level of a person is correlated with his perception of fairness, justice, and equity provided by the management.
- The needs of ERG theory are existence needs, related needs, and growth needs.
- Leadership is a process by which an individual influences the behaviour of others to achieve an organisational objective and directs the organisation in a manner which makes it more coherent and cohesive.
- The different styles of leadership include autocratic style, democratic style and laissez-faire style.

## 5.6 KEY WORDS

- **Stimulate:** It refers to encouraging or raising the levels of nervous or physiological activities of an individual to urge him/her to do a certain act.
- **Equity:** It refers to the quality of state of becoming impartial and fair.
- **Autocratic:** It relates to a person ruling with absolute power without taking into account the opinions and wishes of others.
- **Democratic:** It relates to a person supporting and respecting all individuals by taking into account the opinions and wishes of others.

## 5.7 CASE STUDY: EQUITY THEORY OF MOTIVATION

Mr. Rishi, a management degree holder, works as a management trainee, in a multinational corporation in Dehradun. He possesses good knowledge and expertise of skills required in the strategic management domain. Mr. Rishi is a hardworking



and sincere employee who works for the achievement of his personal as well as organisational goals. Recently, his manager noticed some negative change in his work behaviour and his co-relation with peer management trainees. When investigated, it was found that Mr. Rishi had started looking for other job opportunities outside the organisation.

According to equity theory of motivation, individuals correlate their motivation levels with the perception of fairness adopted by the management while the distribution of organisational resources among peer members. Lower the perception of fairness and justice, lower is the level of motivation among employees. For this purpose, employees compare their inputs (contribution) and outputs (compensation) with those of an employee of the similar cadre. If the employee notices inequity, he feels dissatisfied and finds out ways to overcome this tension.

Mr. Rishi was unsatisfied with the amount of remuneration being paid to him in the organisation. Other management trainees were found to be drawing a greater amount of compensation than him. He noticed that there was a difference between his monthly salary and the salary drawn by Mr. Mohan, a peer management trainee working in his department. As Mr. Mohan was also a management employee holding the same position, qualifications and experience as that of Mr. Rishi, the management should not have differentiated between their compensation. This induced feelings of dissatisfaction, and lowered motivation levels of Mr. Rishi, compelling him to quit the organisation.

## QUESTIONS

1. What do you understand by equity theory of motivation?  
(**Hint:** Refer to Section: Equity Theory)
2. What approach should be followed by the management to maintain high motivation levels of employees, as per equity theory?  
(**Hint:** Fair remuneration to all employees)

## 5.8 EXERCISE

1. Define motivation and leadership.
2. Briefly explain the various theories of motivation.
3. How does Maslow's need hierarchy theory help to understand the behaviour of human motivation?
4. What are the different styles of leadership in an organisation?
5. Enumerate some essential characteristics required of a leader.
6. Distinguish between leaders and managers.

**5.9 ANSWERS FOR SELF ASSESSMENT QUESTIONS**

Topic	Q. No.	Answer
Motivation	1.	True
	2.	False
	3.	equity
Concept of Leadership	4.	autocratic
	5.	True
Relationship between Leadership and Teamwork	6.	True

**5.10 SUGGESTED BOOKS AND E-REFERENCES****SUGGESTED BOOKS**

- O'Neil, J., Drillings, M., & O'Neil, H. (2012). *Motivation*. Hoboken: Taylor and Francis.
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# Conflict Management

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Define the concept of conflicts
- Describe the conflict resolution through negotiation
- Discuss the meaning and types of communication in an organisation
- Explain the concept of coordination

**6.1 INTRODUCTION**

In the previous chapter, you were acquainted with the concept of motivation. The chapter also described the concept of leadership. Then you studied the relationship between leadership and teamwork.

In any organisation, conflict, communication, and coordination are pivotal elements influencing its efficiency and harmony. Conflict arises due to divergent interests, ideas, or goals among individuals or departments. Effective communication channels foster understanding and collaboration, mitigating conflicts and enhancing coordination. Coordination ensures the alignment of activities towards common objectives, optimising resource utilisation and productivity. Together, they form the backbone of organisational dynamics, shaping its culture and performance. Proactive management of these elements cultivates a conducive environment for innovation, growth, and sustained success in the organisation.

In this chapter, you will learn about the concept of conflict. Then, the chapter discusses conflict resolution through negotiation and the concept of communication. At the end of the chapter, you will study the concept of coordination.

**6.2 CONFLICT**

Conflict is a potential phenomenon which is present almost in every situation. A conflict can be defined as a difference that exists between needs, values and interests of individuals or groups in an organisation. Different management experts have given different definitions of conflict:

- According to **Pondy**, *conflict has been defined as the condition of objective incompatibility between values and goals; as the behavior of deliberately interfering with another's goal achievement; and as emotionally in terms of hostility. Descriptive theorists have explained conflict behavior in terms of objective conflict of interest, personal styles, reactions to threats, and cognitive distortions.*
- According to **Chung and Meggison**, *conflict is the struggle between incompatible or opposing needs, wishes, ideas, interests, or people. According to them, conflict arises when individuals or groups encounter goals that both parties cannot attain satisfactorily.*

## 6.2.1 | DIFFERENT CATEGORIES OF CONFLICT

Conflict may arise at any level in an organisation starting from individual level to organisational level. Table 1 shows different types of conflict:

TABLE 1: Types of Conflict

1. Individual-Level Conflict	2. Group-Level Conflict	3. Organisational-Level Conflict
• Intra-individual conflict	• Intra-group conflict	• Intra-organisational conflict
◆ Role conflict	• Inter-group conflict	◆ Horizontal conflict
◆ Goal conflict		◆ Vertical conflict
• Inter-individual conflict		• Inter-organisational conflict

### Individual-Level Conflict

Individual-level conflict indicates that human behaviour is directed by needs which guide the activities of an individual. Before joining an organisation, individuals try to match their needs with the organisation's offerings in terms of salary packages or other benefits. However, if they observe any inequity with their colleagues in the organisation, it may result in a conflict at the individual level. Such a conflict may lead to tension, frustration, and unpleasant behaviour in individuals. The individual-level conflict can be bifurcated into two categories, which are as follows:

- **Intra-individual conflict:** This type of conflict arises within the individual and is considered psychological in nature. It can be of two types:
  - **Role conflict:** This occurs when individuals realise that their expected roles are different from actual roles. It arises as a result of divergent role expectations.
  - **Goal conflict:** In this type of conflict, an individual or a group has to compromise its goals for the achievement of organisational goals. In goal conflict, the individual or group goals are not aligned with the organisational goals.
- **Inter-individual conflict:** This type of conflict occurs between two individuals. Generally, this conflict arises due to the availability of scarce resources or rewards. It can also occur because different people have different opinions, attitudes, value systems and styles of working.

### Group-Level Conflict

A conflict within a group or between two or more groups is the most common type of organisational conflict. A group-level conflict refers to divergence, competition or clash between two groups of the organisation, such as management and staff. Such type of conflict can be categorised into intra-group conflict and inter-group conflict, which are explained as follows:

- **Intra-group conflict:** This type of conflict occurs within a single group or between the members of a group.
- **Inter-group conflict:** This type of conflict occurs between two or more groups. Inter-group conflicts are frequently seen within an organisation when two departments are in conflict with each other to get scarce resources. Conflict between production and marketing departments and between line and staff are some of its examples.

## Organisational-Level Conflict

Organisational-level conflict refers to the conflict which occurs at the level of the entire organisation. It can be categorised into two types:

- **Intra-organisational conflict:** It refers to the conflict occurring within an organisation. Intra-organisational level conflict can be of two types, which are as follows:
  - **Horizontal conflict:** This indicates that there can be conflict between two functional groups at the same hierarchical level. It can happen because of various reasons, such as shared resources and interdependency, and goal incompatibility. For example, there may be any mismatch in data and figures of reports shared by two interdependent departments which can lead to conflicts. Likewise, the goals of one department may interfere with the goals of another department, leading to goal incompatibility and conflict.
  - **Vertical conflict:** This refers to a conflict between different hierarchical levels, such as between a superior and his subordinates. Vertical conflict can occur because of ineffective communication and distorted perceptions.
- **Inter-organisational conflict:** This refers to the conflict occurring between two or more organisations. Organisations belonging to the same industry may indulge in unethical practices and unhealthy competition because of inter-organisational conflicts.

### 6.2.2 | STAGES OF CONFLICT

Conflict is a dynamic process comprising a series of events that take place in a particular sequence. There are five stages of the conflict process, which are as follows:

- **Latent conflict (antecedent conditions):** It refers to the first stage in the conflict process that creates opportunities and scope for conflict. In this stage, some conditions, such as differences of opinions, are experienced which can give rise to conflict. For example, drive for autonomy, competition for scarce resources, etc., may give rise to organisational conflict.
- **Perceived conflict:** Perceived conflict arises because of the misunderstanding of one another's true position. It takes place even if no latent conflict exists.
- **Felt conflict:** It refers to the conflict that is felt due to emotional differences between two or more parties. The emotional differences can be experienced because of tension, anxiety, hostility or frustration.
- **Manifest conflict:** At this stage, a conflict starts to become visible. This stage exhibits characteristics, such as actions, reactions, remarks and statements made by conflicting parties. At the behaviour stage, if the manager feels that conflict is dysfunctional, then conflict management techniques should be introduced. However, decisions regarding stimulating or resolving the conflict depend on the situation of conflict.
- **Conflict aftermath:** At this stage, a conflict plays a functional role when the outcome results in an increase in the group performance; or it plays a negative role when the outcome results in a decrease in the group performance.

### 6.2.3 | CONFLICT MANAGEMENT AND PERFORMANCE OUTCOMES

In an organisation, conflict is inevitable. Therefore, it needs to be handled and resolved carefully. Sometimes managers raise conflicts among employees to enhance their performance. An optimum level of conflict plays a functional role, while excess level of conflict plays a dysfunctional role in increasing job performance.

Some management experts give recognition to optimum level of conflict in an organisation. Conflicts hold strong association between tension or personal stress, and the enhancement of work progress and job productivity. It is believed that a certain level of conflict is important for increasing productivity among the employees. However, conflicts can have some undesirable results as well. The conflicts which help to increase the performance and offer support to the goals of the group are referred to as functional conflicts. On the other hand, the conflicts which hinder the performance of the group are referred to as destructive or dysfunctional conflicts.

Functional conflicts may be helpful in releasing tension, fostering creative thinking, activating stimulation for change, increasing group cohesiveness, and identifying weaknesses in the system. Conflicts can offer an opportunity to review existing conditions and provide other acceptable alternatives under the view of the existing parties. They can generate challenging spirits among the group members and strive to pool the group resources to sustain external pressures. Therefore, conflicts must be handled properly so that they can create problem-solving situations and offer positive or creative solutions for the growth of the organisation.

#### SELF ASSESSMENT QUESTIONS

1. Which stage of conflict process exhibits visible actions, reactions, remarks, and statements made by conflicting parties?
  - a. Perceived conflict
  - b. Latent conflict
  - c. Manifest conflict
  - d. Felt conflict
2. \_\_\_\_\_ indeed occurs between different groups within an organisation and can be fueled by competition for resources.

## 6.3 | CONFLICT RESOLUTION THROUGH NEGOTIATION

According to **Robbins**, *negotiation is a process in which two or more parties exchange goods or services and attempt to agree on the exchange rate for them*. In other words, it is a communication process that helps to manage all types of conflicts in an effective and mutually satisfying way. It brings all negotiating parties together to arrive at a jointly agreed solution in a peaceful manner. Negotiation can also be termed as a method of settling conflicts rather than resolving it. Applying negotiation to resolve conflicts is a compromising approach that focusses on changing the behaviour of negotiators to reach at an agreement. Thus, negotiation can be referred to as a process wherein two or more persons or groups, holding some common and conflicting

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goals, come together to find, state and discuss the terms of specific proposals of a feasible agreement between them. A situation of negotiation encompasses the following features:

- Existence of clash of interests between the interacting parties
- Individuals strive to make a decision with reference to their interdependent and conflicting objectives
- They are committed to resolving their conflicts by peaceful means
- There is no clearly established method to make a decision

Therefore, negotiation can be termed as a conflict resolution process used in situations where interests of two or more parties clash with each other and no party wants to sacrifice for another. It tries to bring a win-win situation for the parties involved. Negotiation as a tool of conflict resolution would prove effective only if the conflicting parties are willing to solve the problem mutually. It can result in a win-lose situation if each of the parties tries to find maximum gains and wants to impose maximum losses on the other. The outcome of such a negotiation is contentious and unstable. A negotiator may try to find the maximum gains out of a negotiation process and be selective in revealing information to the other party. In addition, the negotiator should opt for a diplomatic approach to address the conflict. However, the success of negotiation depends on various factors, such as prevailing situation, the past history of a relationship between the parties, and personality traits of individuals involved in conflict.

## SELF ASSESSMENT QUESTIONS

3. Negotiation is primarily a conflict resolution process used in situations where parties are unwilling to sacrifice for each other. (True/False)
4. The success of negotiation depends on factors such as the prevailing situation, the past history of a relationship, and the personality traits of individuals involved in conflict. (True/False)

## 6.4 COMMUNICATION

Communication refers to a process of exchanging and sharing facts, ideas, thoughts, beliefs or opinions between two or more individuals. The process of communication involves transferring information from one party to another. The process of communication includes encoding, channeling and imparting information by a sender to a receiver with the help of a medium. The receiver receives, decodes and understands the message and sends his/her feedback to the sender. Communication plays an indispensable role in management because the success of an organisation depends upon how effectively the members/employees are able to understand each other.

According to **Louis A. Allen**, *communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding.*



An organisation consists of people, and people need to interact with each other to coordinate different organisational activities and processes. It helps people understand organisational goals and objectives and carry out their tasks accordingly. Communication involves conveying orders, instructions and information to achieve the desired level of performance of employees. In an organisation, managers transmit information to employees to secure their cooperation. Proper communication results in clarity and shared understanding between managers and employees.

### 6.4.1 | STEPS OF COMMUNICATION

The communication process consists of seven basic elements, namely sender, encoding, message, channel, receiver and feedback, which are shown in Figure 1:

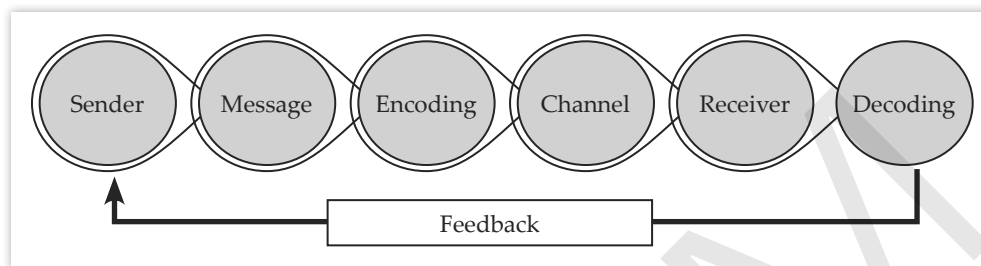


FIGURE 1: Elements of Communication Process

The process of communication is discussed as follows:

- **Sender:** Sender initiates the process of communication. It refers to a party or agent who sends the intended message to another party or agent. Sender is also referred to as a source in the process of communication.
- **Message:** Message is the subject matter of communication. It refers to the collection of symbols or words that together convey the intention of the sender. The message is sent by the sender to the receiver.
- **Encoding:** Encoding involves the use of verbal or non-verbal language for transmission of the message. It refers to a process by which the sender translates his intended thoughts/ideas into an appropriate language framework of symbols or words.
- **Channel:** It refers to the route or medium through which an information is passed from the sender to the receiver. It can be telephone, face-to-face contact, letters, etc.
- **Receiver:** The receiver may be an observer, listener or reader. It is a party or agent who receives the sent message. The receiver is also called audience or destination.
- **Decoding:** The receiver translates the message into his own simple words to facilitate understanding. It is a process of deciphering the received message and understanding its intended meaning.
- **Feedback:** Feedback signifies the return flow of the communication process. It is a response of the receiver to the message of the sender. This part of the communication process establishes a two-way communication between the receiver and the sender. It can be an acknowledgment of receiving the message or reply to the message.

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In the communication process, the sender should know the types of audiences and their desirable responses. It is important for the sender to compose the message properly so that the receiver can easily understand the intent of the message. In encoding, the type of target audience should also be kept in mind. The audience should be capable and intelligent enough to understand the intended message. The message should be free from ambiguities to facilitate clear and discrete interpretation. The medium/media should be efficient enough to minimise the distortion of the message and promote clear passage of the message.

### 6.4.2 | TYPES OF COMMUNICATION

Communication can take place in an organisation through different channels, directional paths, and media. The various types of communication are depicted in Table 2:

TABLE 2: Types of Communication

<b>Based on Communication Channels</b>
● Formal Communication
● Informal Communication
<b>Based on the Direction of Formal Communication</b>
● Upward Communication
● Downward Communication
● Horizontal Communication
● Diagonal Communication
<b>Based on Methods or Media</b>
● Oral Communication
● Written Communication
● Gestural Communication

A channel of communication refers to the route of exchange through which the messages move from the sender to the receiver. On the basis of communication channels, there are two types of communication:

- **Formal communication:** This communication follows the paths which have been formally laid down as per the organisational structure/hierarchy of an organisation. These channels are institutionally determined to regulate the flow of information from one portion in the organisation hierarchy to another. It has an officially prescribed route of communication supported by authority-responsibility relationships for smooth sharing of official information.
- **Informal communication:** Informal communication, also known as grapevine, takes place in inter-personal and informal contacts amongst the employees. It breaks the boundaries of formal channels of communication. Members of informal groups share information, opinions and thoughts with each other as well as with members of other informal groups. It arises as a result of social relationships between people in an organisation. A grapevine has no structure and information passes in all directions. The information may relate to personal matters or official matters.

On the basis of direction of flow of information under formal communication, it can be further classified into four types:

- **Upward communication:** This communication flows from lower level to upper level of the organisational hierarchy. For example, when an employee submits work report to his superior, or communicates ideas to the superior, the flow of information is from bottom to top. Upward communication encourages the active participation of employees in the functions of their departments. Subordinates develop a sense of responsibility and enthusiasm when superiors listen to them carefully about problems affecting their work.
- **Downward communication:** This communication flows from upward to downward level of organisational hierarchy. For example, when a manager/supervisor issues orders and instructions to his subordinates, the flow of information is from top to bottom. It includes transmission of information regarding work assignments, appeal for performance, new policy and rules through official statements, boards, memos, reports, speeches, notices, etc.
- **Horizontal communication:** This communication takes place among members of the same level in the organisational hierarchy. For example, financial manager may communicate the finance plan to marketing manager. It is the flow of information between individuals at the same position. In an organisation, horizontal communication frequently takes place among different departments. It helps in coordinating activities of interdependent departments in the organisation.
- **Diagonal communication:** This type of communication takes place between individuals in different departments and at different levels of the organisational hierarchy. Diagonal communication takes place under exceptional particular circumstances. For example, a cost accountant in finance department may ask a sales representative to provide a sales report for the purpose of preparation of cost analysis. The persons are neither in the same department nor at the same level.

Communication also varies through the types of communication media used for transmission of message. On the basis of communication methods, communication can be classified into three types:

- **Oral communication:** This type of communication involves exchange of thoughts, messages and feelings through spoken words. It takes place with the help of sounds, words and language. The sharing of information may occur through face-to-face contact or with the use of mechanical devices like telephone. Examples of oral communication in an organisation are group discussions, interviews, committee meetings, etc. Oral communication is a speedy process and provides the speaker an opportunity to secure cooperation and greater understanding of the receiver.
- **Written communication:** Written communication takes place through the use of written words for transmission of information. In business organisations, it may take the form of circulars, minutes of meetings, e-mails, articles, reports and memos. This method is frequently used by managers and their subordinates for the execution of their day-to-day functions. Written communication can be used again and again and can be stored for future reference.

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- **Gestural communication:** The communication which takes place through postures and gestures is referred to as gestural communication. This type of communication is characterised with the use of symbols and sign languages that do not require words to be conveyed. For example, finger on lips is a sign of telling the other person to be silent. Gestural communication is generally used for supplementing oral communication. It is helpful in conveying emotions, feelings and attitudes. It is also known as body language.

SELF ASSESSMENT QUESTIONS

5. Formal communication follows predefined paths as per organisational hierarchy. (True/False)
6. Which type of communication encourages the active participation of employees in their departments and develop a sense of responsibility?
  - a. Downward communication
  - b. Horizontal communication
  - c. Upward communication
  - d. Diagonal communication

ACTIVITY

Create dialogues demonstrating different communication styles and practice active listening, assertiveness, and clarity in messages for effective communication.

## 6.5 COORDINATION

Coordination is a rational and conscious effort of bringing together all the different parts of the organisation so as to unify them into a team to attain the pre-specified objectives in an efficient and effective manner. It means the process of blending the activities and efforts of various individuals or groups so as to work in alignment with the achievement of common entity's goals.

An organisation consists of different departments and people. The management process involves several inter-related functions, such as planning, organising directing, staffing and controlling. Any chaos in activities or different departments may hamper the overall operations of an organisation. Therefore, these activities should be properly integrated and synchronised, so that organisational goals and objectives can be fulfilled within the stipulated time. Coordination helps in minimising chaos and confusions among individuals in the pursuit of organisational goals.

According to **Henry Fayol**, *to coordinate is to harmonise all the activities of a concern so as to facilitate its working and its success. In a well coordination enterprise, each department or division, works in harmony with others and is fully informed of its role in the organisation. The working schedules of various departments are constantly tuned to circumstances.*

### 6.5.1 | TYPES OF COORDINATION

Coordination facilitates the entire management process. In fact, no function of management can be efficiently and effectively performed unless and until it contributes towards securing coordination among different departments, functions, sub-units and people. All the functions of planning contribute to coordination in a certain way. Coordination makes planning more integrated towards common goals of the organisation, helps in organising of activities into homogenous groups and departments, ensures matching of job requirements with staff skills, helps a directing manager to integrate individual and group goals, and ensures control over conformity of performance with standard. There are mainly two types of coordination, which are as follows:

- **Internal coordination:** This includes all coordination activities that can be used effectively to synchronise internal organisational environment. Internal coordination can be further subdivided into three types, which are explained as follows:
  - **Vertical coordination:** Vertical coordination refers to coordination among different levels of the organisation. It ensures that all levels work in accordance with the goals and objectives of the organisation.
  - **Horizontal coordination:** It refers to the coordination that takes place between different departments and units at the same level of the organisational hierarchy. For example, coordination between purchase department and production department.
  - **Substantive and procedural coordination:** Coordination must be carried out at both substantive and procedural dimensions of work. Substantive coordination aims at synchronising what has to be done, while procedural coordination aims at synchronising the manner in which the work has to be done.
- **External coordination:** External coordination aims at aligning elements present in the external organisational environment with the internal business environment. It includes creating coordination between external elements, such as lenders, investors, government, law or judiciary with internal elements, including staff members, board of directors and departmental heads.

### 6.5.2 | COORDINATION VS COOPERATION

The terms 'coordination' and 'cooperation' are often used interchangeably with each other. However, they differ with each other. The following are the main points of differences between coordination and cooperation:

- Coordination refers to arrangement of group efforts in an orderly manner to ensure unity of action, whereas cooperation refers to combined efforts of a group of people.
- The basic objective of coordination is to fulfil management function in an effective and efficient manner. On the other hand, cooperation is based on voluntary actions, democracy in processes and willingness to contribute in common welfare.

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- While cooperation signifies voluntary attitude of group members, coordination means efforts deliberately made by the management.
- Cooperation can exist without coordination, but coordination cannot take place without cooperation.
- Cooperation arises from informal relations, whereas coordination arises from formal and informal relations both.
- Cooperation aims at fulfilling and securing personal goals, whereas coordination aims at synchronising work efforts and organisational resources.

SELF ASSESSMENT QUESTIONS

7. Cooperation is solely based on formal relations within an organisation. (True/False)
8. Coordination aims at \_\_\_\_\_ work efforts and organisational resources.

6.6 SUMMARY

- A conflict can be defined as a difference that exists between needs, values and interests of individuals or groups in an organisation.
- The types of conflict include individual-level conflict, group-level conflict and organisational-level conflict.
- The conflicts which help to increase the performance and offer support to the goals of the group are referred to as functional conflicts. On the other hand, the conflicts which hinder the performance of the group are referred to as destructive or dysfunctional conflicts.
- Negotiation can be referred to as a process wherein two or more persons or groups, holding some common and conflicting goals, come together to find, state and discuss the terms of specific proposals of a feasible agreement between them.
- Communication refers to a process of exchanging and sharing facts, ideas, thoughts, beliefs or opinions between two or more individuals.
- The elements of communication process are sender, message, encoding, channel, receiver, decoding and feedback.
- The types of communication are formal communication, informal communication, downward communication, upward communication, horizontal communication, diagonal communication, oral communication, written communication and gestural communication.
- Coordination means the process of blending the activities and efforts of various individuals or groups so as to work in alignment with the achievement of common entity's goals.

6.7 KEY WORDS

- **Manifest:** It means showing something (a feeling or quality) by clearly demonstrating it as obvious, apparent and evident.

- **Resolution:** It refers to a firm decision about something for finding a solution to a related problem.
- **Body language:** It refers to conscious and unconscious postures and body movements through which attitudes and emotions are expressed.
- **Cooperation:** It is the process of working collectively and assisting each other in work.

## 6.8 CASE STUDY: CONFLICT AND PERFORMANCE

Amar is the Chief Executive Officer of a manufacturing company comprising a large group of people. He is very firm in his decisions and strives to manage the people reporting to him (managers and senior managers) in the best possible way. He is of the belief that people give their best performance when they are put under pressure. Therefore, Amar works very hard and expects his juniors to follow suit.

He often goes for details and makes his managers work for long working hours to meet deadlines. Amar gets easily irritated if he notices any mistakes in work and follows an aggressive style of questioning his subordinates. Moreover, he calls everyone in a single room irrespective of their rank or position for discussing any issues, wherein he makes open remarks on an individual's performance.

Rajat, the HR manager of the company, who reports to Amar, resents this kind of treatment given by Amar to his employees. He is very much concerned about the effects of Amar's behaviour on the organisational working environment. Rajat has noticed signs of stress among his colleagues because of working for long hours in the office. The people have become competitive against each other and do not offer cooperation. Rajat has also noticed that Amar's employees spend a lot of unproductive time in his absence, talking about him and his anticipated actions. People have become unwilling to accept their mistakes and hide their problems from Amar so as to escape his aggressiveness.

### QUESTIONS

1. What are the symptoms of conflict between Amar and his managers?  
(**Hint:** Stress among employees, reluctance to accept their mistakes, lack of cooperation, etc.)
2. What can be done to overcome a conflict situation?  
(**Hint:** Refer to Section 6.3: Conflict Resolution through Negotiation)

## 6.9 EXERCISE

1. What are the main categories of conflict?
2. What are the key strategies for conflict management?
3. What are the essential steps in the communication process, and how can understanding these steps improve overall communication effectiveness?
4. How does coordination differ from cooperation?
5. How can coordination contribute to organisational effectiveness?

**6.10 ANSWERS FOR SELF ASSESSMENT QUESTIONS**

Topic	Q. No.	Answer
Conflict	1.	c. Manifest conflict
	2.	Inter-group conflict
Conflict Resolution through Negotiation	3.	True
	4.	True
Communication	5.	True
	6.	c. Upward communication
Coordination	7.	False
	8.	synchronising

**6.11 SUGGESTED BOOKS AND E-REFERENCES****SUGGESTED BOOKS**

- Kipley, D., Helm-Stevens, R. and Jewe, R. (2018) *A foundation in the principles of management*. San Diego, CA: Cognella Academic Publishing.
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- Larsen, D. (2019). Coordination and Cooperation – Dean L. Larsen. Retrieved from <https://www.lds.org/general-conference/1984/10/coordination-and-cooperation?lang=eng>
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# Introduction to Organisational Behaviour

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Discuss the concept of organisational behaviour
- Explain the different disciplines and organisational behaviour
- Describe how managerial skills impact organisational behaviour
- Elaborate the concept of international organisational behaviour

**7.1 INTRODUCTION**

In the previous chapter, you studied the concept of conflict and conflict resolution through negotiation. Further, you studied the concept of communication. At the end, you studied the concept of coordination.

Organisational behaviour is the study of human behaviour in the workplace and the interaction of the employees within the organisations. The study of organisational behaviour involves understanding, monitoring and controlling the activities and behaviour of employees in an organisation.

Organisational behaviour helps achieve organisational objectives by ensuring proper utilisation of manpower. Organisational behaviour deals with how employees behave in the organisation and how their interactions impact the productivity of the organisation.

Organisational behaviour is a systematic study of activities and behaviour of individuals and groups working for the organisation. It is an important area under the Human Resources Management.

In this chapter, you will learn the concept of organisational behaviour. You will also learn about the different disciplines and organisational behaviour. Further, you will learn how managerial skills impact organisational behaviour. At the end of the chapter, you will learn about international organisational behaviour.

**7.2 INTRODUCTION TO ORGANISATIONAL BEHAVIOUR**

In the words of **Newstrom and Davis**, *Organisational behaviour is the study and application of knowledge about how people act within an organisation. It is a human tool for human benefit. It applies broadly to the behaviour of people in all types of the organisation.*

Organisational behaviour is the understanding of working of people in the organisation and the management of human behaviour in the organisation. It is necessary to understand how individuals adapt to their working conditions and how they perform their tasks. Understanding of organisational behaviour is very important for every organisation for the following reasons:

- It helps to predict the behaviour of an individual.
- It lays out the foundation for an interpersonal relationship between the employees and the management.

- It helps in communicating with the people in the organisation and balances the harmonious relationship in the organisation.
- It helps the managers to allocate the tasks effectively and encourage the employees in marketing.
- It helps in the marketing activities of the organisation.
- It creates an effective working culture.
- It helps to bring in changes and adapt to them.
- It helps to achieve the organisational goals.

Therefore, analysing and studying of organisational behaviour is helpful in understanding the patterns of human behaviour. It also assists them to use this knowledge well for influencing and improving the performance of an organisation.

For maintaining a healthy environment at work, it is important for the people to adapt to the conditions and also understand the vision and goal of the organisation. The organisational behaviour studied at three levels as follows:

- At the individual level
- At the group level
- At the organisation level

### 7.2.1 | ATTRIBUTES OF ORGANISATIONAL BEHAVIOUR

Following are the five major personality attributes that influence operational behaviour:

- **Locus of Control:** Locus of control is the centre of control for actions and behaviour of an individual's conduct in the organisation. On the basis of their interpersonal behaviour in the organisation, people with locus of control attribute can be grouped into two categories, introverts and extroverts, respectively.

Introverts are those people, who are shy, reserved, quiet and do not like to mix with other people and consider themselves as the rulers of their own fate. They are achievement-driven and like to look for information before taking any decision. They like to work independently and focus on their jobs.

Extroverts are those people who like to socialise and are outgoing, and believe that their lives are controlled by outside forces. They are more suitable for positions that require social interactions, are more accommodating, and willing to follow instructions, and they do well in managerial positions and are successful managers.

- **Machiavellianism:** The word 'Machiavellianism' comes from the term 'Mach' which is taken from the name of Niccolo Machiavelli, who wrote about how to 'gain and use power' in the 16th century. Machiavellianism people are practical and are good persuaders. They always want to win or reach their objective in any way possible. They can be manipulative and deceive people to achieve their goals. They use various tactics of charm and friendliness to get their jobs done.

The characteristics of Machiavellianism person are as follows:

- They are practical and emotionally detached persons and they believe that the ends can justify means.
  - They do not like to beat around the bush and prefer specific interactions.
  - They do not believe in rules and regulations and can go to any extent for getting their work done.
  - They react better when they work face to face with people than working independently.
  - They are very persuasive and can go to any extent for meeting their objectives.
  - They have high self-confidence and self-esteem and they have no qualms about taking advantage of others.
  - They have no sense of loyalty, trust or friendship and can exploit people for their work.
- **Self-esteem:** Self-esteem is how one evaluates themselves in terms of their worth. It is the manner in which people either like or dislikes them. It has a lot to do with the on-job-satisfaction, and success at their workplace. People with high self-esteem have a lot of confidence with themselves and like to accept any challenges at their jobs. People with low self-esteem have less confidence and like to take the approval of others on their jobs. They are easily distracted and like to follow people whom they respect and trust. The characteristics of people with high self-esteem are as follows:
- People with high self-esteem believe they have the ability to be successful. The low-esteem people are low on their expectations to succeed.
  - People with high self-esteem prefer to take risks in job selection and like to select jobs which are unconventional than people with low self-esteem.
  - People with low self-esteem depend on approval from others and are carried away by external influence than those with high self-esteem.
  - As managers, the low-esteem is more concerned with pleasing others and do not prefer to take stands which are unpopular than the stands taken by managers with high-esteem.
  - People with high self-esteem look for success and are more satisfied with their job than the people with low self-esteem who are low on confidence.
  - People with high self-esteem are good with their interpersonal relationships as they are friendly. Low self-esteem people are not so friendly and do not trust people and are normally critical of others.
  - Low-esteem people normally like to lie low and are depressed and blame others for their failures.
  - People with high self-esteem perform well, whereas people with low self-esteem are normally poor performers which reinforce their low self-esteem.

- **Self-monitoring:** By self-monitoring, an individual is able to monitor oneself with regulating their behaviour according to the demand of social situations. People who have high self-monitoring skills can easily adjust their behaviour as the situation demands. They are very impulsive and their personalities vary when they are alone and when they are surrounded by people. They keep monitoring the social situations so that they can ensure appropriate behaviour for those situations. People with low self-monitoring skills are unable to regulate their behaviour according to the situations. The characteristics of self-monitoring people are as follows:
  - People with high self-monitoring capabilities can adapt their actions to any situation.
  - People with high self-monitoring skills can behave differently in various situations and are able to present different behaviours in public and private lives.
  - People with the skill of high self-monitoring pay attention to the behaviour of others and change their behaviour accordingly than the people with low self monitoring skills.
  - Normally, it is seen that people with high self-monitoring skills are more successful in managerial positions with contradictory roles. They can adjust to any situation and can address different audiences.
- **Risk-taking:** The inclination for taking risks differs from person to person. Normally, people with high-esteem are willing to take risks. People who are impulsive, generally, are risk takers and take quick decisions. Normally, managers in organisations avoid taking the risk, but there are some jobs which require people to be taking risks. Hence, the propensity to take risks depends on the demand and the kind of job.

### 7.2.2 | EVOLUTION OF ORGANISATIONAL BEHAVIOUR

Organisational Behaviour (OB) has evolved within the framework of management principles, transitioning from early mechanistic views to a more human-centric and adaptable approach. Initially influenced by classical management theories, the field underwent a significant transformation with the Hawthorne studies, highlighting the importance of social and psychological factors. The human relations movement shifted focus to the social aspects of the workplace, followed by the behavioural science approach highlighting psychological factors. It also highlighted the importance of employee satisfaction, leading to the establishment of OB as a separate and distinct discipline.

Subsequent developments, such as the contingency approach, recognised the need for flexibility in management practices. In recent times, factors such as technology, globalisation, and workforce changes have further shaped OB, emphasising concepts such as diversity, inclusion, and the impact of digitalisation. The contemporary perspective views organisations as complex systems, requiring adaptive leadership and continuous learning to navigate the challenges of a dynamic business environment. Overall, the evolution of OB reflects a holistic understanding of organisational dynamics in response to societal, technological, and global changes.

### Classical Era

During the Classical Era of management, which spanned the late 19th to early 20th century, the principles of management were heavily influenced by the works of pioneering thinkers such as Frederick Taylor and Henri Fayol. Taylor's scientific management focused on optimising efficiency through time and motion studies, emphasising a systematic approach to tasks. Fayol, on the other hand, introduced the concept of administrative principles, outlining functions such as planning, organising, commanding, coordinating, and controlling as fundamental aspects of management. The Classical Era laid the foundation for a structured and hierarchical approach to organisational management.

### Neo-Classical Era

The Neo-Classical Era emerged in the mid-20th century as a response to the rigidities of the Classical approach. This era brought forth the human relations movement, spearheaded by Elton Mayo and his Hawthorne studies. Neo-Classical principles of management recognised the importance of social and psychological factors in the workplace. Mayo's research highlighted the significance of human needs, social interactions, and employee motivation. The era emphasised the role of leadership, communication, and participative management in fostering a positive organisational culture.

### Modern Era

The Modern Era of management, which began in the latter half of the 20th century and continues to evolve, is marked by diverse approaches and an increased recognition of the dynamic nature of organisations. Principles of management in the Modern Era encompass a broad range of perspectives, including contingency theory, systems theory, and strategic management. The understanding that there is no one-size-fits-all solution has become prevalent, with management practices adapting to the specific context and challenges faced by organisations.

## 7.2.3 | NEED OF ORGANISATIONAL BEHAVIOUR

Organisational behaviour helps to set a direction for the organisation. It helps understand and lay out the foundation for an organised system. It helps us get an insight into the nature and activities of the people in the organisation. It helps smoothen out irregularities within the organisation and motivate people working there. The need for organisational behaviour in organisations is because of the following reasons:

- **Skills improvement:** It helps improve the abilities and skills of employees and managers for becoming more efficient.
- **Effective communication:** It helps people connect and improve interpersonal relationships in organisations in order to achieve organisational goals.
- **Understanding consumers:** It helps understand the marketing processes and consumer behaviour.
- **Employee motivation:** It helps in finding various ways for motivating the employees.

- **Nature of employees:** Understanding the nature of employees is very important for managing them efficiently in the organisation. Organisational behaviour helps in determining the nature of employees like extrovert or introvert, motivated, confident, dominating and more.
- **Changes along with technology:** Organisations need to change their outlook as a result of a change in technological, social, political and various other environmental factors. Organisational behaviour helps in adopting these changes by using proper group dynamics and by educating and training employees through effective communication.

#### SELF ASSESSMENT QUESTIONS

1. The \_\_\_\_\_ brought forth the human relations movement, emphasising the importance of social and psychological factors in the workplace.
2. Which level of organisational behaviour involves the study of individuals within an organisation?
  - a. Group level
  - b. Organisation level
  - c. Individual level
  - d. Environmental level

### 7.3 DIFFERENT DISCIPLINES AND ORGANISATIONAL BEHAVIOUR

Organisational behaviour is considered as an applied behavioural science that is made up of contributions from many behavioural disciplines. There are some important disciplines concerned with organisational behaviour that are the main disciplines and they need to be understood in their own spheres. The five contributing disciplines in the organisational behaviour are shown in Figure 1:



FIGURE 1: Contributing Disciplines in Organisational Behaviour

The following points explain the disciplines in organisational behaviour:

- **Psychology:** Psychology is the main contributor to the field of organisational behaviour since it is the science of behaviour. It explains the different aspects and changes in the behaviour of humans and animals. Psychologists, with the help of different dynamic factors, study and observe the behaviour of individuals. In recent times, their contributions have expanded to bring the concept of learning, leadership, perception, training, personality, needs, motivational factors, job stress, job satisfaction and so many more contributions.
- **Sociology:** The study of sociology focusses on studying the social systems which include individuals in different roles. It focusses on social interactions, human nature, culture and social organisation. It is an important contributor in the field of organisational behaviour which studies the various conflicts, communications, group behaviour culture and norms within the organisation. It has made the greatest contribution in studying and analysing organisational behaviour in both organisational and group levels in various situations.
- **Social psychology:** It is defined as the scientific study of how interactions, interdependence, feelings and behaviours of individuals are influenced by others. This brings in the blend of psychology and sociology while understanding the behaviour of individuals. It studies and analyses how people are affected by the presence of other individuals and why people behave in a certain manner. It mainly contributes to understanding measuring changing attitudes during group interactions, patterns of communication and many other contributions.
- **Anthropology:** Anthropology studies the different behaviour of an individual for a better understanding of the relationship between the human being and the environment. It helps studying the behaviour of people in different cultural groups. This study helps us understand the cultural factors which affect organisational behaviour and environmental factors, differences in fundamental values, attitudes, value systems and behaviour of people from different countries in different organisations.
- **Other social sciences:** The different social sciences help us study the behaviour of a group or an individual in relation to a political environment which helps us analyse their behaviour at the organisational level. It studies the influence of power, authority, conflicts and politics in the behaviour of people in the organisation. It contributes to the understanding of dynamics of power in the organisations and political dynamics inside the organisations.

The designing and analysing of organisational structure are major contributions from economics in studying organisational behaviour. Hence, they help understand the process of influence in organisational behaviour.

Therefore, there are many types of disciplines which involve the study of organisational behaviour and influence its activities directly and indirectly in an organisation.



## SELF ASSESSMENT QUESTIONS

## NOTES

3. Which discipline primarily contributes to the understanding of the relationship between human beings and the environment in the study of organisational behaviour?
  - a. Anthropology
  - b. Psychology
  - c. Sociology
  - d. Social psychology
4. \_\_\_\_\_ is the main contributor to the field of organisational behaviour, studying aspects such as learning, leadership, perception, training, personality, needs, and motivational factors.

## 7.4 HOW MANAGERIAL SKILLS IMPACT ORGANISATIONAL BEHAVIOUR?

An effective manager must possess effective skills in planning, organising, leading, controlling and decision-making for activities and tasks that are to be completed from time to time. It is important for business managers to understand the behaviour of the employees in organisation. We know that an organisation relies on the combination of psychology, sociology and political science for a better understanding of the business culture. The managers of any organisation can use organisational behaviour methods to manage individual, groups and the company.

Managers need to develop positive work attitudes and productive behaviour in their employees using basic managerial skills for effective management. The skills needed by a manager to effectively manage employees in an organisation are as follows:

- **Effective communication:** A good manager should be able to communicate effectively with the employees and workers, achieve the level of understanding through various channels in an organisation, and appropriately make use of written, oral and other communication media.
- **Decision-making:** A proficient manager should be able to make effective and timely decisions and recommendations within the organisation.
- **Technical skills:** A manager should be able to use different technical tools, procedures or techniques and guide employees. This is very crucial for managers because they are in direct contact with employees performing work activities with them.
- **Group processes:** An efficient business manager should be able to understand the nature of group processes and use the group process skills effectively for enhancing the group and organisational efficiency.
- **Proficient leadership:** A good manager should be able to provide effective leadership by communicating the vision and direction of the organisation to the employees by using appropriate skills of managing and influencing.
- **Motivate and guide:** An efficient manager should have the ability to work with, understand and motivate employees. This skill is essential at every level of management within the organisation.

NOTES

- **Good negotiator:** A manager should be a good negotiator and be able to recognise situations which require the use of appropriate negotiation techniques. He should have the required skills to persuade others to reach mutually beneficial agreements.
- **Problem-solving:** An efficient manager should be able to initiate appropriate actions and alternatives to solve problematic situations before they occur and look for amicable and desired outcomes.
- **Cordial relationships:** A good manager should be able to develop and maintain effective contacts, cordial relationship networks with individuals and groups inside and outside the organisation.
- **Conceptual skill:** A manager should have good mental ability to coordinate and integrate the organisation's interests and activities. He should be able to recognise the changing technology and environment, and bring in the required changes that are profitable for the organisation.

SELF ASSESSMENT QUESTIONS

5. Which managerial skill involves communicating the vision and direction of the organisation to employees by using appropriate managing and influencing skills?
  - a. Motivate and guide
  - b. Proficient leadership
  - c. Good negotiator
  - d. Conceptual skill
6. Cordial relationships are essential for a manager to develop only with individuals inside the organisation. (True/False)

## 7.5 INTERNATIONAL ORGANISATIONAL BEHAVIOUR

As organisations become global with different nationalities and cultures, this has broadened the scope and study of organisational behaviour into the international domain. The process of globalisation has brought in the changes in the workforce and improved the interactions with the integration of society, business, culture and politics across the globe. Various aspects of change become more amplified because these bring in new challenges and opportunities. Organisations are becoming multinational, with different cultures, with their offices located in different countries of the world.

International Organisational Behaviour brings an understanding of different studies and theories from the American, European, Canadian, Asian and Japanese contexts and their different cultures. The advent of globalisation has brought in the system of multi-cultures due to which the relationship between culture and organisational behaviour has become more important. The workforce of an organisation is made up of people belonging to different countries with different cultures making the organisations more global.

There has been a big shift in the study of organisational behaviour with this diversity in the workforce. The advent of international organisations has brought in people with multi-cultural values, beliefs and ethics. With these cross-cultural and virtual interactions in the multinational companies, the management needs to work with diversity and give new roles to the leaders in the organisations.

The problems faced by individuals working with different cultures and nationalities cannot be assumed as similar to those individuals working in a homogeneous environment. This aspect has been taken care of in the organisation by the process of interpersonal communication, feedback, teamwork and other team-building activities for work to take place in a peaceful manner. With these processes, individuals are able to interact and appreciate each other's culture, which, in turn helps understanding the diverse cultures which have established organisational behaviour in the organisations. Organisational behaviour is influenced by the nature of these interactions and the degree of diversity within the organisation. Therefore, it is important for the organisations to create a culture that enhances the composition of the diversity of its workforce composition along with boosting individual performances. The positive influence of diversity enables an organisation to increase the scope of its reach for its business and receive good exposure from every sector of the population due to its multi-cultural approach.

#### SELF ASSESSMENT QUESTIONS

7. What is one of the key impacts of globalisation on organisational behaviour?
  - a. Decreased workforce diversity
  - b. Limited cultural interactions
  - c. Narrowed scope of study
  - d. Increased cultural diversity
8. The positive influence of diversity in an organisation helps increase its business scope and exposure to different sectors of the population. (True/False)

## 7.6 SUMMARY

- Organisational behaviour is the study of human behaviour in the workplace and interaction of the people within the organisation.
- Locus of control is the centre of control for actions and behaviour of an individual's conduct in the organisation.
- Self-esteem is how one evaluates himself in terms of this worth. It is the manner in which people either like or dislikes them.
- For maintaining a healthy environment at work, it is important for the people to adapt to the conditions and also understand the vision and goal of the organisation.
- Organisational performance refers to the performance of the organisation in terms of achieving its objectives and goals.
- An effective manager must possess effective skills in planning, organising, leading, controlling and decision-making for activities and tasks that are to be completed from time to time.
- The emergence of human relations was originally advocated by Adam Smith in the form of an organisational structure which was based on the division of labour.
- As organisations become global with different nationalities and cultures, this has broadened the scope and study of organisational behaviour into the international domain.

## 7.7 KEY WORDS

- **Locus of control:** The centre of control for actions and behaviour of an individual's conduct in the organisation.
- **Machiavellianism:** People who are pragmatic and are good persuaders.
- **Scientific management movement:** The scientific management involves the application of a scientific approach to decision-making in terms of collecting data, analysing the data and taking a decision based on the outcome of that analysis.
- **Anthropology:** The study of different behaviour of an individual for a better understanding of the relationship between the human being and the environment.
- **Sociology:** The study of social systems which include individuals in different roles.
- **Industrial revolution:** A movement into new manufacturing and industries in Europe and the US, in the period from about 1760 to sometime between 1840s.

## 7.8 CASE STUDY: CULTURE SHOCK

Warren Oats was an extremely accomplished manager for American Auto Suppliers, a company based in Chicago that produces special parts for Ford, GM and Chrysler. With the arrival of Japanese Automakers, the auto suppliers from America took a decision not to go back and decided to fight back and use its name for qualitative features and reliability to convince customers in Japan. Warren Oats had started in the company as an engineer and worked his way up to become one of the senior managers who now looked forward at the next open vice-presidential position. He knew he needed to differentiate himself from the others. So, when he was given an opportunity to move ahead with the American Auto Suppliers, and fight on the Japanese market, he immediately moved ahead with it.

Oats understood that he didn't have the time to learn Japanese. However, he found out that a lot of Japanese managers speak English, and the company would anyway use a translator. The difficult part about moving out from the United States was convincing his wife, Carol, to take a break of eighteen months from her job as an attorney with a distinguished Chicago law firm. Carol finally convinced herself that she did not want to miss a chance to know about a new culture. Therefore, all ready with all the data and information they could get regarding Japan from their community library, the Oats headed for Tokyo.

Oats was known as a dynamic and assertive salesperson in America, and he decided to waste no time and decided to get on the job immediately. Once he had an office to himself with a telephone and all his papers and files had come in from the States, he decided to arrange for a meeting with the managers of one of the leading and important automakers of Japan. Oats believed that if he was going to overpower the prominent Japanese resistance to external companies, he should get started immediately.

Oats was not comfortable with the first meeting. He felt that the Japanese managers wanted something else. It looked like everyone was moving ahead and Oats was in slow motion. The Japanese did not understand English well and seemed happy for having a translator, but the translator too was taking a lot of time in translating every

phrase. Unhappy by this, Oats decided to get to the point. He made a presentation of his proposal and waited patiently for the translator to translate each sentence.

Then he handed a packet containing the specifics of his proposal to the head of the Japanese delegation and after which he got up and left. The translator went behind him, wanting to bring out the exercise and explain more.

Before the finish of their first week, Oats and his wife were disappointed. Oats' office telephone did not ring even once, which did not make him any hope about his meeting with a different top company in the coming week. Carol could barely contain her frustration with what she had thought was the Japanese way of life. She was certain that a well-regarded U.S. lawyer would not trouble in getting a job with a Japanese multinational corporation, but the managers she had met with seemed offended that she was approaching them for a job, and also in the manner in which they behaved with their secretaries. After spending a week in Japan, Carol and Warren Oats prepared to go home.

After a month, their point of view had changed profoundly, and both thought back on those first gatherings with shame. In that month, they had taken in a great deal about the Japanese' feeling of convention and frames of mind towards ladies. Warren Oats trusted that he was starting to understand the methods of working with the Japanese in their way, like setting up a relationship gradually, formally, holding up through various gatherings before raising the genuine business nearby and, after that, doing as such prudently. It was troublesome for Oats to moderate his pace, and it made him anxious to be so aberrant. However, he was starting to see some advantages in the occasionally lowering learning process he was experiencing. Maybe, he thought he and Carol could move towards becoming advisors for different administrators who expected to get familiar with the exercises he was starting to get it.

## QUESTIONS

1. What mistakes did Warren and Carol Oats make during their initial week in Japan?  
(Hint: Japanese protocol, manners, attitudes towards women)
2. What changes did Warren and Carol need to adapt to?  
(Hint: Cultural diversity, attitudes)

## 7.9 EXERCISE

1. What is the significance of understanding organisational behaviour in the workplace?
2. What are the main disciplines that contribute to the field of organisational behaviour?
3. What role do communication skills play in influencing organisational behaviour and team dynamics?
4. How does cultural diversity impact organisational behaviour on a global scale?
5. How does organisational behaviour contribute to the overall success and effectiveness of an organisation?

**7.10 ANSWERS FOR SELF ASSESSMENT QUESTIONS**

Topic	Q. No.	Answer
Introduction to Organisational Behaviour	1.	Neo-Classical Era
	2.	c. Individual level
Different Disciplines and Organisational Behaviour	3.	a. Anthropology
	4.	Psychology
How Managerial Skills Impact Organisational Behaviour?	5.	b. Proficient leadership
	6.	False
International Organisational Behaviour	7.	d. Increased cultural diversity
	8.	True

**7.11 SUGGESTED BOOKS AND E-REFERENCES****SUGGESTED BOOKS**

- Robbins, S.P. et al. (2017) *Organisational behaviour*. Sydney, N.S.W.: Pearson Australia.
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# Organisation and Individual Behaviour

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Explain the concept of organisation
- Discuss the importance of system view of an organisation
- Define the concept of attributes of individual behaviour
- Describe the significance of ability, attitudes, job satisfaction, values, and learning

**8.1 INTRODUCTION**

In the previous chapter, you studied the concept of organisational behaviour and the different disciplines and organisational behaviour. Further, you studied how managerial skills impact organisational behaviour. At the end, you studied the concept of international organisational behaviour.

Organisations are socially structured units composed of individuals. These are managed to coordinate human efforts to meet a commonly defined objective. Individuals are an integral part of every organisation. No organisation can exist without individuals. Individuals contribute to the organisation in regards to their efforts, ability, time, skills, loyalty and more.

An individual's behaviour is mainly a combination of responses to external and internal stimuli. Psychologist Kurt Levin believes that 'people are influenced by a number of diversified factors, which can both be genetic and environmental. The influence of these factors determines the pattern of human behaviour'.

In this chapter, you will learn about the concept of organisation and the relationship between organisation and individual. At the end of the chapter, you will learn about the concept of attributes of individual behaviour.

**8.2 ORGANISATION**

An organisation consists of a group of employees. All the employees of the organisation work together to achieve goals and objectives of the organisation. A good organisation can contribute to the success of an enterprise in many ways. An organisation's activities are divided into various functions and these functions, in turn, are assigned to different employees.

According to **Koontz and O'Donnell**, *Organisation involves the grouping of activities necessary to accomplish goals and plans, the assignments of these activities to the appropriate department and the provision for authority delegation and coordination.*

In the words of **Louis Allen**, *Organisation is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.*

According to this definition, the work of every individual is defined by the authority and the responsibilities are fixed and are in sync for achieving the common objectives.



Every organisation consists of the following features:

- A structural framework of responsibilities and duties
- Composed of individuals or groups of individuals
- Oriented towards achieving common goals
- Consists of various functions and procedures
- Working needs to be controlled, monitored and well coordinated

Every organisation has an important objective or goal which needs to be accomplished by the people working in the system. These goals are well planned strategically and can be explicit or implicit in nature. Organisations have a structured system of divisions and subdivisions, like departments, teams, programs and more. Each of these divisions needs to work in coordination with the other subdivisions for achieving the overall goals of the organisation. Various systems and procedures are defined by the process of strategic planning, procedures and policies. The main objectives followed by every organisation are as follows:

- **Vision:** People working in the organisation have its image in their mind and they work towards the end result with things going well.
- **Mission:** Every organisation works for an objective or a mission.
- **Values:** Organisations operate according to values which are based on moral values and ethics for carrying out their activities. These values are based on their culture and working style.
- **Strategic goals:** The main objective of every person working in the organisation is to achieve overall objectives and goals towards their mission.
- **Strategies:** Organisations follow policies, procedures and various approaches to accomplish their goals.

### 8.2.1 | SYSTEM VIEW OF AN ORGANISATION

A system consists of a collection of structured divisions and subdivisions which are brought together to achieve the overall objective of an organisation. Organisations are viewed as a system since they consist of a whole unit with the arrangement of activities and procedures to achieve their goal. An organisation, when viewed as a system, has different components, such as inputs, processes, and outputs and outcomes. An organisational system also receives ongoing feedback.

If one aspect of the system is removed or taken away, then the entire nature of the system is changed. Systems can be from very simple to very complex ones which are arranged in hierarchies and integrated together for accomplishing the objectives of the organisation. A system is a whole unit consisting of an arrangement of activities designed to get something done. The entire systems approach monitors the total arrangement, rather than a single sub-set, of organisational activities, since it views the organisation in its totality. Hence, the organisation effectively functions with an integrated interconnected network of subsystems.

## NOTES

Every system in an organisation has the following attributes:

- The system in the organisation is goal-oriented.
- The system is seen as the whole unit along with its subsystems of departments, projects, team and programs.
- The main objective of the system is to transform input into output.
- Different components of a system are interconnected and interdependent with each other.
- The system draws input from the environment and also gives it back to the environment.

An organisation is a huge system which contains certain subsystems that are integrated together. An organisational system draws inputs from the environment and also with the help of other resources, like men, materials, machines and knowledge. These inputs are then processed by the organisation which results in the output in terms of the end product or services. Thereafter, it is followed by a process of taking feedback after which it tries to adjust with the requirements of the environment. Systems approaches have been explained explicitly in the following ways:

- **Input:** It includes raw materials, technologies, money and human resources.
- **Processes:** These are aligned together and coordinated to achieve the objectives set for the systems.
- **Output:** It is the result of the products manufactured by the processes of the system like the end products, services, benefits for the consumers, jobs for the workers or more.
- **Feedbacks:** Instructions and suggestions by consumers, society, government or workers who carry out the processes.

There are two types of systems in an organisation:

- **Closed system:** The people in these systems do not interact with the environment and are not influenced by others.
- **Open system:** The people in these systems constantly interact with the environment and are influenced by others.

The structured process of systems helps managers with a total perspective to interpret various patterns and activities within organisations. This helps them maintain their focus on the outcome they want from them for achieving the objectives of organisations.

### 8.2.2 | CLASSIFICATION OF ORGANISATIONS

The organisations are classified according to their methods of operation and it defines the manner in which the functions, powers and responsibilities are designated and coordinated within an organisation. It explains the hierarchy between different levels of management and the flow of information between them. The structure of the organisation is the result of organising the processes and is dependent on the

objectives and strategy of the organisation. Organisations are normally classified on the basis of relationship within their systems. There are two types of organisations formed on the basis of relationships – formal organisation and informal organisation.

### Formal Organisation

Formal organisation refers to a structure of jobs and functions which are defined by the management to achieve the objectives of an organisation and is bound by rules, procedures and systems. Every person in an organisation is given duties and responsibilities which need to be carried out by them.

Chester I Bernard defines formal organisation as 'a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability'. The important features of a formal organisation are as follows:

- The structure for the formal organisation is defined by the top management.
- It determines the relationships between people working in the organisation.
- The organisation structures are consciously integrated and interlinked to enable people to work together for accomplishing the common objectives of the organisation.
- The main concentration of the organisational structure is on successfully completing the jobs and not on individuals who perform the jobs.
- In the structure of a formal organisation, individuals are designated into jobs and positions and they work according to directions of managers.
- These types of organisations are bound by procedures, policies, regulations and rules.
- These types of organisations are impersonal and the various positions, authorities and responsibilities of every level are clearly defined.
- The formal organisation structure is based on responsibilities in terms of division of labour and specialisation for achieving efficiency in operations according to the prescribed system.

### Informal Organisation

The informal organisation is a relationship between people according to the network of personal and social relationships which originate from within the formal set-up. These relationships are developed and built on emotions, feelings, likes and dislikes. The relationships in the informal organisation are not established or based on rules, procedures or any formal authority, but they develop from the personal and social interactions and the relationship between people. Normally, small groups arise automatically from the large formal groups according to the environment and are based on similar culture, taste, bearings, language and more factors. Important features of an informal organisation are as follows:

- The informal organisations come up automatically originating from the formal organisations and are not established by any formal authority.

NOTES

- Informal organisations arise from personal and social relationships between people working in the system.
- Informal organisations are formed naturally without involving any procedures, rules or policies.
- The relationship between people cannot be shown on an organisation chart since it is an informal relationship amongst the people.
- In an informal organisation, the people do not use the formal channels of communications and communicate freely amongst themselves.
- In informal organisations, connections are made spontaneously and not by deliberate or conscious efforts.
- People in informal organisations can be members of a number of informal groups.
- Informal organisations have relationships which are based on common culture, religion, taste, language and more factors.

Hence, the organisation can be classified according to the systems and on the basis of authority in the organisation. It is concerned with the duties and responsibilities assigned to each person and their relationship with each other. In this manner, an organisation can be called formal organisation or informal organisation.

### 8.2.3 | RELATIONSHIP BETWEEN ORGANISATION AND INDIVIDUAL

An organisation is incomplete without the individuals who work together to achieve a common objective or goal. Individuals play an important role in the functioning of the organisation. People work for organisations because they are also going to gain something out of them. When the individual is a part of an organisation, he is also benefitted from the efforts of the organisation and the organisation is benefitted from the efforts of the individual. Individuals like to identify themselves with the organisation in which they are a part of the working system. The majority of organisations are successful due to the existence of individual and organisational objectives that are to be achieved. Organisations must strategically manage their human resources in order that they may succeed and achieve their objectives.

There is a close accord between the motive of the individuals on the one hand and their identification with the organisation on the other. The degree of the individuals' identification with organisations depends on the nature and intensity of their motives for participating in them. The identification of individuals with organisations is stronger if a number of their needs are satisfied in it, along with the goals of the organisation that are shared. The motives of individuals play an important role in the fulfilment of organisational goals. Organisations are composed of individuals with unique personalities and preferences who work together in a cordial relationship that can make or break a project, initiative or even an organisation.

The success of an organisation depends not only on the proper coordination and cooperation of its people, but also on the cooperation between all the individuals, teams and groups working in the organisation. There needs to be good communication between different levels of management and individuals, and everyone must be

made to contribute to the smooth functioning of the organisation. If an organisation is able to maintain the continuous contribution of all its employees and people, by giving them various kinds of inducements to work for its success, it is said to have attained equilibrium. Equilibrium can be achieved at various levels and may change over time. The scope of activities within the organisation can remain constant or grow or diminish at another level.

#### SELF ASSESSMENT QUESTIONS

1. What is the primary attribute of an open system in an organisation?
  - a. No interaction with the environment
  - b. Constant interaction with the environment
  - c. Strict adherence to rules
  - d. Lack of hierarchy
2. Formal organisations are primarily concerned with the personal and social relationships between individuals in the workplace. (True/False)
3. In an informal organisation, relationships are established based on rules and policies. (True/False)
4. What is the main focus of a formal organisation?
 

a. Personal relationships	b. Individual preferences
c. Informal authority	d. Achieving common goals

### 8.3 ATTRIBUTES OF INDIVIDUAL BEHAVIOUR

Attributes of an individual are the qualities or the characteristics that the person has and are important aspects of his personality. These attributes are the level of emotions, belief and behaviour of an individual with respect to a particular thing or a situation. The attributes can be either positive or negative in terms of the individual. The attributes of an individual are developed from the early years of childhood experiences and events. These experiences and events shape the behaviour and belief of the individual. Two types of attributes are as follows:

- **Positive attributes:** The positive attributes within an individual are being honest, caring, positive, appreciative, capable, creative and so many more.
- **Negative attributes:** The negative attributes for an individual are being selfish, egoistic, negative, neurotic, messy, shy, lazy, pessimistic and so many more.

An individual's behaviour is influenced by the following factors:

- **Perception:** An individual derives perception from his/her senses, such as feeling, seeing, hearing, etc.
- **Attitude:** Either we have a positive attitude or a negative attitude. A positive attitude shows confidence, while a negative attitude shows a lack of confidence in any individual.

## NOTES

- **Personality:** It refers to the set of distinct qualities possessed by an individual which help in forming the overall persona of an individual.
- **Values:** It refers to the fundamental beliefs and perceptions of an individual. Values guide an individual's decision-making process.
- **Emotions:** Emotions can be defined as various mental states of an individual. These may be happiness, sadness, anger, frustration, etc. For example, when we are happy, we cherish and when we are sad, we get angry.

It is seen that people with positive attitudes have a positive effect on themselves and the environment. People with negative attitudes create a negative effect on themselves. The organisations look for people with positive attributes to be working for them. People with positive attributes tend to do better in their careers since they work honestly with ethical and moral values and with loyalty and prefer to work within the set time frames. Following are the important attributes required for an individual in an organisation:

- **Commitment:** The level of commitment is the way of giving importance to the needs of the organisation before their own personal needs. It is the commitment of working on an activity without giving up even when things do not go right.
- **Enthusiasm:** This is what brings excitement and passion within an individual to do something he likes working on as an activity or a task.
- **Motivation:** The level of enthusiasm to do something that is within an individual's interest with total loyalty and commitment.

### 8.3.1 | ABILITY

The meaning of the term 'ability' is the state of performing a certain activity or work. It is the capability of doing something according to the skills and talent of an individual. It may be a constant and enduring attribute of an individual which could be genetic or a sense of perception. These attributes are necessary for an individual to achieve some objectives or a goal. Individuals working in an organisation need to have good abilities to sustain at their work and make them a valuable entity for the organisation. For an organisation, it is important to understand the abilities of an individual and utilise them well at work. Every person has different abilities and it is important for the management to understand how people differ in their capabilities and to use that knowledge well for achieving the goal of the organisation. People differ in their abilities in terms of strengths and weaknesses, which, in turn, make them better or inferior to others.

In the words of **Stephen P. Robbins**, *Ability is an individual's capacity to perform various tasks in a job.*

According to **Keith Davis**, *Ability is the quality of being able to something, especially the physical, mental, financial or legal power to accomplish something.*

The ability is the power of performing certain functions which are mental, physical, intellectual, strength to do something attaining to our skills. Every individual needs to have certain abilities that make them valuable assets for an organisation.

There are two kinds of abilities, intellectual and physical abilities, which every organisation wants from its employees according to their requirements of work:

- **Intellectual abilities:** Refers to the mental capabilities of a person in terms of thinking, reasoning, memory, analysing and problem-solving. There are some jobs in an organisation which requires people to use their intellectual abilities at work. The people with high intellectual ability are quick thinkers and can adapt to changes and are good at problem-solving. The ability of a person is normally judged according to his level of intelligence.
- **Physical abilities:** These abilities are associated with work that demands strength, stamina, balance, coordination and power to do certain tasks or jobs. Organisations look for people who are able to perform certain jobs on the basis of their physical abilities without causing any injury to themselves.

Organisations need to understand and identify the necessary abilities and skills of their employees that will help them achieve success in their objectives. Employees who have both intellectual as well as physical abilities are an important asset for organisations.

### 8.3.2 | ATTITUDES

Attitude refers to the behaviour and action of a person to a thing or a situation. An attitude of a person could be positive or negative. Attitudes are formed from various experiences from childhood and they can have a strong influence on the behaviour of an individual. Attitudes can change over a period of time. It is the process of evaluating something in terms of being favourable or unfavourable. It could be in terms of a place, person or thing which is linked to the individual. Our behaviour is determined by our attitude of liking or disliking something.

According to **Gordon Allport**, *An attitude is a mental and neural state of readiness, organised through experience, exerting a directive or dynamic influence upon the individual's response to all objects and situations with which it is related.*

In the words of **Frank Freeman**, *An attitude is a dispositional readiness to respond to certain institutions, persons or objects in a consistent manner which has been learned and has become one's typical mode of response.*

Attitudes also have a tendency to be explicit and implicit. Explicit attitudes are those attitudes that an individual possesses consciously and which influence his/her beliefs and behaviours. The attitudes are implicit when we are not conscious of them, but they still affect our beliefs and behaviours. The factors that influence the formation of attitude are as follows:

- **Experience:** Experience plays an important role in the formation of attitudes in a person. The experience could be from early childhood which remains with the person in the form of attitudes.
- **Family:** The family plays an important role for individuals to form their attitude. It could be due to the influence of parents, siblings or children. These attitudes are very powerful and are very difficult to change.

- **Religious institutions:** These have a strong influence in shaping an individual's attitude because they teach concepts and understanding of being ethical and morally right.
- **Learning:** Learning can influence attitudes in many different ways. It could be learning in terms of a thing, or by observing people and their mannerisms.
- **Social factors:** Our environment has a strong influence on our attitude in the form of social norms, roles and people. It could be in terms of how people are supposed to behave in a particular society or role and follow their norms, customs and rules which are appropriate.

### 8.3.3 | JOB SATISFACTION

Job satisfaction refers to the level of contentment and fulfilment an individual experiences in their work role. It encompasses various facets of the job, including the tasks performed, the work environment, relationships with coworkers and supervisors, compensation, opportunities for growth, and the overall organisational culture. Following are some important aspects of job satisfaction in an organisation:

- **Employee retention:** Satisfied employees are more likely to remain with the organisation for an extended period. High turnover rates can be costly and disruptive to operations, affecting productivity and team morale. When employees are content with their jobs, they are less likely to seek employment elsewhere, contributing to greater stability within the organisation.
- **Increased productivity:** Job satisfaction is positively correlated with higher levels of productivity. Satisfied employees tend to be more motivated, engaged, and committed to their work tasks. They are willing to invest time and effort to achieve organisational goals, leading to improved performance and efficiency across the board.
- **Enhanced organisational reputation:** Organisations known for prioritising employee satisfaction often attract top talent and enjoy a positive reputation within their industry. A satisfied workforce serves as a testament to the organisation's values and commitment to employee well-being, which can attract potential candidates and clients.
- **Better customer service and satisfaction:** Satisfied employees are more likely to provide excellent customer service. They are attentive, responsive, and willing to go the extra mile to meet customer needs and expectations. Positive interactions with customers contribute to enhanced satisfaction, loyalty, and positive word-of-mouth for the organisation.
- **Innovation and creativity:** Job satisfaction fosters a conducive environment for innovation and creativity. Satisfied employees feel empowered to share ideas, experiment with new approaches, and take calculated risks. They are more likely to contribute innovative solutions to challenges and drive continuous improvement within the organisation.
- **Positive work culture and morale:** Job satisfaction contributes to the development of a positive work culture and high morale among employees. When individuals



feel valued, respected, and appreciated, they are more likely to collaborate, support one another, and celebrate collective achievements. A positive work culture fosters a sense of belonging and pride, which, in turn, reinforces job satisfaction and employee loyalty.

### 8.3.4 | VALUES

The values are our beliefs, ideas and moral views on behaving in a certain manner. These are the principles and belief of a person that influence his behaviour and attitude. It is a set of standards that decide on the mode of conduct for the person to behave.

According to **M. Haralambos**, *A value is a belief that something is good and desirable*. By values, one judges an individual on the basis of his moral standards, on what is good or bad or could be desirable or undesirable.

According to **R.K. Mukherjee**, *Values are socially approved desires and goals that are internalised through the process of conditioning, learning or socialisation and that become subjective preferences, standards and aspirations*.

Values can be different from one individual to the other. The values are based on certain features that are as follows:

- These are practical concepts and do not require any techniques or understanding.
- These are standards of moral thinking and beliefs.
- They have no boundary and can be beyond the situations or people.
- These are influenced by traditions, culture, society and many other factors.
- These are constant and permanent.
- These are inherent and are learned from our childhood, family, friends, teachers and more.
- These are our beliefs and ideas that make us behave in a certain manner.
- These make us judgemental on what is right or wrong, desirable and undesirable.
- These can be different from one person to the other and from culture to culture.
- These decide how a person behaves in the society.
- These are a combination of an individual's belief and the attitude of a society.
- They build up societies and integrate social relations.
- They help us evaluate and determine the action of others.

It is seen that the basic values of the person remain constant and stable all his life, but the values of the society and culture can change over a period of time. Values always remain with an individual as a fundamental part of their lives and eventually, become a part of their personality.

### 8.3.5 | LEARNING

Learning is a process of acquiring knowledge which affects our behaviour due to our experience of being taught. Whatever we do in our daily life is a result of our learning in one form or the other. It could be in the form of education or maybe some form of experience which teaches us things in our life. Every action of a person denotes some form of learning. Life itself gives us many opportunities to learn and it is entirely on an individual whether he wants to learn it or not. The process of learning involves an individual's senses, values, beliefs and feelings which are part of his personality. Individuals learn to meet their needs and when one is able to identify these needs, he is able to judge whether the learning has been successful.

According to **Crow and Crow**, *Learning is the acquisition of habits, knowledge and attitudes. It involves new ways of doing things, and it operates in an individual's attempt to overcome obstacles or to adjust to new situations.* We have learned that the process of learning is a change in our behaviour and this change is a permanent change. The process of learning cannot be seen but it finds a place in the activities of individuals.

In the words of **Henry P. Smith**, *Learning is the acquisition of new behaviour or strengthening or weakening of old behaviour as a result of experience.*

The process of learning cannot be changed and it depends on practice and experiences of an individual. Therefore, learning has some basic features which are as mentioned below:

- **Learning is a change or adjustment:** Individuals go through their learning and they learn to adjust and adapt to their social environments according to the changing conditions.
- **Learning improves performance:** Learning helps improve our performance with practice or training.
- **Learning brings in knowledge:** Learning helps us acquire knowledge and information which adds to our experience.
- **Learning changes behaviour:** The changes in the behaviour of an individual are due to learning which is progressive. The change in behaviour helps him adjust to the changing environment.
- **Learning is an active process:** The process of learning involves a purpose and need and it does not take place without the participation of an individual. Learning is a continuously active process and the activity of the learner is more important than the teacher.
- **Learning is goal-directed:** Learning is directed with an aim or purpose of knowing something new constantly. The process of learning has a goal which needs to be fulfilled. It determines what the individual sees in the learning situations and reacts to it accordingly.
- **Learning is a continuous process:** Learning is a continuous process as it starts from the birth of a child and continues until the death of the individual.

## SELF ASSESSMENT QUESTIONS

## NOTES

5. \_\_\_\_\_ is the feeling of being satisfied and content with an individual's job at hand.
6. Attitudes can be implicit or explicit, with explicit attitudes being consciously possessed. (True/False)
7. Which type of ability is associated with work that demands strength, stamina, balance, coordination, and power to do certain tasks or jobs?
  - a. Intellectual abilities
  - b. Physical abilities
  - c. Emotional abilities
  - d. Creative abilities
8. Intellectual abilities refer to the mental capabilities of a person in terms of thinking, reasoning, and memory. (True/False)

## 8.4 SUMMARY

- Organisations are socially structured units composed of individuals. These are managed to coordinate human efforts to meet a commonly defined objective.
- A good organisation can contribute to the success of an enterprise in many ways.
- Systems can be from very simple to very complex ones. Systems are arranged in hierarchies and are integrated together for accomplishing objectives of the total system.
- Attributes of an individual are the qualities or the characteristics that the person has and are important parts of their personality.
- Attitudes are formed from various experiences from childhood and they can have a strong influence on the behaviour of an individual.
- Job satisfaction refers to the level of contentment and fulfilment an individual experiences in their work role.
- People go through a number of changes in their lives. These changes affect the person and his body system which leads to stress.

## 8.5 KEY WORDS

- **Perception:** The ability to see or hear or be aware of something.
- **Attributes:** The qualities or the characteristics that people have and are an important part of their personality.
- **Ability:** The capability of performing a certain activity or work.
- **Values:** Our beliefs, ideas and moral views on behaving in a certain manner.
- **Attitude:** The behaviour and action of a person to a thing or a situation.
- **Learning:** A process of acquiring knowledge which affects our behaviour due to our experience or being taught.

## 8.6 CASE STUDY: DIFFERENT PERCEPTIONS AT CLARKSTON INDUSTRIES

Susan was the Distribution Manager for Clarkston Industries for twenty years. During her early years, she had a brush with the law and stayed in prison for a short while. This had eventually made her realise the importance of working hard and being honest. It was Henry Clarkston who had given her a chance to work despite her previous jail record, and Susan wanted to make the most of it. She was now considered as the most respected manager in the company. Very few people knew her background.

Susan kept thinking and drumming her fingers on her desk. She had a problem at hand and did not know what she should do next. She had believed in Jack Reed and had a lot of confidence in him, even though she believed that Jack was the last person in the office who believed in her. She thought probably if she went through the entire story again mentally within her mind, then probably Jack would find a solution.

It had only been six months when Jack Reed had been set free from the prison and when Susan hired him. Susan because of her own experience understood how Jack felt when he tried to explain his past and asked Susan for another chance at work. Susan believed him and decided to give him a chance just like Henry Clarkston had done by given her one. On being offered the job, Jack readily accepted it. He went to work on the loading docks. He was the fastest member to load a truck.

Everything seemed to go well initially. Everyone in the workplace seemed to like Jack and he eventually made many new friends. Meanwhile, a dock worker reported that his wallet was missing about two months ago. All this disturbed Susan. Susan confronted Jack over this issue. However, Jack calmly responded that he was innocent. Susan was very relieved when the wallet was found some days later.

There were these last-week events which caused serious trouble. While updating employee files, a new clerk come across Jack's records. The clerk assumed that all employees were aware of Jack's past and he repeatedly mentioned that it was such a good thing to give a chance to ex-convicts like Jack. A day later, someone in book-keeping found some money missing from petty cash. Some workers claimed to have seen Jack wandering in the area around the office strongbox which was open during working hours on the same day. Hence, most of the people believed that Jack was the thief. Even the worker whose wallet had gone missing suggested that perhaps Jack had stolen it and had returned it back when he was questioned about it. Thereafter, many employees approached Susan and requested her to fire Jack. During this time, Susan discussed this issue with Jack. Jack was defensive and said that he did not have any information about the petty-cash situation.

Susan to her surprise found that rethinking over the story did very little to solve his problem. What should she do? Should she ask Jack to leave? She had only are evidence, which, of course, was only purely circumstantial. Even then everybody believed differently and they seemed to see things quite clearly. Susan had the fear

that if she did not fire Jack, she would lose the trust of everyone and that also some people might even begin to question her own motives and thinking.

Source: <http://college.cengage.com/business/moorhead/organisational/6e/students/cases/ch04.html>

**QUESTIONS**

1. How would you explain the events in this case in terms of perception and attitudes?  
(Hint: Knowledge of wrongdoing, workers thinking)
2. Should Susan fire Jack or give him another chance?  
(Hint: Evidence is only circumstantial, attitude of workers)

**8.7 EXERCISE**

1. Explain the concept of a system view of an organisation.
2. Describe the significance of the relationship between an organisation and an individual.
3. Explain the meaning of job satisfaction, and why is it important for overall organisational success?
4. Explain the concept of ability in the context of individual behaviour.
5. How can positive attitudes contribute to a productive work environment, and what challenges may arise from negative attitudes?

**8.8 ANSWERS FOR SELF ASSESSMENT QUESTIONS**

Topic	Q. No.	Answer
Organisation	1.	b. Constant interaction with the environment
	2.	False
	3.	False
	4.	d. Achieving common goals
Attributes of Individual Behaviour	5.	Job satisfaction
	6.	True
	7.	b. Physical abilities
	8.	True

**8.9 SUGGESTED BOOKS AND E-REFERENCES**

**SUGGESTED BOOKS**

- Alblas, G., & Wijsman, E. (2019). *Organisational Behaviour*. Groningen: Noordhoff Publishers.
- Robbins, S., Judge, T., Millett, B., & Boyle, M. (2017). *Organisational Behaviour*. Melbourne: Pearson Australia.

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# Group Behaviour and Team Work

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Define the meaning of a group
- Explain the concept of group dynamics
- Describe the importance of group formation
- Discuss the significance of group decision-making
- Describe the concept of teams

**9.1 INTRODUCTION**

In the previous chapter, you studied the concept of organisation. You also studied the concept of system view of an organisation. At the end, you studied the concept of attributes of individual behaviour.

Nowadays, organisations carry out most of the work using the synergies of groups and teams. Team work is being promoted because it has a wider span of control, flatter organisational structure, reduction in management levels, etc. Groups also empower employees. Thus, greater importance is given to group and team work. Additionally, the impact of global economic competition, increasing role of technology and increasing diversity within the workforce requires that innovative ways of working within these teams are required.

When a definite number of employees are selected and assembled under a formal team, they are expected to perform particular tasks or projects which lead to the achievement of certain organisational goals. At times, it becomes necessary to form teams because teams can achieve what individuals cannot.

In this chapter, you will learn about the concept of a group. Then you will be acquainted with the group dynamics. Next, you will learn about the concept of group formation and group decision-making. At the end of the chapter, you will learn about the concept of teams.

**9.2 MEANING OF A GROUP**

A collection of individuals sharing mutual viewpoints and objectives is defined as a group. It assists in achieving objectives, decision-making and delegation for an organisation. Also, new employees in the organisation get socialised through groups.

According to **D.H. Smith**, *a group is the largest set of two or more individuals who are jointly characterised by a network of relevant communications and shared sense of collective identity and one or more shared dispositions with associated normative strength.*

According to **Edgar H. Schien**, *a group may™ be defined as a social phenomenon in which two or more persons decide to interact with one another, share common ideology and perceive themselves as a group.*



### 9.2.1 | IMPORTANCE OF A GROUP

A group has a significant role in an organisation. The reasons of formation of a group in an organisation are depicted in Figure 1:

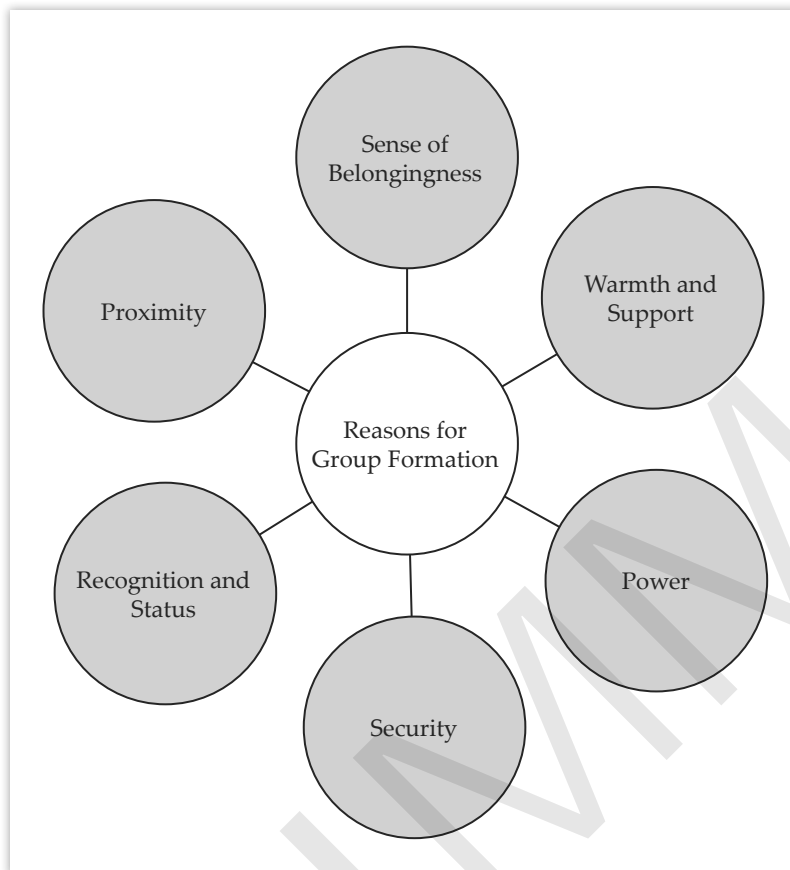


FIGURE 1: Reasons for Group Formation

Following are the reasons which explain the need of a group in an organisation:

- **Sense of belongingness:** Employees are satisfied when they get a mutual platform to share and discuss their views, ideas and feelings. It also fulfils their need for affiliation and satisfies their sense of belongingness as they feel relaxed in their respective groups.
- **Warmth and support:** It is evident that no person can live in separation. Thus groups provide friendliness and support to an individual. Also, it is proven that collective efforts of individuals are more effective than efforts if made individually. According to **Elton Mayo**, *employees who are isolated from each other because of plant layout find their jobs less satisfying than those group members who are able to socialise on the job.*
- **Power:** Group also provides sense of authoritativeness to its members which eventually leads to the empowerment of its member employees. However, association with certain groups itself provides authority to its affiliates.
- **Security:** Groups provide a sense of security to their member employees.

- **Recognition and status:** Groups and its members are correlated in terms of status and recognition. If a group has a good image in the society/organisation, its members subsequently enjoy same status and recognition associated with that group. Similarly, if an individual has a decent image in the society/organisation, the group along with its other members enjoys the same status and recognition.
- **Proximity:** The need of association among the members of the group is also fulfilled as they share closeness or sense of belongingness with other group members.

### 9.2.2 | FORMAL AND INFORMAL GROUPS

There are basically two major categories into which groups can be classified. However, these categories further divide groups into sub-categories:

- **Formal groups:** Formal groups are those groups which are formed by the organisation for the purpose of accomplishment of specific tasks and projects. Formal groups are further divided into following sub-groups:
  - **Secondary group:** Secondary groups are the formal groups which generally do not form a close association among its group members. In addition, members of this group may or may not have a direct face-to-face interaction as they are restricted to only formal rapport and communication.
  - **Command group:** This is one of the most common forms of formal group in which an individual only communicates with his superior or reporting boss. This relationship between subordinate and superior is decided by the hierarchy of an organisation. For example, the hierarchy clearly denotes the department heads so to make it convenient for subordinates to identify their respective department heads. Also the size of the command group is directly proportional to the span of control of departmental heads. Thus, its size increases with increase in span of control.
  - **Task group:** Individuals who are assigned to perform a particular job, task or project form task group. Interaction and coordination occur among the group members to accomplish the task that is specified.
  - **Committee:** When the collective efforts of the group members are directed towards solving a particular problem, committee is said to be formed. Several problems are identified, analysed and deliberated by the members of this group so that solutions to the problems can be derived.
- **Informal groups:** When individuals form the group for the purpose of satisfying their societal needs, the group formed is known as an informal group. Informal groups are generally formed due to mutual interest among individuals. Informal groups are further sub-divided into following groups:
  - **Primary group:** When a direct informal face-to-face interaction and communication occurs among members of a group, it is said to be a primary group. One of the most common examples of primary group is a group of friends.
  - **Interest group:** Individuals having some mutual interests like politics or social cause form an interest group.

- **Friendship group:** Individuals with similar individualities like religion, gender or age form a friendship group.
- **Reference group:** Reference group has a great significance in the field of organisational behaviour as it influences the behaviour of its group members and also directs their behaviour. Additionally, a sense of affiliation is conceived from the reference group by its group members.

#### SELF ASSESSMENT QUESTIONS

1. Which type of group involves direct face-to-face interaction and communication among its members?
  - a. Task group
  - b. Secondary group
  - c. Friendship group
  - d. Interest group
2. A committee is formed when the collective efforts of the group members are directed towards solving a particular problem. (True/False)

### 9.3 GROUP DYNAMICS

Group and dynamics are the two fundamental constituents on which group dynamics is based. A collection of two or more than two persons is referred to as a group, whereas dynamics is derived from the Greek word 'dynamis' which means 'force'.

When individuals in small group interact face-to-face among themselves, the process of social interaction is defined as group dynamics. Following are the features of group dynamics:

- The framework in which groups interact is defined by group dynamics.
- The forces of other groups are predicted by group dynamics.
- Group dynamics predicts the force exercised by group members.
- Decision-making process of the group is expedited by group dynamics.
- Satisfaction level of group members is assessed and enhanced by group dynamics.

It is crucial to study the significance of group dynamics as performance and productivity of members of the group are influenced by group dynamics. The significance of group dynamics are as follows:

- It assists managers to effectively manage the groups and, thus, encourage active functioning of the organisation.
- The coordination and cooperation among group members are fostered for uncertain business situations through group dynamics by the managers.
- Members of the groups are trained to deliver enhanced performance in the future through group dynamics.

3. The significance of group dynamics lies in fostering coordination and cooperation among group members in uncertain business situations. (True/False)
4. What does a group dynamic primarily expedite in the decision-making process?
  - a. Conflict resolution
  - b. Speed
  - c. Satisfaction assessment
  - d. Predicting external forces

## 9.4 GROUP FORMATION

Group formation refers to the process through which individuals come together to establish a team for a specific project or organisational task. This process involves various stages as team members interact, establish relationships, and work towards achieving common goals. Successful group formation is essential for creating a cohesive and productive team that can effectively collaborate to accomplish project objectives. The following points explain the stages of group formation:

1. **Forming:** This is the initial stage where team members get acquainted with each other. They may be excited, anxious, or curious about their roles and the project ahead. In this phase, there's usually a lot of dependency on the leader to provide direction and establish goals.
2. **Storming:** As the team starts working together, conflicts and differences of opinion may arise. This is a natural part of the process as individuals adjust to the team dynamics. Effective communication and conflict resolution are crucial during this stage to ensure a healthy team environment.
3. **Norming:** During this stage, the team begins to find its rhythm. Members develop a sense of cohesion, and norms and expectations are established. Roles and responsibilities become clearer, and there is a growing sense of camaraderie.
4. **Performing:** This is the stage where the team is highly functional and members work together smoothly. They understand each other's strengths and weaknesses, and there's a shared commitment to achieving the project goals. Productivity is generally at its peak during this phase.
5. **Adjourning (or Mourning):** In some models, this stage is added to acknowledge the temporary nature of many teams. After the project is completed, the team disbands, and members may experience a sense of loss. It's essential to recognise and celebrate the achievements of the team during this phase.

Some of the advantages of group formation are as follows:

- **Diverse perspectives:** Groups bring together individuals with different skills, backgrounds, and perspectives.
- **Increased creativity:** Collaboration within a group often sparks creativity. Team members can bounce ideas off each other, leading to the generation of unique and innovative solutions to project challenges.

- **Resource pooling:** Groups allow for the pooling of resources, both in terms of knowledge and skills.
- **Mutual support:** Team members can provide emotional and task-related support to each other.
- **Shared responsibility:** In a well-formed group, responsibilities are distributed among team members, reducing the burden on individuals.

Some of the disadvantages of group formation are as follows:

- **Conflict and disagreements:** Group dynamics can lead to conflicts and disagreements, especially during the storming phase of team formation.
- **Social loafing:** In some cases, individuals may exert less effort in a group setting, relying on others to carry the workload.
- **Decision-making challenges:** Groups may encounter challenges in decision-making, especially if there are differing opinions or a lack of consensus.
- **Coordination and communication issues:** As the size of a group increases, coordination and communication can become more challenging.
- **Potential for groupthink:** In cohesive groups, there's a risk of groupthink, where members prioritise harmony and consensus over critical evaluation of ideas.

#### SELF ASSESSMENT QUESTIONS

5. Which stage of group formation involves conflicts and differences in opinions among team members?
  - a. Norming
  - b. Storming
  - c. Performing
  - d. Adjourning
6. The "Performing" stage is characterised by a lack of understanding of each other's strengths and weaknesses among team members. (True / False)

## 9.5 GROUP DECISION-MAKING

The process in which the collective decision of a group is made is defined as group decision-making. Group decision-making involves identifying and evaluating all the possible alternative solutions and then implementing or executing the one which is most feasible. Group decision-making has the following advantages:

- **Considering all factors:** It emphasises on the fact that all the factors influencing the decision are thoroughly analysed by the group members before execution.
- **Creating alternatives:** It emphasises on the fact that there are several means through which the problems can be tackled by the group members.
- **Ensuring acceptance towards solution:** It emphasise on the fact that the solution will be voluntarily accepted by the group members as they themselves were the part of group decision-making.

## NOTES

The disadvantages of group decision-making are as follows:

- **Time-consuming:** It is a time-consuming process. The decision-making might be delayed as assessing several alternatives and reaching at mutual consent takes time.
- **Pressure to confirm:** The group leader might influence other members of the group to ratify his decision which may lead to 'groupthink'.
- **Unclear responsibility:** In group decision-making, any wrong conduct in a team is not the liability of a single group member due to which a problematic situation may arise.

### 9.5.1 | TECHNIQUES OF GROUP DECISION-MAKING

There are several techniques that assist in group decision-making are as follows:

- **Electronic meeting:** Technique where online interaction among members of a group occurs online to sustain privacy of comments.
- **Brainstorming:** Technique through which individuals are encouraged to portray their views and ideas freely.
- **Nominal group technique:** Technique in which an individual views and ideas of members of a group are shared through a written form in a meeting.

Techniques of group decision-making are shown in Figure 2:

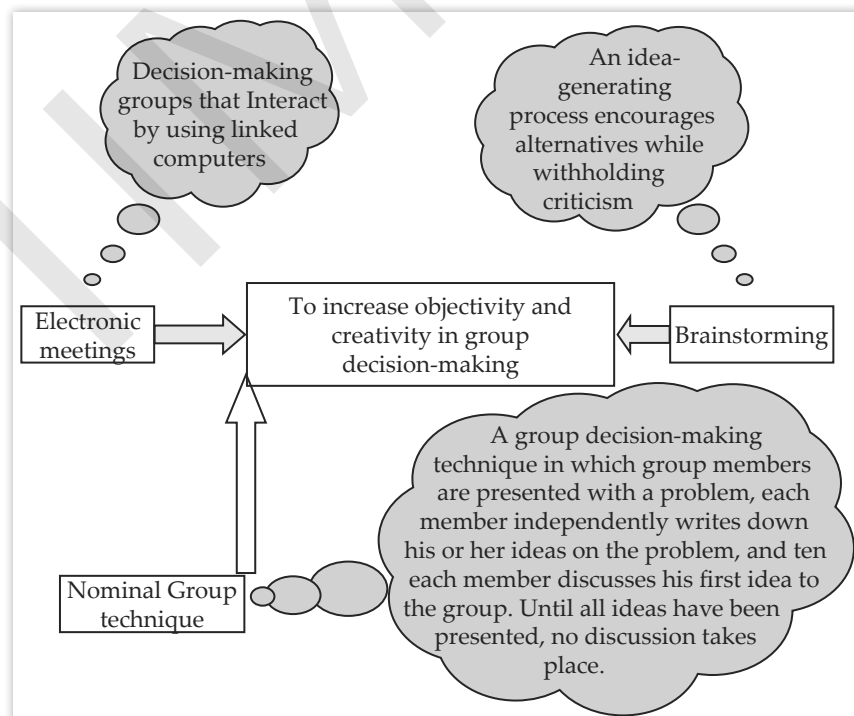


FIGURE 2: Group Decision-Making Techniques

The above illustration not only represents the decision-making techniques, but also shows the inter-relationship between various techniques. The main focus of all techniques is to increase objectivity and creativity of the group.

**SELF ASSESSMENT QUESTIONS**

NOTES

7. Which method of group decision-making involves online interaction to sustain the privacy of comments?
  - a. Brainstorming
  - b. Nominal group technique
  - c. Electronic meeting
  - d. Traditional meeting
8. Group decision-making ensures that the responsibility for wrong conduct lies with a single group member. (True/False)

**ACTIVITY**

Make a team of 5 people for developing a business plan. Ask each member of the team to participate in a group decision-making exercise and decide what aspects of the project should be included in the business plan and formalise the structure of the business plan.

**9.6 CONCEPT OF TEAMS**

An official group consisting of inter-reliant individuals is known as a team. A team is responsible for the attainment of mutual goals of an organisation. Few common organisational teams are testing team, developing team, support team, quality assessment team, etc. Therefore, the team plays a significant role in achieving the work timelines. The following points explain the characteristics of a team:

- Voluntary support is provided by a team to all its team members.
- Mutual decision-making is encouraged by a team.
- An environment of sustenance and trust is formed among team members.
- Suggestions are invited from team members.
- Systematic and consistent feedback is provided to its team members for increasing their performance.
- Problem-solving opportunities are facilitated among team members.
- Goals of an organisation can be achieved through the commitment of team members.

A new work flair that is evolving nowadays is team culture. In an organisation, projects that are worked upon are generally based on team efforts. Generally, individuals are segregated into formal groups of 6 to 8 people in a team-based culture. These groups are then allocated a particular task or a project that has to be completed within the given timelines. The behavioural patterns of individuals are of significant nature and, thus, need to be studied cautiously so as to construct an effective team culture by forming the right combination of team members. For example, a team of five people should consist of two technical, one managerial, one social and one unskilled team member.

The importance of team culture is depicted in Figure 3:

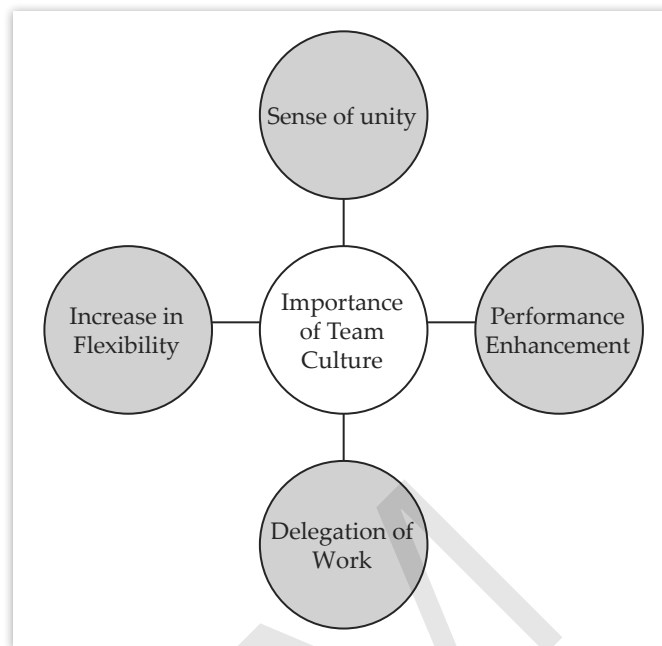


FIGURE 3: Importance of Team Culture

The descriptions of the importance of team culture are as follows:

- **Sense of unity:** The team members come together to attain mutual goals for an organisation which develops loyalty among them.
- **Performance enhancement:** The overall performance of a team is improved by exploiting the collective ideas, knowledge and skills of members of the team.
- **Delegation of work:** The work is distributed among the members of the group so that they can display their potential.
- **Increase in flexibility:** The ability to tolerate, eagerness to learn and free discussion increase when individuals from various dissimilar background collaborate as a team for a mutual goal.

### 9.6.1 | TYPES OF TEAMS

On the basis of their structure, purpose, duration and membership, teams can be classified into various categories. Each of these categories has its own specifications and functionality. Following are the categories of a team:

- **Functional team:** A manager along with his/her subordinates forms a functional team. For example, marketing department, HR department, etc.
- **Cross-functional team:** When individuals belonging to different functional departments, but having same hierarchical level form a cross-functional team. These are generally special-purpose team and get dissolved after the objective of forming team is accomplished.
- **Self-managed team:** When the members of a team do not require any support from their superiors and are self-sufficient to manage and handle routine problems, the team is referred to as a self-managed team.



- **Supervised team:** When a manager directly controls, manages and supervises a team of members, the team is referred to as a supervised team.
- **Virtual team:** A virtual team is a type of team that has no physical existence and coordinates through digital or electronic media like video conferencing and tele conferencing. This team has a great significance in situations when people are not able to meet physically with each other.
- **Problem-solving team:** When a few individuals form a team, and the entire team is formed to interact and discuss certain problem and progress made by the entire team on weekends, it refers to the formation of a problem-solving team. Other issues like quality, timelines, work allocation, etc., can also be a part of weekly discussions.

### 9.6.2 | GROUP vs. TEAM

A collection of individuals sharing mutual objectives is known as a group, whereas a group of individuals having a formal interaction and communication among themselves is known as a team. Table 1 explains the difference between a group and a team in detail:

TABLE 1: Difference between a Group and a Team

Group	Team
Members of the group are individually accountable.	Members of the team are collectively accountable.
Sharing information, views and ideas of the group members is focussed.	Making decisions, solving problems, discussing various issues, or planning for future are focussed.
Individual goals are targeted.	Collective and mutual goals of the team are targeted.
Outcomes like individual assignments or projects are produced.	Outcomes produced are collective in nature.
Individual responsibilities, roles, assignments, tasks, and procedures are included.	Shared responsibilities, roles, assignments, tasks and procedures are included.
Individual apprehension of each member of the work group about their individual work is shown.	No individual apprehensions are shown. Responsibility lies with the entire team for the work.

#### SELF ASSESSMENT QUESTIONS

9. Which type of team does not require support from superiors and is self-sufficient in managing routine problems?
  - a. Functional team
  - b. Cross-functional team
  - c. Self-managed team
  - d. Virtual team
10. In a group, individual apprehensions about their work are shown, while in a team, no individual apprehensions are displayed. (True/False)

## 9.7 SUMMARY

- A group plays a significant role in an organisation as it assists in achieving objectives and decision-making of an organisation.
- There are several reasons behind formation of a group such as sense of belongingness, warmth and support, power, security, recognition, and status and proximity.
- There are various models of groups and organisation adapt the one which is most feasible for them.
- Behavioural aspects of group decision-making political forces, individual and group behaviour, escalation of commitment, risk propensity and ethics.
- There are several techniques that assist in group decision-making which are also interrelated, such as electronic meeting, brainstorming and nominal group technique.
- Teams can be classified into functional team, cross-functional team, self-managed team, supervised team, virtual team and problem-solving team.
- Team development process includes forming, storming, norming, performing and adjourning stages.
- A group focusses more on individuality, whereas a team focusses on collectiveness.

## 9.8 KEY WORDS

- **Group:** It is a collection of individuals sharing mutual viewpoints and objectives.
- **Committee:** When the collective efforts of group members are directed towards solving a particular problem, a committee is said to be formed.
- **Risk propensity:** It refers to the extent to which an individual is ready to take risk or probability of losses related to a situation while taking a decision.
- **Brainstorming:** It refers to the technique through which individuals are encouraged to portray their views and ideas freely.
- **Team:** It refers to an official group consisting inter-reliant individuals.

## 9.9 CASE STUDY: IBM'S MULTICULTURAL MULTINATIONAL TEAMS

Traditionally, one of the most custom-bound global businesses of the world is IBM. It was well known for its on-paper and off-paper rules, such as its no-layoff policy. The main focus was on individual achievement and promotions, lifetime expectation of service at the organisation and its constraint of suits and white shirts at work.

The time changed over a period of years. IBM now operates in 170 countries across the globe and does approximately two-thirds of its business outside the United States of America. IBM has nearly upturned all aspects of its traditional culture and now emphasises on team-oriented areas. Almost all the big MNCs utilise team work activities, but the way IBM does it is exceptional. Managers of IBM are sent to various regions of the world for month-long volunteer projects. IBM sends hundreds of its employees to cultivate an appreciation of local culture and as a means of discovering an emerging market.

For the purpose of extending its business, IBM sent a team of six employees from different countries including a software development manager Al Chakra from Raleigh, North Carolina to join the team of Timisoara-based furniture manufacturing company in Romania. Both the teams explored the way in which the Green Forest can be made computer proficient and its business can be increased. In this context, IBM gave support to Green Forest without any service charge. It is noticeable that IBM presents an attitude of selfless work.

There are several reasons why IBM considers these multicultural and multinational teams as a remarkable investment. Primarily, it helps in building foundation for establishing business in growing economies because it is anticipated that developing economies generally enjoy larger future growth than developed markets.

All the overseas programs are coordinated and managed by the Vice President, Stanley Litow. He thinks this practice helps managers develop multicultural team skills and gain insights of local markets. He shows his commitment as– *‘we want to build a leadership cadre that learns about these places and also learns to exchange their diverse backgrounds and skills’*.

IBM has sent its multicultural teams to countries like the Philippines, Tanzania, Ghana, Vietnam and Turkey. Chakra was excited to be chosen for the team and expressed in his words that *I felt like I won the lottery*. He advised Green Forest on how to become a paperless company within three years. He also suggested that a computer system can boost productivity and, thus, increase exports to Western Europe.

The Strategies for sales were suggested to Green Forest by another team member Bronwyn Grantham, an Australian, who works at IBM in London. Grantham, described her experience and said, *“I’ve never worked so closely with a team of IBMers from such a wide range of competencies”*.

**Source:** (2019). Retrieved from [https://www.academia.edu/7332882/Case\\_Studies\\_on\\_Group\\_Behavior\\_and\\_Work\\_Team\\_in\\_Organizations](https://www.academia.edu/7332882/Case_Studies_on_Group_Behavior_and_Work_Team_in_Organizations)

## QUESTIONS

1. If you calculate the person-hours devoted to IBM’s team projects, they amount to more than 1,80,000 hours of management time each year. Do you think this is a wise investment of IBM’s human resources? Why or why not?

**(Hint:** To form a multi-cultural team, refer to the section on team culture)

2. Why do you think IBM’s culture changed from formal, stable and individualistic to informal, impermanent and team-oriented?

**(Hint:** Refer to the section on team culture)

## 9.10 EXERCISE

1. How does the concept of a group differ from individuals working independently?
2. How do individual personalities and behaviours impact the overall dynamics of a group?

## NOTES

3. What are the key stages or processes involved in the formation of a group?
4. What factors influence the effectiveness of decision-making within a group setting?
5. How do roles and responsibilities within a team contribute to its overall efficiency and success?

### 9.11 ANSWERS FOR SELF ASSESSMENT QUESTIONS

Topic	Q. No.	Answer
Meaning of a Group	1.	a. Task group
	2.	True
Group Dynamics	3.	True
	4.	b. Speed
Group Formation	5.	b. Storming
	6.	False
Group Decision-Making	7.	c. Electronic meeting
	8.	False
Concept of Teams	9.	c. Self-managed team
	10.	True

### 9.12 SUGGESTED BOOKS AND E-REFERENCES

#### SUGGESTED BOOKS

- Ivancevich, John M., (2011). *Organizational Behavior and Management*: McGraw-Hill Irwin
- Ronald, R. Sims, (2002). *Managing Organizational Behavior*: Quorum Books

#### E-REFERENCES

- Group Dynamics. (2019). Retrieved from <https://managementhelp.org/groups/dynamics-theories.htm>
- Types of groups. (2019). Retrieved from [http://www.damits.ac.in/library\\_doc/Organizational\\_Behaviour.pdf](http://www.damits.ac.in/library_doc/Organizational_Behaviour.pdf)

# Developing Organisational Culture

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Discuss the concept of organisational culture
- Explain the development and sustenance of an organisational culture
- Describe the concept of three levels of organisational culture
- Elaborate the impact of organisation culture on employee's performance

**10.1 INTRODUCTION**

In the previous chapter, you studied about the concept of a group. You also studied about the concept of group dynamics. Next, you studied about the concept of group formation. Further, you studied about the concept of group decision-making. At the end of the chapter, you studied about the concept of teams.

There are numerous organisations, big and small, that operate in various parts of the world. All these organisations possess one or another type of culture. Organisational culture is a unique social and psychological environment that exists within an organisation. Organisational culture is a result of underlying beliefs, values, norms and ethics that are practised by the members of an organisation.

Since each organisation has a different type of organisational culture, there can be endless categories or types of organisational cultures. However, on the basis of major characteristics, certain types of cultures have been listed as dominant culture, strong culture, clan culture, hierarchical culture, etc. No culture is created without a considerable amount of time, wherein all the employees and the top management members interact, the activities of organisation start flowing and the values and beliefs of the organisation start to settle down. There are three levels of organisational culture described by Edgar Henry Schein. They are observable artefacts of culture, shared values and common assumptions.

In this chapter, you will learn the concept of organisational culture. You will also learn about the development and sustenance of an organisational culture. Further, you will learn the concept of three levels of organisational culture. At the end of the chapter, you will learn about the impact of organisational culture on employee's performance.

**10.2 WHAT IS AN ORGANISATIONAL CULTURE?**

Organisational culture refers to the set of norms, values, beliefs, assumptions, perceptions and attitudes that exist within an organisation and are held by its employees. Organisational culture is also known as corporate culture. Organisational culture of any two organisations cannot be the same. In other words, the culture of each organisation is unique. It guides the behaviour of an organisation's employees by defining the standards of acceptable behaviour.

Organisational culture helps in shaping the behaviour of employees working in the organisation. Therefore, it becomes important to understand the relationship that exists between organisational culture and organisational behaviour.

Since organisational culture helps in shaping the behaviour of employees working in the organisation therefore, it is essential to recognise the relationship that exists between organisational culture and organisational behaviour. A comparative evaluation of the organisational culture and organisational behaviour is presented in Table 1 as follows:

**TABLE 1: Comparing Organisational Culture and Organisational Behaviour**

S. No.	Basis	Organisational Culture	Organisational Behaviour
1.	Definition	It refers to the study of an organisation’s values, beliefs, attitudes, psychology, behaviour and experiences.	It helps in understanding the perception, learning capabilities, values and beliefs of employees in an organisation.
2.	Purpose	It communicates the ethical expectations, builds the strengths of employees and lays emphasis on growth.	It helps in improving quality, productivity and customer service; manages workforce diversity; improves ethical behaviour of employees and their interpersonal skills; and balances the work-life by minimising conflicts.
3.	Interdependence	It guides the behaviour of employees through its shared actions, beliefs and values.	It studies the behavioural pattern of employees in an organisation, which contributes to the creation and updation.

**10.2.1 | FUNCTIONS OF AN ORGANISATIONAL CULTURE**

Organisational culture is a relatively new concept and organisations use it to effectively manage their businesses. They use organisational culture for varied purposes, such as adopting rapid development, improving efficiency and improving overall quality.

Organisational culture plays extremely important roles in an organisation. For example, integration role, improving performance, improving products and services, etc. Organisational culture performs a number of functions to make the employees feel at ease and increase the credibility of the organisation. Functions of organisational culture are presented in Figure 1 as follows:



**FIGURE 1: Functions of an Organisational Culture**

Let us now briefly discuss the functions of organisational culture:

- **Provides a sense of identity to the employees:** This indicates that organisational culture is based on a unique collection of norms that give the employees a feeling of belongingness with the organisation.
- **Enhances commitment towards organisation:** This indicates that when the employees relate well with the values, beliefs and philosophies of an organisation, their commitment towards the organisation increases.
- **Defines the standards of behaviour:** This indicates that various norms, processes, procedures, rules and regulations define the acceptable and unacceptable behaviour of employees. Thus, organisational culture defines the standard behaviour of its employees.
- **Acts as a binding force:** This indicates that the organisational culture acts as a bond between the employee and the organisation. Thus, it acts as a force that joins two employees with a single set of goal.

### 10.2.2 | DIFFERENT TYPES OF ORGANISATIONAL CULTURES

An organisation is an entity which has its own values, beliefs, roles and relationships. It reflects the collective philosophy, perceptions and behaviour of the employees working in it. Various organisations and experts in the field of management have listed out and explained various types of organisational cultures. Some types of organisational culture are as follow:

- **Strong culture:** When the employees in an organisation hold and share the core values of the organisation deeply and extensively, it is termed as a strong culture.
- **Dominant culture:** A dominant culture exists in an organisation when the core values of an organisation are accepted and followed by majority of employees of the organisation.
- **Sub-culture:** An organisation's overall culture is the sum total of various mini-cultures or small cultures that exist within an organisation. For example, different departments of an organisation contain a sub-culture.
- **Counterculture:** It is a type of culture which does not match with the values of the organisation. Counterculture can be seen at the time of mergers and acquisitions when the employees of an acquired organisation may have cultural values that are conflicting with that of an acquiring organisation.
- **Clan culture:** In a clan culture, there is a friendly working environment and the employees work just like a big family. The leaders usually mentor the employees. The employees are loyal towards the organisation and the organisation holds high morals. Such organisations give high importance to client needs as well as the needs of the employees. Such organisations promote teamwork and team decision-making. In such cultures, the leaders are seen as facilitators, mentors and team builders. Some of the important values in such organisations are commitment, communication and development. Such cultures also give importance to improving quality by empowering employees, building teams, employee involvement, human resource development and open communication.
- **Adhocracy culture:** This type of culture is characterised by creative and dynamic workplace where employees do not shy away from taking risks. In such a culture,



the leaders are highly involved in innovation and risk taking. Innovation is one of the core values of such a culture apart from individual initiative and freedom. The long-term goal of an organisation is to grow its business and create new products and services. In this culture, the leaders are seen as innovators, visionaries and hard-core entrepreneurs. This culture emphasises on innovative outputs, agility, surprise, delight, continuous improvement, etc.

- **Market culture:** Such a culture exists in organisations which attach importance with getting all the work done. Employees in such a culture are competitive and the leaders are drivers, producers and rivals. The leaders and the employees both emphasise on winning and success and this keeps them bonded. Such organisations keep an eye on the activities of their rivals and focus on achieving goals. These organisations focus on market penetration, competitive pricing and gaining market leadership. Leaders in such organisations are seen as competitive, hard-drivers and producers. These organisations value market share, goal achievement, maximising profitability, competing aggressively, maintaining customer focus, improving productivity, etc.
- **Hierarchy culture:** In such a culture, all the work is done in a formal and structured manner. People do all the things according to set procedures. Employees coordinate and do things in an organised and hierarchical manner. The organisation and employees are bound by formal rules and policies. The organisation's long-term goals relate to creating a stable organisation and efficient and smooth execution of all the activities. These organisations achieve success by truthful delivery, efficient planning and keeping costs low. In this type of organisations, the leaders are seen as coordinators, monitors and organisers. These organisations value efficiency, timeliness and consistency. Such organisations believe that quality can be improved by detecting errors, measuring and controlling processes, solving problems and using quality tools, etc.

A visual representation of the clan, adhocracy, market and hierarchical organisation cultures is given in Figure 2 as follows:

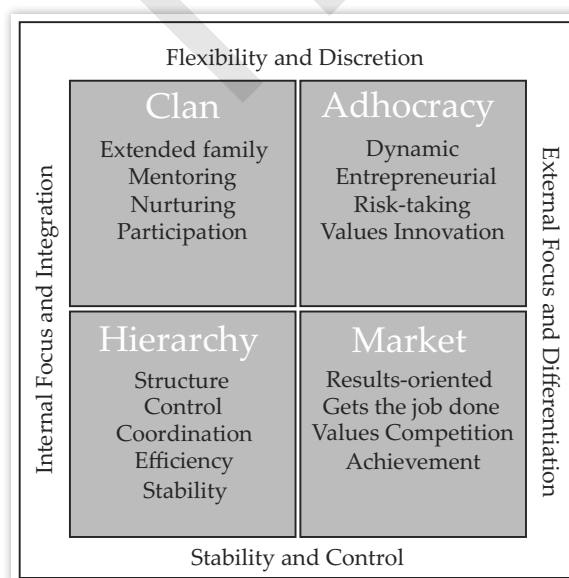


FIGURE 2: Four Types of Organisational Culture

Source: <https://www.popinnow.com/four-types-organizational-culture/>

## SELF ASSESSMENT QUESTIONS

1. Which type of culture emphasises a friendly working environment and values like commitment and teamwork?
  - a. Adhocracy culture
  - b. Market culture
  - c. Clan culture
  - d. Hierarchy culture
2. Counterculture can arise during mergers and acquisitions when the cultural values of the acquired organisation conflict with those of the acquiring organisation. (True/False)

## ACTIVITY

Make a list of top ten Indian organisations by net-worth. Use the Internet to gather information regarding these organisations, such as the work culture, work environment, how they treat their customers and employees and the degree of openness. After listing all such information, comment on the type of organisational culture that exists within each organisation.

### 10.3 DEVELOPMENT AND SUSTENANCE OF AN ORGANISATIONAL CULTURE

The culture of an organisation is not formed in one day. It is a time-consuming process. When an organisation is established, there is no culture that exists. It is only when the organisation comes into being and starts its operations, the employees start working and communicating with one another, interaction starts among different stakeholders, such as suppliers, managers, employees and customers that the culture of an organisation starts to form. Once the culture of an organisation has been formed, it is sustained through the efforts of employees.

**Stephen Robbins**, a pioneer in the field of organisational behaviour, has suggested that certain factors are responsible for the creation and sustenance of an organisational culture. These factors are listed in Figure 3:

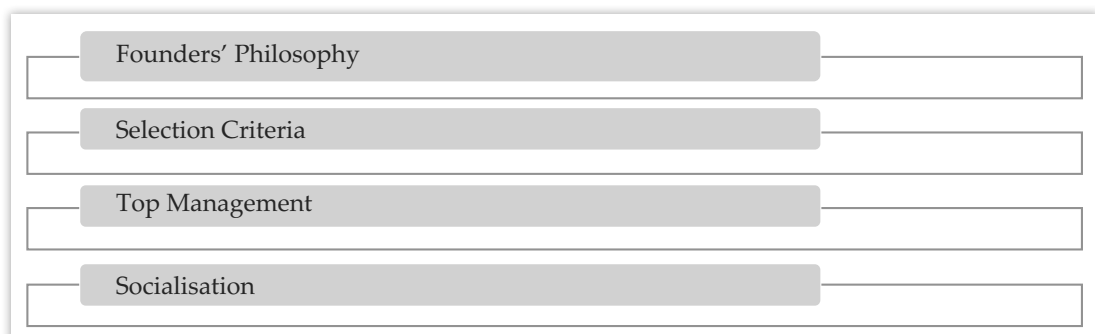


FIGURE 3: Factors Responsible for Creation of an Organisational Culture

Let us now discuss these factors in detail:

- **Founders' philosophy:** When an organisation is established, its founders and their values place a major impact on the organisation's culture and its vision.
- **Selection criteria:** When an organisation selects certain people whom it recruits as its employees, it must ensure that the employees can easily adapt to the culture of the organisation.
- **Top management:** The actions of the top management individuals have a profound impact on the culture of an organisation. These actions may include standardising the acceptable level of behaviour, establishing norms and defining codes of conduct.
- **Socialisation:** This means a process wherein all the employees and owners of the organisation interact with each other. Their interaction along with the impact made by the top management sets a standard for the employees to align and adapt with the organisation's culture. According to **Robbins**, the process of socialisation helps employees in adjusting with the culture of the organisation. The process of socialisation is depicted in Figure 4 as follows:

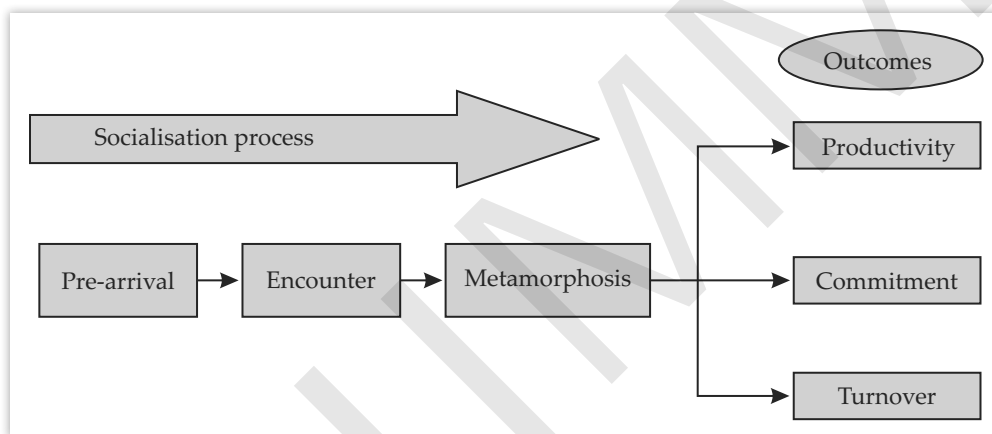


FIGURE 4: Process of Socialisation

The **pre-arrival stage** of socialisation comes before employees join an organisation. In this stage, employees develop certain expectations from themselves and from the organisation. In the **encounter stage** of socialisation, new employees get an opportunity to know the organisation. In this stage, they face the reality which could be quite different from what they had expected before joining the organisation. In the **metamorphosis stage**, new employees adjust to their work group's values and norms. The results of the socialisation process are as follows:

- **Productivity:** After an employee has become habitual and has adjusted with the culture of an organisation, his productivity increases.
- **Commitment:** After adjusting and becoming familiar with the culture of an organisation, most of the employees tend to show high levels of commitment towards the organisation.
- **Turnover:** After employees become aware of the kind of culture that exists in an organisation, they may feel uncomfortable with it and may leave the organisation resulting in increased employee turnover.

## NOTES

In the mid-1900s, two psychologists, Joseph Luft and Harry Ingham developed the Johari Window model. This is a useful tool that can be used by individuals and organisations for improving self-awareness or to analyse self. This can also be used by individuals and groups for gaining understanding of themselves and the group. This model can also be used by different groups to analyse and improve their relationship with other groups.

In an organisation, to sustain and maintain the organisational culture, it is very important that employees understand each other. This can also be done with the help of Johari Window model. This model represents an individual as a window comprising four quadrants. Each quadrant represents personal information about an individual. Figure 5 represents the Johari Window model:

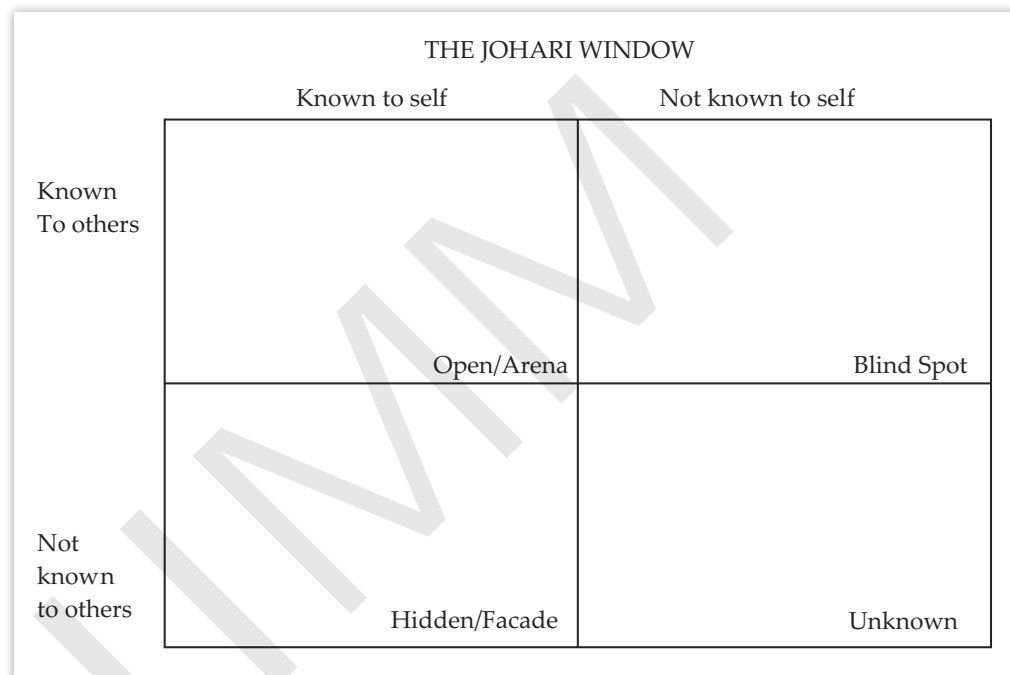


FIGURE 5: Four Quadrants of Johari Window

Each quadrant represents a different type of information about the individuals as described below:

- **Open area (Quadrant 1):** This area represents the information that is known to an individual. Such type of information includes educational qualifications, experience and hobbies.
- **Blind area or blind spot (Quadrant 2):** This area represents the information that is unknown to an individual. Such type of information includes the feeling of being unloved and non-acceptance. An individual may not know these feelings, but others might know about these by observing his/her facial expressions, body language and tone.
- **Hidden or avoided area (Quadrant 3):** This area represents the information that is known only to the individual and not to others. An example of such information is secret or personal issues of an individual.

- **Unknown area (Quadrant 4):** This area represents the information that is not known to the individual or others. For example, an individual or others may not know about his/her phobia till he/she encounters such a situation.

#### SELF ASSESSMENT QUESTIONS

3. Which stage of socialisation involves new employees adjusting to their work group's values and norms?
  - a. Metamorphosis stage
  - b. Pre-arrival stage
  - c. Encounter stage
  - d. Departure stage
4. The blind area in the Johari Window represents information known to the individual but not to others. (True/False)

### 10.4 THREE LEVELS OF ORGANISATIONAL CULTURE

Organisational culture defines the appropriate standards of behaviour that the employees should use to achieve the goals of the organisation. **Edgar Henry Schein**, a management expert in the field of organisational development, developed a model of organisational culture. According to him, *organisational culture is not a one-day process, rather it is developed over a period of time*. The culture is formed from the past experiences of employees of solving problems, adapting to changing circumstances and responding to external environmental factors. The practices followed by workers over the course of time develop into a culture. The levels of organisational culture given by Edgar Schein are shown in Figure 6 below:

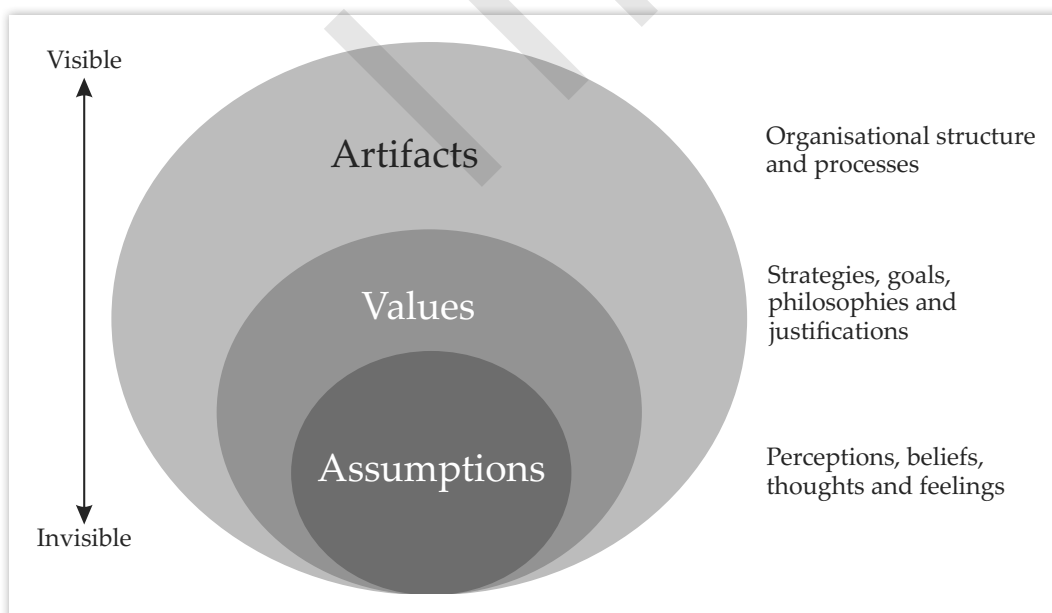


FIGURE 6: Three Levels of Organisational Culture

## NOTES

The three cognitive levels of organisational culture provided by Edgar Schein were as follows:

- **Observable artifacts of culture:** This level signifies those characteristics and outward manifestations of an entity that are easily viewed and felt. It includes physical workplace layout, dress code of employees, level of technology used, furniture and facilities, vision and mission, behaviour of employees with superiors, etc. Artifacts refer to various factors that are observed to form an impression of the organisation. Such impression may enhance or diminish the commitment and loyalty of employees towards the organisation.
- **Shared values:** The values held by employees working in an organisation play an important role in determining its culture. The attitude, mindset and thought process of workers influence the workplace culture. Shared values refer to the collective values of all the employees of the organisation. These are those norms or rules which affect the work behaviour of employees.
- **Common assumptions:** The hidden facts, beliefs and inner natural aspects of employees also affect an organisation's culture. These refer to the undefined and tacit beliefs of employees, which are reflected in their behaviour. This level of organisational culture comprises certain practices which, though not discussed, are automatically understood. For instance, entities having a dominant number of female employees tend to restrict late sittings as compared to those entities having more male employees.

## SELF ASSESSMENT QUESTIONS

5. Observable artifacts of culture include physical workplace layout and employee behaviour with superiors. (True/False)
6. Which level of organisational culture includes hidden beliefs and tacit assumptions?
  - a. Observable artifacts
  - b. Common assumptions
  - c. Shared values
  - d. Workplace practices

## 10.5 IMPACT OF ORGANISATIONAL CULTURE ON EMPLOYEES' PERFORMANCE

The success of every organisation is dependent upon the performance of its employees. Therefore, it is imperative for an organisation to retain its brightest employees and keep them satisfied. Many factors play an important role in retention of top talents, such as monetary benefits, associated perks and organisational culture. Organisational culture comprises all values, norms and behaviours maintained by the lead executives and carried out by the employees. It includes aspects like company rituals, climate, work polices, rewards system, etc., which differ from companies to companies. It is important to realise the importance of maintaining a

positive organisational culture which is accepted by all employees. Employees of a strongly and positively cultured organisation tend to develop a sense of belonging, unity, commitment and loyalty towards the organisation and its goals. This, in turn, is crucial for the success of the organisation because satisfied employees perform to their best.

The link between employee performance and organisational culture is depicted in Figure 7:

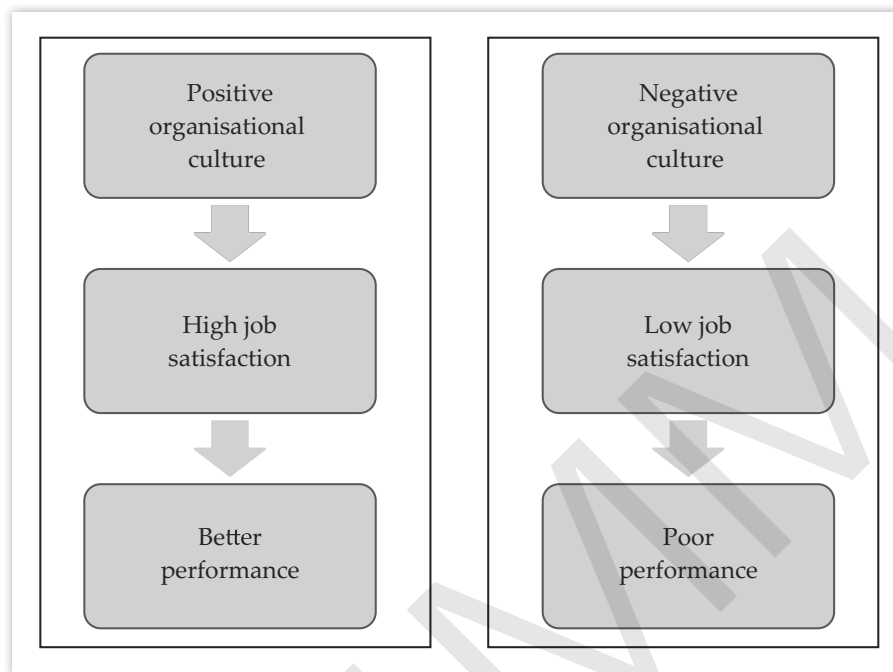


FIGURE 7: Organisational Culture and Employee Performance

Organisational culture is a set of values, beliefs and principles followed by an organisation. The workplace culture determines the manner in which people interact with each other in the organisation. Organisational culture has a direct connection with job satisfaction of employees. Employees are highly contented with their jobs and are able to fulfil their work needs when they are willing to adjust in the organisational culture. High level of job satisfaction ultimately leads to better employee performance. Similarly, when employees are unwilling to adjust in the organisational culture, it leads to low job satisfaction. Organisational culture plays quite an important role in the lives of employees. Various parameters on which the organisational culture can be analysed are as follows:

- **Uniformity:** It refers to the need of all the employees of an organisation to work in harmony to achieve common goals.
- **Lack of motivation:** This leads to low self-esteem and efforts that weaken the organisational culture and hamper the goal achievement process.
- **Lack of resources:** The absence or shortage of adequate resources creates tension and worry in the work environment, thus, negatively affecting the organisational culture.

## NOTES

The culture of an organisation creates its goodwill and image. A healthy culture enables employees to stay motivated to perform their work better. Moreover, a healthy work culture promotes positive interaction and mutual relationship amongst workers. An organisation with a proper set of guidelines is able to provide a sense of direction to its employees at the workplace. They are able to have clearly defined roles and responsibilities for accomplishing their tasks. In addition, the organisational culture should be such that it encourages its employees to pursue their interests and gives them ample opportunities for learning and skill development. Some organisations also offer flexible work schedules to maintain work-life balance. Such policies help build employees' emotional connect to the organisation and sustain and improve their performance. The organisational culture must be respected by all employees to ensure best work delivery and work enjoyment. Employees who are unable to adjust themselves in the organisational culture often feel demotivated and reluctant to carry out their work duties.

## SELF ASSESSMENT QUESTIONS

7. Which of the following is not a parameter for analysing organisational culture?
  - a. Uniformity
  - b. Lack of motivation
  - c. Lack of resources
  - d. Employee demographics
8. Flexible work schedules can help in maintaining work-life balance and improving employee performance. (True / False)

## 10.6 SUMMARY

- Organisational culture refers to the set of norms, values, beliefs, assumptions, perceptions, and attitudes that exist within an organisation and are held by its employees.
- When the employees in an organisation hold and share the core values of the organisation deeply and extensively, it is termed as a strong culture.
- A dominant culture exists in an organisation when the core values of an organisation are accepted and followed by majority of employees of the organisation.
- Counterculture is a type of culture which does not match with the values of the organisation.
- Adhocracy culture is a type of culture that is characterised by creative and dynamic workplace where employees do not shy away from taking risks.
- The process of socialisation helps employees in adjusting with the culture of the organisation.
- The pre-arrival stage of socialisation comes before employees join an organisation.
- Johri Window model is a useful tool that can be used by individuals and organisations for improving self-awareness or to analyse self.



- Shared values are the values held by employees working in an organisation that play an important role in determining its culture.

## 10.7 KEY WORDS

- **Market penetration:** In general, market penetration refers to any strategy that helps an organisation in obtaining a greater market share in the target market.
- **Psychology:** A discipline of science which relates to the study of the mind and behaviour of human beings and other living beings.
- **Perception:** The manner in which an individual understands or interprets something using all their senses.
- **Mentor:** A person who is experienced and knowledgeable and can guide other members of a group or organisation.
- **Mergers and acquisitions:** The specific types of corporate restructuring wherein two organisations combine to form a single organisation resulting in the merging of the corporate culture of two organisations.

## 10.8 CASE STUDY: HILTON'S UNIQUE AND AWARD-WINNING CULTURE

Hilton Worldwide Holdings Inc. is an American multinational hospitality organisation headquartered at Virginia, USA. It was established by Conrad Hilton in 1919. Christopher J. Nassetta is the CEO of this group.

At present, millennials form the largest number of people in USA. It is also expected that all the workforce in USA would include a majority of workforce in the coming decade.

Hilton had an employee strength of 1,60,000 millennials in 2010-11 and by the end of 2015, the number increased to 2,60,000. As of 2016, it was known that Hilton employed a total of 3,55,000 people globally. Out of this, 45% were millennials. The organisation has also forecasted that this percentage would possibly increase to 75% by 2020-21. In addition, Hilton would expectedly employ 90% millennials in Asia-Pacific region in the coming years.

Hilton group has 13 brands that are spread across 105 countries of the world. Most of the employees of Hilton are highly satisfied with it. In 2016, Hilton was included under the Fortune's 100 Best Places to Work and also under 100 Best Workplaces for Millennials.

Millennial employees of the organisation specifically value Hilton's culture. Hilton integrates its daily work with its established mission, vision and values. The organisation aims at providing great experiences to everyone. An instance of the great organisational culture and values of Hilton occurred when Hilton bought some food trucks from Washington D.C. to Virginia in the week before the Thanks giving. During this week, the CEO and other top management members engaged with team members and even served them food. This was a way in which Hilton expressed its gratitude and thanked its team members. It is a vision of the Hilton group to be the most hospitable organisation of the world.

## NOTES

According to the views expressed by Matt Schuyler, Chief Human Resource Officer of Hilton, there are three things that other organisations can learn from Hilton with respect to engaging millennials in their workforces. They are:

- **Recruit for values:** According to Schuyler, Hilton screens all its prospective candidates for values before and during the hiring process. The values of candidates must be in sync with the values of the organisation. It also checks for values when employees are at work and it constantly reminds people of those values. Most important values of Hilton include hospitality, integrity, leadership, teamwork, ownership and a sense of urgency.

Hilton shows utmost commitment to recruit talented candidates whose values are aligned with their values. It is because Hilton believes that hiring well in the short term is the key to long-term success of an organisation.

- **Start with a great work culture:** Successful organisations recruit millennials and deliver their espoused values in a such a way that the previous generations are not sacrificed. At Hilton, there are employees belonging to five generations and their mission, vision and values are such that they transcend generations.

Hilton has taken utmost care to develop their mission, vision and values in a manner that is acceptable for all generations. For millennials, Hilton focussed on technology and career dynamics.

- **Faster leadership development programs:** Organisations promote millennials and prepare them for taking up leadership roles. Since the pace of development and businesses in general has been increasing, the pace of developing future leaders must also be increased. According to Deloitte's 2016 report on Global Human Capital Trends, only 7% of the organisations feel confident that they are able to develop millennial leaders for future. Hilton has a leadership development program which focusses on self-paced learning. It also uses various options, such as MOOCs (Massive Online Open Courses), Harvard Manager Mentor and Cornell Hospitality for their leadership development. Changes brought by millennials, technology and internet create an environment in which employees learn faster.

*Source: 4 Things Companies Can Learn From Hilton's Award-Winning Culture. (2019). Retrieved from <https://www.forbes.com/sites/wesgay/2016/12/31/4-things-companies-can-learn-from-hiltons-award-winning-culture/#739fad9745c5>*

## QUESTIONS

1. Why should organisations, in general, and Hilton, specifically, take care to attain a sync between its values and the values of its millennial employees?

**(Hint:** As of 2016, it was known that Hilton employed a total of 3,55,000 people globally. Out of this, 45% were millennials.)

2. What are the important aspects of Hilton's organisational culture?

**(Hint:** Hilton integrates its daily work with its established mission, vision and values.)

**10.9 EXERCISE**

NOTES

1. How does organisational culture influence the behaviour of individuals within an organisation?
2. What are the key steps involved in the development of organisational culture?
3. Describe the three levels of organisational culture in detail.
4. Explain how a positive organisational culture can enhance employee morale and job satisfaction.
5. Discuss the role of leadership in shaping and maintaining organisational culture.

**10.10 ANSWERS FOR SELF ASSESSMENT QUESTIONS**

Topic	Q. No.	Answer
What is an Organisational Culture?	1.	c. Clan culture
	2.	True
Development and Sustenance of an Organisational Culture	3.	a. Metamorphosis stage
	4.	False
Three Levels of Organisational Culture	5.	True
	6.	b. Common assumptions
Impact of Organisational Culture on Employees' Performance	7.	d. Employee demographics
	8.	True

**10.11 SUGGESTED BOOKS AND E-REFERENCES****SUGGESTED BOOKS**

- Mishra, M. (2010). *Organisational Behaviour and Corporate Development*. New Delhi: Himalaya Pub. House.
- Kummerow, E., & Kirby, N. (2013). *Organisational Culture*. Singapore: World Scientific Publishing Company.

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- Edgar Schein Model of Organization Culture. (2019). Retrieved from <https://www.managementstudyguide.com/edgar-schein-model.htm>
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# Organisational Change, Design and Development

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## LEARNING OBJECTIVES

*After studying this chapter, you will be able to:*

- Define the concept of organisational change
- Discuss the reasons for resistance to change
- Describe the concept of change management
- Explain the different aspects of organisational structure
- Elaborate the concept of organisational development
- Assess the Creating of a learning organisation

## 11.1 INTRODUCTION

In the previous chapter, you learned about the concept of organisational culture. The chapter also described the concept of development and sustenance of an organisational culture. Three levels of organisational culture were also discussed. At the end of the chapter, you studied the impact of organisational culture on employees' performance.

In today's environment, it is very important for organisations to evolve and change because of globalisation of markets and rapidly changing technologies for surviving. There are some organisations which accept changes by considering them as necessary and quickly adapt to the new directional change. But, in most cases, these changes are considered very difficult and organisations do not adapt them due to chaotic environment in which they operate. Organisational changes bring in effective forms of planning and implementation. These varied changes enable to minimise the resistance of employees and simultaneously control costs to maximise the efficiency of change.

In this chapter, you will study the concept of organisational change and resistance to change. Then you will be acquainted with the concept of change management and organisational structure. At the end of the chapter, you will understand the concept of organisational development and creating a learning organisation.

## 11.2 CONCEPT OF ORGANISATIONAL CHANGE

Organisational change is a process that is important for achieving the goal of profitability, stability, survival and growth within the industry. Organisational change brings changes in organisations' mission, vision and processes, with a strong impact on both individual and organisation level. In a progressive environment, it is important for organisations to change themselves. Changes can be in the form of procedures, policies, technology, strategy, culture and structure of the organisation.

In recent times, there has been an accelerating change in terms of knowledge and technology due to dynamic changes in the environment and new innovations in the progressive culture. Today, organisations are very versatile, dynamic and adaptive to the changes to avoid falling behind, or to remain a step ahead of their competitors.

## NOTES

According to **Stephen P. Robbins**, organisational change can be defined as *When an organisational system is disturbed by some internal or external force, change frequently occurs. Change as a process is simply a modification of the structure or process of a system. It may be good or bad. The concept is descriptive only.*

Organisational change takes place when an organisation strives to move from its existing state to a desirable state in the future. It is imperative for organisations to change because the outside environment is changing socially and politically and moving ahead and looking for a new and better way of doing things. Since the organisation continues to work and the environment it operates in continues to evolve, there may be some processes which may no longer work effectively. Therefore, it is necessary for a change because, without change, businesses would lose their competitive edge and fail to meet the changing needs of their customers.

Different forces of change are required due to the fast developments in information technology, globalisation of business, advancement in knowledge management and diversity of the workforce. These reasons have made it imperative for organisations to change. Today, with the changing times, there is no part of any sector or organisation which is not subjected to the constant change which is unstoppable. The important reasons for adapting the changes in the organisation are as follows:

- Due to global changes in knowledge and technology.
- Need for change in policies, strategies and procedures which are no longer effective.
- For creating a vision for the direction of the organisation's future.
- For finding the effective ways of implementing the change with new methods and systems for supporting the change.

### 11.2.1 LEVELS OF ORGANISATIONAL CHANGE

The changing environment has made it compulsory for organisations to implement changes in response to internal and external situations. There are some changes that focus on procedures and processes, and others focus on newer technologies, which bring changes within the structure of the organisation.

Irrespective of the kinds of changes, it is seen that every change has an impact on the working of the organisation and also on the employees working within the organisation. The organisational change is successful when the management of the organisation is effective at encouraging employees to accept and adopt the required change without a problem. The different levels of changes in the organisation are as follows:

- **Individual level:** The changes that happen on an individual level could be due to changes in a job assignment of the individual, transfer of the individual to a different location or due to the retirement of the individual over a period of time. It is a general opinion that changes at the individual level will normally not have any important implications on the working of the organisation. However, this opinion is incorrect because any important change at the individual level will impact the working of the organisation and also the others working in the organisation.



The management of the organisation wanting to implement the changes at the individual level, or while transferring an employee must understand that the change will have an influence on the working of the system.

- **Group level:** Organisational changes have an impact on the working at the group level. Normally, the activities and tasks in the organisation are normally organised within groups. The groups of people who assigned tasks could be a team of people, units, departments or could be some form of informal working groups. Any changes at the group level can impact the flow of working, job design, various social groups, the communication systems and systems of the organisation. Before implementing any changes, the management should keep in mind the group factors which can have repercussions on the different levels of the organisation. One line space organisations normally have two kinds of groups, formal groups and informal groups. Formal groups are the trade unions in organisations which play a major role in the working of the system. They can be very effective at resisting the changes implemented by the management within the system. The informal groups can also resist the change because of the internal strength of interpersonal relationships within the organisation. It is seen that the major influence which groups have on individuals, with effective changes at the group level, can sometimes help overcome resistance at the individual level.
- **Organisational level:** The changes at the organisational level affect important procedures and workings of the system. These involve significant plans and programmes that affect both individuals and groups. These strategic decisions within organisations are normally made by senior management and are rarely implemented by a single individual. These decisions are for a long duration of time and need a considerable amount of planning and working for implementing them. These could be in terms of changing the organisational structure, revamping the financial systems, responsibilities and duties of the people or working at the changing objectives of organisations. These changes could be due to newer technologies, knowledge or changes in the global environment which eventually help with the organisational development.

### 11.2.2 | TYPES OF ORGANISATIONAL CHANGE

There are a number of factors which prompt an organisation for a change. With the changing trends and globalisation, one needs to grow, and for that, it is very important for organisations to bring in changes within their domains. Changes in an organisation create a considerable impact on the organisation. There are different areas within the domain of the organisation where changes can be brought about for enhancing the working of the organisation.

According to **Harold J. Leavitt**, *There are three general approaches to organisational change: approaches aimed at the structure, technology or people.*

Different types of changes that can have a considerable impact on the organisation are as follows:

- **Strategic change:** The changing environment makes it necessary for the organisation to relook at their mission in terms of strategies for achieving its objectives. It would also mean that they would need to change their vision and the mission statement

of the organisation due to the demands of the external environments. A change in strategy would be a change in their approach towards conducting their business, consumer satisfaction and other strategic changes within the operations of the organisation. They would need to look into their external partnerships, global activities and joint business ventures which are important for the growth and profitability of the organisation.

- **Structural change:** Organisational change makes it necessary to redesign their systems and structure of the organisation since these structural changes bring in changes in the authorities and responsibilities of employees and the management. Due to influences from the external environment, the organisation needs to change its administrative procedures, systems of management, hierarchical authority, goals and other structural characteristics in regards to the operations of the organisation.

In the words of **Harold J. Leavitt**, a structural change refers to, *a change in any of the basic components of organisation structure or in the organisation's overall design.*

Every change in an organisation's overall design and management of the system are all considered as a part of the structural change. Bringing in new process and changes due to decentralisation, and the introduction of new control systems lead to a structural change in the organisation, which is important to meet the customer needs more effectively.

- **Process-oriented change:** These changes relate to automation, technological innovations and information processing in the industrial world. It is becoming very important for organisations to enhance their technology and their processes to achieve optimum workflow for productivity. It could refer to new technological knowledge which is connected to replacing the heavy equipment and machines. This influences the organisational culture, thereby making changes in the behavioural patterns of employees.

According to **J.K. Galbraith**, *In a consumer society, the best product you can manufacture is one that must be replaced immediately.*

Process-oriented change is necessary for keeping pace with competitors and to periodically replace existing machines and equipment with newer models.

- **People-oriented change:** People-oriented change brings in a required change in terms of employee skills, attitudes, behaviour and performance of employees in accordance with the expectations of the organisation and for being consistent with the policies and mission of the organisation. These changes bring in a level of self-actualisation amongst the employees and are directed towards group cohesion, communication, motivation, loyalty and performance within the groups. These changes can be brought by closer interaction with employees and by process of training and other modification sessions. The focus of these trainings includes help in problem solving, teaching new skills to employees and changing the perception of employees about their jobs and the organisation.

**SELF ASSESSMENT QUESTIONS****NOTES**

1. Which level of change management primarily focuses on employee skills, attitudes and behaviour?
  - a. Individual level
  - b. Group level
  - c. Process-oriented change
  - d. People-oriented change
2. Changes at the individual level are generally considered insignificant to the functioning of an organisation. (True/False)

**11.3 RESISTANCE TO CHANGE**

There will always be a resistance to change since the challenges of the unknown environment are often less acceptable than the comfort of a familiar domain. When the changes are brought into organisations, it is the human factor of the organisation that is faced with adopting new ways of doing things, which can make them uncooperative. The reasons for the resistance could be emotional or rational needs which need to be taken care of on time. Sometimes, it is seen that people adapt to the changes in the environment without resisting, which is a step towards effective management of change.

The result of failure to understand the resistance can make the managers in the organisation run through the changes rather than being able to understand the reasons for resistance. When people do not have the proper knowledge to evaluate the changes it is important to make them understand with various forms of information like facts, data and other information which would help reduce the resistance. Hence, the most important step towards managing the change is to know why people want to resist the change. There could be many reasons for resistance like:

- Job insecurity
- The negative effect on interests
- Being attached to the established culture
- Lack of knowledge regarding the change
- No clarity on what is expected
- Feeling that the proposed change is not appropriate
- The timing of change is not right
- The change could be a clash with their ethics

Therefore, in order to overcome the resistance, it is important to educate and train employees towards the required change with effective communication and participation of the employees which would help facilitate their support for the change.

According to **Scott & Jaffe**, *Resistance is a phase that ends as individuals begin to separate from the past & become more confident of their capacity to play a role in the future that they face...the best strategy is to Use Participation to Reduce Resistance to Change.*

It is seen that once the people are convinced that change is necessary, and they are shown advantages of the changed futuristic vision, then it is time to move forward with implementing the changes. Implementing the changes also comes with a number of problems which need to be aptly dealt with so that employees do not revert back to their previous work attitudes and behaviours.

### 11.3.1 | FACTORS THAT LEAD TO INDIVIDUALS' RESISTANCE TO CHANGE

Organisational changes can be an unpleasant and disappointing process, and there are so many reasons why the process fails before being successful. Any form of change will encounter resistance and it is important to understand the reasons for this resistance which can eventually help take steps for an easier transition for a better future of the organisation.

There are a number of reasons why employees resist change. These reasons are as follows:

- **Lack of communication:** Communication is a very important factor in an organisation. Communication is needed since there are a number of people working in different levels of management along with different departments and units with a team of employees. During the organisational change, it is necessary to have proper communication regarding the changes and how one plans to implement them. If the people in the organisation are not aware of the changing protocols that they are familiar with, then it will certainly make them uncomfortable and they will tend to resist those changes. Hence, it is important to explain employees in regards to the changes for implementation and also to provide a forum for feedback, ideas and their concerns on how to make those changes effective in the organisation.
- **Fear of losing their jobs:** Employees resist the changes because they feel threatened for their job security. With the new technologies coming in, employees are losing their jobs, which is why, resistance is a natural response to change in the workplace. Due to these reasons, the change in an organisation brings in the elimination of jobs which may become redundant and are no longer important for the organisation's success.
- **Lack of understanding of the new role:** Changes in organisations come with new job positions and titles of the jobs also change, and they come with new roles and responsibilities. When employees are not able to understand where they fit in, it brings in a form of resistance from them. For succeeding in their processes for change, organisations must educate their employees and make them clearly understand how they fit in these changes. The effect of change disrupts confidence and security of employees which triggers resistance in them that how they would be able to contribute to the organisation moving forward.
- **Lack of trust:** Trust is an important factor for running a successful business. In an organisation, it is seen that when there is a lot of trust in management, there is effectively a lower resistance to change. If there is a mutual mistrust between the management and employees, then this will lead the organisation into total chaos.
- **Fear of the unknown future:** Since the changes are normally future-oriented, employees are unable to evaluate the impact of change. Hence, this brings in some amount of uncertainty because the future is unpredictable and the unknown poses

a constant threat to people. Therefore, this uncertainty and the fear of the unknown make the people uncomfortable with the changes in the organisation.

- **Poor timing:** Sometimes, the changes would not be timed rightly, which becomes a big problem. At times, it is not the change that creates the resistance, but how and when it is delivered.

There are some organisational factors which result in resistance to changes. They are as follows:

- **Due to rigidity in structure:** Due to structural rigidities, there are bureaucracies which focus on set procedures, stability, control and methods. They prefer to ignore factors which require the changes due to a lack in clarity and understanding of the reasons for change.
- **Group resistance:** Groups working in organisations can resist the change because they too are used to following set procedures, patterns and culture and, as a result of the change, the groups would have to change their existing ways of behaviour. Every employee in the group interprets change individually, but they would express it through their groups. Employees follow the norms of the group and because of their loyalty towards the group, they will resist the change even though it may be beneficial to them. Some may even look at the change as a possible threat to their specialisation, power or resources. Hence, any form of change or transfer of resources from a group to some other group will definitely lead to a feeling of insecurity and they will resist the change.

#### SELF ASSESSMENT QUESTIONS

3. What is a factor contributing to resistance to change due to poor timing?
  - a. Lack of communication
  - b. Fear of losing jobs
  - c. Lack of trust
  - d. Timing and delivery issues
4. Lack of communication during organisational change can make employees uncomfortable and lead to \_\_\_\_\_.

## 11.4 CHANGE MANAGEMENT

Change management is a systematic procedure of amicably dealing with the transition or changes in the organisation's goals. There are changes in the processes, procedures and technology for implementing new strategies for bringing in the changes. Organisations have an important job of controlling the process of change and helping people with adapting to the change. The management of change should take into account the adjustments and methods of replacement which will impact employees and the systems of the organisation. The process of change management incorporates the tools of the organisational change which can be effectively utilised to help employees with making a successful transition and adapting to the realisation of change.

## NOTES

Organisations going through the process of change go through an intimidating task and challenges within organisations. There should be different structured procedures and mechanisms for responding to the change with an effective level of communication. There should be a process for documenting the changes and evaluating the effect of the change. The method of documentation helps with complying with the set standards and also with the internal and external controls. There needs to be a total understanding of the culture of organisation, with the working of the systems and applications along with the people who would be affected by the change. There are many digital and non-digital tools that can help managers and guide them to align with required changes within organisations. To achieve the required business in results during the change management, it is necessary for using the tools and techniques to manage the people. The introduction of change within the organisation impacts the following:

- Structural change
- Systems and processes
- Organisational structure
- Job roles

Even though there are many approaches and tools that can be used to working of the organisation, it is seen that there needs to be an adjustment to one or more of the parts of the organisation shown above. The process of change could be a reaction to a definite issue or opportunity faced by the organisation which could be due to internal or external reasons. Change of management impacts processes, organisational structures and systems for becoming more efficient and competitive within the industrial environment.

#### 11.4.1 | OBSTACLES IN MANAGING CHANGE

Organisational changes can affect the working of the system, if not handled in a proper way and at the right time. Normally, it is seen that the employees or groups working in organisations do not react well to the changes. But the change is necessary for organisations to grow and survive in today's environment. The survival of an organisation depends upon its ability to react and take care of the changes effectively. When an organisation applies any organisational change, it has to face many obstacles in managing change as follows:

- **Conflicts among employees:** Changes in the organisation can bring in uncertainty and insecurity which can create conflicts among employees. The emotional insecurity leaves employees to take out their frustration on each other. It is important to handle these well in time so that they do not disrupt the schedule for the change. Hence, it is necessary to tackle the issue and find solutions.
- **Lack of proper planning:** Changes in the organisation require proper planning. Without any planning, the changes within the organisation are likely to fail and cause more problems. Therefore, it is necessary to understand exactly what changes are likely to take place and how those changes can be planned.

- **Low employee morale:** Employees are normally not happy with changes in organisations. It brings down their morale when they start becoming insecure in the sense of losing the power to have a real say in how things are to be done. Low morale acts as a barrier to the organisational change and the people are likely to resist the changes. The resistance of employees might create difficulty in facilitating a smooth transition and may impact the productivity and efficiency of the organisation.
- **Lack of consensus of the people:** If employees are not happy with organisational changes, then there are going to be obstacles during the process of change. There should be proper communication regarding implementing the changes from the top level of the organisation to all others working in the organisation. Everyone needs to be on board and they should deal with the changes together or else they can face dissent within employees.
- **Adopting new technology:** Bringing in new technology can become a major problem with the changes coming into the system. Businesses thrive on technology but it can be challenging integrating new technology with the existing systems, which can bring in big logistic issues. The other problem can be getting employees updated with using the new technology. Therefore, communicating the effective ways in which the technology can streamline the work processes with employees can help overcome this obstacle.
- **Lack of communication:** Employees need to be told about the changes or else there would be a lot of rumours and speculations that will sweep the organisation which will break the trust of the people and it will make it difficult for them to embrace the change. It is important to keep the people updated about the plans and progress toward implementing the change. Employees need to know about the changes because uncertainties will create a bigger problem. Hence, it is important to keep them updated to be aligned with the objectives of the organisation.
- **Handle resistance:** It is important to handle resistance with patience. Employees will resist the change since they become used to the security offered by the present system. They need to be addressed and should be given training and explained the importance of the change. This will give employees the time they need to adapt to organisational change management.

#### 11.4.2 | LEWIN'S THREE-STEP MODEL

Lewin's Three-Step Model, also known as Lewin's Change Management Model, is a fundamental framework developed by Kurt Lewin, a psychologist, to understand and manage organisational change. It provides a structured approach for implementing changes effectively within organisations. The model consists of three main stages: Unfreeze, Change, and Refreeze. Figure 1 shows the Lewin's Three-Step Model:



FIGURE 1: Lewin's Three-Step Model

## NOTES

Let us discuss each stage in detail:

- **Unfreeze:** In this stage, the status quo is disrupted. It involves preparing the organisation for change by creating awareness about the need for change, breaking down existing mindsets, and reducing resistance to change. Unfreezing involves communicating the reasons behind the proposed change and encouraging individuals within the organisation to let go of old behaviours and attitudes that hinder progress.
- **Change:** This stage involves implementing the actual change. It could involve introducing new processes, structures, technologies, or behaviours to achieve the desired outcome. During this phase, leaders and change agents play a crucial role in facilitating the transition, providing support, and addressing concerns that arise among employees.
- **Refreeze:** Once the change has been implemented, the organisation stabilises in the new state. In this stage, the changes become integrated into the organisational culture, norms, and practices. It involves reinforcing the new behaviours, processes, and systems to ensure that they become the new norm. Refreezing helps to solidify the change and prevent regression back to the old ways of doing things.

Lewin's Three-Step Model emphasises the importance of preparing individuals and organisations for change, implementing the change effectively, and ensuring that the change becomes ingrained into the organisational culture for long-term success. It is a simple yet powerful framework that has been widely adopted in the field of organisational development and change management.

## SELF ASSESSMENT QUESTIONS

5. Lack of communication within an organisation can lead to rumours and speculations, thereby undermining trust and making it difficult for employees to embrace change. (True/false)
6. Low employee morale acts as a facilitator for organisational change, leading to smoother transitions and increased productivity. (True/False)

## 11.5 ORGANISATIONAL STRUCTURE

An organisational structure helps in defining the activities within the organisation. It works at coordinating the activities and tasks of the employees along with coordinating and supervising them for achieving the organisational objectives. The organisational structure is how the people view it from their perspective and the different entities within the organisation. The organisational structure depicts the work hierarchy within the organisation by defining each job and its related functions, together with specifying the reporting responsibilities. The structure of the organisation is a systematic way of operating and helping an organisation for its future with growth and profitability. Usually, the top management has the maximum decision-making power and exercises strict control over organisation's departments and divisions in a centralised structure. Whereas in a decentralised structure, the decision-making power is distributed and the departments and units may have different levels of independence.



According to **Albert K. Wickesberg**, *The set of interpersonal relationships which operates in the context of position, procedure, process, technology and social environment comprises what is known as organisation structure.*

Organisational structures can be divided into the following categories:

- **Functional structure:** In the functional structure of the organisation, every part of the organisation is grouped according to its job function. The job function can be divided according to different departments like sales department, production department, logistics department and more. This form of organisational structure works well for businesses which are not very big and where the departments support themselves and they rely on the skills and knowledge of its employees. The only disadvantage of this form of working is that the level of communication and coordination gets restricted by different departmental boundaries.
- **Divisional structure:** The divisional structure is typical of larger companies that operate in bigger geographical areas or they operate in different domains for different products. The advantage of this system is that the divisions operate independently and their needs can be met faster and quicker. Normally, the divisional structure is costly to operate because of its size and structure.
- **Matrix structure:** A structure that results by combining two or more types of organisational structures such as by combining the functional and divisional structures is called the matrix structure. This operates in large multinational companies, which allow for the advantage of functional and divisional structures to exist within an organisation. There can at times be a struggle for power because most areas of the company will have a dual system of management. Normally, it is seen that under this structure, employees have a number of people they report to within the organisation.
- **Administrative structure:** The administrative structure includes a specific level of system and this is normally preferred for larger multinational organisations. The tension between non-administrative and administrative structures is the booming difference between gradual and automatic structures.
- **Flatarchies structures:** The flatarchies structure takes away the unnecessary levels of structure and power across multiple positions within the organisation. This is neither too flat nor is hierarchical in its structure. This helps in better decision-making within the system. But it can also be confusing and chaotic when people do not agree on a common platform. It is becoming very common in smaller businesses and the new start-up businesses.

### 11.5.1 | DETERMINERS OF ORGANISATIONAL STRUCTURE

Organisational structure helps in providing a basic framework that lays out the procedures for managers and employees to perform tasks assigned to them. The organisational structure is the main basis around which the different functions are worked upon and various procedures and processes operate. The structure of the organisation is designed by the management for its working.

## NOTES

There are different determiners of organisational structures which need to be taken into consideration, which are as follows:

- **Objectives of the organisation:** While designing the structure, it is important for organisations to identify their organisational objectives. The organisation should have set direction while forming the structure of an organisation. There should be an understanding of what the organisation is for and what it wants to achieve. The organisation's aim or goal determines its tasks and strategies within the system.
- **The environment of the organisation:** Every organisation has a system which has its own set of boundaries. The boundaries have an external environment that affects the functioning of the organisation and also has its effect on the structure of the system. They need to change with the changing environment in the form of their procedures, systems, processes and goals. The environmental factors are the cultural, political, social and technological elements which affect the functioning of the organisation. Therefore, it is necessary to design the structure of the organisation according to the changes that are likely to take place in the environment.
- **Technology within the organisation:** There are various activities within the organisation that revolve around the socio-technical system. Technology plays an important role while performing various activities and is an important part of organisational structure. Most of the activities are also related to technology. Performing the activity requires some form of technology, being used in the organisation that would also affect the structure of the organisation directly and indirectly.
- **People working in the organisation:** People form an integral part of organisations. They are employed in the managerial and non-managerial roles and they perform various activities which are assigned to them. The people who work in organisations have certain beliefs, perceptions, values, goals and attitudes which reflect on the structure of the organisation. Hence, it is important to consider these factors at the time of designing the organisational structure.
- **Size of the organisation:** There are different methods of determining the size of an organisation. It is done in regards to the number of employees working, the amount of money that has been invested, the turnover of the company and its main capacity of production. Therefore, on the basis of these assumptions, organisations can be big or small, depending upon the number of people working there. When the organisation grows in size, its systems and structure become very difficult or complicated. With the organisation growing in size, it leads to an increase in realigning of duties and responsibilities and more often by adding of new integrating units and new jobs being assigned to a lot of new employees.

### 11.5.2 | ORGANISATIONS STRUCTURE DESIGN

Organisational structure is required for designing and developing the arrangements of how groups and individuals along with departments and units that are needed to meet an organisation's goals. It lays out the structure of the units with their jobs

and different duties and responsibilities of the people along with compensation for every assigned role. While designing the organisational structure, one needs to keep in mind the business goals, financial systems and the vision of the organisation. The structure should be such that it is flexible and allows for the growth of the organisation and one can also add more jobs and departments within the structure.

Therefore, it is necessary to determine the type of organisational structure that best suits the needs of a business. While designing the organisation structure, one should keep the following points in mind:

- **Defining the departments and units:** In designing the organisational structure, there should be a definite understanding of the business units and departments. Every department or unit should have the same objectives and know their duties that can be overlooked by the supervisors or managers. These business units or departments would align for creating the required organisational structure.
- **Identifying activities:** The next step is to align the activities which are needed to be performed for achieving organisational goals. The functions and responsibilities to be performed for achieving different objectives need to be established. The important activities are then broken into different sub-activities which are performed in a coordinated way.
- **Defining the duties and responsibilities:** Once the groups are formed for the various departments, units and divisions, the activities are grouped according to different positions. There are various responsibilities and authorities defined according to the executive and management teams. The authority is delegated to the different departments and their responsibility is fixed. The various officers and managers are responsible for ensuring that every business unit meets the organisation's goals.
- **Establishing performance metrics:** Once the authority is assigned and delegated to different departments and unit along with their responsibilities, then this defines the structure in the organisation. This helps in laying out the procedure of formal interaction within the system. With the organisational structure in place, the job descriptions can be clearly defined in terms of hierarchy in the organisation. Every job description comes with its own competencies that are needed for doing their task for meeting the organisation's goals. This helps in creating the performance metrics and compensation for each job within the structure along with their compensation packages which need to be defined according to the responsibilities of every job.
- **Simple and flexible:** While designing the organisational structure, one should keep in mind that it should be simple and flexible. It should not have unnecessary levels of management and it should avoid being chaotic and confusing. The system should also be flexible for expanding or diversifying the units and adjusting in accordance with the changing needs. The organisation structure should be designed to bring in new changes without changing the basic structure.

7. Which type of organisational structure is typically found in larger companies operating across different geographical areas or product domains?
  - a. Functional structure
  - b. Divisional structure
  - c. Matrix structure
  - d. Administrative structure
8. Technology plays an important role in organisational activities and directly impacts the \_\_\_\_\_ of the organisation.

### 11.6 CONCEPT OF ORGANISATIONAL DEVELOPMENT (OD)

Organisational Development (OD) is a process which is designed to improve the effectiveness of an organisation along with its productivity. While development is a continuous process and it brings about a number of changes within the environment with the change in knowledge, technology, procedures, values, attitude, culture and so many more attributes. With the changes in the global environment, it has become mandatory for the organisations to change their ways of thinking, values and beliefs. In such scenarios, they need to bring in new systems, structure technologies for moving to progress and moving ahead.

According to **Dale S. Beach**, *Organisation Development (OD) is a complex educational strategy designed to increase organisational effectiveness and wealth through planned intervention by a consultant using theory and techniques of applied behavioural service.*

As per **Warren G. Bennis**, *Organisation Development (OD) is a complex educational strategy intended to change the beliefs, attitudes, values and structure of organisations so that they can better adapt to new technologies, markets and challenges and the dizzying rate of change itself.*

According to **George R. Terry**, *Organisational development includes efforts to improve results by getting the best from employees, individually and as members of working groups.*

The organisation must look at changing for facing the challenges ahead. The important aspect of every organisation is its human resources. It is the management of human resources which is an important aspect of effectiveness of the organisation. OD focuses on the complex interpersonal relationships since they affect the working and activities of the organisation. OD is a systematic process for improving the effectivity of the organisation by applying the behavioural science theory, technology and research for increasing the individual and organisational well-being and productiveness.

It helps the organisations improve their relationships with the external environments along with an excellent system of working. Also, it attains high levels of performance internally. These changes are implemented in the organisations strategically to achieve their goals.

Some important features of organisational development are as follows:

- It is organisation-wide and planned effort
- It is managed from the top
- It increases organisational effectiveness and health
- It uses behavioural science knowledge to plan interventions for organisations' processes.

OD encompasses a number of methods and concepts that are required for bringing changes within the organisations. Constructive organisations are able to solve their own problems with planned strategies and working while continuously striving to improve themselves.

OD is the need of the future. The organisations will look to change according to the latest trends and it is likely to happen in the near future. The industries will continually consider for latest technologies, knowledge and information, and the societies will continue to seek strategic alliances and wish to maximise the benefits that are associated with an integrated and well-managed logistics and supply chain. OD is a way of expression of management's effort to be flexible and adaptable to the environmental situations. They recognise the fact that the situations inside and outside the organisation can take place anytime, and it can create pressure for the change. OD makes an impact on the organisational structure, people and the technology by providing the mechanisms to deal with those changes and control the progress of the changes.

The people and the management need to recognise the changes, and work to implement those changes. The future of OD will remain an important part of management theory and practice. Though there would times when, dealing with social systems and external environment, it will be difficult to evaluate the effectiveness of the different organisational development techniques.

Since many organisations are now interacting with their difficult external environments, an improvement in the organisation can be implemented through OD and the changes can play a vital role in the economic conditions and the other factors.

#### SELF ASSESSMENT QUESTIONS

9. \_\_\_\_\_ encompasses a number of methods and concepts that are required for bringing changes within the organisations.
10. Organisational development is a one-time effort and does not require ongoing planning and interventions. (True / False)

## 11.7 CREATING A LEARNING ORGANISATION

A learning organisation is an organisational concept developed by Peter Senge. It describes an organisation that facilitates the learning of its members and continuously transforms itself to adapt to changes in its environment. In a learning organisation, learning is not just an individual activity but is embedded within

the culture and processes of the entire organisation. The key characteristics of the learning organisation are as follows:

- **Shared Vision:** A learning organisation has a shared vision that provides a sense of purpose and direction for all its members. This shared vision aligns individual goals with organisational objectives and encourages collaboration and commitment among members.
- **Systems Thinking:** Systems thinking is fundamental to learning organisations. It involves understanding the interconnections and relationships between different parts of the organisation and its environment. Members of a learning organisation view the organisation as a complex system and strive to understand how changes in one part of the system can impact the entire organisation.
- **Personal Mastery:** Personal mastery refers to the commitment of individuals within the organisation to continuously improve and develop their skills and knowledge. In a learning organisation, individuals are encouraged to pursue personal growth and development, and the organisation provides resources and support for learning initiatives.
- **Team Learning:** Team learning emphasises the importance of collective learning and collaboration within teams. In a learning organisation, teams work together to solve problems, share knowledge, and innovate. Team learning fosters an environment of open communication, trust, and mutual respect among team members.
- **Mental Models:** Mental models are the assumptions, beliefs, and perceptions that individuals hold about themselves, others, and the world around them. In a learning organisation, individuals are encouraged to challenge their mental models and consider alternative perspectives. By questioning assumptions and being open to new ideas, members of a learning organisation can adapt and respond more effectively to changes in their environment.

The importance of building a learning organisation are as follows:

- **Adaptability to Change:** Learning organisations are adept at navigating and embracing change. By fostering a culture of continuous learning, these organisations empower their employees to acquire new skills and knowledge, enabling them to adapt quickly to evolving market conditions, technological advancements, and shifting business landscapes.
- **Innovation and Creativity:** A learning organisation encourages a mindset of exploration and experimentation. Employees are motivated to think creatively, share ideas, and contribute to innovation. This emphasis on continuous learning creates an environment where novel solutions and approaches to challenges are more likely to emerge.
- **Employee Engagement and Satisfaction:** Learning opportunities contribute significantly to employee engagement and job satisfaction. When employees feel supported in their organisation, they are more likely to be motivated, committed,

and satisfied with their work. This positive work environment enhances overall morale and reduces turnover rates.

- **Increased Productivity and Efficiency:** Continuous learning leads to increased skills and knowledge among employees. This, in turn, enhances their productivity and efficiency in performing tasks. Learning organisations benefit from a workforce that is well-equipped to handle their responsibilities effectively and contribute to achieving organisational goals.
- **Attraction and Retention of Talent:** In a competitive job market, organisations that prioritise learning and development attract top talent. Potential employees are drawn to organisations that offer opportunities for growth and continuous learning. Additionally, by investing in the development of existing employees, learning organisations retain valuable talent, reducing the need for frequent recruitment and training.

#### SELF ASSESSMENT QUESTIONS

11. Which concept is fundamental to learning organisations and involves understanding interconnections within the organization and its environment?
  - a. Personal mastery
  - b. Mental models
  - c. Systems thinking
  - d. Team learning
12. \_\_\_\_\_ is the concept that involves questioning assumptions, beliefs, and perceptions to adapt more effectively to changes in the environment.

## 11.8 SUMMARY

- Organisational change is a process that is important for achieving the goal of profitability, stability, survival and growth within the industry.
- The changes at the organisational level affect important procedures and workings of the system. These involve significant plans and programmes that affect both individuals and groups.
- People-oriented change brings in a required change in terms of employee skills, attitudes, behaviour and performance of employees.
- Groups working in organisations can resist the change because they too are used to following set procedures, patterns and culture.
- Change management is a systematic procedure of amicably dealing with the transition or changes in the organisation's goals.
- Changes in the organisation require proper planning. Without any planning, the changes within the organisation are likely to fail and cause more problems.
- The organisational structure depicts the work hierarchy within the organisation by defining each job and its related functions, together with specifying the reporting responsibilities.

NOTES

- In the functional structure of the organisation, every part of the organisation is grouped according to its job function.
- Organisational Development is a process which is designed to improve the effectiveness of an organisation along with its productivity.
- Lewin's Three-Step Model emphasises the importance of preparing individuals and organisations for change, implementing the change effectively, and ensuring that the change becomes ingrained into the organisational culture for long-term success.
- Learning organisation is an organisation that facilitates the learning of its members and continuously transforms itself to adapt to changes in its environment.

### 11.9 KEY WORDS

- **Process-oriented change:** The change related to automation, technological innovations and information processing in the industrial world. It became very important for organisations to enhance their technology.
- **Strategic change:** The changing environment necessary for the organisation to relook at their mission in terms of strategies for achieving its objectives.
- **Change management:** A systematic procedure of amicably dealing with the transition or changes in the organisation's goals.
- **Divisional structure:** A structure for larger companies that operate in a bigger geographical area or in different domains for different products.
- **Matrix structure:** A form of organisational structure that is a cross between the divisional and functional structure.

### 11.10 CASE STUDY: ORGANISATIONAL CHANGES

There was communication from the office of Prasant Chemicals Limited through personnel, informing the middle managers working in the organisation in the form of a circular that there would be a group of consultants who would be coming there for training on team-building later in the week. The training objective of the consultants would be to emphasise on developing teamwork and to work on intergroup relationships within the company. The managers were informed of the perspective and the point of view of the consultants for explaining the process in five steps for team building: developing interactive skills, problem-solving, taking care of differences, taking and giving feedback and to follow-up actions that are needed. The circular also informed them in regards to the advantage of team-building that was needed for the effective operations within organisations. When the middle managers received the circular, it got them anxious and tense since they felt that the process of team-building was an exercise that involved a lot of nonsense since they had gone through an earlier training and exercise on sensitivity training where the participants started to attack one another aggressively and were abusing each other whom they did not like. Hence, the managers were of the opinion that the consultants were not needed for the exercise on team-building. They were of the opinion that they understood the concept of team-building and knew what was involved in team



building. Hence, they could go ahead and conduct the sessions themselves. All they had to do was to select a manager who everyone liked and put him in the role of the consultant. Hence, the organisation does not need to spend a lot of money to get the consultants to train them on the concept of team-building. According to the manager, 'one needs to just have a good feeling for the human factor'. All the other managers in the system agreed with his views. But the company's personnel director did not agree with their suggestion and went ahead with the original plan of hiring the consultants.

*Source: <http://www.pondiuni.edu.in/sites/default/files/organizational-development-260214.pdf>*

## QUESTIONS

1. Why did middle managers show resistance to team-building approach of organisation development?  
(**Hint:** Not ready for a change, a concept not communicated properly)
2. Did corporate personnel office sell the concept of team-building and its usefulness properly to middle managers? What actions should the department have taken?  
(**Hint:** Bad handling of employees, need to know the advantages)

### 11.11 EXERCISE

1. Explain the concept of organisational change. How does it benefit organisations?
2. Why is resistance a challenge to change? What are the factors involved?
3. What is change management? Explain the obstacles in managing the change.
4. What are the determiners of organisational structures?
5. What do you mean by organisational development?

### 11.12 ANSWERS FOR SELF ASSESSMENT QUESTIONS

Topic	Q. No	Answer
Concept of Organisational Change	1.	d. People-oriented change
	2.	False
Resistance to Change	3.	d. Timing and delivery issues
	4.	Resistance
Change Management	5.	True
	6.	False
Organisational Structure	7.	b. Divisional structure
	8.	Structure
Concept of Organisational Development (OD)	9.	Organisational Development
	10.	False
Creating a Learning Organisation	11.	c. Systems thinking
	12.	Mental models

## 11.13 SUGGESTED BOOKS AND E-REFERENCES

### SUGGESTED BOOKS

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# Decision-Making in an Organisation

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**LEARNING OBJECTIVES**

*After studying this chapter, you will be able to:*

- Discuss the meaning and types of decision-making
- Explain the process of decision-making
- State the factors affecting the process of decision-making
- Describe different models of decision-making
- Elaborate the strategic decision-making

**12.1 INTRODUCTION**

In the previous chapter, you were acquainted with the concept of organisational change and resistance to change. Then you studied change management and organisational structure. At the end of the chapter, you also studied organisational development and creating a learning organisation.

Decision-making is the process of finding a suitable course of action which can help an organisation achieve its goals and objectives. At every level of management, decisions are made in order to facilitate day-to-day operations effectively and timely. It requires considering factors like resources, risks, and stakeholders' interests. Effective decision-making involves gathering information, evaluating alternatives, and choosing the best course of action. It impacts organisational performance, culture, and long-term success.

In this chapter, you will learn about the concept of decision-making and the process of decision-making. The chapter also discusses models of decision-making. At the end of the chapter, it explains strategic decision-making.

**12.2 DECISION-MAKING**

Decision-making is a process that involves the identification and selection of an alternative from various available options. It is a problem-solving technique in which a viable solution is opted for a prevailing problem. For example, when an organisation faces financial crunch, it either needs to raise share capital or avail a loan in order to solve the existing problem. The decision of an organisation depends on its needs, preferences, and values as well as on the external factors, such as rate of interest on loan.

An organisation needs to make an informed decision within a certain period of time. If the decisions are not made within the predetermined timeline, it may cause wastage of resources, which, in turn, affects the performance of the organisation. An efficient decision-making technique should assess various alternative actions and then opt the most viable and feasible alternative in order to fulfill the objectives of an organisation. Sound and rational managerial decisions are important to execute day-to-day operations of an organisation.

## 12.2.1 | DECISIONS AND ITS CLASSIFICATION

A wide range of decisions are made by individuals within an organisation by using the gathered information. Though, the capability of making an accurate decision within a short period of time is a highly valuable quality, but one cannot go behind a set blueprint for taking a decision on a course of action every time. Thus, there are different types of decisions that are taken depending on the degree and nature of the problem. Various types of decisions are explained as follows:

- **Irreversible decisions:** Such decisions are permanent in nature. Once these decisions are framed, they cannot be reversed. The effects of these decisions can be experienced after a long period of time. For example, deciding the new location of the production plant.
- **Reversible decisions:** These are short-term decisions which are not ultimate and compulsory. In fact, these decisions can be altered completely at any point of time according to the prevailing circumstances. For example, an organisation can reduce or increase the price of its products according to market situations.
- **Delayed decisions:** These decisions can be postponed until the decision maker considers that the right time for making such decisions has come. The delay may result in loss of a beneficial opportunity. However, such decisions are beneficial as an individual or organisation gets sufficient time to accumulate information necessary for decision-making and organise all the factors in a correct manner.
- **Quick decisions:** These decisions enable an individual or organisation to take maximum benefits out of the opportunity available at hand. However, only an efficient decision maker can formulate decisions that are immediate as well as accurate. The decision maker should consider long-term results of taking such decisions.
- **Experimental decisions:** These are some of the diverse types of decisions in which the ultimate decision cannot be made before evaluating its feasibility and effectiveness. For example, an organisation does research on the market trends before launching its product.
- **Trial and error decisions:** These decisions involve continuous tracking of a definite course of action. If the consequence is beneficial, it is followed further; if not, then a new course of action is implemented. The trial and error process is sustained until the decision maker reaches a course of action that influences his/her success. This permits the decision maker to modify and adjust his/her plans until the ultimate obligation is reached.
- **Authoritative decisions:** These decisions are initially taken by the decision maker and followed by subordinates. The decision maker has all the data and knowledge necessary to take an instant decision. The authoritative decision can be effective if it is based on the experience and knowledge of the individual.
- **Facilitative decisions:** These decisions are made by a joint effort of the manager and his/her assistants. The assistants should have the proficiency and the information necessary to make decisions. Such an approach could be helpful when the threat of an incorrect decision is very little. It is also an immense way of relating and motivating assistants in the functioning of the organisation.

### 12.2.2 | FACTORS AFFECTING DECISION-MAKING

The success or failure of every organisation depends on the effectiveness of its decision-making process. The decision-making process of an organisation is influenced by various factors. Some of these factors are given as follows:

- **Past experiences:** Past experiences affect the decision-making process of an organisation to a large extent. If effective decisions are taken in the past, people are more likely to make future decisions in a similar manner. On the contrary, if the decisions have failed, people strive to avoid the same kind of mistakes committed in the past.
- **Cognitive biases:** Cognitive biases are referred to as the thinking patterns of individuals. The thinking pattern of different individuals varies based on the observations and generalisations. Therefore, the overall decision-making process gets affected.
- **Individual differences:** Individual differences act as major factors that influence the decision-making process of the organisation. Every individual has a different degree of commitment. For example, some individuals are achievement-oriented and do not like to fail. Therefore, they escalate their commitment to solving a particular problem. On the other hand, individuals, who are only committed to their duties and roles in the organisation, generally prefer to make decisions that are appropriate for the organisation. In addition, decision-making is also influenced by the gender of the decision maker. According to a study, women analyse situations more as compared to men. Generally, women take into consideration all the pros and cons of the decision to be made. This helps in more careful consideration of problems; however, it may cause wastage of time and resources of the organisation.
- **Performance evaluation:** Performance evaluation influences the decision-making process of the organisation. For example, if the performance of a particular department of an organisation is not as per the requirements, the decision-making for that particular department would be quite different from the other departments performing above the requirement.
- **Time constraints:** Time constraints act as an important factor that influences the decision-making process of the organisation. Generally, in organisations, there is a certain time period within which a project should be completed. This influences the decision-making process of the organisation.

#### SELF ASSESSMENT QUESTIONS

1. How do cognitive biases impact the decision-making process?
  - a. They have no influence on decision-making.
  - b. They result in quick and accurate decisions.
  - c. They affect thinking patterns and the overall process.
  - d. They only influence individual differences.
2. \_\_\_\_\_ decisions are short-term and can be completely altered based on prevailing circumstances.

## 12.3 PROCESS OF DECISION-MAKING

Every organisational decision involves a certain amount of risk. For example, if an organisation has made a decision to expand its business by entering into a new industry, then the risks involved in this decision can be a failure of the business, high competition, and unsuitable marketing conditions. Therefore, a decision maker needs to analyse the business environment, select appropriate alternatives, and coordinate all resources for efficiently achieving organisational objectives, before making any decision. He/she should have both managerial and administrative skills.

Figure 1 shows steps involved in the decision-making process:

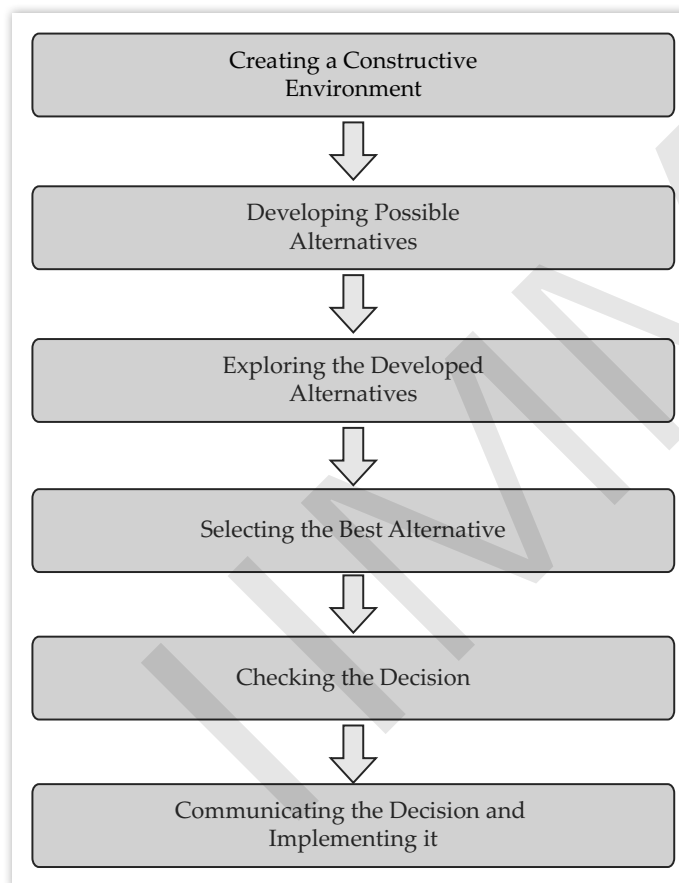


FIGURE 1: Decision-Making Process

Steps involved in the decision-making process (as shown in Figure 1) are explained as follows:

1. **Creating a constructive environment:** The first step of the decision-making process is the creation of a productive environment for efficient decision-making. An organisation needs to consider the following key points to create a productive environment:
  - Defining the objectives that are to be achieved.
  - Determining the decisions to be taken in order to achieve the defined objectives.
  - Communicating all the decisions to stakeholders.

## NOTES

2. **Developing possible alternatives:** This step involves generating maximum alternatives from the available options, so that the best course of action can be taken. When there are more alternatives, there is a need for better analysis and consideration of problems from different perspectives. Better alternatives can be developed in the following ways:
  - Generating ideas by brainstorming and taking suggestions from stakeholders, which helps in gathering more effective alternatives.
  - Considering different perspectives by using 4 Ps (Product, Planning, Potential, and People) as the basis for gathering different perspectives.
  - Organising different ideas separately and combining into one comprehensive alternative.
3. **Exploring the developed alternatives:** In this step, various alternatives are evaluated in terms of feasibility, implications, and risks involved. All the alternatives are checked in order to identify the most viable alternative.
4. **Selecting the best alternative:** It is a decision-making phase which involves selection of the most appropriate alternative from all the generated alternatives. However, if still there is any confusion left, following tools can be used for selecting the best alternative:
  - **Paired comparison analysis:** This technique is a valuable tool which involves a comparison of all the generated factors on the basis of set priorities. The alternative carrying more weightage is given the preference over others.
  - **Decision tree analysis:** It involves placing all the available options in a tree-like diagram and selecting the best alternative.
5. **Checking the decision:** This step involves reviewing and reconsidering the selected alternative before implementing it. This step is a check and balance phase in which errors and loopholes are detected and bridged.
6. **Communicating the decision and implementing it:** This step involves informing all the individuals who might be affected by the decision or are involved in the implementation. This step involves explaining the reasons for selecting any particular alternative.

## SELF ASSESSMENT QUESTIONS

3. Exploring the developed alternatives is the step where errors and loopholes are detected and bridged. (True/False)
4. What technique involves placing all available options in a tree-like diagram to select the best alternative?
  - a. Paired comparison analysis
  - b. Decision tree analysis
  - c. Brainstorming
  - d. SWOT analysis

## ACTIVITY

Research on the Internet and find out the various types of barriers faced by an organisation during decision-making?



## 12.4 MODELS OF DECISION-MAKING

As discussed earlier, all problems do not have the same solution. Moreover, different individuals analyse a single situation from different perspectives. Therefore, there is no single or definitive set of techniques that can be used for decision-making. Instead, various models are designed for decision-making, which are based on distinct philosophies or outlooks. Some of these decision-making models are as follows:

- **Rational model:** This decision-making model is based on thinking/cognition. This model uses the thought process to find out the best possible alternative for achieving outputs. It is helpful in making non-programmed decisions and ensures that the decision maker has taken an appropriate decision for a particular problem by thinking in a rational and logical manner. A rational, sequential, intelligent, and logical approach is used to foster high-quality decisions. Figure 2 shows steps involved in the rational decision-making model:

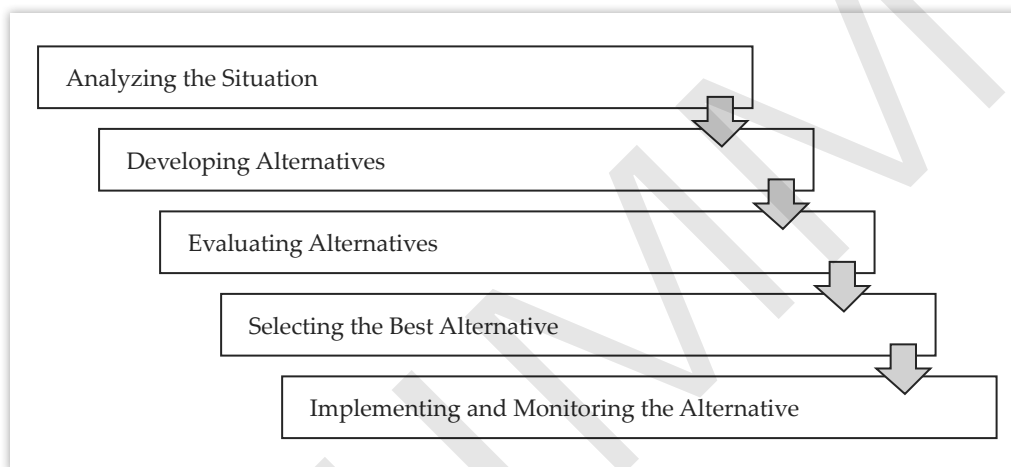


FIGURE 2: Rational Model of Decision-Making

In Figure 2, the first stage of decision-making is the analysis of the prevailing situation/problem. This stage consists of a number of steps including defining the problem, diagnosing the main cause of the problem, and identifying the elements or constituents of the problem. After the first stage is completed, the next logical step is to develop the alternatives that can be used for solving the problem or improving the existing situation. The difficulty level of this stage depends on the type of decision to be taken. In this stage, it is simpler to execute programmed decisions as compared to non-programmed decisions. Further, all alternatives are evaluated against one another to arrive at the best alternative. In the next stage, the best alternative is selected as the final decision. Finally, the selected alternative is implemented and monitored regularly for solving the problem.

- **Bounded rationality model:** This decision-making model signifies that cognitive thinking and the time to make any decision is limited. The bounded rationality model was introduced by Herbert Simon. It was recommended as a substitute for mathematical modeling of decision-making, as used in economics and associated disciplines. This model views decision-making as an entirely rational process of determining an ideal course of action.

## NOTES

- **Contingency model:** This is a decision-making model which is based on the approach that a single solution is not feasible for solving all problems. The contingency model is based on the contingency theory given by Fiedler, Hersey, and Blanchard. According to this model, there is no universal way of decision-making. This model emphasises that micro and macro factors of an organisation should be taken into consideration while making decisions. The contingency theory has been used in many other management areas besides decision-making, such as leadership, organisational behavior, and mentoring.

## SELF ASSESSMENT QUESTIONS

5. The contingency model implies that there is only one universal solution for solving all organisational problems. (True/ False)
6. The \_\_\_\_\_ model suggests that cognitive thinking and the time to make any decision are limited.

## 12.5 STRATEGIC DECISION-MAKING

Strategic decision-making involves taking critical decisions in line with the organisational strategy in order to achieve organisational objectives. Strategic decisions are governed by the top-level management of the organisation.

The growing competition and complexity of organisations have increased the importance of decision-making at the top level. If the strategic decisions of an organisation go wrong, the strategies fail to produce the desired results. Therefore, effective strategic decision-making is crucial for the success of an organisation. Strategic decisions require extensive resources and a great level of dedication from employees at all levels. Lower-level decisions of an organisation are based on strategic decisions.

### Types of Strategic Decision-Making

There are various types of strategic decisions to be made in an organisation. Some of these types are mentioned in the following points:

- **Intuitive decision-making:** This type of decision-making implies the use of common sense. It can be an inner sense or voice of the manager that supports the decision-making process. Intuitive decision-making might involve creative thinking to obtain alternative solutions to a problem.
- **Rational decision-making:** This type of decision-making uses a logical, ordered, and structured approach to select the most logical solution to the problem by gathering all the important information.
- **Behavioural decision-making:** This type of decision-making depends on the behaviour of humans. Behavioural decision-making involves active participation from employees in decision-making to make a decision more effective and efficient. It also leads to a sense of belongingness within the employees.

## Features of Strategic Decisions

In an organisation, a strategic decision embodies numerous features. The main features of a strategic decision are as follows:

- **Integrating various functions in an organisation:** This feature implies that strategic decisions aim at coordinating the activities of different strategic business units to achieve organisational goals of quality, cost, revenue, and innovation.
- **Considering a broad range of stakeholders:** This feature implies that strategic decisions affect the needs of various stakeholders, such as customers, shareholders, owners, managers, and government. The top management develops strategies by taking into consideration the effect of its decisions on stakeholders.
- **Considering both efficiency and effectiveness:** This feature implies that strategic decisions aim at doing the right things in the right way. Strategic decisions try to balance all the dimensions of work. Other features of strategic decisions are as follows:
  - Affects the long-term direction of an organisation.
  - Matches the organisation's activities with the business environment.
  - Involves the operational decisions of the organisation.

## Issues in Strategic Decision-Making

Strategic decision-making processes are quite difficult to perform as such decisions cannot be analysed and explained easily. There are various issues in strategic decision-making that may arise in an organisation. Figure 3 shows the issues in strategic decision-making:

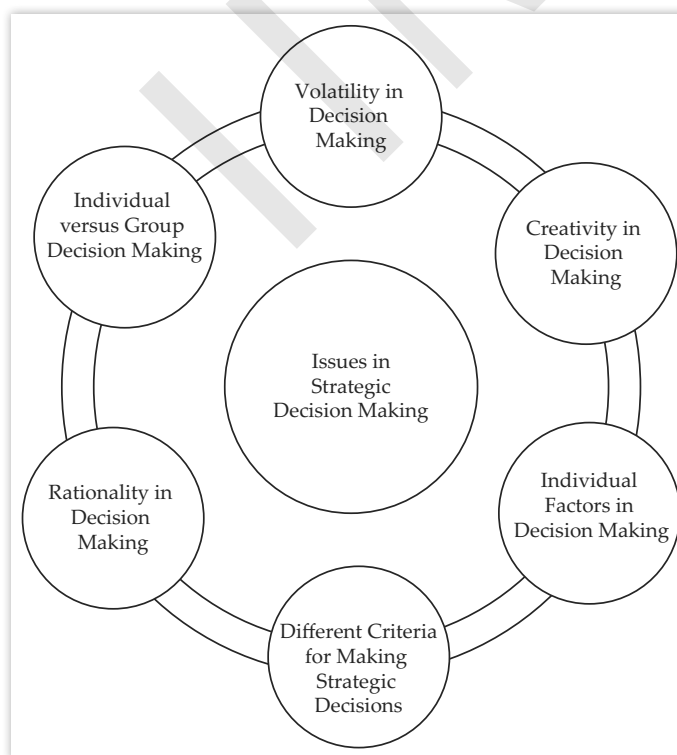


FIGURE 3: Strategic Decision-Making Issues

## NOTES

The discussion of the issues in strategic decision-making is as follows:

- **Rationality in decision-making:** It implies that a final decision should be opted from different alternatives in such a way that the objectives of the organisation are achieved in the best possible manner. A rational decision should take into consideration all the aspects of the organisation, such as profitability issues, optimisation issues, and a consensus of all the members in the organisation.
- **Creativity in decision-making:** It implies that a strategic decision should be unique and different in nature. Creativity in the decision-making process leads to exploring the alternatives and achieving the objectives in an exceptional manner.
- **Volatility in decision-making:** It implies that every problem may have different solutions depending on different perceptions of different individuals. Thus, it can be inferred that the process of strategic decision-making involves volatility.
- **Different criteria for making strategic decisions:** It implies objectives of formulation for making decisions. The three major criteria in strategic decision-making are as follows:
  - **Maximisation concept:** This concept implies maximising the returns.
  - **Pragmatic concept:** This concept means setting objectives realistically and optimally.
  - **Incremental concept:** This concept implies moving towards achieving the objectives through small incremental steps.
- **Individual factors in decision-making:** Individual factors, such as age, knowledge, creativity and perceptions, play a significant role in strategic decision-making. For example, while taking social responsibility decisions, individual values, such as culture and beliefs, form the most important part.
- **Individual versus group decision-making:** The decision-making behaviour of individuals and groups may vary, which leads to differences in the strategic decision-making process. The strategic decisions taken by an individual, such as a chief executive officer or manager, would differ from the decisions taken by a group, such as boards of directors.

## SELF ASSESSMENT QUESTIONS

7. \_\_\_\_\_ in decision-making suggests that different individuals may perceive problems and solutions differently.
8. Which type of decision-making involves the logical and structured selection of the most appropriate solution?
  - a. Intuitive decision-making
  - b. Rational decision-making
  - c. Behavioural decision-making
  - d. Emotional decision-making

## ACTIVITY

Analyse a case study of a manufacturing industry to identify factors influencing strategic decisions, discuss implications, and propose alternative strategies for organisations.

## 12.6 SUMMARY

NOTES

- Decision-making is a process that involves the identification and selection of an alternative from various available options. It is a problem-solving technique in which a viable solution is opted for a prevailing problem.
- There are various types of decisions, such as irreversible decisions, reversible decisions, delayed and quick decisions, authoritative decisions and facilitative decisions.
- The decision-making process of an organisation is influenced by various factors, such as past experiences, cognitive biases, individual differences, time constraints, etc.
- There are various models designed for decision-making, which are based on distinct philosophies or outlooks. Rational decision model uses the thought process to find out the best possible alternative for achieving outputs. Bounded rationality model views decision-making as an entirely rational process of determining an ideal course of action.
- Contingency model is a decision-making model, which is based on the approach that a single solution is not feasible for solving all problems.
- Strategic decision-making refers to take critical decisions in line with the organisational strategy in order to achieve organisational objectives. Strategic decisions are governed by the top management of the organisation.
- There are various types of strategic decisions, such as intuitive, rational and behavioural decisions. There are various issues, such as rationality, creativity and volatility in strategic decision-making that may arise in an organisation.

## 12.7 KEY WORDS

- **Cognition:** A mental process of acquiring knowledge in order to apply conscious reasoning.
- **Managerial decisions:** The decisions related to the operations of an organisation.
- **Incremental:** It refers to gradual and continuous changes, improvements, or adjustments, fostering sustainable progress and adaptability over time.
- **Constraints:** The limiting factor that affects the growth of an organisation.
- **Pragmatic:** A practical approach of dealing with things in a realistic manner.

## 12.8 CASE STUDY: RATIONAL DECISION-MAKING APPROACH OF XYZ AIRLINES

XYZ Airlines is a leading airline company, which is known for its high-quality service and low cost. The ultimate objective of the organisation is customer satisfaction. The company gained the status of a leading airline company after 2012 because it started following the rational decision-making approach from 2012.

## NOTES

Prior to 2012, the organisation was only focussing on short-term goals and no attention was given to the quality of the service and competitive macro-economic market conditions. The emphasis was only on low-cost strategy and past success trends of the company. Due to such reasons, the company faced a major financial crisis. The reason for such mishap was a lack of diligence and inherent weakness in the decision-making process. With the help of situational analysis, they came to know that the cognitive biases and individual differences were a few inherent weaknesses in their decision-making process.

After passing through the financial crunch, the company started facilitating rational decision-making approach, which has helped the company overcome such financial crisis. Since then, the company was enjoying good financial growth as it is now following the rational model of decision-making in order to meet the consumer's need by providing high-quality services.

**Source:** <https://www.ukessays.com/essays/business/decision-making-planning-and-general-organization-in-ryanair-business-essay.php>

## QUESTIONS

1. Why did XYZ Airlines choose the rational decision-making approach in order to deal with the financial crisis?

(**Hint:** Rational decisions are facilitated by logical, ordered, and structured approach.)

2. What are the various shortfalls observed in the decision-making process of XYZ Airlines prior to 2012?

(**Hint:** Cognitive bias, Individual differences, etc.)

## 12.9 EXERCISE

1. What are the different classifications of decisions?
2. Describe the stages involved in the process of decision-making.
3. How does the rational decision-making model differ from the bounded rationality model in decision-making?
4. Explain any three types of strategic decision-making.
5. What are the issues in strategic decision-making?

## 12.10 ANSWERS FOR SELF ASSESSMENT QUESTIONS

Topic	Q. No.	Answer
Decision-Making	1.	c. They affect thinking patterns and the overall process.
	2.	Reversible
Process of Decision-Making	3.	False
	4.	b. Decision tree analysis
Models of Decision-Making	5.	False

Topic	Q. No.	Answer
	6.	Bounded rationality
Strategic Decision-Making	7.	Volatility
	8.	b. Rational decision-making

NOTES

## 12.11 SUGGESTED BOOKS AND E-REFERENCES

### SUGGESTED BOOKS

- Hodgkinson, G. and Starbuck, W. (2008). *The Oxford Handbook of Organizational Decision Making*. Oxford: Oxford University Press.
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