Rural Management
Foundations of Management and Entrepreneurship

First Edition

MoE | Government of India
Ministry of Education

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About the Book

India lives in 7,00,000 villages. 'Villages are still the backbone of India which provides us with food grains, vegetables, fruits without which we can't exist. More than 60% of the population lives in rural who depend on agriculture, dairy, agriculture allied business, handloom, handicraft and other business. Produces and Products from rural organizations are of a great demand at village level, in towns, cities, regional, national and global level.

We have plenty of culturally rich foods available in each and every state of our country. Increasingly, Indian consumers are passionate about some offering which is ancient which is about certain place with a certain story. But to make it marketable and convert in to finished product, we need a revolution to happen similar to Amul Story. It is going to involve lot of efforts from social organizations, and government, and private organizations have a great role to play in this.

We see lot of people getting in to sustainable practices. Our country in many pockets has seen unsustainable practices in the usage of resources whether it is agri-inputs, water or soil. There are some of the challenges that have emerged over the last couple of years. Many of those challenges warrant some kind of a systematic effort to tide over those challenges. These are opportunities for professionals in rural management domain to actually do a lot of good work which science as an art is what is missing today. The entire sustainability story, the entire story around improving the livelihood of farmers, the way the things are changing, needs to be tracked and mapped in a very systematic way. Making the people aware, and sensitizing them to the realities of rural India, giving them access to the information about opportunities, how they can possibly as responsible citizens can make a living out of these and work in an altruistic manner to benefit the villages and rural people.

The rural sector affects, directly or indirectly, almost all the economic activities in the country and offer employment to the maximum number of individuals. Rural areas are the key assets of natural resources and these resources are multifunctional serving both the production and consumption functions. It supplies food for the survival of the entire population of India. It also provides input, raw material necessary for major industries of the India. A large part of revenue of the Government is also generated from the rural sector. Rural Development is the key area of focus in India. India being welfare state views welfare of people as its foremost obligation. Rural development not only deals with development of rural areas but also with the overall improvement in standard of living such as fresh air, safe drinking water, shelter, good health facilities and livelihood for survival. This book is an effort to highlight and spread the awareness about the Government and individual initiatives taken in India for the upliftment of rural society/ communities. At present, there are number of schemes/ programmes to uplift the rural community. But, with the changing needs of time, the rural development efforts have been revamped and restructured to make them more effective and people oriented. For a country, where the majority of its population continues to live in the rural, entrepreneurship in the rural assumes signification importance. Rural entrepreneurship has the potential to reap the demographic dividend that Indian economists refer to and create value for rural consumers thereby solving community level problems.

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Chapter 1 Introduction to Management

Introduction

Managing or management is one of most important human activities. We have seen management at the family level, at school or college level-where our teacher ensures that individuals work together to achieve a common goal. As the number of people increase, so does the complexity of managing them. This chapter aims to introduce you to the concept of management and the aspects around it.

Objectives

At the end of this chapter, the student will be able to:

- **Tell** Who managers are
- **Define** Management
- **Describe** Manager's nature of work
- **Explain** Why it is important to understand and study management
- **Describe** The different approaches to management

Structure

> 1.1 Managers and Management

> 1.2 What is Management?

> 1.3 Managerial Roles

> 1.4 The Need to Study Management

> 1.5 Evolution of Management

1.1 Managers and Management

Changing Times

Imagine what life would have been like some 100 years ago when the world saw the Spanish Flu Pandemic. Today, we are facing a similar situation. The world is shaken with the rise of Coronavirus. In 100 years since the Spanish Flu, the world has changed multifold in terms of Science, Engineering and Technology. When the governments across the world imposed lockdown, the entire workforce is virtual. People are working from home, from different locations around the globe. Mr. Ganesh, is the manager of a BPO unit set in the outskirts of Bagalkot district in Karnataka. The lockdown has forced him to close his office, however, as the manager of the BPO he has to ensure that his customer's calls are attended.

Given the limitations of lack of proper bandwidth, human resources and the infrastructure, Ganesh ensures that the work is completed as planned. These are the times when Ganesh's role becomes important and that's why those who manage people have such a challenging job.

Ganesh seems to be a good example of a successful manager—that is, a manager successfully guiding employees as they do their work—in the time of crisis. Given all the limitations that the current scenario has put him in, he still ensured that his customer's calls never go unattended. So, how do we know who a successful manager is? There is no one universal model of what or who a successful manager is. Managers today can be from Baby Boomers to Gen Z. They may be women as well as men, and they can be found in all industries and in all countries. They manage small businesses, large corporations, government agencies, hospitals, museums, schools, and not-for-profit enterprises. Some hold top-level management jobs while others are middle managers or first-line supervisors. Although most managers don't deal with employees, all managers have important jobs to do.

In this chapter, you will be introduced to managers and management: who they are, where they work, what management is, what they do, and why we should study management. Finally, we will finish the chapter by looking at some factors that influence and redefining management.

Managers-Who are they?

Managers work in organizations. So, what is an Organization? It is a deliberate arrangement of people brought together to accomplish some specific purpose (Robbins, Decenzo & Coulter, 2013). The college you study is an organization. The office your parents work is an organization. So are the your neighborhood Kirana Stores, the Indian Cricket team, the Kabbadi team, companies like Google, Apple, ONGC, etc. All of these organizations have three common characteristics (Figure 1.1). They are:

Figure 1.1 Common Characteristics of Organization

1) **Goal:** The goals or aims of an organization are usually expressed as their vision and mission. For e.g., the goal of AMUL is to "Establish a direct linkage between the milk producers and consumers by eliminating the middle men".

2) **People:** In order to achieve the goal, the organization needs people. An organization's people/employees make decisions and engage in work activities to reach the goals.

3) **Structure:** The structure of the organization defines the roles and responsibilities and the boundaries of each individual/employee in the organization. This structure will guide the employees on what to do, who reports to whom, etc.

Managers and Non-Managers

Although managers work in organizations, not everyone who works in an organization is a manager. For better understanding, we will divide the employees in an organization into two categories:

1. Non-managers and
2. Managers

Non-Managers are employees who work directly on a job or task and have no responsibility for overseeing or managing the work of others. The employees whom we see in the reception as receptionist, the sales men in the mobile shop, the person who takes our order at the restaurant are all non-managers or non-managerial employees. These employees can either be individual contributors or associates or executives.

Managers, on the other hand, are individuals in an organization who direct and oversee the activities of other people in the organization (Robbins et al., 2013). This does not mean that the managers do not have tasks on their own. In addition to their own tasks, managers also oversee and get the work done from others. For example, a regional bank manager of SBI will also have responsibilities in servicing some customer accounts in addition to overseeing the activities of the other banks in their territories.

Managerial Levels

Managers are usually classified as into top, middle, or first-line managers (see figure 1.2).

Top Managers are those at or near the top of an organization. For instance, as the CEO of a Sakthi Sugars. They are responsible for making decisions about the direction of the organization and establishing policies and philosophies that affect the entire organization. The top managers typically have titles such as vice president, president, chancellor, managing director, chief operating officer, chief executive officer, or chairperson of the board.

Middle Managers are those managers found between the lowest and top levels of the organization. For example, the plant manager of Sakthi Sugars unit in Pollachi, is a middle manager. These middle managers often manage other managers and maybe some non-managerial employees and report directly to the top level management. They are typically responsible for breaking down the goalsset by top managers into smaller details that lower-level managers can get it done. Middle managers may have such titles as department head, project leader, unit chief, district manager, division manager, or store manager.

First-line Managers are those individuals responsible for directing the day-to-day activities of non-managerial employees. For example, the third-shift manager at the Sakthi Sugars unit in Pollachi is a first-line manager. They are often called supervisors, team leaders, shift managers, or unit coordinators.
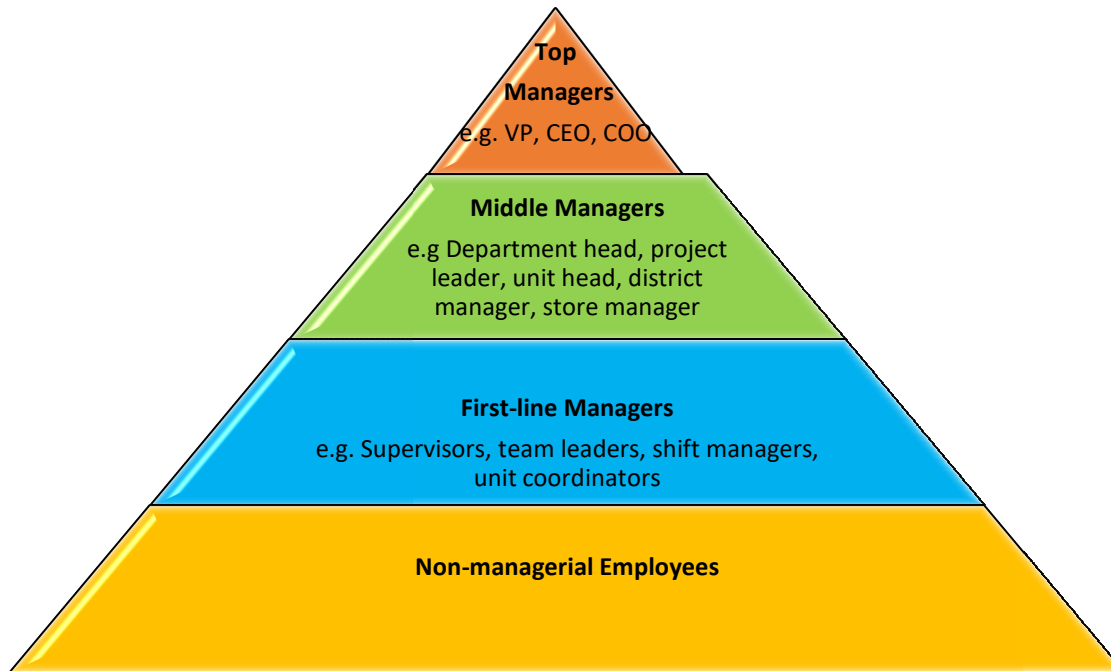
Figure 1.2 Management Levels

To-Do-Activity

Exercise 1

- Visit one of your local company
- Speak to the managers in the company and understand their company goals
- Draw their organization structure

Exercise 2

- Make a group of 4 members
- Imagine you are starting a small company in your village
- Assign each individual the role of top, middle, front-line managers and non-managerial employees
- Starting with your company's goal, discuss the role of each individual according to the level in the organization
- Present to the class your company's goal and the roles and responsibilities of each member in the team

Exercise 3

- Visit the website of any 5 Indian companies
- Read and understand their vision and mission statements
- Differentiate between vision and mission statements

Exercise 4

- List down the Managerial and Non-Managerial activities of your college principle and your HOD

1.2 What is Management?

The definition of the word management draws inspiration from a number of disciplines such as Sociology, Economics, Psychology, Statistics, Anthropology and so on. One of the most popular definitions of management is given by Mary Parker Follet. According to Follet, management is 'the art of getting things done through people'. Another explanation is that management is the "process of getting things done, effectively and efficiently, with and through other people" (Robbins et al., 2013). George R Terry defined management as "a process consisting of planning, organizing, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources". This definition emphasizes that management is a process of doing things using managerial namely planning, organizing, actuating and controlling.

Some of the common terms used to describe management are: process, efficiency and effectiveness. A **process** refers to a set of ongoing and interrelated activities. It refers to the primary activities or functions that managers perform. The term **efficiency** means doing a task correctly ("doing things right") and getting the maximum output from minimum inputs. In most cases, managers deal with minimal or limited resources (e.g. Ganesh-the BPO manager). These resources could be people, money, and equipment. It is the manager's responsibility to ensure the efficient use of these resources. Their objective is to minimize resource use and their costs. Apart from being efficient, managers should also ensure effectiveness. **Effectiveness** means "doing the right things". This would mean focusing on those tasks that help the organization achieve itsgoals. Efficiency is concerned with the "means" or "ways" of getting things done, whereas, effectiveness is concerned with the "ends" or "output". For e.g. a primary school in your nearby village which is understaffed, can neither focus on teaching the students all the subjects nor focus on teaching the subjects well (because of limited teachers). Therefore, the goal of the management is to be both effective and efficient.

Management: Science or Art?

Management is both Science and an Art. It is know-how. Management as a practice is an Art, but the use of organized knowledge underlying the practice is Science (Koontz& Weihrich, 2012). Management as a science allows the managers to work better by using the available organized knowledge. The context of art and science are complimentary factors Management.

Management as Science

Science is an organized and structured body of knowledge. We call a field scientific if its:

- Methods of inquiry are systematic and empirical
- Information can be ordered and analyzed
- Results are cumulative and communicable

The term Systematic means, being orderly and unbiased. It means that the investigation must be empirical and not merely a speculation. Information collected in the raw form is sorted and analyzed with statistical tools and inferences are made from the results obtained. Such organized and systematic approach allows the research to be generalizable and replicable. This would mean that, when the same study is replicated in a different setting it should produce the results similar to the original one. Science is also cumulative because what is discovered new is added to what has been found before and we use them as an evidence and support for new studies. In management as a science, we study people and number of factors affecting him. For example, Hawthorne Studies is a scientific method that was conducted to study the functioning of employees in a workplace.

Management as an Art
Management is the art of getting things done through people. It is an art because a manager has to plan and coordinate various resources against several limitations to achieve the goals of the organization in an effective and efficient manner. This involves the manager to constantly analyze the existing situation, determine objectives, seek alternatives, implement, and control and make decision. Under these circumstances, the manager must possess the skill (or art) of applying the right measures at the right time to achieve the goal. The scientific knowledge that the manager has learnt should be applied and practiced. Over the years, with experience, the manager becomes good at these skills.

What Do Managers Do?
While the role of managers exist in all industries, their roles may vary depending on the industry they work for. This being said, there are some common elements/roles that a manager performs across the industry type.

The Functions of Managers
According to the functions approach, managers perform certain activities or functions as they direct and oversee others' work. In the early part of the twentieth century, a French industrialist by the name of Henri Fayol proposed that all managers perform five management activities: plan, organize, command, coordinate, and control. Over the years, these management functions have been condensed to four: planning, organizing, leading, and controlling. (See figure 1.3).The essentials of these functions will be dealt in the following chapters.

Planning: Involves defining the goals, establishing strategy, and developing plans to organize and coordinate activities. Planning also involves decision making and selecting the next course from a range of alternatives. These activities ensure that the work to be done is kept in proper alignment with the organizational goals.

Organizing: People work together in groups to achieve a common goal. In such cases, the managers are responsible for arranging and structuring work to accomplish the organization's goals. Organizing includes determining what tasks are to be done and by whom, how the tasks are to be grouped, who

reports to whom, and who will make decisions. Here, the manager establishes an intentional structure for an effective functioning of the organization.

Staffing: Under the staffing function, the manager ensures that the organization has the right kind of people to do the right job. This involves filling up and keeping filled the organization's structure. A manager usually engages in workforce planning, pooling of eligible candidates, recruitment and selection, training and developing the new and the existing employees, etc. so that the tasks are achieved effectively and efficiently.

Leading: When getting the work done from people, it is the manager's job to direct and coordinate the work activities of those people. Managers are leading when they influence the employees, direct the activities of others, select the most effective communication channel, resolve conflicts among members all of which leads in achieving the organization's goals.

Controlling: The final management function is controlling, which involves monitoring, comparing, and correcting work performance. The manager measures and evaluates the individual and organizational performance to ensure that the work is in accordance with the plan. Any significant deviations will require that the manager to make course correction.
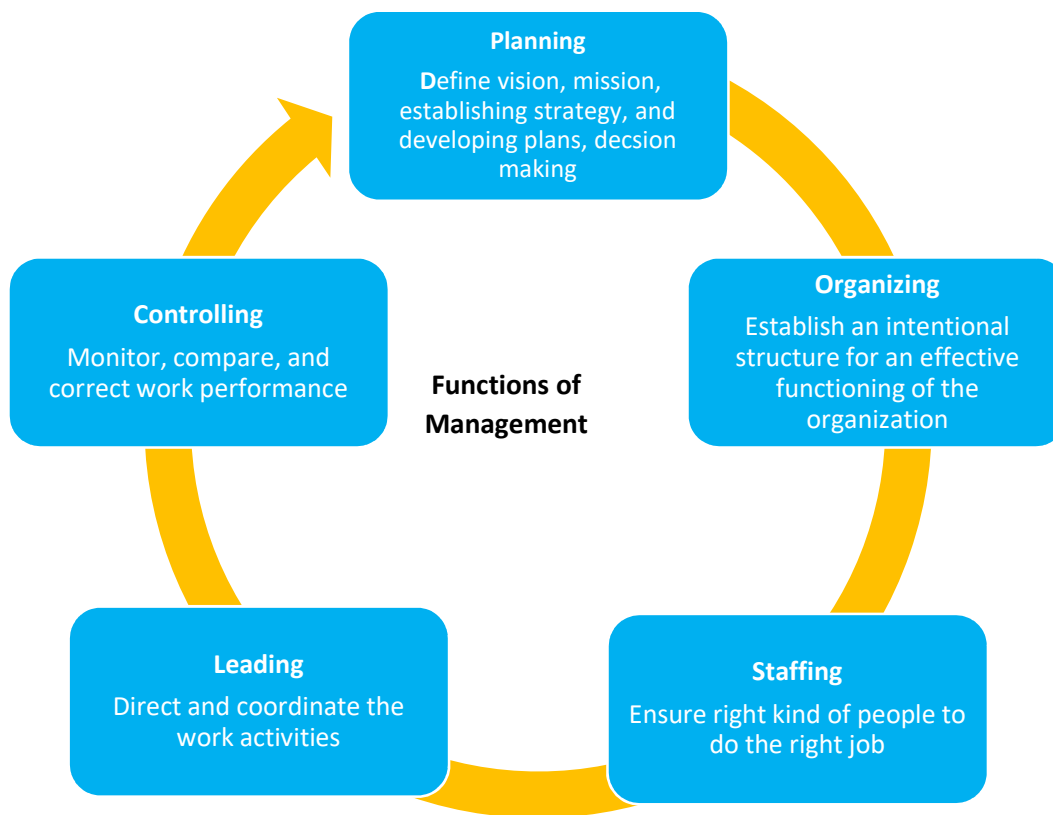

Figure 1.3 Management Functions

1.2 Managerial Roles

The widely popularized managerial roles were given by Henry Mintzberg. When Henry Fayol gave the management functions, he listed them based on his observations and experiences from the French mining industry. In the late 1960s, Henry Mintzberg did an empirical study of five chief executives at work (this is where management becomes science). After systematically studying the five CEO's from different industry, Mintzberg arrived at a conclusion that the managers do not perform the traditional functions of planning, organizing, staffing, leading and controlling. Instead, he observed that they engage in a variety of other activities. He also observed that these were varied, un-patterned and short-duration activities. He noted that these managers had little time for reflective thinking because they encountered constant interruptions and their activities often lasted less than nine minutes.

Based on these insights, Mintzberg provided a classification scheme for describing what managers do based on the managerial roles they use at work. He concluded that managers perform a series of ten different roles and these roles were interrelated (see Table 1.1). These ten roles were grouped under three broad heads: interpersonal role, informational role and decision making role. Mintzberg, pointed out that managing is about influencing other's actions. He insists that it is about achieving the organization's goals by influencing his people to get the work done. Managers influence people in three ways: (1) by managing the tasks directly (for instance, negotiating contracts, managing projects, etc.), (2) by managing people who perform the tasks (for example, motivating them, building teams, enhancing the organization's culture, etc.), or (3) by managing information that drives people to take action (using budgets, goals, task delegation, etc.).

Interpersonal Roles: Despite the industry they are in, all managers are expected to perform certain duties. These duties/roles can be classified as figurehead role. For example, when the district IAS officer is the chief guest for a function in your college, your college principal takes the lead. He ensures that the IAS officer is taken care of well, is brief properly and also ensures a tour of the college. In this situation, your college principal plays the figurehead role. The next interpersonal role the manager plays is that of a leadership role. This would involve motivating and directing people to do their work. The last interpersonal role played by a manger is the liaison role. In this role, the manager establishes relationship with people (both within (internal) and outside (external) the company) who provide him with valuable information that is necessary to perform the work. For e.g. when a HR manager of a company obtains information from the marketing department about the number of vacancies-it is internal liaison. When the HR manager joins a network like NHRD-it is external liaison.

Informational Roles: In this role, the manager collects, receives, and circulates the information. All managers collect information from outside their organizations by reading newspapers, talking to people to understand the customer demands and needs, understanding what the competitors are planning, etc. This is called the monitor role. Once the manager has received certain information, he then circulates it to the rest of his team or organizational members. This is called the disseminator role. As a manager, it is his responsibility to represent his organization to the outsides. Here the manager plays the role of a spokesperson.

Decisional Roles: As a manager one has to make several decisions. Mintzberg classified these decisional roles as entrepreneur role, disturbance handle, resource allocator and negotiator role. In entrepreneur role, the manager will initiate and oversee a new or upcoming project in his company. He ensures that the project is successfully completed as planned. As a disturbance handler, he ensures that he takes corrective measures in case of unforeseen events or problems. As a resource allocator, it is the manager's responsibility to allocate the human, physical and monetary resources. Finally, as a negotiator, the manager discusses, bargains and negotiates with both internal and external people to gain advantage for their own unit/team.

Table 1.1 Mintzberg's Managerial Roles

Roles	Description
Interpersonal Roles	
Figurehead	Expected set of duties because of the given position
Leader	Motivates and directs people to do their work
Liaison	Establishes relationship with people (both within (internal) and outside (external) the company) who provide with valuable information that is necessary to perform the work
Informational Roles	
Monitor	Collects information from outside their organizations
Disseminator	Circulates the information collected to the rest of the team or organizational members
Spokesperson	Represents their organization to the outside world
Decisional Roles	
Entrepreneur	Initiates and oversees a new or upcoming project in the company
Disturbance Handler	Takes corrective measures in case of unforeseen events or problems
Resource Allocator	Allocates the human, physical and monetary resources
Negotiator	Discusses, bargains and negotiates with both internal and external people

To-Do-Activity

Exercise 5

- Visit a nearby company
- Identify and analyze various functions of the manager working there

Exercise 6

- Meet with your HOD or Principal or head of any other functions
- Understand their roles in the college and map it with the managerial roles

Exercise 7

- Meet with a faculty coordinate who recently organized an event in your college
- Discuss with them and map their event execution to the managerial functions

Management Skills and Competencies

In order to carry out the managerial roles, the manager has to possess certain skills and competencies. Researchers from around the world have identified a number of skills and competencies that differentiate effective from ineffective managers. Each of these skill is important for every manager to carry out their role effectively and efficiently.

> The well-known Indian software company Infosys, have a special campus in Mysore which focuses on the all-round training of their employees. They train their managers through an intensive program which covers 1) Generic training- training on basic programming fundamentals, 2) Stream wise training- e.g. JAVA, Business Intelligence, etc. and 3) Soft skills training-e.g. communicative English, business etiquettes, etc. The company believes that an intensive training like this will positively influence their teams, clients and the community at large.

Organizations focus on training their managers on four critical management skills and competencies.

- Conceptual Skills
- Interpersonal Skills
- Technical Skills
- Political Skills

Conceptual Skills are the skills managers use to analyze and diagnose complex situations. This skill help managers see how things fit together and facilitate making good decisions. For example, decision making requires managers to identify and break complex problems, develop alternatives and choose the best from the available alternatives. Once they have made their decisions, they have to plan, organize and lead the action to achieve the goal. The managers require conceptual skills to integrate new ideas with existing processes to ensure effective functioning of the organization.

Interpersonal Skills also known as the Human Skills, is the ability of a manager to understand, communicate, motivate, interact and support people both individually and in groups. This involves working well with others within and outside the organization. Managers mostly get things done with and through other people, and so they must have good interpersonal skills to communicate, motivate, mentor, and delegate.

Technical Skills are the job-specific knowledge and techniques needed to perform their tasks. They are based on specialized knowledge or expertise. For example, when you look into a profession like a mechanical engineer or cardio surgeon, we focus on the technical skills of those people, which they acquire through formal education. Some technical skills can also be learnt on the job. For a CEO, the technical skills will be related to knowledge of the industry and a general understanding of the

organization's processes and products. For an account manager, these abilities are related to the specialized knowledge required in the areas of work like finance and accounting.

Political Skills managers need and use political skills to establish the right connections and network and to build a power base. In organizations people compete for resources (human, physical and monetary). Managers who have and know how to use political skills are better at getting resources for their groups. The latest findings in this field have identified nine managerial competencies including:

- Traditional functions (decision making, planning, goal setting, monitoring, team building, etc.)
- Task orientation (urgency, decisiveness, initiative, etc.)
- Personal orientation (compassion, assertiveness, politeness, customer focus, etc.)
- Dependability (personal responsibility, trustworthiness, loyalty, professionalism, etc.)
- Open-mindedness (tolerance, adaptability, creative thinking, etc.)
- Emotional control (resilience and stress management)
- Communication (listening, oral communication, public presentation, etc.)
- Developing self and others (performance assessment, self-development, providing developmental feedback, etc.)
- Occupational acumen and concerns (technical proficiency, being concerned with quality and quantity, financial concern, etc.)

As you can see from this list, the competencies that a manager requires is quite broad and varied.

Management Activities by Level in the Organization

All managers carry out the managerial functions, but the time spent for each function may differ. Figure 1.4 shows the approximation of relative spent for each function. Thus, top-level managers spend more time on planning and organizing than lower level managers. On the other hand, the lower-level/front-line managers engage in leading. The difference in time spent on controlling varies slightly at different levels.
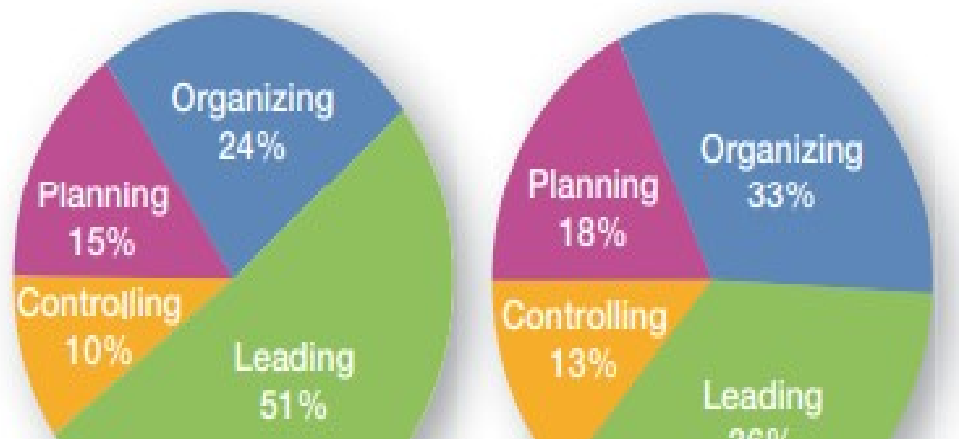
Source: Robbins et al., 2019

Figure 1.4 Managerial Activities by Organizational Level

When we look into the relative importance of each managerial skill at different levels, they vary. For example, human skills and conceptual skills play a crucial for top-level managers, while the technical skills are absolutely important for the front-line managers. For the middle level managers, the need for human skills and conceptual skills overtake technical skills (see figure1.5).

It should also be noted that the functions and skills vary depending on the levels in the organization (top, middle, lower), the type of organization (for profit and not-for-profit), and the size of the organization.

Figure 1.5 Skills and Managerial Levels   *Source:* Kang et al., 2017

To-Do-Activity
Exercise 8

- Prepare a set of questions to understand the amount of time spent by managers in each functions
- Using that questionnaire, interview your HOD or Principal or head of any other functions and arrive at the amount of time they spend in each function (similar to figure 1.4)

Exercise 9

- Form a 5 member team
- Each of the team member will assume the role of a manager and HR
- Assume that you are going to interview candidates for lower-level and middle-level managers
- List the job titles and the skills that are very important for each role

Exercise 10

- Identify the various levels of management in your college

1.3 The Need to Study Management

Irrespective of the subject you major in, it is important to understand the basics of management. All of us are interested in understanding how organizations like Google and Apple function. Is it managed the same way our local businesses are managed? How do they do things differently? What makes such well-known companies stand apart from the rest of the companies? Understanding of management offers
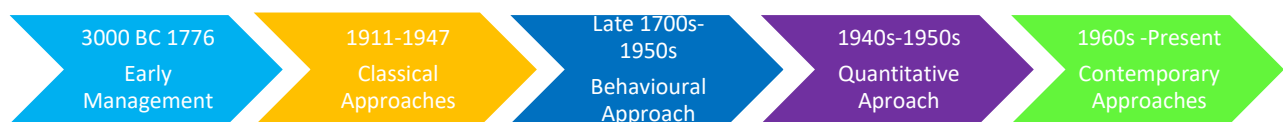
insights into many of the organizational aspects we are curious about. When we look at an organization like the Indian Railways, we wonder how they manage to connect the entire country. Here again, understanding management will help appreciate and value the efforts of organizations like these. Ever wondered why some companies fail? Why companies like Kingfisher went off the market? Why does it take up so much of time for a government organization to complete a task, which otherwise can be finished in less than two hours? These problems are mostly the result of managers/management doing a poor job of managing.

By studying management, we also understand what makes some companies stand apart from the rest. For example, companies like Infosys, TCS, and Wipro-have developed a loyal following and find ways to prosper even in economically challenging times. Poorly managed organizations may find themselves with a decreasing customer base and reduced revenues and may even have to go off the market. For example, Kingfisher airlines was once a much known and most admired airline company. Today the company no longer exist. It is a reflection of poor management. One can begin to recognize poor management and know what good managers should be doing when we understand management.

Another reason to study management is that, once we get into an organization we either manage people or others manage us. When you rise up to the level of a manager in an organization, an understanding of management forms the foundation on which you build your management skills and abilities. If you are in the lower ranks in the organization, you are likely to have to work with a managers. If you want to start something on your own, then you will be managing people and resources. By studying management, you can gain a great deal of insight into the way your boss or colleagues behave and how organizations function.

1.4 Evolution of Management

The 'Era of scientific management', as we see it today, is the contribution from many experts over the years. Remember when the Egyptian Pyramids were being built. History says that it took more than 100,000 workers some 20 years to construct a single pyramid. Given such a huge project, there was someone who had to plan what was to be done, organize people and materials and other resources to do it, make sure those workers got the work done, and impose some controls to ensure that everything was done as planned. That someone was the "manager".In a nutshell, the different phases of management is as follows:

| 3000 BC 1776 Early Management | 1911-1947 Classical Approaches | Late 1700s-1950s Behavioural Approach | 1940s-1950s Quantitative Aproach | 1960s -Present Contemporary Approaches |

Source: Robbins et al., 2013

Figure 1.6 Management Evolution

In this chapter, we will look into the classical, behavioral, and the contemporary approaches of management.

Classical Approaches

The classical approach to management saw its emergence in the early twentieth century. The body of knowledge that was developed saw its application in many contexts. These early proponents were called the classical theorists.

Frederick Taylor and Scientific Management

Frederick Winslow Taylor started his career as an apprentice in a steel company in USA and finally became Chief Engineer. Taylor along with his associates made the first systematic study in management. He launched a new movement in 1910 which is known as scientific management. Taylor is acknowledged as the father of scientific management. Taylor's work had a significant impact on the development of management. In his famous work titled "Principles of Scientific Management", Taylor identified certain fundamental principles underlying the scientific approach. They were:

- Replacing rule of thumb with science
- Obtaining harmony, rather than discord, in group action
- Achieving cooperation of human beings, rather than chaotic individualism
- Working for maximum output, rather than restricted output
- Developing all workers to the fullest possible for their own and their company's highest prosperity

In fact, one can observe that these principles still reflect in the modern day management.

Henry Fayol, the Father of Modern Management Theory

In fact, Henry Fayol-a French industrialist is considered to be the real father of modern management theory. He recognized organizational practices by focusing on what managers do and what constituted good management. Subsequently, he identified 14 principles of management—fundamental rules of management that could be applied to all organizations (Table 1.2).

Table 1.2 Fayol's Fourteen Principles of Management

1.	**Division of Work**	**This principle focuses on increases output by efficient utilization of labor. This principle is similar to "division of labor".**
2.	Authority	In this principle Fayol finds authority and responsibility are related. Managers must be able to give orders. Authority gives them this right. Along with authority, however, comes responsibility. Whenever authority is exercised, responsibility arises.
3.	Discipline	Employees must obey and respect the rules that govern the organization. Good discipline is the result of effective leadership, a clear understanding between management and workers regarding the organization's rules.
4.	Unity of Command	Every employee should receive orders from only one superior.
5.	Unity of Direction	Each group of organizational activities that have the same objective should be directed by one manager using one plan.
6.	Subordination of Individual Interests to the General Interest	The interests of any one employee or group of employees should not take precedence over the interests of the organization as a whole.
7.	Remuneration	Workers must be paid a fair wage for their services.
8.	Centralization	Centralization refers to the degree to which the decision making authority is centralized (to management).
9.	Scalar Chain	The line of authority from top management to the lowest ranks represents the scalar chain. Communications should follow this chain.
10.	Order	People and materials should be in the right place at the right time.
11.	Equity	Managers should be kind and fair to their subordinates
12.	Stability of Tenure of Personnel	High employee turnover is inefficient. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
13.	Initiative	Employees who are allowed to originate and carry out plans will exert high levels of effort.
14.	Esprit de Corps	Promoting team spirit will build harmony and unity within the organization.

Behavioral Approach

The primary focus of the behavioral approach was to ensure high employee performance and the way and means to achieve it.

Elton Mayo and the Hawthorne Studies

Influenced by the "principles of scientific management," established in 1911 by Frederick Taylor, the Hawthorne studies were launched in 1924 by the management of the Western Electric Company's Hawthorne plant in Chicago, Illinois, USA. They began with an investigation into the relation between illumination and productivity, while the key studies were carried out between 1927 and 1933 along with the Massachusetts Institute of Technology (MIT) and Harvard University. They wanted to understand the effects on efficiency of improvements in rest breaks and working hours. The charismatic figure behind

the scenes of the studies was Elton Mayo (1933), who inspired the Hawthorne plant management to further improve their investigation into the factors influencing productivity.The effect of illumination on productivity was investigated during the initial phase of the studies.

For the experimental subjects, the illumination was decreased step by step, while the controls received constant illumination. Both sets of subjects increased their performance of inspecting parts, assembling relays, or winding coils. It wasn't until lighting in the experimental room was reduced to a moonlight stage that the experimental subjects began to complain that they could barely see what they were doing and eventually productivity began to decline. The experiment found that lighting did not impact efficiency significantly, as long as it was kept at a fair level. It was evident, instead, that some other factor(s) were much more significant than the illumination in detraining the performance. This discovery provided the impetus for subsequent studies.

In fact, Hawthorne studies is believed to have had a dramatic impact on management beliefs about the role of people in organizations and led to a new emphasis on the human behavior factor in managing organizations.

Contemporary Approaches
Many early management strategies centered on identifying the issues within the organization.In the 1960s onwards, management scholars began to focus on factors outside of the organization.

Systems Approach
An organization does not operate in silo. Rather, it is a part of a larger ecosystem, like the industry it belongs to, the economic system and the society. The systems approach views organizations as a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. Meaning that the organization receives inputs, processes them and exports the output to the environment (figure 1.7). Systems approach to management understands a firm in its totality so that the men and material resources of the firm can be organized to realize the firm's overall objectives as efficiently as possible. This approach is now becoming essential because of the growth of complexity of firms and the increasing potential of automatic work systems.

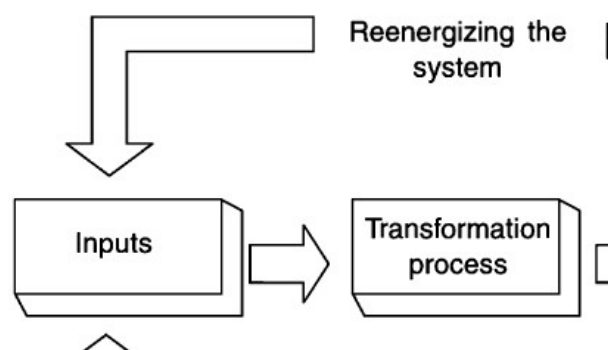### Input-Output Model

Figure 1.7 Input-Output Model   *Source*: Koontz & Weihrich, 2012

An organizations functions as an **open system**, which means they are influenced by and interact with their environment (figure 1.8). It is the manager's responsibility to efficiently and effectively manage all parts of the system in order to achieve the organization's goals.

Organization as an Open System
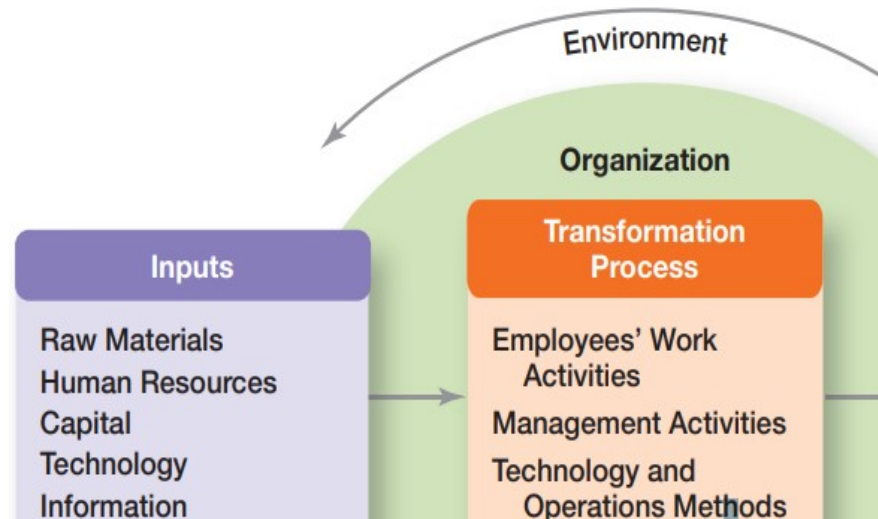
Figure 1.8 Organization as an Open System *Source: Robbins et al., 2013*

Contingency Approach

The contingency approach (or situational approach) is a management philosophy that implies that the most suitable management style depends on the context of the case, and that in the long run following a single, static style is inefficient. Usually, contingency managers pay attention to both the situation and their own preferences, and make attempts to ensure that both work effectively. Contingency theory is useful to organizations,because of the possibility of learning from different circumstances and using these experiences in future under same or similar scenarios. It's also an asset to be able to react to external challenges and changes. In fact, contingency theory will create more well-rounded leaders who can improve their expertise in multiple fields. The contingency approach says that organizations, employees, and situations are different and require different ways of managing. It has been found that common variables of contingency include organizational size, task technology routine, environmental instability and individual differences.

To-Do-Activity

Exercise 11

- Discuss and arrive at a model explaining how your college works as an open system

Exercise 12

- Discuss and understand how Hawthorne Effect works in your class room setting

Chapter Summary

1.1 Tell who managers are: Managers are individuals working in an organization which directs and supervises other people's activities. In general, managers are graded as top, middle, or first-line. Organizations where managers work have three features: goals, people and an organizational structure.

1.2 Define management: Management is the method of getting things done, with and by other people, successfully and efficiently. Efficiency means doing a task correctly and having the most output from the least amount of input. Effectiveness means "doing the right things" by performing certain job activities that help the company achieve its objectives.

1.3 Describe manager's nature of work: What managers do can be labelled using three approaches: functions, roles, and skills/competencies. Under functions approach managers perform four functions: planning, organizing, leading, and controlling. Mintzberg's roles approach says that what manager's work can be grouped around interpersonal relationships, the transfer of information, and decision making. The skills/competencies approach looks at what managers do in terms of the skills and competencies they need and use. Four important management skills are conceptual, interpersonal, technical, and political. Depending on the level in the organization, they type of organization and the size of the organization the manager's task of planning, organizing, leading, and controlling vary.

1.4 Explain why it's important to study management: It's important to study management to understand how organizations are managed. By studying management one can gain insights into the way how one's future boss and fellow colleagues behave and it also helps us understand how organizations function.

1.5 Describe the different approaches to management: Management has been practiced for a very long time. People were responsible for planning, organizing, leading, and controlling activities for over thousands of years. The evolution of management can be seen as Early Management, Classical, Behavioral, Quantitative and Contemporary management.

Model Questions

1   What is an organization?
2   Why are managers important in an organization?
3   Differentiate managers and non-managers
4   Differentiate efficiency and effectiveness
5   What are the managerial functions?
6   Discuss Mintzberg's managerial roles
7   Which approach of management are we currently in?
8   Is management an art or science?
9   What are the some of the significant studies done during the evolution of management?
10 Explain with example, how an organization is an open system?

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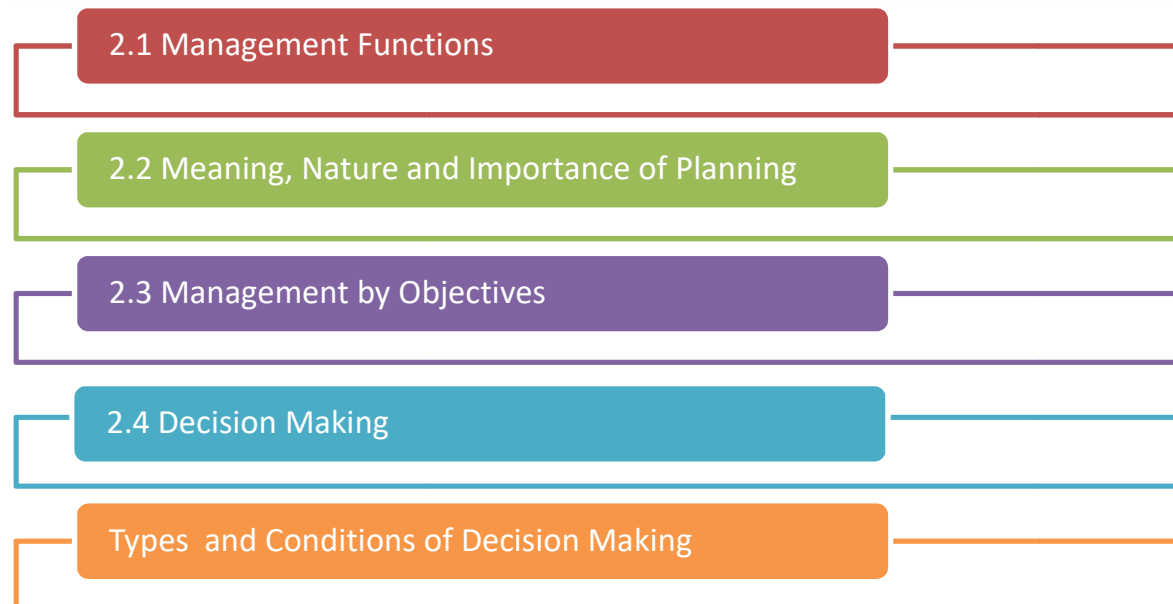
Chapter 2 Management Functions

Introduction

Management is the process of bringing human resources and other resources such as materials together for achieving organizational goals in a scientific and cost-effective manner. The Process of Management has also been described as the art of getting things done through human resources in different organizational hierarchies such as managers or non-managers using physical resources. Here we can see that other resources such as financial resources, inventory, production resources, information technology (IT) and natural resources and raw materials are used as inputs to get the out of finished products.

Objectives

- To understand the various functions of management and their inter-relations
- To gain conceptual clarity on various facets of management
- To learn about how decisions are made and implemented in organizations
- To know about how barriers and conditions of decision-making process

Chapter Structure

2.1 Management Functions

2.2 Meaning, Nature and Importance of Planning

2.3 Management by Objectives

2.4 Decision Making

Types and Conditions of Decision Making

To-Do-Activity (Group Activity)

Visit a nearby industry or even a factory and find out the name of Operations Manager from the Receptionist. Introduce yourself as BBA student and request the receptionist to arrange for a meeting with the Operations Manager. Request him to arrange for a unit visit and find out the following:
i. List of products that the factory produces
ii. physical resources used
iii. how many shifts are there on a day
iv. how many workers working in each shift

Management Process: Definitions

"Management can be described as the process of designing and maintaining an environment in which individuals, working together in groups, work efficiently to accomplish predetermined organizational objectives. It involves the creation and maintenance of an internal environment in which workers/employees work together in various units or departments and perform their duties effectively to achieve their organizational goals"(Koontz and O'Donnel). According to Robert L. Trewelly and M. Gene Newport, Management is the process of planning, organizing, and controlling the operations of an organization to achieve coordination between human and physical resources required for the effective achievement of predetermined organizational objectives.
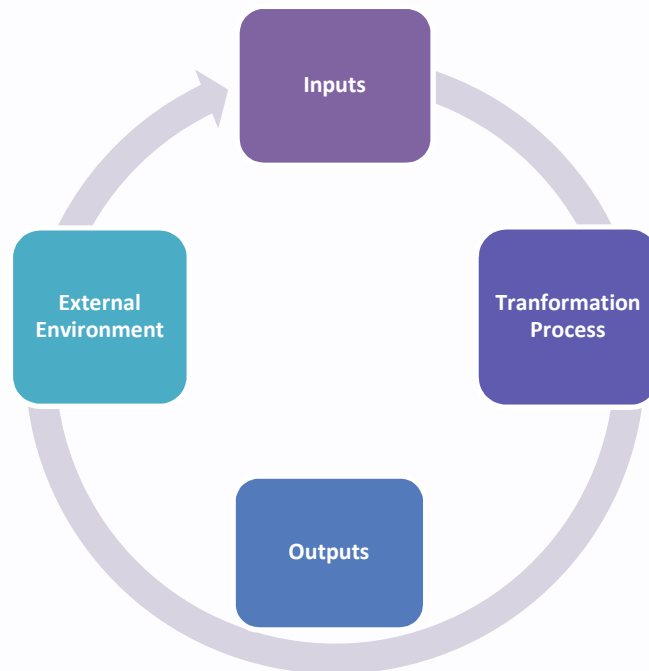
Figure 2.1: INPUT-OUTPUT MODEL

Management has been defined differently by scholars and various authors. In simple words, It can be the process of working effectively toachieve organizational objectives by the efficient use of limited resources (Kreitner). But we can see that James A.F. Stoner has defined the management in a better way and it covers almost all processes of the management process. According to him: "Management has four processes such as planning, organizing, leading and controlling", and according to him, through these processes, the organization and its leaders are striving to achieve the established goals of the organization using available resources. It was, however,management became an academic discipline mainly due to the contributions of Peter Drucker, the first and renowned Professor of Management at the New York University (1950). In his groundbreaking book, Concept of the Corporation, (1946) Drucker argued that Management is not a title or designation; but responsibility and practice and he established his new concepts on Management in his book titled *The Practice of Management* (1954).He proposed the following principles of Management:

1. Setting objectives
2. Organizing
3. Motivating and communicating
4. Establishing measurements of performance, and
5. Developing people.

Important Facets of Management: Some important facets of Management include a. The process that means the primary functions or activities that management performs to get things done. b. The effectiveness is concerned with the result and it deals with doing the right task, completing activities and achieving goals, and c. Efficiency means doing the task correctly and with minimum cost.

The following can be the main purposes of the management:

  a. Reducing ambiguity in operational methods,
  b. Cost-reduction and motivation
  c. Taking calculated risks
  d. Managing prospective risk
  e. Exercise good judgment

It can be noted that Management is both a science as well as an art. We know that the manage Discipline provides some principles that can guide the managers in carrying out their duties effectively and, therefore, can be considered as a scientific subject. On the other hand, the discipline of Management is considered to be a branch of Art. But Modern students of Management would realize that this discipline of Management is neither Science nor Art. It offers a systematic and scientific approach to use limited resources most effectively and efficiently to achieve the organizational objectives. [4]

2.1 Management Functions

Henry Mintzberg described a set of ten roles that a manager fills. These roles fall into three main categories. These categories are:

- Interpersonal:
- Informational.
- Decisional:

It is, however, generally accepted that there are six main management functions and they are listed below:

- Planning,
- Organizing,
- Staffing,
- Directing,
- Coordinating,
- Reporting
- Budgeting.

These responsibilities can be summarized into "POSDCORB". In the following paragraphs, we will discuss these management functions in detail with relevant diagrams to present the information visually as well.

Planning

The First and main Management function is Planning. It is a future-oriented, comprehensive, and systematic, process [2]. It involves an extensive search for alternatives and analyzes relevant information [3].You will agree that Planning is the most important function of the management process as it is concerned with defining goals for an organization's future direction. M**anagers** in different organizations develop plans, such as a business plan or a marketing plan. Planning involves looking ahead, establishing objectives, formulating strategies, and preparing for future courses of action. It is the beginning of a systematic process that would determine when*, how, and who* is going to perform a specific job.

Planning is the most important Management function, has been defined by several scholars according to their perspectives on it. Therefore, we can find out definitions of Planning from psychological, sociological, and economic perspectives. Planning bridges the gap between our current position and target or destination. It is responsible for the occurrence of possible things, which would not otherwise occur".(Koontz & O'Donnell). Planning is a mental predisposition to do things systematically, to plan and think before taking a definite and informed decision in the light of facts received and analyzed using the MIS rather than assumptions and guesses"(Urwick,& Brech(1954).The process of planning involves identifying and selecting the best alternatives to perform various managerial roles to achieve established organizational objectives and goals. Montana and Charnov (2008) outline a three-step result-oriented process for planning:

- choosing a destination
- evaluating alternative paths
- deciding the specific action plan

Major characteristics of planning in organizations include:

- Planning will result in considerable increase in organizational efficiency and productivity
- Planning reduces risks.
- The process, helps achieve maximum efficiency with the limited resources in fixed time- frame.

We are going to discuss on this management function of planning in a detail at the end of this Unit.

Organizing

Organizing is the second important **management** function that involves developing an organizational structure and assigning human resources to ensure the accomplishment of organizational objectives. The structure of the **organization** is the framework on which the organizational effort is coordinated and implemented. This is the process in which there occurs the synchronization and coordination of human, physical, financial, and information resources aimed at achieving desired outcomes. Moreover, it facilitates both the administration and functioning of the organization. An organization has been defined as the 'process of identifying and grouping of the works to be performed, delegating responsibility and establishing relationships that enable employees to work effectively"(Allen). On the

other hand, Barnard has defined it as a "function by which the concern can define the role positions, the jobs related and the co-ordination between authority and responsibility"

Fig.2.2 Five steps of Organizing Function

Three theories act as the backbone for the management function of organizing and they are :

- The Classical theory
- The neo-classical theory
- The Modern Organization Theory

The pioneers of the Classical Theory areTaylor, Fayol, Weber, and Mary Follett.This theory is based on four principles, namely:Division of labor, Scalar, and functional processes, Structure, Span of control. Division of Labour: This implies the concept of organizational production work has to be divided into different groups of workers, who have specialization in their assigned work areas. If workers are doing the same job, for years together, they became masters of that job and will perform better. For example, In a TV Manufacturing Unit, different groups of workers doing various jobs of TV production such as assembling spare parts, testing audio, and video components, testing picture tubes, etc. The repetition of the same work of assembling TV spare parts helps that unit achieve better performance and quality assurance and consequently,the organizationwill be benefitted.

Scalar and functional processes: it refers to the delegation of authority, and the Unity of Command and obligation to report. It creates the concept of superior-subordinate relations and line of command. Structure implies the framework of formal relationships in the organization among various tasks, activities, and groups of people. Each person representing a position, for example, a Foreman in an industrial unit, has been assigned with a specific task and necessary controlling power and authority are delegated to him for the accomplishment of the assigned task. The efficiency with which these tasks will be accomplished will determine the effectiveness of the organization. The next pillar of the classical theory is the span of control that means the number of subordinates a manager can control in the organization.

The main drawback of this theory is that it laid more emphasis on the production in the organization and forgot the role of human beings and considered the workers as an inert instrument of the organization performing the assigned task. The Twenty-First Century has been witnessing a change in the landscape of organizational functioning and the structure of organizations. The last decade of the last millennium has witnessed liberalization and globalization, and disinvestment, and consequently, the nature and structural needs of the organizations have undergone significant change. Even the role of governments is taking a new look in terms of public sector enterprises. [6]

The neo-classical theory emanated from Classical Theory. We can note that this theory is a modification, addition, and extension of the Classical Theory. The basic assumption of the neo-classical theory is that we have to take into account the Psychological *and Social Aspects of the worker* and his workgroup. The main focus in the Classical Theory was on the structure, order, the formal organization, etc. whereas, the *neoclassical theory* has underlined the importance of social factors and psychological factors such as the emotion of workers at the workplace. One of the important tenets of this theory is that the organization, in general, is a social system composed of numerous interacting units. Nextly, this theory underlines that there exists a conflict between organizational and individual goals and we need to have a match between organizational goals and personal goals, which we may describe today as *Work-Life Balance*.

The Modern Organization Theory: this theory considers the dynamic conditions in the organizations at micro and macro levels. It recognizes the dramatic changes taking place in society. The main advocate of this theory is W.G.Scott, who focused on the *Concept of a System,* and hence it is also called System *Theory*. The main features of the **Modern Organization Theory** are its conceptual analytical base, its reliance on empirical research data, and it's integrating nature. These facets are framed in the concept that the only meaningful way to study an organization is to study it from the angle of a system. Two major propositions of this theory are the System Approach and Contingency Approach. The system approach considers an organization as a system and according to Katz and Kahu, there can be five subsystems in the organizational system.

Fig.2.3 Organizational Structure Model
Source: Burrow, Kleind, and Everard,(2008).P.254
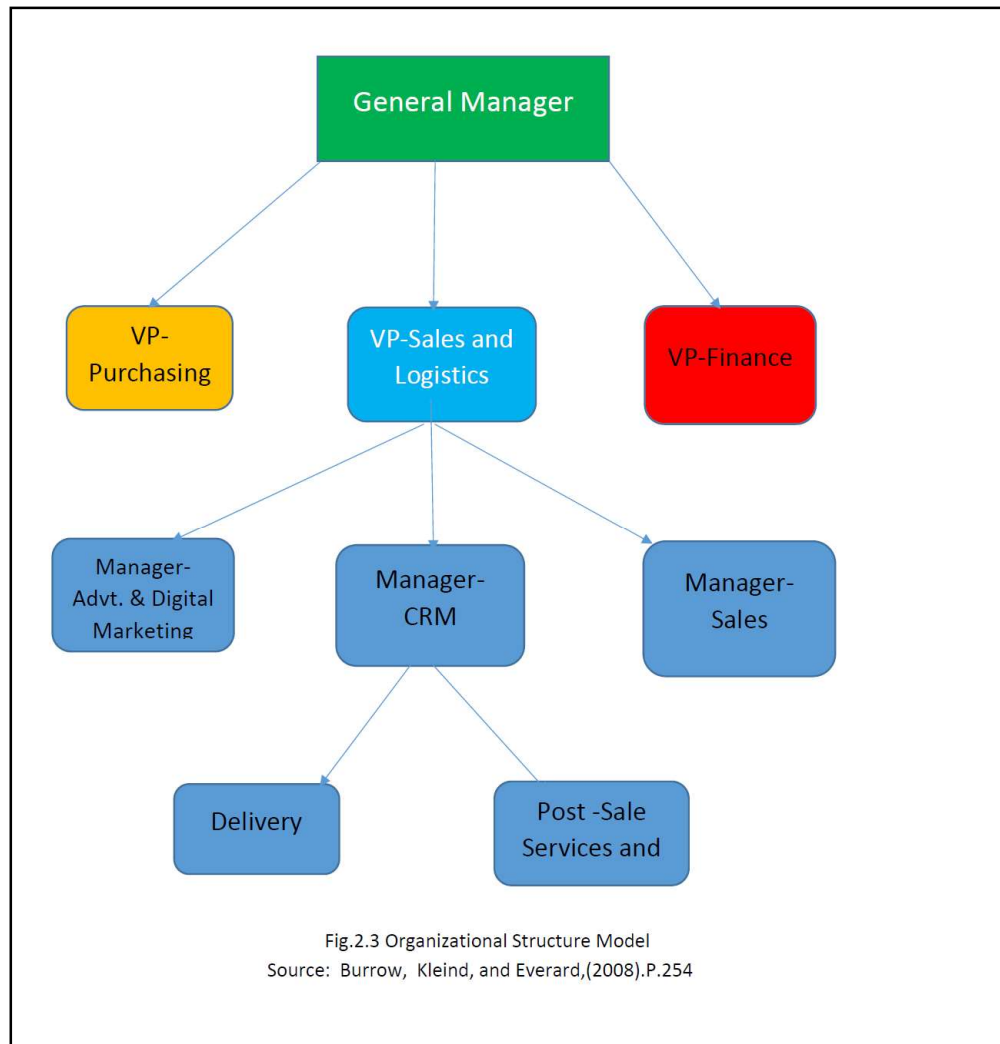
These subsystems are listed below:

a. Technical sub-system
b. The supportive sub-system of procurement, disposal, and institutional relations;
c. Maintenance of sub-systems for aligning workers with assigned duties
d. Adaptive sub-systems concerned with organizational change;
e. Systems for direction, adjudication, and control of the many sub-systems

On the other hand, the Contingency approach suggests an organizational design that would suit a particular unit such as the assembling unit of TV Manufacturing Company. According to this approach, we should consider the needs, requirements, and situations of a particular organization while designing the structure of an organization.

We can categorize organizations into four types they are:

- Line organization
- Functional organization
- Line and staff organization
- Matrix organization

Line organization is the oldest and simplest type of organization and it has the basic framework for the organization. There is a direct vertical relationship for the delegation of authority as the power hierarchy is from top to the lower levels. In such organizations, each officer controls all the workers or team members under him and he is in turn, accountable to his superior person.

In Functional organizations, there is a system in which functional departments are created to deal with the problems of business at different levels. The functional authority offers functional guidance to different departments and as a result, quality and uniformity of the performance of different functions can be maintained throughout the organization.

Line and staff organization: This organization has a combination of the merits of both line and functional organizations. Actually, in these types of organizations, the functional specialist is added to the line organization framework. We can see that in this type of organization, the line authority remains there without any change and it flows downwards. The functional experts, such as legal experts and financial experts, provide advice to the front line managers. The main difference here is that the specialist works as staff and offer support to the line officials. Such organizations offer more flexibility without compromising the authority of the senior officers or managerial authority.

In the fourth type of organizations, i.e. Matrix Organizations, the reporting relationships are set up as a grid, or matrix, just against the structure in the traditional hierarchy. In simple words, employees have two reporting officers or they have dual reporting relationships - primarily to a functional manager and secondarily to the product manager. Paul Lawrence, Harvey Kolodny, and Stanley Davis and, stated that matrix organizationis those organizations that employ a multiple command structure with support mechanisms and an associated organizational culture and behavior pattern". The authors believe that the matrix structure offers the potential of achieving the flexibility that is generally missing in single-line-of-command organizations.(Lawrence, Kolodny, Davis,1977).

Matrix organizations have a two-dimensional structure, with a combination of project structure and the traditional functional departments. A particular project team is constituted by drawing members from the functional departments and now they are under the direction and control of the Project Manager, who has the overall responsibility for the success of the project in hand. Once the project is completed, the project team will be dissolved and its members including the project manager will return to their respective departments for reassignment to new projects
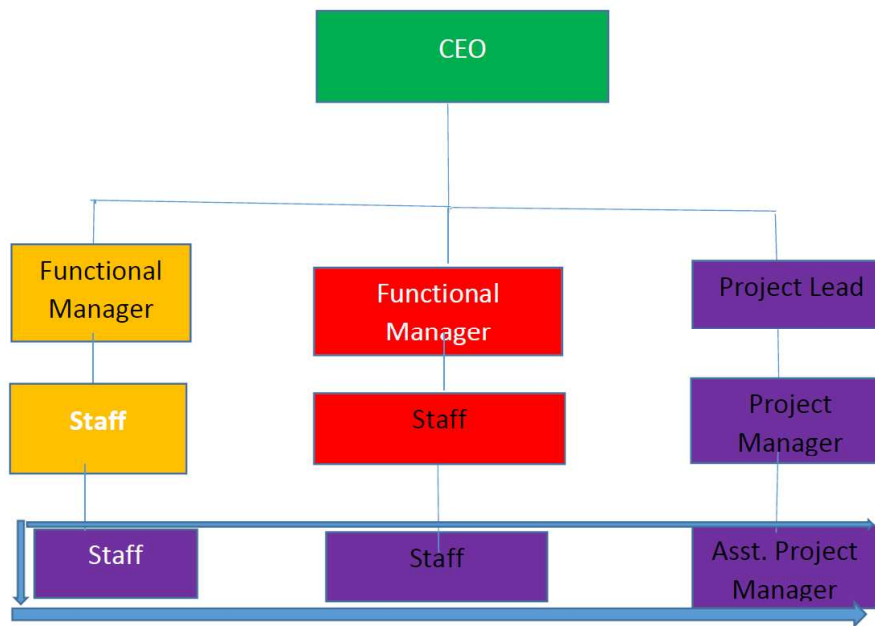
Fig 2.4 Organization Chart of Matrix Structure Model (Adapted from Olatunji, 2011)

As we can see in the above diagram, the main focus of the team is to carry out functions ranging from value engineering to project design, strategizing, and definitive implementation. The uniqueness of this formation is that some of the team members are not from the core construction disciplines, but may include lawyers, economists, and purchasing experts.(Olatunji, 2011).

Staffing

The management function of Staffing is concerned with the hiring of qualified personnel and managing them to achieve organizational goals. It is a continuous process of repetitive nature because employees are hired and many of them might leave the organization time and again. According to McFarland, "the staffing function of the management comprises of few interrelated exercises, for example, planning of human resource, recruitment, selection, placement, training and development, remuneration, performance appraisal, promotion, and transfers". These activities constitute the management function of staffing. In this systematic process, qualified human resources hired through the process of manpower planning, job notification, recruiting, evaluating, and selecting qualified candidates for the job positions in the organization. The main steps involved in the staffing process include:
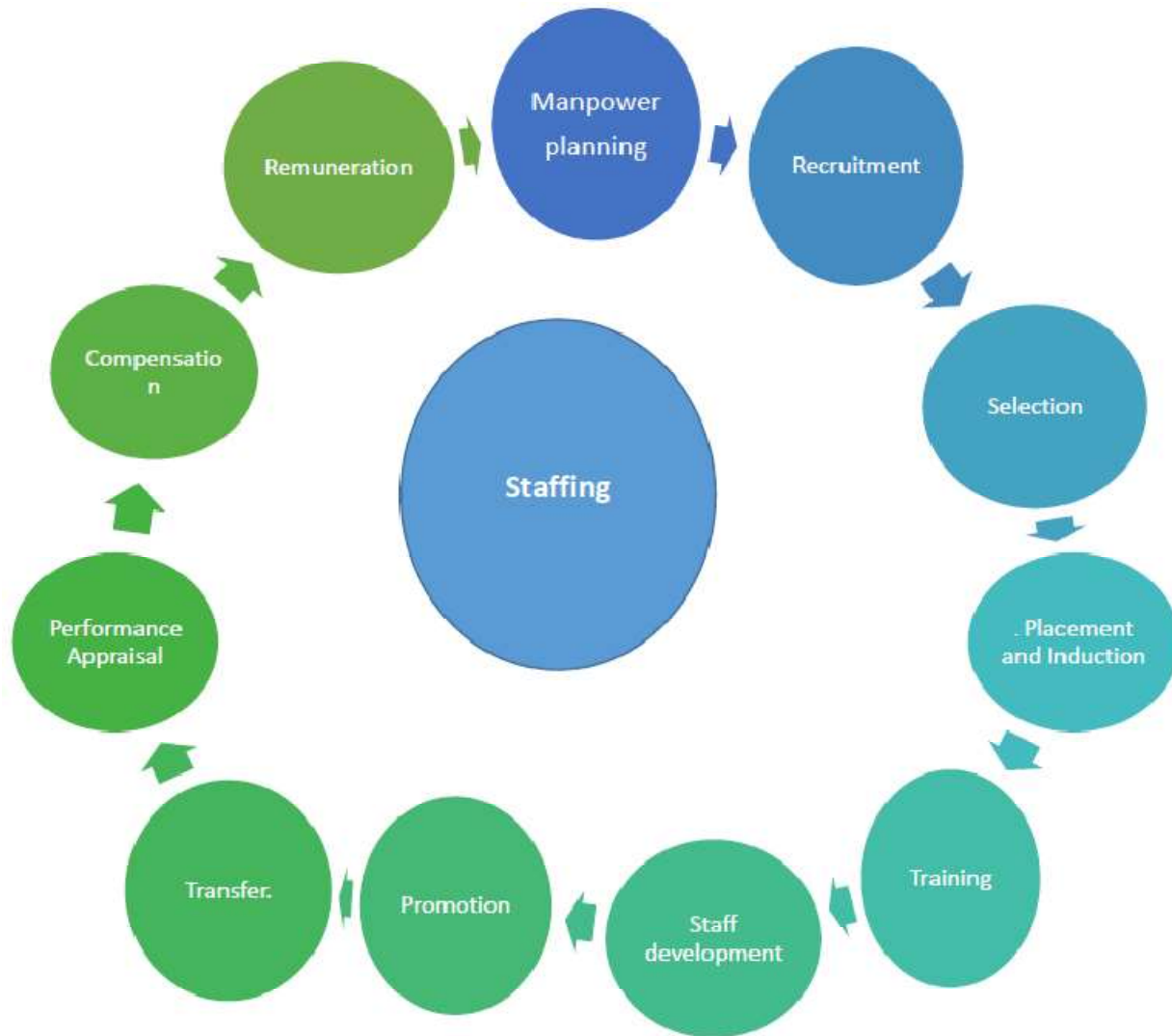
Fig 2.5 Components of Staffing

Thus the staffing function has the following important role in the management system:

  i.   Estimating the requirements of manpower.
  ii.   Identifying the recruitment sources.
  iii.   Selection, placement, and training of employees.
  (iv). Evaluation, compensation, and retaining of personnel.

We will learn more about staffing in the next unit (Unit 3).

Directing

Directing is a management function that is performed by top-level management to achieve organizational goals. For George R. Terry, "The management function of Directing implies moving to action and providing motivation and necessary stimulation to the group of employees in the organization. It involves providing necessary instructions to the employees, who are subordinates to the

team leaders or supervisors. The Management function of Directing also includesguiding, motivating, and supervising the subordinates". Marshall has defined directing as to "involve determining the course of action, giving order and instruction, and providing dynamic leadership". In modern times, directing involves the following:

- Informing the team members or subordinates what is to be done and how to do a task
- Issuing instructions and orders to subordinates
- Motivating employees to achieve organizational goals
- Supervising and monitoring the activities of subordinates
- Providing leadership, inspire and motivate employees

Thus Directing involves the following four elements:

- Supervision
- Motivation
- Leadership
- Communication

Coordinating,

Coordination is the common thread that runs through all activities such as – purchase, production, sales, and finance to ensure continuity in the working of the organization. Sometimes it is considered a separate function of management. Koontz and O'Donnell observe that "It seems more accurate to regard co-ordination as the essence of managership for the achievement of harmony of individual efforts towards the accomplishment of group goals is the purpose of management. Every managerial function can be described as an exercise in coordination. Without coordination, the managerial function will not be performed properly. The undertaking of various functions is itself co-ordination".[7]

Coordination is the essence of the management process and even for a manager to deliver his duties to achieve harmony and synchronization of individual effort or employee contributions towards the accomplishment of organizational goals and objectives. The main importance of coordination in organizations lie on the following features of coordination:
1. Co-ordination is to harmonize various activities of the enterprise to ensure smooth working.
2. It is an effort to ensure maximum coordination among various levels and components of the organization
3. Co-ordination is an effort to reach business goals using planning, organizing, actuating, and controlling various activities.
4. We need coordination for integrating all management functions.

Mary Parker Follet, who is considered to be like the "Mother of Management" has enunciated the following fundamental principles of coordination:
1. Direct Contact
2. Early Beginning

3. Reciprocity
4. Continuity

Additionally, the management function of Coordination can be achieved through the following processes:

Process # 1. Through Planning

Process # 2. Through Organization

Process # 3. Through Directing

Process # 4. Through Controlling

Process # 5. Through Staffing

Process # 6. Through Proper Communication

We can see that when a manager directs his subordinates to do a specific task, he is coordinating with his work-team to ensure that the specific task is achieved. He will provide them directions, guidelines, and instructions for doing a particular job. He will coordinate with his work team in such a way that organizational objectives are achieved.

Reporting

The management function of reporting is a process of providing information to various levels of management to enable them in judging and analyzing the effectiveness of their various levels of managers and process owners and to formulate corrective measures, if necessary. The management function of reporting can help the organization in the following ways:

- To improve decision making

- To improve management effectiveness

- For improving responsiveness to challenges and operational issues

- To improve the efficient utilization of resources in the delivery of organizational services

Budgeting

The process of controlling is sometimes interchangeably used in collaboration with Budgeting in the management literature. Controlling is the systematic appraisal of results to ensure that actual and planned operations are in sync, and if there are any deviations, there should be corrective actions. Hence, a budget becomes a means of control when the actual business performance is compared with the preplanned and desired organizational performance.

This function involves the following:
1. Formulating standards for the assessment of work performance
2. Measurement of actual performance
3. Comparing actual performance with the standard
4. Identifying inconsistency between the actual Performance and the standard or expected performance

5. Implementing remedial actions to ensure that the organization achieves its established objectives.

All management gurus agree that an efficient system of control can help predict deviations and to initiate necessary corrective steps. Budgeting is the management function of preparing an important tool that manager's use to plan and control the use of scarce resources. A budget statement is a plan showing the organization's objectives and how management intends to procure and utilize limited resources to achieve those organizational objectives. This management function has the following characteristics:

- Shows management's operating plans for the next financial year ;
- Formalizes management's plans in quantitative terms
- Persuades and inspires all levels of management to think ahead, anticipate results, and take remedial actions if needed for possible poor results; if needed.
- Motivates all levels of employees to offer concerted efforts to achieve stated organizational goals.

Both the financial and nonfinancial planning is coordinated in the Budgeting to satisfy organizational goals and objectives. Budget makers generally consider the following very seriously:

- Top management support.
- Participation in goal setting
- Communicating results
- Flexibility
- Follow-up

"Budgeting is a common practice followed in almost all of the organizations because of the reasons mentioned below:

a. It provides a roadmap to translate the organizational objectives into a set of actions that are aimed at specific expectations of achievements;
b. It facilitates coordination of the sharing of information in all levels of the organization and provides a standard or rubric that can be used to evaluate the organizational performance".

The following flowchart illustrates the relation between the process of Planning and Budgeting process.
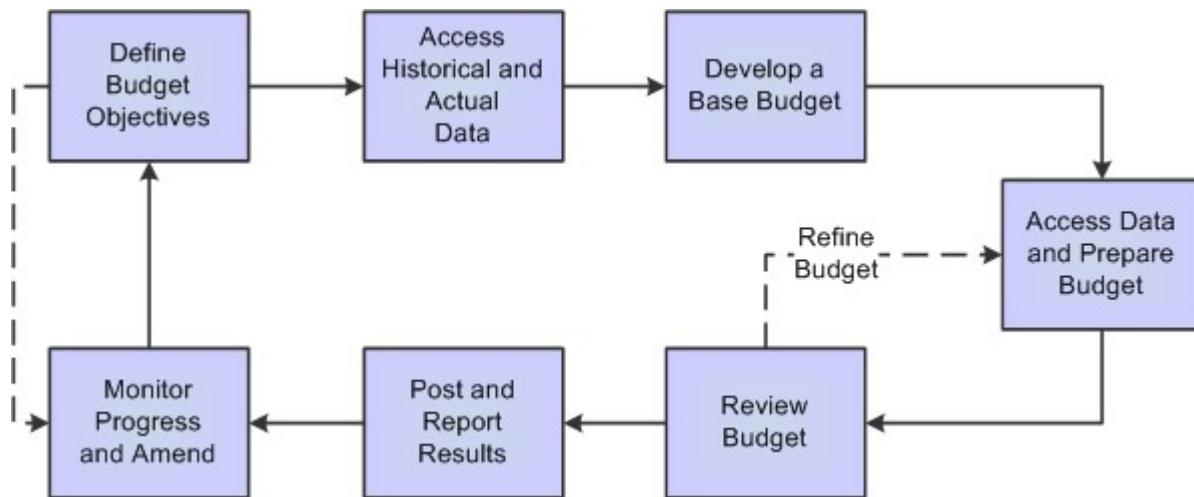
Fig.2.6 Planning and Budgeting process

Source : www.Oracle.com

2.2 Meaning, Nature and Importance of Planning Process

Planning is a fundamental function of management. It is the process of determining organizational objectives and selecting a future course of action necessary for achieving the accomplishment of organizational objectives. Similarly, it is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done, and by whom. Planning provides direction to organizational activities. It helps managers cope with change and enables them to measure progress toward the objectives so that corrective action can be taken if progress is not satisfactory. "Planning is a logical and intellectual process, in which there is a conscious determination of courses of action, the basing of decisions on purposes, and considered estimates"(Koontz and Donnel, 2006). The basic characteristics of Planning include:

- Planning increases the organizational effectiveness
- Planning reduces risks.
- Planning make use of the resources and available time for organizational effectiveness

There are eight steps in the process of Effective planning and they are discussed below:

Step 1: Establishing objectives

It is at this step that managers establish the objectives of the organization. For example, the Admission Team of a University set up a target of registering a particular number of students for a specific academic year.

Step 2: identifying the real problem.

Identifying the real problemis the second step in the planning process and itinvolves a clear understanding and idea on "where the organization is headed to or is going to end up."

Step 3: Collecting and analyzing the information

The third step in the planning process is collecting and analyzing the information.

Step 4 Planning Process and Identifying Alternative Courses In this step of the planning process, managers brainstorm on "how to move from their current position to the point of success or ultimate goal. In this step, we develop an action plan that details what has to be done, when, how, and by whom. The course of action determines how we will get from our current position to our desired future position". Choosing a course of action involves determining alternatives, evaluating alternatives, and

selecting a course of action after identifying and carefully considering the merits of each alternative.

Fig.2.7 The Planning Process

Fig.2.7Planning Process

The fifth step is identifying alternative courses of action.

The sixth step is the Evaluation of Alternative Courses of action: 'After managers have gone through the five steps of the planning process and have drawn up and implemented specific plans, they should track and monitor their plans. Through the controlling function, managers observe ongoing human behavior and organizational activity; compare it to the outcome and action statements formulated during the planning process, and take corrective action if they observe unexpected and unwanted deviations. Thus, both planning and controlling activities are very closely connected and interrelated. Planning feeds controlling by establishing the standards against which behavior will be evaluated during the controlling process. Monitoring organizational behavior (the control activity) provides managers with input that helps them prepare for the next planning period.[12].

Seventh step: Selecting the Best Course of Action

Eighth Step: Follow-up Action
At the higher levels, a manager's major task is planning and at the middle level, the manager is concerned with a mix of all the basic functions. The Managers at the lower levels, will involve more in directing his team members on how to carry out the operation and involve in controlling the operations as per the procedures and practices. Planning is the process by which managers establish goals and define the methods with which these goals can be achieved. The importance of planning can be realized on the ground that it provides directions, reduces the risk of uncertainty, improves coordination, and facilitates decision making.

Types of Planning
There are three main types of plans that a manager will use in his or her pursuit of company goals, and they include the following
- Operational Planning
- Tactical Planning
- Strategic Planning

Operational Planning: In the Operational Planning, We will have an action plan for the day-to-day functioning of an organization or its functional units. Such Operational Plans will have strategies and methods for a short term period to achieve objectives. In other words, operational planning allows the company to determine how to operationalize its production process, in the case of a manufacturing company or how to deliver the service, in the case of a Service industry. The operational plan is meant to define clearly the actions the organization would take in alignment with the strategic objectives and plans formulated by the management. Generally, these operational plans reflects the achievements or failures that each functional unit met with during a short span of time, what is to be done,or what modifications are to be made in the operations for achieving success as outlined in the strategic objectives and strategic plans. Because of this, Operational plan is very important and it act as the basis and justification of the budgetary requests from functional units for the annual operating budget outlay. For example, the specific results expected from departments such as Publication department is

measurable. Consider the example of publishing 10 books per month can be an operational goal for a publication company or department and if the publication unit could not achieve that target and it asks for the same amount as the operational plan for the next year, it is hard to justify the operational plan request.

Tactical Planning. A tactical plan summarizes the steps and actions to be taken to achieve organizational goals when an organization implements the strategic plan. Tactical plans can be developed for different time intervals such as daily basis, or monthly basis based on the end result to be accomplished. Tactics are the means needed to activate a strategy and make it work. Tactical plans are formulated for shorter time frames and they have narrower scopes than the strategic plans. Here we involve the process of taking the strategic plan and divide it into specific activities, and plans to achieve the strategic objectives of the organization. Tactical planning occurs after the strategic plan is outlined, and the tactical plan can be reexamined on a more frequent basis if needed. These tactical plans are formulated for short-term duration such as one year period. The middle manager has to derive relevant and specific tactical actions from the strategic plan of the organization.

Strategic Plans: These Plans are the Long term planning designed for the entire organization and begin with the mission of the organization. Top-level managers, such as CEOs or presidents, will design and execute strategic plans keeping in mind the long-term goals. Strategic Plans refers to the process through which an organization defines its strategy, allocate its resources and lead the direction that the company will follow to achieve these goals. Strategic Planning is the formal planning for the future and help the company to define the following:

- What it does?
- For whom the organization works for?
- How can the organization achieve successes?

Formulation of competitive strategy, according to Porter (1980) includes consideration of four key elements:

I.   Company strengths and weaknesses;
II. Personal values of the key implementers (i.e., management and the board);
III. Industry opportunities and threats; and
IV. Broader societal expectations.

We can see that three important components are involved in a strategic plan. They are:
- Mission and background of the business: Where do you stand now? And what is your destination in the future?
- Goals and objectives: What can be the organizational goals to be achieved?
- DRIs (directly responsible individuals): Which employees or managers are responsible for these organizational goals?

When the Marketing team of a company prepares the plan, it has to include both strategic and tactical planning and contributes to an organization's overarching **sales strategy**. It outlines the broad goals that the sales team and should strive for, and it creates an action plan to reach them.

Strategic management is the process in which an organization formulates strategies and plans in alignment with the goals and objectives of the organization. This process is continuous and evolves according to the changes in organizational goals and objectives. Most of the modern Organizations engage in strategic management process to ensure that they realize the changes in the business environment and adapt to the emerging trends such Corona Pandemic or globalization. The strategic management process helps organizations understand and realize the present situation, formulate, strategies, deploy them and analyze the effectiveness of the implemented strategies. These strategies can be defined in five ways or as the five Ps as suggested by Canadian Management Guru,Henry Mintzberg.

- Plan: Strategy as envisioned sequence of activities or course of action.
- Ploy: Strategy as a maneuver to outwit a competitor
- Pattern: Strategy stemming from consistency in behavior
- Position: Strategy as a match between the organization and its environment
- Perspective: Strategy as a concept or ingrained way of perceiving the world.

Modern organizations use mainly the most important type of strategic management frameworks, namely the SWOT to test their strategies. The SWOT Analysis helps organizations Identify and compare their **s**trengths and **w**eaknesses with the external **o**pportunities and **t**hreats of their environment. The SWOT analysis highlights the internal, external and other factors that can have an impact on an organization's goals and objectives.

Strategic Planning Process has nine important steps and they are listed below:

- Planning awareness,
- Formulating goals,
- Analyzing the external environment,
- Analyzing the core or internal environment
- Identifying strategic opportunities and threats,
- Performing gap analysis,
- Developing alternative strategies
- Implementing strategy,
- Measuring and controlling progress.

Model of the Strategic Management Process
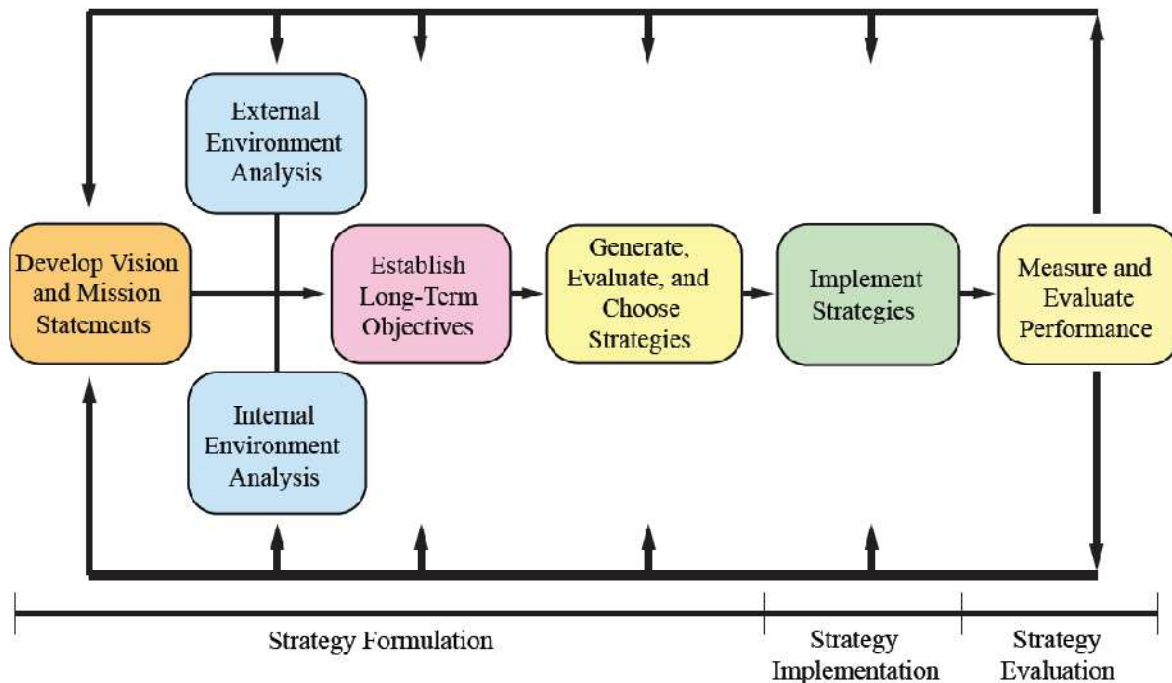
Fig.2.8 Strategic Planning Process
Source: David (2009).p.46

The effective planning defines the correct actions to achieve the organizational goals. It helps in efficient utilization of available resources. The realistic planning helps in achieving the organizational goals in most competitive way. There can be six steps that can make planning effective and these steps include creating climate for planning and equal participation of all stakeholders. The common barriers that inhibit successful planning can include a. inadequate planning, b. lack of commitment, c. inferior information, and d. concentrating more on controllable variables. For evolving a successful plan design, managers need to use effective communication, acquire quality information, and solicit the involvement of others.

Barriers to Effective Planning

It is a fact that great planning formulated after spending days together may not succeed in achieving their long term and short term goals and rather land the company in troubled waters. This is not happening accidentally and there could be some reasons for this management failures that could be a catastrophe even .The following factors may derail all of our planning and land us in such failures:

- Inadequate planning
- **Failure of the management team to maintain commitment to the planning process**
- **Inferior Information**

- **Failure in identifying the Niche market**
- **Failure in analyzing and understanding the business environment and socio-political and economic factors**
- **Focusing too much on the present and forgetting the future.**
- **Concentrating on controllable variables.**
- **Maximum faith on Planning Department**

2.3 Management by objectives (MBO)

Management by objectives (MBO) is a strategic management model. It is aimed at improving the performance of an organization by identifying and defining the organizational objectives that are agreed upon by the management and employees. This term was first coined by management guru Peter Drucker in 1954. The main aspect of MBO is the **establishment of a management information system** to make a comparison between actual organizational performance and pre-defined organizational objectives."MBO is a collaborative process in the managers and subordinates or employees sit together and identify the common goals of functional units, determine each individual's major area of responsibility, and identify the expected results from employees.

It is widely accepted that MBO improves employee motivation and commitment and allows for better communication between management and employees. Moreover, MBO gives organizations a process, and its success due to the factors such as the support it receives from top management, well-defined objectives, and well-qualified and trained managers for implementation.

Features of MBO
- MBO implies planning and goal setting
- The essence of MBO is a process of joint goal setting between a manager and his team members.
- Both Managers and their subordinates work together to establish the performance goals that are in alignment with the organizational objectives.

Steps in MBO
1. **Outlining the organizational Objectives:** The first step is to outline the organizational objectives which are generally derived from the mission and vision of the organization
2. **Translation of organizational objectives into SMART goals**. The second step is the translation of these organizational objectives is the second step. Drucker introduced the concept of SMART Goals (specific, measurable, acceptable, realistic, and time-bound).
3. **Participation of Employees in Goal-setting:** the next step is motivating employees to develop their objectives. After the organization's objectives are shared with employees, employees are encouraged to formulate their objectives to achieve the organizational objectives. This delegation of empowerment to employees creates greater motivation for them since they are now permitted to develop their objectives to be derived from the organizational objectives.
4. **Monitoring the Progress of Employees:** The fourth step involves underlies the importance of monitoring the progress of employees.

Fig.2.9 The MBO Process. (Source: Dabe, 2009).
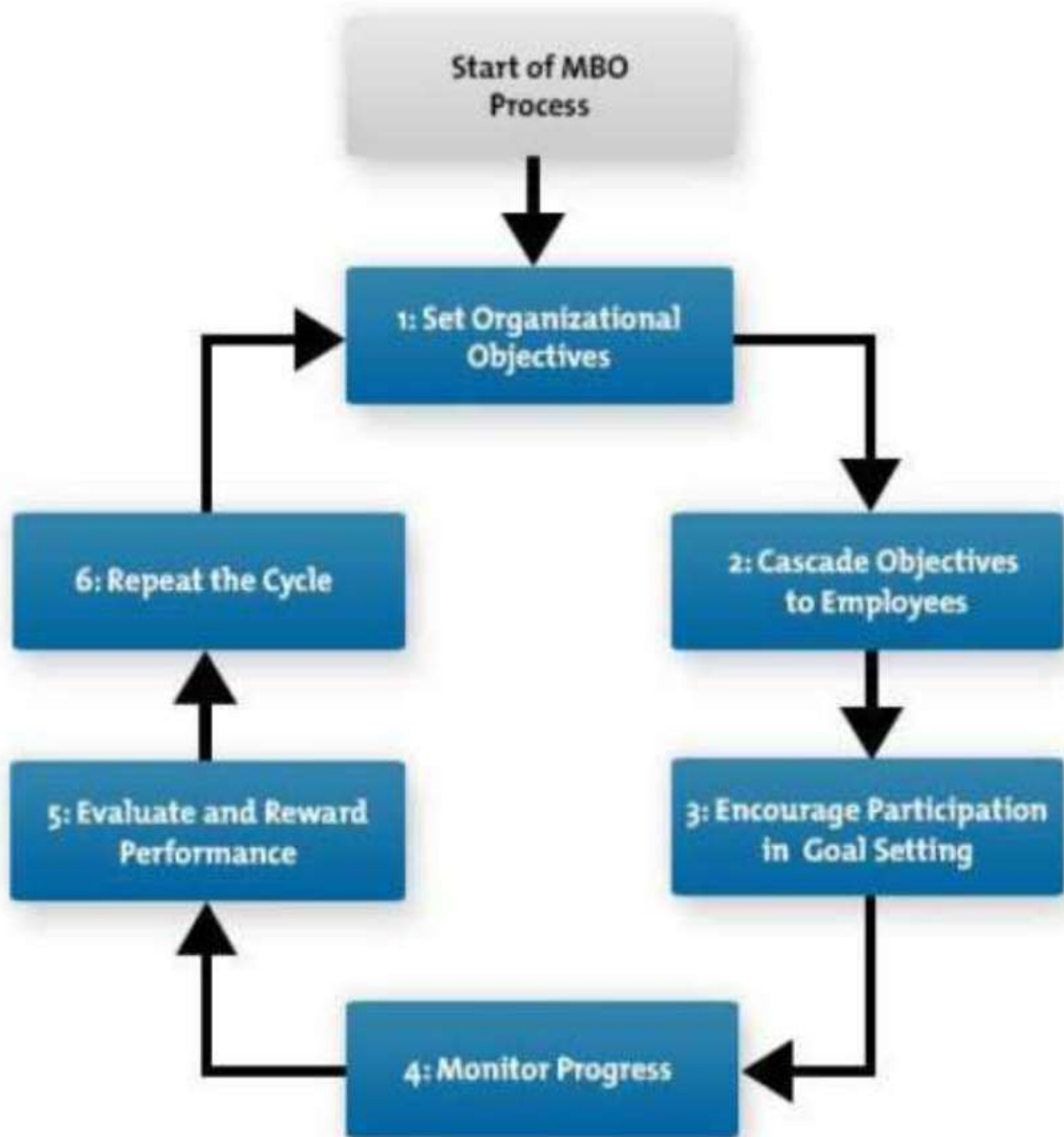
4. Evaluation of employee performance and rewarding: In the fifth step, we will make the necessary assessment of the employee performance and reward the employee for his /her contributions. This step includes an analysis and feedback on the performance of each employee.

5. **Repeat the cycle**.It is hoped improvement in organizational

trigger an overhauling of the organizational processes and organizational dynamics. It might not, however, lead to long-term success. Because of this, we may have to repeat the process over and over again. We will learn lessons in this process and we can use these lessons in regards to what went wrong and well to make the following cycles more effective and successful.

Need for Management by Objectives (MBO)

- The MBO process helps the employees to understand their duties and responsibilities at the workplace and the importance of their contributions in achieving the organizational goals.
- The MBO process leads to satisfied employees by eliminating the job mismatch and consequent confusions
- Employees realize the importance of their roles and perform better for the achievement of the objectives of the organization.
- There will be a regular and continuous flow of organizational communication at different levels and It could result in a positive ambiance at the workplace.

Limitations of MBO

The following are the limitations of MBO:
a. The MBO may ignore the prevailing organizational culture and working conditions
b. More emphasis is givenon targets and objectiveswithout bothering much about the existing circumstances at the workplace.
c. The MBO process increases comparisons between individuals at the workplace and Employees may involve in nasty politics to outshine their fellow workers.

2.4. Decision Making

Decision-making is the core of management activity and it is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. E. McFarland defined decision making as an act of choice – wherein an executive forms a conclusion about what must not be done in a given situation.According to Simon, the decision process can have three sequential steps. These are:

(i) Intelligent Activity: the initial phase of environmental scan for the conditions and requirements that call for decisions;

(ii) Design Activity: the phase of inventing, developing, and analyzing the possible course of action to take place; and (iii) choice activity:

iii. The final phase of Actual Choice selecting a particular course of action from those available.

Meaning, Types of Decisions

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. There are different types of decisions taken by managers at various points of time and they include a. personal and organizational decisions, b. individual and group decisions, and c. strategic, administrative and routine decisions. There are three types of decisions based on the level at which they occur. They are a. Strategic decisions b. Tactical decisions and c. operational decisions

a. Strategic decisions set the course of the organization. These **decisions** are concerned with the whole environment in which the organization operates, the entire resources that the organization utilizes for its operations, and the people who form the company. The main characteristics of Strategic decisions are listed below:

- These decisions havemajor resource propositions for an organization.
- Strategic decisions lead to harmonizing of organizational resources with the threats and opportunities that organization might identify after administering the SWOT Analysis
- Strategic decisions ultimately result in organizational growth.

b. Tactical decisions are related to the welfare of employees working in an organization. They are short-term based Decisions and are also called as administrative decisions. They are taken on a routine basis or daily basis.

c. Operational decisions are the decisions that frontline employees make each day to run the organization. These decisions are related to production and factory growth. Operational decisions are not frequently taken. Additionally, these operational decisions are taken in accordance withstrategic and administrative decisions.

2.4.2- Decision Making Process,
The word "decision"is derived from ***"decidere***" which means "cutting off" in Latin. So,decision making may involve cutting off or eliminating those alternatives that are undesirable and selecting those that are desirable. George R. Terry observed that "Decision-making is the process of selecting one realistic proposal /alternative from two or more possible alternatives by using some criteria ". In other words, decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. Decisions can be categorized in different ways. One way of classifying decisions is to categorize them into Programmed Decisions and Non- Programmed Decisions. Programmed Decisions are related to structured situations, where the problem is routine and repetitive. On the other hand, Non- Programmed Decisions are taken in unstructured situations that reflect novel, ill-defined and complex problems. There is scope for uncertainty in this case. Decisions can also be grouped into individual Decisions and Group decisions. The Main features of Decision-making include a. it is goal-oriented; b. Its purpose is to achieve a goal either individual, or organizational c.it is very essential for every management activity.

Using a step-by-step decision-making process can help we can make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that we will choose the most satisfying alternative possible [15].

In this step, we would analyze the results of our decision and assess whether or not it has resolved the need we identified in Step 1. If the decision has *not* met the identified need, we might want to repeat certain steps of the process to make a new decision by gathering additional information and considering additional alternatives.[16]

Fig 2.10: Seven steps to effective Decision Making
Source: *University of Massachusetts—Dartmouth,USA*

Individual Vs Group Decision Making,
At the Individual level, decision making is fast and individuals take responsibility for their decisions. Similarly, in the Individual decision-making process, we can save time, money, and energy as individuals usually make prompt and logical decisions. On the other hand, group decision-making has the potential to collect more complete information, and a group can discover the hidden talent and core competency of employees of an organization.

Decision-Making Conditions

There are their conditions that managers may face as they make decisions and they include: a. **certainty**: a condition under which taking a decision involves a reasonable degree of certainty about its result. The manager is confident about his opportunities and about the conditions that accompany this decision. Since the manager is aware of possible risks and possible alternatives, his decision may not be erroneous.

b. Risk:It is a condition in which the Manager has limited understanding of the opportunities, potentials risks, and potential benefits. The ability to predict the possible scenario by the manager is very important here. He should skillfully use his individual qualities such as intuition and capitalize on past experiences.

c. Uncertainty: A condition in which decision-maker does not know all the choices, as well as risks associated with each of them and possible consequences. Such a situation is associated with a very high probability of erroneous decisions, which could trigger counterproductive effects in the organization.

2.5 Types of Decisions, Conditions of Decision making

There are different types of decisions taken by managers at various points of time and they include a. personal and organizational decisions, b. individual and group decisions, and c. strategic, administrative, and routine decisions. Decision making can be classified into three categories based on the level at which they occur. Strategic decisions play an important role in the decision-making process of an organization as they set the course of organization for a crucial period.

There are seven following steps in the Process of Decision making:

Step 1: Identify the Decision

When we realize that there is a need for taking a decision urgently with the available information and resources, we have to identify the problem we need to solve or the question we need to answer. We should prevent hasty decision-making and we should make more informed-decision making if we follow a formal decision-making process. Identifying the question to answer and problem to solve will help the manager to define his answer. If the manager is aiming at achieving a specific goal from such a decision, we have to make the decision, measurable, and timely. Famous Management Guru Peter Drucker has elaborately discussed this issue and observed that "Once a problem has been classified as generic or unique, it is usually fairly easy to define. "What is this all about?" "What is pertinent here?" "What is the key to this situation?" Questions such as these are familiar. But only the true effective decision-makers can realize the danger in this step is the incomplete decision. Peter Drucker continues to observe that the effective decision-makers always check for the atypical signs or something unusual happening in the organization, and keep asking: whether or not the current definition could explain the observed unusual events, and does the current definition explain all types of them" **(**Peter Drucker HBR, January Issue,1967).

Step 2: Gather Relevant Information

We are in an advantageous position as we have already identified our problem and we are confident about our decision. Now we have to gather the information relevant to that choice. MIS helps managers to collect relevant information to a certain extent. Apart from this, we should do an internal assessment, to know where our organization has succeeded and failed in areas related to our decision. This is

followed by collecting information from external sources. These sources may include online resources, research reports, project reports, government plans, and even from a consultant.By analyzing the gathered information, Managers may be able to determine the potential causes of a problem, the people and processes involved in it, and how this problem pose challenges to the decision-making process itself. Collecting correct information is an important aspect of the decision making process as it would help us in identifying various stakeholders, who could be part of the decision, and how our decision would impact different groups or individuals in the organization, etc. Managers can now use the management Information system or Decision-Support Systems to collect regular information on different organizational processes and these systems allow them to make decisions based on data rather than guesses. Such systems help the manager to conduct data-analysis that would play a pivotal role in the decision-making process itself.

Step 3: Identify the alternatives

Now we have collected all related and relevant information. This would help us in identifying several possible courses of action, and to develop alternatives. We may also use our imagination and additional information to construct new alternatives. Consequently, we may have many different options when it comes to making our decision. It is, therefore, important to come up with a range of options. This helps the Manager determine which course of action is the best way to achieve his/her objective. Some criteria that are often used in judging the suitability of alternatives include Cost, Reliability, Stability, Invulnerability, Flexibility, Compatibility, Reversibility, and Robustness.

Step 4: Weigh the Evidence

Since we have identified multiple alternatives, now we can weigh the evidence for or against each of these alternatives. Draw on your information and emotions to imagine what it would be like if we carried out each of the above alternatives. This would help us evaluate whether the need identified inStep 1 would be met or resolved through the use of each alternative. In this step, we can Identify potential pitfalls for each of our alternatives, and weigh those against the possible rewards. As we go through this difficult internal process, we may begin to prefer those alternatives that seem to have a higher potential for achieving our goals and targets.Now we may list the alternatives in priority order, based upon our value system.

Step 5: Choose among alternatives

As we have seen in the previous step, after going through the difficult internal process of weighing the evidence,for and against different alternatives, we may begin to prefer those alternatives that seem to have a higher potential for achieving our goals and targets and would select the best alternatives. We mayalso have a combination of alternatives. Our choice in this step might be the same or similar to the alternative we have placed at the top of our list at the end of Step 4.

Step 6: Take action

This step involves identifying what resources are required and whether or not we are getting enoughsupport from all stakeholders including employees and senior-level management functionaries to take positive action by beginning to implement the alternative we chose in Step 5It is very important to take others onboard with our decision in executing our plan effectively.

Step 7: Review the decision and its fall-outs or consequences

In this final step, we have to consider the results of our decision and evaluate whether or not it has resolved the need that we have identified in Step 1. If our decision has *not* solved the identified problem, we have to repeat some steps of the process to arrive at a new decision. For example, we may want to gather more detailed or somewhat different information or explore additional alternatives.

Common Challenges of Decision-Making

Whatever might be our decision-making strategies and how meticulously we followed the above steps, there might be some pitfalls or challenges that may derail our whole process of decision –making. It is always better to be aware of such common challenges

- **Information Overload** or inadequate Information on the operations and processes of our organization. As noted by Kescia D. Gray in the *corporate Wellness Magazine*, "*An overload of information can leave you confused and misguided, a*nd prevents Managers from following their intuition". Moreover, a manager cannot always rely on one source of information as it can lead to misinformation that may lead to catastrophic effects on the business down the line.
- **Misidentifying the problem.** Sometimes we may fail in identifying the exact problem and in such a situation, we have to conduct thorough research and speak with internal experts who experience the problem firsthand to mitigate this. It will save you time and resources in the long run.
- **Overconfidence in the outcome.** Even if we follow the steps of the decision-making process, there is still a chance that the outcome won't be exactly what we had in mind. We have to see that being overconfident in an unlikely outcome can lead to adverse results.

Summary

Management is the process of bringing human resources and other resources such as materials together for achieving organizational goals scientifically and cost-effectively. Management can be described as the process of designing and maintaining an environment in which individuals, working together in groups, work efficiently to accomplish predetermined organizational objectives. It involves the creation and maintenance of an internal environment in which workers/employees work together in various units or departments and perform their duties effectively to achieve their organizational goals. The main facets of management functioning include different functions such as Planning, organizing staffing, directing, coordinating, reporting, andbudgeting. It is not compulsory that our planning would always succeed in achieving the organizational goals. A manager should know about the factors that can derail all of our planning and land us failures: They are inadequate planning, Inferior Information, Failure in identifying the Niche market, Failure in analyzing and understanding the business environment and socio-political and economic factors, Focusing too much on the present and forgetting the future. We can categorize organizations into four types they are Line organization, Functional organization, Line and staff organization, and Matrix organization. Matrix organizations have a two-dimensional structure, with

a combination of project structure and the traditional functional departments. The management function of Staffing is concerned with the hiring of qualified personnel and managing them to achieve organizational goals. It is a continuous process of repetitive nature because employees are hired and many of them might leave the organization time and again. The management function of Directing involves providing necessary instructions to the employees, who are subordinates to the team leaders or supervisors. The process of controlling is sometimes interchangeably used in collaboration with Budgeting in the management literature. Controlling is the systematic appraisal of results to ensure that actual and planned operations are in sync, and if there are any deviations, there should be corrective actions. Hence, a budget becomes a means of control when the actual business performance is compared with the preplanned and desired organizational performance. The Main features of Decision-making include a.it is goal-oriented; b. Its purpose is to achieve a goal either individual, or organizational c.it is very essential for every management activity. By using a step-by-step decision-making process we can make more deliberate, thoughtful decisions based on relevant information and achieve the organizational objectives.

Model Questions

1. Define Management. How does it differ from the Administration?
2. Briefly discuss the nature and scope of Management.
3. What are the functions of a Manager? Is mere knowledge of Management enough to become a successful manager?
4. Briefly mention about the theories related to Organizing/organization?
5. Discuss basic principles of Management along with their significance.
6. Discuss and illustrate the meaning, definition and characteristics of management in modern organizations.
7. What is Management by Objective? Explain the principles of management with suitable illustrations.
8. Mention the seven steps in the decision-making process?
9. You need to know about Planning both in your personal life and professional life. Justify?
10. Bring out an example from rural settings where a Panchayat President is working as the CEO of the Panchayat? How he should plan the activities for one financial year? Who are his stakeholders?
11. Visit an Industry in your area? Understand how the staffing function is carried out in that Industry?
12. How you want to prepare for your examinations? In a planned way or in a casual way? If you want to plan your studies, what would be your objectives? What are your strategies? Is there any Plan B?

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Chapter 3 Staffing

Introduction

Staffing is one of the important managerial function and it involves recruitment, selection, training, and developing etc. It is the process of hiring and developing the required personnel to fill in the various positions in the organization. Selecting the best human resource is an important organizational activity. One of the main objectives of staffing is to ensure that we have a talented and professionally qualified workforce that can help our organization in achieving the short term and long term organizational goals. We will appreciate the fact that Staffing function has assumed to play an important role considering the complex behavior of employees, increasing size of organizations, and technological development in the area of HR. Most of the organizations, recently have established a separate HR department to perform the staffing function. The main duties of HR departments are to advice and provide assistance to line managers in performing staff function. Staffing is an on-going exercise of the organization. It starts from the very first day of the organization. People are needed to man the organization at various levels. More vacancies are created due to growth and expansion. So it is an on-going process.

Objectives

- To understand the Management function of staffing and its facets such as recruiting, and training
- To gain insights about various human resource activities involved in the staffing function
- To learn about how employees are hired in organizations and their performance is evaluated
- To know about how executive development programs can improve the quality of workforce

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To-Do-Activity (Group Activity)

Visit a nearby corporate office and find out the name of HR Manager from the Receptionist. Introduce yourself as BBA student and request the receptionist to arrange for a meeting with her. Collect details of the organization and make an organization chart using MS Word.

Tips: You can include the name of the CEO of the company and such senior personnel.

3.1 Meaning of Staffing

Function consists a number of sub-functions such as man-power planning, recruitment, selection, placement, training, promotion, remuneration, performance appraisal, etc. These sub functions are interlinked and serve as some of the determinants of organizational effectiveness. Within the staffing function, there are four main steps:

I. Development of a staffing plan. This plan allows HRM to see how many people they should hire based on revenue expectations.

II. Development of policies to encourage multiculturalism at work. Multiculturalism in the workplace is becoming more and more important, as we have many more people from a variety of backgrounds in the workforce.

III.   Recruitment. This involves finding people to fill the open positions.

IV.   Selection. In this stage, people will be interviewed and selected, and a proper compensation package will

Staffing emphasizes the recruitment and selection of the talented personnel for the successful achievement of the organizational objectives. Manpower planning and recruiting are initial stages of talent acquisition. The next step is Recruiting. This function is aimed at attracting and bringing the qualified and talented manpower to the existing positions or vacancies. In the selection function, the most qualified applicants are selected from among those who have expressed interest in the organization. In the selection function, we develop and administer some screening mechanisms that enable managers to decide whom to hire and whom to reject.

Components of Staffing

There are ten components in the staffing process and they are:

1. Manpower Planning,

2. Recruitment,

3. Selection,

4. Placement,

5. Training,

6. Development,

7. Promotion,

8. Transfer,

9. Appraisal,

10. Determination of Remuneration

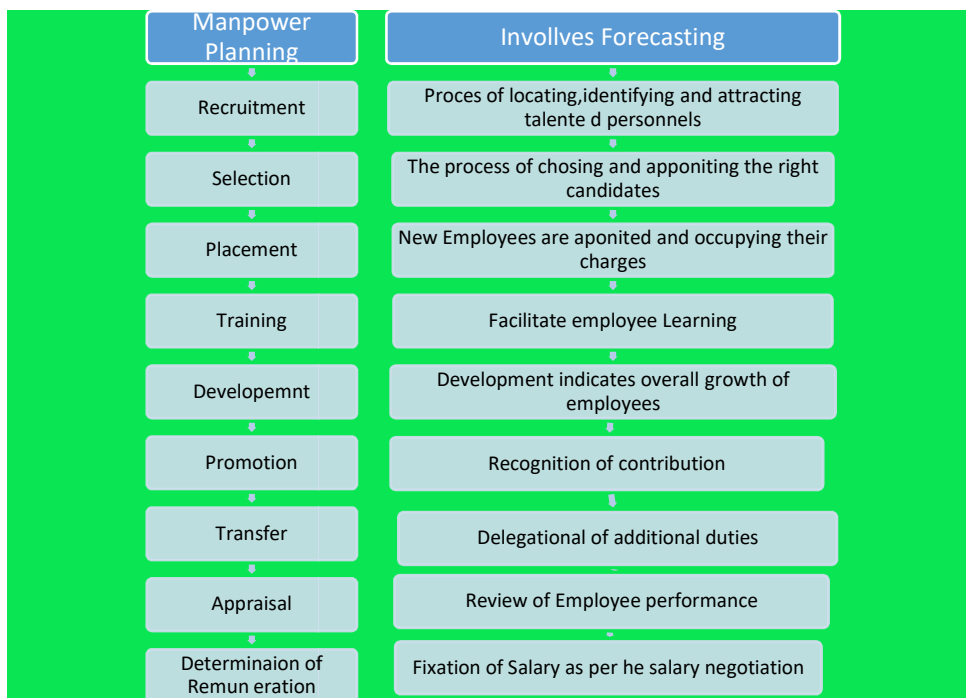| Manpower Planning	Invollves Forecasting
Recruitment	Proces of locating,identifying and attracting talente d personnels
Selection	The process of chosing and appointing the right candidates
Placement	New Employees are aponited and occupying their charges
Training	Facilitate employee Learning
Developemnt	Development indicates overall growth of employees
Promotion	Recognition of contribution
Transfer	Delegational of additional duties
Appraisal	Review of Employee performance
Determinaion of Remun eration	Fixation of Salary as per he salary negotiation

Fig. 3.1 Component of Staffing –An Overview
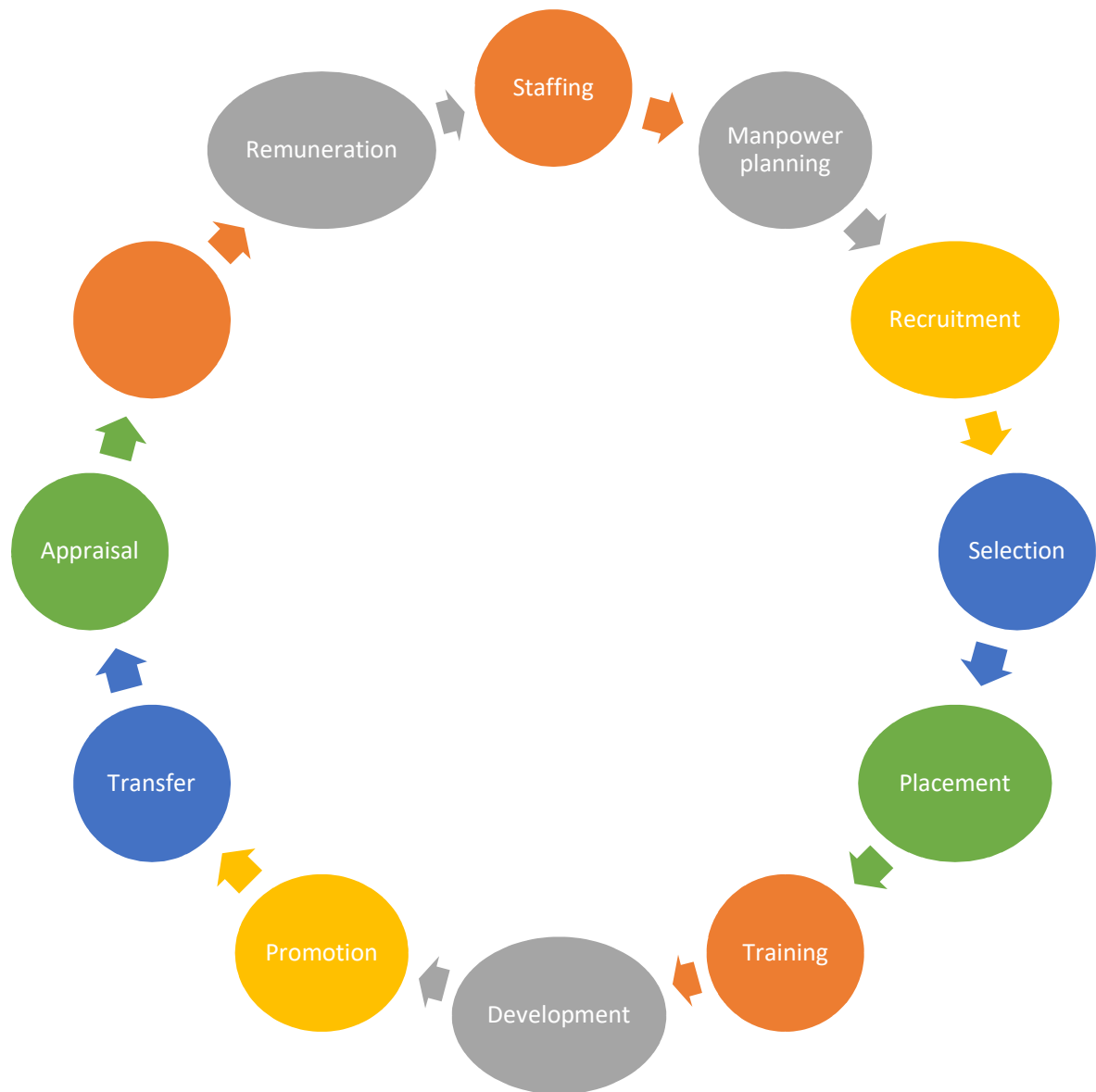
Fig. 3.2 Process of Staffing

3.2 Manpower Planning

Manpower planning is also known as Human Resource Planning. It is the process of estimating the optimum number of people required for completing a project, and to achieve organizational goals within timelines. E.W. Vetter has visualized manpower planning as "a process by which an organization should move from its current manpower position to its desired manpower position. Through planning, management strive to have the right number and right kind of people at the right places, at the right time, doing things which result in both the organization and the individuals receiving maximum long-run benefit." It is also defined as the "the process by which a management determines how an organization should move from its current manpower position to its desired manpower position. Through planning, a management strives to have the right number and the right kinds of people at the right places, at the

right time to do things, which results in both the organization and individual receiving the maximum long-range benefits." Manpower Planning and Human Resource planning are used interchangeably. Robbins (2001) defines HRP as "the process by which an organization ensures that it has the right number and kinds of people at the right places, at the right time, capable of effectively and efficiently completing those tasks that will help the organization achieve its overall objectives".

In the words of Coleman Bruce (1997), HRP is the process of determining manpower requirements and the means of meeting those requirements to carry out the integrated plan of the organization.Different parameters such as number of personnel, skill sets, time period etc. are taken in to consideration. The Business environment is continuously changing and with every possible change in the industry dynamics and mechanism skill sets needed for employees may change. Similarly, when there is unexpected demands for products, (consider the case of Hydroxy Chloroquine Tablets during the Corona Pandemic period), we may have to triple our production.This necessitates more workforce. Similarly, because of highly competitive markets, companies may hire people with IT skills for their digital marketing team. Manpower planning may have the following objectives:

- Forecasting the organization's manpower requirements
- Managing change effectively
- Realizing the goals of the organization
- Effective utilization of human resources

The process and steps for having manpower planning are as below:

1. Understanding the Existing Workforce: We have to have a clear idea on the human resources already available in the organization.That means the HR department has to examine the background, skill set, qualifications, of the current work force so that they can have a realistic idea on the pool of talent that he organization currently has.

2. Forecasting for the Future: This is the most difficult scenario for any organization. BSNL was the major player in Indian Telephone Industry till the early years of the first decade of this millennium. But when Mobile telephony started with less charges for national and long distance calls, there had been a sea- change. With constant and unexpected changes in business environment, organizations have to analyze the emerging trends and to develop a Plan B for the unexpected future. The HR department should identify those employees, who would be best suited for their organization to face the future challenges so that the organization can survive and thrive in the troublesome future. Hence, companies must examine, evaluate and forecast the type of employee workforce they want in the future years. This will be followed by estimating the manpower gaps and formulating final human resource planning action plan.
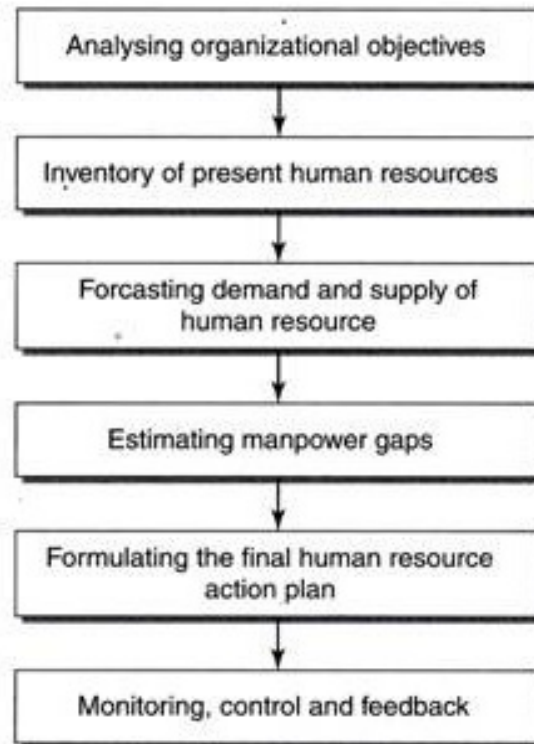
Fig.3.3. Manpower Planning Model
Courtsey: https://tinyurl.com/ycd866b3

3. Recruitment and Selection: Based on the understanding of the emerging changes in the business environment, manpower planning requires a well-developed recruitment and selection pattern. This totally depends upon the forecasts made and the business requirements.

4. Training the Employees: Employees who are a part of the organization are trained to have the best skills, knowledge and understanding about the current job as well as the future requirements.

All these above mentioned manpower planning steps help organizations become better prepared to adapt to new technology, future industry developments and even to face off with competitors.

Characteristics of Effective Human Resource Planning are as follows
- Future-Oriented.
- Continuous Process.
- Optimum Utilization of Human Resources.
- Right Kinds and Numbers.
- Determination of Demand and Supply.
- Environmental Influence.
- Related to Corporate Plan.
- A Part of the Human Resource Management System.

Benefits of Human Resource Planning

Human Resource Planning has assumed importance in recent years for the following reasons:

- Nature of Human Resources.
- Supply of Skilled Manpower.
- Rapid Technological Change.
- Costs of Recruitment and Hiring.
- Increased Mobility.
- Reduction of Wastage.
- Human Resources as Corporate Assets.
- Size of the Firm.
- Profitability.
- Management Development.

3.3 Job Analysis

Job Analysis is the process of analyzing and collecting information relating to the operations and responsibility of a specific job. It is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. Job Analysis is a process where judgements are made about data collected on a job. In another words, Job analysis is the process of gathering and analyzing information about the human requirements of jobs, and the context in which jobs are performed as well. There can be specific internal approval processes for each h operating unit. Job analysis is a systematic approach to defining the specific role of a job, its description, requirements, and Responsibilities etc. It helps in identifying the required level of education, skills, knowledge, training, etc. for the position. Basic contents of a job analysis specification can be as follows:

- Personal characteristics such as education, job experience, age, sex, and extra co-curricular activities.
- Physical characteristics such as height, weight, chest, vision, hearing, health, voice poise, and hand and foot coordination, (for specific positions only).
- Mental characteristics such as general intelligence, memory, judgment, foresight, ability to concentrate, etc.
- Social and psychological characteristics such as emotional ability, flexibility, manners, drive, conversational ability, interpersonal ability, attitude, values, creativity etc.
- We can enlist the contents of a job analysis specification in three terms namely, a. essential qualities, b. desirable qualities. c. contra-indicators which are likely to become a handicap to successful job performance

Step 1: Preparing the Job Description (JD)

The job description is a written statement that describes the work that is to be done and the skills, knowledge and abilities needed to perform a particular work. Each job has a description identifying the duties, qualifications, and impact of the position. Each Job description has the following structure:

1. General Information
2. Job Summary
3. Salary Considerations
4. Duties and Responsibilities
5. Zone Definition Factors
   a. General Knowledge, Skills and Abilities
   b. Problem Solving/Decision Making
   c. Interactions
   d. Nature of Supervision
   e. Impact
6. Minimum Qualifications
7. Physical Requirements

Step 2: Determine the Job Family

Job families are broadly defined groupings of jobs. They are composed of jobs related through common vocations/professions.

Step 3: Determine Job Family Zone

In this step, we determine the appropriate zone within the selected job family by matching the job description of the new or revised job to the zone criteria described in the Zone Placement Matrix

Job families can have four zones:

- Assistant / Executive Assistant
- Associate
- Specialist/Technical Officer
- Senior officer

Step 4: Determine the Job Title

Working titles will be used in the units to differentiate jobs to the extent that the organizational unit leadership feels appropriate. Jobs that are very similar should have the same working title. It is important that working titles accurately reflect the nature and level of the job because:
The following can be the major components of Job analysis:

- Organizational analysis
- Selection of representative positions to be analyzed
- Collection of job analysis data:
- Preparation of job description:
- Preparation of job specification:

3.4 Job Description

A job description (JD) is an important document that clearly states the essential requirements, duties, job responsibilities, and skills required to perform a specific job/position. In several cases, detailed job descriptions may indicate how success is measured in the role/ job so that JD can be used during performance evaluations. Job Description serves as a valuable guide for both the employees and the employer. A detailed JD helps potential Employees/ candidates to know what they are supposed to do in a particular post before when they apply and prepare for job interviews. Even though a properly written job position descriptions are often the only documents that totally define what a role is, there might be some problems that may come up while formulating job descriptions and they are listed below:

- It may not be easy to mention all the essential components of a job in to a document clearly and precisely
- Job duties are constantly changing and hence Job descriptions may not be updated

Table.3.1.Specimen of Job Description

Title	Compensation manager
1. Code	HR/3500
2. Department	Human Resource Department
3. Summary	Responsible for the design and administration of employee compensation programmes.
4. Duties	(a) Conduct job analysis. (b) Prepare job descriptions for current and projected positions. (c) Evaluate job descriptions and act as Chairman of Job evaluation Committee. (d) Insure that company's compensation rates are in tune with the company's philosophy. (e) Relate salary to the performance of each employee. Conduct periodic salary surveys. (f) Develop and administer performance appraisal programme. (g) Develop and oversee bonus and other employee benefit plans.
Develop an integrated HR information system. Working conditions: Normal. Eight hours per day. Five days a week.	
Report to	Director, Human Resource Department.

Courtesy: Lall& Zaidi (2012). Human Resource Management.p.50

Earnest Dale advised HR Managers to make Job Descriptions clear in the following ways:

- The Job Description should be clear regarding the work of the position, duties, etc.
- The Job Description should indicate the scope and nature of work including all important relationships.

Additionally, the following guidelines should be kept in mind while writing job descriptions: (as mentioned by Ernest Dale)
- The JD should indicate the nature and scope of the job, including all important relationships.
- It should be brief, factual and precise; use active verbs such as collect mail, sort out 'mail', 'distribute' mail, etc. Avoid statements of opinion. Give a clear picture of the job; explain all the duties and responsibilities of the job in greater detail.
- More specific words be chosen to show (i) the kind of work, (ii) the degree of complexity,
- (iii) the degree of skill required, (iv) the extent to which problems are standardized and (v) the degree and type of accountability.
- The extent of supervision available should also be clearly stated.
- The reporting relationships must also be clearly indicated (e.g., who reports to whom, frequency, etc.).

Guidelines for Preparing Job Descriptions

- Provide a clear, concise and readily understandable picture of the whole job process
- Describe in sufficient detail each of duties and responsibilities
- Emphasize accuracy, brevity and simplicity rather than an elegant style
- Use active words such as train workers, sort out mails, etc. before each statement
- Indicate extent of supervision to be received and given
- Ensure that a new employee can understand the job by reading the Job Description. (Bhatia,S.K. (2008).pp.66-67).

Limitations

- Job Descriptions cannot provide complete details of nature of work ,duties, and responsibilities of employees
- Many times, employees experience confrontation between the actual work and work as per job description
- Now-a-days employees are expected to play a wider range of roles than those just stated in the job description
- Hence, job description is used as a guideline rather than as a detailed account of duties and responsibilities (ibid.p.67).

3.5 Job Specification

Job specification is a statement of educational qualifications, specific qualities, level of experience, physical, emotional, technical and communication skills required to perform a specific job. It may also include considerations on general health, mental health, intelligence, aptitude, memory, judgment, leadership skills, flexibility, values and ethics, manners and creativity, etc.

Job specification summarizes the human characteristics and human attributes needed for satisfactory performance of a specific job. Job Specification is also called as **The Main Specification** and the main Purposes of Job Specification can include:

- Job specification helps candidates analyze whether or not they are eligible to apply for a particular job vacancy
- It helps recruiting team of an organization understand what level of qualifications, qualities and set of characteristics should be present in a candidate to make him or her eligible for the specific job position
- Job Specification provides detailed information on job responsibilities, desired technical and physical skills, conversational ability etc.
- It helps in selecting the most appropriate candidate for a particular job

The personal attributes that are described in a job specification statement may be classified into three categories:

- **Essential Attributes:** Skills, Knowledge and Abilities (SKAs) a person must possess.
- **Desirable Attributes:** Qualifications a person ought to possess.
- **Contra-indicators**: Attributes that will become a handicap to successful job performance

Sample of Job Specification

- Physical Requirements
- Education-Knowledge
- Work Experience
- Aptitude
- Personal Characteristics: the candidate should be emotionally stable and have the ability to adapt himself/herself to varying conditions and work harmoniously with other individuals.

Fig.3.4: Comparison between Job Description and Job Specification

3.6 Recruitment and Selection

Recruitment is an activity of establishing contact between employers and applicants. Every organization wants to hire best and talented personnel as their workforce for achieving their organizational objectives. The Importance of Recruitment and selection of the right and deserving candidates at the right time is indispensable for the survival of organization and to achieve its established goals. Flippo has defined Recruitment as a "process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization." Recruitment has also been defined by the **Sage.com** as the "process of actively seeking out, finding and hiring candidates for a specific position or job. The recruitment definition includes the entire hiring process, from inception to the individual recruit's integration into the company". This process can include

- Establishing clearly defined standards and expectations for the ideal job applicant.
- Taking proactive steps to integrate new employees with comprehensive "on-boarding."
- Staying ahead of the latest trends and best practices in recruiting

There can be four sub-systems of recruitment

1. Finding out and developing the source for shortlisting required number of candidates
2. Developing suitable techniques to attract the desirable candidates.
3. Employing these technique to attract the potential employees.
4. Stimulating as many candidates as possible and asking them to apply for jobs

Sources of Recruitment

There are two types of sources from which organization hire now-a-days:

a. Internal Source
b. External Source

Internal Sources include personnel already on the payroll of an organization. Filling a vacancy from internal sources by promoting people has advantages of increasing the general level of morale of existing employees. It also provide the organization more reliable information of the existing candidates. In this way, we can promote an employee to the senior post, a person with long experience may be promoted and transferred to another place as Senior officer, etc. Sometimes, applications are called for from both external and internal candidates and preference will be given to internal candidates, if they are qualified.

Merits and Demerits of Selecting People through Internal Source

I.   Absorbing people, who are knowledgeable about the organizational culture and company process will be a great advantage
II. It is type of recognition and acknowledgement to the reliability and integrity of the employees ,who associated with the company even in difficult times
III. It may reduce the labor turnover as it would definitely infuse a sense of job security and opportunity for growth and professional advancement
IV. Recruitment through internal sources and mechanism is cost-effective and less-costly
V.   The main demerit of internal sourcing of employees is that it limits the choice to a few employees only.
VI. The likes and dislikes of the supervisor play an important role in the selection and promotion of employees

External Sources of Recruitment

The **External Sources of Recruitment** mean hiring qualified and talented people from outside the organization. Instead of hiring internal candidates, we are opening up the opportunities for candidates external to the organizational system and culture. There are several methods for selecting people through this method. They are listed and discussed below:

a. **Media Advertisement:** Job positions are advertised in News Papers, Employment News, Professional Journals and Magazines .This is the frequently followed practice even though expensive. The job advertisement in newspapers, professional journals, etc. give a comprehensive detail about the organization, type, and nature of job position, skills required, qualification and experience expected, etc. This helps an individual to self-evaluate his/her professional profile against the job requirements and apply for the jobs which best suits him/her. For example, the Wednesday Edition of Times of India carries job advertisements from different organizations and academic institutions and applicants are advertised to send their application either by e-mail or by Registered post after visiting the websites of the companies that advertise the vacancies.

b. **Through Employment Exchange:** The employment exchange is the governmental agency where unemployed persons register their names. Companies, mainly government or government funded companies and organizations collect the details about the job seekers such as name,

qualification, experience, etc. from Employment Exchanges. For certain job vacancies, it is mandatory for every organization to inform the job vacancies to the employment exchange. It is the most common source of external recruitment that offers jobs to unskilled, semi-skilled and skilled workers.

c. **Direct Recruitment:** The direct recruitment also called as factory gate recruitment is an important source of hiring, especially for the unskilled workers, who are paid on a daily-wage basis. Here, the company puts up a notice on a notice board or on the factory gate regarding the jobs available, such that the applicant sees it and apply for the job directly.

d. **Casual Callers/ Unsolicited Applications:** Here unsolicited applications are sent by the job seekers who come to the well-renowned organizations casually and submit their CV or Bio-Data either through e-mail or drop in to the reception of the organizations. This could be considered as an important source of external recruitment as the personnel department maintains the folder of unsolicited applications and call those candidates, who fulfill the job requirements, whenever the vacancy arises. Generally companies consider this method as an inexpensive and effective hiring mechanism as they get a poll of application from qualified people.

e. **Campus Selection/ Campus Interview:** This has become a common practice of external recruitment and several multi-national companies prefer this method to hire talented students with huge pay package. Most of the professional colleges and management institutions have a Placement Divisions that have established a close liaison with the host of employers for the recruitment of their students with technical and professional qualifications. HR representatives of the companies visit the technical, management and professional colleges to recruit students directly for the job positions that they have. Most of the IT Companies such as Google, Facebook, Infosys, Earnest and Young, KPMG, etc visit the campuses in the middle of academic year and interview the final year students and select the best students with huge salary.

f. **Labor Contractors:** This is also one of the most common form of external recruitment. Here the labor contractors will come in to an agreement with the organizations to supply workers to the firm for the completion of a specific type of a task. This method is used for hiring the unskilled and semi-skilled workers, for example, House –keeping staff, Security personnel etc. These contractors keep in touch with the workers and send them to the places where their need arises. In doing so, the contractors get the commission for each worker they supply. Government regulations make it mandatory for such labor contractors to pay for the deduct and contribute to the EPF Account of these laborers and even to assist them for getting Employees State insurance (ESI) health care facilities.

g. **Walk in Interview:** This is another type of a direct recruitment wherein the prospective candidates are invited through an advertisement for attending and applying for the job vacancies that the company wanted to fill in. Details of such Walk in interviews will be announced two-three days in advance with **specific date, venue, and time of interview** etc.

Interested candidates will visit the company locations to give interviews directly without submitting their applications in advance**.**

h. **Online Recruitment:** with the advent of internet and e-mail technologies, recruitment process became online to certain extent. The e-recruiting is an online mechanism in which searching and screening of the prospective candidates done electronically. There are several online job portals that enable the job seekers to upload their resume online which are then forwarded to the potential hirers. They are **Naukri.com**, **Monster.Com**, **Shine.Com**, **Indeed.com** etc.

i. **Management Consultants:** This an increasingly accepted form of external hiring mechanism especially for middle level and top level executives. There are several private Agencies that act as intermediary between the recruiter and the candidates. They help the organizations to hire professional, technical and managerial personnel. Such agencies maintain data of all the job seekers, such as education, qualification, experience, etc. and give their details to the companies who are looking for men. Nowadays, the engineers, accountants, lawyers help their counterparts to get suitable jobs in industrial organizations**.**

j. **Employee-Referrals:** An employee- referral program is an innovative recruiting strategy in which employers encourage current employees, through rewards, to refer highly-qualified candidates for jobs in their organizations. It has become a very popular strategy in the western world and in India. Employee-referred new hires tend to be better performers than non-employee-referred new hires. In several cases, it is proved that such new-hired employees stay with their organizations longer. Most of the modern organizations prefer Employee- referral programs as they are more cost-effective than other recruiting strategies and often are the fastest way to find external talent.

Merits and Demerits of External Sources of Recruitment

The main advantages of External sources of Recruitment are listed below:

- Fresh and new employees are hired by this mechanism and this would help to redefine some of the processes and bad habits of the organization
- Since the newly hired employees are selected from a large market of qualified and talented professionals, Recruiters can ensure that qualified personnel are selected
- External sources provide the requisite type of personnel having the necessary educational qualifications, talents and skill sets.

The following are major de-merits of External sources of Recruitment:

- This process may reduce the morale of existing employees
- This hiring mechanism may deny the career progression opportunities of the existing employees.
- Proper evaluation of the newly hired employees might have not happened due to the time constrains and this could lead to faulty selections

Comparison of Internal and External Sources of Recruitment

Internal Source	External Source
(i) Internal recruitment is a quick process. It involves search of candidates from within the organisation.	(i) External recruitment is a lengthy process. It involves finding candidates from outside the organisation.
(ii) This process is cheaper. It does not involve any cost of contracting the external sources.	(ii) This process is costly as vacancies have to be notified in newspapers, etc.
(iii) The existing staff is motivated to improve their performance.	(iii) The internal workers feel dissatisfied if external sources are used.
(iv) Choice of candidates is limited. The scope of fresh talent is diminished.	(iv) The business can hope for talented candidates from outside. This means infusion of new blood and new ideas into the enterprise.

Fig.3.5 Comparison between Internal and External Sources of Recruitment
Courtesy: Bhatia, S.K. (2008).P.78

The following diagram clearly indicates the factors that can affect the recruitment process in organizations.

Internal Factors	External Factors
1. Company's pay package	Socio- economic factors
2. Quality of Work Life	Supply and demand factors
3. Organisational culture	Employment rate
4. Career planning & growth	Labour market condition
5. Company's size	Political, Legal & Govt. factors
6. Company's products/services	Information System
7. Company's growth rate	
8. Role of trade union	
9. Cost of recruitment	
10. Company's name & fame	

Fig.3.6 Factors that can affect the recruitment process in organizations.
Courtsey:Lall&Zaidi(2012).p.74

Selection

Selection refers to choosing the right candidates from the pool of eligible candidates to fill the vacant job positions in the organization .After receiving the applications from candidates, the HR Team matches these applications against the recruitment criteria. Eligible candidates are short-listed thereafter and that list is submitted to the hiring Managers. Both HR team and Hiring Manager finalize the dates of preliminary interviews and candidates are intimated about this either by telephone or by e-mail. The basic stages involved in a standard selection process are:

3.7 Training

Generally, organizations provide training to its employees in the following areas:

1. Knowledge: Here the trainee learns about a set of rules and regulations about the job, the staff and the products or services offered by the organization. The aim is to make the new employee fully aware of what goes on inside and outside the company. Training may also include subjects such new Leave rules, Salary Deferment programs during financial emergencies such as Corona Pandemic.

2. Technical Skills: The employee is taught a specific skill (e.g., operating a machine, handling computer etc.) so that he can acquire that skill and contribute meaningfully. Since we in the knowledge economy, most of the employees are knowledge workers and they need frequent training in the areas of MS-Excel, MS-Word etc.

3. Social Skills: The employee is made to learn about himself and others, and to develop a right mental attitude towards the job, colleagues and the company. The principal focus is on teaching the employee how to be a team member and get ahead.

4. Techniques: This involves the application of knowledge and skill to various on-the job situations. In addition to improving the skills and knowledge of employees, training aims at moulding employee attitudes: When administered properly, a training programme will go a long way in obtaining employee loyalty, support and commitment to company activities.

Importance of Training

The main importance of training for an employee is listed below:

I. It equips the management to encounter the pressure of changing organizational and industrial landscape.
II. It usually leads to the job satisfaction and higher morale of employees
III. Trained manpower enables the management to face challenge from the competitor
IV. Training infuses confidence and it leads the employees toward better job adjustments and reduces the labor turnover and absenteeism

Benefits of Training to the Employer and Employees

The following are the benefits of organizational training to the organization:

- Higher Productivity
- Better organizational Climate
- Less supervision
- Prevents manpower obsolescence
- Prevents accidents
- Increases loyalty
- Standardization of Procedures
- Economic use of resources

We can also see that such training is advantageous to employees as well considering the following benefits that they would accrue by participating in such training sessions:

- Personal growth
- Development of new skills
- Helps adjust with new technology
- Higher earning capacity
- Increased security and safety
- Increased confidence and productivity

Types of Training
- Induction or Orientation training
- Job Training
- Apprentice Training

- Internship Training
- Refresher training

Designing a Training Programme

There are five major steps in designing a training program in the organizational context. They are listed below:

- Identifying training needs
- Human Resource Analysis
- Setting training objectives
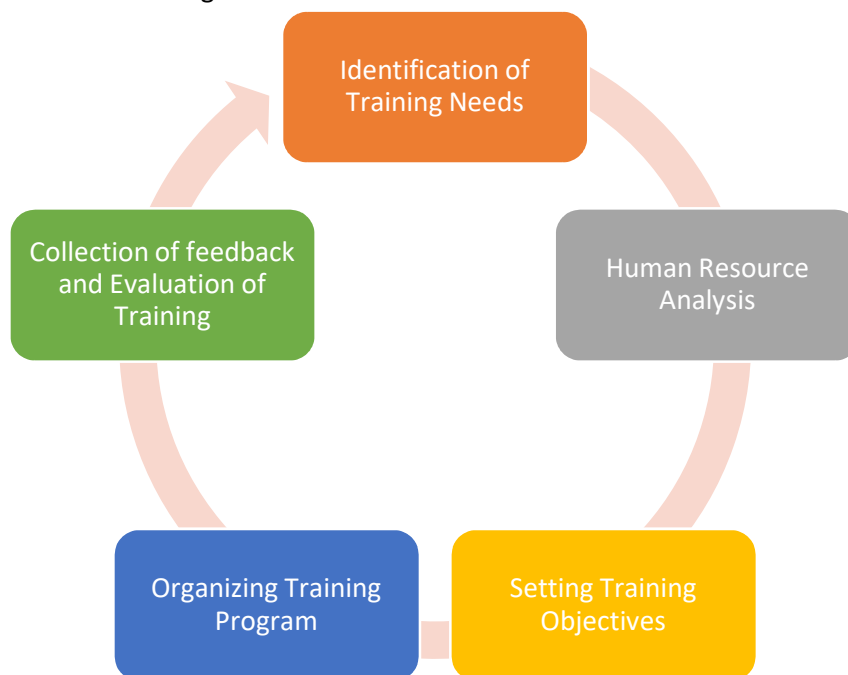- organizing the training Program
- Evaluation of Training

Fig.3.7 Designing a Training Programme

On the other hand, development indicates growth of an employee in all aspects. An executive development program is aimed at increasing the capacity and improving the quality of the employees to achieve desired objectives. Executive development also called as Development because it refers to all the learning opportunities provided to managers working at various levels. It involves concerted efforts to improve managerial performance by imparting knowledge, changing attitudes or through skill developments. These executive Development programs are aimed at preparing managers for future challenging roles.

Executive Development Programme (EDP) is a planned and organized process of learning and growth designed to improve managerial behavior and performance of executives by cultivating their mental

abilities and inherent qualities through the acquisition and application of advanced knowledge insights and skills. These Executive Development (ED) has become indispensable to modern organizations in view of the following reasons:

- ED helps managers to acquire Knowledge, Skills and Abilities (KSAs) required to survive and sustain in the world of technological advancements.
- ED helps executives to realize their own career goals and aspirations in a planned way
- Executive Development programmes help managers to broader their outlook, look into holistic view of the entire organization
- Executives can show superior performance on the job.

However, we have to remember the prophetic words of Michael Armstrong that "Executive development is eventually something that the executive has to attain himself. But he will do this much better if he is given encouragement, guidance and opportunity by his company".

3.8 Organization Development

Organizational development is a critical and science-based process that helps organizations build their capacity to change and achieve greater effectiveness by developing, improving, and reinforcing strategies, structures, and processes. OD is an evidence-based and structured process. Here we are using scientific findings as input and creating a structured and controlled process in which various assumptions are being tested. OD is aimed at analyze the current organizational challenges and to address the issues involved in the long-term changes of the organization. We are using even minor interventions with the aim of getting long term benefits. OD strives to achieve systemic changes that are long lasting and permanent. Today's world is characterized by Volatility, Uncertainty, Complexity, and Ambiguity (VUCA). This VUCA world requires new agility from organizations, and organizational development can pose some answers to that. Additionally, in the current global scenario of corona pandemic, because of the uncertainty in the future, effecting such organizational changes is very much challenging.

Organization development is a system wide process of data collection, diagnosis, action planning, intervention, and evaluation aimed at (1) enhancing congruence among organizational structure, process, strategy, people, and culture; (2) developing new and creative organizational solutions; and (3) developing the organization's self-renewing capacity. It occurs through the collaboration of organizational members working with a change agent using behavioral science theory, research, and technology. (Beer,1980).

Features of OD

- OD applies to changes in the strategy, structure, and/or processes of an entire system, such as an organization, a single plant of a multi-plant firm, a department or work group, or individual role or job

- OD is based on the application and transfer of behavioral science knowledge and practice, including micro concepts, such as leadership, group dynamics, and work design, and macro approaches, such as strategy, organization design, and international relations
- OD is concerned with managing planned change, but not in the formal sense typically associated with management consulting or project management, which tends to comprise programmatic and expert-driven approaches to change. Rather, OD is more an adaptive process for planning and implementing change than a blueprint for how things should be done.
- OD involves the design, implementation, and the subsequent reinforcement of change. It moves beyond the initial efforts to implement a change program to a longer-term concern for appropriately institutionalizing new activities within the organization.
- OD is oriented to improving organizational effectiveness. Effectiveness is best measured along three dimensions. First, OD affirms that an effective organization is adaptable; it is able to solve its own problems and focus attention and resources on achieving key goals. OD helps organization members gain the skills and knowledge necessary to conduct these activities by involving them in the change process.(Cummings, and Worley,2009).

As Steve Denning (2020) has correctly observed, "adequately handling the crisis will take more than replacing a few individuals. It means swiftly putting in place more agile institutional arrangements. This, in turn, requires a deeper understanding of why our current institutions are failing. It means grasping the three basic types of organization: rule-driven bureaucracies, boss-driven outfits, and mission-driven organizations".

Beyond tactical steps, there are strategic measures, such as exploring alternative digital learning strategies that managers can develop during this time of social distancing. The stronger learning capabilities that emerge could stand as a positive long-term outcome from this sobering period.(from Mckinsey.com)

The following are the benefits of OD:

1. Continuous development
2. Increased horizontal and vertical communication
3. Employee growth
4. Enhancement of products and services
5. Increased profit margins

Action Research Model was projected as the important activity in the conventional approach to the organizational development process. The model is used even today by many organizations across the world to guide the OD process. This Action Research Model two major processes namely research and action. However, there is much more to the OD process than just research and engagement. There are multiple loops used to transmit feedback, and it is why organizational development is receptive to change. The major steps in the OD process are listed below:

1. Initial Diagnosis of the Problem

2. Data Collection
3. Data Feedback and Confrontation
4. Planning Strategy for Change
5. Intervening in the System
6. Team Building
7. Evaluation

3.9 Performance Appraisal

A performance appraisal is a regular review of an employees' job performance and overall contribution to the company. It is also known as an "annual review," "performance review or "employee appraisal." A performance appraisal is an evaluation of an employee's skills, achievements and growth, or poor performance. Performance appraisal has three basic functions: (1) to provide adequate feedback to each person on his or her performance; (2) to serve as a basis for modifying or changing behavior toward more effective working habits; and (3) to provide data to managers with which they may judge future job assignments and compensation.The performance appraisal concept is central to effective management. (Levinson (1976).

Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal

The main advantages of performance appraisal are listed below:

- **Promotion**
- **Compensation**.
- **Employees Development**
- **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.

- **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
  - Through performance appraisal, the employers can understand and accept skills of subordinates.
  - The subordinates can also understand and create a trust and confidence in superiors.
  - It also helps in maintaining cordial and congenial labour management relationship.
  - It develops the spirit of work and boosts the morale of employees.
  - All the above factors ensure effective communication.

- **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

The various performance appraisal methods are discussed here on two standards:

1. Past-oriented Scale
2. Future-oriented Scale

One of the important methods used in this Past-oriented Scaleschema is Rating scale.

Rating scale: The typical rating scale system consists of several numerical scales, each representing a job-related performance criterion such as dependability, initiative, output, attendance, attitude, cooperation etc., each scale ranges from excellent to poor. The number of points attached to the scale may be linked to salary increase, whereby so many points equal a rise of some percentage. Nearly all type of job can be evaluated and large number of employees can be evaluated in a very short time. Disadvantage includes the rater's biases to influence evaluation. Furthermore, numerical scoring gives an illusion of precision that is really unfounded

3.10 Job Evaluation

Job evaluation is an analytical process to consider the responsibilities, skills, efforts and the work conditions of the job. In other words, a job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure. Job evaluation offers valuable information for developing a compensation system in terms of what duties and responsibilities need to be undertaken. The worth of a job to the organization is as ascertained through job evaluation. The main purpose of job evaluation is to decide which jobs should be paid more than others. It determines the relative worth of jobs by selecting a job evaluation method. The most common ones are job ranking, job grading, factor comparison and the point system. Since the whole process is largely subjective, generally, a committee is constituted to collect information and come up with a hierarchy of jobs according to their value. The evaluation is done through the use of

market pricing or through the use of ranking, point or Factor comparison methods. We may confuse Job Analysis with Job evaluation; but the two activities differ drastically. A job analysis is the systematic process of examining specific tasks and responsibilities related to a job, typically for writing a job description. Internal job evaluation methods are either quantitative or qualitative. The quantitative approach includes the following:

- Point factor
- Factor comparison
- Custom factor comparison

The Qualitative approaches use observations or descriptions to define jobs and they include

- Job ranking.
- Job classification/Job Grading.

The following methods are commonly used for Job-evaluation:

i) Job Ranking: Each job is ranked subjectively according to its relative importance in comparison with other jobs. These rankings do not differentiate the relative importance between jobs. Pay scales based on these broad rankings ensure that more important jobs are paid more. But since the rankings lack precision, the resulting pay levels may be inaccurate.

ii) Job Grading: Job grading, or job classification, works by having each job assigned to a grade. Once again, more important jobs are paid more.

(iii) Points Rating: Under this system, points are awarded for factors such as experience, training, mental alertness required, physical effort necessary etc. which are common to

Why introduce job evaluation?
 1) To gather data and information relating to job description, job specification and employee specifications for various jobs in an organization.
 2) To compare the duties, responsibilities and demands of a job with that of other jobs.
3) To determine the hierarchy and place of various jobs in an organization.
4) To determine the ranks or grades of various jobs.
5) To ensure fair and equitable wages on the basis of relative worth or value of jobs. In other words equal wages are fixed to the jobs of equal worth or value. 6) To minimize wage discrimination based on sex, age, caste, region, religion**. (Pandey,&.Leelashree,2012).**

A typical job evaluation project includes these common steps:

1. Specify the project's parameters, and gain approvals and support from senior management.

2. Select an appropriate evaluation method or system.

3. Collect job data consistent with the method or system. This step includes specifying trustworthy data collection techniques.

4. Analyze data, document job content and evaluate jobs.

5. Use points to develop job worth hierarchy, and group jobs into grades based on appropriate breaks, or take another fair, understandable, defensible and practical approach.

6. Allocate jobs to the existing pay structure, or develop a new one.

7. Document system development, and establish operating procedures, including policies for reconsidering decisions or a formal appeals procedure.

8. Gain final approvals.

9. Implement and administer system.

Limitations of Job Evaluation

One of the main difficulty with job evaluation procedures is that data from two companies are not comparable. Nor is it possible to compare widely disparate types of jobs with any accuracy. The judgments of the different evaluation committees may differ, without anyone knowing by how much. Ultimately, the committees decide the comparative levels by negotiating and bargaining. (Elliott (2012))

3.11 Conclusion

We can see that Staffing is one of the most important management function as by this function the manager decides who will be selected for specific tasks and projects. Through this management function, we can decide how efficiently and effectively we can achieve the organizational goals and objectives. One of the main objective of staffing is to ensure that we have a talented and professionally qualified workforce that can help our organization in achieving the short term and long term organizational goals. Moreover, management professionals across the globe will agree and appreciate that Staffing function has assumed to play an important role considering the complex behavior of employees, increasing size of organizations, and technological development in the area of HR.

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Chapter 4 Motivation

Introduction

In order to attain a certain aim in life every individual needs to put in some efforts. The amount of efforts that one places is directly proportional to the level of motivation that he has. Thus motivation is something that every one needs for getting success. This unit discusses the concept of Motivation and the elements that motivates an individual in an organization. The concept of motivation has been explained by various management thinkers in different ways and theories, this unit discusses various theories of Motivation. Motivation is directly linked to the reward that one seeks for; so later in this unit rewards given in organizational setting are discussed. The last section of this unit briefs about leadership and leadership styles that people adopt. An effective leadership can take an organization to zenith of success. Thus great leaders are always a great asset to any organization.

Objectives

On completion of this Unit, the student will be able to:

- ❖ Define Motivation and its scope
- ❖ Understand various motivational theories and its relevance in organization
- ❖ Understand reward mechanism
- ❖ Elucidate the nature and characteristics of leadership
- ❖ Explain the importance and various theories of leadership
- ❖ Get an insight into the leadership styles and patterns

Structure

4.1 Motivation: Meaning, Nature and Importance

4.2 Motivation Theories

4.3 Rewards

4.4 Leadership: Meaning and Importance

4.5 Leadership Theories and Leadership Styles

Introduction to Motivation

Every individual has different nature and different set of qualities. They differ from each other in their ability to accomplish a task and also in their willingness to do it. Those individuals who possess superior skills and abilities but are low in willingness to attain something may lack in performance, when compared to those who might have less abilities but are very determined and hard working in attaining the goals.

The most important factor that brings success to an individual is his dedication and efforts put in towards the work. Albert Einstein entrusted this belief in his saying that, " Genius is 10% inspiration and 90% perspiration". This determination and willingness to accomplish is termed as 'Motivation'. The intensity with which a person is driven towards attainment of his goal is his force of motivation. This force is dynamic in nature and sets a person into motion or action. Motivation posses' great power, but this concept is not new. It can be traced back to ancient times and its prevalence is found in ancient Greek and Indian scripts.

The Indian Mythology and Vedas have laid stress on the concept of 'Nirvana'. Aryans and other religious thinkers, who motivated people to do good deeds and karma so that they can be close to god and attain moksha one day. Similarly the Greek motivation view predominantly underscored the concept of 'hedonism'. According to it, people have tendency to seek for all the pleasures, luxuries and comfort and they tend to avoid pain and distress. This thought is still very common and it nowhere takes into consideration the effect on inner self or our value systems it entirely depends on materialistic things and rational evaluation. Every individual under this concepts aims at maximizing personal pleasure. This concept fails to explain the concept of selflessness and charity.The view existed during 18th and 19th centuries and is apparent in the social and economic ideas of few prominent thinkers and economists of those times, such as Jeremy Bentham, Adam Smith and John Stuart Mill.The concept of hedonism is very short sighted and with limited scope as it is not capable of measuring the real meaning of pleasure, which varies from one person to another. For example some people seek pleasure in serving then society or in doing some deed of kindness. Such type of pleasure is not captured under the concept of hedonism.

Thus human behavior has always been very complex and the previous theories were not able to explain the entire essence of it. With this viewpoint the concept of motivation emerged in late 1800s and early 1900s.

William James and Sigmund Freud have underscored the significance of instinctive behavior and unconscious motivation in shaping up the human behavior. These two factors largely determine an individual's interpretation of situation and also his response to the stimuli.

The intrinsic or innate predispositions may not be consciously rational displays, but they definitely can give a clue about certain behavioral aspects of an individual. The basic and most common instincts that act as a catalyst to human behavior are – need for love, security, sympathy, acknowledgement, dominance, fear autonomy, sex, harm avoidance, play, jealousy, curiosity etc. These stated instincts

indicate variety of possible instinct behaviors. The instinct behavior is similar to reflex action, which an individual uses for existence and survival and is instrumental in satisfying Physiological needs. These instincts are not derived and learnt and they do not depend on the consequences of an action.

Most of the instincts are common to all individuals and elicit similar kind of reaction under similar circumstances. For example if someone have lost the keys of his car, then the first instinctive behavior, which will come out, is to panic. This is an unconscious motivation, which spontaneously erupt in a state of unawareness. Sigmund Freud underscored the concept in his theory where is stated the unconscious desires and motives of individual paly a major role in the decision-making and their day-to-day behavior. These unconscious desires are unveiled in dreams, hypnotic suggestions, slips of speech and symbolism. The instinctive desires and motives are very complex in nature and do not pertain any scientific investigation. It is explained on the basis of cognitive and environmental interactions. The concept of motivation was scientific analyzed during 1930s and based on it many models and theories were which was capable of explaining the concept of motivation scientifically.

4.1 Motivation: Meaning, Nature and Importance

Have you ever thought of it that what force drives people to work? Why are some people better performers than others? Why does the same person act differently at different times? Why do some people have higher amount of productivity than others? The answer to all these questions is motivation. Though all the management thinkers and practitioners may have different version of what motivation is, but few things and terms that remains intact as a common thread between all the definitions is: need, desire, wants, wishes, aim, goal, motives, drive etc.

The term 'Motivation is technically derived from Latin word 'movere' which represents the thought –"to move". The meaning is apparent in the following definition that - Motivation is the process that starts with physiological and psychological needs that arouse a behavior or a drive that is aimed at a certain objective.

Some of the most commonly quoted definitions of Motivation are as follows:

According to Viteles - "Motivation represents an unsatisfied need which creates a state of tension or disequilibria, causing the individual to move in a goal directed pattern -towards restoring a state of equilibrium, by satisfying the need."

As per Ray Starke, Motivation is an outcome of procedures, external or internal to the individual, that arouses passion and determination to chase the goals through certain course of action.

In view of Stephen P Robbins, motivation is the readiness to employ high levels of effort toward attainment of organizational goals, accustomed by the efforts intensity to satisfy some individual needs.

According to S. Edeck and M. Lood, "Motivation is a tendency to act in a specific goal- directed way".

As stated by Atkinson J.W, "Motivation is the immediate influences on the direction, vigor and persistence of action".

As proposed by S.W Gellerman, "Motivation is steering one's actions toward certain goals and committing a certain part of one's energies to reach them".

M.R. Jones stated that, "Motivation is how behavior gets started, is strengthened, is continued, is directed, is stopped and what kind of prejudiced reactions are present in an individual while all these are going on"

All these definition point towards three relating elements:

1. **Need**- a need is a deficiency that is generated due to physiological or psychological difference. For example when one is deprived of food for several hours, the body starts sending hunger pangs and a need for food intake arises. Similarly a person having very strong need to be number one may be a resultant of consistent success.

2. **Drive**–Drives or motives are a force that is set up to satisfy a need. When there is a deficiency and the way to remove that deficiency is clear then it can be termed as a physiological drive. Physiological and psychological drives both are action oriented and provide an motivating thrust towards attainment of goals. They are the core element of motivation. For example the need of a companion becomes drive for affiliation similarly need for food becomes drive for hunger.

3. **Incentive/Reward**– The last destination of motivational process is the reward that one aims to attain. It is the sole objective for which the entire process has taken place. It may be considered as something that will eliminate a need and reduce a drive. Thus after being rewarded for a task an individual will tend to restore physiological or psychological balance and will reduce the drive.
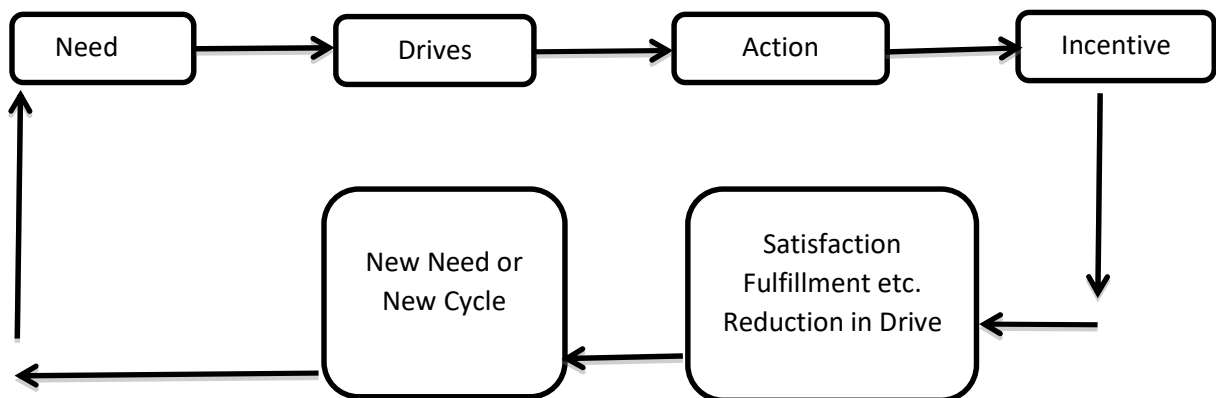

Figure 4.1 Process of Motivation

Motivation is an individual centric phenomenon ∎each individual is different, and may have different set of motivators this fact must be recognized in motivation research. Motivation is based on intention of a person and when an employee does something; it is because he or she intends to do it.

Motivation has been analyzed by researches under various aspects, including how it is stimulated, how does it lead, what influences its persistence, and how it is gets faded away. The motivational theories propounded by various researchers aimed at predicting behavioral aspects of an individual. The distinction must be made between motivation, behavior and performance. Motivation is what causes behavior; if the behavior is effective, it will automatically land into high performance.

Motivation is the underlying process that stimulates, directs and withstands behavior in order to satisfy different sets of physiological and psychological needs. The behavior can be explained as an outcome of a combination of motives needs or desires that energize and direct an individual toward a goal.

The diagram below depicts a systematic relationship between different variables that are involved in motivation process. It shows how personality, attitude, learning, values etc. shape up the motivational drive.
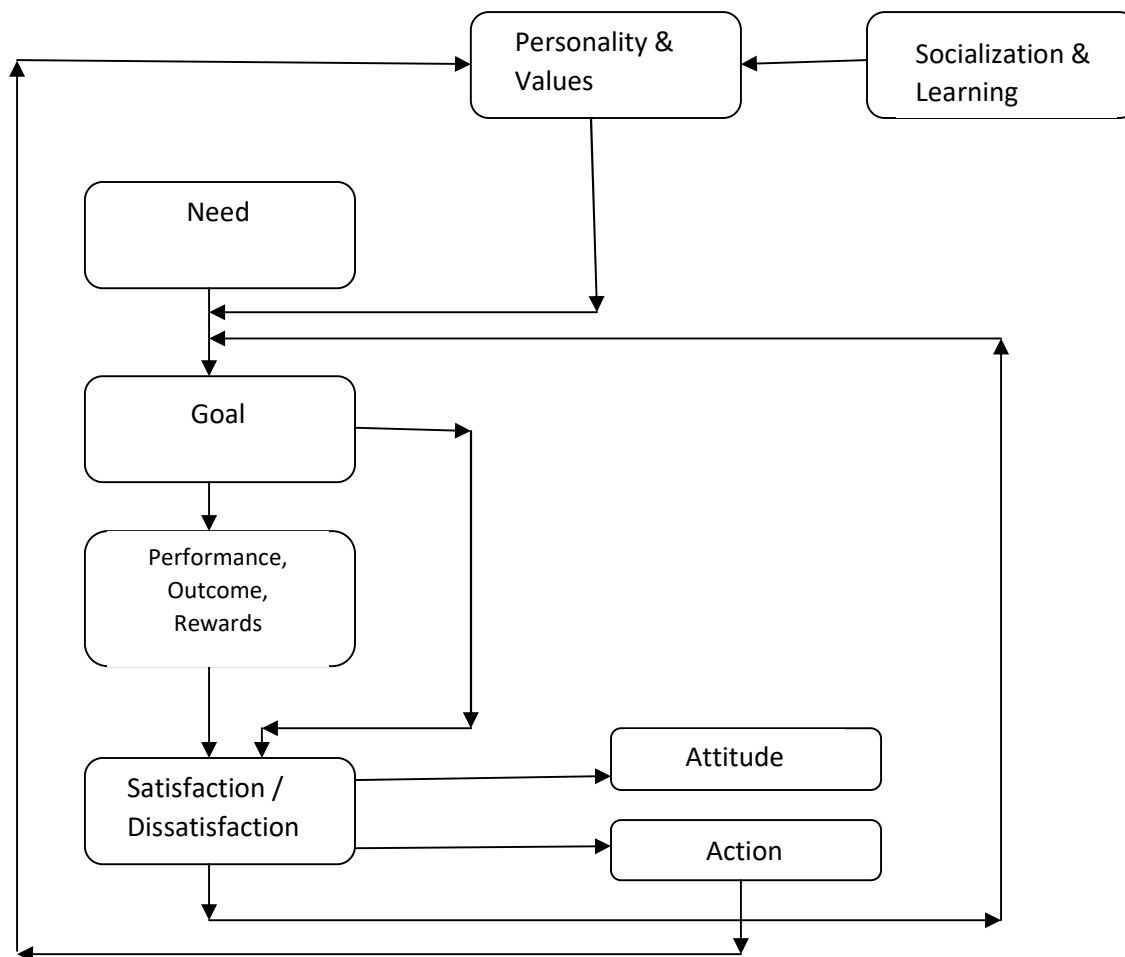

Figure 4.2 Motivation Cycle

Psychologists have agreed upon classifying motives in two category namely **Primary motives and Secondary motives.** Those motives which one innate and are unlearned and physiologically based are called primary motives. But that does not mean that the primary motives always take precedence over the learned secondary motives. Most commonly recognized primary motives include need for food, need for water, need to take rest, avoidance of pain etc.

On the other counterpart as the primary motives are important for even survival, the secondary drives are no doubt the most important once to study the organizational behavior. With the economic and social development of human society the complexity rises and gradually the primary drives transforms into learned secondary drives in the process of motivating.

The secondary motives are the once that are learned by an individual. Some of the most important once are Power, Achievement and Affiliation.

Table 4.1 Classification of Primary and Secondary Motives

Primary Motives	Secondary Motives
Hunger, Thirst, sleep, air, sex, love, avoidance of pain, maternal love, elimination of waste, temperature.	Power, Affiliation, achievement, Curiosity Ambition, competition, aggression, attitude

Motivation results from two things: context in which a person is into and forces inherited in an individual. The intensity of our motivation is dependent on the number and the potency of the motives involved, which in turn has a direct impact on the effort and the persistence with which we pursue our goals. Sometimes we perform an activity as an end in itself simply because it gives us pleasure, and not because of any external reward associated with it. This kind of motivation is known as **intrinsic motivation**. Intrinsic motives are the once which are internally generated. Or we can say that, they are the motivators that a person links with the task he performs or the job that he does. Intrinsic rewards include the feeling of accomplishment, accountability, and success. For example for an intellectual, being a part of meaningful work can be a source of intrinsic motivation.

On the other hand, when we engage in activities not because they are enjoyable, but in order to gain some external reward, then we are led by **extrinsic motivation**. These extrinsic motives are tangible and visible to others. They also include the drive to avoid some undesirable consequence like penalty, termination or transfer. Moreover the extrinsic rewards are contingent to the situation and are conferred accordingly.Extrinsic motivator plays a crucial role in the organization and to get better performance on the job. It also helps in inspiring people to work better. The table below depicts the example of extrinsic and intrinsic motivators.--

Table 4.2 Classifications of Intrinsic and Extrinsic Motives

	Intrinsic Motivation	Extrinsic Motivation
Description	A task is performed as an end in itself because it installs a person with inner joy and pleasure.	Any task that is performed in anticipation of getting a reward or to avoid an undesirable consequence.
Example	Any individual donates his eyes after death, without knowing, who would benefit from his eyes. People volunteer for saving others during a epidemic like Covid-19	An individual works on a challenging assignment in hope of getting promoted.

Determinants of Motivation

The earlier monistic approach considered money as the only source of motivation for an individual. Under this school of thought a person is motivated to act in a certain manner only in order to increase his monetary rewards. But later on another school of thought emerged which gave a pluralist explanation of the mechanism. It recognizes the thought that a person works to fulfill a variety of needs and motivation basically is an inter play of four groups of factors namely: Individuals Organization, Job Characteristics and Influences operating in the external environment i.e. exogenous variables.

To-Do-Activity: You are made to study a subject that you do not like, how will you motivate yourself to study it.

4.2 Motivation: Theories

So far motivation has been defined as a basic psychological process which comprises of primary and secondary motives, drives such as need for power, need for affiliation, need for achievement, extrinsic and intrinsic motivators. In order to understand organizational behavior the individual; related basic motives need to be understood and studied. Many management thinkers have contributed significantly in this area and have propounded various motivational theories. These theories can be classified under various schools based on the thought they carry and the era in which they were developed. There are basically three broad categories under which the motivation of theories can be classified. These theories define the motivational processes. These are the "content theories" which attempt to determine the answer to the question, 'What motivates an individual?' it focuses on drives and needs that motivate people to work. Second classification is of "process theories" which attempt 'How the motivation process works?' it aims to identify the variables that go into motivation and their relationship with each other and the recently developed classification comprises of the contemporary theories which underscores the factors which are instrumental in motivation process. These theories are described in the diagram below.
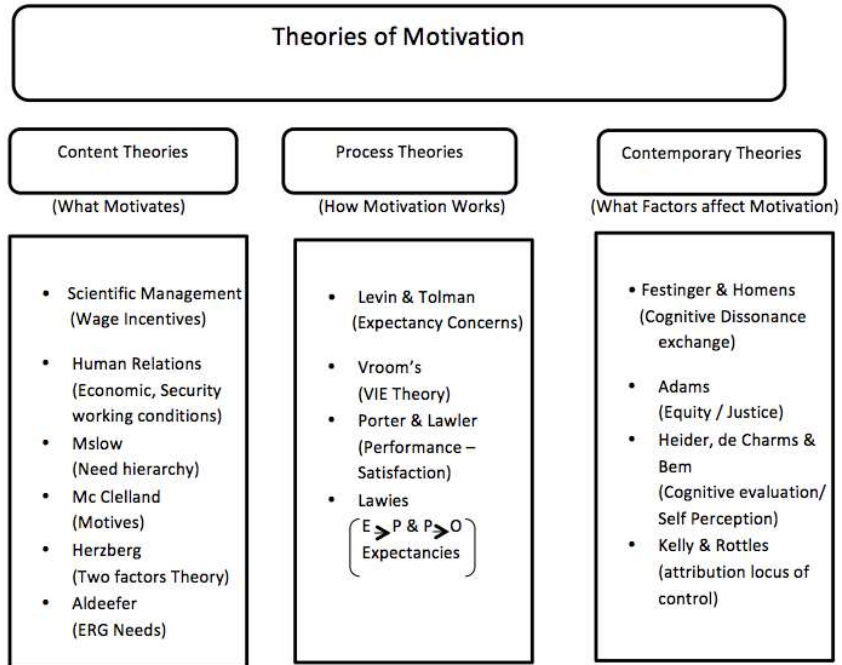
Figure 4.3: Theories of Motivation

The Content Theories of Work Motivation

The content theories of motivation are the once which have been developed to explain the nature of motivation with reference to the kind of need that an individual experience. These theories tries to identify the factors that are intrinsic to an individual and initiate or elicit a particular type of conduct or monitor certain other type of behavior. The main idea that is behind these theories is that individuals have definite essential set of needs, which are of physiological and psychological nature, and they are interested in getting engaged in such activities that would satisfy their basic needs. Thus the nature of needs is detrimental in identifying the nature and intensity of motivation. This intensity results in a specific conduct of an individual, which in return aims at achieving a certain reward.
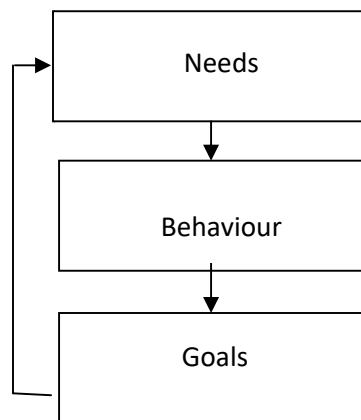

Figure 4.4: Motivational Research based on Content Theories

Some of the most important content theories are:

Abraham Maslow's Motivation Model

Abraham Maslow was a psychologist who contributed "needs hierarchy theory". His theory is one of the most frequently used theories of motivation in organizations. Abraham Maslow, in his theory proposed that individuals have a complicated set of prominent needs. These need set of strong needs are instrumental in governing the behavior of an individual.

Maslow contributed a motivational need hierarchy model in 1943; this model was based upon his own humanistic psychological and his clinical understanding of needs. His motivation theory of hierarchical needs was based on a basic question that he asked. In his question he tried to inquire that what are the factors that compel people to behave in a certain manner. Based on the responses to this question he prepared a list of answers, these answers were categories and he prepared a list of patterns that evolved from the responses. His theory is rested upon two assumptions. Firstly human beings have many needs those are different in nature ranging from the biological needs at the lower level, which is the level of survival, to psychological needs, which are at the upper extreme. Secondly that these needs are placed in an order of hierarchy, as it is essential to first satisfy the lower level needs only then one can move to higher order of needs.

Mahatma Gandhi, the Indian leader, once remarked, "Even God cannot talk to a hungry man except in terms of food". Similarly, there is a quotation from the Holy Guru Granth Sahib, the holy scripture of Sikhs in India when a holy man says to God, "Take your rosary beads away. I cannot worship and meditate on you when I am hungry." These statements clearly depicts that in order to make a person receptive to other context or organizational issues, it is essential to first satisfy his lower set of unsatisfied needs that are biological in nature because until and unless this does not happens, he will entirely be driven and focused towards satisfying those needs. In such a situation rest of the matters will become unimportant for him. Maslow's model of hierarchical is capable of explaining human conduct in a more vigorous and accurate way. It is entirely based on the inner condition of an individual and it confirms that the behavior displayed by an individual is a interplay of his inner force or intensity of needs. His model does not pay any heed to the external eco system in which an individual is working. According to him the needs of an individual can be organized into five successive levels Maslow postulates five needs basic needs arranged in successive levers. These levels keep on changing based on the shift that prevails in individual's goals and objectives. The diagram below depicts the five levels of needs identified by Maslow. The first three level needs, which are placed at the bottom, are known, as "deficiency" needs. These are very essential needs which are unearned and comes foremost in the priority set, every individual first try to satisfy these need because they are not just needs rather they are essential for very survival and existence of a being. Satisfaction of these needs makes him fundamentally comfortable. The peak of the pyramid has topmost two sets of needs, which are also called, as "growth" needs. These needs are considered only after satisfying the lower order of needs; these needs are related to progress, success, and individual's growth in organization and display of one's potential.

Figure: 4.5 Need Hierarchy by Abraham Maslow

Source: Adapted from Fred Luthans, "Organizational Behaviour, Evidence based approach", Twelfth Edition,2011McGraw Hill Publication, page 164

Abraham Maslow's theory on hierarchy of needs is been one of the most popular one, it was widely accepted. The theory advocates that individual needs exist in a hierarchical pattern which starts with physiological needs, security needs, and belongingness needs, esteem needs, and self-actualization needs. He gave five levels of need, which are as follow:

1. **The Physiological Needs** lies at initial level and is termed as the most basic in nature, they refer to the unlearned primary needs. Example need for huger, thirst, sleep and other elements necessary for existence.
2. **Security or Safety Needs**–This is the second level of need. Maslow stressed that at this level people seek for physical and emotional safety, it include needs for safety, security, and stability.
3. **Belongingness or Social Needs**- The third or intermediate level of need is belongingness or social needs. These needs are related to desires for friendship, affection, love, affiliation and acceptance within a given community of individuals. Maslow initially used the word love needs to state this level, but his use of the word love has many misleading connotations, such as sex, which is actually a physiological need. So later the most appropriate word to describe this need was belongingness or social needs.
4. **Esteem Needs** - It is considered as higher level of need. This set of needs is associated with earningself esteem and esteem from others. Example the need for power, achievement and status are included in this category.
5. **Self-Actualization Needs**- Finally, the highest level of need that Maslow proposed was self-actualization needs. It is considered as the major contribution of the theory. This level is

interpreted as a culmination of all the lower, intermediate and higher level of human needs. It relates to the need of achievement of one's own potential, the exercising and testing of one's creative capabilities, and, in particular, to become the best person one can possibly be. In effect, self-actualization is the person's drive to alter perception of self to reality.

Maslow stated that if an individual is able to satisfy one level of need, then that level does not serve as a motivator any more, rather the person starts seeking for the next level. So we can conclude that unsatisfied needs motivates humans. Thus it is very important to satisfy the lower-level needs like the physiological and security needs, before we consider the upper-level needs like belongingness, esteem, and self-actualization as a motivator.

This theory condenses the numerous needs that scholars have uncritically accepted. This theory has tremendous potential and intuitive appeal and is widely related with organizational motivation. His contribution can easily be applied in an organization example the lower level of needs of the employees would generally be satisfied. But as the person satisfies the lower set of need, the next higher level of need plays a role of primary motivator. But the higher levels of needs are difficult to be met. Generally very few people are able to satisfy social and esteem needs, and even a less small percentage of people are able to satisfy the self-actualization need. This concept propounded by Abrahim Maslow is also known as the satisfaction-progression process, even if an individual is incapable of satisfying his higher set of need, he or she will still be motivated by it, till the time it is finally satisfied. He classified these needs in the following way.

Deficiency needs D-needs- Maslow stated that the lower level of needs like Physiological, security, social, and esteem needs are deficiency needs (also known as D-needs). They are similar to instincts motivators. These needs arise due to deprivation, satisfying these lower-level needs is important because they helps in avoiding unpleasant feelings or undesired consequences in the organization.

Being needs or B-needs-Maslow termed the top most level of the pyramid as growth needs or being needs or B-needs. Growth needs are not a resultant of any deficiency; rather they arise from the innate desire of a person to grow. This set of need is difficult to satisfy, as it requires intellectuals to be focused and self-driven.

Shortcomings

Although Maslow's needs hierarchy theory is one of the widely accepted theory of motivation but it has various shortcomings. Firstly the five levels proposed are too rigid that they fail to adjust according to the unstable environment of business and unstable characteristics of employees. Many management thinkers have critically analyzed Maslow's theory by stating that the needs of human beings do not group in the similar manner as they are depicted in this theory. Secondly the theory proposes that once a human being attains one level then that level no more serves as a source of motivation and he seeks for the next level, but researchers doubt that once a person attains safety and security then he is no more bothered about it. Recently the relevance of this theory in present working conditions has been debated and few intellectuals have proposed a newer version of Maslow's theory. These shortcomings

paved way for other motivational theories to be coined and adopted.

Hersberg's Two-Factor Theory

Hersberg contributed another historically significant work on Motivation literature. He propounded the two-factor theory. His theory is also a content theory. Hersberg theory is based on a motivational experiment that he conducted long ago on 200 accountants and engineers working in a firm in Pittsburg, Pennsylvania. He employed the 'Critical Incident Method' for obtaining data for analysis. All the respondents of the study were exposed to two questions.

(a) What makes you feel good about your job, or what turns you on the job?
(b) When did you felt not so good about your job, or what turned you off?

The responses that he generated from this experiment were pretty consistent. The good feelings that respondents registered were most commonly related to their experience on the job and content or nature of the job. For example while collecting responses on job turn on factors, one of the accounting supervisor shared that he felt happy when he was the task of installing new computers equipment in the factory. He considered it as a matter of great pride to be a part of such a crucial task and was gratified to know the significant difference that computers made to the productivity and efficiency of the organization. Where as, the negative feelings were generally linked to the surrounding or the peripheral aspects of the job.

FedrickHersberg tabulated all these feelings and concluded that there exists some factors related to the job that brings and boosts satisfaction among the employees, whereas on the contrast thereare another set of factors on the job that bringsdissatisfaction among the employees. Another interesting feature that he identified was that but both these factors don't exist on one single continuum rather they exist on dual scales. Herzberg labeled these factors as satisfiers or the motivators and dissatisfies or the hygiene factors. The term hygiene was used for those factors that could make a person to become unhappy with their job and they are preventive in nature. Summed up together the motivators and hygiene factors became known as Herzberg's two factor theory of motivation.

Factors that were termed as Motivators by Fedrick Herzberg were
- Sense of Achievement
- Work Recognition
- The nature of work itself
- Responsibility associated with the work
- Probability of Advancement
- Opportunity for Growth

Factors that were termed as Hygiene Factors by Fedrick Herzberg were
- Company policiesand administration.
- Fair Supervision
- Work culture
- Hygienic Work conditions

- Fair and reasonable Salary
- Status of oneself in organization
- Job Security

As the factors contributing to job satisfaction and job dissatisfaction were different so Herzberg concluded that factors leading to job satisfaction was not contrastingto the factors leading to job dissatisfaction.

Hersberg's motivation theory had great similarity with Maslow' need hierarchy theory. The difference was only about grouping the set of needs in a different manner. As Maslow identified the lower level of needs as deficiency needs and they were very basic in nature, they were also termed as unlearned needs by Maslow because these needs are innate in nature. These basic or deficiency needs can be equated to Hygiene factor or maintenance factor in Herzberg's theory. According to Herzberg theses factors are very essential in nature, there presence may go unnoticed by the employees but in case if they are missing, they can be a cause of great unrest. Another category of needs stated by Maslow was higher level of needs also known as being needs. This set of need can be associated with the Motivators factors of Herzberg's theory. Presence of such factors re not much seeked by people but in case if they are present, then they create a delight or we can say that they yield sense of satisfaction. This comparison between the two theories is well depicted in the diagram below.
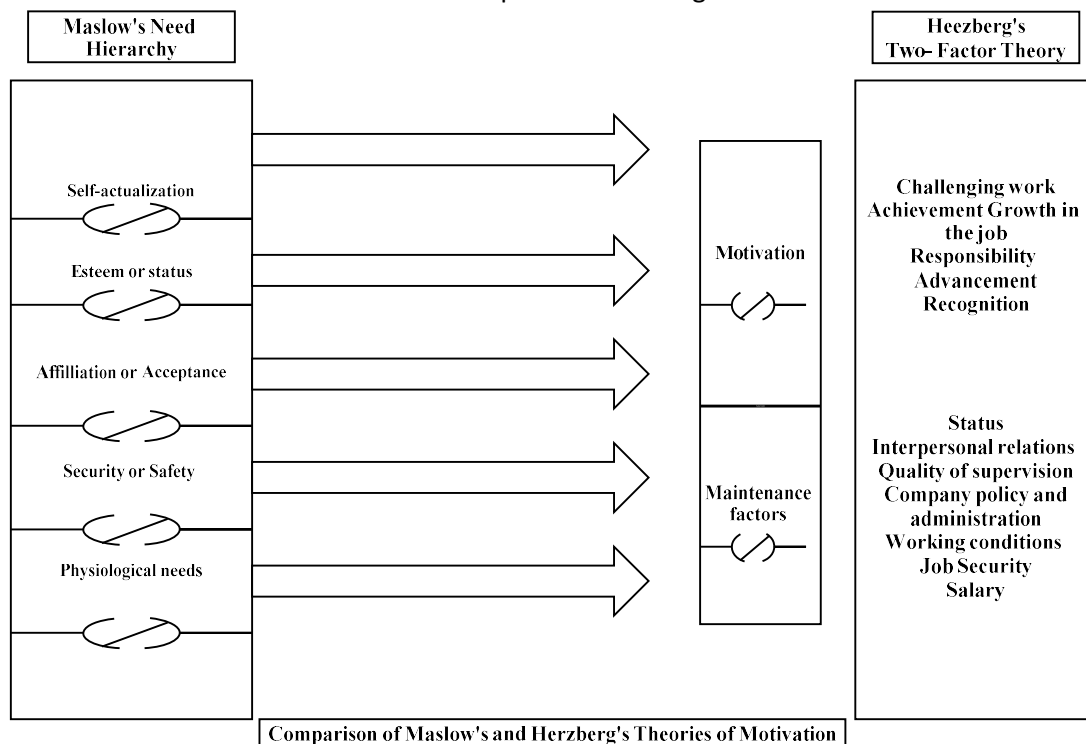

Figure: 4.6 Comparison between Maslow's and Hersberg's Theory of Motivation
Source: Adapted from H. Koontz, H. Weihrichs, "Essentials of Management An International Perspective", eighth Edition,2010McGraw Hill Publication, page 291

Shortcomings

This theory has been criticized due to following reasons:

a) The theory was coined based on a limited sample of 200 engineers, so researchers doubt that weather the implications can be generalized for all the organizations irrespective of the work culture, nature of work etc.

b) Its human nature that when one is satisfied then they attribute the cause of satisfaction to themselves and when they are dissatisfied they try to fault with the external environment. Thus ego defense mechanism plays when people state that they are satisfied or dissatisfied.

McGregor Theory

Douglas McGregor was another intellectual who contributed to the field of work motivation by this X and Y theory. McGregor viewed the nature of people at work on the basis of two complementary assumptions, based on these two assumptions he formulated Theory X and Theory Y. Both the theories are based on certain assumptions which are listed below in table 4.3

Table 4.3 Assumptions of Theory X and Theory Y

Theory X	Theory Y
• On an average a Human being posses inherent dislike towards work and will try to refrain from it, if possible • Due to basic nature of dislike towards work, most of the people need to be coerced, controlled, directed and threatened with punishment to make them work. • Average human beings prefer to be directed, tends to avoid responsibilities, are less ambitious and always want security of Job.	• On an average human beings if given a proper working environment, they would prefer to accept responsibilities, and will be self-governed. • The intensity of commitment to objectives is directly proportional to the size of award associated with their achievement. • Human being posses' strong capability to make use of their imagination and creativity in solving organizational problem is widely available in individuals.

Porter Lawler Theory of Motivation

Lyman Porter and Edward Lawler devised a substantial theory of motivation by integrating different aspects. Porter and Lawler's model is considered to be more comprehensive model of motivation. This model also posses practical implications and have need used at several places to study motivation of a managers. This model indicates multiple variables that can be used to describe the relationship between job approaches and job performance.

This model relies on four fundamental assumptions about an individual:

(i) The model proposed by Porter and Lawler comprises of many variables and the model suggests that the behavior of an individual is governed by amalgamation of various factors within the individual and in the operating environment.

(ii) Individuals react in a cognitive manner while displaying his/her behavior in the organization.

(iii) Every Human being possess a different set of needs and wants.

(iv)Every individual behaves in a particular manner in the organizational setting, and the basis of his behavior is the expectations that he has from the organization. His behavior ultimately aims to the desired outcome.

The figure below portrays the Porter and Lawler model; it is a multi variable model that is instrumental in examining the complex relationship between motivation, performance and satisfaction. Through this model Porter and Lawler have indicated that efforts do not directly lead to performance. The end result that is the performance is affected by other variable sin system like abilities and traits and the role perception. The model also explains the mechanism that happens beyond the performance also. The rewards that a person receives after performance and an individual's perception about the reward will determine his extent of satisfaction.

This model has been extensively test by the researchers. Several implications emerged out of the studies conducted on it. One of the most important implications was that performance and satisfaction would be more strongly related when rewards are made contingent on performance, than when they are not.

The Various Elements of Porter and Lawler Model are described below:

1. **Effort:** Effort refers to the extent of strengthan employee employs on a particular task. The intensity of efforts employed is dependent on two factors:

    (i)   Perceived Value of reward for the individual

    (ii)   Expected probability that the employed effort will lead to desired reward.

2. **Performance:** As depicted in the model there is a direct relationship between the efforts put in and the performance displayed. The performance is not only dependent on one's efforts but it is also mediated by the set of skills and abilities that one possesses and also onrole perception. One can have unsatisfactory performance in spite of his great efforts.

3. **Satisfaction:** the model shows that performance leads to satisfaction. The level of satisfaction attained is directly proportional to amount of rewards achieved. If the amount of rewards received is more than the expected one then it brings utmost satisfaction. On the contrary, if actual rewards received are less then the one expected then it turns into dissatisfaction. Rewards are classified into two categories namely- intrinsic and extrinsic rewards. Intrinsic rewards internal to a person like sense of accomplishment and self-actualization. Extrinsic rewards may include working conditions and status.
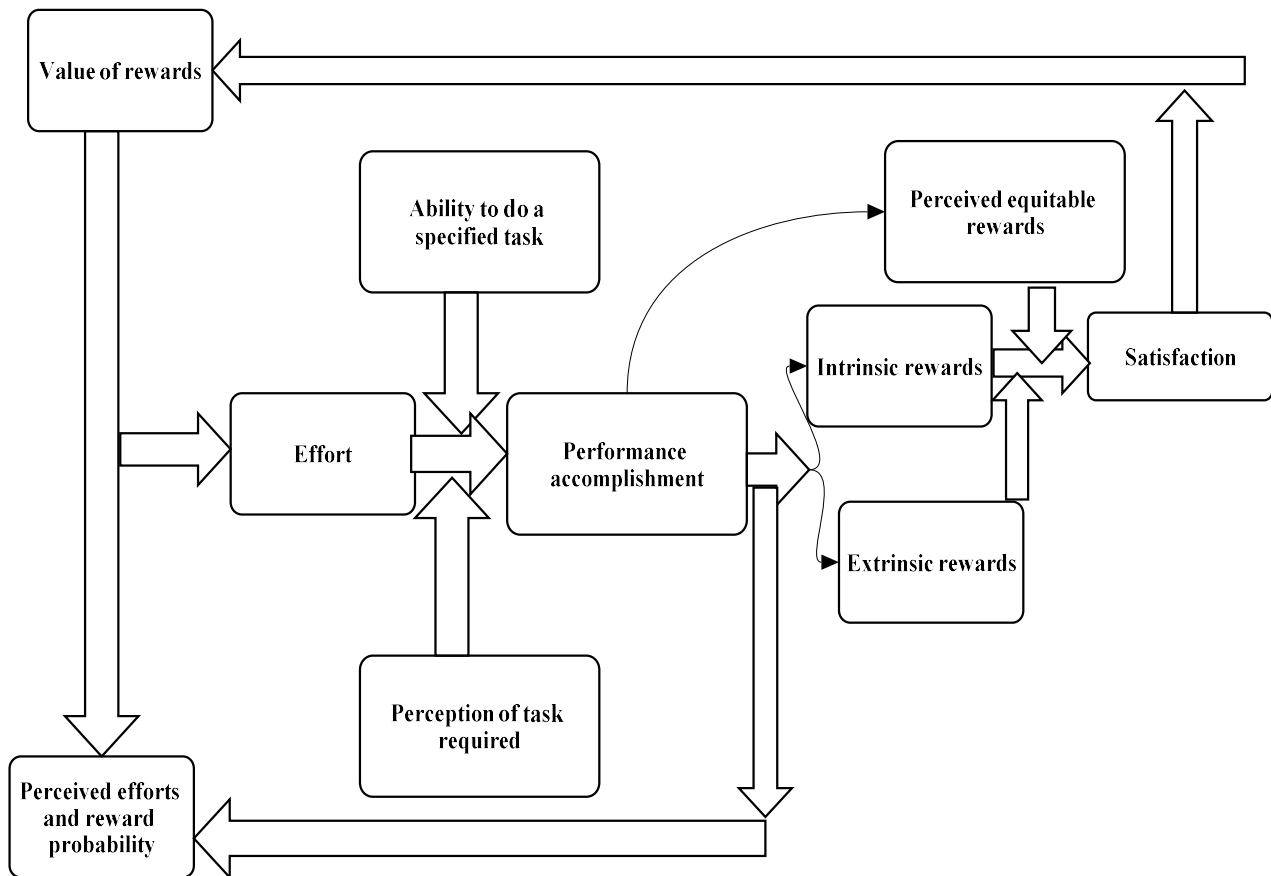
Figure 4.7 The Porter Lawler Motivation Model
Source: Adapted from Fred Luthans, "Organizational Behaviour, Evidence based approach", Twelfth Edition,2011McGraw Hill Publication, page 16

4.3 Rewards

Rewards area great source of motivations and a very effective tool in installing the drive among the employees. The employees tend to put in more efforts into their work and they give higher priority to work if they are aware. Thus incentives and rewards are one of the best ways to acknowledge the efforts, behavior and performance of employees. Proper and justified reward system linked with appropriate motivators can be instrumental in enhancing the productivity and efficiency of an organization. It helps in creating a positive work culture and results in great success.

As several studies were conducted to link rewards with motivation, it was also underscored that motivation stems from nature of work that an individual prefers. This thought was recognized in Hackman's model shown below.
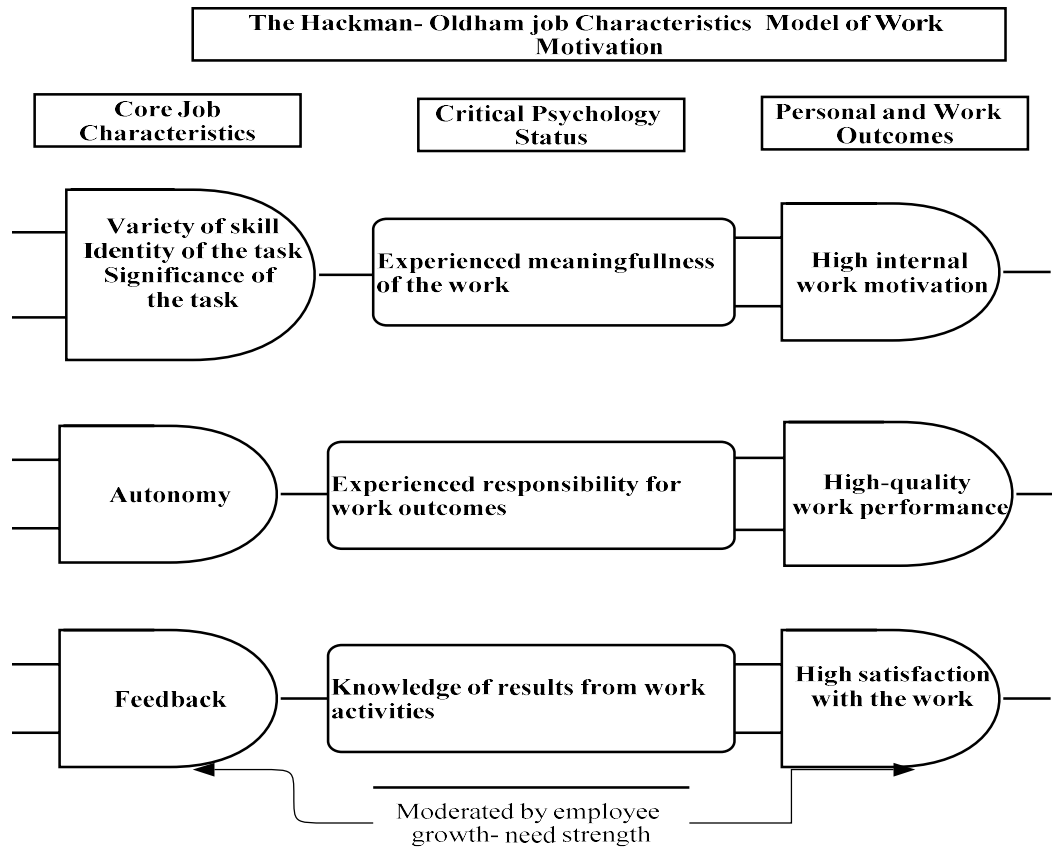
Figure 4.8 The Hackman- Oldham Job Characteristics Model of Work Motivation

Source: Adapted from Fred Luthans, "Organizational Behaviour, Evidence based approach", Twelfth Edition,2011McGraw Hill Publication, page 180

This model recognizes that certain job characteristics contribute to certain psychological state and it results into certain outcomes on work. Based on the psychological state different people associate different importance to different types of rewards. For example pay can be a great source of motivation for someone but for someone else position can be even more fascinating. Managers use variety of rewards for motivating employees. Such techniques may be broadly classified under the following two heads:

1) Monetary or Financial rewards
2) Non-Monetary or Non Financial rewards

I) **Financial or Monetary Rewards**

Financial or monetary rewards are those, which involve financial expenditure for an organization and increase money income of its employees. These include (a) pay (b) dearness and other allowances (c) bonus (d) Profit-sharing (e) fringe benefits and so on.

Fringe benefits are the benefits over and above regular pay and variable payment related to performance. Fringe benefit is, thus, a wider term includes housing, transport, recreation

facilities, lunch, clothing and washing allowances or facilities, payment for holidays and leave-travel benefits, free medical services or medication insurance, disability benefits, free medical services, retirement benefits including pension and gratuity and so on.

Monetary or Financial rewards are, thus, pecuniary benefits or rewards to the employees. These are tangible and visible incentives. These incentives can satisfy the physiological and safety and security needs of employees. They also play crucial role in satisfying the social and esteem needs of the employees. Money recognized a symbol of social status and source of power in the modern times. **William F. Whyte** has, therefore, very candidly stated, "**man has not born loving money. He has to learn to love it. This learning takes place in varying degree in various parts of this world**"

II)   Non-Financial Rewards

Non-financial rewards are those, which are not associated with financial rewards. Such techniques are mainly psychic in nature. These are associated with the work and work environment. Such rewards contribute towards attainment of the higher order of needs such as socialneed, esteem needand self – actualization needs.

Some of the non-financial rewards are as follows:

1. **Job Enlargement**: Job enlargement means enlarging or adding more and different but simple tasks to a specialized job Thus it increases the number and variety of tasks a worker should do. Consequently, employees are encouraged to learn new skills or take new responsibilities. This presumably reduces monotony and boredom and increases satisfaction and motivation of employees therefore it regarded as non-financial reward. This technique is also called the horizontal job loading

2. **Job Enrichment:** Job Enrichment refers to the basic changes in the content and level of authority and responsibility of a job so as to provide greater challenge to the employees. It is the process of adding several positive inducement and attractions in a job with a view to make the job more interesting, meaningful and challenging. The jobholder is vested with more authority and autonomy for making decisions on operational matter of his job.According to Herzberg job enrichment is a process of building motivation into jobs.

3. **Job Rotation**: Job rotation is also regarded as techniques of non-financial reward. It is a technique in which employees are provided an opportunity to perform different jobs or functions by rotation. The purpose of Job Rotation is to broaden the scope of job and to increase the knowledge and skill of the employees about the job. This, in turn, relieves employees from boredom and monotony and improves their motivation level.

4. **Praise and Recognition:** Praise appreciation and recognition are the most effective and direct means of reward. This technique acknowledges the performance of employees to the society. These satisfy the social and esteem needs of the employee. For instance, a pat on the back of an efficient employee brings more happiness to him than the increase in the

pay. Managers, therefore, give away prizes, certificates, plaques, letter of appreciation, etc. to the employees performing the best.

5. **Participation:** Employee participation in management is yet another way of non-financial reward. Employee participation means involvement of non managerial personnel in the organizational and managerial activities such a practice ensure commitment of employees towards accomplishment of organizational goals. Consequently, employees feel involved in the organization and their level of motivation improves. Employee participation may bring about by information sharing, suggestion system, consultation, representation on committees, and board of directors and so on.

6. **Competition or Contests:** Competition or contests are means of non-financial reward for employees. People usually like to compete with others and the employees. Managers may arrange competitions or contests for the employee. Managers fix certain goals or standards of performance for employees and challenge them to achieve them ahead of others. The winners are awarded prizes, given certificate of performance or appreciation letters with or without financial rewards. The winner gains recognition for his performance and social status and prestige. This all satisfies his social and esteem needs.

7. **Delegation of Authority:** Delegation of authority to execute a given task often proves to be a strong motivation force therefore considered as non-financial technique. This enables the subordinate to have effective over the work and its environment.

8. **Opportunity for Advancement:** Opportunity for advancement can serve as a strong motivating force. This help to develop their personality and talent. Such non-financial technique of reward satisfies social ego and self-actualization needs.

9. **Quality Circles:** A quality circle is a group of employees of a work unit who meet frequently with their superior to identify and solve work related problems of their unit. This circle provides an opportunity to express opinions or suggestions in a frank, free and informal setting about the matters relating to product quality, cost and productivity of resources. Such circles, therefore, serve as a means to satisfy employee's needs for interaction and self – expression. Hence, such circles are regarded as a means of non-financial motivation to employees.

10. **Sound Work Climate:** Work climate refers to physical environment of the work – place. It is the basics of employee motivation. Creation and maintenance of sound work climate is a prerequisite for sound motivation system. Therefore, the factory layout, surroundings, facilities such as toilets, canteen, rest rooms etc. should be properly planned and maintained in order to motivate employees and this will serve as non financial technique of reward.

11. **Promotion/Status:** promotion to a higher post or increase in the status of a person improves his motivation level. Promotion may not always result in more pay of financial rewards but increase social status of employees. This satisfies his social and esteem of ego needs. Therefore, manager stake various measures to increase status of the sub ordinates. These includes, bigger air conditioned chamber with superior, personal, assistant, computer, laptop and so on

12. **Security of Job:** In modern age there are threats of loss of job from technological change. By providing security of job, employees may be motivated to work hard and this can be serving as non-financial reward to employees.

13. **Feeling of Accomplishment:** Employees are motivated to work better if they have feeling of accomplishment. This feeling can be inculcated by providing more authority, autonomy, applying the MBO technique, better career planning and development so on.

14. **Congenial Social Environment:** creating congenial social environment may also motivate employees. For this, managers can carefully plan and execute induction programs, provide means to socialize employees through rest causes and recreation programs, promote the informal relations among the employees. These measures can go a long way in satisfying social and ego needs of employees.

Apart from above stated nonfinancial rewards, the nature of job that a person does also motivates him. So it is very important to redesign the job in such a interesting manner that it becomes a source of motivation for an individual. The diagram below is based on the same thought.

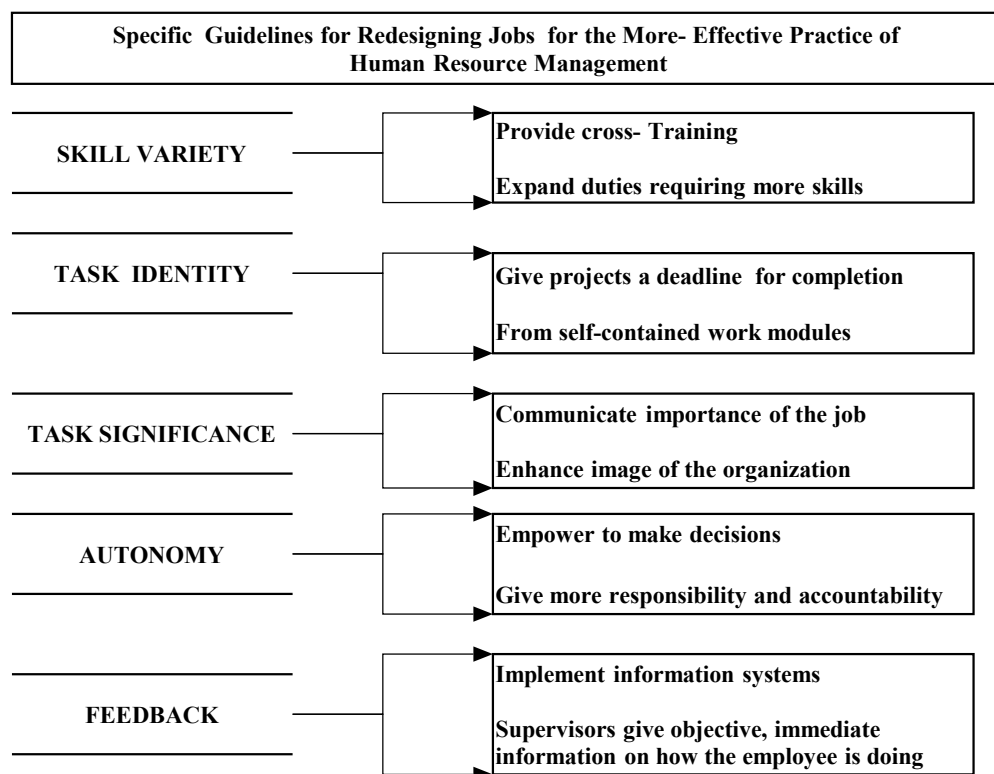
Figure 4.9 Guidelines for Redesigning Jobs for more Effective Practice of Human Resource Management

Source: Adapted from Fred Luthans, "Organizational Behaviour, Evidence based approach", Twelfth Edition,2011McGraw Hill Publication, page 182

> **To-Do-Activity:** Suppose you are the manager of a manufacturing unit and your unit is shut during lockdown of COVID-19. Due to no earnings you are not in capacity to give salaries to all the employees, what non monetary benefits you think you can provide them during such tough time.

4.4 Leadership: Meaning and Importance

Leadership is an important feature of management and the term leader has long been a subject of debate for many intellectuals. Different thinkers have tried to define it in different manner. According to Harry Truman, leadership is an ability to make an individual to do what they don't like to do and like it. In a way he tried to say that by the virtue of leadership people could be influenced and made enthusiastic to attain organizational goals.

In terms of Alford and Beatty, leadership can be termed as the ability to secure essential activities from a group of followers without using any force.

Chester I Barnard described that leadership is a quality that denotes the quality of an individual's behavior through which they guide people and help them to attain goals by performing activities in organized manner.

Terry defined leader as someone who becomes an ideal or role model for others. People are attracted to follow him.

According to Koontz and O Donnell, Organizational leadership is the competency of an individual to infuse inter-personal influence by means of effective communication, which leads towards the attainment of goal.

As proposed by R. T. Livingston, Leadership is the quality of an individual to elicit in others the aspiration to attain a common objective.

Peter Drucker explained the concept of Leadership as someone who is not friendly to others still manages to influence.

Regardless of all the consideration given to leadership and its recognized importance, it does remain unexplained to a great extent. Leadership generates tremendous influence on human performance, but its actual functioning and exclusive dimensions cannot be specifically spelled out.

Still in nutshell it can be stated that leadership is a psychological process which aims to influence the followers (subordinates) by communicating with them and providing them guidance, direct them and lead them in an organization so that they may strive readily and strongly towards attainment of the organizational objectives.

4.5 Leadership Theories and Leadership Styles

There are several distinct theoretical bases of leadership. Different researchers have defined it on different basis. These theories of leadership also indicates how the concept of leader evolved gradually from being a great person to recognized traits to behavior etc. the later set of theories on leadership tries to synthesize motivational and leadership process. The following section examines these theories of leadership. The important theories that will be discussed in the upcoming section are as follow:

- Trait Leadership Theory
- Situational Leadership Theory
- Contingency Leadership   Theory
- Path-Goal Theory
- Management Grid

The Trait Theory of Leadership

The Trait Theory of Leadership was observed as the first modern theory of leadership. It became popular at the end of the twentieth century, and is popular till date. The word trait refers to certain unique qualities or characteristics that a person should possess. The theory recognizes certain personality traits that distinguish leaders from followers. That is how it differentiates a person from the crowd. It is based on the underlying fact that the leaders are "born, not made". They are not developed through learning process. It is a quality that is intuited in the person.

The focal point of the theory is to discover those interest, abilities &characteristics that a successful leaders should have. This enables a leader to ensure effective application of those traits as per discrete situations to accomplish goals.

The theory was also known as the „Great Man Theory" of leadership. Thomas Carlyle originally proposed it in 1949 and it was based on the presumption that great leaders will appear, when there is very essential. As it is said that when there is a will there is a way similarly when there is a complex situation arising in an organization leaders are expected to exercise their leadership styles among the followers with the unique traits they have.

Various research studies have been in past regarding the traits that a leader should have. Every research done identified some new traits therefore it is very tedious to summaries all the traits as it a something which is related to human nature which itself is very complex in nature. Also it has to deal with the different situations occurring in an organization as it is subjected to the changes taking place in the environment. The trait theory is dependent on a belief that leaders are born with inherited traits and quality leaders have the right blend of traits.

Some of the traits marked as essential for an effective leaders are as follows:

- Confidence
- Persuasion skills

- Decision making skills
- Flexibility
- Delegating skills
- Innovative skills
- Team-work
- Energetic
- Motivation skills
- Communication skills
- Knowledge about work
- IO level
- Diplomacy and tactful
- Assertive
- Social ethics
- Persistent
- Tolerance level
- Stress management
- Time management
- Fun at work
- Eagerness to take responsibility
- Creativity skills
- Empathy

No single trait can ensure a person as a successful leader. It is imperative for any leader to be able to create a union of such traits while handling work to get best productivity. The trait theory enables to understand about the different traits of an effective leader and how he/she can distinguish themselves from the others.

While understanding the trait theory of leadership it is crucial to know that trait is an element that is related to the human being, which is dynamic and deep complex in nature, hence it is bound to be subjective while determining who should be considered as a 'good' or 'successful' leader. From the previous research done it was also found that there were many arguments related to the identification and marking of those traits that should be essentially considered as most important for an effective leader.

Strengths of Trait Theory

- It is obviously agreeable theory.
- It is quite a tried and tested theory as lot of research work has validated it.
- It gives an exhaustive understanding of the properties of a leader and his leadership process.

Limitations of the Trait Theory

- The theory is based on subjective judgment in identifying or declaring as to that who is a efficient leader, and specially when humans is to be judged the subjectivity in results is very obvious.
- The theory proposes more than 100 traits of a leader. The number is too big, and such an exhaustive description list of possible traits can be a generalization.
- The theory also fails to priorities the trait list of leader by stating the more important and less important traits.

Situational Theory of Leadership

Situational Theory of Leadership was first coined in 1969 under the name of "life cycle theory of leadership" which was renamed later on as "Situational Leadership Theory by Paul Hersey and Ken Blanchard".

Situational theory of leadership is based on a principle that most efficacious style of leadership should change from situation to situation. It is important for an organization to ensure that leaders practice such style of leadership with a motive to ensure progress of a company and its employees continuously. A leader should be capable enough to monitor the changes happening in a diverse environment and validate them on a regular basis.

To ensure Effective leadership various factors have to be taken into consideration by leaders, followers and the organization. The factors are: nature of the task, external environment variables and the leader subordinate relationship.

All these variables together assist a leader in practicing effective leadership among the group members. It is also stated that there is no one best style of leadership. For fruitful results and long-term healthy relationship management among team members and leaders, a perfect blend of various types of leadership styles is a must. This mix of leadership styles depends on the type of work expected from the employees to accomplish.

There is a pre-requisite for the leaders to exercise the ability of adapting themselves with the changes taking place in the environment. This is important so that their styles and technologies used are not obsolete in the market.

It is also required to create and maintain the organization name on a strong position in terms of their competitors in the market. Most crucial among is to ensure that the group members are hundred percent motivated and influenced with the leaders style of functioning. It helps the employees to willingly contribute towards the achievement of organization goals.

Situation leadership motivates the leaders to adapt that style that fits with both their goals (individual and organizational) and circumstances (external situations). It also enables the leaders to coin their specific skill or change their skills to benefit the followers.

This theory is purely concentrated on the task character, follower maturity, and leader-follower relationship.

From the various researches done on the usage of the situational leadership approach it was identified that the impact of this theory on employees performance and outcomes achieved were moderate. However not much sources were found to validate this research.

This style of leadership proposed that there was the need to co-relate two key elements judiciously that is the leader's leadership style and the followers' preparedness or acceptance levels. This means that style of leadership should be used that is properly understood by the employees and are able to utilize it in a required manner to give effective results. It also aims to follow the principle of maximum output with minimum input used.

A leader can employ it's leadership styles through its behavior which can be broadly classified into four types:

1. **Directive Approach**- this approach enables the leader to enjoy the commanding power and the authoritative style of working. The leader makes self-decisions and instructs the employees to follow in an exact manner. The followers are expected to take order and functioning accordingly. They are not allowed to give their own suggestions and opinions. This style is dominated by one-way communication approach in which the leader gives commands and clarifies the roles of the individuals.

2. **Selling Approach**–Here the leader is the decision maker, but he ensures that the group members are fully influenced to work in the required manner. This approach does not function on simply giving orders and commands rather it is based on making the employees convinced that they are working for their own benefit. All the directions are still given by leader only but in a more appropriate way. It is marked with two-way communication approach.

3. **Participating Approach**–Here the leader works in coordination with the team members to arrive to a concrete decision. He/she supports and motivates the group members to speak without any hesitation as their opinions and suggestions could be of true help as they are the only ones who actually works on the ground and are aware of all the pros and cons in detail. They are also assured that a leader while working will never take the suggestions given by them into a bias nature. This approach is more democratic in nature as everyone is free to speak anytime.

4. **Delegating Approach**–This approach enables the leader to exercise the style of letting others work rather than himself involved in the entire work alone. The leader forwards decision-making responsibility to team members and is there to supervise their work. This is one of the best approaches of working as it ensures that followers are learning from their work rather than just completing the task. It trains a person to become a smart worker. This approach is directed towards the overall development of an employee. The leader is still involved in decisions making activity and only passes the responsibility of completion of a task to the subordinates. The leader is always connected to all the followers during the process of work completion. He/she monitors the work done on regular basis and is always available to provide guidance to the employees and to solve any problems if arising during work for effective results. Here team members enjoy independence in work as the leader does only the supervision work. It results in higher job satisfaction among employees leading to enhance productivity levels.

This theory focuses on the leadership ability of a leader to adapt the those leadership styles that fixes best with the current situation prevailing, to give best outcome but it should be noted that one style used in one situation might not be adopted in future coming situations. As the situations are ever changing in nature hence it is important to pay attention more on enhancing the abilities and skills of a leader to develop styles that coincides perfectly with the changing situations.

The Contingency Theory

The Contingency Theory of Leadership states that a leader's productiveness is a resultant of how much the leader resonates with the external ecosystem in which the organization is functioning. That is, the leader must first identify different types of leadership style, assess the situation existing and then establish a match between the two variables for effective results.

Contingency Theory of Leadership is a kind of perspective that express, the achievement of a leader does not only depend on his abilities but also on other external factors like work environment, company culture and employees attitude towards work which influence a leader's accomplishment in the process of leadership.

Fred Fiedler gave the Contingency Approach of leadership in 1958 during his research of leader effectiveness he was of the strong belief that the success of a leader depends mainly on two factors:

- Control of the situation
- The manager's set of skills.

This approach is a mix of two types of factors dynamic and static.

The abilities or the skills of the manager are static in nature to certain extent as compared to the other element the situation that keeps on changing according to needs and demands. It is marked as a dynamic element. For eg. Amendments happening in legal and tax structure.

A leader is proven to be most promising when his/her features, skills, abilities and styles of leadership forms the best combination with the situation and environment around him.

For example, a person with all the relevant skills, education, and experience in the culinary art will prove to be more successful in becoming the one of the well known chef rather than the marketing of any product.

Main Variables of Leadership

- Leader
- Followers
- Organization
- Environment

1. Leader

A leader is known by his own personal values, concrete beliefs, opinions, set of principles he/she possess. Leader's self-confidence and trust in his/her group members, the power of delegating authority and responsibility and general circumstances plays an important role in shaping his/her behavior. A leader must be a role model for not only his subordinates but to all the people surrounded by him. He/she must be in position to influence the people to work towards the betterment of personal development and societal development.

2. Followers

Success of a leader is measured by the goals achieved by his/her employees. A leader will be efficacious only if his/her employees are always prepared and enthusiastic to follow all the directions and commands given by their leader. This work spirit only comes when the leader itself is taking care of the needs and requirement of both the parties that is the employees and he organization. A leader's efforts are in total will be a complete infertile if the employees are of discrete and vague opinions.

3. Organization

Organization plays a significant role in fabricating the styles of leadership and their performance. An organization cannot function alone similarly employees cannot work alone. Both are in equal need of each other with a common goal to be achieved to serve the society. Therefore the character and the identity of organization greatly affect the leader to select and practice that style of leadership that would be in a beneficial state for everyone.

4. Environment

Environment is composed of various dynamic elements political, economic, social, cultural etc. It is that element of nature which is continuously in subject to change because of the tremendous changes taking place in government policies, change in the demands of consumers due to the changes in their income statement, changes happening in societal activities like various CSR activities taking place etc. therefore

it is imperative for the mangers to keep themselves refurbished all time with the external environment to ensure positive application of their leadership styles.

Fiedler s model identified three situations that enable a leader to enjoy success in applying his/her leadership styles. It is necessary for a leader to ensure that the situations are in favorable mode.

- **Leader-member Relations**: It highlights what kind of relation a leader and the employees share with each other. This is purely dependent on the interpersonal skills of the leader. It is a difficult and important task for the leader to ensure well-being of work force and organization on long run. It shows the how much the employees have embraced their leader in terms of belief, trust and Respect and are inclined to accept the leader's code of conduct as a motivational tool for them.
- **Task Structure**: It relates to the nature of the task that is required to be performed by the employees. The task defined should be in well being of employees that not against their the morals and values. Also simultaneously it should work in benefit of organization that is it should of profitable nature as the end of the day business is done to earn profits. However following business ethics should also be kept in mind while doing so.
- **Leader Position Power**: It specifies out the power that a leader have in organization. This enables a leader to work in a more systematic and an organized way. It measures the level of authority a leader utilizes over the group members in delegation of a task or a responsibility to them and to what extent the that position or power of a leader is accepted by the employees in a positive manner.

When these three situations are in favorable state it becomes easy for the leader to work together towards achievement of both individual and organization goals and objectives effectively and efficiently on a long run.

The Path-Goal Theory
The path–goal theory is a leadership theory developed by Robert House in 1971. According to the theory the satisfaction, motivation and performance level achieved by the subordinate's judges a leader's behavior. It is based on specifying a leader's behavior that best suits, both the employee and work environment in order to achieve the individual and organizational goals.

Martin. G. Evans encouraged the first theory in 1970. The theory shows light on what is the level of the belief and confidence the followers in following a specific path showed by the leaders through their behavior for achieving goals. The path–goal theory was also inspired by the expectancy theory of motivation given by Victor Vroom in 1964.

The theory states that the leader creates and guides the workers to choose the best feasible paths among the available for attaining the goals and objectives effectively and efficiently. In doing so the leader is expected to provide the right direction and support to ensure that their goals are on the same wavelength with the organization's goals. The theory also highlights the role of leader in removing all

the obstacles coming in the between the paths of goal achievement .i.e to improve the level of productivity. Also, leader should suggest ways and ensure their applicability for eliminating the deviations occurring in the outcome achieved when compared against the standard benchmarks. Providing the followers with the required data, knowledge, guidance and other resources that are considered essential for goal accomplishment was considered as a part of the leadership behaviors.

As a leader, it is important to understand the needs and demands of the people and their desire to work or behave in a particular way that assists in achieving goals and also to satisfy their personal needs.

The leader should make sure that the motivation level of employee's is maintained by rewarding them continuously on every successful completion of the task. There is also a saying that is also related to the above theory that is an organization should work on keeping their employees happy and in return they will keep our customers happy which will eventually lead to achievement of goals and objectives. Dissatisfied people can never give hundred percent to the organization. The theory is centralized towards ensuring job satisfaction among employees for the smooth functioning of an organization on a long run.

House's theory advocates servant leadership. According to this theory, leadership is a behavior that is not reviewed as a position of power. The theory shows the real image of leadership behavior that one needs to practice and follow. Leaders are expected to act as mentors, role models and facilitators to their group members. This theory assumes that leaders are flexible enough to change their style of working as per the requirement of situations and therefore they engage themselves in applying different types of leadership behavior depending upon their nature and the requirements. This theory also recommends two variables such as situation and subordinate characteristics. These two variables are uncertain in nature as it changes from time to time depending upon the changes taking place in external environment of an organization. Both these variables act as a catalyst towards framing of leadership behavior.

Example of path goal theory is, a manager (leader) of a small team notices a consist failure by one of his team member in achieving the set defined targets. The lack of performance was a result due to the low motivational levels adopted by the manager.

In this case a path goal theory was made that provided a frame-work for leader to understand how their leadership behavior can influences and enhance the motivation level of the employees to ensure their job satisfaction which will benefit the organization and employees in achieving their respective goals.

As stated above the theory is associated with inspiring the employees to follow the certain leadership behaviors, it becomes complex to do so at times because it is a theory that is fully based on knowing the understanding and maturity level of employees which is different for each and every person. For better understanding it is also required to adopt a accurate mix of two or more style of leadership for achieving effective results.

The house version of Path-Goal theory incorporates four major types of leadership, which are Directive Leadership, Supportive Leadership, Participative Leadership and Achievement Oriented Leadership

The Four Styles of Leadership emphasized in Path Goal Theory are as follows:

- **Directive Leadership:** Under this type of leadership style the role of leader is just to provide directions and guidelines to the subordinates. The subordinates are clearly aware of what they are supposed to do and what is exactly expected from them. The leader sets certain performance criteria for them, and the controls mechanism is executed if there is a deviation for the performance standards. Leader makes a sensible use of rewards and disciplinary action. There is no participation by the subordinates.
- **Supportive Leadership:** This type of leadership style gives due consideration to human component on the job. The leader portrays friendly behavior towards subordinates and shows personal concern for their needs, happiness, and welfare. The leader is pretty approachable and shows concern for associates.
- **Participative Leadership:** In this type of leadership the leader believes in using a participative style where he asks for suggestions and opinion of his associates. The leader duly consults his subordinates in decision-making process. The advantage of using this style is that it increases the trust and responsibilities of subordinates in the system; moreover it also helps in bringing more innovative ideas to deal with difficult conditions.
- **Achievement-oriented Leadership:** This leadership style involves the leader to sets challenging goals for associates and encourages employees to reach their peak performance. The leader shows confidence in the employees that they are responsible enough to accomplish challenging goals.
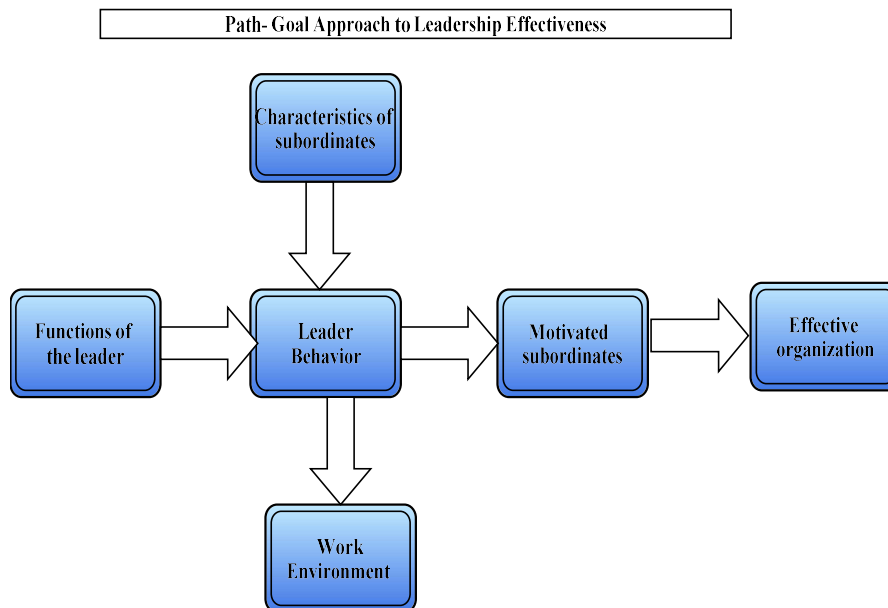

Figure 4.10: Path Goal Theory of Leadership
Source: Adapted from H. Koontz, H. Weihrichs, "Essentials of Management An International Perspective", eighth Edition,2010McGraw Hill Publication, page 325

The major shortcomings of path goal theory are.

•The theory is very complex and becomes difficult to understand.

•It is quite possible that under certain circumstances any one single style of leadership might not be enough rather two or more leadership styles may be needed.

Managerial Grid Theory

The Managerial Grid was a very significant contribution of Robert R Blake and Jane S Moulton (Experimental psychologists at University of Texas). Based on this grid they defined five types of leadership styles. The grid can be understood as a Cartesian plain having two well-defined axis, these axis were basically two dimensions across which the leadership styles were measured. Along X-axis (Horizontal Axis) was 'Concern for Production' and along Y-axis(Vertical Axis) was 'Concern for People'. Each axis had nine-point bifurcation. Thus there were 81 combinations of concerns represented on the grid. But Blake and Moulton emphasized mainly on five styles of leadership.

The Managerial Grid is depicted in the figure below which explains the location of each style of leadership.

High 9		1.9 Management Thoughtful attention to needs of people leads to a friendly and comfortable organization atmosphere and work tempo				9.9 Management Work accomplished is from committed people with interdependence through a common stake in organization purpose and with trust and respect			
8									
7									
						5.5 Management Adequate performance through balance of work requirements and maintaining satisfaction morale.			
5									
4									
3		1.1 Management Exertion of minimum effort is required to get work done and sustain organization morale				9.1 Management Efficiency results from arranging work in such a way that human elements have little effect			
2									
Low 1									
	1 Low	2	3	4	5	6	7	8	9 High

Figure 4.11: The Managerial Grid

The two dimensions of the grid namely Concern for production includes the attitude of supervisor towards things like quality of policy decision, procedures and processes, creativity and research, quality of service, work efficiency, and volume of output. Similarly another dimension of the grid namely Concern for People is likewise interpreted to elements like degree of personal commitment towards attainment of goal. Concern about self-esteem of workers, delegating responsibilities on the basis of trust, provision of good working conditions and maintenance of satisfying interpersonal relations.

The different styles that were emphasized in this grid are as follow:

1. **Task Management-** (9, 1) In this style the manager shows maximum concern for production and least concern for people. Leader is concerned with his responsibility to see that the work is completed. Leader is called a autocratic task manager as he follow authority obedience approach.
2. **Country Club Management** - (1, 9) under this type of leadership style, the leader is majorly cares for people and is least concerned about production. The leader's major responsibility is to establish congenial relationships amongst the subordinates and to provide a secure and pleasant work atmosphere. This style is just reverse of task manager. This approach is called love conquers all approach.
3. **Improvised Management**- (1,1) leader has least concern for neither production nor people. He tries to stay out of the way and not become involved in the conflict, he does marginal work just to get by. It is also known as "speak no evil, hear no evil approach".
4. **Middle of Road style -** (5,5) leader shows a balanced concern for production and people. Manager follows the approach of 'get result but do not kill yourself' He has benevolently autocratic attitude towards people.
5. **Team Management -**(9,9) here the management is extremely concerned about the production and people also. Leader is concerned about the work accomplishment and also about committed people; interdependence through a common aim in organizational purpose leads to relationship of trust and respect.

> **To-Do-Activity:** Select a business or political leader whom you admire, and identify his or her style of leading by applying the managerial grid model.

Leadership Styles

There exist three main types of leadership styles, which are as follow:

1. Autocratic or Task Leadership style
2. Democratic or Participative Leadership style
3. Laissez-faire or Free-rein Leadership style

1. **Autocratic or Task Management Leadership** -

The autocratic leader gives commands, and expects that everyone show compliance to his orders. He defines rules for the group without discussing them, and does not give detailed information about future plans, but simply directs the group about the actions to be taken. In other words, an autocratic leader is one who believes in centralization of authority to him and does not delegate authority to his subordinates. He is dogmatic leader and he gives punishment if employees disobey. An autocratic leader cab ne authoritarian or benevolent or manipulative:

(a) **Strictly Autocratic Leaders:** They are the ones who create a negative influence on subordinates and simply gives orders, which the subordinates must accept. He may also use his power to confer rewards to his group.

(b) **Benevolent Autocrat:** This type of leader is efficient in getting high productivity in many situations and he can foster successful human relationships. He gives positive motivation to people.

(c) **Manipulative Autocrat: T**his category of leaders seeks opinion form subordinates for namesake but they take the final decision on their own.

The employees dislike all three forms of autocratic leadership. This type of leadership style can result in increased efficiency but cannot sustain for longer period.
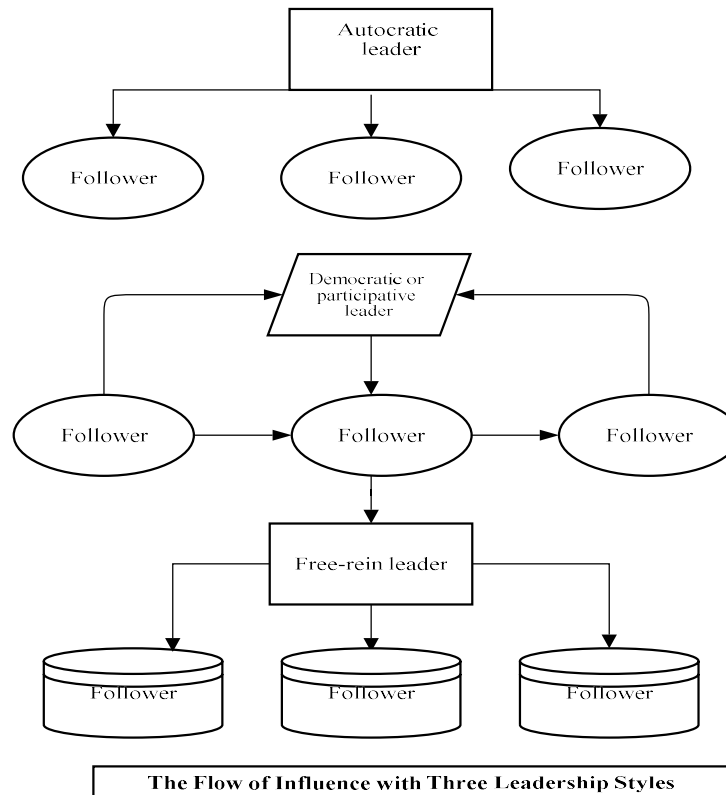

Figure 4.12 Model of Leadership Style

Source: Adapted from H. Koontz, H. Weihrichs, "Essentials of Management An International Perspective", eighth Edition,2010McGraw Hill Publication, page 315

2. **Participative or Democratic Leadership**   This type of leadership is also known as participative or person oriented leadership. A democratic leader believes in consulting and inviting his subordinates to participate in the decision making process. The entire group is involved in and accepts responsibility for goal setting and achievement. In participative leadership style the following assumptions holds good:

   a. Subordinates have considerable freedom of action. They enjoy the liberty to work independently by assuming the responsibility for proper execution if given task and objectives.
   b. The leader consistently receives the benefit of the best information, ideas, suggestions and talent and operating experience of his people.
   c. This style of leadership permits and encourages people to develop grow and rise in organization.

3. **Laissez-faire or Free-rein** <mark>**Leadership and**</mark>   In a free-rein leadership style the leader does not lead, but leaves the group entirely free. The leader prevents using authority and delegates the decision-making authority to his subordinates. He does not guide his subordinates, and entrust them with complete freedom of operation. The leader only provides information facilities and material to his subordinates. A free-rein leader operates in the following manner:

   a. This leadership style works on the rule of entrusting minimum amount of accountability.
   b. In this leadership style, the leader eases him from responsibilities and can point out to the subordinates if case of failure.
   c. The leader might use this style as a way of avoiding responsibilities; at times the leader might not have a clear idea of the goals to be attained.

   This form of leadership can produce amazing results, if the subordinates are highly intellectual and brilliant. They need to have proper sense of their responsibilities.

Leadership Continuum

Robert Tannenbaum and Warren H. Schmidt have very well explained the adaptation of leadership styles to different situations in the leadership continuum concept. They suggested that leadership involves variety of styles ranging from one extreme that is highly boss centered to the other extreme that is highly subordinate centered. These styles vary with degree of freedom a leader or manger grants to his subordinates. The figure 4.13 below shows the spectrum of leadership style that Tnanenbaum and Schmidt proposed.
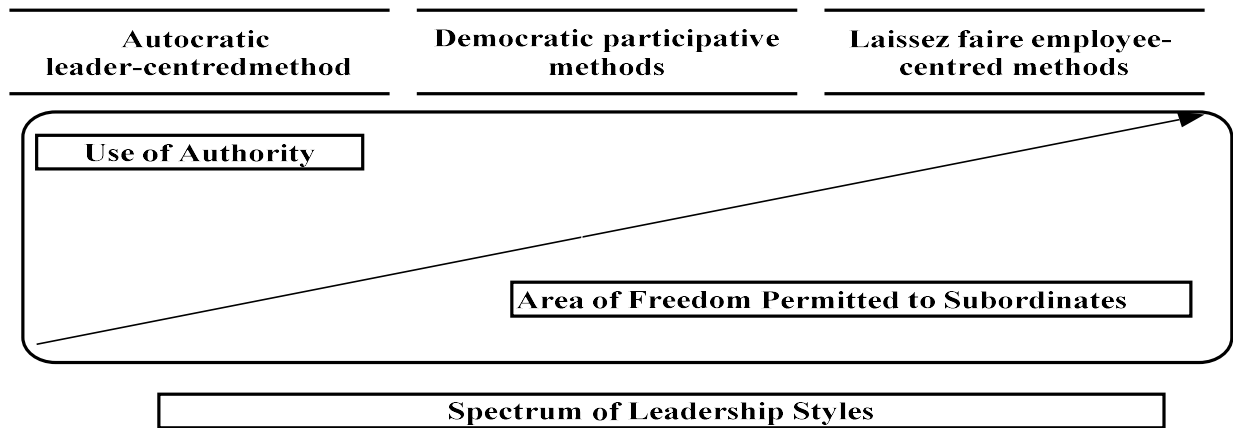
Figure 4.13: Spectrum of Leadership Styles

Source: Robert Tannenbaum and Warren H. Schmidt. "How to Choose a Leadership Pattern", Harvard's Business Review, 51 No. 3 (May –June 1973)

Thus instead recommending the choice between the two styles of leadership i.e. authoritarian and democratic this approach offers a range of styles, with no biasness of proving one style right and other style wrong.

The continuum theory proposes that the appropriate style of leadership is dependent on three factors: - the leader, the follower and the situation. According to Tnanenbaum and Schmidt, the most important element that may influence a manager's style can be seen along a continuum as (a) the power in the manager's personality, which is a resultant of his or her value system, confidence in subordinates, learning's, personality, attitude, inclination towards leadership style, feeling of security under uncertain conditions. (b) the power of subordinates such as their willingness to assume responsibilities, knowledge and experience possessed by them, tolerance for ambiguity. (c) Power of the circumstance or situation such as organizational values and traditions, nature of problem, time pressure, effectiveness of subordinates working to handle the situation etc.

Summary

The initial section of unit discusses of the concept of Motivation. Motivation is concluded to be the internal drive of a person that activates and energizes certain force in a person to take action; it gives direction and directs goal-oriented behavior. The unit explains few important theories of motivation like Maslow's need hierarchy, Herzberg's two-factor theory. Theory X and Y given by McGregor and the model of motivation given by Porter Lawler. The biggest challenge at work is to understand the motives of people and create an environment in which people are motivated about work priorities.

The nest section of the unit discusses the significance of reward management in an organization as many a times, organizations fail to pay attention to the employee relations, communication, recognition, and involvement issues that can be a cause of dissatisfaction among the people. The unit describes various monetary and non-monetary rewards that can help in keeping the morale of people high.

The last section of the unit is about leadership. Leadership is a route by which an individual influences the thoughts, attitudes, and behaviors of others. Leaders lead the direction for others, and help them to attain their goals and objectives. Without a able leader an organization may degenerates into non performers. That is why the practice of leadership is known to be a key business differentiator. The unit explains various leadership theories and leadership styles. It also suggests what style should be adopted under what condition.

Self-Test Questions

1. What is motivation? How does effective managing contribute to motivation?
2. Compare and contrast the Maslow and Herzberg theories of motivation?
3. In simple terms state what is path goal theory? What is the leader's function in this conceptualization?
4. To what extent and how is money an effective motivator?
5. Discuss various Non Monetary rewards that motivate an Individual?
6. Define leadership and its characteristics?
7. What are the advantages and limitations of using Path goal theory of leadership?
8. According to the Managerial Grid, which is considered the most desirable combination of leadership behavior and Why?
9. Discuss various styles of leadership? Which style is most appropriate in today's world according to you?

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Chapter 5 Controlling and Entrepreneurship

Introduction

Management comprises of several functions, one of the most crucial functions of management is Controlling. Controlling facilitates in enhancing the current performance of an organization by identifying the shortcomings and guiding towards predetermined objectives. As controlling becomes an essential function so there is a need to understand the process of controlling, methods through which controlling is done, what are the various types of control and which type is suitable under what conditions. Besides explaining controlling this unit also discusses the concept of Entrepreneurship. The concept of entrepreneurship has been traced from earlier days to the present state. The unit also discusses various important theories related to entrepreneurship, which has helped in evolution of the concept. The unit also pertains discussion of concept of Social entrepreneurship and various rural based example related to it.

Objective

In this unit an attempt has been made to capture and explain the concept of controlling and entrepreneurship. After reading this unit the student will be able to:

- Explain the meaning nature and purpose of control
- Examine the process of control   in an organization
- Describe the essentials of effective control process
- Analyze the methods and managerial strategies of control
- Explain the concept of an entrepreneur
- Explain the different theories on entrepreneurship;
- To explain the meaning of social entrepreneur and social entrepreneurship.

Structure

5.1 Introduction: Meaning and Importance of Controlling

5.2 Controlling Process

5.3 Types of Control - Essential of Effective Control System – Behavioral Importance of Control

5.4 Control Techniques - Quality Circles

5.5 Introduction to Entrepreneurship

5.6 Social Enterprise- Social Entrepreneurs

5.1 Meaning and Importance of Controlling

Meaning of Controlling: Controlling is one of the major parts of management function where every manger tries to visualize whether recourses are utilized in the same way as it is planned. Each and every organization, business or non- business strives to achieve the objective of the organization. Control was undertaken only when something went wrong and to find out who is responsible for that, so that corrective action can taken whenever the performance is deviated from stated standard. There are no particular attentions to punish the people for any wrongdoing, but to find out the truth and deviations between actual performance and standard performance to find out the variances in future purpose.

Definition of Controlling

According to E.L.F. Breach "Controlling is checking current performance against pre-determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance"

According to James Stoner "Controlling is the process of ensuring that actual activities conform to the planned activities"

In the words of Koontz and O'Donnell, "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans"

Based on definition of control, there are following feature are identified:

- Proper utilization of resources and minimize the deviations with corrective action increase the efficiency of the work in the organizations. Manager analysis the task of the subordinates and increase the overall efficiency of the work.

- In control process where every manager has to perform and control the various function of the organization. According to the level of manager in the organization their nature, scope and limit of his control different as compare to other level of manager.

- Control is a regular exercise with plan of action where it will take month after month and year after year.

- There are continues changes are going in social media; legal, political and technology environment to survive in the market organization need to copy these changes. Control is a management function that helps the managers to respond to these changes whenever it is required.

- Control has to be a regular exercise to achieve the log and short-term goals of the organization where individuals work as a team members and expand their efforts to achieve the organization

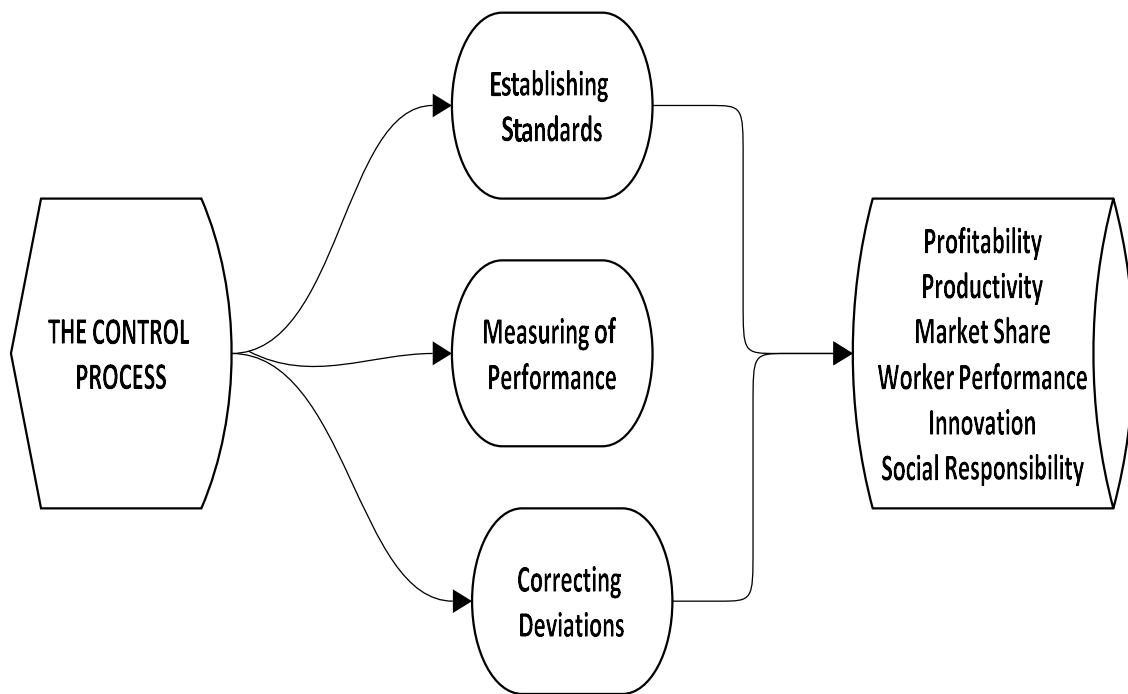goals. Control is the exercise on cost control, quality and resource to achieve the organizational productivity.

Figure 5.1: The Control Process

Importance of Controlling: To achieve the objective of the organization, control plays an important role to fulfill the objective of the organization. Thus control is an integrated action of manager and it shows the following directions:

1. **Managerial Responsibilities:** It is the prime duty and responsibilities of the top management to lower management. When manager assigned any activities to his/ her subordinates, he/she should be responsible for that activity and show their performance. He/she must do some exercise for that activity and control over them. But in the larger organization many individuals contribute to achieve the objective of the organization, they need a proper hierarchy with good relationship with each other. Where each supervisor responsible for the activity of his subordinates with flow of control from top management to the lower management.

2. **Psychology Pressure:** To improve the performance of individuals for effective control psychology pressure should be required for better results. The performances of individuals need to be evaluating according to the target assign them. If person aware that my performance will be evaluated he might be feel little pressure to produce better results. This may be further given some awards or punishment on the basis of his/her performance; it will also act as a effective control system in the organization.

3. **Coordination:** A proper coordination must be required in the organization for any positive results. It is the prime duty and responsibilities of each and every person to coordinate with each other from top to lower management.
4. **Organizational Efficiency and Effectiveness:** Proper utilization of all the resources and minimize the deviation due to corrective action always help to bring the efficiency in the organization and it progress. Manager controls the task done by the subordinates where the performance of individual can be increase, thus the overall efficiency of the organization rises.

Steps in Controlling
Controlling is further divided into four different categories:

(i) Establishment of control standards
(ii) Measurement of performance
(iii) Comparison between' performance and standards
(iv) Correction action

Establishment of Control Standards: Every function in the organization starts with effective plans, so that goal and objectives of the organization can be achieved. In the control process there some basic standards need to fix which can measure the results. Some standards need to be flexible according to the working condition for achieving the better results. For setting the standards goals it is important to identify the clearly and precisely the results can be desired.

In many areas, great precision is possible. However, in some areas, standards are less precise. Standards may be precise if they are set in quantities - physical, such as volume of products, man-hour or monetary, such as costs, revenues, and investment. After setting the standards it is important to decide about the performance.

After setting the standards, the following points have to be borne in mind:

(i) The standards must be clear and intelligible. If the standards are clear and person understood then they are able to check their performance.
(ii) Standards should be accurate, precise, acceptable and workable.
(iii) Standards are used as the criteria or benchmarks by which performance is measured in the control process. It should not be either too high or too low. They should be realistic and attainable.
(iv) Standards should be flexible i.e., capable of being changed when the circumstances require so.

Measurement of Performance
This step is one of the major in the control process, which will help to measure the performance. Measuring the performance of individual need to depend upon the quality of work and maintained their standard. It can be measure through appraisal form, which can be, depends upon actual or expected performance becomes a task. Performance can be measure in term of production unit, sales volume and profits etc. But the performance should be qualitative and intangible such as moral of employee and

their relations. For such type of purpose psychological test applied to find out the hidden truth.

Comparison between Performance and Standards

It is further divided into two categories 1) To find out the extent deviation and 2) Identified the causes of deviations. Management may have the information related to the performance through different data, charts, personal information and through different reports in different segments of the organization. For example effect of training on the individual's performance will help to improve.
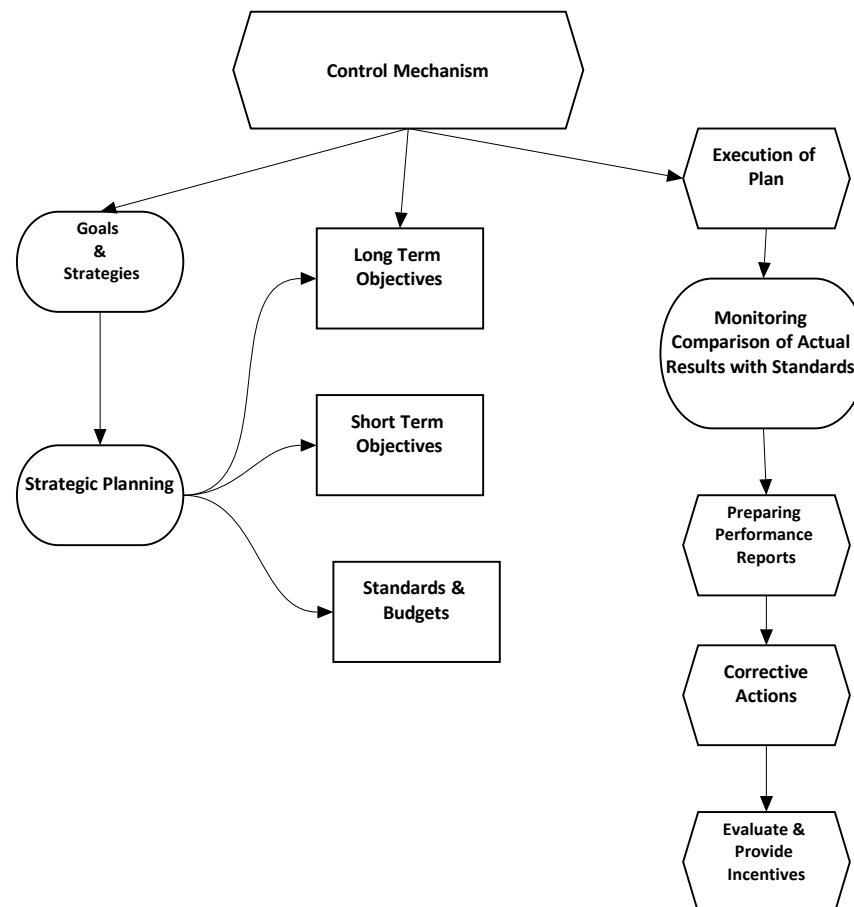
Figure 5.2: Control Mechanism

Correction Action

After comparing the performance and their standard the next step for the manager to take necessary corrective action with wasting any more time, so that loss can be recover soon.

Taking corrective action can be achieved in the following way:

1) The manager should try to influence environmental conditions and external situations in to facilitate the achievement of goals.

2) Manager should review with his subordinates the instructions given earlier so that he should get clarity and instructions in future.

3) There are many external barriers, which cannot be controlled by the manager. There are some facts which need to identified and compromise according to the situation and the executives should revise their plans according to their situation and find out the appropriate salutation of the problems.

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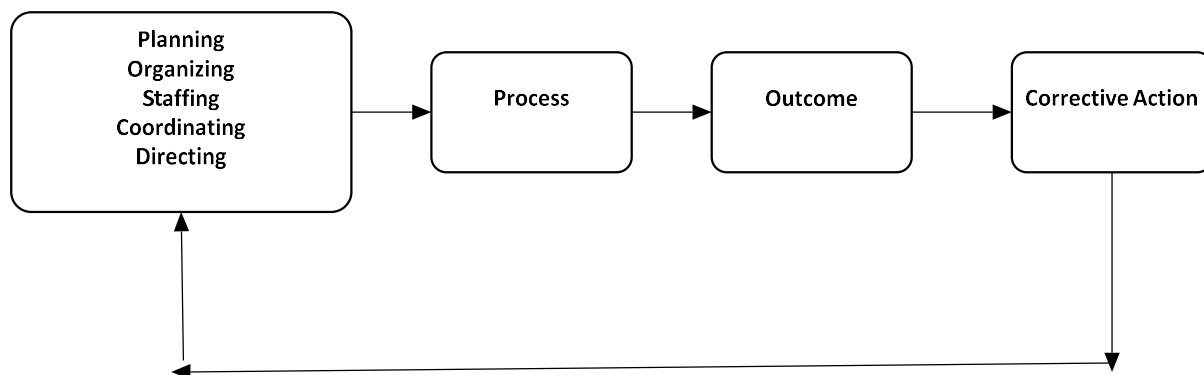**To-Do-Activity:** Explain how establishing standards helps in improving the performance of employees in an organization
</blockquote>

Relationship between Planning and Controlling

These are the two major crucial aspects for the management for any project planning and controlling. These are the two important tools for any manager with these tools he/she will not able to achieve the objective of the organization. The successful manager believes that every project based on effective planning and proper control must be required for better results in shortest time period. Proper way of planning set the realistic goals and if goals are not set properly it cannot be assessed properly and not able to manage easily. But if goal is unrealistic and plan also is unrealistic where result could be failure. Control is the process which analysis each and every thing from all the directions with corrective action and systematically to achieve the positive results.

Planning should be in the positive way where necessary action can be taken in advance and various study prove that if the initial planning is effective result would be in positive way and under control also. Control and planning are interrelated with each other.

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┌──────────────┐     ┌──────────┐     ┌──────────┐     ┌──────────────────┐
│  Planning    │     │          │     │          │     │                  │
│  Organizing  │ ──> │ Process  │ ──> │ Outcome  │ ──> │ Corrective Action│
│  Staffing    │     │          │     │          │     │                  │
│  Coordinating│     └──────────┘     └──────────┘     └──────────────────┘
│  Directing   │
└──────────────┘
```

Relationship between Planning and Controlling

Figure 5.3 Linking Organizational Functions

Control is one of the fundament function to accomplishment the goal according to plan, control also ensure for a organization and avoid in indiscipline and help to complete the task on time and reduce the pressure of the employee. Some of the employees are not in the favor of control and they believe against it. But for run organization smooth and success control is the necessary step for the organization for their growth and development.

Types of Control

There are two types of major control:

1) Past- oriented controls
2) Future - oriented controls

Past- oriented Controls
After implement the plans and policies for the organization and analysis the results before and after and its effects on the business and compare with current and past performance with corrective actions can be taken for future. These plans of action will help to measure the result and past error can be removed.

Future - oriented Controls
These are known as a steering and Feed- Forward controls and analysis the results during this process so that necessary action can be measure. The results should be alarming where direct attention required and to evaluate. For examples it can be funds analysis, cash flow and planning etc.

Essentials of Effective Control System
Control is an effective exercise for any organization; every manger should be effective and adequate control system. However control does not work automatically but it required certain directions to design a proper control system for organization. There are certain requirements, which should be required:
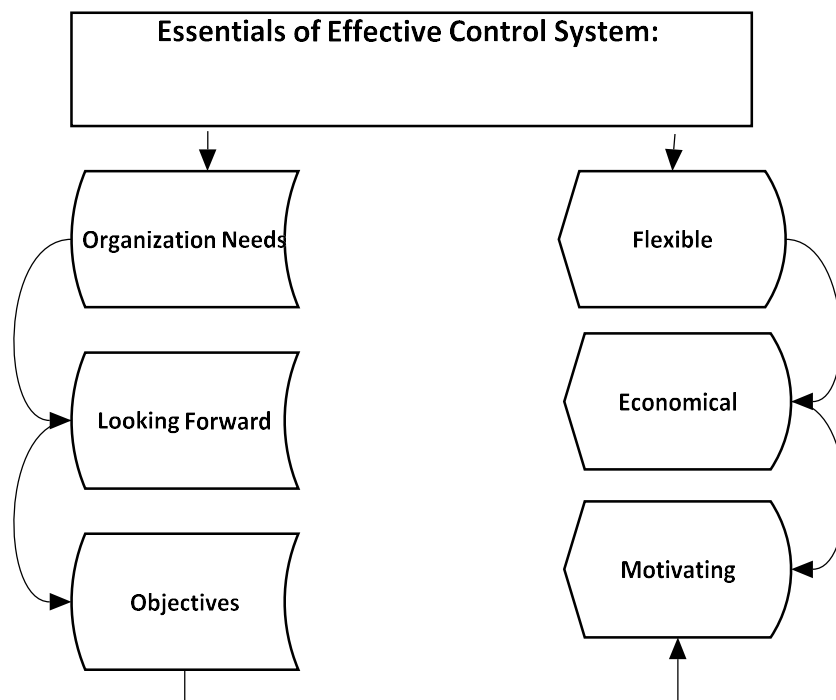

Figure 5.4: Essentials of Control

1) **Organization Needs:** There are some controls techniques such as budget and costing are the basic need of the organization. The manager should use the appropriate tool for control and take necessary steps according to the plan.

2) **Looking Forward:** Control should be plan in such as a way, which gives the positive results in future. They must be focus on the future actions and provide new direction to the organizations. Control system should be help in planning process either it will show in which situation which plan is effective.

3) **Objectives:** The control should be certain objectives, which should be properly defined and clear towards the organization. Their standard should be measure in such a way which can provide the benefits to the organization, if they are not effective need to provide some training to improve their results.

4) **Flexible:** Control should be flexible so that it can implement according to the situation. In case plan need to change in unforeseen circumstance. Using alternative plans for any situations can provide much flexibility in control.

5) **Economical:** Control should be economical and must be worth in its cost. The economics of a control system will depend on manager's, in a large scale of organization can afford highly complicated techniques, different tools of control, but in small scale organization cannot afford these due to cost factors.

6) **Motivating:** Control system should be motivate both side controller and controlled. While planning and controlled is necessary for economical operations, researchers believe that effective planning and controlling build up good relation with human.

Behavioral Implications of Control

The main motive of the control to satisfied the need of the employee working in the organization, while designing the control system few points must be kept in the mind the organization not only resents the ideas but also evaluate properly. The major behavioral problems of control can be analyzed and necessary action can taken.

1) **Nature of Control:** Control always put pressure for engaging in desirable behavioral. The main motive only that to behave properly and it is only possible when their proper control. It means that if the organization process in the shape then only the need of the organizational participants can perform well in the absence of control. According to the McGregor believe that people behavior according to the assumptions of Theory Y as compared to Theory X. Many people behave according to the assumptions of Theory X but their needs are rigid.

2) **Perceptions:** The behavioral implication of control the perception of the people, it can be control against the nature of people. Thus perception may be right and control can brings better results. The control must be required in the organization for increasing the performance. This is also true that if people known that their performance can be evaluated by the organization where output can also be increase but the actual performance result must shared with the

employees, if they are positive perception about this aspect they will encourage for their performance. The manger also developed some other plan also to make control on them.

3) **Action by Participants:** A proper control must be required on the participants and may take certain actions. There behaviors must be positive towards the organizations and their benefits. People overcome the pressure from control, they can take some pressure for certain time period but after some time it become intolerable to them. Where organization need to take necessary action to create group which can help then to absorb some of the pressure and people feel more secure by belonging to a group. Another alternative of overcoming the pressure of control is that individual solve their problem by own level and the control pressure also affects only on few people. In such cases the individual can engage in a behavior and satisfied the organizational needs.

Overcoming Behavioral Problems
There are many approaches for overcoming the behavioral implications of control because of various factors and facts involves, some of the common mentioned below:

1) Direct hierarchical pressure should be avoided this can be improve by structural arrangements.
2) Management should be coordinate with participation and create friendly atmosphere.
3) Management should build up strong communication network; it could be open form or two – way communications.
4) While working in the different group of people proper co-operation and coordination should be required which show the strength of the organization.
5) Management should be reinforcing economic and non- economic needs of the people.
6) Management should have long- term plans and designed properly

To-Do-Activity: In an organization the employees are in habit to take leaves without informing the reporting authority. What control measures can be adopted to overcome this behavior of employees?

Scope of Control
Effective control is required where the critical areas along with proper exercise of control should be implementing. Management must identify these areas where control is required. The following points are discussed and method of control in each major area:

1) **Control Over Policy**: Policies are formulated to govern the behavior and for necessary actions. It can be in the written way and manual way, all the policies are control through manual way. These policies are prepared by the top management for the benefits of organization and employee. Each and every individual have to follow the policy and work within the boundary of the policy.
2) **Control over Organization:** Organizational chart and hierarchy are used to control over the organizational structure. Organizational manual help to solve the organizational problem and

conflicts and making the long term organization planning and effective organizational structure which helping in proper designing.

3) **Control over Personnel:** Generally personnel manager or HRD keep control over personnel in the organization. Some time personnel committee is also created and they are act as a ail instrument of control over key personnel.

4) **Control on Wages and Salaries:** Certain control over the wages and salaries are done by the basis of job evaluation, and their analysis. The functions are carried on by personnel and industrial departments. Wages and salaries is constituted to provide help to these departments.

5) **Control over Cost:** It is one of the exercises done over the cost and does the comparison between standard cost and actual cost. The standard costs are set in respect of different elements of the cost and it will help for budgetary control, which includes different types of budgets. Control department provide the basic information for setting the standard cost, calculating the actual cost and find out the differences between them.

6) **Control of Manpower:** Control of the manpower is to ensure that each individual is working properly and timely. Many organizations create separate department to control over the manpower and their activities. On these activities every individual activities can be records and monitor their performance wise and analysis

7) **Control over the Research and Development:** Is one of the important activities which work on two ways: Special budget for research and development and another for evaluating each and every project in term of savings, sales and profit. Research and development are highly technical activities controlled indirectly and research staff ability can also be improved through providing extra training.

8) **Control over External Relation and Foreign Operations:** The public relationship department regular contact with external resources to bring new development in the internal system. Public relation cell followed the other department also for the new updated in the system. Where foreign operations are also controlled in the same ways as domestic way. In the organization some people are working in the top position so that they can control the system as International standard way and run the organization operation smoothly.

5.5 Introduction to Entrepreneurship

Entrepreneurship has a crucial role to play in the establishment and growth of businesses, as well as in establishing the growth and prosperity of a country. The entrepreneurial action begins with identification of a lucrative opportunity, which can be used up by an enterprising individual. Entrepreneurial opportunities are those possibilities or circumstances where in a business can offer it can be a new goods, services, idea, raw materials, and organizing methods to those who need it and their need can be translated into profitable venture which can be sold at a price, greater than their cost of production. For example, an entrepreneurial opportunity could emerge from introducing a new variety of mask that could avoid the effect of COVID 19 on any individual, such mask will become the need of the hour as during the time of epidemic the availability of such a product is life saving, so people will happily buy it at reasonably high cost. Alternatively, an entrepreneurial opportunity could be creating a new technological product for an existing market or creating both a new product/service and a new market. The basic thought behind it is that an entrepreneurial opportunity represents something

new. However, in order convert such possibilities into profitable ventures, an enterprising individual or a group of enterprising individuals are required. Therefore, entrepreneurship requires action—entrepreneurial action by which they recognize, evaluate, and exploit these situations as possible opportunities and work towards creation of new products/processes and/or the entry into new markets, which may occur through a newly created organization or within an established organization. Entrepreneurs act on what they believe is an opportunity, because opportunities exist in (or create and/or generate) high uncertainty, entrepreneurs must use their decision-making capability about whether or not to act. However, doubt can undermine entrepreneurial action. Therefore, a key to understanding entrepreneurial action is being able to assess the amount of uncertainty perceived to surround a potential opportunity and the individual's willingness to bear that uncertainty. The individual's prior knowledge can reduce the amount of uncertainty, and his or her level of motivation indicates the willingness of an individual to bear uncertainty.

In the Figure below, the McMullen-Shepherd model is explained which describes how knowledge and motivation influence two stages of entrepreneurial action. The dynamically changing operating environment provides with spate of possible opportunities, these opportunities are noticed and exploited by some individuals but not by others. Individuals with knowledge of markets and technology are more efficient and capable of diagnosing the changes in the external environment, and if they are also motivated, they will allocate further attention to processing this information. Others, however, will remain ignorant of the possibilities. The resultant of Stage 1 is an individual's understanding that an opportunity exists in the operating environment. The individual then needs to determine whether he can exploit this opportunity. Stage 2 involves assessing whether it is feasible to successfully exploit the opportunity given one's knowledge and whether it is desirable given one's motivation. If the individual overcomes enough doubt to form (1) the belief that the situation represents an opportunity for someone in general, and then (2) the belief that the opportunity for someone is an opportunity for himself or herself personally, this individual may act.

Therefore, to be an entrepreneur one has to identify an opportunity worth pursuing and then he needs to act on the possibility that prevails. It involves entrepreneurial thinking which is an individuals' mental processes of overcoming ignorance to decide whether a signal represents an opportunity for someone and/or reducing doubt as to whether an opportunity for someone is also an opportunity for them specifically, and/or processing feedback from action steps taken.
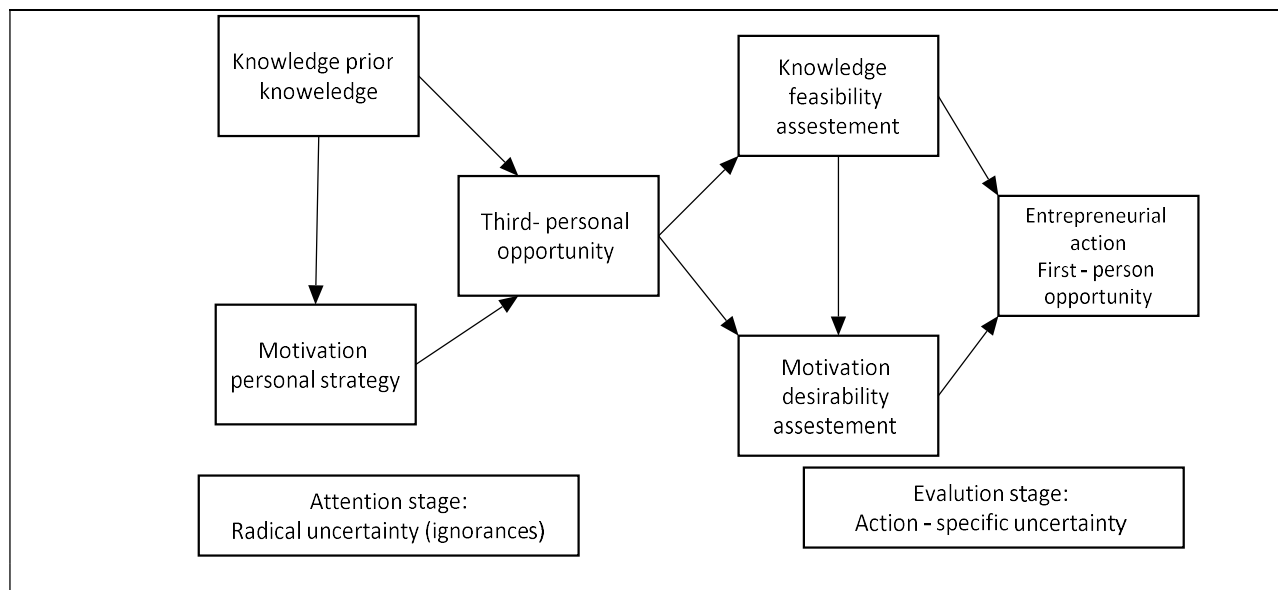
Figure 5.5 Entrepreneurial Action during uncertainty
Source: McMullen, J. and Shepherd D.A. (2006), Entrepreneurial Action and Role of Uncertainty in the Theory of Entrepreneur. Academy of Management Review, 31:132-142

Entrepreneurship: Meaning and Definitions

The concept of entrepreneur can be traced back to its very initial stages of understanding to that of the current scenario. The theories related to entrepreneurship underscores the significance of psychological traits as well as sociological conditions in getting an understanding about what are the deterrents that make the environment conducive for entrepreneurship. The entrepreneurial ability of a person is an outcome of certain social and cultural elements that shape the psychological bent of an individual. These factors facilitate and instill a person with a drive for higher achievement with an immense risk taking capacity.

'Entrepreneur' as a word was already a popular word in use in the French language before it emerged as a functional concept. In the early sixteenth century it was denoted to those who were involved in military groups. In the seventeenth century, it was, used to cover those engaged in construction and fortification. By the beginning of the eighteenth century the concept was associated with economic activities. Perhaps the essential connotation of the evolution of the concept of entrepreneurship has been adventurism of some kind or the other.

In the eighteenth century, the most important trait associated with entrepreneurship was emphasized was the risk bearing capacity of the entrepreneur. **Richard Cantillon,** a French management thinker used the term 'entrepreneur' for all those who buy factors of production at 'certain' prices with the aim to sell their product at profitable prices in the future. Through his capitulations he tried to demark the difference between the owner and the entrepreneur. This concept did not gained much attention till this time.

Few decades later, **Jean Baptise Say,** who happen to be an aristocratic industrialist, was probably the first person to discriminate between the meaning of the entrepreneur and that of the capitalist. By highlighting the component of risk involved, he explained the term. He kept across few other crucial entrepreneurial functions such as supervision, coordination and organization. He considered the entrepreneur as the most imperative agent of production who manages the functions of an organization and efficiently utilizes the factors of production. While doing so he needs to have decision-making capabilities, perseverance, and awareness of environment in which the business operates. Baptise also stressed upon the presence of administrative skills in an entrepreneur. The entrepreneur is on one hand operates as a buyer of the factors of production and on the other hand he performs the function of a seller of finished goods. An entrepreneur ventures into those segments of the market, which are lucrative and have high potential of profitability. At times he converts an opportunity prevalent in business environment into a business proposition. He thoroughly analyzes the market and the requirements of the consumers before going for a start up.

As the economic theories were evolving gradually, the concept of entrepreneurship was getting associated with it. Gradually the function of the entrepreneur was acknowledged and highlighted as a factor in production and exchange of goods by some economists, still the acceptance was in a very limited sense.

Later when **Schumpeter** coined his **Theory of innovation and economic development,** it was then that the concept of entrepreneurship came into existence in dynamic manner i.e., entrepreneurship was stared being treated as a force in itself, which can take the economy of a country on growth trajectories. Schumpeter's work is considered to be a catalyst to the growing tendency of referring entrepreneurship to a mere factor in production to an important part of economic ecosystem. Schumpeter underscored innovation as one of the unique property of an entrepreneur; this unique quality may not compulsorily exists in a capitalist. His creative contribution to any venture is responsible for further expansion of economic activities.

Schumpeter clearly demarked how the activities of a capitalist vary from that of an entrepreneur due to his creative contribution to each aspect. According to him, it is not compulsory that an entrepreneur may invest capital in a business establishment, he might not even be indulged into day to day management activities need for functioning of an organization but his most significant contribution is to bring creative and innovative aspects to the business which contributes in terms of increasing profitability of the venture. Entrepreneurship can thus be termed, as trait that helps in expanding a business is not a profession or an occupation. An individual with desired set of bent of mind and knowledge can be an entrepreneur and he may belong to any economic base. Thus entrepreneurs do not by themselves constitute a category.

According to Schumpeter their lies a difference between **innovation and invention,** in case if an activity is matching with any of the criterion listed below, it may be termed as innovation and not an invention.
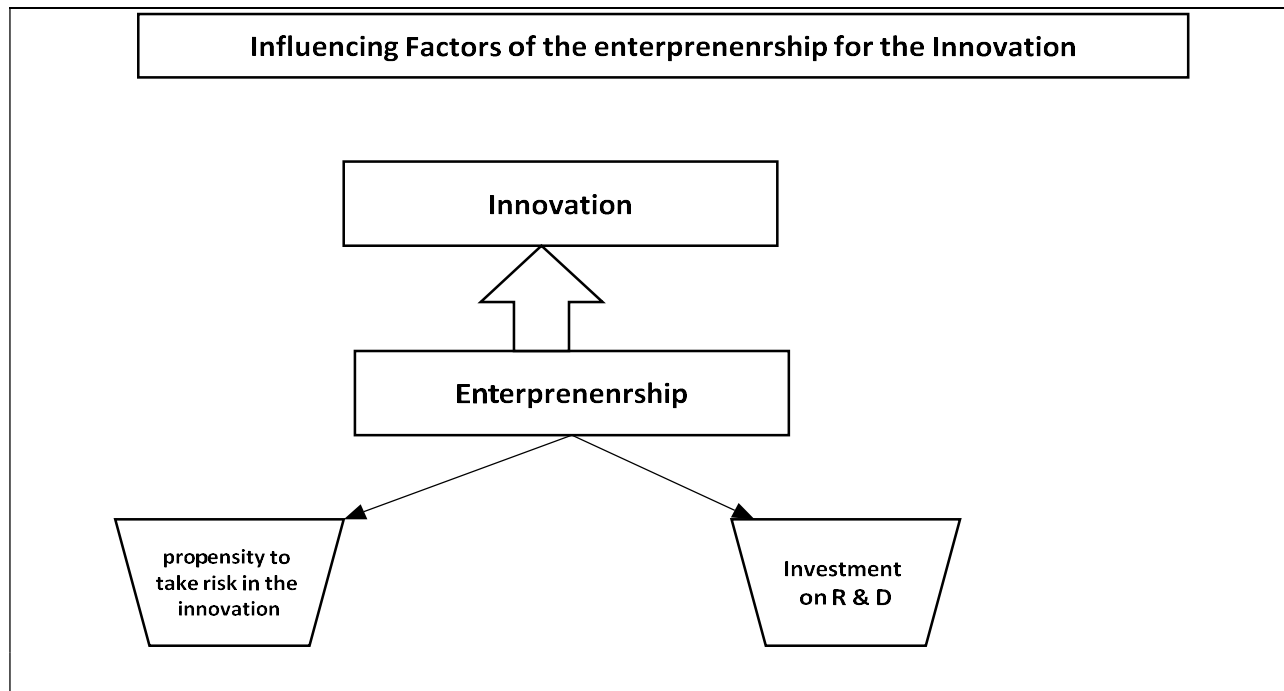
Figure 5.6: Factors affecting Innovation

Schumpeter's have witnessed the working and functioning of firms right from the time of Industrial revolution to the time when giant corporations were established and his economic development theories are based on his extensive experience. His theories may hold good in such markets where perfect competition is practiced but these practices may not be appropriate for the less developed capitalist countries with a few large firms dominating the manufacturing business. Practicing and focusing on innovation aspect might be a little doubtful in an underdeveloped region. The innovation to which Schumpeter attaches so much significance is viable to give the required boost to the economy from its state of stagnation or decay.

As the concept of the term entrepreneurship was evolving, with the changes in the structure and operations of markets, economies and firms. This concept became an area of major research for the management contributors. As a result its microscopic analysis was done which lead to formation of many theories by most significant economists. These theories need to be studied as they gives us glimpse of how the concept shaped up and took the present state.

To-Do-Activity: Discuss the nature of relationship between entrepreneurship and economic development of a nation

Entrepreneurship Theories

1. **Innovation Theory**

J. A. Schumpeter was a famous economist, who laid stress on innovative and creative approach as the major trait in an entrepreneur. According to Schumpeter's theory a dynamic entrepreneur appears in the traditional economy and comes up with a revolutionary process of creative destruction.

According to Joseph Schumpeter a capitalistic structure of an economy is kind of a closed economy, which maintains a stationary equilibrium by have same extent of forces of demand and supply. There are no ups and downs in business cycles as no new product is entering the market, no threat is being created for rest of the offerings and things are going on at same monotonous pace. In contrast to this the entrepreneur is one who comes with new innovative ideas and disturbs the stationary flow, which prevailed in capitalistic structure. This introduction of innovative thought takes the economy to a higher level of development; it enhances the quality of life of people and brings scope for competition. The characteristic of Innovations in entrepreneurs is instrumental in pacing up the rapid economic development of any nation. While detailing about innovation, he indicated to new amalgamations of the factors of production, Schumpeter had ascribed the role of innovator to the entrepreneur, who do posses ordinary managerial ability, but one who is a pioneer in introducing something entirely different and better. Schumpeter has exclusively defined certain parameters of innovation.
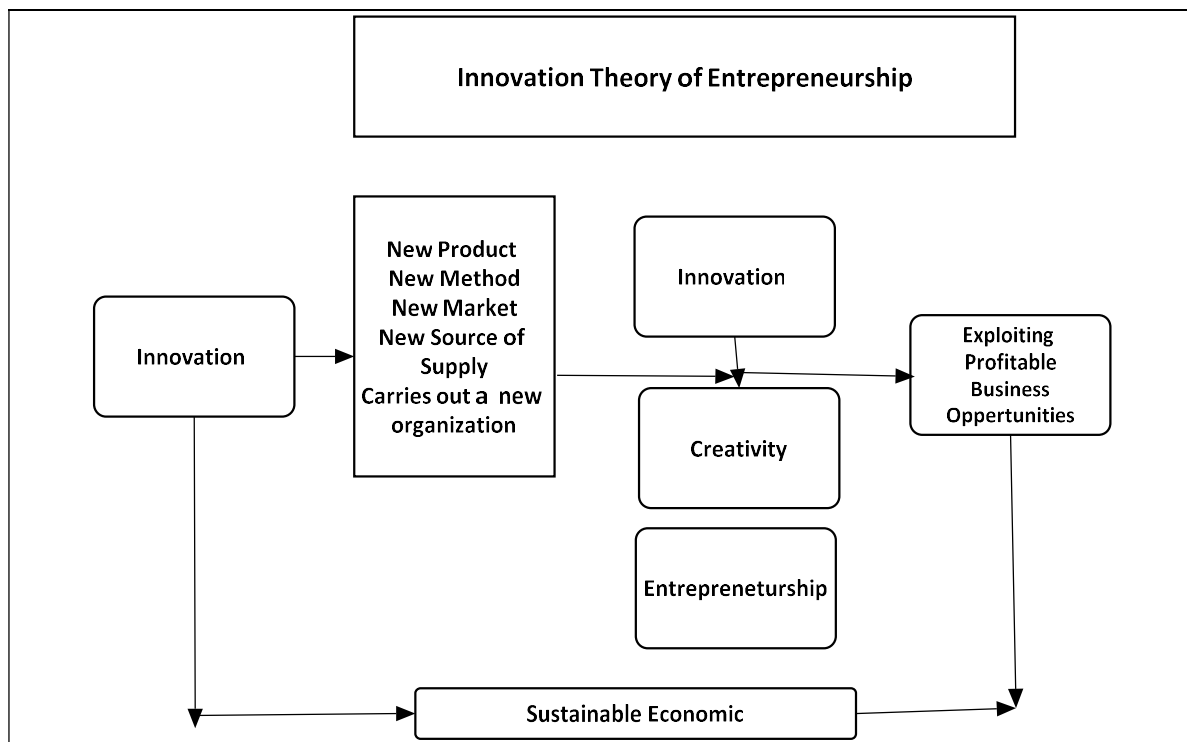

Figure 5.7 Entrepreneurship Theory on Innovation

According to this theory the Characteristics of innovation are as following:

a) Introduction of a New Product- The introduction of a new product which consumers, are not yet familiar or one which is of a new quality.

b) Adoption of a New Technology - The introduction of a new method and technology of production. It can be stated as using something that has not yet been tried and tested but which can enhance the efficiency of production or which can reduce the cost of producing a good.

c) Opening Up of a New Market – Either entering into an entirely new untapped market, which has a strong potential in terms of demand but where none of the competitor has entered. Such markets are very lucrative, or expanding the multiple usage of the product in already existing market.

d) Finding Out a New Source of Supply- In the quest of a new source of supply of raw materials all the producers keep on wandering, irrespective of whether this source already exists or whether it has first to be created. But the most important thing is that the source should be economical and trustworthy.

e) Bringing about a New Organization of an Industry – This means, opening out of the new organization of any industry so that we are one of the first mover and we are able to create a monopoly position or in case if one or two players already exists then we are able to challenge to their monopoly position.

Shortcomings of Theory of Innovation

1. Joseph Schumpeter's theory lays stress exclusively on innovative functions of the entrepreneur. It does not consider other aspects that are crucial to an entrepreneur like the organizing capability of entrepreneurship.

2. Schumpeter had completely overlooked one of the most important functions of an entrepreneur that is the risk-taking, which cannot be left unnoticed because in order to develop a new combination of factors of production high amount of risk is involved.

3. The theory holds good only in those scenario when it is a developed economy where the standard of living is high and people seek for better version of existing products. This concept of innovation might not be very suitable in case of developing economy as such nations lack in resources and pay less heed to innovation and research.

4. The theory does not provide the clarification as to why few nations have more entrepreneurship capacity than others.

Irrespective of all the above stated shortcomings Schumpeter's theory is considered as a turning point in the expansion of entrepreneurship theories.

Difference between Joseph Schumpeter and Max Weber Theory of Entrepreneurship
The common and the key pivotal point in the theories of Max Weber and Joseph Schumpeter is innovation. However the meaning of innovation varies slightly in both the theories. The innovation of

Weber's entrepreneur is an outcome of 'thorough going rationalizing of every aspect of his enterprise'. Whereas Schumpeter's concept of innovation is more creative in the sense that the entrepreneur's creativity is not merely limited to systematic ordering of means to an end, as mentioned previously, he may bring about a breakthrough change in technology, or may create new set of demands, or find a new source of supply of raw materials or adopt new organizational skills. Schumpeter's theory stands out from that of Weber's and others in it's giving less consideration for the socio -cultural variables, which they emphasize for the analysis of the supply of entrepreneurs. Weber builds up his Theory on Protestant ethic, which is religious fervor of rationalizing mundane activities, eventually leading to the growth of capitalistic order.

2. Theory of Social Change by Max Weber

Max Weber advocated the theory of social change, which gives a sociological explanation for the development of entrepreneurship abilities. According to him the religious factors have an intense impact on the inculcation of entrepreneurship spirit in a person. The religious principle and ethical standards related with the society plays a vital role in determining the entrepreneurial culture.

Max Weber stated that the religious believes helps in shaping up the supplying entrepreneurial energies of a society. Similar to Schumpeter's theory of innovation, in Weber's theory also stress was laid on spirit of capitalism. Capitalism is such a type of market system where the market forces of demand and supply play freely. As economic freedom and private enterprises are promoted in capitalism, the entrepreneurism is eulogized and entrepreneurial pursuits are encouraged. Practices of capitalism encourage the entrepreneurs to engage in entrepreneurial activities and earn more and more profits.

According to Weber, if an individual has high motivation to earn more and more money and generate profit then he becomes an entrepreneur. Another property that is associated with entrepreneurship promotion is the presence of impulsive force that increases the risk bearing capacity in a person.

Weber linked the concept of entrepreneurship with religion too; he proposed that Hinduism as a religion is based on such value system, which lays less importance on wealth accumulation, and being materialistic, and so these belief systems of Hinduism didn't encourage spirit of capitalism and thus becomes an obstacle in the promotion of entrepreneurship spirit. On the other hand according to Weber the Protestant value system supported and nurtures the mental attitude in a society that encourages spirit of capitalism and supports the concept of entrepreneurship.

In order to promote a particular concept or imbibe a certain type of spirit in individuals an environment is needed that support the thought, so societies where capitalism is professed by the religion of the society, the pace of industrial growth is higher. The Protestants had displayed a radical pace in establishing capitalism in Europe just because of the value system professed by Protestant ethic. Protestant ethic granted them the rational economic attitude, accumulating assets, and permitted them to take pleasure in the material life.

Shortcomings of Weber's Theory

Max Weber had given a new dimension to the explanation of the reason of growth of entrepreneurship and his contribution to theory of entrepreneurship is quite significant. Still this theory also had few shortcomings, which are explained below:

i. The theory is based on impractical and invalid assumptions – the assumptions on which Weber have laid the theory seems to be quite unrealistic and invalid. As the theory do not prove the facts stated in it empirically.

ii. Weber's theory has been vehemently criticized by many sociologists as he specifically challenges the view point Hinduism and entrepreneurship. The rapid expansion of entrepreneurship in India in the post-independence period clearly challenges the fact that Hinduism is averse to the nurture entrepreneurial spirit.

iii. Weber's opinion on Protestant value system was also not completely correct. Capitalism has also prospered in those regions where Protestant ethic is not present.

3.   **Need for Achievement Theory by David McClelland**

In his theory on Need for Achievement David McClelland in emphasizes on rapid economic growth. In order to attain high level of economic growth an individual needs to focus on factors that are internal to him like, learning, values and motives, these factors in turn will help exploit opportunities and move on growth trajectories.

He has finely articulated a theory of entrepreneurship based on notion of 'innovation and risk bearing capacity of an individual' in his famous book ' Achieving Society'.

Need for Achievement Theory of McClelland

Theory of High Achievement by McClelland
David McClelland 's Achievement Motivation Theory

Achievement → Affiliation → Power

Tasks of **Moderate** Effort overluck Desire more feedback

Focus on relationships Avoid conflits

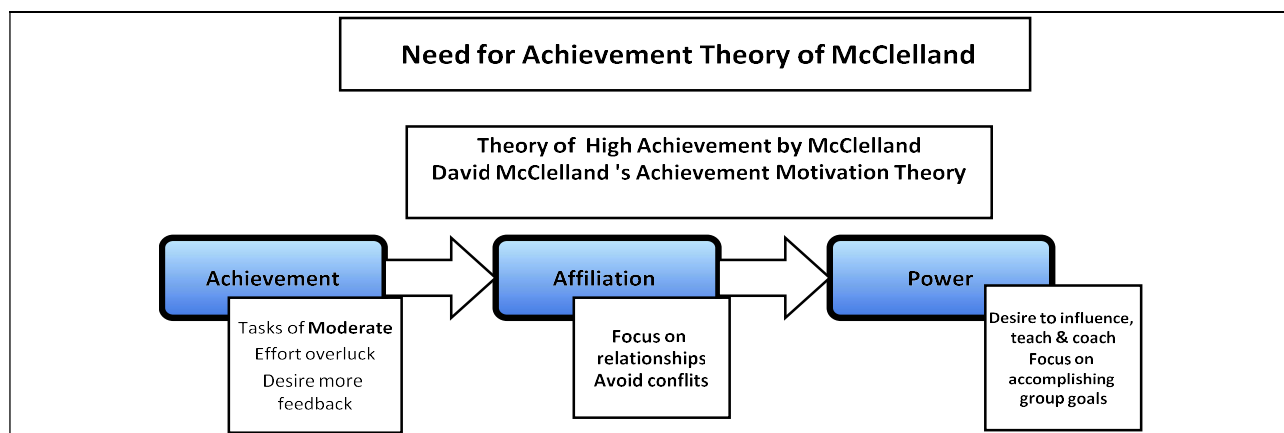Desire to influence, teach & coach Focus on accomplishing group goals

Figure 5.8 Theory of McClelland

He highlights that fact different groups respond differently in similar situations. While explaining the psychology of human behavior he introduced the concept called **'need for Achievement' or 'n**

Achievement'. According to this concept an individual has a inner drive for self accomplishment and what ever efforts he put in, to achieve are not for social recognition or prestige but for self satisfaction. He also explained that the response of groups to similar conditions varies based on the intensity to which the need for achievement is high. Such societies with people having high need for achievement attain rapid economic growth. He stated that the link between high need for Achievement and economic development is the **entrepreneurial behavior.**

According to another economist Peter Kilby, the work of David McClelland and Max Weber has certain amount of association; McClelland has said to extend the causal sequence of entrepreneurial behavior put forth by Weber, this association is depicted in diagram below:
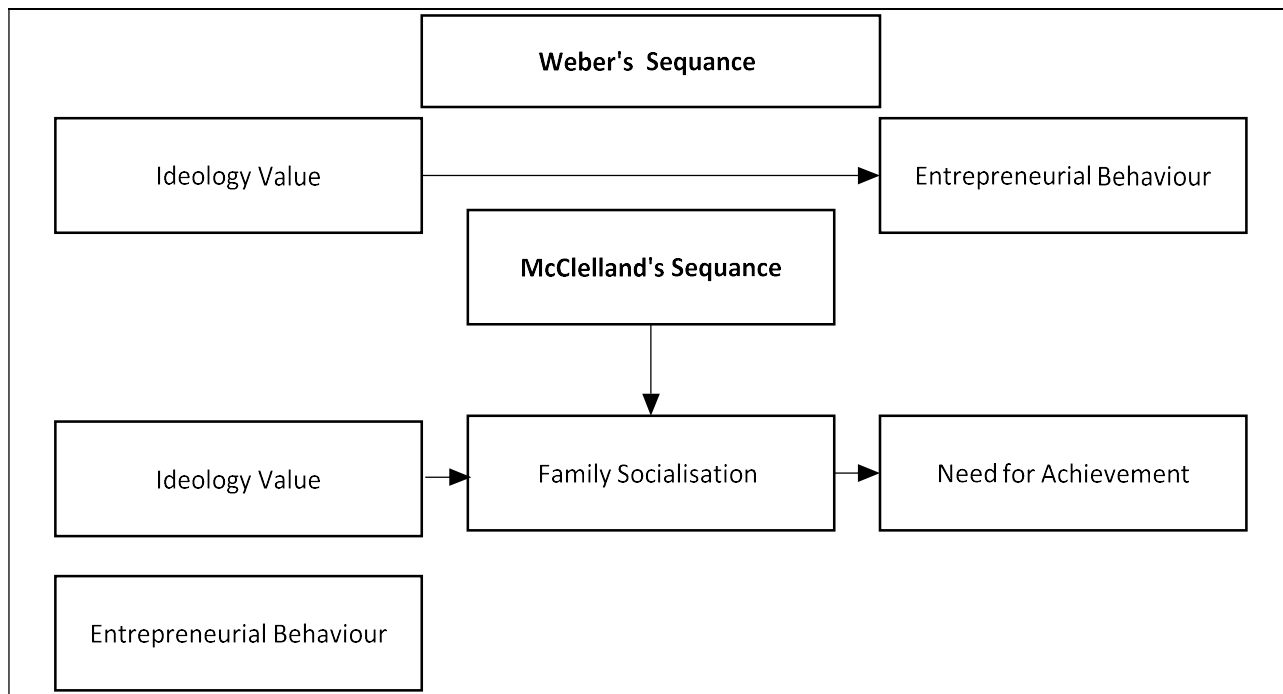

Figure 5.9 Comparisons between Weber's Theory and McClelland Theory

McClelland proposed two important characteristics that need to be present in an entrepreneur.

  i.   They should have a strong component of innovation, which makes them do a new thing in a better way.
  ii.   He should be risk taking individual, who is capable of taking appropriate decisions during uncertainty.

According to McClelland, individuals who are driven by high need achievement, do not consider monetary incentives as a source of motivation but that monetary rewards becomes a sign of achievement for them. Similarly, they are also not much interested in social recognition rather their motive is to attain a sense of self-accomplishment. Through his work McClelland have concluded that in order to escalate the need of achievement motivation, parents should set high standards for their

children and rear them in such a manner that they become self reliant.The levels of 'n Achievement' among groups depend on the way they have been brought up in their childhood. Parents need to ensure that they are giving their children proper training to be self reliant and self driven.

4. **Deci and Ryan's Theory of Self Determination (SDT)**

The theory of Self-Determination is an amalgamation of the work of Edward L. Deci and Richard M. Ryan's during 1970s and 1980s. Although this theory has been of and on grown and expanded since then, the basic tenets of the theory come from Deci and Ryan's.

Theory of self-determination tries to establish a links between three components namely: (a) personality, (b) human motivation, and (c) optimal functioning. It theory defines two types of motivation one is internal to a person like (our core values, our interests, and our personal sense of morality) is called **intrinsic motivation** and another one comes from external stimuli in environment like (appreciation, awards, accolades, performance evaluation system, grading system etc). This component is called **extrinsic motivation** and it results in external reward. Both the types of motivation shape up the personality, behavior and thinking of an individual.

The intrinsic motivation and extrinsic motivation are just the reverse of each other. If intrinsic component is associated with one's own self on the other hand extrinsic component compels us to match up to the standards of others. The SDT theory talks about the interplay of intrinsic and extrinsic motivation. Besides this differentiation between Intrinsic and Extrinsic motivation the SDT also establishes a distinction between autonomous motivation and controlled motivation. Both intrinsic and extrinsic motivations are highly influential determinants of ones behavior, and both these motivations aims us to meet the fulfill basic innate psychological needs identified by the SDT model:

The sefl- Determination Continuum

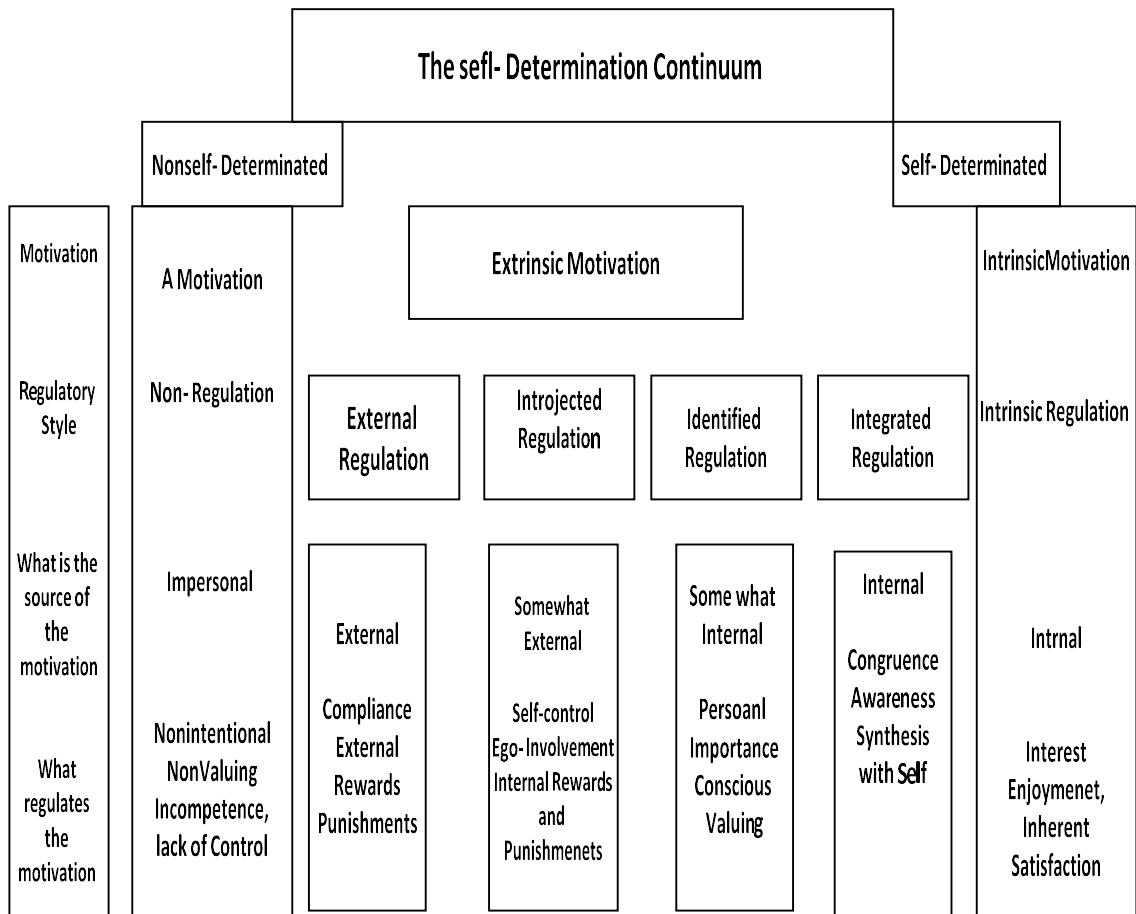|	Nonself- Determinated	Extrinsic Motivation				Self- Determinated
Motivation	A Motivation					IntrinsicMotivation
Regulatory Style	Non- Regulation	External Regulation	Introjected Regulation	Identified Regulation	Integrated Regulation	Intrinsic Regulation
What is the source of the motivation	Impersonal	External	Somewhat External	Some what Internal	Internal	Intrnal
What regulates the motivation	Nonintentional NonValuing Incompetence, lack of Control	Compliance External Rewards Punishments	Self-control Ego- Involvement Internal Rewards and Punishmenets	Persoanl Importance Conscious Valuing	Congruence Awareness Synthesis with Self	Interest Enjoymenet, Inherent Satisfaction

Figure 5.10 Types of Motivation defined in Self Determination Theory

According to SDT If these universal needs are fulfilled, then people will function and grow optimally. To actualize their inherent potential, the social environment needs to nurture these needs.

Autonomy: people have an urge to feel that they have at least some control over their lives; most importantly, people have a need to feel that they can control their own behavior. They believe that they can act in harmony with one's integrated self;

Competence: the need of competence is concerned with one's achievements, knowledge, and skills; people seek to control the outcomes by the virtue of their competence and experience mastery over tasks that are important to them.

Relatedness: Every one has a universal need of belonging and connectedness with others; each of us wants to interact with other people to some degree and care for them.
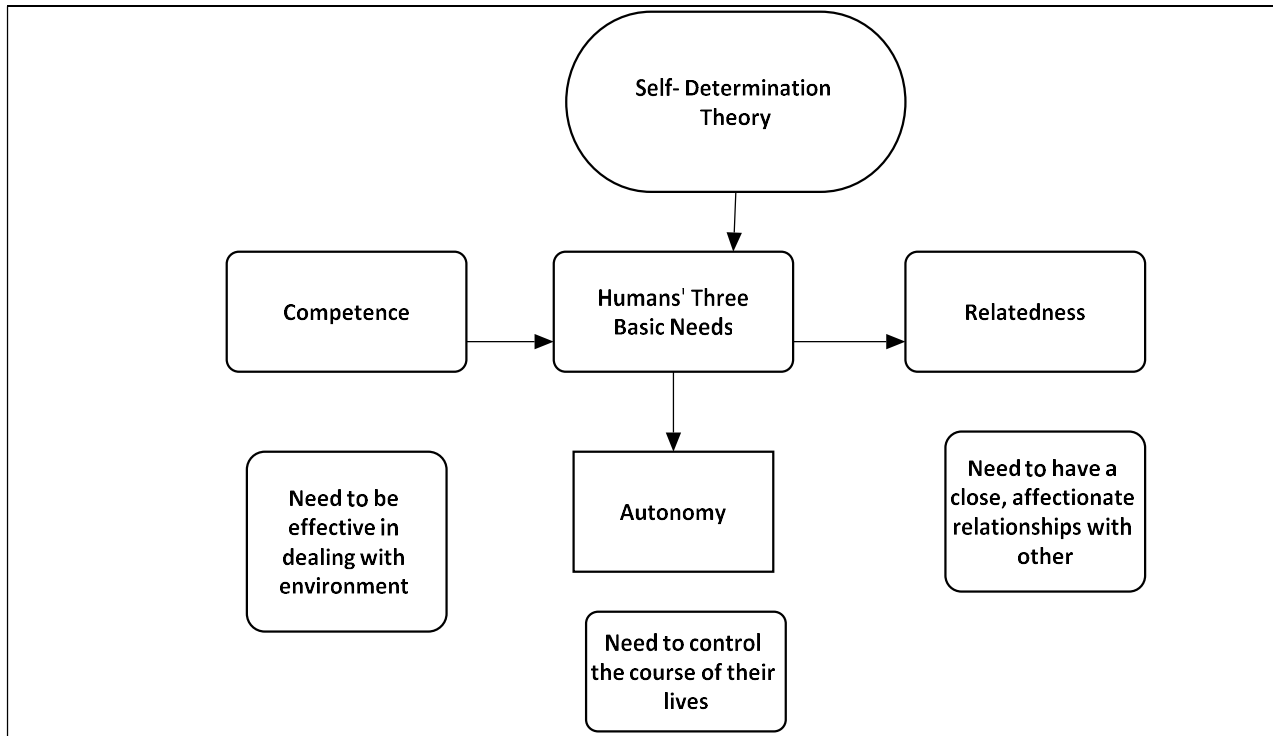
Figure 5.11 The Self Determination Theory

According to Deci and Ryan, individual differences in personality is an outcome of the varying degrees to which each need out of the three stated above has been satisfied. As proposed ib SDT that there are two main factors based on which individuals may vary namely **causality orientations** and **aspirations**.

A causality orientation gives an indication about how individuals adapt and acclimatize themselves to their environment and it also reports the extent to which they are self-determined in general, across different contexts.

The three causality orientations stated in this theory are:

1   Autonomous
2   Controlled
3   Impersonal

Aspirations or aims are basically reflection of how people behave as they are strongly driven by certain goals that they want to achieve. Aspirations generally fall into either of the two categories of motivation that were discussed earlier in this unit namely: intrinsic motivator or extrinsic motivators. Deci and Ryan has categorized affiliation and personal development under the category of intrinsic motivators. On the other hand they have listed wealth, fame, and attractiveness as examples of extrinsic motivators. Aspirations are considered to be learned desire rather than being the basic need. They drive an individual on the grounds of what he has experienced and learnt. Where as, autonomy, competence, and relatedness are falling in the category of basic needs. Self Determination Theory also defines two

sub-theories for getting a better understanding of intrinsic and extrinsic motivation. These sub-theories are stated below:

1. Cognitive Evaluation Theory (CET) and
2. Organismic Integration Theory (OIT)

These sub theories are instrumental in explaining the intrinsic motivation and extrinsic motivate with regards to its social factors and contextual factors.

Some Important Characteristics that an Entrepreneur Should Posses

(i) Commitment and Determination (ii) Desire for Responsibility (iii) Opportunity Obsession (iv) Tolerance for Risk, Ambiguity and Uncertainty (v) Self-Confidence (vi) Creativity and Flexibility (vii) Desire for Immediate Feedback (viii) High Level of Energy (ix) Motivation to Excel (x) Orientation to 'the Future (xi) Willingness to Learn from Failure (xii) Leadership Ability

5.6 Social Enterprise- Social Entrepreneurs

The term social entrepreneur and social entrepreneurship was first used was first used in literature on social change in 1960's. The term finally came into widespread use in the year 1980 and 1990, promoted by Bill Drayton, the founder of Ashoka and Charles Lead Beater. The social entrepreneur is defined as someone who aims for value in the form of transformational change that will benefit the society at the large. A social entrepreneur pursues novel applications that have the potential to solve society-based problems. These individuals are prepared to take on the risk and are determined to create positive changes in society through their initiatives. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principals to organize, create and manage a venture to make social change. Social enterprises are social mission driven organizations that strive to achieve a social purpose.

The social entrepreneurs pioneer innovative and systematic approach for meeting the needs of the deprived, marginalized section of the society. In several ways a social entrepreneur tries to solve social issues in a business like manner.

One of the best examples of social entrepreneurs in our country is of Mr Vijay Mahanjan did his Btech from IIT Delhi and perused Management education from IIM-Ahmedabad. He is a very well known entrepreneur who is founder of the company 'BASIX'. Basix is one of India's leading microfinance firms. A social entrepreneur not only looks at creating shareholder's value by maximizing profit but also tries to create shareholders value by pursuing a variety of goals, which may include socially conscious goals.

These entrepreneurs with social mission, face a lot of difficulties and challenges, which are quite different in nature as compared to those faced by a business entrepreneur. As the social mission is central to the enterprise, they are likely to assess and perceive opportunities very differently. Wealth creation is just a means for them not the end.

To-Do-Activity: Discuss what traits of an individual help him to choose social entrepreneurs as a career

Exhibit 5.1

Organic Cotton production in Maharashtra
To protect environment and in order to act as a environmentally responsible citizen is a primary responsibility and duty of every human being. With this concern Kisan Mehta who is also the founder of NGO Prakruti in the year 1995 took the initiative of producing organic cotton, which is chemical free. As cotton is considered to be one of the biggest user of chemical pesticides.Mr Mehta proposed to produce cotton without these chemical pesticides. Though his efforts were initially not taken up in the true spirit. The Director of the Central Institute for Cotton Research, Nagpur, at that time considered his effort as a loss-making preposition for India. But with untiring efforts of Mr Mehta this idea was gradually promoted and accepted by many farmers. Today, as many as 130 farmers are involved and nearly 1,200 hectares of land is utilized to grow cotton organically based on the standards of International Federation of Organic Agriculture Movement's. The produce of these farmers was examined by the German Accredited Agency, AGRECO and was found to be of high quality. It is estimated that about 78 per cent of Indian farmers are marginal farmers owning about less than 0.8 hectare but accounting for 20 per cent of India's cultivable land. For such farmers, organic agriculture is more profitable in terms of money and soil conservation in the long run.

Source: LylaBavadam, A Green Alternative, Frontline, 29 July 2005.

Exhibit 5.2

Rural Opportunities Production Enterprise (ROPE) is a for profit enterprise stationed at Chennai. ROPE engages rural artisans to manufacture products from rural material. It primarily focuses on handloom and handmade products. Its current clients are Fabindia, Deco De Trend, IIT Madras and others. It hopes to cash in on the growing trend towards handmade organic and natural products. It is planning on entering into direct contracts with IKEA and Walmart. Currently 500 rural artisans are associated with it.

Summary

The Unit defines one of the most crucial functions of management, which is called controlling. The controlling function aims at ensuring the actions of an individual or group that contribute to attainment of a pre-determined goal. It is very crucial in keeping the organizational activities on the right track and aligning all the activities with already established plans and goals. In controlling, performances standards are set and clearly indicated to the concerned group or individual and it is expected from them that they work towards those laid down targets. At the end of the process their actual performance are measured and compared with the standards set. If the measured performance is found matching the laid standards then no intervention is needed but if deviations lie between the actual performance and expected performance then control is needed. If order, to have an efficient control system, proper planning is required. Main components of controlling process are Setting standards of performance, Measuring actual performance, Comparing actual performance against the standard and introducing corrective actions to ensure attainment of goal.

For effective management active participation of managers is very much needed. There are several techniques thorough which proper control can be maintained. Management can use any of these techniques depending upon the nature of the problem.

The second part of this unit discusses how the concept of entrepreneurship has evolved from ancient times to the existing state. It defines who an entrepreneur is and what all traits are needed in an individual to be a successful entrepreneur. Besides this major theories related to entrepreneurship are visited in this unit. The theory of innovation, theory of Weber, Theory of McClelland and Self-determination theories have been discussed at length.

In the last section the concept of Social has been introduced. Social entrepreneurs are assets to any society as they work and do business for uplifting a community. Besides being an entrepreneur they are primarily driven by the quest to uplift society by giving innovative and profitable solution to existing social problems.

Self-Test Questions
Q1. What is the role of management control System in the industry?

Q2. Explain the importance of control in the organization and its effects?

Q3. Why effective planning is required for an organization?

Q4. What are the relationship between planning and controlling and it benefits?

Q5. Coordination is the Most Important Function of an organization?

Q6. List out the important features of controlling?

Q7. What are the basic steps involved in the process of controlling?

Q8. How controlling function helps managers in operations?

Q9. How controlling helps in the accomplishment of goals?

Q 10. Discuss the meaning of entrepreneur? What are the essential qualities need in an entrepreneur?

Q 11. Distinguishes between a business entrepreneur and social entrepreneur with example?

Q 12. Explain the Self-determination theory in detail?

Q 13. What does need for achievement refers to according to Mc Cleland's Theory?

Q 14. Briefly discuss theory of innovation? Mention its shortcomings?

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Editors' Profile

Dr W G Prasanna Kumar

Dr. W. G. Prasanna Kumar, PhD in Education with basic degree in Social Work and Master's Degrees in Sociology, Public Administration and Political Science has professional education in Environmental Economics, Public Relations, Communication and Training and Development. Presently Chairman, Mahatma Gandhi National Council of Rural Education (MGNCRE) under the Ministry of Human Resource Development, in Government of India strives to promote resilient rural India through Higher Education interventions. The national initiative of reviving Mahatma Gandhi's ideas of NaiTalim, spearheaded by Dr. W G Prasanna Kumar, has met unprecedented success at both national and state levels. The primary objective of this initiative is to promote Gandhiji's ideas on Experiential Learning, NaiTalim, Work Education and Community Engagement, and mainstreaming them in School Education and Teacher Education Curriculum & Pedagogy. As Professor and Head Centre for Climate Education and Disaster Management in Dr MCR HRD Institute, conducted several capacity building and action research programmes in climate education, disaster management and crowd management. He has handled many regional, national and international environmental education programmes and events including UN CoP11 to Convention on Biological Diversity and Media Information Management on Environmental Issues.

He was Director in National Green Corps in the State Government for over 11 years and Senior Social Scientist in State Pollution Control Board for 6 years. Conducted various curriculum and non- curriculum related training programmes in environmental education. He was a Resource Person for AP Judicial Academy, AP Police Academy, AP Forest Academy, EPTRI, Commissonerate of Higher Education and Intermediate Education, State Council for Educational Research and Training and National Council for Educational Research and Training New Delhi, CCRT, Bharathiya Vidyapeet University Pune, CPR Environmental Education Centre Chennai and Centre for Environment Education Ahmedabad. Dr W G Prasanna Kumar was trained in Community Consultation for Developmental Projects in EPA Victoria Australia in 1997 trained as State Chief Information Officer by IIM Ahmedabad and MCRHRDI Government of Andhra Pradesh in 2004 and trained in Environmental Education and Waste Management Technique by JICA, Japan in 2011.

He was awarded Best State Nodal Officer of National Green Corps Award from Centre for Science and Environment, New Delhi, 2008, Jal Mithra Award from Earthwatch Institute of India and Water Aid New Delhi, 2014 and Certificate of Commendation for the services in UN Conference of Parties to Convention for Biodiversity conducted at Hyderabad from 1-20 October 2012 by the Government of Andhra Pradesh 2012.

Dr K N Rekha

Dr K N Rekha, is a PhD Graduate from IIT Madras. She has 14 years of experience in training and education Industry. She works at Mahatma Gandhi National Council of Rural Education (MGNCRE), Hyderabad as Senior Faculty. She is involved in curriculum development on Rural Management and Waste Management. Prior to this, she worked as a researcher at Indian School of Business, Hyderabad, a short stint at Centre for Organisation Development (COD), Hyderabad. She has co-authored a book on "Introduction to Mentoring", written book chapters, peer reviewed research papers, book reviews, Case studies, and caselets in the area of HR/OB. She also presented papers in various national and international conferences. Her research areas include Mentoring, Leadership, Change Management, and Coaching. She was also invited as a guest speaker at prominent institutions like IIT Hyderabad.

Authors' Profile

Dr Priyadharshini S K

Dr. Priyadharshini helps organizations and its people to find a healthier perception of themselves and strengthen their relationships so that, they can know themselves better and work towards mutual growth and development. She is passionate about People-people growth, transformation & change. She is somebody who loves to experiment, innovate and work on new challenges, with new people, in new places. As a people & culture specialist, she enjoys building a positive and productive work environment that make people love their jobs. Dr. Priyadharshini has worked in multiple start-ups across diverse fields such as EdTech, FitnessTech, Health & Wellness, etc. building HR department, People and Culture. She is truly a learner, who enjoys doing multiple gigs at a time. Currently, apart from teaching OB & HR as an adjunct faculty at the ICFAI business school, Dr. Priya is also part of an: EdTech start-up, which focuses on enabling youngers to make informed career choices and A sports-tech start up, which focuses on training and coaching high- performance athletes based on their physiological data. Along with it, she also works with companies who are in the process of making Business Transformation through HR. Dr. Priya is an avid runner and enjoys reading books and enjoys the company of animals. To sum it-she is an HR professional, Culture advocate, Business champion, Researcher, Teacher, Board member & Advisor, and above all she is a learner.

Dr K Madhavan

Enthusiastic, Collaborative, and Dynamic Knowledge Management professional committed to deliver new Service Models. Highly skilled, result-oriented, multi-faceted person with solid academic background holding a Masters' Degree in Library and Information Studies from the high-ranking University of British Columbia, Canada, with extensive experience in Learning and Research Organizations in India and Canada. Managed concurrent projects efficiently and currently leading a University Library team. He has demonstrated ability to develop strong working relation with all stakeholders across cultures and regions and to provide decisive team leadership in a fast-paced environment. He made presentations in National and International Seminars on diverse Subjects. He has strong service commitment and the ability to provide Administrative Leadership for Knowledge Management Projects and Organizations.

Dr Deepali Bhatnagar

Dr.Deepali Bhatnagar is presently working as an Associate Professor in Amity Business School, Amity University Rajasthan. She is a graduate in BSc. (Mathematics) and holds MBA and PhD. Degree in Management. She is UGC- NET qualified in Management. Her research interests include consumer behavior, Advertising and Entrepreneurship. She has over 16 years of teaching and research experience. She has guided few Ph.D scholars. She has publication in reputed Scopus listed Journals, to her credit. She has developed the course material for distance learning courses of Uttrakhand Open University. She has participated and presented papers in several national and international conferences in few of the premier Institutions of India to name a few IIM-A, IIM- Indore, FMS etc. She is member of Board of Studies in few universities. She holds significant Editorial Positions in reputed Journals. She is also into corporate training and has conducted EDP's to Government Bodies. She is life member of Indian Society of Training and Development.

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