



मङ्गलायतन
विश्वविद्यालय

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MANGALAYATAN
U N I V E R S I T Y

Learn Today to Lead Tomorrow

Organization Theory and Behaviour

MCOM-101

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MANGALAYATAN
U N I V E R S I T Y

ORGANIZATIONAL THEORIES AND BEHAVIOUR

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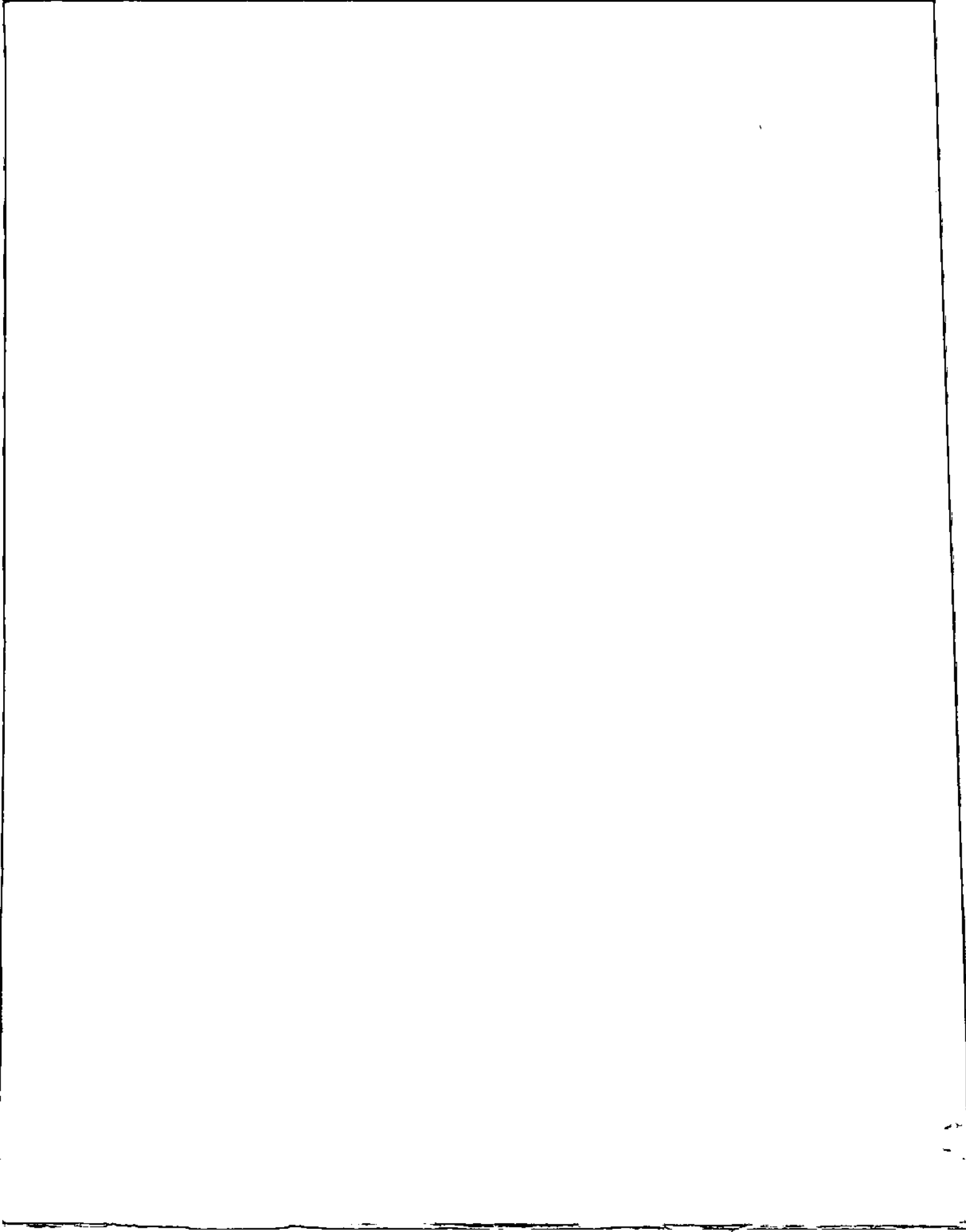
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1. ORGANIZATIONAL THEORIES AND BEHAVIOUR

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1.1 INTRODUCTION

People work in organisations in order to build their careers, realise their dreams and achieve success. They join organisations with high expectations. When they get what they want, they get along with others quite happily. Unlike in the past most employees nowadays are in search of jobs that are interesting and challenging. They want to contribute, get recognised and rewarded. They want to find meaning in their

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day-to-day work life. Striking a balance between what the employees want and what the organisation can offer – has become a knotty issue for many managers. Organisations are nothing but groups of people who work interdependently towards some purpose. When employees are presented with jobs that have stretch, pull and challenge – they are encouraged to put their best foot forward and produce wonderful results. They are motivated to work with passion, zeal and commitment. Unfortunately, the scene out there in the market place is not all that rosy. Most people work in organisations, since they do not have a choice. They do not get what they want. They are made to work in poor surroundings. They are made to fight for everything almost on a daily basis with their own colleagues – thanks to the scarcity of critical resources and lucrative opportunities. They are pushed to the wall and made to swallow their pride and work unhappily wearing a mask to cover up their inner feelings, thoughts and concerns. Yes, this is where Organisational Behaviour(OB) steps in to help managers understand what people think, feel and do in and around organisations. In fact, the present text is all about people working in organisations. We try to look at the soft side of the coin – that is the feelings, emotions, concerns, expectations and reactions of people to any organisational initiative. We also look at how individuals and groups work towards common goals within the boundaries set by the organisation. We also look at how the organisations respond to the demands of people – both individually and collectively – and try to put out fires from time to time. In a way, we are going to focus attention on what people do in organisations and how their behaviour affects the organisational performance.

Organisational Behaviour, as things stand now, may be studied from various angles.

1. The *classical approach* emphasized the need for a structure with well-defined rules, regulations and lines of authority.
2. The *behavioural approach* shifted the focus to human and social needs. Structure has no meaning unless you sell the idea to employees and take them along with you.
3. The *quantitative approach* emphasized the application of quantitative analysis to management decisions and problems. The focus was more on solving technical rather than human behaviour problems.
4. The *systems approach* looked at organisations as a series of inputs, transformation process and outputs. It viewed the organization as an entity with interrelated parts with a unifying purpose, surviving and flourishing in its environment.
5. The *situational/contingency* approach encouraged managers to use the concepts and methods of traditional, behavioural and systems viewpoints, depending on the circumstances they face at the time.

1.2 DEFINITION

Organisational behaviour (OB) is a study of human behaviour in the work place. Precisely stated, it is a systematic study of human attitudes, behaviour and performance – on what people do in an organisation and how that behaviour impacts the performance of an organisation. The focus is on what people think, feel and do in and around organisations. The psychological, behavioural and social side of human beings as members of an organisation is put to a close examination.

Broadly speaking, OB is actually an *applied behavioural science* that is built on contributions from a number of behavioural disciplines such as psychology, sociology, social psychology, anthropology and economics. It seeks to systematically examine the individual, group and structural characteristics that influence behaviour within organisations. The basic aim is to improve our knowledge of why do people behave the way they do? What prompts different people to react differently to the same situation? Why only some organisations emerge as winners and why many others fail to deliver results? Its goals are to make managers more effective at describing, understanding, predicting, and controlling human behaviour.

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1. **Describe behaviour:** How people behave under a variety of conditions.
2. **Understand behaviour:** Understand why people behave as they do in organisations.
3. **Predict behaviour:** Predict future employee behaviour, which employees might be dedicated and productive or which ones might be absent, tardy or disruptive on a certain day.
4. **Control behaviour:** Control and develop some human activity at work (skill development, team effort and productivity).

1.3 OB: NATURE AND SCOPE

OB offers a set of tools – concepts and theories – that help people to understand, analyze, describe and manage attitudes and behaviour in organisations. It tries to look into what goes on in organisations and why. Like why X wants to quit the job and Y is willing to hang on for over three decades in the same organisation. Why some people work with passion, love and commitment and while others waste resources and spend their time unproductively. The study of OB offers guidelines that help people at work to understand and appreciate the many forces that influence behaviour in organisations. It helps people working at all levels to make appropriate decisions about how to behave and get along with other people in order to achieve organisational goals.

1.3.1 Features of Organisational Behaviour (OB)

The essential features of OB are listed as under:

Three Levels of Analysis

OB focuses attention on three distinct levels of analysis – individuals, groups and organisations. OB tries to look into the impact the individuals, groups and organisations have on the behaviour of members working in an organisation. It tries to utilize this knowledge with a view to improve organisational performance. (Greenberg and Baron)

1. **Distinct field of study:** Over the years, OB has emerged as a distinct field of study – of what people think, feel and do in and around organisations. A large number of research studies and conceptual developments are constantly being added to its knowledge base.

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2. **Interdisciplinary in nature:** OB is an interdisciplinary field dedicated to better understanding and managing people at work. It draws on a wide variety of social science disciplines, including psychology, sociology, anthropology, economics, political science etc.
3. **Use of scientific methods:** The field of OB seeks to develop a base of knowledge about behaviour in organisations by employing an empirical, research-based approach. As such, it is based on systematic observation and measurement of the behaviour or phenomenon of interest.
4. **Focus on application:** The field of OB lays emphasis on applications that can make a real difference in how organisations and people in them perform. For example, researchers have shed light on practical questions as to: what steps could be taken to reduce work-related stress, what can be done to improve quality of organisational communication, under what conditions individuals make better decisions than groups etc. (Greenberg and Baron)
5. **Focus on both sides of the coin:** OB is a science because it seeks to study human behaviour through the use of – scientific methods – observation, collection and analysis of data and interpretation of data by looking into the relationships among variables etc. Human behaviour is highly unpredictable and as such the predictive value of OB remains a questionable issue always. OB, at best, may be viewed as an inexact science. As rightly pointed out by Luthans, it is possible to predict relationships between variables affecting behaviour on a broad scale but it is difficult to apply predictive models on an individual basis. OB is an art in the sense that the knowledge gained through a scientific process of observation and analysis can be put to good use by managers while dealing with individuals under a variety of situations.
6. **Contingency thinking:** OB relies on contingency thinking (meaning that *different situations require different behavioural practices for greatest effectiveness*) while trying to understand and solve work-related problems. The strength of the contingency approach is that it encourages a close examination of each situation prior to action while at the same time discouraging habitual practice based on universal truths about human beings. OB recognizes that management practices must be tailored to fit the exact nature of each situation and rejects the classical thinking that there is one best or universal way to manage people and organisations. (Schermerhorn, Hunt, Osborn)
7. **Subset of management:** Management may be defined as the pursuit of organisational goals, effectively and efficiently. Efficiency means to use resources wisely and cost-effectively. Effectively means to achieve results to make the right decisions and successfully carry them out to achieve the organisation's goals. Since these goals are unattainable without human input, OB is a significant subset of management.
8. **Positive and optimistic:** Modern OB is positive in nature and is very optimistic about human nature and behaviour. The traditional, negative thinking about employees (that they are basically lazy, irresponsible and require constant supervision and external controls etc.) is being rejected in favour of a more democratic approach where employees are trusted, treated with respect and every attempt is made to improve the quality of life at work. (Greenberg and Baron)

10. **Integrative in nature:** OB seeks to balance human and technical values at work. It seeks to achieve productivity by building and maintaining employee's dignity, growth and satisfaction, rather than at the expense of these values. OB seeks to fulfill employees' needs and aspirations while trying to realize organisational goals.

The focus of OB is on human behaviour at work. As we all know, human beings are complex. They are not alike and they are gifted with unique brains. Two people often act very differently in the same situation and the person's behaviour changes in different situations. Keeping this in the backdrop, we can safely conclude that OB does not offer any simple solutions or universal guidelines as far as human behaviour is concerned. It all depends on circumstances, situations and several other contingencies. OB certainly helps us to look at everything from a fresh perspective – paying attention to a wealth of research based theories about how people behave in organisations – before arriving at an informed decision.

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1.4 IMPORTANCE OF OB

OB, is important to managers because of the following reasons:

- **To uncover hidden aspects of the organisation:** Often, managers in their anxiety to get results through others, tend to focus attention on strategies, objectives, policies, procedures, structure, technology, formal authority, chain of command, which is the formal side of the organisation – ignoring the human side of the coin completely. By forcing managers to focus attention on the actions of people at work, OB tries to uncover the hidden aspects of organisation such as attitudes, perceptions, group norms, informal relationships, interpersonal and intergroup conflict etc. it makes them realise the importance of taking the human element into account while translating mega corporate dreams into concrete reality.
- **Explain and predict behaviour:** OB helps managers to explain why individuals behave as they do in organisations, why individuals in groups behave differently than individuals acting alone, why monetary incentives have only a limited impact on individual motivation and satisfaction, why a certain amount of conflict is healthy for organisations, why people skills are most important to managers while running the show. By focusing attention on individual and group level characteristics, OB tries to explain and predict behaviour. Because they achieve results through others, managers will be more effective leaders if they have an understanding of human behaviour.
- **Acquire 'people skills' and win the race:** One popular reason for studying OB is to learn more about 'people skills' and apply them in work situations and come out of the race victoriously. People can distract the organisation from its professed path by engaging in conflict and misunderstandings, or they can pool their diverse talents and perspectives to achieve much more as a group than they could ever do as individuals. (R. L. Daft) By understanding what causes people to behave as they do, managers can exercise leadership to achieve positive, encouraging and even stunning results from time to time To succeed as a manager, one has to read OB and apply the knowledge in an intelligent manner.

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- **Formulate informed judgements:** Generally speaking, OB does not offer magic solutions to behavioural puzzles in an organisation. (Hammer and Organ) There is no substitute and neither will there be ever any substitute for judgement of the practicing manager in dealing with specific situations. OB can only help in formulating an informed judgement that can be derived from tenable assumptions; judgement that takes into account the important variables underlying the situation, judgement that assigns due recognition to the complexity of individual or group behaviour; judgement that explicitly takes into account the manager's own goals, motives, hang-ups, blind spots and frailties.

1.5 LIMITATIONS OF OB

OB is not without its critics and problems. Some of the limiting factors that impact OB may be listed thus:

1. **Theoretical soundness open to doubt:** OB is built around research that deals with complex human behaviour about which very little can be said with absoluteness. Based on research we cannot formulate and come out with certain generalizations that are applicable to all people and in all situations. The problem with OB is that it has no unified theory. Whatever little is known about human beings should be tempered with what the manager has gained through observation and practice.
2. **Behavioural flavour:** OB might stretch a point too far while trying to come to the aid of employees as human beings. No organisation can afford to miss other important elements of work in the name of meeting employee expectations, concerns and demands. You have many other stakeholders demanding their share of the cake. And you need to put all energies focused on getting results – results that are far superior to your rivals in your own self interest.
3. **Manipulative behaviour:** Often managers resort to manipulating people, putting OB concepts and guidelines to personal advantage. In the name of trying to get results you cannot obviously take people for a ride. There is an ethical and moral angle to everything you do. Results, of course matter. But you cannot ride over people – putting the knowledge, techniques and guidelines offered by OB to gain an upper hand over everything.

1.6 DISCIPLINES CONTRIBUTING TO OB

OB is multidisciplinary in nature. It is, in fact, an applied behavioural science that is built on contributions from a wide variety of social science disciplines, such as psychology, sociology, social psychology, anthropology, political science and economics.

1. **Psychology:** Psychology is a science that seeks to understand, explain and possibly change the behaviour of humans and other animals. The areas that have contributed and continue to add to the knowledge of OB include, understanding motivation at work, leadership effectiveness, perception and work stress, decision- making, learning theories, personality and attitude analysis.

2. **Sociology:** Sociology studies people in relation to their fellow human beings. The inputs from sociology flowing into OB include, group dynamics, work teams, organisational culture, interpersonal and intergroup communications, power, conflict, organisational structure and bureaucracy.
3. **Social psychology:** While psychology deals with individual behaviour and sociology deals with group behaviour, the social psychology examines interpersonal behaviour (influence of people on one another). The social psychologists focus attention on intergroup activities and decision-making processes, integration of individual needs with group activities, effect of change on individuals and how people cope with 'change'.
4. **Anthropology:** Anthropology is the study of societies, which helps us learn about human beings and their activities. It studies the cultural impact of individual behaviour. Our cultural roots, often, shape our value system and help us draw the curtain between what is right and wrong. The cultural upbringing and the values learnt over a period of time, help us fit in with established norms of behaviour. Anthropology, thus, contributes a lot in understanding the impact of culture on OB, values systems, norms, sentiments and group linkages.
5. **Political science:** Political science examines the behaviour of individuals and groups within a political environment. Major areas of interest that are related to organisational behaviour include political manipulation, allocation of power, conflict and conflict resolution, using power for personal gains.

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1.7 MODELS OF OB

A model is a simplified presentation of some real-world phenomenon. The OB model, as mentioned earlier, focuses attention on three distinct levels of analysis – individuals, groups and organisations. It tries to look into the impact the individuals, groups and organisations have on the behaviour of members working in an organisation. It tries to utilise this knowledge with a view to improve organisational performance. The model of OB is generally built around two sets of variables, namely dependent variables (productivity, absenteeism, turnover, job satisfaction) and independent variables (individual level variables, group level variables and organisation system level variables). The basic objective of any model of OB is to make managers more effective at describing, understanding, predicting and controlling human behaviour.

Over the years, five different models of OB have emerged, typically representing beliefs that have significantly influenced management thought and actions, namely, autocratic, custodial, supportive, collegial and system.

1. **The Autocratic Model:** The autocratic model is based on a traditional set of assumptions about people. Managers believe that people have an inherent dislike of work and will avoid it whenever possible. Most people, being lazy, prefer to be directed, want to avoid responsibility and are relatively un-ambitious. They must, therefore, be controlled or even threatened with punishment to get them to work towards organisational goals. External control is appropriate for dealing with such unreliable, irresponsible and immature people. Managers have to be

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- strict and authoritarian, if subordinates are to accomplish anything. Since the boss knows what is best for the employees and the organisation as a whole, employees have to simply follow the orders. Obedience to the boss is very important, as he has the power to hire fire and 'perspire' the subordinates. The boss pays, in the end, minimum wages because minimum performance is given by employees.
2. **The Custodial Model:** The autocratic model compels to be obedient, much against their wishes. There is no way to express their concerns and feelings. Unable to ventilate their grievances, they turn hostile and develop feelings of insecurity and exploitation. To overcome such negativism, managers had to come out with welfare programmes (mainly fringe benefits and other economic rewards) to take care of the physical (thereby covering the subsistence needs of employees) and security needs of employees. They now look towards the organisation (instead of the boss) for a fair share of the cake and are willing to extend their cooperation passively (remember, not enthusiastically). No doubt, they are happy but since there is no attempt to involve or empower them in organisational work, their commitment to the job and the organisation is only minimal. Therefore, not surprisingly, throughout the 1940s and 1950s the researchers highlighted the fact that 'happy employees may not be productive employees'. Slowly but steadily, managers began to understand that mere paternalism would not make employees feel fulfilled or motivated.
 3. **The Supportive Model:** As rightly indicated by The Hawthorne Experiments, understanding human behaviour in organisations is central to the success of any cooperative effort. People consistently describe the best work places as those where people are valued and cared about, as manifest through such things as employee participation, sensitivity to work or family concerns, good two-way communication, and fun. These all relate to the human side of businesses. A healthy, supportive work climate would enable employees to contribute to the best of their abilities. The supportive model, therefore, advocates sympathetic, understanding and caring leadership in place of power or money. Participation and task involvement would help employees to satisfy their psychological needs, in addition to the physiological and safety needs. The manager's role is one of helping employees solve their problems and achieve results.
 4. **The Collegial Model:** The term 'collegial' relates to a body of people working together cooperatively. The model is found to be useful while carrying out unstructured work, somewhat intellectually challenging and requires a kind of 'meeting of minds'. In this case, the managerial orientation is towards teamwork. The manager would rather act like a coach and motivate team members to take charge of work independently. They are forced to exercise self-discipline, set a reasonable pace for themselves and meet the targets enthusiastically. They are encouraged to uphold quality standards so that they can bring laurels to their company in the end.
 5. **The System Model:** This is reflective of the values underlying positive Organisational Behaviour. The model is in sync with modern management thought that essentially believes that organisations can take advantage of the imagination and intellect of all their employees. A sense of caring is said to be the foundation of managerial success. The need of the hour is to find leaders

1.8 CLASSICAL THEORY

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The term ‘classical’ means something traditionally accepted or long-established. It does not mean that classical views are static and time bound that must be dispensed with. Some of the elements of classical theory are still with us, in one form or another:

- **Interrelated functions:** Management consists of several inter-related and inter-dependent functions such as planning, organising, staffing, directing and controlling.
- **Universal principles of management:** It is possible to understand, study and practice management quite effortlessly and to facilitate this classical writers (Taylor, Fayol, Weber etc) developed certain principles –purely based on experience
- **Bureaucratic structure:** Traditional theory prescribed that organisations be built around work to be done. Work is cut into small parcels and handed over to people having requisite qualifications. The work is supervised and controlled by a common superior following certain rules and regulations.
- **Reward-punishment nexus:** “Follow the rules, obey the orders, show the results and get the rewards” Juicy carrots for those who run the race ahead of others and those who fall behind are severely penalized. Great emphasis was also put on efficient use of resources while producing results.

Surprisingly, the classical theory developed in three streams: Bureaucracy (Weber), Administrative Theory (Fayol), and Scientific Management (Taylor). Let us examine the classical theory more closely:

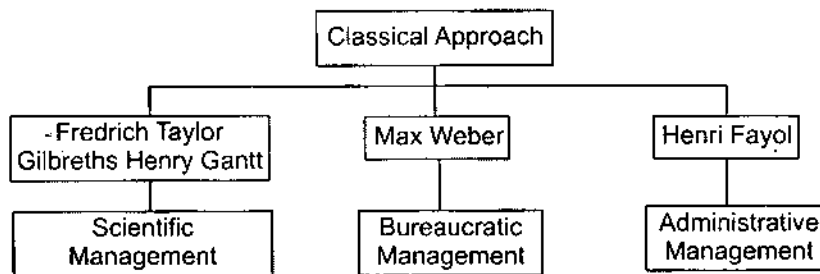


Fig. 2.1 Classical Approach

1.8.1 Bureaucracy

Principles of Scientific Management

Weber has provided a number of features of bureaucratic structure. These are given below:

- **Hierarchy:** Hierarchy is a way of ranking various positions in descending order from top to bottom of an organisation.

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- **Division of work:** The total work is divided into specialised jobs. Each person's job is broken down into simple, routine and well-defined tasks. Each employee knows his boundaries. By doing the same type of work a number of times, he becomes an expert in course of time.
- **Rules, regulations and procedures:** The behaviour of employees is regulated through a set of rules. The emphasis is on consistency. Employees are expected to follow these rules strictly. They have to be applied in an impersonal and objective manner.
- **Records:** Proper records have to be kept for everything. Files have to be maintained to record the decisions and activities of the organisation on a day-to-day basis for future use.
- **Impersonal relationships:** Everything should proceed according to rules. There is no room for personal involvement, emotions and sentiments. If an employee comes late, whether he is a manager or a peon, the rule must be same for all. The decisions must be governed by rational considerations rather than personal factors.
- **Administrative class:** Bureaucracies generally have administrative class responsible for coordinating the work known as bureaucrats, these officials are selected (rewarded and promoted) on the basis of their competence and skills.



Max Weber (1864 – 1920) introduced most of the concepts on bureaucratic organisations. The word bureaucracy implies an organisation characterized by rules, procedures, impersonal relations, and elaborate and fairly rigid hierarchy of authority-responsibility relationships.

Advantages

- **Specialisation:** Each member is assigned a specialized task and is able to deliver superior performance over time.
- **Structure:** A structure or form is created by identifying the duties and responsibilities and reporting relationships within a command hierarchy. Structure helps members to know their jurisdictional limits and operate without any friction.
- **Rationality:** Bureaucracy brings rationality to an organisation. Judgements are made according to an objective and generally agreed upon criteria.

Disadvantages

- **Rigidity:** Critics of bureaucracy claim that it is rigid, static and inflexible. Strict adherence to rules produces timidity, conservatism and technicism. In the name of following rules, people may even shirk away from their responsibilities.
- **Impersonality:** Bureaucracy emphasizes mechanical way of doing things. Rules and regulations are glorified in place of employee needs and emotions.
- **Displacement of objectives:** As organisational procedures become more formalized and individuals more specialized, means often become confused with ends.

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- **Predictability:** The rules, regulations, training, specialization, structure and other elements of bureaucracy enables it to provide predictability and stability to an organisation.



- **Democracy:** In bureaucratic organisations, decisions are arrived at according to an acceptable criterion. Rules and regulations bring about consistent behaviour within the organisation. Activities are taken up on a priority basis, according to a time schedule. People are selected on the basis of merit. Patronage, favoritism and other arbitrary bases are not given weightage. Because the opportunity to train, apply and be selected for a job is open to every citizen, a significant degree of democracy is achieved.

Specialists, for example, may concentrate on their own finely tuned goals and forget that their goals are a means for reaching the broader objectives of the organisation.

- **Compartmentalization of activities:** Strict categorization of work restricts people from performing tasks that they are capable of doing. For example, a pipe fitter can install a pump, but is prohibited by work rules from making the electrical connection even if he is totally qualified to do so. Bureaucracy would also encourage a tendency to perpetuate existing jobs even when they become redundant. The typical bureaucracy tries to preserve all the old jobs and add new ones for new requirements, resulting in wastage of scarce inputs.
- **Empire-building:** Bureaucracies often turn managers into empire builders. They try to enhance their status and power by adding more people, more space, more physical facilities – whether they are required or not.
- **Redtapism:** Bureaucracies are paper mills. Everything is recorded on paper. Files move through endless official channels, resulting in inordinate delays. Communication is reduced to a feeble walk.

1.8.2 Scientific Management



F.W. Taylor (1856-1915) an engineer at the Bethlehem Steel Company in Pennsylvania, focused on analyzing jobs and redesigning them so that they could be accomplished more efficiently. As he searched for the best way to maximize performance, he developed scientific management principles.

Principles of Scientific Management

- Each task must be scientifically designed so that it can replace the old, rule-of-thumb methods.

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- Workers must be scientifically selected and trained so that they can be more productive on their jobs.
- Bring the scientifically designed jobs and workers together so that there will be a match between them.
- There must be division of labour and cooperation between the management and workers.

Taylor stressed the importance of employee welfare as well as production efficiency. To boost up productivity, wage incentives based on performance (differential piece rate system) were introduced. The emphasis was on maximum output with minimum effort through elimination of waste and inefficiency at the shop floor level.

Techniques of Scientific Management

- **Scientific task planning:** Scientific task is the amount of work which an average worker can perform during a day under normal working conditions (called as a fair day's work). Management should decide in advance as to – what work is to be done, how, when, where and by whom. The ultimate goal is to see that work is done in a logical sequence promoting maximum efficiency.
- **Time and motion studies:** Time and motion studies have been advocated by Taylor with a view to isolate the wasteful and unproductive motions on the job. The time study would indicate the minimum time required to do a given job. The time taken by workers to do a job is being recorded first and this information is being used to develop a timestandard. Timestandard is the period of time that an average worker should take to do a job. Motion study is carried out to find out the best sequence of motions to do a job. Managers, in the end, are charged with the task of planning the work through the above studies and workers are expected to implement the same.
- **Standardization:** Under scientific management, standards have to be set in advance for the task, materials, work methods, quality, time and cost and working conditions. This helps in simplifying the process of production, reducing wasteful use of resources and improving quality of work.
- **Differential piece rate system:** Taylor advocated differential piece rate system based on actual performance of the worker. In this scheme, a worker who completes the normal work gets wages at higher rate per piece than a worker who fails to complete the same within the time limit set by management. For example, each worker who produced 10 machine nuts (normal work) would be paid the standard wage of ₹ 2 per piece, and those below the normal work may get ₹ 1.5 per piece. Thus, there is a considerable difference in wages between those who complete the job and those who do not complete. Each worker is pitted against every other worker in an unhealthy competitive scheme to make more and earn more. In the long-run, this will have a telling effect on the health of the worker. More damagingly, this scheme would divide the working class permanently.
- **Functional foremanship:** In order to achieve better production control, Taylor advocated functional foremanship where the factory is divided into several components, each in charge of a specialist, namely, route clerk, instruction card clerk, cost and time clerk, gang boss, speed boss, inspector, repair boss and shop

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disciplinarian. These functional specialists perform the planning function and provide expert advice to workers. They plan the work for employees and help employees in improving results. The workers are expected to implement the commands of functional specialists. The idea of a divorce between planning and doing function, unfortunately, suggests that workers are incapable of thinking independently.

Contributions and Limitations of Scientific Management

Contributions

- **Efficient and effective production methods:** According to Gilbreths, the primary benefit of scientific management was 'conservation and saving, making an adequate use of every ounce of energy of any type that is expected'. In the modern assembly line, conveyer belts bring to each employee the parts needed to perform one specific job and they carry the completed work to the next employee on the line. Specialization and division of labour have brought about the second Industrial Revolution in America and other developing nations. The American production 'miracle' is said to be the legacy of scientific management. The time and motion techniques have shown clearly as to how to organize the tasks in a more efficient and rational way.
- **Rational way to solve organizational problems:** The role of scientific selection and development of workers in increasing worker effectiveness is also recognised. The stress it placed on work design encouraged managers to pursue the 'one best way' philosophy and achieve the tasks with the minimum effort and cost. Scientific management not only developed a rational approach to solving organisational problems but also pointed the way to the professionalization of management.

Limitations

- **Exploitative device:** Scientific Management made workers to run a race against time to earn more. The fruits of labour, in the end, were never enjoyed by workers in full measure. The owners enjoyed the party while the workers were shedding their blood.
- **Depersonalized work:** Scientific management supplied standardized jobs to workers. Everything was set in a straitjacket. Workers were made to repeat the same operations daily. This produced boredom and monotony. Workers did not like the idea of becoming glorified machine tools.
- **Un-psychological:** Taylor's idea that maximum productivity could be achieved only by employing 'first class men' was a deplorable one. Further, adding insult to injury, he did not suggest how the wages had to be paid and how the efficiency of workers could be measured etc.
- **Undemocratic:** The idea of managers planning the operations and workers implementing the same was a prohibitive practice. In other terms, one group always performed challenging, novel tasks whereas the other one is loaded with boring, routine and standardized jobs. Scientific management, in a way, treated workers as unthinking animals.

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- **Heroic figure:** Taylor is regarded as a heroic figure in the history of management because of certain genuine reasons: (i) He is the first one to advocate planning of work, scientific selection of people, putting right man on the job, rewarding the efforts of employee in adequate measure, waging a war against inefficiency (ii) He gave a concrete shape to his ideas and reduced managerial thinking to a set of principles that have stood the test of time over the years.
- **Anti-social:** Scientific Management treated workers as economic tools. They were made to work and work without any interaction.
- **Unoriginal:** People like Hoagland questioned the originality of Taylor's ideas and felt that his contribution had been somewhat overrated and overemphasized. Other researchers felt that the report of Taylor on Bethlehem Steel was almost completely a lie.
- **Unrealistic:** Taylor believed that employees are motivated by material benefits. Current research, however, does not support this contention. Modern employees seek job satisfaction, growth opportunities, challenging work, recognition etc apart from economic incentives from work.



1.8.3 Administrative Theory



Henry Fayol (1841-1925) – a mining engineer with a French company – was a pioneer in the study of the principles and functions of management. He drew a clear distinction between operating and management activities. He listed the five major functions of management – planning, coordinating, organizing, controlling and commanding – that help a manager run a business efficiently and effectively. In addition to the five management functions, Fayol also developed 14 principles of management that can be applied in all types, functions, levels and sizes of organizations. These principles may be listed thus:

Fayol's 14 Principles of Management

1. **Division of work:** Divide work into specialized tasks and assign responsibilities to specific individuals. Specialization increases output by making employees more efficient.
2. **Authority and responsibility:** Authority is the right to give orders and the power to obtain obedience. Managers must be able to give orders and authority gives them this right.
3. **Discipline:** Employees must obey and respect the rules that govern the enterprise.
4. **Unity of command:** An employee should receive commands from only one superior.
5. **Unity of direction:** The entire organization should be moving towards a common objective in a common direction.

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6. **Subordination of individual interest to the common good:** In any organisation, the interests of employees should not take precedence over the interests of the organisation as a whole.
7. **Remuneration of personnel:** Compensation for work done should be fair to both employees and employers. Fayol did not favour profit-sharing plan for workers but advocated it for managers.
8. **Order:** Materials and people should be in the right place at the right time.
9. **Centralization:** Fayol defined centralization as lowering the importance of the subordinate role. Decentralization is increasing the importance. The degree to which centralization or decentralization should be adopted depends on the specific organization in which the manager is operating.
10. **Scalar chain:** The graded chain of authority from top to bottom through which all communications flow is termed as 'scalar chain'. However, if following the chain creates communication delays, cross-communication (Gang Plank principle) can be permitted, if agreed to by all parties and superiors are kept informed.
11. **Equity:** Managers should be fair in dealing with employees. Equity is the combination of justice and kindness.
12. **Stability of tenure:** Management should provide systematic human resource planning and ensure that replacements are available to fill vacancies.
13. **Initiative:** Management should take steps to encourage worker initiative, which is defined as new or additional work activity undertaken through self direction.
14. **Esprit de corps:** Management should promote harmony and general good feelings among employees.

Fayol firmly believed that management functions and principles have universal application. He felt that those who acquire a general knowledge of management functions and principles can manage all types of organisations. He argued that anyone interested in managing an enterprise could learn these principles and apply successfully. In order to become a manager, however, certain qualities of head and heart are needed (physical health, mental vigour and character).

Contributions and Limitations of Fayol

Contributions

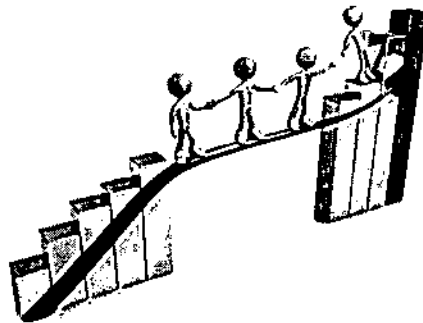
- **Conceptual foundation:** Fayol's contribution to management is unique and valuable. He provided a conceptual framework for analyzing the management process. He (i) proposed that all operations in a business can be classified into 6 major heads where management is the most important one; (ii) listed planning, organising, commanding, coordinating and controlling as the main elements of management; and

Limitations

- **Lack of empirical evidence:** The theory is not supported by empirical evidence. Some of the terms and concepts have not been properly explained by Fayol. For example, the principle of specialisation does not tell us the way to divide the tasks. The so-called principles of management have been dubbed by critics (Simon, Stephenson) as 'proverbs' comparable to folklore and folk wisdom.

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- (iii) proposed 14 principles of management which could be applied universally. A number of current ideas and practices in management can be directly linked to the contributions of Fayol.
- **Neglect of human factor:** The theory views human being as passive and capable of reacting only to organisational rules and economic incentives. Human attributes such as emotions, attitudes, creativity have been totally ignored.
 - **Universally applicable principles of management:** By emphasising that management skills are universal, Fayol has done a signal service to the propagation of management concepts. Fayol always believed that managerial ability could be applied to home, the church, the military, the school, politics as well as to industry. This has ultimately led to the mushrooming growth of management institutions throughout the globe.
 - **False assumptions:** The theory assumes that all organisations can be managed by the same set of rules and principles. It does not recognise the differences in tasks and problems that confront organisations. Formal authority, again, is not sufficient for managers to control employees. They must act differently in different situations, assessing their own strengths, organisational needs, union pressures and competitive reactions from time to time. Rules have to be applied carefully looking at the internal and external dynamics of the organisations.
 - **Pro-management bias:** It suffers from pro-management bias. It is more concerned with what managers should know and do rather than with a more general understanding of managerial behaviour. It does not offer guidelines as to when, where and how the principles have to be applied.
 - **Historical significance:** It has only historical significance. It is more appropriate for the past (where the environment was stable, predictable) than for the present (where the environment is turbulent, competitive and continually changing). As we all know, getting work from subordinates through the use of commands, instructions and force is not possible in the modern world.



1.9 BEHAVIOURAL THEORY

The behavioural approach shifted focus from the job itself to the people who performed the same. According to this approach if managers understand their people and adapt their organizations to them, organizational success will follow. The behavioural theory developed in two parts – the first one known as the Human Relations Theory,

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which was popular in 1950s and still attracts a lot of attention even today. The second part – known as the Behavioural Sciences approach – a more rigorously developed one strengthened by inputs from economics, psychology, and sociology – stressed the need for human skills in running in show in modern organizations. The emphasis was more on making the work more meaningful and fulfilling so that organized groups can deliver results.

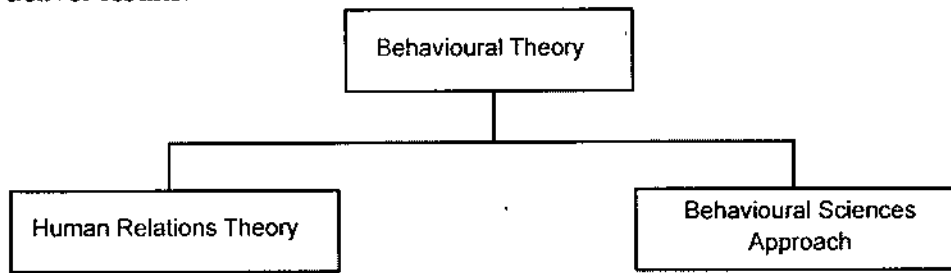


Fig. 2.2 Behavioural Theory

1.9.1 Hawthorne Studies and the Human Relations Theory

Hawthorne Experiments

The famous Hawthorne experiments comprised of three things:

1. **Illumination experiments:** The Hawthorne researchers began with illumination experiments with various groups of workers. This experiment involved prolonged observation of two groups of employees making telephone relays. The purpose was to determine the effects of



Elton Mayo (1880-1949) pioneered the human relations movement. He headed a group of Harvard researchers who investigated the behaviour and attitude of the workers at the Hawthorne Works of the Western Electric Company between 1927 and 1932.

different levels of illumination on workers' productivity. The intensity of light under which one group was systematically varied (test group) while the light was held constant (control group) for the second group. The productivity of the test group increased each time the intensity of the light increased. However, productivity also increased in the control group which received no added light. The researchers felt that something besides lighting was influencing the workers' performance. In a new set of experiments, a small group of workers were placed in a separate room and a number of things were changed; wages were increased, rest periods of varying length were introduced; the workday and workweek were shortened. The researchers, who now acted as friendly supervisors, allowed the group to choose their own rest periods and to have a say in other suggested changes. Workers in the test room were offered financial incentives for increased production. Over the two-year period, output went up in both the test and control rooms (surprisingly, since the control group was kept on the same payment schedule) steadily regardless of changes in working conditions. Why? Part of the answer may be attributed to what has come to be called the 'Hawthorne Effect'. The workers knew they were part of an experiment. They were being given special attention and treatment because of the experiment. They were consulted about work changes and were not subject to the usual restrictions

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imposed from above. The result of this special attention and recognition caused them to carry a stimulating feeling of group pride and belongingness. Also, the sympathetic supervision received by the members might have brought about improved attitudes towards their jobs and job performance. At this stage, the researchers were interested in finding out clear answers to the question: Why the attitudes of the employees had become better after participation in the test room?

2. **Interviewing programme:** Mayo initiated a three-year long interview programme in 1928 covering more than 21,000 employees to find out the reasons for increased productivity. Employees were allowed to talk freely (non-directive interviewing) and air their opinions in a friendly atmosphere. The point demonstrated by this interviewing programme is central to the human relations movement. If people are permitted to talk about things that are important to them, they may come up with issues that are at first sight not connected to their work. These issues may be, how their children are doing at school, how the family is going to meet the ration expenses, what their friends think of their jobs, and so on. Talking about such matters to a sympathetic listener who does not interpret is therapeutic. When researchers began to examine the complaints made by the employees they found most of complaints to be baseless. Many times nothing was done about the complaint, yet, after an interview the complaint was not made once again. It became apparent that often workers really did not want changes made; they mainly wanted to talk to an understanding person who did not criticise or advise about their troubles. Thus, for the first time, the importance of informal work groups is recognised. To find out more about how the informal groups operated, the bank wiring room experiment was set up.
3. **Bank wiring room experiment:** In this experiment, 14 male workers were formed into a small work group and intensively observed for seven months in the bank wiring room. The men were engaged in the assembly of terminal banks for the use in telephone exchanges. The employees in the group were paid in the regular way depending on the efficiency rating plus a bonus based on average group effort. Thus, under this system, an individual's pay was affected by the output of the entire group and by his own individual output. It was expected that highly efficient workers would bring pressure to bear on less efficient workers in an attempt to increase output and thus take advantage of the group incentive plan. However, these expected results did not come about. The researchers found that the group had established its own standard of output and this was enforced by various methods of social pressure. Output was not only being restricted but individual workers were giving erroneous reports. The group was operating well below its capability and was leveling output in order to protect itself. Thus, work group norms, beliefs, sentiments had a greater impact in influencing individual behaviour than did the economic incentives offered by management.

1.9.2 Human Relations: Key Concepts

The Hawthorne experiments, thus, indicated that employees were not only economic beings, but social and psychological beings as well. The man at work is motivated by more than the satisfaction of economic needs. The main emphasis should be on

creating a humanistic or informal organisation in place of a mechanistic or formal organisation. The organisation must be democratized and people working therein must become part of 'one big happy family'. The whole philosophy of human relations is built around the following ideas:

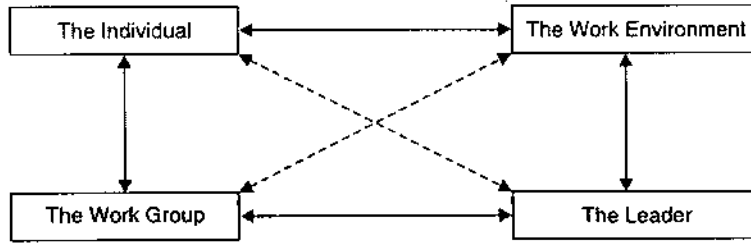


Fig. 2.3 Human Relations in Action

1. **The individual:** According to human relationists, each person is unique. Each is bringing to the job situation certain attitudes, beliefs and ways of life as well as certain skills – technical, social and logical. Hence, the individual is not only motivated by economic factors, but is motivated by multifarious social and psychological factors.
2. **The work group:** Work is a social experience and most workers find satisfaction in membership social groups. Unless managers recognise this, human relations at work will not improve. Good interpersonal and intergroup relationships among people need to be maintained to obtain productivity gains.
3. **The work environment:** Managers have to create positive work environment where the employee finds it easy to achieve organisational goals as well as his own personal goals. Positive work environments are those where:
 - (i) the goals are clearly defined
 - (ii) incentives are properly used to improve performance
 - (iii) decisions are timely and participative
 - (iv) conflict is confronted openly and squarely, and
 - (v) the work is interesting and growth-oriented.
4. **The leader:** The leader must behave in a way that generates respect. He must be able to adjust to various personalities and situations. He must offer a pleasant work climate where bossism is totally absent and where members are allowed to have a say in the decision-making process.
5. **Participative climate:** Participative management or decision-making in which workers discuss with supervisors and influence decisions that affect them – is a major aspect of human relations theory. The experiment showed that a supervisor can contribute significantly in increasing productivity by providing a free, happy and pleasant work environment where bossism to totally absent and where members are allowed to participate in decision-making policies. Authoritarian tendencies must give way to democratic values. Instruction and coaching must replace browbeating and driving.

1.9.3 Refinements in Human Relations (also called Neo-Classical) Theory

The neo-classical theory attempted creation of workforce with high morale by using democratic means. The focus was on people, incentives, democratization of work place,

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and social interactions in direct contrast to what the classical theory emphasized, i.e. order, rationality, structure, rules and regulations, specialization and economic tools. Let's look into these differences more closely:

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Basis	Classical Theory	Neo-classical Theory
Structure	Impersonal, mechanical.	Organisation is a social system.
Behaviour	Organisation behaviour is a product of rules and regulations.	Behaviour is a product of feelings, sentiments and attitudes.
Focus	Primary focus is on work and the economic needs of workers.	Primary focus is on small groups, on emotional and human qualities of employees.
Emphasis	Primary emphasis maximising rewards having proper order and rationality.	Emphasises personal, security and social needs of workers while achieving organisational goals.
Practices	Authoritarian practices, elaborate rules and regulations employed to obtain results.	Democratic practises, participation to employees. in decision-making in order to improve morale and happiness of employees. It recognises the importance of human dignity and values.
Results	Work alienation, dissatisfaction.	Happy employes trying to produce more.

Point of distinction	Human Relations	Scientific Management
Focus	People, groups	Machines, rules
Philosophy	Make workers happy.	One best way of doing things.
Motivation	Man wants company; loves interaction and is guided by group goals.	Man is an economic animal.
Basis	Inputs drawn from behavioural sciences	Inputs drawn from physical sciences.
Principals	Groups dominate workplace; individuals invariably follow groups norms irrespective of what management states.	To bring order and achieve results, everyone must adhere to a set of universal principals in every organisation.
Work life and environment	Mayo wanted to keep workers in good humour; emphasised friendly supervision and monitoring of group norms so as to provide a positive work climate.	The emphasis on standardisation, specialisation, rules, regulations make work life quite dull and monotonous.

Contributions

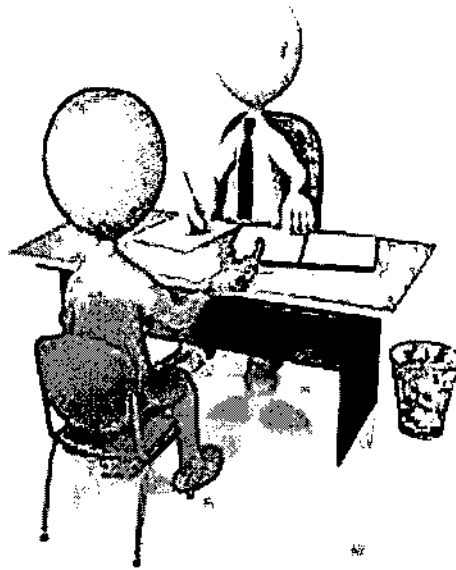
- **Interrelated nature of organisational functioning:** By stressing social needs, the human relationists improved on the classical theory, which treated productivity almost exclusively as an engineering problem. They introduced the idea of the organisation as an open system in which the technical and human elements are closely interrelated.
- **Employee's emotional and psychological needs:** They emphasized the importance of employee attitudes in an era when wage incentives and physical work conditions were often viewed as the only requirements for high productivity.
- **Managerial style in sync with requirement:** They spotlighted the importance of a manager's style and thereby revolutionized management training. More and more attention was focused on teaching people management skills as opposed to technical skills. Their work led to a new interest in the dynamics 'of groups. Managers began thinking in terms of group processes and group rewards to supplement their former concentration on the individual worker.

Limitations

- **Philosophy:** Several economists claimed that by encouraging workers to develop loyalties to anything but their own self-interests, and by preaching collaboration instead of competition, human relations would ultimately lead to reduced efficiency. No wonder, trade unions ridiculed it as a form of 'cow psychology', which transformed factories into unthinking places of comfort. Interest in human relations is equated with tender-mindedness, sentimentality and unrealistic desire to make everyone happy. Critics also charged that the human-relations movement, built as it is on a philosophy of worker-management harmony, is not only antithetical to a viable capitalistic system but impractical as well.
- **Scientific validity:** The research carried out by Mayo and his associates had many weaknesses of design, analysis, and interpretation. Whether the researchers' conclusions are consistent with their data is still a subject of lively debate and considerable confusion. With respect to the relay assembly test room studies, for example, Alex Carey pointed out that there was no attempt to establish sample groups representative of any larger population than the groups themselves, and that no generalization is therefore legitimate.

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- **Shortsighted:** The very fact that the human relations research is concerned with operative employees bears ample testimony to the shortsightedness of the research findings. Further, the approach lacks adequate focus on work. It tends to overemphasize the psychological aspects at the cost of structural and technical aspects. It tends to neglect the economic dimensions of work satisfaction. But as we all know, economic motivation is exceedingly strong and quite often, economic explanations are appropriate for understanding human behaviour. It is a small wonder, it is labelled as a shortsighted ventilation therapy.
- **Over concern with happiness:** The Hawthorne studies suggested that happy employees will be productive employees. This, of course, is a naive and simplistic version of the nature of man. Studies have failed to show a consistent relationship between happiness and productivity. It is quite possible to have a lot of happy but unproductive employees.
- **Anti-individualist:** The human relations movement is anti-individualist. Here the discipline of the boss is simply replaced by the discipline of the group forcing the individual to sacrifice his personal identity and dignity. The individual may not find his true self and gain a stimulating feeling of personal freedom by completely losing himself in a group. Further, there is no guarantee that groups will always be instrumental in delivering satisfaction to members.



Abraham Maslow



Argyris



Douglas McGregor



Rensis Likert

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The behavioural approach applies the knowledge of the behavioural sciences – psychology, sociology and anthropology – to managing people. A number of behavioural scientists have contributed to the development of this approach. Among the front-runners was Abraham Maslow, who developed a hierarchy of human needs which became the basis for explaining work motivation in organisations. According to Maslow, people generally have five basic needs (physiological, safety, social, self-esteem and self-actualization) and they satisfy these needs in their order of importance. For most people in our society, the lower-order needs (physiological, safety and social needs) are reasonably well satisfied. Therefore, they seek to satisfy socialisation needs by interacting with friends. Once these needs are reasonably met, they seek to satisfy higher-order needs, such as self-esteem and self-actualization, by using their energies, talents and resources productively. Behavioural scientists believed that people will be productive if they are given opportunities to use their abilities and creative skills.

Building on Maslow's theory of human needs, many behavioural scientists (Chris Argyris, Douglas McGregor, Rensis Likert) argued that existing jobs and managerial practices should be redesigned and restructured to give employees an opportunity to satisfy their higher-order needs. Although working independently, they proposed a common theme: People are basically good, and, in order to stimulate their performance, management should humanize work. People must be treated as assets (hence the name, human resources approach). They argued, for instance, for increased participation by employees in those decisions that affected them; demonstration by management of greater trust and confidence in people; increased emphasis to be given to integrating individual and organisational goals, and allowing employees to self-monitor their own activities in place of external control measures. These behavioural writers argued for a strong humanist organisation and suggested that managers should deal with 'complex human beings' in different ways. The aim should be to use the untapped human potential in the service of organisations by emphasizing things such as self-direction, self-control and creativity. The 1960s, thus, saw the emergence of a school of thought summing up the above thoughts in the form of Organisational Behaviour. The OB perspective studies and identifies management activities that promote employee effectiveness through an understanding of the complex nature of individual, group and organizational processes.

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Human Relations

Human Resources

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|---|---|
| 1. People need to be liked, to be respected, and to belong. | 1. In addition to wanting to be liked, respected, and needed most people want to contribute to the accomplishment of worthwhile objectives. |
| 2. The manager's basic job is to make each employee believe that he or she is a part of the departmental team. | 2. The manager's basic job is to create an environment in which subordinates can contribute their full range of talents to the attainment of organisational goals. In doing so, he or she must attempt to uncover and tap their creative resources. |
| 3. The manager should be willing to explain his or her plans to the subordinates and discuss any objection they might have. On routine matters, he or she should encourage participation by them in the planning and decision-making process. | 3. The manager should allow participation in important matters as well as routine ones. In fact, the more important the decision, the more vigorously he or she should attempt to involve the subordinates. |
| 4. Within narrow limits, individuals and groups should be permitted to exercise self-direction and self-control in carrying out plans. | 4. The manager should continually try to expand the subordinates' use of self-control and self-direction, especially as they develop and demonstrate increased insight and ability. |
| 5. Involving subordinates in the communication and decision-making process will help them satisfy their needs for belonging and individual recognition. | 5. As the manager makes use of the subordinates' experiences, insights, and creative abilities, the overall quality of decision-making and performance will improve. |
| 6. High morale and reduced resistance to formal authority may lead to improved performance. They should, at least, reduce intradepartmental friction and make the manager's job easier. | 6. Employee satisfaction is brought about by improved performance and the chance to contribute creatively to this improvement. |

Human Relations

Human Resources

- **Basis for modern HRM:** Behavioural scientists have made significant contributions to our understanding of individual motivation, group behaviour, interpersonal relationships at work, and the importance of work to human beings. They have virtually laid the foundation for the emergence of an exciting discipline, human resource management, which emphasizes the effective utilization of human resources in organisations.
- **Foundation for ideas such as interesting work, meaningful jobs and reinforcement:** The concepts of job enrichment (making jobs interesting and challenging), management by objectives (a goal-setting process conducted jointly by employees and their superiors) and positive reinforcement (rewarding good performance) were results of the behavioural science approach.
- **Everyone does not seek growth and fulfillment:** the self-actualizing view (realizing one's potential by using one's talents fully) assumes that all employees will seek self-actualization at work. Although some professional and managerial personnel may want self-actualization, certainly not every employee has the same desire. People have diverse needs; we cannot assume that everyone is motivated by the same need in the same manner.
- **Job requirements and employee needs may not match:** The behavioural scientists assume a great deal of compatibility between individual and organisational goals. But in reality, an individual's desire to be autonomous and creative can be at odds with the organisation's need to be efficient, orderly and predictable.
- **Ignores other aspects of work:** This approach discounted the non-human aspects of an organisation such as task, technology and manufacturing.
- **The best way of managing people does not exist:** The behavioural approach fell into the same trap as earlier approaches that searched for the one best way of managing. It assumed that the one best way of managing is humanizing organisations.
- **Contradicting opinions and conflicting views:** Finally, because human behaviour is so complex, behavioural scientists often differ in their recommendations for a particular problem, making it difficult for managers to decide whose advice to follow.

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1.10 QUANTITATIVE APPROACH

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Quantitative, scientific and systematic explanations gained popularity during World War II. The sheer magnitude of the war effort caused the British and then the US military services to look for quantitative approaches for help in deploying resources in the most effective manner. The quantitative viewpoint focuses on the use of mathematics, statistics, and information aids to support managerial decision-making and organisational effectiveness. For instance, when managers make budgeting, scheduling, quality control and similar decisions, they typically depend on quantitative techniques. The three main branches have evolved over the years are:

- Management science
 - Operations management
 - Management information systems.
- ✓ **Management science:** This approach aims at increasing decision effectiveness through the use of advanced mathematical models and statistical methods. This approach focuses on solving technical rather than human behaviour problems. The computer has been of great help to this approach because it has enabled analyses of problems that would otherwise be too complex.
- ✓ **Operations management:** It is the function that is responsible for managing the production and delivery of an organisation's products and services. It includes fields such as inventory management, production planning, design and location, work scheduling and quality assurance. Operations management is often applied to manufacturing settings, in which various aspects of production need to be managed, including designing the production process, purchasing raw materials, scheduling employees to work and store and ship the final products. Linear programming assists in input-output analysis. Queuing theory helps in inventory control; sampling theory helps in profit planning, manpower forecasting; information theory helps in system design and data processing. For example, Rubbermaid and The Home Depot each use operations management techniques to manage their inventories. Linear programming helps most airline companies to plan their flight schedules.
- ✓ **Management information systems:** MIS is the name given to the field of management that focuses on designing and implementing computer-based information systems for use by management. Such systems turn raw data into information that is put to use at various levels of management.

Companies nowadays use sophisticated mathematical models for use on mainframe, networked and personal computers in order to measure customer response to various benefits and services offered to them. Such models help gambling casinos such as Caesar's Palace, Bally's and Harrah's increase their profits and improve service. High rollers are bombarded with lots of benefits in the form of food, rooms, and transportation. To reduce the cost of these services and improve the odds that these people will gamble – and probably lose – casino managers deploy sophisticated information systems that put customer's favorite games, betting patterns, accommodation preferences, food and drink choices and other habits to close examination.

Assets

- Easy to define problems; identify the variables impacting the same and pin point possible ways of solving it.
- Promotes disciplined thinking, forcing managers to take a holistic view of multifarious factors influencing a decision situation.
- Eliminates subjective element in decision making by identifying relationships between influencing variables and reducing the same to definite mathematical formulae. It offers valuable quantitative tools and techniques for making objectively rational decisions.

Liabilities

- It erroneously believes that a problem could be identified and measured in a definite way. Often, vital pieces of information may be missing, may not be quantifiable and may defy analysis. At times, it is difficult to establish functional relationship between identified variables.
- Inputs for decision-making are not often readily available. At the same time, managers can't postpone decisions for want of sufficient data.
- It is overly concerned with decisions; identification of variables, collection of data; processing of data etc. There is no importance given to human relationships and individual needs and aspirations.
- Decision quality depends on the data that is being (fed into the computer) used. If the data is not accurate and up-to-date, it does not serve any useful purpose.

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1.11 SYSTEMS APPROACH

The decisions taken by managers have wide ranging impacts. They affect the internal as well as external groups in a significant way. The decision to shift the location of a plant, to close down a centre, to throw off the workers, to promote employees on the basis of merit – whatever may be the case – creates a ripple effect. It is like throwing a rock into a quiet pond, creating ripples for a long time. A simple instance of throwing off a lazy worker may invite trouble from unions and even lead to an unexpected strike. So, when a manager takes a decision, he must understand and anticipate its repercussions on the entire organisation and the environment. He must appreciate the fact that his organisation is a totality of many interrelated, interdependent parts, put together for achieving certain objectives. This, in a nutshell, is the very essence of the systems concept.

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1.11.1 The Concept

Systems theory is the 'big-picture' approach that overcomes the common weakness of viewing things in too narrow a perspective. It attempts to view the organisation as a single unified, purposeful entity, composed of interrelated parts. Rather than dealing separately with the various parts of an organisation, the systems theory gives managers a way of looking at an organisation as a whole and as a part of the larger, external environment. In so doing, system theory tells us that the activity of an organisation affects the activity of every other part. The job of a manager is to ensure that all parts of the organisation are coordinated internally so that the goals can be achieved. A systems view of management, for instance, would recognise that, regardless of how efficient the production department might be, if the marketing department does not anticipate changes in consumer tastes and work with the product development department in creating what consumers want, the organisation's overall performance will be hampered.

1.11.2 Systems Vocabulary

Over the years, the following terms have found their way into the language of management:

- ✓ **System:** A set of interrelated parts (sub-systems). Each part may have various sub-parts. These parts are mutually related to each other. Usually a change in one part would lead to a change in other parts:
- ✓ **Sub-system:** The parts that make up the whole of a system are called sub-systems. And each system may, in turn, be a sub-system of a still larger whole. Thus, a department may be a sub-system of a plant, which may be a sub-system of a company, which may be a sub-system of an industry, etc. There are five sub-systems within an organisation: (1) goal sub-system (individual and group goals); (2) technical sub-system (tools, equipment, employee skills, knowledge); (3) structural sub-system (authority layers and relationships); (4) managerial sub-system (managers who plan, lead and control); (5) psychosocial sub-system (psychological and social factors influencing people at work).
- ✓ **Synergy:** Synergy means that the whole is greater than the sum of its parts. A watch that is disassembled has the same number of parts as one that is properly assembled. However, the assembled watch has a phenomenon that the disassembled watch lacks – it keeps time (synergy): When the parts of an organisation are properly interrelated (such as an assembly line), the output is much greater than it would otherwise be. Synergy represents one of the basic challenges of management, getting all of the elements of an organisation functioning together so that output is optimal.
- ✓ **Open and closed system:** A system is considered an open system if it interacts with its environment; it is considered a closed system if it does not. An organisation that is not adaptive and responsive to its environment would not survive or grow in any extended period of time. It has to be responsive to the demands placed on it by both its internal and external environments.
- ✓ **System boundary:** Each system has a boundary that separates it from its environment. In a closed system, the system boundary is rigid; in an open system,

the boundary is more flexible. The system boundaries of many companies have become more flexible in recent times. For example, oil companies wishing to engage in offshore drilling have increasingly had to consider public reaction to the potential environmental harm.

- ✓ **Flow:** An open system receives inputs from its environment which are transformed into outputs in interaction with environmental variables. For a business firm, inputs would be material, labour and capital. The transformation process would turn these inputs into finished products or services. The system's success depends on successful interactions with its environment; that is, those groups or institutions upon which it is dependent. These might include suppliers, unions, financial institutions, government agencies and customers. The sale of outputs generates revenue, which can be used to pay wages and taxes, buy inputs, repay loans, and generate profits for shareholders. If revenues are not large enough to satisfy environmental demands, the organisation shrinks or dies. Thus, a system has flow of information, materials and energy. These enter the system as inputs, undergo transformation processes within the system and exit the system as output as shown in Fig. 2.4.

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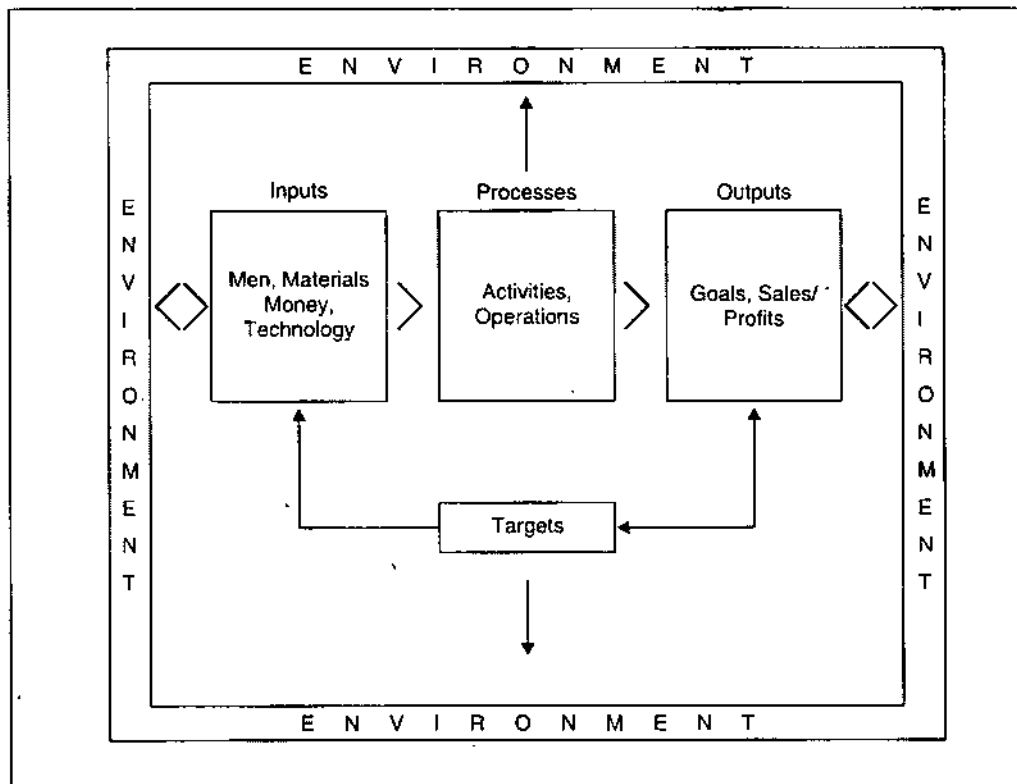


Fig. 2.4 An Open System

- ✓ **Feedback:** Feedback is central to system controls. As operations of the system proceed, information is fed back to the appropriate people or perhaps to a computer so that the work can be assessed, and if needed, corrected. Feedback provides warning signals regarding impending dangers. For example, customer complaints may demand attention to product improvement, customer service, etc.

- ✓ **Entropy:** It is a normal process that leads to system decline. When an operation does not monitor feedback from its environment and make appropriate adjustments, it may fail. The failure of Kmart is attributed to the fact that it failed to revitalize itself and keep pace with changes in its environment.

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1.11.3 Relevance and Usefulness of Systems Theory

Systems theory makes organisation theorists search for integrative models rather than be satisfied with making lists of unrelated principles (Fayol, Taylor). It also emphasizes looking at the forest rather than the trees. It uses a way of thinking that highlights underlying relationships. The practical implications of systems theory for managers are enormous. Most effective managers operate with a systems mentality even though they may not be consciously aware of it. As a matter of course, executives ask what effects a decision will have on others. They think before they act, implying a process of evaluating the impact of their actions will have. A conscious commitment to systems thinking requires explicit responsibility for forming decisions in terms of the entire organisation. Instead of merely looking at the technical side (scientific management) or activities side (administrative management) or even the human side (human relations), executives are now forced to look at the totality of the situation and arrive at decisions. They can now easily maintain a good balance between the needs of the various parts of the enterprise and goals of the firm as a whole. They can respond, in short, to situational requirements in an effective way. The systems approach clearly indicates the fact that organisations are not self contained. For their survival and growth, they need to look at what is happening all around them – for example, government regulations, environmental demands, competitive moves, supplier relations, union demands etc. If a company fails to assess the impact of its actions on internal as well as external groups, it is certainly on its way to decline. After all the primary goal of management from a systems perspective is to continually re-energize the organisation to avoid entropy. Organisations, in their own self interest, must monitor their environments, adjust to changes, and continuously bring in new inputs in order to survive and flourish.

1.11.4 Limitations

It is true that systems theory provides a broad philosophical perspective that bridges academic disciplines and mounts integrated attack on a variety of problems. It is objective and is not influenced by catch phrases like, 'one best way' and simplistic prescriptions like, 'a manager decides things for others'. However, the conceptual framework for understanding organisations provided by the systems theory, is too abstract. It does not attempt to identify situational differences and factors. Also, it tends to overemphasize 'oneness', coordination and harmony when, in fact, organisations have many, natural, in-built conflicts, such as the supervisor as the man-in-the-middle. Providing more specificity in terms of variables and 'if-then' relationships in a situational context is left to the evaluation of the situational or contingency approach.

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The problem with universal principles of management, as advocated by early theorists, is that few principles are universal. Research has shown that management methods used in one circumstance seldom work the same way in others. Parents find this out quickly when they realise that spanking one child may yield good results while spanking another can be emotionally disturbing and disastrous. Some employees are most often motivated by economic gains while others have greater need for challenging work. Still others care only about protecting their egos. The same individual may be motivated by different things in a variety of situations.

1.12.1 The Approach

Contingency theory is based on the premise that situations dictate managerial action; that is, different situations call for different approaches. No single way of solving problems is best for all situations. Because tasks and people in organisations differ, the contingency theorists (Selznik, Burns and Stalker, Woodward, Lawrence and Lorsch, James Thompson and others) argue that the method of managing them must also differ. The choice of a particular method of managing largely depends on the nature of the job, the people involved and the situation.

According to contingency theory, effective management varies with the organisation and its environment. Contingency theory attempts to analyse and understand these interrelationships with a view towards taking the specific managerial actions necessary to deal with the issue. This approach is both analytical and situational, with the purpose of developing a practical answer to the question at hand.

Important Elements of Contingency Theory

- Managerial actions are contingent on certain actions outside the system or sub-system as the case may be.
- Organisational efforts should be based on the behaviour of actions outside the system so that the organisation gets smoothly integrated with the environment.
- Managerial actions and organisational design must be appropriate to the given situation. A particular action is valid only under certain conditions. There is no one best approach to management. It varies from situation to situation.

1.12.2 Implications of Contingency Approach

According to the contingency approach, there are no plans, organisation structures, leadership styles, or controls that will fit all situations. There are few, if any, universal truths, concepts, and principles that can be applied under all conditions. Instead, every management situation must be approached with the 'it all depends' attitude. Managers must find different ways that fit different situations. They must continually address themselves with the question: which method will work best here? For example, in order to improve productivity, classical theorist may prescribe work simplification and additional incentives; the behavioural scientist may recommend job enrichment and democratic participation of the employees in the decision-making process. Instead, a

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manager trained in the contingency approach may offer a solution that is responsive to the characteristics of the total situation being faced. Organisations characterised by limited resources, unskilled labour force, limited training opportunities, limited products offered to local markets – work simplification would be the ideal solution. Job enrichment programme would work better if the organisation employs skilled labour force. Managerial action, thus, depends upon circumstances within a given situation. No one best approach will work in all situations. Applying a contingency/situational approach requires that managers diagnose a given situation and adapt to meet the conditions present.

According to Robert Albanese, the strength of contingency approach rests on two points; (i) First, it focuses attention on specific situational factors that influence the appropriateness of one managerial strategy over another, (ii) Second, it highlights the importance to managers of developing skills in situational analysis. Such skills will help managers find out important contingency factors that influence their approach to managing.

The major implications of contingency theory may be summarized thus: *management is entirely situational; managerial actions are contingent on internal and external factors; managerial actions must be consistent with the requirements of internal as well as external factors.*

1.12.3 Evaluation

The contingency approach is a useful instructional device in the sense that it compels us to be aware of the complexity in every situation and forces us to take an active and dynamic role in trying to determine that would work best in each case. Combining the mechanistic (Taylor) and humanistic approaches (Mayo) the contingency theory suggests that different conditions and situations require the application of different management techniques. It helps in fitting the classical and behavioural theories in a proper framework. It is an improvement over the systems theory in the sense that it only examines the relationships between sub-systems of a specific organisation in a given environment, but also offers solutions to particular organisational problems. The systems approach takes a general view of organisational variables, i.e., technical, social, personal, structural and external variables. The contingency theory, on the other hand, is concerned with achieving a 'fit' between organisation and its environment. Practising managers, however, seem to find this theory tenuous because it does not provide any specific set of principles to use.

Systems Theory	Contingency Theory
<ul style="list-style-type: none">• Organisation-environment relationship not explained clearly.• Takes a general view of organisational variables (technical, social, personal, structural, external).	<ul style="list-style-type: none">• Spells out the relationship of organisation to its environment clearly.• Takes a specific view of how the organisation adjusts to its environmental demands. Mainly concerned with structural adaptations of organisation to its task environment.

-
- Considers all organisations to be similar.
 - Vague and complex.
 - Emphasises the synergistic effect of organisations and recognises the external inputs.
 - Merely outlines inter-dependencies among systems and sub-systems.
 - Each organisation is unique.
 - More pragmatic and action-oriented.
 - Relates environment to specific organisation structure and design. It integrates theory with practise in a systems framework.
 - Tries to identify nature of inter-dependencies between various parts of an organisation, and their impact on various other things.
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1.12.4 Contingency Theory is Attacked by Several Theorists on the Following Grounds

- ✓ **Paucity of literature:** Contingency theory suffers from inadequacy of literature. It has not developed to such an extent where it can offer meaningful solutions to different managerial problems in a specific way. It is too simplistic to say that 'managerial actions depend on situations'. Instead, it must offer, in precise terms, what a manager should do in a given situation.
- ✓ **Complex:** Contingency theory is theoretically complex. Even a simple problem involves analysing a number of organisational components, each of which have innumerable dimensions. Often, managers may find this to be a difficult and taxing exercise.
- ✓ **Defies empirical testing:** The precepts advanced by contingency theorists cannot be put to empirical testing in a concrete way. There are multifarious situational factors to be taken into account while testing the contingency theory. For example, a proposition that unless the various parts in an organisation move in close coordination, the behaviour at various organisational levels would not be effective-seems to be a sound one. But when put to empirical testing, several problems crop up almost instantaneously.
- ✓ **Reactive not proactive:** Contingency theory is also criticised on the ground that it suggests a reactive strategy in coping with environmental complexity. Instead, a proactive strategy is needed where managers would be able to steer the organisation through complex environments with their creative and innovative efforts.
- ✓ **Incomplete:** Critics argue that the contingency approach does not incorporate all aspects of systems theory, and they hold that it has yet not developed to the point at which it can be considered a true theory. Further, the goal of integrating functional, quantitative, behavioural, and systems approaches in the form of a contingency model may prove to be too difficult to realise because of the incomplete development of the earlier approaches. Critics also argue that there is really not much that is new about the contingency approach. For example, they point out that even classical theorists like Fayol cautioned that management principles require flexible application.

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In spite of these valid critical expressions, contingency theory holds good at the micro-level, where managers are forced to look into internal as well as external requirements while managing their organisations. It is small wonder, contingency theory is welcomed as a 'refreshing breeze in management literature that clears away the humanistic and general systems 'fog'. The systems theory takes a general view of organisation variables, i.e., technical, social, personal, structural and external variables. The contingency theory, on the other hand, is concerned with achieving a 'fit' between organisation and its environment. Kast and Rosenzweig have, therefore, rightly pointed out that the contingency theory 'falls somewhere between simplistic, specific principles and complex, vague notions'.

The contingency theory, like the systems theory recognizes that an organisation is the product of interactions between its various constituent parts (sub-systems) and the environment. In addition, as a sort of refinement, it seeks to identify the exact nature of interrelationships and interactions. In contrast to the vague systems terminology and perspective, the contingency approach allows us to specifically identify the internal and external variables that typically influence managerial actions and organisational performance. Accordingly, what constitutes effective management varies with the organisation's internal as well as external environment and the make-up of the organisational sub-systems. Thus, the contingency approach falls somewhere between simplistic, specific principles (classical theory) and complex, vague notions (systems theory). This approach provides a long sought synthesis and brings together the best of all segments of what Prof. Koontz has termed 'management theory jungle'. The classical ideas and behavioural modifications are not rejected, but they are viewed as incomplete and not suited for all organisations. Similarly, the ideas of systems theory that emphasize the interrelationship between parts also have not been rejected but they are viewed as vague and unspecific. As a way of correction, the contingency approach provides a pragmatic method of analysing organisation sub-systems and tries to integrate these with the environment. Contingency views are ultimately directed towards – suggesting organisational designs and managerial actions more suitable for specific situations.

1.13 MODERN MANAGEMENT THOUGHT

Modern management thought (MMT) is an integrative theory in the sense that it combines the valuable concepts of classical theory with the social and natural sciences. The source of inspiration for the modern management theory is the systems analysis. Modern management theorists pick up where the Hawthorne researchers left off. MMT is characterized by the following (Hicks and Gullett):

- ✓ **Open-system view:** Modern management thought treats the organisation as an open system. It interacts with the environment continually, in order to survive and flourish. It receives inputs from the environment, processes them into meaningful products/services and offers them to the environment. In this process, the organisation tries to adapt itself to the changing requirements of environment continually.

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- ✓ **Dynamic and adaptive:** Modern theory is dynamic. In line with changes in the outside environment, it tries to adapt itself constantly.
- ✓ **Multilevel and multidimensional:** MMT is both micro and macro in its approach. It is not a paradox. It is macro when considered with respect to the entire nation or industry; it is micro with respect to internal parts of the organisation.
- ✓ **Multi-motivated and multi-disciplinary:** MMT recognizes the fact that behaviour is the product of multifarious factors. In contrast to the classical view of the worker as an economic man (motivated primarily by money), MMT views the individual as a complex being who can be motivated in several ways (economic as well as non-economic incentives are important). MMT is multidisciplinary in the sense that it heavily draws its concepts from various disciplines. Modern theory embraces economics, sociology, engineering, psychology, anthropology and social psychology. Problem-solving and decision-making are the focal points for study and research, drawing on numerous disciplines.
- ✓ **Descriptive and probabilistic:** MMT is descriptive rather than prescriptive or normative. It does not tell how to handle things, it simply tells how the things are handled. It is a way of describing an organisation and its functioning. MMT is also probabilistic, not deterministic. Deterministic system is one where the outcome is predictable and certain. For instance, if you want to know the total of 420 and 11, you press the buttons in the calculator and the result will be 431, and not any other answer. It is a deterministic system. However, probabilistic system is one where no uniquely determined outcomes exist. For example, if you flip a coin into air, there is a chance of 0.5 of a head, but the outcome cannot be obtained with cent percent certainty at the time of tossing the coin. Organisations also fall into this probabilistic system category. According to Scott and Mitchell, "the modernists see the organisation as a probabilistic system... there is a high degree of uncertainty in these systems.
- ✓ **Integrative:** The classical theory (consisting of scientific management, administrative management and bureaucracy) focuses attention on the technical side of work whereas the neo-classical theory (human relations theory) on the human side of work. Both theories discount the importance of taking an integrated approach to management giving weightage to both economic as well as social variables at work. MMT tries to correct these deficiencies by aggregating the classical components with the neoclassical bandwagon.

1.14 INTRODUCTION

Thanks to the Liberalization, Privatization and Globalization (LPG) – era, the workplace has a different flavor of its own. It consists of people with varied backgrounds in terms of age, education, religion and region. The divide between the young and the old, the educated and uneducated, the skilled and unskilled, the male versus female continues to haunt workplaces all over the globe. Employees are no longer happy spending their whole life in one organisation. They are armed with requisite skills, knowledge and experience and therefore are more willing to take risk and go in search of greener pastures outside. There is nothing called as organisational loyalty or job commitment.

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They want career growth, personal fulfillment and, at the same time, want to strike a fine balance between work and personal life. The environment in which businesses operate now, force everyone to be ready for shocks of various kinds and employees are aware of all those challenges. So they are in a tearing hurry to try every trick in the book to grow and achieve success at any cost.

Under the circumstances, it is not surprising to find modern managers describing 'People' problems as their most frequent and challenging difficulties. Knowing how to do a job is no more the key to managerial success. To produce efficient and effective results, managers should know how to work and get along with people. So, *understanding human behaviour* is key to the success of any cooperative effort.

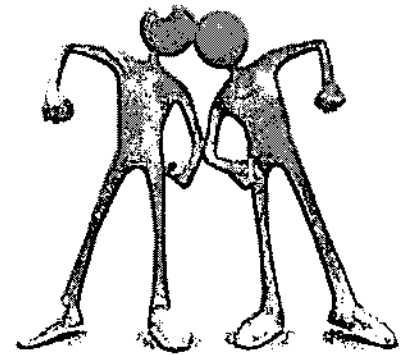
1.14.1 Factors Influencing Individual Behaviour

Organisations have to deliver value to stakeholders if they want to survive and flourish in a competitive world. Often, it is the managers who deliver results through the cooperative efforts of others and see that the organisation grows. While doing so every manager has to take everyone on his/her side and achieve the common goals. He or she must understand what an individual has and match those unique abilities to job needs. Any mismatch between individual aspirations and organisational requirements

would put any organisation in a disadvantageous position. It might be impossible to achieve goals. To get things done through others, therefore, every manager has look into factors influencing individual behaviour and actions more closely.

Individual behaviour is influenced by internal as well as external factors. Internal factors are those that compel an individual to behave in a certain way such as age, education and abilities. External factors are mostly contextual elements that have a bearing on the individual's ability to carry out work – such as lighting, ventilation, noise, work group rules and norms.

- **Individual differences:** Individual differences in terms of age, sex, education, learning capabilities tell us why people behave differently in different situations. Surprisingly, even in similar situations, all people do not act alike, like the behaviours exhibited by different workers when the organisation wants to fully computerize its operations. In fact, as research evidence shows, people's behaviour is a function of three main influences: the *genetic* (born with a predisposition to be a certain type of person like being intelligent, being happy, being depressed and so on), *physiological* (like brain abnormalities, differences in hormones and a healthy diet) and *learning* factors that predispose them to behave in certain ways. Here, we are referring to the situational factors that encourage or discourage behaviour; and the reasoning process including the factors that affect our ability to think and decide how we will behave in a given situation.
- **Environmental influences:** Human behaviour is impacted by environmental influences – both physical and social – greatly. The physical environment consists of factors such as noise, heating, lighting, ventilation, cleanliness, nature of job,



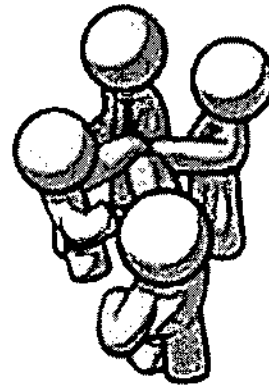
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office furnishings and space utilization and so on. For example, people might feel happy to work in an environment where the office space is being utilized without any visible differences between the manager and the subordinate. The social environment consists of societal norms and rules of behaviour established over a period of time. The societal norms act as unwritten laws of behaviour governing the conduct of employees in an organisational setting. Behaviours such as jumping the queue, not wearing a formal tie, smoking in a public place, talking in an aggressive tone and so on might become the butt of jokes and hence, anyone exhibiting such behaviours might fall in line with the majority.

In the final analysis, therefore, human behaviour is impacted by the personality related factors as well as environmental influences. Both these factors are highly interconnected so that behaviour cannot be explained in itself by either of the two influences, independent of the other influence.

1.14.2 Striking Rapport between Individual Goals and Organisational Demands

When a person joins an organisation, he brings with him a unique set of needs such as need for making a living, gaining social status, attaining a prestigious position, grabbing a certain amount of power, developing relevant skills and being what he wants to and what he is capable of. He tries to fulfil his multifarious needs through his association with the organisation. The organisation, in turn, has its own set of goals such as gaining market share, improvement in sales revenues, product development and so on. Organisations cannot attain these goals without positive contributions from people. According to Schein, both the individual and the organisation, therefore, enter into a kind of 'psychological contract'. This contract is executed by the organisation by assigning task to individuals, setting certain rules and placing some obligations on individuals while performing the duties. The individual concerned is expected to put in his ability, loyalty, hard work, commitment while at work and show superior performance and earn his rewards. Unimaginable rewards could accrue to both the individual (in the form of monetary rewards, growth opportunities and promotions) and the organisation (grabbing market share, becoming the leader in the industry), when individual goals are in sync with organisational demands. In actual practice, however, the goals of individuals and the organisations rarely mesh with each other in a neat manner. A variety of differences traceable to individual personalities as well as their upbringing and a number of environmental factors could often spoil the show. Given the wide variation among individuals and among jobs, an important responsibility of managers is to try to match employee and job demands so that work is carried out by people who are well suited to do it. This requires that managers be clear about what they expect employees to do. They should know what kind of people would be able to achieve results, within a given set of opportunities and constraints. The extent to which a person's ability and personality match the needs of a job is known as **person-job fit**. A good **person-job fit** is one in which the employee's contributions match the inducements the organization offers. The saying goes that companies hire people for what they know and then fire them for who they are. However, good



companies would like to avoid such hiring mistakes because they certainly know that a good fit between the person and job would ensure effective job performance.

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1.15 MODELS OF MAN

A number of explanations have been advanced, over the years, to explain the behaviour of individuals in an organisation, whether a person would act rationally always, whether the behaviour is in sync with the expectations of his work group, whether he would be able to exploit his potential fully, whether the behaviour is actually a product of a variety of complex factors etc.



- **Rational economic man:** In this classical model, a manager is depicted as an economic being trying to make consistent, value-maximising choices within certain limits. The model is built around certain assumptions
 - The decision maker operates to achieve goals that are known and agreed upon. He would define a problem carefully and would have a clear and specific goal.
 - The decision maker tries to gather complete information about the problem. The model assumes that people have access to complete and perfect information. All alternatives and the potential results are calculated.
 - Criteria for evaluating alternatives are known. The decision maker has the freedom to select that alternative which would maximise his satisfaction.
 - The decision maker is rational and uses logic to assign values, order preferences, evaluate alternatives and make the decision that will maximise the economic return to the organisation.

The rational economic man model is characterized by 'hedonism' and is motivated by economic incentives. Man is being viewed as an automaton, a kind of a self-centred animal, devoid of human characteristics that all of us possess. The rational economic man model, evidently, is an ideal that can rarely find expression in the real world, because of several reasons. Actually, it is not possible to give an accurate and precise description of real world problems. Frequently, the manager himself does not know that he has a problem. His knowledge of the problem, even if he is able to put the finger on the issue causing trouble, is not always perfect. Even when he is able to identify such problems, because of time and resource constraints, he may have to rush through such problems and settle for a choice that is based on imperfect data. His own capacity to run through bundles of data concerning various problems is also open to doubt. Sometimes, powerful political groups within an organisation may not allow him to pick up an alternative that would maximise return to the organisation (like unions coming in the way of hiring off a division or striking an outsourcing deal with a foreign company etc.).

- **Social man:** This model is the outcome of behavioural science research and human relations movement. Man is a social animal. He, therefore, tries to move closer to the expectations of the groups with which he has an active association. The model is based on certain assumptions

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- ☛ Work is basically a social experience and therefore, most people find satisfaction in being members of a social group.
 - ☛ Work group pressures, problems and sanctions often dictate the manner in which a person would behave, especially when faced with problems affecting the lives of the group as a whole.
 - ☛ A person would be willing to obey and comply with management's orders so as long as these are not in conflict with the interests of the work group.
 - ☛ It is, therefore, in the best interests of a manager to organise work in a democratic manner. He should be willing to encourage participation, take the whole group along with him and act more like a facilitator while resolving work-related issues and problems. Instead putting emphasis on achieving results at any cost, he should shift attention to the larger interests of the work group as a whole.
- **Organisation man:** This model is an extension of the social man concept. Organisation man, according to William H. Whyte, is one who sacrifices his individuality for the sake of the group and the organisation. Competitive struggles are effectively replaced by cooperative efforts and the economic logic is discounted in favour of social ethic in this model. A person is willing to sacrifice his individuality for the sake of the group and the organisation. The model is built around three propositions:
 1. The group is the source of creativity. The individual by himself is isolated and meaningless; only when he collaborates with others does he operate. The individual helps to produce a whole that is greater than the sum of the part.
 2. Belongingness is the ultimate need of the individual. There should be no conflicts between man and society because what is normally considered conflict is merely misunderstanding and breakdown in communication.
 3. The application of science achieves the goal of belongingness. By applying the methods of science, the obstacles to consensus can be eliminated and equilibrium can be created where society's needs and the needs of the individual are one and the same.

According to the model, there is very little scope for conflicts to crop up between individuals and the organisation to which they belong. Even when conflicts arise, it is easy to resolve them because people are used to sacrifice their self-interests in favour of the larger organisational interests. By implication, managers have to design work keeping the larger interests of the work group, so as to avoid friction between group goals and organisational demands.

- **Self-actualizing man:** Self-actualization is self-fulfilment – the need to develop one's fullest potential, to become the best one is capable of being. According to A.H. Maslow, it is the desire to become what one is capable of becoming. A musician must make music, a poet must write, a general must win battles, an artist must paint, a teacher must teach if he is to be ultimately happy. What a man can be, he must be. However, this does not mean that one must always create poems, novels, paintings and experiments. In a broad sense, it means creativeness in realising to the fullest one's own capabilities, whatever they may be. As things stand now, a person's self-actualization needs may not always find meaningful expression in a formal organisation where the requirements might

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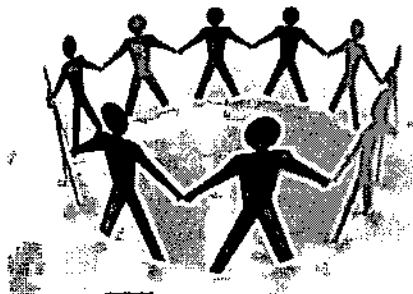
be totally different. The assumptions about self-actualization man that normally managers make in formal organisation are basically related to what McGregor proposed in Theory Y. They are:

- ☛ Human needs could be arranged in the form of a hierarchy, ranging from physiological, safety, love, esteem and self-actualizing. Self-actualizing is the final goal of any individual.
 - ☛ Man moves from a state of immaturity to a state of maturity to satisfy this particular need.
 - ☛ Man is essentially self-motivated and does not require any external control or direction.
 - ☛ Conflicts between self-actualization man and the form of organisation structure are inevitable because the formal structure is based on the assumptions of immaturity of individuals.
- **Complex man model:** According to this model, man is complex and it is not possible to predict his behaviour with any amount of certainty. Attempts to establish a relationship between human needs and behavioural outcomes, hence, would be fruitless. Man is influenced by a bewildering variety of factors such as incentives, work group pressures, political influences, family concerns and social demands. To compound the problem further, he responds to managerial actions in unpredictable ways. To cut short a long argument, therefore, man is a complex mixture of needs, goals, aspirations, perceptions, attitudes and faculties. There is no one best way of dealing with such a complex being. A wide variety of contingency models of motivation, leadership and management have gained popularity, over the years, trying to solve this knotty issue. The basic theme of contingency theory is that there is no one way of managing people. It depends and varies with the situation.

Complex Man Model

According to Edgar Schein, the complex man model is built around the following assumptions:

- ☛ Man is motivated by a variety of factors which are complex and unpredictable.
- ☛ A person's needs, aspirations, attitudes etc will undergo significant changes as he begins to interact with his colleagues, organisation and the environment.
- ☛ There are wide variations among people in the same organisation. Such variations may be in terms of their need pattern, their behaviour and hence the need for direction and control.
- ☛ A simple understanding of human need hierarchy is inadequate because empirical verification of the relationship between a particular need and the behaviour is difficult.
- ☛ A person could respond to managerial actions in multifarious ways, depending on his needs, aspirations, attitudes etc.



1.16 PERSONALITY

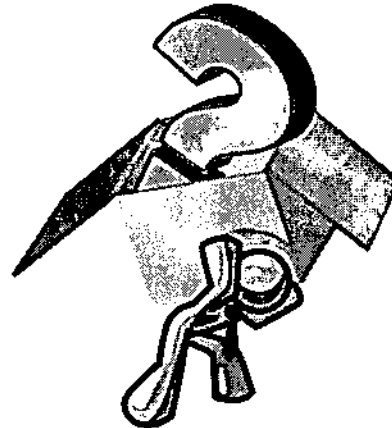
Human behaviour is influenced by personal and environmental factors. It is, therefore, essential to study the individual and his personality concepts before proceeding to see how he behaves in work organisations. 'Personality' may be defined as the study of the basic traits of an individual, relationships between these traits, and the way in which a person adjusts to other people and situations. It is the sum total of the ways in which an individual reacts and interacts with others. The major determinants of personality are generally grouped by researchers under four heads: *biological, cultural, family and situational*.

Determinants of personality

- Biological factors
- Culture
- Family
- Situations.

1.16.1 Biological Factors

Personal characteristics such as age, sex, marital status, dependents and ability may often be obtained through personnel records. Such an information would help find the relationship between an individual's background and his motivation level and the impact of these variables on employee productivity, absence, turnover and satisfaction.



- (a) **Age:** The relationship between age and job performance has been a point of intense debate and discussion over the years. It is widely believed that job performance declines with increasing age. Employee turnover too tends to be low as employees grow in age. There are less chances of such employees quitting the job suddenly because of two reasons: one, the outside opportunities may not be very tempting or may not be available, second, you begin to get more by staying back in terms of higher wages, benefits, bonuses, stock options etc. The Age vs. Absenteeism relationship is somewhat inverse because older employees have lower rates of avoidable absence than do their younger counterparts. They have generally higher rates of unavoidable absence due to poor health and longer recovery period older workers require when injured. Coming to age vs. *productivity* relationship, it is generally believed that an individual's skills decay over time; he may lose interest in job and the intellectual stimulation may also depreciate over time. However, this may not always hold good as recent research studies proved. Infact, researchers now opine that age and job performance are unrelated (Cascio); and the decline in physical skills sometimes is more than offset by benefits due to the experience gained by the employee on the job. Finally, the age vs. satisfaction

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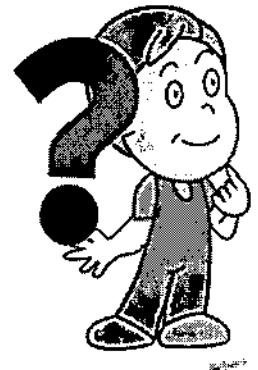
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- relationship is also somewhat hazy unless we classify employees into two categories: professional and non professional employees. Among professionals, satisfaction generally increases with age, whereas it fell among non professionals during middle age and then rose again as they advanced in age later on.
- (b) **Sex:** It is generally believed that gender differences between males and females affect their *job performance*, especially in situations demanding physical effort. However, there are no consistent male-female differences in problem-solving ability, analytical skills, motivation, sociability, competitive drive etc. At lower levels, women are willing to conform to authority, whereas men are more aggressive. The differences in productivity, turnover were also negligible. The rate of absenteeism among females was higher because of home and family responsibilities.
 - (c) **Marital status:** Research evidence suggests that married employees tend to have fewer absences, undergo less turnover, and more satisfied with their jobs than unmarried co-workers.
 - (d) **Number of dependents:** The number of children an employee has is positively correlated with absence (especially among females) and job satisfaction. Employee turnover, however, was found to be not so closely related with number of dependents.
 - (e) **Tenure:** There is no valid reason to believe that experienced people are more productive than those with less seniority. Seniority has a negative correlation with absenteeism and turnover. The past behaviour of an employee in this regard could be used to predict future turnover and absence rates quite safely. The evidence also shows that tenure and job satisfaction are positively related.
 - (f) **Ability:** It refers to an individual's capacity to perform the various tasks in a job. An individual's abilities are of two kinds (a) *Intellectual abilities:* These are required to carry out mental activities. These include number aptitude, verbal comprehension, perceptual speed, spatial visualisation, reasoning and memory. Selection tests employed to measure the above are found to be strong predictors of job performance. They also help place a candidate on a right job, suitable to his mental make-up (b) *Physical abilities:* These include stamina, dexterity, strength and similar skills. These physical abilities are more important for performing less skilled and more standardised jobs at lower levels in an organisation.

1.16.2 Personality Factors

Research indicates that both genetic (heredity) and non-genetic factors appear to have equal effects in shaping one's personality. Let us examine this issue closely:

- (a) **Heredity:** Heredity (genes) plays an important role in determining one's personality, physical stature, facial attractiveness, sex, muscle composition and reflexes, energy level, temperament which are the characteristics that are substantially influenced by who your parents were. Research evidence suggests that traits such as fear, shyness, distress etc., are most likely caused by inherited



genetic features. However, personality characteristics are not *completely dictated by heredity* (i.e., fixed at birth and not possible to change through experience). Further, the importance of heredity varies from one personality trait to another. For instance, heredity is generally more important in determining a person's temperament than values and ideals.

- (b) **Brain:** There is a general feeling that brain plays a significant role in the development of one's personality. Results from the electrical stimulation of the brain (ESB) offer evidence that better understanding of human personality could come from a close study of the brain. The evidence in this regard, however, is not very clear.
- (c) **Physical features:** An individual's external appearance – whether short or tall, fat or skinny, handsome or ugly etc. – is said to be having a major impact on his personality. For example, a short person, who generally becomes a butt of jokes, develops a defense mechanism which is reflected in his personality.

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1.16.3 Cultural Factors

The Culture – a set of beliefs, values that are shared by people and transmitted to others – in which we are raised and how we are conditioned by our interactions with friends and social groups also influences our personality. Culture demands both conformity and acceptance from its members. Members generally comply with the norms set by a group and bear with the subtle pressures exercised from time to time. The shared values, societal traditions and collective programming that underlies culture influences the development of our personalities, while also shaping the way our traits are expressed. In a way, explaining 'what we're like requires an awareness of 'where we're from'.

1.16.4 Family and Social Factors

Family and social factors also play an important role in shaping the personality of an individual. Parents are role models for almost everyone in this universe. The home environment also determines the behaviour patterns of individuals. People with troubled childhood tend to be violent, aggressive and even abusive. The motives, desires, beliefs etc. are, most often, conditioned by the behaviours exhibited by other family members from time to time. Peer groups at the school and college level also play a role in personality development. For example, the nature of a young student's peer group influence not only whether he or she likes and enjoys school, but also his or her level of achievement throughout the school year. Finally, the society in which we live also influence the way we think and act. Americans are raised to be individualistic. Chinese, on the other hand, are taught collectivist value that makes them believe that family, social and company interests are more important than individual interest. Indians may treat their teachers and elders with respect; whereas people having a different cultural background might tend to look at the issue differently.

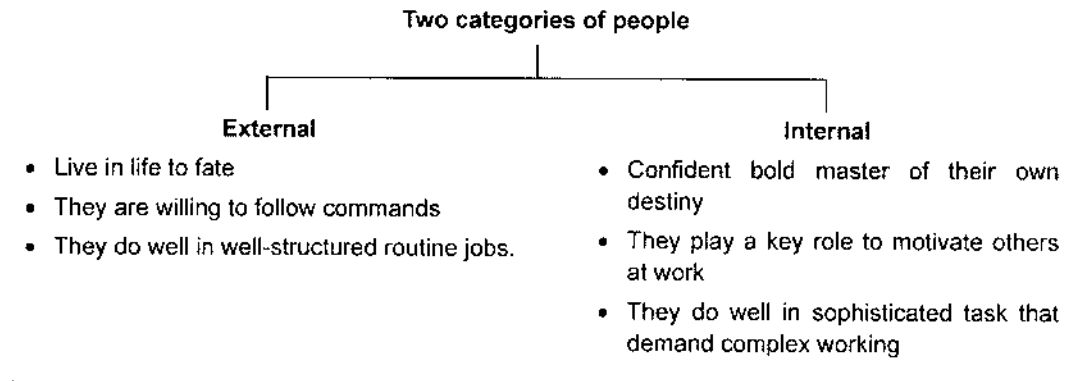
1.16.5 Situational Factors

Situational factors also impact our behaviours greatly. In a job interview one tends to act conservatively. The same person would behave differently in a picnic or a party.

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Although personality is relatively stable over time, it is occasionally altered by dramatic events in life – such as moving from one country to another or by psychological factors such as illness or trauma. X might suffer from low self-esteem because he hails from a poor country. The same person after living in a developed country for some time might feel more confident about achieving success through hard work.

1.17 THE BIG FIVE MODELS OF PERSONALITY



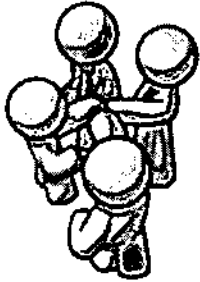
The list of personality traits is pretty long. So, using such lists to describe one's personality is therefore, proved to be a wasteful exercise. Researchers, therefore, wanted to organize and summarize such personality traits while trying to describe an individual. Their primary goal was to develop a personality profile – a test that describes an individual's whole personality, rather than just the separate traits that make up that personality. The Big Five Model developed by P.T. Costa and R.R. McCrae clusters different personality traits into enduring dimensions of personality that together describe the whole person. The Big Five traits are – Openness, Conscientiousness, Extroversion, Agreeableness, and Neuroticism or OCEAN:

1. **Openness:** People who like to learn new things and enjoy new experiences usually score high in openness. Openness includes traits like being insightful and imaginative and having a wide variety of interests.
2. **Conscientiousness:** People that have a high degree of conscientiousness are reliable and prompt. Traits include being organized, methodic, and thorough.
3. **Extroversion:** Extraverts get their energy from interacting with others, while introverts get their energy from within themselves. Extroversion includes the traits of energetic, talkative, and assertive.
4. **Agreeableness:** These individuals are friendly, cooperative, and compassionate. People with low agreeableness may be more distant. Traits include being kind, affectionate, and sympathetic.
5. **Neuroticism:** Neuroticism is also sometimes called Emotional Stability. This dimension relates to one's emotional stability and degree of negative emotions. People that score high on neuroticism often experience emotional instability and negative emotions. Traits include being moody and tense.

The Big Five personality test gives you more insight into how you react in different situations, which can help you choose an occupation. Career professionals and psychologists use this information in a personality career test for recruitment and candidate assessment.

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1.18 DIFFERENT APPROACHES TO PERSONALITY



Ruthless Strategy of early 1500 to manipulate people:

Machiavellianism

1. Never show humility – arrogance is effective.
2. Morality and ethics are for the weak – powerful people should feel free to lie, cheat deceive.
3. It is better to be feared than to be loved – True pragmatist.

There are other personality attributes that influence the behaviour of individuals in an organisation. These are listed below:

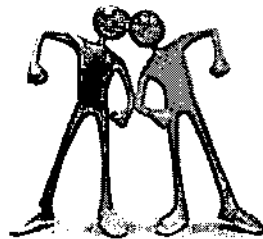
1. **Locus of control:** People belong to two categories: Internals who believe that they are masters of their own fate and externals who believe that what happens to them in their lives is due to luck or chance. Individuals raised in families in which effort and achievement are properly rewarded tend to become internals. On the other hand, individuals raised in families in which rewards seem to occur in a random manner tend to develop as externals. Internals perceive a strong link between their effort and their performance. They are more satisfied with their work than externals. They generally, hold higher level jobs, advance more quickly in their careers, earn more money and play a key role in motivating others while at work. They handle stressful situations better than externals. Externals are more compliant and willing to follow commands. They tend to do well in jobs that are well-structured and routine. Internals, in contrast, do well on sophisticated tasks that demand complex information processing and learning; on jobs that require initiative, drive and independence of action.
2. **Machiavellianism:** Niccolo Machiavelli proposed a ruthless strategy in early 1500 for seizing and holding political power. His approach was simple: other persons can be manipulated or used for our purposes if we follow certain rules: (a) never show humility – arrogance is far more effective when dealing with others (b) morality and ethics are for the weak – powerful persons should feel free to lie, cheat and deceive wherever required to achieve personal goals (c) it is better to be feared than loved. Those who want power, should be willing to do whatever it takes to get his way. Persons with a machiavellian orientation (called High Machs) are true pragmatists. Any means is justified as long as it helps High Machs to achieve their ends. This often gives them an edge over others who are guided by principles of morality – High Machs are confident, eloquent and competent. When they combine these traits with pure pragmatism, they achieve

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success easily. High Machs are often adept at picking up situations where their favourite tactics are most likely to work. Such situations are the ones in which they can interact with their intended victims in a face-to-face manner (and so make use of their persuasive skills), in which there are few firm rules (this leaves High Machs considerable room for manoeuvre), and in which others' emotions are running high. Since High Machs themselves never let their "hearts rule their heads," they can take full advantage of the fact that others' emotions make them especially vulnerable to manipulation. Finally, High-Machs are also skilled at forming alliances with others – alliances that usually work to their advantage. Low Machs, on the other hand, believe that there is no excuse for manipulating or lying to others. They are sensitive to the effects of their decisions on others and believe they should take action only when they are sure it is morally right.

3. **Extroversion and Introversion:** According to Carl Jung, individuals can be classified into two categories: Introverts and extroverts. Introverts are inward – directed people. They are guided by their own ideas and philosophy. They are rigid, subjective – oriented and rarely speak to others on their own. They have very few friends, avoid social contacts, withdrawn, quiet and enjoy solitude. Extroverts, on the other hand, are friendly, enjoy interaction with others, crave excitement and dislike solitude. Extroverts prefer job environments that offer opportunity, variety, unpredictability and sporadic bursts of intensity. If the job environment is not sufficiently stimulating, extroverts may play practical jokes and games or display other kinds of distracting behaviour to produce additional stimulation. On the other hand, introverts do not require as much excitement from external stimulation, and, consequently, they tend to perform better than extroverts on repetitive tasks or tasks occurring in environments that offer very little sensory stimulation.

Classified Individuals as



- Introverts: Inward-directed people rigid, subjective, rarely speak to people on their own, have few friends.
- Extroverts: Friendly, enjoy work and interaction with dislike solitude; prefer job environments variety, they have sporadic bursts of intensity.

4. **Endomorph and mesomorph:** William Sheldon has presented a unique temperamental model that represents a link between psychological traits and characteristics of an individual with his behaviour. Sheldon identified some relationship between the physique types of individuals and their personality temperaments. He identified three body types – endomorphic, mesomorphic and ectomorphic.
 - **Endomorph:** He is bulky and beloved. Sheldon contends that the endomorph would be rather fat and thick in proportion to his height. He seeks comfort, loves fine food, eats too much, jovial, affectionate and liked-by-all persons (viscerotonic temperament).

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- **Mesomorph:** He is basically strong, athletic and tough. His physique is appreciated by all. In fact, it is this personality all other "morphs" wish for. According to Sheldon, he is found of muscular activity; tends to be highly aggressive, and self-assertive. He can run faster, smile brighter, and beat along the other two 'morphs' together (sōmatotonic temperament).
 - **Ectomorph:** Ectomorph is thin, long and poorly developed physically. Though physically weak, he leads the league in the intellectual department. His temperament is Cerebrotonic i.e. excessive inhibition, restraint, and avoidance of social contacts etc. He is labelled as absent-minded, shy, but brilliant university professor stereotype.
5. **Type A and type B behaviours:** Two cardiologist Meyer Friedman and Ray Rosenman have identified the typical characteristics of Type A personality and Type B personality way back in early 70s, while conducting research on the impact of job stress on heart disease. Table 3.1 gives a comprehensive list of the characteristics of the Type A personality:

Characteristics of Type A Personality

- Move, walk and eat rapidly
- Have a habit of hurrying the ends of your sentences
- Hurry the speech of others, say very quickly, over and over again. "Uh huh, uh huh" or "yes, yes, yes: to get others to speed up their rate of talking
- Try to do two or more things simultaneously (e.g. Read the mail while you are on the phone)
- Try to bring conversations around to work-related topics that particularly intrigue you
- Feel guilty when you relax or do absolutely nothing for several hours to several days.
- Tend not to notice non-instrumental aspects of a situation (eg. Not noticing a new carpet, a new hair-do etc.)
- Feel acquisitive of money and personal possessions
- Over schedule yourself; do not make allowances for unforeseen contingencies
- Feel challenged and threatened by the success of others
- Have nervous tics like clenching your fists or banging your hand upon the table
- Keep on trying to do things faster and faster
- Evaluate your own performance and the activities of others in terms of 'numbers'.

Type A personalities are aggressive. They are willing to oppose others to get what they want. When placed in circumstances where there are a lot of obstacles, they will keep on plugging away rather than give up. Type A people are ambitious and hard-driving. They have very high standards for themselves. They try to schedule more and more in less and less time. They are also competitive; they have to win all the time, even in leisure activities and casual conversation. They do not find time to enjoy life. For them work is not a means to an end, but an end in itself. They live to work and do not work to live. For them, work is an addiction; and work outside the company is unproductive, disinteresting and meaningless. Type As, tend to lack skill in interpersonal relations and the ability to get along harmoniously with all types of people in various situations.

In contrast, Type B personalities feel less pressure. They keep a steadier pace, rather than working against the clock. Type Bs are more likely to extend the deadline or to

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accept a lower standard of work for themselves in the short run. They are likely to 'let things roll off their backs' rather than fight every issue. They are not as easily angered or disappointed by their own work or the work of others. They tend to be more relaxed and non-competitive. Because of their contemplative approach to problem-solving, Type Bs tend to be more creative than Type As.

Type Bs, typically, are highly skilled in interpersonal relations. They get along well socially. They have an innate understanding of people. They are quick to grasp the underlying motivations of other people. This insight serves them in excellent stead when they wish to gain the support of others who may have conflicting views. They not only understand people but also enjoy them. They rarely feel at a loss in public contact situations. A Type B person can easily and happily manipulate an irate client.

Characteristics of Type B Personality

- Patient and composed
- Never suffer from a sense of time urgency; concerned with quality rather than quantity.
- Do not generally discuss their achievements unless demanded by the situation
- Play for fun and recreation
- Can relax without guilt
- They are wise, not hasty, they vary their responses to specific challenges in their milieu; their behaviour, hence can't be predicted easily.

The differences between type A and Type B persons have important implications for behaviour in the workplace. For example, hard driving, competitive individuals would be expected to act in very different ways from their more easy going counterparts. Type As tend to be more impatient with others and get angry quickly if things do not move as desired. They prefer to work by themselves, given a chance, rather than with others. They are definitely 'loners' rather than 'team players'.

Narcissist



- Considers himself as a person with many talents
- If things not going in accordance with their will they throw tantrums.
- They want to be a person of attraction always.

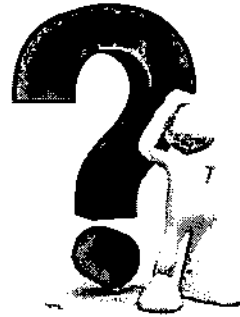
6. **Narcissism:** A Narcissist is an arrogant person who considers himself as a person of many talents. He has a grandiose sense of self importance and requires constant admiration. He wants to be a centre of attraction always. Sad to relate, narcissists tend to be extremely selfish and exploitative and believe others exist for their benefit. Imbued with feelings of superiority, they often treat their subordinates as if they were inferior. They are extremely selfish and do very little to help others, when required. Unfortunately, narcissists tend to believe that they have excellent

leadership qualities. Studies, on the other hand, found supervisors rating their bosses having narcissist tendencies as worst.

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1.19 PERSONALITY AND SELF-CONCEPT

The self concept describes the relatively stable perceptions his own self a person has about. It includes the conception of what is special about a person; what separates him from others. It is like a mental mirror that reflects how a person looks at self. One self concepts are derived primarily from four sources: (a) person's social interaction with others (b) it is own comparisons with other (c) what others say about the and (d) how a person evaluates himself. Three important things about the self-concept are worth mentioning here:



- *Self concept is learned.* No one is born with a self concept. It gradually emerges in the early months of life and is shaped and reshaped through repeated perceived experiences, as one interacts with others.
- *Self concept is organized,* that is, it is characterized by *orderliness* and *harmony*. Each person maintains countless perceptions regarding one's personal existence, and each perception is orchestrated with all the others. It is this generally stable and organized quality of self-concept that gives consistency to the personality. At the heart of self-concept is the self-as-doer, the "I," which is distinct from the self-as-object, the various "me's." This allows the person to reflect on past events, analyze present perceptions, and shape future experiences.
- *Self-concept development is a continuous, dynamic process.* In the healthy personality there is constant assimilation of new ideas and expulsion of old ideas throughout life. Individuals strive to behave in ways that are in keeping with their self-concepts, no matter how helpful or hurtful to one self or others. Self-concept usually takes precedence over the physical body. Individuals will often sacrifice physical comfort and safety for emotional satisfaction. Self-concept continuously guards itself against loss of self-esteem, for it is this loss that produces feelings of anxiety.

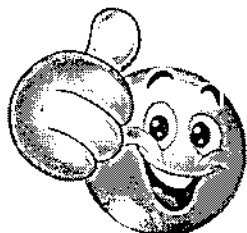
According to Carl Rogers, Individuals have within themselves relatively boundless potential for developing a positive and realistic self-concept. This potential can be realized by people, places, policies, programs, and processes that are intentionally designed to invite the realization of this potential.

1.19.1 Self-efficacy

Self-efficacy refers to one's personal ability to do a task. Unlike locus of control this characteristic is not about how much fate controls events, rather, it is about one's personal belief about what it takes to get ahead and succeed in life.

How Self-efficacy Affects Behaviour?

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- **Joy of activities:** individuals typically choose activities they feel they will be successful in doing.
- **Effort and persistence:** individuals will tend to put more effort and activities and behaviours they consider to be successful in achieving.
- **Learning and achievement:** students with high self-efficacy tend to be better students and achieve more

For example, Erik Weihenmayer, is but also a self described unrealistic optimist who was **the first blind climber** to scale Mt. Everest. Low self efficacy is associated with learned helplessness, the debilitating lack of faith in one's ability to control one's environment. The implications for managers are fairly obvious. Complex, challenging and autonomous jobs tend to enhance people's perceptions of their self-efficacy. Boring, tedious jobs generally do the opposite. Self-efficacy is a quality that can be nurtured through appropriate counselling and mentoring.

1.19.2 Self-esteem

Self-esteem refers to the extent to which people like or dislike themselves, their overall self evaluation. Some of the characteristics that may be associated with high and low levels of self-esteem may be listed thus:

Characteristics of Type B

High self-esteem	Low self-esteem
Inspires others to have confidence in him	Does not inspire confidence in him
Seeks responsibility	Lacks initiative
Outgoing	Introverted
Open-minded	Closed-minded
Optimistic	Pessimistic

Research evidence on self-esteem offers interesting insights into organisational behaviour. High-SEs believe that they have the ability to succeed at work. They take more risks in job selection and are more likely to choose unconventional jobs. Low-SEs are more vulnerable to external influences than high-SEs. They are more likely to seek approval from others and are willing to conform to the beliefs and behaviours of those they respect, than high-SEs.

Some ways in which managers can build employee self esteem may be listed thus.

Ways to Boost Employee Self-esteem

- Reinforce employees' positive attitudes and skills
- Provide positive feedback whenever possible
- Break larger projects into smaller tasks and projects
- Express confidence in employees' abilities to complete their tasks
- Provide coaching whenever employees are seen to be struggling to complete tasks.

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1.19.3 Self-monitoring

Self-monitoring refers to the ability of an individual to adjust his behaviour to external, situational factors. High self-monitors show great flexibility in adjusting their behaviours to external situational influences. They pay more attention to what others say and how others behave. They can put on different faces for different individuals. They will be more successful on jobs that require position holders to play multiple and even contradictory roles. High self-monitors are criticized for being chameleons, always able to adapt their self-presentation to their surroundings, low self-monitors are often criticized for being on their own planet and insensitive to others.

1.20 THEORIES OF PERSONALITY

Over the years, researchers have developed a number of personality theories while trying to find answers to questions such as what is personality. How is behaviour influenced by personality, and son on. These are listed below:

1.20.1 Psychoanalytical Theory

The theory, developed by Sigmund Freud, emphasizes the unconscious determinants of behaviour. According to Freud, personality is the outcome of three interrelated and interacting forces, namely, the id, ego and superego.

- **Id** consists of everything that is inherited psychologically and is present at the time of birth. It is the foundation of the unconscious mind and is the source of libido (psychic energy that seeks pleasure, tries to avoid pain and wants immediate satisfaction of all desires) drives. It strives for sexual gratification and other biological pleasures. It is instinctive, often unconscious and unrecognized and is unaffected by socially or culturally determined restrictions. Id basically represents an individual's natural urges and feelings. However, it cannot act on its own; it can only fantasize and force the person to satisfy the desires immediately. Id is largely childish, irrational, never-satisfied and always demanding.



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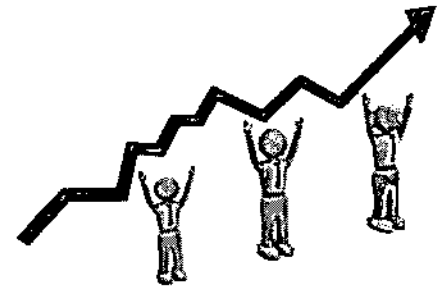
- **Ego** is the logical, rational and realistic side of the personality. It keeps the Id in check and takes decisions rationally after evaluating the facts in a realistic and objective manner. The demands made by Id, of course, would be met but only at an appropriate time and in an acceptable manner.
- **Superego** is the moral side of the personality. It represents the noblest thoughts, ideals, feelings that are acquired by a person from his parents, teachers, friends, religion, organisation, and colleagues etc. Labelled as the 'ego-ideal' it tells a person whether the action proposed by 'ego' is right or wrong so that the person acts in accordance with the values and standards set by the society. Acting as a kind of moral police, superego thus restricts the freedom enjoyed by the 'ego' and in some respects it is antithesis of Id. In actual world, the Id is striving for satisfaction, the ego is trying to delay it and the superego demands morality above all. If people violate the prohibitions set by superego, they may feel guilty and even indulge in self-punishment.

By nature, therefore, the Id, ego and superego will always be in a state of constant friction and tension. Conflicts between the *id* (the pleasure seeking element), the superego (the noble and idealistic element) and the ego (the compromising element) will often force people to develop certain defence mechanisms (such as aggression, regression, rationalization, denial and so on. Such defence mechanisms, according to Freud, are necessary to reduce the tension and anxiety caused by conflict between the three elements of personality.

Evaluation

The psychoanalytical theory proposed by Freud has undoubtedly revealed the importance of unconscious processes in human behaviour. Researchers have assigned a place of importance to the theory on account of four specific reasons discussed as follows:

1. **It is deterministic:** Behaviour is assumed to have been caused. Surprisingly, even unconscious slips are considered to exhibit or reveal a certain meaning.
2. **It is dynamic:** It assumes that human action results from psychic energy called libido (i.e., life maintaining and pleasure-seeking energy that becomes attached to or withdrawn from various goals and objects
3. **It is developmental:** Human development begins at birth and progresses through life.
4. **It is structural:** The three basic structures of personality are id, ego and superego. These three elements are interrelated and each cannot exist in isolation from others.



The idea of a person being motivated more by unseen influences than by conscious and rational processes is universally welcomed and is being used by behavioural scientists all over the globe. However, researchers have attacked the theory on methodological grounds. Scientific verification of what Freud has proposed through

repeated experimentation is not possible because his constructs are difficult to define and are largely ambiguous.

1.20.2 Type Theories

The type theories try to bring some amount of order into the theories of personality, by classifying individuals into convenient categories. Sheldon's physiognomy theory and Carl Jung's extrovert and introvert theories are the two important type theories that merit attention here:

- **Physiognomy Theory:** According to Sheldon there is some relationship between the physique types (like the features of the face or body type) of individuals and their personality temperaments. He identified three body types – endomorphic, mesomorphic and ectomorphic. One pitfall of this theory is the inherent generalization. There is almost unfailing tendency on the part of many people to pigeonhole every person into one category or another.
- **Extrovert-Introvert Theory:** According to Carl Jung an extrovert is sociable, lively, impulsive, seeking novelty and change, carefree and emotionally expressive. Introverts, on the other hand, are basically shy, prefer to remain aloof, and are unexpressive. They are quiet, introspective, intellectual, well-ordered, and value-oriented. Few persons are complete extroverts or introverts but a combination of the two types help capture a snapshot of an individual.

1.20.3 Trait Theories

A trait is an enduring attribute of a person that appears constantly in a variety of situations. The major components of trait theory are: (i) Traits distinguish one person from another, (ii) Traits can be measured, and used to summarize behaviour, (iii) Traits and the resultant behaviour patterns are said to be fairly stable over time. So, on the basis of trait theory, people can be described as aggressive, impulsive, sentimental or romantic and (iv) Although there are many traits that are common to most people, there are many other traits that are unique to an individual and are not shared by other people. The problem with personality traits is that the list of individual traits is fairly long. In one study 17,953 individual traits were identified. Another researcher isolated 171 traits from out of which 16 primary traits were found to be most helpful in predicting behaviour patterns:

Evaluation: Trait theories, on the negative side, suffer from the following limitations (i) Traits may be too abstract. For example, the scale of measuring, anxiety may be abstract. (ii) Trait theory focuses attention on isolated traits without specifying how these traits are organised within a person. Without knowing which traits are more important and how they are related to other traits of an individual, it is not possible to come out with an appropriate description of an individual's personality. (iii) Another drawback of trait theories is that they are essentially descriptive rather than analytical.

1.20.4 Self Theory

According to the Self Theory, the individual himself is the centre of experience. His self-image is a reflection of how he looks at himself (Rogers terms this as "I") and his

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perception of how others view him (termed as "Me" by Rogers). Rogers has defined "Me" as social self and "I" as personal self. Personal self is nothing but one's own mirror image guiding our beliefs, thoughts and actions. Social self is the way a person appears to others or others appear to him. Behaviour is the outcome of the realisation of "Me" or is a reflection of inner self. "Me" is what "I" believe others expect from me. The relationship between "I" and "Me" shapes one's personality. As the individual interacts with his environment, his own concept of self develops, grows and matures over a period of time. Positive responses from the environment would reinforce our self-image and likewise, any negative responses from the environment would lower our self image creating tension and anxiety. As Rogers commented "the basic nature of the human being when functioning fully, is constructive and trustworthy. The self generally takes the initiative in improving the conditions in its environment so that the values of the self can be achieved."

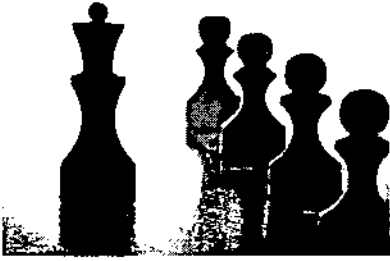
Evaluation

The self theory is appreciated on the ground that it is organised around the concept of self. It is the one in which personality and behaviour are largely determined by the individual, whereas, in other theories, the individual is the only medium through which behaviour is elicited after having been acted on by elements over which one has no control. In analysing organisational behaviour, it would be beneficial for the manager to understand the self concept because this concept influences the manner of applying various reinforcement, motivation and leadership techniques for achieving desired results. For instance, monetary rewards for performance, authoritarian leadership style and motivational strategies when applied to intelligent, independent, confident workers may prove to be ineffective. These techniques may yield fruitful results when applied to the unintelligent, insecure, indecisive workers.

1.20.5 Social Learning Theory

The main idea in Julian Rotter's Social Learning Theory is that personality represents an interaction of the individual with his or her environment. One cannot speak of a personality, internal to the individual, which is independent of the environment. Neither can one focus on behaviour as being an automatic response to an objective set of environmental stimuli. Rather, to understand behaviour, one must take both the individual (i.e., his or her life history of learning and experiences) and the environment (i.e., those stimuli that the person is aware of and responding to) into account. Rotter describes personality as a relatively stable set of potentials for responding to situations in a particular way. In fact, much of human learning is vicarious or observational. The social learning theory uses 'reinforcement and punishment' approach in understanding personality. For example, repeated failures caused by external circumstances may compel an individual to act tough and be aggressive. On the other hand, many acts of kindness that are rewarded by society in various forms may reinforce good behaviour. Thus, behaviour is caused by environment and is affected by environment in many ways.

General Principles of Social Learning Theory



1. People can learn by observing the behaviour is of others and the outcomes of those behaviours.
2. Learning can occur without a change in behaviour. Behaviourists say that learning has to be represented by a permanent change in behaviour, in contrast social learning theorists say that because people can learn through observation alone, their learning may not necessarily be shown in their performance. Learning may or may not result in a behaviour change.
3. Cognition plays a role in learning. Over the last 30 years social learning theory has become increasingly cognitive in its interpretation of human learning. Awareness and expectations of future reinforcements or punishments can have a major effect on the behaviours that people exhibit.

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Rotter sees personality, and therefore behaviour, as always changeable. Change the way the person thinks, or change the environment the person is responding to, and behaviour will change. He does not believe there is a critical period after which personality is set. But, the more life experience you have building up certain sets of beliefs, the more effort and intervention required for change to occur. Rotter conceives of people in an optimistic way. He sees them as being drawn forward by their goals, seeking to maximize their reinforcement, rather than just avoiding punishment.

1.21 IMPORTANCE OF MATCHING PERSONALITIES AND JOBS

Given the enormous amount of differences among individuals and among jobs, an important job of managers is to try to match a person and job characteristics so that work is carried out by people who are best suited for it. This requires that

- Managers be clear about what they expect employees to do.
- They should have a sense of the kinds of people who would succeed at work that needs to be executed.

The attempt to strike a rapport between the person and the requirements of the job is called *person-job fit*. When hiring and leading employees, managers should attempt to achieve person-job fit so that employees are more likely to contribute and remain satisfied. Whenever the nature of work changes, due to various reasons, managers should look into questions such as: how prepared are the employees? Are they going to voice their concerns? Will the employees be able to shoulder the additional burden? Personality, in the final analysis, does not lend itself to change. When person-job fit is poor, the manager must think of replacing employees or restructuring work. Research in this area indicates that job satisfaction is highest and turnover lowest when person-job fit is achieved. So, for fairly obvious reasons, social individuals should be in social

jobs and conventional people should be in conventional jobs. Nowadays, researchers also point out the need to achieve the *person-organisation fit* as well, in order to show excellence. In a way, this means selecting people who fit better with organisational culture and get along with people easily.

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1.22 APTITUDE, ABILITIES AND SKILLS

Apart from having a positive personality, one needs to have the aptitude, ability and skills in order to achieve success at the work place. Aptitude refers to a person's ability to learn something. Ability refers to a person's existing capacity to do various tasks using knowledge and skills to good effect. Skill refers to the dexterity in performing specific tasks – which, of course, comes through training and experience. Abilities are the knowledge and skills that a person possesses currently. Aptitudes, on the other hand, determine a person's potential abilities. Both terms are important in organizational behaviour, because of their impact on the performance of individuals in a firm. Generally speaking two types of ability affect performance: intellectual ability – capacity to perform various cognitive tasks – and physical ability – capacity to perform various physical activities.

- ✓ **Intellectual abilities or simply intelligence:** The term 'intelligence' refers to one's capacity to understand complex ideas. If a person is able to understand the challenges associated with a task clearly, he or she is able to show good performance. Psychologists prefer to divide intelligence into two categories: cognitive intelligence and practical intelligence.
- **Cognitive intelligence:** It refers to the ability to understand complex ideas, to adapt effectively to the environment, to learn from experience, to engage in various forms of reasoning and to overcome obstacles by careful thought. There are eight types of cognitive ability that require close attention:
 - (a) *Verbal ability:* The ability to understand and use spoken and written language.
 - (b) *Numerical ability:* The ability to solve arithmetic problems and deal with numbers.
 - (c) *Reasoning ability:* The ability to come up with solutions to problems and understand the principles by which different problems can be solved.
 - (d) *Deductive ability:* The ability to reach appropriate conclusions from an array of observations or evaluate the implications of a series of facts.
 - (e) *Ability to see relationships:* This refers to the ability to see how things are related to each other and then apply this knowledge to other relationships and solutions.
 - (f) *Ability to remember:* This refers to the ability to recall things ranging from simple associations to complex groups of statements or sentences.
 - (g) *Spatial ability:* This is the ability to determine the location or arrangement of objects in relation to one's own position and to imagine how an object could appear if its position or space were altered.

(h) *Perceptual ability*: The ability to uncover visual patterns and see relationships within and across patterns.

Different jobs require various blends of the above abilities. One needs to take the call intelligently keeping information, things, situations, people in the background. This is where creativity comes to play a great role. Creativity refers to the ability to produce a good number of unique and novel responses to problems and opportunities.

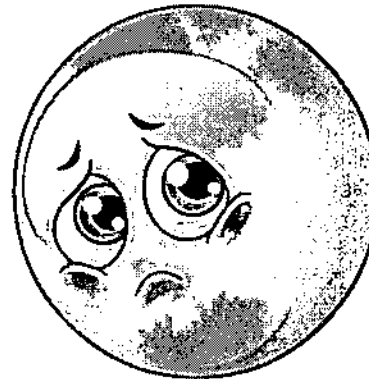
- ✓ **Practical intelligence**: It refers to the ability to devise effective ways of getting things done on a daily basis. People differ not only in cognitive ability but also in physical ability. There are two types of physical abilities – motor and physical skill – that require elaboration here. A motor skill is the ability to physically manipulate objects in an environment – such as reaction time, manual dexterity, speed of arm movement etc. The term physical skills refers to a person's fitness and strength – such as the ability to lift weights, stamina etc.

Both cognitive intelligence and practical intelligence are determined by biological as well as situational factors. Cognitive intelligence is determined by the genes we inherit from our parents, whereas practical intelligence is gained through experience and learning while dealing with situations that confront us on a daily basis.

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1.23 EMOTIONAL INTELLIGENCE (EI)

Psychologists have also come out with a third category called emotional intelligence (EI) which is essential for career progression and achieving success at the individual level. EI refers to the ability to make accurate judgements of emotions and to use such knowledge in order to improve one's own thinking. Emotions are intense feelings that are directed at someone or something. They are reactions to a person (seeing your class mate after a long time may make you happy) or event (like dealing with a rude client may make you angry for a while). You show your emotions when you are happy about something, angry at someone, or afraid of something. Although there are dozens of emotions, psychologists have universally agreed on six emotions that affect us, namely anger, fear, sadness, happiness, disgust and surprise. The term emotional intelligence refers to the ability to diagnose and recognize your own emotions, the ability to control your own emotions, the ability to recognize and diagnose the motions displayed by others and the ability to respond appropriately to those emotional cues. In other words, it implies an awareness of other's emotions, and a sensitivity to one's own emotions and the ability to control them. Actually, according to Goleman emotional intelligence is a combination of five competencies, namely:



Emotional Intelligence

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1. **Self-awareness** is the ability to recognize a feeling as it happens, to accurately perform self-assessments and have self-confidence. It is the keystone of emotional intelligence.
2. **Self-management** or self-regulation is the ability to keep disruptive emotions and impulses in check (self-control), maintain standards of honesty and integrity (trustworthiness), take responsibility for one's performance (conscientiousness), handle change (adaptability), and be comfortable with novel ideas and approaches (innovation).
3. **Motivation** is the emotional tendency guiding or facilitating the attainment of goals. It consists of achievement drive (meeting a standard of excellence), commitment (alignment of goals with the group or organisation), initiative (acting on opportunities), and optimism (persistence reaching goals despite setbacks).
4. **Empathy** is the understanding of others by being aware of their needs, perspectives, feelings, concerns, sensing the developmental needs of others.
5. **Social skills** are fundamental to emotional intelligence. They include the ability to induce desirable responses in others by using effective diplomacy to persuade (influence); listen openly and send convincing messages (communicate); inspire and guide groups and individuals (leadership); nurture instrumental relationships (building bonds); work with others toward a shared goal (collaboration, cooperation); and create group synergy in pursuing collective goals.

People who know their own emotions and are good at reading emotion cues – for instance, knowing why they are angry and how to express themselves without violating rules and regulations – are most likely to be effective. People with emotional intelligence are generally branded as street smarts, showing superior performance while at work. Such people are also able to respond appropriately to the emotions of others. In an organisation, the emotional intelligence of managers plays an important role in shaping the behaviours of subordinates. As Goleman explained it, "a cranky and ruthless boss create a toxic organisation filled with negative underachievers who ignore opportunities, an inspirational inclusive leader spawns acolytes for whom any challenge is surmountable". Of course, emotional intelligence is a vague concept and is difficult to measure. Most researchers also feel that being self aware or self-motivated or having empathy is a matter of intellect. Some critics also argue that because emotional intelligence is so closely related to intelligence and personality, once you are able to control these factors, EI has nothing unique to offer.

1.24 SUMMARY

- People join organisations with a lot of expectations. Organisations, in turn, seek superior performance, sincere and dedicated work from employees. Managers have to balance these demands and deliver results.
- Organisational behaviour is a study of human attitudes, behaviour and performance: OB is a distinct field of study and it is interdisciplinary in nature. It is enriched by inputs received from social sciences, such as psychology, sociology, anthropology, economic, political science etc.

- OB models focus attention on three distinct levels of analysis – individuals, groups and organisations. It tries to look into the impact the individuals, groups and organisations have on people working inside an organisation.
- Over the years, five models of OB have emerged, namely: autocratic, custodial, supportive, collegial and systems.
- Organisational behaviour, as things stand now, has benefited from contributions from numerous research studies and experiments carried out at various points of time. The following approaches have been presented in the chapter:
- The *classical approach* emphasized the need for a structure with well defined rules, regulations and lines of authority.
- The *behavioural approach* shifted the focus to human and social needs. Structure has no meaning unless you sell the idea to employees and take them along with you.
- The *quantitative approach* emphasized the application of quantitative analysis to management decisions and problems. The focus was more on solving technical rather than human behaviour problems.
- The *systems approach* looked at organisations as a series of inputs, transformation process and outputs. It viewed the organization as an entity with interrelated parts with a unifying purpose, surviving and flourishing in its environment.
- The *situational/contingency approach* encouraged managers to use the concepts and methods of traditional, behavioural and systems viewpoints, depending on the circumstances they face at the time.
- Thanks to the LPG era, modern jobs have become quite complex in nature where employees are compelled to be proficient in a variety of areas.
- Understanding human behaviour is central to the success of any cooperative effort.
- Behaviour is a function of the person and the environment
- To be successful, managers should focus attention on the person-job fit
- Five different models of man have gained popularity over the years; depending on the managerial assumptions about people. These models have come to occupy the centre stage, depending on their historical appearance.
- Personality is the sum total of unique ways in which an individual reacts and interacts with others.
- Each person is unique, has some stable patterns of behaviour and consistent internal states.
- The major determinants of personality are grouped under the following heads: biological, personality, cultural, family and social and situational.
- The big five personality dimensions are: extroversion, agreeableness, conscientiousness, emotional stability and openness to experience.
- Other important personality traits that managers need to be aware of in order to understand workplace behaviour are: locus of control, authoritarianism, Machiavellianism, Type A and Type B behaviour patterns, and the self concept

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- To get the best out of people and to ensure efficient and effective results, managers need to put the right man on the right job as well.
- In addition to possessing different personalities, employees also differ in their abilities, or what they are capable of doing. The two major types of ability are cognitive ability and physical ability. Emotional and social intelligence is what it takes people to the top of career ladder in most cases.

TEST QUESTIONS

1. What is organisational behaviour and why is it important?
2. Examine the fundamental concepts that form the basis of OB. Which concepts do you think are more important than the others? Explain why?
3. Discuss the nature, scope and importance of OB.
4. What is the need of OB? Can you provide some justification?
5. Explain briefly the features of modern OB.
6. What is OB? Discuss its nature. What are the contributing disciplines to OB?
7. Examine the trends in the models of OB as they have developed over a period of time. Why have the trends moved in a positive direction?
8. What is a contingency approach to OB?
9. What are the three levels of analysis in the OB model suggested in the text. Are they related? If so, how?
10. Assume that a friend comments thus: "OB is selfish and manipulative, because it serves only the interests of management." How would you respond to this statement?
11. Do you think OB can contribute to both the effective functioning of organisations and to the well-being of individuals at the same time? Illustrate with a few some examples.
12. OB deals with human thoughts, feelings, emotions and actions in a work setting. Explain how an individual's behaviour at home and in society affects his behaviour in organisational environment.
13. "Why do managers often describe people problems as their most frequent and challenging difficulties?"
14. "Understanding human behaviour in organisations is central to the success of any cooperative effort." Critically examine the statement.
15. Discuss briefly the various schools of management thought.
16. What is bureaucracy? Outline the features of a bureaucratic form of organisation. Point out its merits and demerits.
17. Explain the principal contributions of F.W. Taylor to the development of management thought.
18. List the Fayol's principles of management.
19. "The work of Taylor and Fayol is essentially complementary". Do you agree? Why or why not?

20. Write short notes on
 - (a) Open system and closed system
 - (b) Systems theory and contingency theory
 - (c) Scientific management and administrative theory
21. Distinguish between Human Relations Theory and Scientific Management.
22. What are the major findings of Hawthorne Experiments? Examine their significance for the practising manager.
23. The neo-classical approach to the management has not provided any such thing as to replace the classical management theory. Do you agree with this statement?
24. What are the major contributions of the Hawthorne experiments to the present day organisations?
25. Distinguish between human relations approach and human resources approach to organisations.
26. What are the major limitations of the neo-classical theory of management? Also point out its superiority over the classical management theory.
27. What is the systems approach to management? Examine the salient features of this approach.
28. Explain the importance of the systems approach to the study of management. What are the limitations of this approach?
29. Write an explanatory note on the contributions of Peter Drucker to management thought.
30. What is the contingency approach to the study of management? Do you think it is an improvement over the systems approach? Explain.
31. "The contingency approach to management is a common sense approach". Comment.
32. Why is it important for every manager to understand the many different management theories that have been developed?
33. Can a manager use tools and techniques from several different perspectives at the same time? For example, can a manager use both classical and behavioural perspectives? Why or why not?
34. Do you think that management theory will ever be as precise as theories in the fields of accounting, finance or experimental psychology? Why or why not?
35. Give a detailed account of various models of man. Which of the models is superior, you feel, and why?
36. Behaviour is always not rational. What is the logic behind non-rationality in human behaviour?
37. Human behaviour is complex. Do you agree with this statement? Also explain the operational implications of complex nature of human being.
38. How do you explain the congruency between individual goals and organisational objectives?
39. Human behaviour is more complex than what people generally believe. Do you agree with this? What are the factors that add complexity to human behaviour?

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40. Wal-Mart is known for maintaining a very high ratio of part time to full-time employees, in order to keep costs down. Employment of part time employees at minimum or near-minimum wages is one of the reasons the chain can offer lower prices to customers. Would you be willing to pay higher prices at stores such as Wal-Mart so that more full time employees could replace part time employees?
41. "Human behaviour is a function of person and environment". Comment.
42. Is there any organisation where individual goals do not come in conflict with the organisational goals?
43. How do you define personality? What are its major determinants?
44. What is the role of personality in the study of organisational behaviour?
45. Briefly explain the various theories of personality. How will you integrate various theories to get a satisfying view of personality?
46. Describe the Type A and Type B behaviour patterns and describe the nature of Machiavellianism.
47. What are the major personality traits that managers need to be aware of in order to understand workplace behaviour?
48. Write short notes on
 - The self-concept
 - Locus of control
 - Introvert vs. Extrovert
 - Emotional intelligence
49. Personality is an organised whole, without which an individual would have no meaning. Comment on the statement.
50. Critically analyse the statement that "the various psychological processes can be thought of as pieces of jigsaw puzzle, and personality as the completed puzzle picture".
51. Why might two individuals whose personalities are very similar behave differently in a given situation?
52. Why is it important for managers to achieve person-job fit when they are hiring employees?
53. Think of an important event in your life. Do you believe that the success or failure of the event was your responsibility (internal locus of control) or the responsibility of outside forces or people (external locus of control)? Has your belief changed since the event took place? How does your locus of control affect the way you now view the event?
54. Do you think that a Type A person or a Type B person would be better suited to managing a health care facility? Why?
55. Have you ever known someone you considered to be high in extraversion? If so, what kind of jobs do you think they would perform best? Worst?

2. GROUP DECISION-MAKING AND COMMUNICATION

NOTES

STRUCTURE

- 2.1 Introduction
- 2.2 Characteristics of Decision-making
- 2.3 Types of Decisions
- 2.4 The Decision-making Process: Three Models
- 2.5 The Classical Model of Decision-making
- 2.6 Administrative Decision-making: Bounded Rationality Approach
- 2.7 Intuitive Decision-making
- 2.8 Decision-making Conditions
- 2.9 Group Decision-making
- 2.10 Creativity
- 2.11 Lateral Thinking
- 2.12 The Creative Process
- 2.13 Conceptual Blocks to Creativity
- 2.14 Conceptual Block Bursting
- 2.15 Innovation
- 2.16 Nature of Communication
- 2.17 Importance of Communication
- 2.18 The Process of Communication
- 2.19 Channels of Communication
- 2.20 Communication Media or Methods
- 2.21 Barriers to Communication
- 2.22 Ten Commandments of Good Communication
- 2.23 Interpersonal Style: The Johari Window
- 2.24 Transactional Analysis
- 2.25 Summary

2.1 INTRODUCTION

Decision-making is an important part of management process. It covers every part of an enterprise. In fact, whatever a manager does, he does through decision-making only. Managers are essentially decision makers only. Almost everything managers do, involves decision-making. Managers scout for problems, make decisions for solving

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them and monitor the consequences to see whether additional decisions are required. Good decision-making is a vital element of good management because decisions determine how the organisation solves its problems, allocates its resources and accomplishes its goals. However, decision-making is not easy. It must be done amid ever changing factors, unclear information and conflicting points of view. A decision is a choice made from available alternatives. Decision-making is the process by which individuals select a course of action among several alternatives, to produce a desired result. Decision making is the process through which managers identify organisational problems and attempt to resolve them.

2.2 CHARACTERISTICS OF DECISION-MAKING

The important characteristics of decision-making may be listed thus:

1. **Goal-oriented:** Decision-making is a goal-oriented process. Decisions are usually made to achieve some purpose or goal. The intention is to move 'towards some desired state of affairs'.
2. **Alternatives:** A decision is characterized by two activities—search and choice. The manager searches for opportunities to arrive at decisions and for alternative solutions so that action may take place. Choice leads to decision. When there is no choice of action, no decision is required. The need for decision-making arises only when there is some uncertainty about the outcome.
3. **Analytical-intellectual:** Decision-making contains conscious and unconscious aspects. Part of it can be learned, but part of it depends upon the personal characteristics of the decision maker. Decision-making cannot be completely quantified; nor is it based mainly on reason or intuition. Many decisions are based on emotions or instincts.
4. **Dynamic process:** Decision-making is the process of identifying worthwhile things to do in a dynamic environment. It is a process of using inputs effectively in the solution of selected problems and the creation of outputs that have utility. A manager, for example, may hire people based on merit regularly and also pick up candidates recommended by an influential party, at times. Depending on the situational requirements, managers take suitable decisions using discretion and judgement.
5. **Pervasive function:** Decision-making permeates all management and covers every part of an enterprise. In fact, whatever a manager does, he does through decision-making only; the end products of a manager's work are decisions and actions. Decision-making is the substance of a manager's job.
6. **Continuous activity:** The life of a manager is a perpetual choice making activity. He decides things on a continual and regular basis. It is not a one shot deal.
7. **Commitment of time, effort and money:** Decision-making implies commitment of time, effort and money. The commitment may be for short term or long-term depending on the type of decision (for example, strategic, tactical or operating). Once a decision is made, the organisation moves in a specific direction in order to achieve the goals.

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8. **Human and social process:** Decision-making is a human and social process involving intellectual abilities, intuition and judgement. The human as well as social impacts of a decision are usually taken into account while making the choice from several alternatives. For example, in a labour-surplus, capital-hungry country like India, managers cannot suddenly shut down plants, lop off divisions and extend the golden handshake to thousands of workers, in the face of intense competition.
9. **Integral part of planning:** As Koontz indicated, 'decision making is the core of planning'. Both are intellectual processes, demanding discretion and judgement. Both aim at achieving goals. Both are situational in nature. Both involve choice among alternative courses of action. Both are based on forecasts and assumptions about future risk and uncertainty.

2.3 TYPES OF DECISIONS

The various types of decisions taken by managers at various levels in a organisation may be classified thus:

1. **Basic and Routine Decisions:** Basic decisions are decisions concerning unique problems or situations. They are one-time decisions demanding large investments. For example, decisions about launching a new product or buying a more advanced computer system are non-routine decisions. They require creativeness, intuition and good judgement on the part of managers. They are strategic decisions which affect the future of an organisation. On the other hand, routine decisions are repetitive in nature. They require little deliberation and are generally concerned with short-term commitments. They 'tend to have only minor effects on the welfare of the organisation'. Generally, lower-level managers look after such mechanical or operating decisions. For example, a supervisor can decide, whether an employee's absence is excused or unexcused on the basis of personnel policy guidelines. Usually, standard procedures are established to dispose of such repetitive problems quickly.
2. **Personal vs. Organisational Decisions:** According to Barnard, decisions can be divided on the basis of the environment in which they are made. Decisions to watch television, to study or retire early are examples of personal decisions. Such decisions pertain to managers as individuals. They affect the organisation in an indirect way. For example, a personal decision to purchase a Maruti rather than an Ambassador indirectly helps one firm due to the sale and hurts another because of the lost sale. The sudden decision of a popular singer to seek premature retirement may affect the film industry badly. In other words, personal decisions can 'have an impact beyond the immediate system on whose behalf they were made'. Organisational decisions are made by managers in their official or formal capacity as controllers and allocators of organisational resources. Unlike personal decisions, organisational decisions can be delegated. These decisions are aimed at furthering the interests of the organisation. Managers operate in an open environment. Results of their decisions are open for public view (subordinates, stockholders, customers, general public, etc.) and such results are generally measured in terms of the firm's earnings, welfare of the employees and the

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economic health of the community. In other words, managerial decisions have an impact on a greater number of people.

So, in order to survive and progress, managers are forced to make professional decisions, to make decisions that are based on rationality, judgement and experience. As pointed out by Levitt, 'the manager is judged not for what he knows about the work that is done in his field, but by how well he actually does the work'. In order to protect the long-term interests of the organisation, sometimes, a manager may be forced to adopt certain decisions which may be against his personal choices. For example, a manager who abhors unethical practices may tolerate deceptive product messages in company advertisements to ward off competitive pressures. To survive, the manager must be a professional decision maker. He is expected to resolve the conflicts that take place between organisational and personal decisions in a smooth way.

3. **Individual vs. group decisions:** As mentioned above, Individual decisions are taken by a single individual. They are mostly routine decisions. Group decisions, on the other hand, are decisions taken by a group of individuals constituted for this purpose (for example, Admission Committee of a College, Board of Directors in a company). Group decisions as compared to individual decisions, have far reaching consequences and impact a number of persons and departments. They require serious discussion, deliberation and debate.
4. **Programmed and Unprogrammed Decisions:** Herbert Simon has provided a popular classification scheme for managerial decisions—programmed and non-programmed. A programmed decision is one that is routine and repetitive. Rules and policies are established well in advance to solve recurring problems quickly. Thus, a hospital establishes a procedure for admitting new patients; a supervisor administers disciplinary actions against workers reporting late for work, a store clerk orders requisition for additional supplies, as soon as the existing stock drops below a specified level. On the basis of pre-established set of alternatives, programmed decisions can be made in a routine way. Since programmed decisions are relatively easy and simple for managers to make, they allow and equip managers for more challenging and difficult problem solving. However, routine procedures leave little room for the manager to choose. Judgement cannot be used and freedom is affected. Programmed decisions are usually made by lower level personnel in organisations "in which the market and technology are relatively stable, and many routine, highly structured problems must be solved." For example, in banks and insurance companies, the market and technology are relatively stable and usually routine problems confront operating personnel. Decisions are highly routinised and the decision maker simply recognises the problem to implement the predetermined solution.

Non-programmed decisions deal with unique/unusual problems. In such cases, the decision maker has to make a decision in a poorly structured situation—one in which there are no pre-existing, cut-and-dried solutions. Deciding whether to take over a sick unit, how to restructure an organisation to improve efficiency, where to locate a new company warehouse, whom to promote to the vacant position of Regional Manager at one of the company's plants, are examples of non-programmed decisions. The common feature in these decisions is that they are novel and non-recurring and there are no readymade courses of action to resort to. One good example of a non-programmed

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decision is Exxon Mobil's decision to form a consortium to drill for oil in Siberia. One of the largest foreign investments in Russia, the consortium committed \$4 billion before pumping its first barrel and expects a total capital cost of \$12 billion-plus. The venture could produce 250,000 barrels a day, about 10 per cent of Exxon Mobil's global production. But if things go wrong, the oil giant which has already invested some \$4 billion will take a crippling hit. Because, non-programmed decisions often involve broad, long-range consequences for the organisation, they are made by higher-level personnel only. Managers need to be creative when solving the infrequent problem and such situations have to be treated de novo each time they occur. Non-programmed decisions are quite common in organisations where situations are poorly structured and decisions being made are non-routine and complex.

Programmed vs. Non-programmed Decisions	
Programmed decisions	Non-programmed decisions
<ul style="list-style-type: none"> Concerned with relatively routine problems, they are structured and repetitive in nature. Solutions are offered in accordance to some habit, rule or procedure. Such decisions are relatively simple and have a small impact. The information relating to these problems is readily available and can be processed in a pre-determined fashion. They consume very little time and effort since they are guided by predetermined rules, policies and procedures. Made by lower level executives 	<ul style="list-style-type: none"> Concerned with unique and novel problems, they are unstructured, non-repetitive and ill defined. There are no pre-established policies or procedures to rely on. Each situation is different and needs a creative solution. Such decisions are relatively complex and have a long term impact. The information relating to these problems is not readily available. They demand a lot of executive time, discretion and judgement. Top management responsibility

5. **Rational vs. irrational decisions:** Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. It is, in fact, a by-product of rational and logical thinking, involving a series of steps. The decision making process is said to be rational when a decision maker evaluates problems systematically, develops alternatives and chooses the most suitable one on the basis of available data. When decisions are arrived at based on intuition and are not based on relevant facts and figures, they tend to be irrational. Irrational decisions follow the hit or miss kind of route and the outcomes could turn out to be unproductive and negative on most occasions. They tend to be judgemental in nature because the decision maker has not bothered to examine relevant data closely.

2.4 THE DECISION-MAKING PROCESS: THREE MODELS

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When people think of decision making in organizations, they are usually referring to decisions that are non-programmed and that require search for new and necessary information. In order to arrive at such decisions (non-programmed) two models are pressed into service generally. The first one is called the classical model and the second one is known as the administrative model. These are discussed below

2.5 THE CLASSICAL MODEL OF DECISION-MAKING

The classical decision-making model is a prescriptive model. It describes how people should make decisions. The manager is supposed to have all the information required to make a choice. He will evaluate all available alternatives and would pick up the one that maximizes the return in a given situation. This optimizing style is an ideal way to make decisions. The essential components of such a rational decision making process may be listed thus:

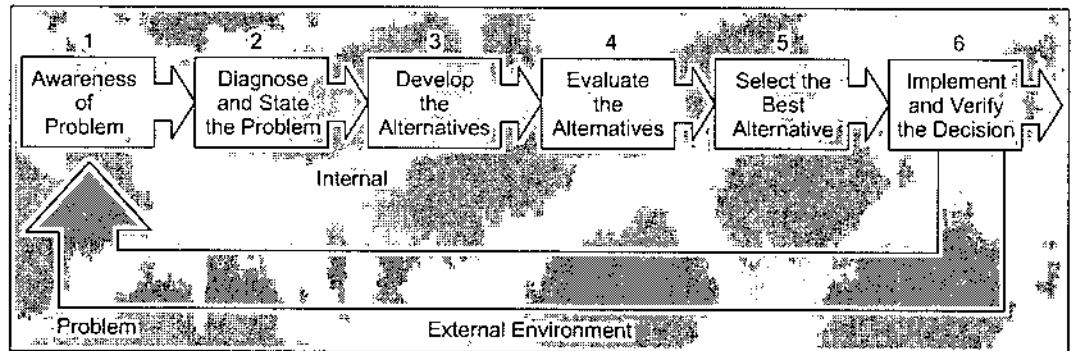


Fig. 2.1 The Process of Decision-Making

(The arrows in the model indicate constant reevaluation and feedback of every step in the decision-making process. Thus, managers are provided with useful information through which future decisions can be made.)

1. **Awareness of a problem:** The first step in the decision making process is recognizing the problem. Problems generally arise because of disparity between what is and what should be. To identify the gaps between the current and desired state of affairs, managers should look for problems that require a solution. They must focus attention defining the problem correctly instead of trying to find answers right away. In order to recognise problems, a manager is expected to monitor the decision-making environment, understand the possible causes and try to define the real problem carefully.
2. **Diagnose and state the problem:** A successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of a problem, he must state the real problem. He must try to solve the problem, not the symptoms. In order to state the true problems, the following questions should be looked into carefully:

- *What is the problem?* What is the difference between, what is and what should be? The difference between the current state and the desired state of affairs indicates the problem for the firm.
- *Which problems to solve?* At this stage the focus must be on problems that merit immediate attention and those that can be postponed for a future date.
- *What is the real cause of the problem?* To avoid the danger of prescribing a wrong medicine for the organisation, the manager should consider the decision environment properly. A well defined problem, as experts say, is already half-solved. Managers need to put the finger on the problem causing trouble by taking a 360 degree of view of everything that impacts a decision. According to Drucker, 'critical factor analysis' helps in identifying the causes properly. The critical factor spells the difference between actual and desired results. If a machine goes out of order due to non-availability of an essential component, the component is the strategic or critical factor. According to Barnard, the nature of the strategic factor will shift when the problem is defined correctly. After defining the problem, that is non-availability of the component, a new situation will arise, where the new limiting factor would be obtaining the component and so on. The important point is to list all the possible causes and testing each cause; trying to decide whether one is more likely than another; to have created the deviation between the current and desired state of affairs. To define the problem correctly, the decision maker should collect as many facts as he can and try to separate these facts from beliefs, opinions and preconceived notions.

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Making a Correct Diagnosis: The Warren Buffet Way

Newspapers often highlight the fact that Warren Buffet invests like a girl. The renowned billionaire investor— whose worth is nearly \$40 billion and leading the financial juggernaut Berkshire Hathaway—cannot be accused for not playing the market too often. His investment decisions always paid off well as is evidenced by the fact that \$1000 invested with him in 1956 is worth over \$ 28 million at the end of 2013. Buffet and female investors have something in common. Women trade much less than men, do a lot more research and tend to base their investment decisions on considerations other than just numbers. Patience and good decision making are other comforting elements. Buffet also spends lot of time running through truckloads of annual reports and financial statements carefully—to find out return on capital, debt component and whether the business is sustainable over the long run and offers good growth prospects etc—before taking the final call.

3. *Develop the alternatives:* Quite often managers rush to marry the first available option. They exhibit indecent haste to marry a comforting solution that looks like a real winner. Developing a sufficiently large number of alternative solutions at this stage, therefore, guarantees adequate focus and attention on the problem at hand. Managers should encourage people to come with varied points of view, alternative ways of doing things and encourage dissent in an effective manner. The ability to develop alternatives is as important as making a right decision among alternatives. Ingenuity, research and creative imagination are required to make sure that the best alternative is considered before a course of action is

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selected. The number of alternatives to be generated depends on various factors: time available to the decision maker, cost of each alternative and the importance of the decision itself. Within these constraints, managers should develop all possible alternative solutions because if the correct alternative is not considered and put into action, the problem cannot be solved.

4. **Evaluate the alternatives:** In this step, the decision maker tries to outline the advantages and disadvantages of each alternative. The consequences of each alternative would also be considered. The 'opportunity cost' method is suggested, quite frequently, in order to evaluate each alternative. When one alternative is selected in place of another – like choosing a scooter in place of a motor cycle – the cost of the selected one (scooter) is measured in terms of the benefits available from the rejected one (motor cycle). The point is that subjective judgement invariably creeps into the decision-making process. The final decision in most of the cases is a product of deliberation, evaluation and thought.
5. **Select the best (most beneficial) alternative:** In this step, the decision maker merely selects the alternative that will maximise the results in terms of existing objectives. This step essentially involves questions such as the anticipated costs and benefits of each listed alternative, estimating the uncertainties and risks associated with each alternative, and picking up an alternative that would bring a firm nearer to its goals. Choosing consists of selecting the alternative with the highest possible payoff based on the benefits, costs, risks and uncertainties of all alternatives.

Management insight: How Netflix Reinvent itself in a Dynamic Environment ?

After Reed Hastings misplaced a rented videotape of Apollo 13 and was charged a six weeks-late fee of \$40 he found the defining moment to set up the video rental business in place. Netflix came into existence in 1997 allowing users to borrow and return videos by mail, placing orders via the Internet.

The battle for DVD market

Netflix engineered its operations beautifully to win the battle for DVD-by-Mail market supremacy. Netflix was able to buy the DVDs in a retail store (copyright law allowed it to rent out those DVDs) and deliver them in a more "consumer-friendly model of no late fees and big selection [that] overpowered the immediate convenience of going to a corner store to pick up a movie for a night. It could buy huge quantities of DVDs cheaply, it set up a great computer system so people could order their DVDs, and its process for delivering and collecting DVDs was well-engineered. Then along came video streaming. With more people using smartphones and tablets, it has become much more convenient for people to watch movies on these devices rather than plopping themselves in front of their TV sets and plugging a DVD into an attached player. For the last several years, Netflix has been struggling with how to survive the transition of customers who wanted to dump its DVD-By-Mail service and watch streaming videos instead. This struggle led to its highly controversial July 2011 pricing policy of raising prices as much as 60%. The new deal made customers pay \$16 a month for one DVD out at a time plus Internet-streaming – up from \$10 a month for the combined package before the new rate went into effect for existing subscribers at the beginning of September 2011. Netflix stock plunged. Unfortunately for shareholders, what it takes to win in the online streaming business is very different from DVD-by-Mail's key success factors. That's because Netflix is in a much weaker bargaining position with the owners of the digital videos — it has to engage in painful negotiations with studios and they have no incentive

to cut Netflix a break — especially after watching Netflix eat their lunch with DVDs. These higher costs showed up in Netflix's financial statements. For example, by the end of June 2011, Netflix's accounts payable had climbed 218% from \$137 million at the end of 2010 to \$435 million.

Online streaming

To its credit, Netflix did not give up with its efforts to succeed in online streaming. Since it could not convince studios to let it license great online content on attractive terms, Netflix decided to get into the studios' business of creating great content — referred to as backward integration. In February 2013, Ted Sarandos, Netflix's chief content officer, told *GQ* "the goal is to become HBO faster than HBO can become us." And that strategy appears to be paying off. Netflix's first quarter results were much better than expected. Its stock soared 24% in after-hours trading to \$215.40 — on April 22, it announced that it had gained two million new U.S. customers in the first three months of 2013 — reaching 29.2 million — which was 200,000 more than the average of seven estimates compiled by *Bloomberg*.

Successful Moves

Netflix has created one very popular series — *House of Cards*. And it has launched a second series original — *Hemlock Grove*. Its third series, a 15-episode revival of "*Arrested Development*" will become available on Memorial Day. As Piper Jaffray analyst, Michael Olson, told the *New York Times*, "It appears original programming may be driving better subscriber numbers. At the least, we believe original exclusive programming is reducing subscriber churn." Another factor in Netflix's online subscriber growth is pricing. It announced Monday a new subscription option that could allow Netflix to profit from password-sharing for its streaming video service. The new option — four simultaneous streams for \$11.99 — will supplement its existing \$7.99 a month service that limits subscribers to two simultaneous streams. Netflix has yet to complete the transition from a winner in DVD-by-Mail to the leader in online video streaming. That's because its subscribers will want to watch more than just original Netflix programming — and obtaining that will continue to be costly. Moreover, not all of its original series are going to be wildly popular. But its strategy of backward integration suggests that Netflix may be able to assemble the capabilities needed to continue to deliver superior value to consumers despite fundamental improvements in technology that undermine the business in which it previously prevailed. And that will make Netflix an interesting company to watch when it comes to learning how companies should reinvent themselves. (www.forbes.com 4/23/2013)

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6. **Implement and verify the decision:** After making a decision, the manager must implement it. He must see, whether it has actually worked out or not. In other words, he must seek feedback regarding the effectiveness of the implemented solutions. Feedback allows managers to become aware of the recent problems associated with the solution. It permits managers to monitor the effects of their acts, to gauge their success. They can evaluate their own decision-making abilities. It would be better to establish follow-up procedures to evaluate the decision. Managers can set up a budget; allocate time and money; assign responsibility for individuals to work out the specific tasks involved. They can fix up a time for obtaining the periodic progress reports, regarding how the decision is actually implemented. If the decision is not yielding the desired results and the decision turns out to be a poor one, they should not hesitate to reverse the trend. They should not hesitate to ride out a decision that does not accomplish its objective.

The Concept of Rationality

The classical model thus prescribes a consistent and value maximizing procedure to arrive at decisions. It turns the decision maker into an economic being trying to pick up the best alternative for achieving the optimum solution to a problem. According

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to the classical model, the decision-maker is assumed to make decisions that would maximise his or her advantage by searching and evaluating all possible alternatives. The decision-making process, described in the earlier section, is based on certain assumptions:

- **Decision-making is a goal-oriented process:** According to the rational economic model, the decision-maker has a clear, well-defined goal that he is trying to maximise. Before formulating the goal, the decision-maker can identify the symptoms of a problem and clearly specify one best way to solve the same.
- **All choices are known:** It is assumed that in a given decision situation, all choices available to the decision-maker are known or given and the consequences or outcomes of all actions are also known. The decision maker can list: (i) the relevant criteria; (ii) feasible alternatives; and (iii) the consequences for each alternative.
- **Order of preference:** It is assumed that the decision maker can rank all consequences, according to preference and select the alternative which has the preferred consequences. In other words, the decision maker knows how to relate consequences to goals. He knows which consequence is the best (optimality-criterion).
- **Maximum advantage:** The decision maker has the freedom to choose the alternative that best optimises the decision. In other words, he would select that alternative which would maximise his satisfaction. The decision maker has complete knowledge and is a logical, systematic maximiser in economic-technical terms.

Causes of Bounded Rationality

The above model is prescriptive and normative; it explains how decision makers ought to behave. Rationality is an ideal and can be rarely achieved in an organisation. Many factors intervene in being perfectly rational, namely:

1. **Impossible to state the problems accurately:** It is often impossible to reduce organisational problems to accurate levels. An accurate, precise and comprehensive definition of the problem as assumed under the model may not be possible. Moreover, relevant goals may not be fully understood or may be in conflict with each other. Striking a balance between goals such as growth, profitability, social responsibility, ethics, survival, etc., may be difficult and as such, the assumption that the decision maker has a single, well-defined goal in an organisational setting appears to be unfortunate.
2. **Not fully aware of problems:** Frequently, the manager does not know that he has a problem. If the organisation is successful and is flourishing, managers may not be in a position to assign their valuable time to searching future problems. As rightly commented by Weber's, if current performance is satisfactory, few of us use present time to search for future problems
3. **Imperfect knowledge:** It is too simplistic to assume that the decision-maker has perfect knowledge regarding all alternatives, the probabilities of their occurrence, and their consequences. Indeed managers rarely, if any, have access to perfect information.

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4. **Limited time and resources:** Most managers work under tremendous pressure to meet the challenges posed by internal as well as external factors. They have to operate under 'do or die' situations and investing more time than necessary would mean lost opportunities and consequently, lost business. This pressure to act pushes the decision managers to choose quickly. Moreover, obtaining full information would be too costly. If resources are limited, the decisions should be taken in such a manner so as to achieve efficiency and effectiveness. Less effective solutions may be accepted, if substantial savings are made in the use of resources. Working under severe time and cost constraints, managers may settle down for less optimal decisions rather than wasting time and effort in finding an 'ideal' solution.
5. **Cognitive limits:** Most of the decision makers may not be gifted with supernatural powers to turn out a high-quality decision, every time they sit through a problem. They may not be able to process large amounts of environmental information, loaded with technicalities and competitive data, thoroughly. Also, difficulties arise in relating them successfully to confusing organisational objectives. When managers are invaded with intricate details regarding various fields, they try to simplify the decision-making process by reducing the number of alternatives to a manageable number. When the thinking capacity is overloaded, rational decisions give way to bounded decisions. Instead of considering eight to ten alternatives, managers may deal with only three or four, to avoid overloading and confusion. They simplify the 'complex fabric of the environment', into workable conceptions of their decision problems.
6. **Politics:** The normative model, unfortunately, ignores the influence of powerful individuals and groups on the decision-making process. Many studies have revealed decision-making to be political in nature, accommodating the dissimilar and sometimes, conflicting interests of different groups (labour unions, consumer councils, government agencies, local community). In order to satisfy these groups, the decision maker may have to assign weightage to less optimal solutions, at the expense of organisational efficiency.

Thus, the rational economic model is based on a defective logic and reasoning. It is an idealistic, perhaps even naive, model of decision-making which works only when all the underlying assumptions prevail. The complexities of the real world force us to reject the traditional concepts. We are compelled to consider a more realistic theory which receives inputs from both the quantifiable and non-quantifiable variables: a theory which 'focuses on human involvement in the various steps of the (decision-making) process and allows for the impact of numerous environmental factors'.

2.6 Administrative Decision-making: Bounded Rationality Approach

The objective of the administrative model, also known as the behavioural theory, proposed by Herbert A. Simon and refined by Richard Cyert and James March, is to explain the decision-making behaviour of individuals and organisations. According

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to Simon, people carry only a limited, simplified view of problems confronting them because of certain reasons: (i) They do not have full information about the problems. (ii) They do not possess knowledge of all the possible alternative solutions to the problem and their consequences. (iii) They do not have ability to process competitive environmental and technical information. (iv) They do not have sufficient time and resources to conduct an exhaustive search for alternative solutions to the problems. Thus, human and organisational limitations make it impossible for people to make perfectly rational decisions. There are always 'boundaries to rationality' in organisations. Table below explain the differences between the two theories.

Differences between the Rational-Economic Model and Administrative Model	
The Rational-Economic Model	The Administrative Model
<ul style="list-style-type: none"> • Perfect rationality • Perfect knowledge of problems, consequences and outcomes • Normative • Exhaustive search for a number of alternatives • Optimal decisions • Concentration on technical economic terms, and quantifiable variables. 	<ul style="list-style-type: none"> • Bounded rationality • Imperfect knowledge of problems, consequences/outcomes • Descriptive • Search for a seemingly feasible alternative rather than an exhaustive list. • Satisficing good enough for adequate decisions. • Concentration on behavioural aspects; the decision-making process receives inputs both from quantifiable and non-quantifiable variables.

What are Satisficing Decisions?

According to the behavioural theory, optimality is a Utopian concept. Again, there is no way to identify optimality and establish a measure of goodness. The decision-making process cannot be a scientific process where there are no explicit, clear-cut and idealised goals. Real life challenges, time and cost limitations, political pressures from internal and external constituencies force the decision maker to work under conditions of 'bounded rationality'. It means that he rarely tries to find the optimum solution to a decision problem. Instead of conducting an exhaustive search, they search for a limited number of alternatives and stop when they are able to meet the standards established by them (subjective) previously, to satisfy their goals. This search stops when they reach a point that meets their subjective standards. They select a course of action whose consequences are good enough. Subjective rationality would be preferable to objective rationality where people have to take decisions under time and cost limitations. Thus, instead of searching for and choosing the best alternative, many managers accept

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decisions that are only 'good enough', rather than ideal. Such decisions are referred to as 'satisficing decisions' "the Scottish word meaning 'satisfying'. Examples of satisficing criteria include "fair price", "reasonable profits", "adequate market share", etc. According to March and Simon, it is often, too inefficient or too costly to make optimal decisions in organisations. For example, while selecting a new employee, the organisation can just hire the first applicant who meets all the minimum requirements instead of wasting time and effort looking for an ideal personality. According to Hitt, Middlemist and Mathis, satisficing can occur for various reasons: (i) time pressure; (ii) a desire to sit through a problem quickly and switch on to other matters; (iii) a dislike for detailed analysis that demands more refined techniques; (iv) to avoid failures and mistakes that could affect their future in a negative way. In many situations, putting off a decision until full information is obtained may prove to be a costly mistake. It may result in lost opportunities and lost markets. Simon's administrative model, thus, provides a highly useful approximation to how decision-makers actually operate. It is a realistic approach. By examining decision-making process in a fragmented fashion, it provides reasonable freedom and flexibility for managers while deciding on important matters. It also highlights the importance of looking into the behavioural aspects in the decision-making process. This knowledge certainly helps in the understanding of how and why managerial decisions have been made.

2.7 Intuitive Decision-making

Decision making is not something that is perfectly rational. Most of the time managers may simply arrive at decisions based on a gut feeling or intuition. Decision makers may simply rely upon their experience, self-confidence in order to process bundles of data surrounding a problem or opportunity and decide to move ahead in one direction. Intuitive decision making involves an unconscious process that incorporates the decision maker's personality and experience in arrive at a decision. Intuitive decision making, simply, happens because of certain reasons:

- The problem is surrounded by high levels of uncertainty
- There is no history or past experience to draw upon
- Time pressures could be intense
- The alternatives may all seem to work but may not be amenable for a thorough analysis

So the verdict is clear. When uncertainty is high, time pressures are mounting up and complexity surrounds an issue, intuitive decision making is the obvious choice. The rational and administrative models seem to work in a certain setting. However, in chaotic, rapidly changing and pressure-packed situations, there is enough room for intuitive decision making to be relied upon. To find a way in those situations, of ten decision makers may choose to strike rapport between a systematic approach and an intuitive path.

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Bookseller Borders faced a problem: declining sales. The book industry in general had become sluggish as consumers filled leisure time with other activities. Other exciting forms of entertainment were eating away the time of book lovers like internet surfing, gaming, etc. Even the book lovers started looking at online stores that offered enticing discounts. Borders did not recognize the need for having its own website to resolve the issue. It chose a different path and entered into an alliance with Amazon to sell its books online. It wanted to increase the physical count of stores in order to push sales. Sad to relate, the customers never came as expected. The online sales soared in the interim. Decisions based on logic and reasoning do not seem to work in a changing environment. For many years, though established in 1994, Amazon never made money for investors to rejoice. Jeff Bezos, the CEO worked hard to convince investors, critics and even his own managers that the online bookstore would certainly deliver results. Despite his optimism, many experts gave a low probability that Amazon.com would ever report a profit. Proving most people in the market wrong, Amazon reported its first profit in the fourth quarter of 2001 and never looked back. Jeff Bezos gut feeling that the online stores will run ahead of competition paid off handsomely in the end. Surprisingly, Amazon is proving to be the biggest threat to the existence of the big box retailers such as WalMart in recent times!

2.8 Decision-making Conditions

Every decision situation can be organised on a scale according to the availability of information and the possibility of failure. The four positions on the scale are certainty, risk, uncertainty, and ambiguity. The four positions on the scale shown below are certainty, risk, uncertainty and ambiguity. Whereas programmed decisions can be arrived at in situations involving certainty, many situations that managers deal with every day involve at least some degree of uncertainty and require non-programmed decision making.

- (a) **Certainty:** When the decision-maker knows with reasonable certainty what the alternatives are and what conditions are associated with each alternative, a state of certainty exists. For example, if a company considers ₹ 1,00,000 investment in new equipment that it knows for certain, will yield ₹ 40,000 in cost savings per year over the next five years, managers can calculate before tax rate of return of about 40 per cent. If managers compare this investment with the one that will yield only ₹ 30,000 per year in cost savings, they can safely select the 40 per cent return. However, few decisions are certain in the real world. Most contain risk or uncertainty.
- (b) **Risk:** Risk means that a decision has clear-cut goals and that good information (incomplete but reliable, factual information) is available, but the future outcomes associated with each alternative are subject to chance. In this case, some information is available but it is insufficient to answer all questions about the outcome. Lotus had bet on IBM's OS/2 as the likely successor to the DOS software operating system that controlled basic PC functions and was caught off guard by the success of Windows. It was an expensive mistake, compounded when the first Windows version of 1-2-3 arrived in 1991 and turned out to be a dud. Microsoft, now, has a big lead in

the Windows spreadsheet market. Likewise, Mc Donald's took a calculated risk and lost with the introduction of its Arch Deluxe sandwich line. McDonald's had information that indicated a line of sandwiches targeted towards adults would be successful, but the Arch Deluxe, introduced at a cost of \$100 million, flopped in the market place. Reliable information, though incomplete, is still useful to managers in coping with risk, since they can employ it to calculate the probability that a given event will take place and then pick up a decision alternative with favourable odds. The two basic types of probabilities are objective and subjective. Objective probabilities are derived mathematically from reliable historical data, whereas subjective probabilities are estimated from past experience or judgment. Decision-making based on probabilities is common in all areas of management today. For instance, laundry product manufacturers would not think of launching a new detergent without determining its probability of acceptance, by means of consumer panels and test marketing. A number of inferential statistical techniques can help managers to objectively cope with risk.

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- (c) **Uncertainty:** Under conditions of uncertainty, the decision maker does not know all the alternatives, the risks associated with each or the likely consequences of each alternative. This uncertainty basically comes from the complex and dynamic nature of modern organisations and their environments. The decisions are generally made on the basis of calculated guesses than on hard factual data. Intuition, judgement and experience always play a major role in such situations. For example, a company that decides to expand its operations in a strange country may know a little about the country's culture, laws, economic environment and politics. The political situation may be so volatile and fluid that even the experts may find it extremely difficult to predict a possible change in Government.
- (d) **Ambiguity:** Ambiguity means that the goals to be achieved or the problem to be solved is unclear, alternatives are difficult to define, and information about outcomes is not available. It is like a teacher asking his students to complete an assignment without giving any topic, direction or guidelines. Ambiguity naturally, is a most difficult decision situation confronting managers, operating in rapidly changing environment. Despite the odds, managers are expected to conjure up goals, develop possible scenarios for decision alternatives and somehow come up with acceptable solutions. Sometimes, managers will come up with a solution only to realise that they had not clearly defined the real problem to begin with. One example of a wicked decision problem was when managers at Ford Motor Company and Firestone confronted the problem of tyres used on the Ford Explorer coming apart on the road, causing deadly blowouts and rollovers. Just defining the problem was the first hurdle. Neither is dealt effectively with this decision situation and the reputation of both companies suffered as a result. Fortunately, most decisions do not fall under this category.

2.9 Group Decision-making

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Groups play an important role in decision-making in organisations. Most of the organisational decisions are made in a group context only, because they offer the advantage of experience, wide knowledge and mutual support. Groups such as committees, study teams, task forces, and review panels are especially useful for non-programmed decisions because these decisions are complex and few individuals have all the knowledge and skills, necessary to make the best decisions. Groups use a number of methods to make decisions: (i) lack of response: a proposed solution by one or a few members which may not be received by the group as a whole; (ii) authority rule: the group leader announces the decision; (iii) minority rule: a few influential members possessing expertise and/or loud voices influence the outcome; (iv) majority rule: decisions decided by voting process; (v) consensus: the most acceptable (not necessarily the best) solution for all members; and (vi) unanimity to resolve complex problems, members rally behind a point of view. Groups use one or more of the above methods while taking decisions in organisations. The following table summarises the advantages and disadvantages of group decision making.

Advantages and Disadvantages of Group Decision-making	
Advantages	Disadvantages
<ul style="list-style-type: none"> • A group has more information than an individual. Members drawn from diverse fields can provide more information and knowledge about the problem. • A group can generate a greater number of alternatives. It can bring to bear a wider experience, a greater variety of opinions and more thorough probing of facts than a single individual. • Participation in group decisions increases acceptance and commitment on the part of people who now see the solution as their own and acquire a psychological stake in its success. • People understand the decision better because they saw and heard it develop; then paving the way for smooth implementation of the decision. • Interaction between individuals with varied view points leads to greater creativity. 	<ul style="list-style-type: none"> • Groups are notorious time-wasters. They may waste a lot of time and energy, clowning around and getting organized. • Groups create pressures towards conformity; other infirmities like group think, force members to compromise on the least common denominator. • Presence of some group members, who are powerful and influential may intimidate and prevent other members from participating freely. Domination is counter-productive; it puts a damper on the groups' best problem solvers. • It may be very costly to secure participation from several individuals in the decision-making process. • The group consists of several individuals and hence, it is easy to pass the buck and avoid responsibility.

2.10 Creativity

Creativity is the essential first step in the innovation, which is vital for long-term organisational success. Creativity is the ability to visualize, foresee, generate and implement new ideas. Innovation, on the other hand, usually means the use of these ideas. Precisely stated, innovation is the process by which organisations use their resources and competencies to develop new and improved products or find better ways to make these new products and thus increase their effectiveness (Apple's iPhone or RIM's Blackberry are good examples of technological innovations) Creativity is a function of knowledge, imagination and evaluation. The greater our knowledge, the more ideas, patterns or combinations we can achieve. If you are creative, you can process the information in such a way that the result is new, original and meaningful. Expertise, further, is the foundation of all creative work. Dell's understanding of art and Einstein's knowledge of physics were necessary conditions for them to be able to make creative contributions in their fields. The potential for creativity enhances considerably when individuals have abilities, knowledge, proficiencies and similar expertise in their fields of endeavour. Creative behaviour results in discovering an improved means of accomplishing our purpose.

What is Creativity?

Creativity is the ability to imagine or invent something new. Of course, it is not the ability to create out of nothing, but the ability to generate new ideas by combining, changing, or reapplying existing ideas. Some creative ideas are astonishing and brilliant, while others are just simple, good, practical ideas that no one seems to have thought of yet. It is also a healthy attitude that helps people to take a refreshingly fresh approach to everything – where all permutations and combinations are tested to find better, improved ways of doing things.

Components of Creativity

- Creativity consists of several components, such as fluency, flexibility, originality, elaboration, sensitivity to problems and the ability to redefine problems
- **Fluency:** It refers to the speed with which a person can produce a number of responses to a problem. For example how to harm a person using a pencil?
- **Flexibility:** It is the ability to change focus and shift gears quickly. This goes beyond commonsense logic. For example when asked to list the uses of cotton, you may suggest making bed covers, pillow covers, making carpets etc. these solutions represent the use of cotton as a fabric. Yet another person may say it can be used for surgical purposes, making wicks for kerosene lamps, for cosmetic use etc. To be creative is to offer different solutions to the same problem in quick succession.
- **Originality:** This is the most basic ingredient of creativity. It refers to a solution that is both novel and useful. Psychologists usually appreciate originality when the response offered is appropriate but statistically infrequent. For example list the uses of a fan. Many would say drying a wet floor, drying clothes, cooling a room, etc. Another idea of creating a visual display by attaching coloured paper is considered original.

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- **Elaboration:** It is the ability to follow through on a general idea. It is the ability to think through an idea and list the steps to implement the idea.
- **Sensitivity to problem:** It refers to the ability to identify the gaps in the knowledge in a given situation, separate the issues that need to be resolved and list the missing or contradictory elements. When you are shown a picture of children playing an unknown game and asked to list the questions that come to your mind—you would raise lot of questions when you are sensitive to the given problem. If you are able to raise very few questions, you are said to be insensitive to the problem presented to you.
- **Redefining problems:** It refers to the ability to cut the problem into convenient parts—so that it becomes easy to find a solution. You are restating the problem in the simplest possible manner so as to find a clear way. (J.P. Guilford)

Creativity is the product of hard mental labour, going beyond the four walls and carrying out those gradual alterations and refinements over a period of time in order to find something that is better, improved and readily accepted by millions of people all over the globe. It is a process of seeing issues from different angles and breaking away from old rules and norms that bind us to traditional methods of accomplishing tasks. It allows us to be different and helps us find new answers and solutions to problems, both old and new – in a creative way.

What is Creative Thinking?

Traditionally, most class room teaching puts emphasis on critical thinking skills—that is the ability to define a problem, identify alternatives, pick the best possible one following appropriate criteria and implement the chosen one with dedication and application. The focus is on clearing the fog and eliminating the incorrect ways of doing things. Creative thinking, on the other hand, is the capacity to put existing ideas together in new combinations. It compels people to remain flexible so that they can come out with something different. The traditional convergent thinking is combined with divergent thinking in order to find improved and acceptable ways of doing things. For example convergent thinking would help us find where oil could be found by digging deep into the ground, whereas divergent thinking would compel us to find oil by digging at different places!

- **Convergent thinking:** In convergent thought, we locate a problem at the “centre” of our focus and then gather peripheral resources to bear down on the problem. So then our resources “converge” on the problem. Often times with convergent thinking, there is a single best solution that is sought. An example of convergent thinking might involve taking a multiple choice test in which there is a single “correct” answer. The test-taker brings knowledge from outside of the problem (perhaps learned in a course) and converges it all onto the problem in order to choose the correct answer.
- **Divergent thinking:** In divergent thinking, instead of gathering information and converging it on the central problem, we branch off (diverge) and shoot for novel ideas, new perspectives and creativity. Instead of a single correct answer, there may be a whole host of possibilities. An example of using divergent thinking might involve taking an open-ended test that asks how many uses one can

imagine for various (often mundane) objects. What can you do with a pencil? A string? A rock?

Four Different Approaches to Creativity

Creativity can be looked at from four different angles. Let's examine these briefly:

- **Imagination:** Creativity is the ability to create something new, a kind of a breakthrough, a totally different way of solving a problem. It may refer to a revolutionary idea or a unique solution coming out of a brilliant brain. Disney's theme parks or animated movies, Apple's iPod and Macintosh computer may come in this category of revolutionary thinking changing the course of history. Of course, creativity is not the ability to create out of nothing but the ability to generate new ideas by combining, changing or reapplying existing ideas. Some creative ideas are astonishingly different, refreshingly fresh and absolutely brilliant while others are just simple, good and practical ideas that no one seems to have even imagined as yet. The vegetarian toothpaste, the one rupee sachets fall in this category. Radically different solutions and revolutionary approaches generally emerge when people begin to think 'out of the box'.

For example, the evolutionary technology in fighting termites eating away at houses has been to develop safer and faster pesticides and gasses to kill them. A somewhat revolutionary change has been to abandon gasses altogether in favor of liquid nitrogen, which freezes them to death or microwaves, which bake them. A truly revolutionary creative idea would be to ask, "How can we prevent them from eating houses in the first place?" A new termite bait that is placed in the ground in a perimeter around a house provides one answer to this question.

- **Improvement:** As mentioned above, by improving the existing processes or functions, one might be able to come out with a new idea that might change the course of history. Many a time, new ideas stem from other ideas, new solutions from previous ones, the new ones slightly improved over the old ones. For example, someone noticed that a lot of people on dates went first to dinner and then to the theater. Why not combine these two events into one? Thus, the dinner theater, where people go first to eat and then to see a play or other entertainment. Ray Kroc bought out a restaurant in San Bernardino, California from the McDonald brothers and by creatively changing the way hamburgers were made and served, he created the largest food service company in the world. He did not invent fast food – while Castle and Dairy Queen had long been established – but he changed the processes. By creating a limited menu, following standardized and uniform cooking procedures, ensuring consistent quality and cleanliness of facilities irrespective of location and by offering food in an inexpensive way Ray Kroc brought a major revolution in the fast food industry through the McDonald's brand.

The evolutionary or incremental method of creativity also reminds us of that important principle: Every problem that has been solved can be solved again in a better way. Creative thinkers do not subscribe to the idea that once a problem has

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- been solved, it can be forgotten, or to the notion that "if it ain't broke, don't fix it." A creative thinker's philosophy is that "there is no such thing as an insignificant improvement."
- **Investment:** Creativity, many a time, could mean meeting the problems head on, adopt a competitive posture and focus on getting things done in a faster and much better way. Putting the critical resources to best advantage---in a disciplined manner consistently-- in order to stay ahead of competition may bring in unbeatable competitive advantage to some firms in this economic jungle. The classic fight between Honda and Yamaha illustrate this point very clearly. The industry leader in motor cycles, Honda, decided to step out of Japan in 1970s with a view to conquer the world. Yamaha saw an opportunity to hit back the market leader and began attacking the Honda's space through aggressive marketing campaigns. Honda retaliated almost instantaneously. The punch line was: "Yamaha wo tubusu" meaning we will smash, break, annihilate, destroy Yamaha.. Honda introduced more than 100 new models to outsmart Yamaha and won the war of words, wits and nerves in a battle spanning over 10 years. Yamaha, consequently, had to retrace its steps and settle for the second position. Honda's approach to win over customers typically reflects the approach to creativity through investment—that is rapid response, competitive maneuvering and being the first mover.
 - **Incubation:** According to this approach, creativity is the result of teamwork, involvement and coordination among individuals. When people work together, when they understand each other and work toward a common goal and when they are fully empowered, they are in a better position to come out with something radically different, novel and even exciting. Creativity is nothing but 'common men doing uncommon things' Like Mahatma Gandhi waging a relentless war against the mighty British empire single handedly by mobilizing networks of people to pursue a clear set of goals where everyone had a stake. Quit-India, Salt March, and other non violent protests excited millions to join the network created by Gandhi, pass through the impregnable walls built by the British and achieve a miracle in modern history. When human interactions are facilitated and encouraged, the result would be something that the world has never witnessed before!

2.11 LATERAL THINKING

A way of understanding lateral thinking is through its opposite, vertical thinking. A vertical thinker is analytical, careful and precise, taking the data around a problem and analyzing it with defined methodologies to find logical solutions. A lateral thinker understands vertical thinking, but chooses to deliberately outside of this bounded thought process. The following example would illustrate the point more clearly.

The Power of Lateral Thinking: The Story of a Girl

- Many years ago when a person who owed money could be thrown into a jail. A merchant in London had to misfortune to owe a huge sum to money-lender. The money-lender, who was old and ugly, fancied the merchant's beautiful teenage daughter. He proposed a bargain. He said he would cancel the merchant's debt if he could have the girl instead.
- Both the merchant and his daughter were horrified at the proposal. So the cunning money-lender proposed that they let providence decide the matter. He told them that he would put a black pebble and a white pebble into an empty money-bag and then the girl would have to pick out one of the pebbles. If she chose the black pebble she would become his wife and her father's debt would be cancelled. If she chose the white pebble she would stay with her father and the debt would still be cancelled. But if she refused to pick out a pebble her father would be thrown into jail and she would starve.
- Reluctantly, the merchant agreed. They were standing on a pebble-strewn path in the merchant's garden as they talked and money-lender stopped down to pick the two pebbles. As he picked up the pebbles, the girl, sharp-eyed with fright, noticed that he picked up two black pebbles and put them into the money-bag. He then asked the girl to pick out the pebble that was to decide fate and that of her father.
- What would you have done if you had been the unfortunate girl?

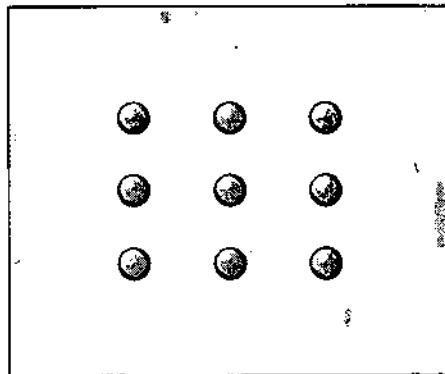
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Lateral thinking is thus very much about standing back, looking at the big picture and understanding concepts. It also requires that you focus in on the parts that have perhaps been overlooked, challenging assumptions and seeking alternatives.

Three Lateral Thinking Puzzles

Here are three lateral thinking puzzles for you to try and resolve (the answers are provided below, but make an effort to resolve the problems before looking at the answer):

1. Acting on an anonymous phone call, the police raid a house to arrest a suspected murderer. They don't know what he looks like, but they know his name is John. Inside they find a carpenter, a taxi driver, a car mechanic and a fireman playing cards. Without even asking his name, they immediately arrest the fireman. How do they know they've got their man?
2. A murderer is condemned to death. He has to choose between three rooms. The first is full of raging fires, the second is full of assassins with loaded guns, and the third is full of lions that haven't eaten in 3 years. Which room is safest for him? (Source).
3. Look at the picture below with the nine dots. Can you connect the nine dots using 4 straight lines, without lifting your pencil from the paper and without retracing any lines?



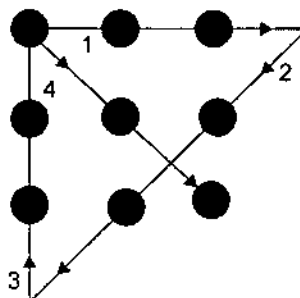
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Solutions to the Three Lateral Thinking Problems Above

The solution to the first problem above is that there was only one man sitting at the table; the other three, the carpenter, the taxi driver, and the mechanic were women.

As for the second problem, the safest room is the third. Lions that haven't eaten in three years are dead.

For the third problem, the solution is to extend the lines beyond the square-frame created by the dots, as shown in the picture below:



Psychologists have speculated that the nine-dot problem is difficult because people are so dominated by the perception of a square that they don't "see" the possibility of extending lines outside the square formed by the dots.

Answer to the girl in the pebble story: The girl in the pebble story put her hand in the money bag and drew out a pebble. Working at it she fumbled and let it fall to the path where it was lost among all the others. 'oh, how clumsy of me' she said, "but never mind. If you look into the bag, you will be able to tell which pebble took by the colour of the one that is left".

2.12 The Creative Process

Although creative people often report that ideas seem to come to them 'in a flash' individual creativity tends to progress through a series of interconnected stages (though not sequentially, of course)

- **Preparation and Concentration:** This stage involves gathering initial information, defining the problem or task requiring creativity, generating alternatives, and seeking and carefully analyzing further data relating to the problem. Here the individual becomes thoroughly immersed in every relevant aspect of the problem. He will tend to recall and collect information that seems appropriate, dreaming up possible alternatives without refining or evaluating them. For complex technical problems, the search process may take months or even years.
- **Incubation:** This stage involves an internal and unconscious ordering of gathered information. This stage may involve an unconscious personal conflict between what is currently accepted as reality and what may be possible. Relaxing, sometimes away from the scene of action, and allowing the mind to search for possible issues or problems is called for. This stage calls for divergent thinking to explore unusual, novel, innovative alternatives.
- **Illumination:** At this stage a new level of insight is achieved, often through a sudden breakthrough in 'eureka' fashion. The new imaginative idea flashes into the individual's mind at an unexpected time, perhaps while waking up, going to sleep, eating or jogging. Experienced creative people often carry idea notebooks

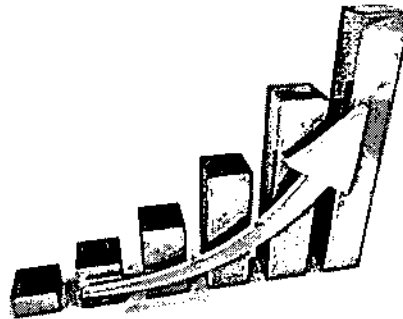
to record quickly these flashes of insight. Insight is a spontaneous breakthrough in which the creative person achieves a new understanding of some problem or situation. It represents a coming together of all the scattered thoughts and ideas that were maturing during incubation. It may occur suddenly or develop slowly over time. It could be triggered by an external event or provoked by internal, zigzag thought processes.

- **Verification:** This stage involves testing the ideas to establish the validity of the insight. Here, logical thinking is required to evaluate the solution. If the solution does not appear feasible, it may be necessary to cycle back through all or some of the previous steps. Tenacity may be needed here since most novel ideas are rejected at first on grounds of impracticality. Many inventions and books that later proved to be huge successes were at first rejected by several sources. Gone with the Wind and Xerography are two historically important cases in this regard.

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2.13 Conceptual Blocks to Creativity

Human mind is used to filter unwanted information and store up only the most important ones before forming an opinion. When we are in the class room, the focus is on the lecture being delivered, not on whether fans are running, benches are clean, who is wearing what, etc. Minds have a habit of filtering the unwanted and storing up the most relevant information before coming to a conclusion. Over the years, such filtering habits become conceptual blocks. Conceptual



blocks are nothing but mental obstacles that come in the way of defining problems in an effective manner. As a result, the problems that confront us get improperly defined or we rush to a conclusion without generating sufficiently large number of alternatives. Unfortunately, these blocks are largely unrecognized or unconscious. Formal education, quite often, conditions the mind (by picking up the most popular choices that are welcome by the large majority) and compels it to ignore more novel, playful alternatives or approaches to solve a problem. All such conceptual blocks could be put into four categories:

1. Constancy

Constancy occurs when individuals become used to one way of looking at a problem or using one approach to define, describe or solve it. They are, more or less, wedded to a convenient way of looking at problems without ever trying to cross the boundaries set by themselves unconsciously. Two illustrations of the constancy block are vertical thinking and using only one thinking language.

- **Vertical Thinking:** The term vertical thinking was coined by Edward de Bono (1968). It refers to defining a problem in a single way; then, pursuing that definition without deviation until a solution is reached. No alternative definitions are considered. All information gathered and all alternatives generated are

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consistent with the original definition. In a search for oil, for example, vertical thinkers determine a spot for the hole and drill the hole deeper and deeper until they strike oil. Lateral thinkers, on the other hand, generate alternative ways of viewing a problem and produce multiple definitions. Instead of drilling one hole deeper and deeper, Lateral thinkers drill a number of holes in different places in search of oil. The vertical-thinking conceptual block arises from not being able to view the problem from multiple perspectives-to drill several holes-or to think laterally as well as vertically in problem solving. Problem definition itself is restricted.

- **A Single Thinking Language:** A second manifestation of the constancy block is the use of only one thinking language. Most people think in words-that is, they think about a problem and solution in terms of verbal language. Rational problem solving reinforces this approach. Some writers, in fact, have argued that thinking cannot even occur without words (Vygotsky, 1962). Other thought that non-verbal languages are also available such as, nonverbal or symbolic languages (for example, mathematics), sensory imagery (for example, smelling or tactile sensation), feelings and emotions (for example, happiness, fear, or anger and visual imagery (for example, mental pictures). The more languages available to problem solvers, the better and more creative will be their solutions. As Koestler puts it, "[Verbal] language can become a screen which stands between thinking and reality. This is the reason that true creativity often starts where [verbal] language ends."

2. Commitment

Commitment can also come in the way of creative problem solving. Once individuals become committed to a particular point of view, definition or solution; it is likely that they will follow through on that commitment. A host of other studies have demonstrated the same phenomenon that commitment can sometimes lead to dysfunctional or foolish decisions. Two forms of commitment that produce conceptual blocks are: stereotyping based on past experiences and ignoring commonalities.

- **Stereotyping Based on Past Experiences:** March and Simon (1958) point out that a major obstacle to innovative problem solving is that individuals tend to define present problems in terms of problems that they have faced in the past. This is called stereotyping based on past experiences.
- **Ignoring Commonalities:** A second manifestation of the commitment block is failure to identify similarities among seemingly disparate pieces of data. This is among the most commonly identified blocks to creativity. It means that a person becomes committed to a particular point of view to the fact that elements are different, and becomes unable to make connections, identify themes, or to perceive commonalities.

3. Complacency

Some conceptual blocks occur not because of poor thinking habits or because of inappropriate assumptions but because of fear, ignorance, insecurity, or just plain mental laziness. Two especially prevalent examples of the complacency block are a lack of questioning and a bias against thinking.

- **Non-inquisitiveness:** Sometimes the inability to solve problems results from a reticence to ask question to obtain information, or to search for data. Individuals

might think that they will appear naive or ignorant if they question something or attempt to redefine a problem. Asking questions puts them at a risk of exposing their ignorance. It also may be threatening to others because it implies that what they accept may not be correct. This may create resistance, conflict, or even ridicule by others.

- **Bias Against Thinking:** A second appearance of the complacency block is an inclination to avoid doing mental work. This block, like most of the others, is partly a cultural bias as well as a personal bias. For example, assume that you passed by your subordinate's office one day and noticed him leaning back in his chair, staring out of the window. A half hour later, as you passed by again, he had his feet up on the desk, still staring out the window. And twenty minutes later, you noticed that his demeanor hadn't changed much. What would be your conclusion? Most of us would assume that the fellow was not doing any/work. We would assume that unless we saw action, he wasn't being productive.

4. Compression

Conceptual blocks also occur due to compression of ideas. Compression is nothing but defining a problem too narrowly, screening out too much relevant data and making assumptions that come in the way of finding a novel route, path or alternative. This could happen when people put artificial boundaries around problems. Sometimes, they tend to look at the most obvious and ignore the ones that are not visible to the naked eye – popularly known as the figure ground principle.

Figure Ground Principle: In the perceptual field, certain factors are considered significant and give a meaning to the person, and certain others which are rather unimportant for a person or cannot be studied are left as insignificant. The meaningful and significant portion is called the 'figure' and the insignificant or meaningless portion is labelled as 'ground'. For instance, the printed words on this page are the 'figure' and the white space is the 'ground'. The information we classify as figure is assigned more importance than that which we view simply as background. The employee's psychological storage and subsequent interpretation of information will be affected by whether he classified the information as figure or ground. Fig. 18.2 (a) and (b) presents a classic example of figure-ground differentiation.

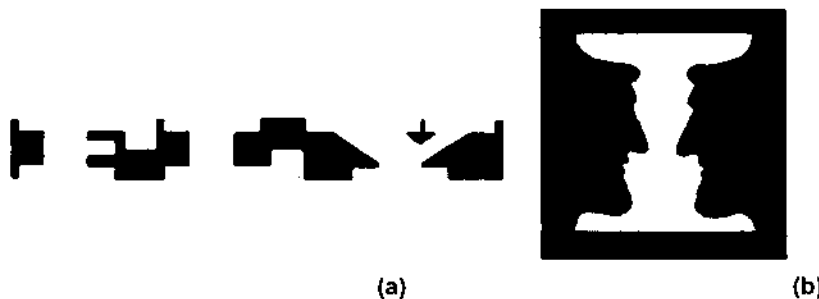


Fig. 18.2 (a) At the first glance of this figure, you may perceive a jumble of black, irregular shapes against a white background. But when white letters are seen against a black background you get the words "FLY", that jumps out with clarity, (b) This is the famous cup-faces illustration. If you concentrate on black portion you notice white cup. On the other hand if you concentrate on white portion you get two faces facing each other.

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What becomes ground or what becomes figure is largely influenced by our needs and expectations. For instance, when we enter a dark movie theatre, we do not immediately consider what is going on the screen; rather we focus on the seat. Once we find a seat, the seat becomes ground and movie switches from ground to figure.

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2.14 Conceptual Block Bursting

To overcome conceptual blocks, you need to improve your own creative thinking skills. More importantly you need to help others to unlock their creative potential. By encouraging others to come out of the shell, you are also going to significantly improve your own problem solving skills. All said and done, the question could be examined from two angles: how to improve creativity at individual level and also at the organisational level. Let us examine the issue more closely.

How to Improve Creative Abilities?

Based upon his many years of research and observation in the field, Eugene Raudsepp concludes that you can increase your creative ability by observing the following principles:

1. Keep track of your ideas at all times. Keeping an idea notebook at hand will help you to capture a permanent record of flashes of insight and good ideas borrowed from others.
2. Pose new questions every day. "A questioning, inquiring mind is a creatively active mind. It is a mind that constantly enlarges the circumference of its awareness."
3. Maintain competence in your field. The data explosion makes information obsolete quickly. Having current facts in mind gives you the raw material to form creative links among bits of information.
4. Read widely in fields that are not directly related to your field of interest. Once you learn how to cross-index the pieces of information you gather, you will be able to cross-fertilize seemingly unrelated ideas.
5. Avoid rigid pattern of doing things. Try to overcome fixed ideas and look for new viewpoints. Attempt to push for more than one solution to your problems. Develop the ability to let go of one idea in favour of another.
6. Be open and receptive to your own as well as to others' ideas. Be alert to seize on tentative, half-formed ideas and possibilities. Entertain and generate your own far-fetched or seemingly silly ideas. If you are receptive to the ideas of others, you will learn new things that can help you behave creatively.
7. Be alert in observation. Look for the subtle aspects of objects, situations, products, process, and ideas. The greater the number of new associations and relationship you form, the greater your chances of arriving at creative and original combinations and solutions.
8. Engage in creative hobbies. Included here are manual hobbies such as arts and craft and mental hobbies such as doing puzzle and exercises. "Creative growth is possible only through constant and active use of your mind."

9. Improve your sense of humour and laugh easily. Humour helps to relieve tension, and most people are productively creative when they are relaxed.
10. Adopt a risk-taking attitude. The fear of failure dampens creativity. So, be willing to fail, at times.
11. Have courage and self-confidence. Many people surrender just when they are on the brink of a solution. So, persist when you are seeking a unique solution to a problem.
12. Learn to know and understand yourself. "Creativity is an expression of one's uniqueness. To be creative, then, is to be oneself."

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Increasing Creativity in Organisations

Creativity, as indicated earlier, involves looking at issues from different angles and breaking away from old rules and norms that bind us to traditional ways of accomplishing tasks. Now the challenge for the managers is how to encourage people to think out of the box and advance creative ideas and suggestions. (J.J. Kao; T.M. Amabile)

- **Challenge workers by putting them on jobs that are challenging, implying jobs with necessary "stretch, pull and challenge":** Jobs that are easy produce monotony and boredom. Jobs that are really difficult demotivate workers. Managers need to strike the balance between the two.
- **Establish worker autonomy:** Before granting autonomy to workers to think and act independently, make sure that the workers understand what they are supposed to accomplish. Once there is clarity about goals, they can think of superior ways to improve performance.
- **Grant reasonable time to accomplish work:** Tight schedules may mean controlling workers from close quarters. Instead, they must be encouraged to think that they are on a mission to discover solutions to job related problems.
- **Establish diverse work groups:** Work groups that are characterized by members with a diversity of perspectives and backgrounds tend to be more creative than groups characterised by members who have similar backgrounds and perspectives.
- **Encourage people to give their best:** Encouragement from management is vital for creativity efforts to succeed. Appreciation, rewards, recognition for good work may all come in this category.
- **Establish systems support:** Additionally, organisational systems and procedures must be in place so that creative effort is sustained at all levels.
- **Hire and retain creative people:** You need to give topmost priority to this because; successful organisations go to the commanding heights of the global economy only on the contributions of the best brains.

Creating a Creative Climate

Creativity does not happen by chance. It has to be carefully nurtured and encouraged at all levels. You need to create a culture of openness, freedom and an atmosphere where people can fearlessly experiment with their ideas and emerge as winners. If

a company wants to become more creative, rather than just encouraging people or teaching tools, then, perhaps, the best way is to develop the organisational climate. Rather than telling the plants to grow, this is about tending to the soil in which they can become what they are capable of becoming.

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How 3M Promotes a Culture of Creativity and Innovation among its Employees

Consider the 3M legend from the early 1920s of inventor Francis G. Okie. Okie dreamed up the idea of using sandpaper instead of razor blades for shaving. The aim was to reduce the risk of nicks and avoid sharp instruments. The idea failed, but rather than being punished for the failure, Okie was encouraged to champion other ideas, which included 3M's first blockbuster success: water-proof sandpaper. A culture that permits failure is crucial for fostering the creative thinking and risk taking required for innovation. Though it may sound strange, celebrating failure can be an important stepping stone to success. Failure is the essence of learning, growing and succeeding. Creative and innovative companies have many balls in the air at all times, with many employees trying many new and risky ideas. A majority of these ideas may fail; but it is only through this process that the few big 'hits' will emerge that take a company to commanding heights – over a period of time.

Motivation: To do anything, people must feel motivated, an internal need to act. The climate of the organisation must provide the cues and forces that lead people into the deep motivation that is required to push through from ideas to end products.

Challenge: People feel challenged that there is a basic drive to extend their personal boundaries, develop latent talents and explore new possibilities. People who feel challenged emotionally engage in their work. It becomes a part of them, not just something they do. They feel the need to get out there and act; not just to sit back and dream. Organisations can challenge people by linking a deep understanding of individual talents, potential and motivation with the strategic intent of the company. MBO (Management by Objectives) got itself a bad name in the 1980s, mostly because it was done badly. Done well, it means telling people what is wanted (the Objectives) and then letting them do it in any way they see fit. The trick also is in giving high-enough level of objectives that people feel excited and challenged, not constrained and directed.

Fun: Having fun is not always realised as being a productive state. Yet look at little children. Their 'fun' is almost all learning and discovery. Learning is conventionally supposed to be serious. A climate where a certain (child-like, but not childish) playfulness is in the air lets people try things out without knowing what will happen. Another important characteristic of a fun-loving culture is humour. You can see such climate simply through the smiles that people almost always seem to wear on their faces as they tease and joke with one another. Jokes are about unexpected things, as are creative ideas. Making jokes is, in itself, a very creative activity, and develops the 'creative muscle' needed to constantly innovate.

Empowerment: Once people are motivated to be creative, they need the environment in which they can be creative. People empowered to act in ways

that are not tightly constrained by narrow job descriptions and management oversight. They have the personal freedom of choice and resource that gives them true authority to achieve the challenge they have been given. Empowerment has been slated and abused, for example, where the power is retained by managers whilst individuals are asked to achieve things without the power to act. Done well, however, it truly delegates power and the freedom to choose what to do and how to do it within a significant part of people's jobs.

Time: Discovering and developing ideas takes time. They need to incubate in your subconscious for a while, like hatching an egg or a dastardly plan. When people are tightly constrained, working a full nine-to-five (or more) job, then they will not have the ability to go beyond basic ideas, which in their base state are usually not valuable, but would be with a certain amount of developmental effort. When people have a certain amount of unallocated time in their timetable; then, if they feel challenged and feel freedom to act, they will use that time productively to develop those ideas. Some companies deliberately leave a proportion of time, even up to 10% or more (and particularly in some parts of the organization) in which ideas may be developed.

Support: When I have spent time and freedom in working to achieve the challenges I have found, then I will at some time reach the stage when I need further help, for example to allocate additional resources for development or in presenting the idea to people who may not be that ready to change their entrenched viewpoint. In these situations, the person developing the idea needs the gravitas, the authority, the wider capability of more senior managers. In fact the more valuable the idea, the more support it is likely to need, as it may lead to entire changes in direction for the whole company.

Dynamism: Alongside a motivated and empowered organisation, a harder edge is needed that drives forward towards success. Getting an idea from first notion to final product can be a long and arduous process. This requires a dynamic environment in which people are energised and constantly pushing forward. You can walk into many workplaces and feel the lack of energy and enthusiasm, whilst others have a definite, almost palpable buzz about them. Buzz and energy comes from the leaders of the organisation. This includes the formal management and informal social leaders. People look to these leaders for cues in how they behave. If the leader is full of energy and enthusiasm, then this emotion will 'infect' others and the motivation will spread through the organisation.

Conflict: Ideas in action almost always bump into other ideas as well as natural conservatism that seeks to preserve the status quo. People attach themselves to idealistic positions and will act to defend them, sometimes by pre-emptively attacking what they see as threats. A climate where conflict is allowed, enables these felt challenges to be voiced and for people to argue their cases. In a creatively supporting climate, the conflict is mostly about the problems of the organisation and the viability of ideas, and is most certainly not about personalities and the value of different characters. When conflict turns to personal attack, then ideas and their value go out of the window. Creating healthy conflict requires both an openness to challenge and then a focus on the problem, not the people. A respect for the individual thus is a fundamental element of creative cultures. Conflict

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and debate are very close, and again the basic concern is to focus first on the idea. In debate, the pros and cons of ideas are discussed openly and challenges are welcomed and analyzed to see what additional benefits they may bring. Debates can also go on across boundaries of time and space, and thinking about an idea can engage an entire company.

Openness: It is one thing to think up an idea, it is another to put it into practice. Ideas that are not explored and experimented with will either never see the light of day or may well fail on their first outing. An experimenting culture has a strong bias for action in trying things out. It does not expect things to work first time but it does expect to learn through careful trials and subsequent analysis. Experimental companies often extend this culture out into the marketplace. They do many trials with customers. They release many different products to see what sells and what does not.

Trust: Trust is the bedrock of human interaction. If I do not trust others, then, I will not believe them and will put a lot of my effort into protecting myself from their potential attacks or callous lack of concern. In the development of ideas, trust is needed on both sides of the house. The person with the idea must feel that they can speak their minds without fear of criticism or punishment. The person, on the other side, also needs to trust that the person with the idea has the company's best interests at heart and will not abandon their other work in the sole pursuit of a very shaky idea. Trust thus has to develop across the organisation. It is a fragile thing that when lost through betrayal of trust is not easily restored, and thus needs very careful management.

Risk: Offering ideas and trying out experiments requires the ability and motivation to take risks. Individuals and the entire company need to be able to stick their necks out and 'give it a go'. Personal risk is thus reduced; so, people can be open and experimental. Rather than blind risks, successful cultures manage these in a way that takes a realistic view of the real exposure of the company. Big risks are mitigated carefully. Small risks are recognised as such and may be more easily done as 'blinders' to see what happens. Risk and potential reward are thus balanced and managed carefully as a single unit. (source: http://creatingminds.org/articles/creative_climate.htm)

Creativity, it should be noted here, is not a precious, divine gift available to some elite group of managers. Each one of us has the capacity to be creative. Creative people, as mentioned earlier, are known for originality, open-mindedness, curiosity, a focused approach to problem solving, persistence, a relaxed and playful attitude and receptivity to new ideas. Organisations must try to foster creativity in individual managers rather than discourage the people who are creative at work. Insistence on conformity, obedience to rules, ultra critical attitude, unending string of procedures and a host of other rigid attitudes emanating from the top, often come in the way of creativity. To encourage creativity, organisations have to be loosely structured. Creative organisations like creative individuals must possess an internal culture of playfulness, freedom, and challenge and grass-roots participation. They must harness all potential sources of new ideas from all corners. People should not be struck in the rhythm of routine tasks. They must be encouraged to take risk and experiment with new ways of doing things. Such creative attempts increase the quality of solutions

to many types of problems, help stimulate innovation, revitalize motivation and commitment by challenging individual competence and serve as a catalyst for effective team performance.

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2.15 Innovation

The ability to innovate is a vital core strength that a manager must possess in order to build a growing, profitable organisation. Innovation is a high risk, high-return area that cannot be put aside easily. To promote a culture of innovation, entrepreneurs must try to set goals for innovation, commit adequate funds for research and development, inspire people with ideas to realize their potential fully, focus on what the customer actual likes and demands and more, importantly, do not get rattled by failure and mistakes. At the end of the day, entrepreneurs must realize that innovation is like skydiving – funny, scary and risky. They must know when to stop and when to go all out dying for an idea. To survive and flourish in a competitive environment, every company must innovate. In the long run, innovation could be essential for creating and sustaining competitive gains. Innovation, broadly speaking, may involve exploiting existing capabilities of an organisation – to improve production speed or product quality. It may involve exploring new knowledge – seeking to develop new products or services. Innovative firms must invariably invest their time and resources in order to encourage employees to experiment and find novel ways of doing things.

Definition

Innovation is the process of creating and implementing a new idea. It is the means by which entrepreneurs become catalysts for change. The main difference between creativity and innovation is the focus. Creativity is about the unleashing the potential of the mind to conceive new, unusual or original ideas. Innovation is the work carried out in order to make an idea viable. It is the creation of something that has never been made before and is generally recognised as the product of some unique insight. Because new ideas can take many forms, many types of innovation are possible. Technical innovation is the creation of new products and services. Process innovation involves creating a new means of producing, selling and or distributing an existing product or service. Administrative innovation takes place when creation of a new organisation design better supports the creation, production and delivery of products and services (virtual teams, IT systems etc). Innovations in organisations can range from radical new breakthroughs (such as laser technology) to small, incremental improvement (such as an improved paper tray on a computer printer). Although radical advances are important to many firms, incremental improvements also can be beneficial. Japanese firms are known for their ability to enhance products and services through a variety of small, incremental improvements. For example at the Japan-based Matsushita Electric Industrial company a team of 100 technicians, PhD scientists and factory engineers persisted for 8 years before developing an improved glass lens for use in projection televisions and several laser-based products, such as videodisc systems and compact disk players. Moreover, the new lenses can be made for 90 per cent less than the cost of existing lenses. Thus, a relatively modest goal-improving a component in successful

products—led to a rapidly expanding market share for the company, especially for use in compact disk players.

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The Innovation Process

To put everything in place, firms may have to take care of the following steps:

1. **Inventing:** The innovation process begins with an idea. To this end, firms must encourage people to come forward with different ideas—crazy ones, silly ones, even idiotic ones. These ideas could take up anything that helps in cutting costs, improving the speed, enhancing the quality—whatever. Technology ideas could include ideas like employing bar coding or better management of inventory or reaching out to global customers through speed and efficiency. Product ideas could cover inventions of new products or services or enhancement of existing ones. Process ideas focus on inventions for improving manufacturing processes. For example adopting products to make a manufacturing process more efficient or redesigning work stations to make workers more productive. Management ideas focus attention on ways and means to improve organisational work—covering issues such as improving human resource management, redesigning organisational structure, changing organisational leadership or refining competitive strategy.
2. **Developing:** Here the new idea takes a practical shape. Ideas that are not viable should not be pursued for longer periods of time. Even if the ideas are creative and novel, they must be sent to their burial grounds simply because they are not commercially viable. The world famous innovative company 3M encourages people to give their best. It has achieved this fame through a formal, simple and well established company policy that helps to assure that every idea that deserves to be developed is indeed developed. This policy encourages employees to see if managers in other parts of the company will help to develop a new idea after the employee's immediate boss has rejected it.
3. **Diffusing:** At this stage end users and consumers put the new idea to use. When the idea gets established and is developed step by step, it needs to be seen whether it actually works or not. So organisation members who would be affected by the idea would explore it further to find out its utility and worth. End users could be approached with a prototype of the product to find their reactions. A positive customer feedback would help the company decide whether to go further or to stop at this stage itself.
4. **Integrating:** Here the invention is being accepted and established as a permanent part of the organisation. If the invention focuses on a new organisational process, for example, management takes steps to make the new process standard operating procedure within the organisation. If the invention focuses on a new product, management takes steps to start manufacturing and selling the new product to the market place.

To balance innovation and other business goals, companies often create special temporary project structures that are isolated from the rest of the organisation and allowed to operate under a different set of rules. When Apple, for example, developed the Macintosh, Steve Jobs took a small group of young engineers and programmes and

set up operations apart from the remainder of the plant. They started from scratch, trying to rethink the personal computer completely. A pirate's flag was flown over their operation to demonstrate that they were not part of the regular bureaucratic operating structure and defined conventional rules. The result was a very successful new product. Some of the most commonly cited features of an innovative company may be listed thus:

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Features of Innovative Organisations

- Strong, clearly expressed shared values
- An appreciation of/for the whole individual and everything s/he can bring to the organization
- Cultures that encourage openness and playfulness
- Celebrate successes constantly
- A strong, clearly communicated sense of history
- Intense customer focus
- Clear focus on trends, even those that do not seem to directly effect current businesses
- Cross-functional teams

2.25 NATURE OF COMMUNICATION

Communication refers to the process of passing information and understanding from one person to another. Precisely stated, communication is the process of transferring information, meaning and understanding from sender to receiver. It involves an exchange of facts, ideas, opinions or emotions by two or more individuals. The essential features of communication are given below:

- **Two People:** Communication always involves two people—a sender and a receiver. Communication is not a one-way street; one person cannot communicate. A sportsman alone in a forest, for example, may speak or shout, but he cannot communicate.
- **Sequential Process:** Communication is a process, involving several steps. First, the sender has an idea to communicate. Second, the idea is translated into a recognisable form such as spoken or written language. This is called encoding information. Third, the encoded message has to usually travel a distance through various communication channels like telephone routes, mail routes, etc. Fourth, once the receiver gets the message, he begins encoding, i.e., transforming the message back into ideas. Finally, if the idea received by the receiver is the one which was intended, communication has taken place.
- **Continuous Activity:** Everything a manager does involves communicating not something, but everything. A manager must always be in touch with his subordinates, peers and superiors in order to get things done. It is an activity to which every manager devotes an overwhelming portion of his time.
- **Persuasive Function:** Communication takes place at all levels in an organisation. It is essential at all levels of management and in all areas of business.

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- **Transference of Meaning and Understanding:** Communication involves both information and understanding. It takes place when the receiver understands what the sender means to convey.
- **Receiver-oriented:** A manager may send a hundred messages, as Newstrom says, but there is no communication until each one has received, read and understood. "Communication is what the receiver understands, not what the sender says".

2.17 IMPORTANCE OF COMMUNICATION

Communication is important because of the following reasons:

- **Basis of Action:** Communication keeps the people working in accordance with the desires of managers. It is the means through which objectives, policies and procedures of an organisation are transmitted from superiors to subordinates. Information from right sources is passed on to right persons at a right time.
- **Facilities Planning:** Communication helps the planning process in a number of ways. It helps executives to interact and provide vital inputs to plans. Through communication executives can strike rapport with subordinates, seek their opinions and provide realistic information on which sound plans could be prepared. It helps executives to communicate what is contained in the plans in a clear way and secure their acceptance.
- **Helps in Decision-making:** The quality of decisions made in an organisation depends largely on the amount and quality of information available to the decision-maker. Communication provides the right type of information to a manager and enables him to consider the pros and cons thoroughly before arriving at a decision. It helps him to move closer to subordinates, identify their problems and solve them amicably.
- **Means of Coordination:** Communication is the foundation of all group activity. In the absence of communication, members may fail to realise the importance of working unitedly towards a common goal. It is only through communication that people can attain a common viewpoint and understanding and cooperate to achieve organisational objectives. In the words of Hicks, "When communication stops, organized action comes to an end".
- **Improves Relationships:** Communication builds better relationships among employees working in an organisation. It binds individuals to a common purpose. Exchange of facts, opinions, feelings and sentiments and interchange of information concerning work would enable employees to understand each other.
- **Improves Motivation and Morale:** Communication improves morale and motivation by keeping people informed. Good communication induces people to give their best to the organisation. Without communication, it would be impossible to understand others and make them understand. Communication brings about a meeting of minds. Employees can communicate their grievances, troubles, and problems to the management. Managers, in turn, can explain the importance of organisational rules, policies and procedures properly. Without facts, understanding and acceptance, efforts to promote productivity are doomed to fail.

2.18 THE PROCESS OF COMMUNICATION

The process of communication involves the following steps:

- **Sender:** The sender is anyone who wishes (i) to convey an idea or concept to others, (ii) to seek information or (iii) to express a thought or emotion.
- **Encoding:** The sender encodes the idea by selecting symbols with which he can compose a message. Encoding is the use of suitable verbal or non-verbal symbols for sending the message. Managers usually rely on words, gestures and other symbols for encoding.
- **Message:** The message is what is conveyed by the sender. It is the heart of communication. It may come in the form of words, ideas, facts, opinions, etc.
- **Channel:** The message is sent through a channel, which is the communication carrier. It may be face-to-face talk, telephone, a formal report, computer, radio, etc.
- **Receiver:** The receiver is the person who is supposed to receive the message. He may be a reader, a listener or an observer.
- **Decoding:** Decoding is the process by which the receiver translates the message into the terms that are meaningful to him. The chances of successful decoding are greatly enhanced if the receiver knows the language and terminology used in the message.
- **Feedback:** It is a response by the receiver to the sender's message. Feedback takes place when the receiver responds to the sender's communication with a return message. It helps the sender determine whether the receiver correctly interpreted the message.
- **Noise:** Noise is any interference with a message that hampers the sharing of meaning between the sender and the receiver. Thus, negative attitudes, misperception, a loud radio, a person's accent, illegible print or pictures, jargon, poor eye sight all qualify as noise. Understanding tends to diminish as noise increases. Noise can be minimised by foreseeing and neutralising sources of interference.

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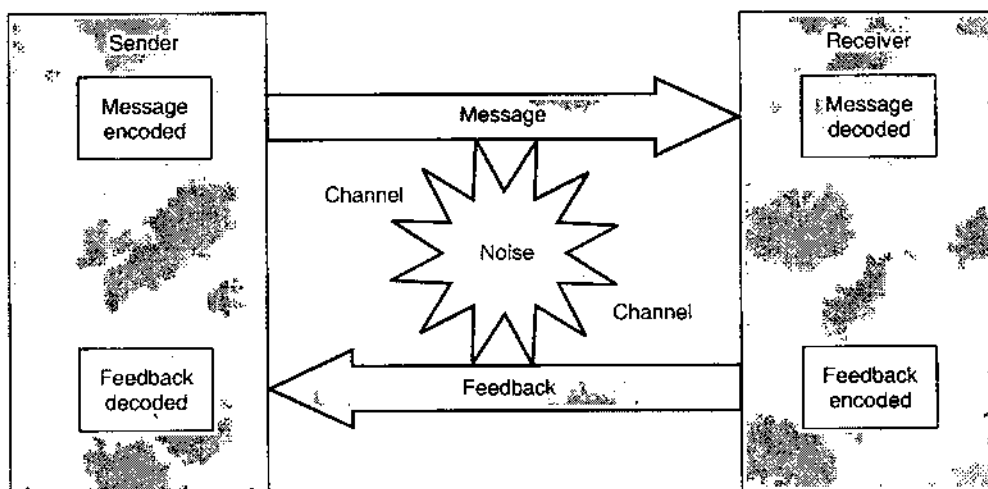


Fig. 9.1 Communication Process

2.19 CHANNELS OF COMMUNICATION

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A communication channel is the route through which messages flow from the sender to the receiver. There are basically two types of channels—formal and informal—which are used by managers.

2.19.1 Formal Communication

The formal communication channel is an official channel established by management to transmit messages from one unit (or person) to another. It is created deliberately so as to send commands, instructions and orders from top to the bottom in a systematic and orderly manner. The formal communication channel respects the 'unity of command' principle and prescribes, of course in a rigid way, a specified route for the flow of information between various positions in an organisation. There are three ways in which formal communications can go: downward, upward and horizontal/lateral:

- **Downward communication** travels from the superior to the subordinate. The primary purpose is to transmit information (commands, orders, directives, instructions etc.) and instruct employees in the performance of their jobs. In most organisations, downward communication channels are put to extensive use—to transmit information regarding key policies, objectives, strategies and technical developments from higher level to lower level positions.
- **Upward communication** travels from subordinate to superior. It provides feedback on how well things are going. It reveals the degree to which ideas that are passed down are accepted. It enables employees to voice their opinions, concerns and ideas. Employees can ventilate their grievances and develop a comforting feeling that their voice is reaching top management. Suggestions for improving the work climate can be taken up immediately thereafter. More importantly, upward communication keeps managers aware of how employees feel about their jobs, co-workers and the organisation, in general. Upward communication usually consists of: (i) ideas and suggestions for improvements, (ii) requests for help or information, and (iii) expression of attitudes or feelings affecting performance on the job.
- **Lateral communication** takes place between people on the same level of the hierarchy. This channel promotes a horizontal flow of messages, enabling departments to work with other departments without having to rigidly follow the up and down channels. Strict adherence to organisational rules and regulations may result in delays, avoidable circuitous routes and frustratingly long channels. Lateral communication encourages people to achieve coordination quickly by contacting the right person at the right time without waiting for instructions from upstairs or taking approval from the top. They can short-circuit the classical principles for the sake of achieving coordination and teamwork.

2.19.2 Informal Communication

Formal communication channels only tell us part of the story of communication in organisations. They represent the way the organisation is set up, but not how

it actually operates. Informal communication channels exist outside the official network and develop because of spontaneous interaction between people working in an organisation. Informal communication is more unofficial. People gossip, the behaviour of superiors/bosses becomes the butt of jokes, people talk about how their favourite cricket hero played a recent innings; how a film ran for over 365 days in a single theatre in Mumbai, work teams tell newcomers how to conduct themselves and so on and so forth.

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Features of Informal Communication

- It is a product of social interactions, an inevitable part of organisational life.
 - It exists outside the official network of communication prescribed by the organisation.
 - There is no prescribed direction for the flow of messages.
 - An active grapevine indicates employees' keenness to interact with each other closely and share ideas, opinions etc.
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- **Grapevine** : The best known type of informal communication is known as the 'grapevine' (or the 'rumour mill'). Normally people like receptionists, mail and message carriers, delivery persons, maintenance personnel and materials handlers are likely to be the important actors in the grapevine, carrying juicy bits of information from place to place. There is thus, no prescribed direction for the flow of messages, nor is there any ready available means for verifying them. The grapevine can carry erroneous messages as well as accurate ones. According to Keith Davis, grapevines are a natural and inevitable part of organisational life. In fact, he says that it would be strange for employees NOT to take some part in exchanging informal information with their co-employees. A lively, active grapevine is an indication of the employee's deep need to talk about his job, company, and co-employees. It can serve as an outlet for frustration, it is an important device for developing strong group identity, and for gaining social acceptance and recognition, and has numerous other functions, both good and bad.
 - **Grapevine can be destructive** : One important limitation of grapevine is that it tends to spread rumours and half-truths thereby rapidly tarnishing the image and reputation of people. For example, Davis found that in one plant the grapevine he studied was circulating a rumour that a welder was marrying the general manager's daughter. The story was ninety per cent accurate in that the welder was getting married on the date and in the location mentioned by the grapevine. However, through the bride-to-be had the same name as the general manager's daughter, she was actually someone else.
 - **Grapevine can yield good results if used properly**: Of course, the grapevine could also be used to spread the right word, to allay fears, and to overcome the typical tardiness of formal communication channels. Managers can deliberately drop a piece of information (which they want to spread quickly) at a strategic point on the grapevine, watch it spread through the organization, and then observe how well it has been received by the

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employees. The grapevine is an inevitable part of organisational life. No weed killer yet devised can eradicate it. "The manager's job is to understand the nature of the grapevine, accept it, prune the distorted branches, and cultivate the good ones." He must make a constructive use of the grapevine and use it to supplement formal communication.

Features of Grapevine

- It is an informal, person-to-person communication network of employees that is not officially sanctioned by the organisation.
- It links all employees in all directions.
- It exists in every organisation and becomes powerful when formal channels are closed.
- Employees use grapevine rumours to fill in important information gaps and clarify management decisions.
- It tends to be more active during periods of change excitement, anxiety and sagging economic conditions.
- Grapevine generally emanates from two sources: **gossip chain** (where a single individual conveys a piece of news to many other people) **cluster chain** (where a few individuals can convey information to several others).

Coping with the Grapevine

The grapevine communication offers several important benefits: (i) It provides workers with an outlet to let off steam by venting their anxieties and frustrations. (ii) Informal interactions improve the quality of work life. Through such interactions workers learn what behaviours are acceptable and unacceptable. (iii) The grapevine translates company policies and formal messages into an understandable format, especially from the workers' point of view. At the same time, rumours can be very damaging. They mislead people quickly, especially when the target is a high-status superior in the organisation. Information distortions may, sometimes, seriously hamper the smooth flow of work. False rumours create friction between individuals and departments. In such a scenario, negative attitudes, distrust, ill feelings, etc., may often lead to escalation of tension within an organisation to an unstoppable level. Considering that the grapevine can be an influential and sometimes negative force, what can management do about it?

- **MBWA technique: Management by Walking Around** is an excellent way to monitor the grapevine in a non-threatening way. MBWA technique requires an executive to talk to employees directly and learn what is going on. It facilitates both upward and downward communication. Managers have a chance to describe key ideas and values to employees and, in turn, learn about the problems and issues confronting employees'.
- **Get the facts:** One best way to handle rumours is simply to release the correct facts as quickly as possible and let them speak for themselves.
- **Open communication:** By maintaining open channels of communication and responding vigorously to inaccurate information, the manager can minimize the damage the grapevine can do.

- **Encourage social gatherings:** Social gatherings serve an important role. They promote a strong culture and enhance understanding of how the organisation works.

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Formal vs. Informal Communication

Formal Communication	Informal Communication
• Official and authentic channel	• Unofficial channel
• Planned and systematic	• Unplanned and spontaneous
• Charts depict formal routes	• Grapevine can take any direction
• Focus on organisational goals and tasks	• Emphasis primarily on individual needs and aspirations
• Fairly inflexible, rigid and prescribed route through which messages flow up and down	• Very loose, flexible and unpredictable routes
• Official channels process information slowly	• Messages pass through various routes at a stunningly faster rate
• Impersonal way of sending messages	• Personal and social
• If messages are structured properly, very little chance of distortions	• Rumours have no basis; they spread like wild fire and as such subject to loose interpretation.

2.20 COMMUNICATION MEDIA OR METHODS

Organisations using various types of communication media, such as oral communication, written communication, electronic communication and non-verbal communication

2.20.1 Oral Communication

Oral communication is face-to-face communication between individuals. It can also take place via telephones, public address systems and other media. Studies have shown that oral communication is more effective than written communication in conveying feelings or in changing attitudes or beliefs. The merits and demerits of oral communication may be listed thus:

Merits and Demerits of Oral Communication

Merits	Demerits
Easy and inexpensive way of sending messages.	There is no automatic record of messages.
Direct contact between sender and receiver helps in classifying messages and getting feedback on the spot.	Face-to-face meetings may prove unproductive if discussions proceed endlessly.
Message can be structured in a flexible way, depending on the receiver's response.	Lengthy messages can't be sent.
Can address and reach a large gathering quickly, if the message is abridged.	It breaks down quickly if there is lot of distance between of misinterpretation are high.

2.20.2 Written Communication

Most formal communications take place in a written form. Written communication is transmitted through written words in the form of letters, circulars, memos, reports, handbooks, manuals, organisational periodicals, etc. Written communication is permanent, tangible and verifiable. A record is maintained and both the sender and the receiver have access to the records for further clarification. The merits and demerits of written communication may be listed thus.

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Written Communication

Merits	Demerits
(i) Clarity: Messages can be drafted in a clear, specific way-keeping receiver's understanding capabilities in mind.	Expensive: It is a costly way of transmitting messages, especially the short ones covering short distances repeatedly.
(ii) Economy: Written communication is economical where the sender and the receiver are separated by distance.	Time Consuming: It takes lot of time to prepare and transmit messages in a crystal clear manner.
(iii) Coverage: Written messages can be sent across a large audience in a quick way.	Slow: Written communication is painfully slow, especially where messages have to travel a long distance.
(iv) Record: Written messages offer a reliable and authentic record for future reference.	Inflexible: Messages, once drafted and sent, can't be changed or withdrawn quickly.
(v) Repetition: Where messages have to be sent repeatedly, written communication is the best way to do so.	Security: It is quite difficult to keep written records as secret documents – even if they are crucial to business success.
(vi) Response: The receiver gets ample opportunity to sit through the message carefully and offer a well thought-out response.	Impersonal: Written communication is devoid of personal touch and is very formal in nature.
	Misinterpretation: Written messages may get coloured and distorted as they travel between persons and places (up and down).
	Feedback: Written communication does not possess in-built feedback mechanisms.

In view of the above limitations of written messages, experts offer certain *guidelines* to improve written communication thus:

- Outline the message beforehand to be sure it has been logically thought through.
- Draft the message with the receiver or audience in mind.
- Give the message a concise title and use sub-headings where appropriate.
- Use simple words and short, clear sentences.
- Attempt to summarise the content or significance of the message in the first few sentences of paragraphs.
- Back up your opinions with facts.
- Avoid "oversell" and flowery language.
- Summarise your major points at the end.

Oral and Written Communication

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<i>Oral Communication</i>	<i>Written Communication</i>
1. In oral communication, two roles are involved—talking and listening.	The roles required in written communication are reading and writing. Message may be delayed in written communication.
2. It takes the form of group meeting, individual conversation, face-to-face meeting, or telephone and television talks, etc.	However, the written form of communication is appropriate when the information is to be sent in an organised and formal way.
3. Oral communication is generally informal.	Written communication is normally formal.
4. The feedback in oral communication is quick and instantaneous.	Feedback is very late and there is no in-built mechanism for feedback.
5. It is normal, flexible and no commitment is involved from the receiver.	It connotes the commitment seriously.
6. Unsuitable when information is long and highly technical. It is liable to misunderstanding.	It is expensive, rigid but has the highest advantage of being 'clear and elaborate'.

2.20.3 Electronic Communication

Thanks to the rapid advances in technology now, there is hardly any dividing line between the employee's work and non-work life. It is possible for the organisation to reach out to its employees anytime, anywhere 24 hours a day, 7 days a week—through electronic communications, including e-mail, instant messaging, blogs and wikis, voice mail, fax, electronic data interchange, teleconferencing, videoconferencing, intranets and extranets.

1. **E-mail:** It is the instantaneous transmission of written messages on linked computers. Messages wait at the receiver's computer and are read at a time convenient to him. It is very fast and cheap and can be used to reach out to numerous people at the same time. Organisational members can share anything, anytime, with anyone—quickly and conveniently.
2. **Instant messaging (IM):** This kind of interactive real-time communication takes place among computer users who are logged onto the network at the same time. With IM you can be in touch with many colleagues, especially those who are placed on collaborative projects, toss up ideas, get feedback and get going all at the same time.
3. **Blog:** It is a kind of online journal that concentrates on a particular subject. Technorati, the internet search engine, has listed millions of blogs on subjects of varied interest. Blogging, i.e., posting text to a website has hit the corporate world in a big way.
4. **Wiki:** It is a type of website that permits anyone visiting it to add, remove or otherwise edit the content.

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5. **Voicemail:** It tries to digitize a spoken message, transmit the same over the network and store the message for the receiver to retrieve later at a convenient time. Receivers could save the messages for future use, delete them completely or share with others, when required.
6. **Fax:** Fax machines help transmission of documents (containing data, graphics, content) over ordinary telephone lines. A sending fax machine scans and digitizes the document. A receiving fax machine reads the scanned information and reproduces the hardcopy for use at the receiver's end.
7. **Electronic data interchange:** Through a telecommunications network organisations send standard business transaction documents (invoices, purchase orders, etc.) to vendors, suppliers and customers, thereby saving time and money through this medium.
8. **Teleconferencing:** It permits groups of people to contact simultaneously using telephone or e-mail group communications software. When meeting participants are able to see each other over video screens, the simultaneous conference is called video conferencing.
9. **Web conferencing:** It is gaining popularity in recent times; companies could share information through live presentations or hold group meetings over the Internet.
10. **Intranet:** It is a private, organisation-wide information network that uses Internet technology and is accessible only by employees.
11. **Extranet:** it is an organisational communication network that uses Internet technology and permits internal employees to communicate with certain outsiders such as suppliers, customers and strategic partners.

2.20.4 Non-verbal Communication/Body Language

Non-verbal communication (NVC, also known as gestural communication) refers to messages sent through human actions and behaviours rather than through words. It is a communication exchange that does not use words or that uses words to carry more meaning than the strict definition of the words themselves (that is why the name *gestural communication*). It often relies on facial expressions, body movements, gestures, inflection, tone, etc.

1. **Facial expressions:** By observing a person's face we can readily distinguish such emotions as anger, interest, happiness, disgust, contempt, fear, surprise, etc. Facial expressions (e.g., frown shows displeasure; smile reveals friendliness or happiness, raised eyebrows show disbelief or amazement, etc.) may reveal true feelings more reliably than verbal messages.
2. **Eye contact:** People tend to establish eye contact for longer periods of time, the more they like each other. Eye contact diminishes when we want to hide something or are in situations where there is dislike, tension or fear of deception.
3. **Dress:** Dress is often said to influence the appearance of power to others. For example, a woman wearing a tailored suit with blazer jacket appears more powerful than one wearing a dress with frills.
4. **Posture:** Leaning toward another individual suggests that you are favourably disposed toward his or her messages; leaning backward suggests the opposite.

Opening the arms or legs is an indicator of liking or caring. In general, people, establish closed posture (arms folded and legs crossed) when speaking to people they dislike. Standing up straight generally reflects high self-confidence. Stooping or slouching could mean a poor self-image.

5. **Distance:** If you want to convey positive attitudes to another person, get physically close to that person. People located in relatively close proximity are seen as warmer, friendlier, and more understanding than people located farther away.
6. **Gesture:** Positive attitudes are shown by frequent hand movements. At the other extreme, dislike or lack of interest usually produces few gestures.
7. **Handshakes:** Most people, literally, talk with their hands. To Americans, a firm handshake indicates decisiveness, whereas a limp one conveys a lack of interest. In France, you can shake hands with your right or left hand without being regarded as impolite. In the Arab world, using left hand (called as 'toilet hand') is strictly prohibited. Generally high status people feel free while touching low status people (when giving advice, orders, or when persuading). However, managers should touch others only when saying something positive.
8. **Tone of Voice:** Anger is often perceived when the source speaks loudly, quickly, and with irregular inflection and clipped enunciation. Boredom is often indicated by moderate volume, pitch, and rate. Joy is often indicated by loud volume, high pitch, fast rate, and upward inflection.
9. **Use of Space or Proxemics:** Proxemics deals with the way one uses physical space and what that use says about us. People move closer to individuals whom they like and keep more distance from those people whom they dislike. Individuals generally maintain a greater distance from people with high status. High status people generally invade the space of those with lower status freely. (e.g., MD of a company barging into the room of a manager suddenly). The amount and type of space in an office, the office location (say, top floor reserved for the Boss) and the way it is furnished (air conditioning, carpets, glass tables, etc.) can represent authority, status, position and protection.
10. **Use of Time or Chronemics:** Chronemics is concerned with the use of time in various situations. If we are late for a meeting, we might be regarded as careless, uninvolved or unambitious. However, the lateness of a high-ranking official might be perceived as evidence of his or her importance. Looking at your watch is usually interpreted as a sign of boredom or restlessness.

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2.21 BARRIERS TO COMMUNICATION

Several factors may disrupt the communication process or come in the way of effective communication. These can be listed thus:

2.21.1 Semantic Barriers

Many of our communication problems are semantic in nature, as the same word may convey a different meaning to different people. The use of jargon can also create a barrier to communication. The vocabulary and jargon employed by engineers,

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statisticians, and skilled mechanics convey little meaning to unskilled and less-educated persons. Breakdowns in communication, thus, result when the sender does not tailor the message to match the knowledge base of the receiver. Further, some people have a limited inventory of words with which to express themselves. Others complicate the communication process through the use of empty and high-sounding words. It should be remembered that words are building blocks, and only the correct use of the blocks can create a structure.

2.21.2 Interpersonal Barriers

- **Can't express effectively:** The old expression "*the mouth was in gear before the mind was operating*" reveals one form of breakdown in communication. Some people cannot communicate effectively because they cannot use words and their personality effectively. They might have instructed their subordinates to do a piece of work politely but the subordinates may feel that they have been 'told' to do the work. One's outward appearance, gestures, smile, animation, eyes, bodily posture, vitality and tone are all an expression of one's personality—an imperative tool to win over those with whom one is talking.
- **Filtering:** Any attempt to alter and colour information to present a more favourable impression is called filtering. Since subordinates are evaluated on the worth of their performance, they try to filter information as it progresses up the chain of command. They short-circuit information and tell the boss what he wants to hear. Such attempts lead to message distortion and an incorrect impression of the real situation is created.
- **Credibility:** Research has shown that we are more likely to accept information when we have a favourable attitude toward the sender. Credibility is based on a person's competence in the subject area being communicated, and is based on the degree of confidence in the person. All managerial efforts to motivate subordinates would fail if subordinates believe that managers are not credible and trustworthy. Those managers having a high credibility rating find it easy to send messages to subordinates; and subordinates, in turn, are more likely to accept their messages, sometimes even blindly.
- **Inattention:** Inattention is another barrier. We often hear but do not listen. This is more so in the case of highly repetitive material. For example, an employee may pay attention to one 'No Smoking' sign but when such signs are put up all over the office, he no longer understands or 'listens' to it.
- **Perceptual differences:** Perceptual differences, i.e., differences in past experiences, educational background, emotions, values and beliefs also affect each person's perception of a message or of words. Receivers will accept messages that are important to them. Messages that are against their values would be rejected or misperceived. For example, an accident that has taken place in an office may viewed thus: (i) the manager may regret the loss of a valuable employee; (ii) the safety people may resent the fact that their safety record has been tarnished; (iii) the fellow-employees may see an injured friend; (iv) the office doctor may see an injured employee to be treated; and (v) the personnel manager may see the need to find a replacement for the injured person.

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- **Jealousy:** Jealousy also plays an important rôle in reducing the effectiveness of communications. Competent individuals are viewed as a threat to the security of peers and subordinates. Individuals may try to diminish the worth of another person because they are jealous. If the jealous person is able to attract the attention of the manager, the competent person may find it difficult to communicate with the boss.
- **Information overload:** Managers are flooded with information from various corners. But there is no automatic thermostat to control and regulate the flow of information. Modern technology makes it possible for the managers to have the veritable mine of information on their finger-tips, no doubt; but the effectiveness of communication is likely to be hampered when managers allow themselves to be inundated with bundles of data. Perhaps, that is the reason why managers are forced to ignore or just give a cursory review of too many messages. In this process, inevitably, many of the messages are either overlooked or misinterpreted.
- **Emotions:** How the receiver feels at the time of receipt of information influences effectively how he interprets the information. For example, if the receiver feels that the communicator is in jovial mood, he interprets that the information being sent by the communicator to be good and interesting. Also, extreme emotions and jubilation of depression are quite likely to come in the way of effective communication.
- **Time pressures:** Managers are often subjected to time pressures because decisions must be made within specified deadlines. Such time pressures can create communication problems. Formal channels may get short-circuited in the process of expediting matters, leave some important people in dark, or messages transmitted may be incomplete, rendering communication ineffective.

2.21.3 Structural Barriers

- **Hierarchy:** When an organisation grows, its structure expands, creating many communication problems. Messages have to pass through several hierarchical levels. It follows that something may be lost or added by transmission at each stage of the process. Messages are likely to be delayed and distorted.
- **Status:** Open and free flow of communication is also affected by status relationship in the organisation. Superiors are reluctant to discuss important problems with subordinates because this may expose them completely. Subordinates, in turn, avoid situations which require them to reveal information that might present them in an unfavourable light.
- **Specialisation:** Specialisation is another barrier. Too much fragmentation of work causes people to be more loyal to their particular departments than to their organisation as a whole. It tends to separate people even when they work in close proximity. Different functions, special interests, and job jargon can make people feel that they live in different worlds. The result can prevent employees from having feelings of a united family, make understanding very difficult, and lead to errors.

2.22 TEN COMMANDMENTS OF GOOD COMMUNICATION

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Communication is the basis of managerial work. It is, therefore, necessary for a manager to study its many aspects and educate the staff about the importance of good communication. The following Ten Commandments may help a manager improve his communication skills:

1. **Clarity:** Think and plan before communicating. Be clear about what you want to communicate. The more systematically a problem or idea is analysed, the clearer it becomes.
2. **Purpose:** State the purpose of each communication, obtain information, initiate action, and change another person's attitude. Don't try to accomplish too much with each communication. The sharper the focus of your message, the greater is its chances of success.
3. **Physical and human setting:** Be sensitive to the total setting in communication. Sometimes, meaning and intent are conveyed through gestures rather than through words. For example, your sense of timing should be appropriate. Workers should be reprimanded for reporting late as soon as they arrive at the workplace; it is of no use to issue memos to them after two or three months. The physical setting, whether the worker should be reprimanded openly or in private, should also be considered. The manager should also analyze the social climate governing work relationships before issuing orders and directives. The tone of communication should change accordingly. The communication should also conform to the expectations of subordinates. In other words, custom and past practice should also be taken into consideration. Like all living things, communication must be capable of adapting to its environment.
4. **Participation:** Invite others to participate in planning a communication. Allow them to participate fully and develop the facts upon which appropriate communications can be built. Participation helps to bring additional insight and objectivity to your message. Moreover, those who have helped you plan your communication will give it their active support.
5. **Word choice and body language:** Select simple words and use them carefully so that they do not take on different meanings to different people. Physical actions such as motions, gestures and facial expressions convey thoughts and emotions to subordinates. The body language should support the written communication. A frown, a sarcastic smile or even a blank stare may be wrongly interpreted, even though the words were positive in nature. Employees grasp at these small symbols to determine what the "boss" means.
6. **Empathy:** Empathy is the ability to identify with the various feelings and thoughts of another person. When managers are empathetic, they create a climate that encourages subordinates to communicate openly and honestly with them. They would be in a much better position to understand why people act as they do. They would be able to appreciate the feelings of the subordinates and respond with messages taking the interest of the subordinates into account.
7. **Actions:** Managers should support communication through good supervisory

efforts, clear assignment of duties, fair rewards for effort, sound policy enforcement, etc. Such practices serve to communicate forcefully more than all the gifts of oratory.

8. **Use of feedback:** The manager should provide feedback, which provides an open channel, so that he can check on how the messages are being perceived. He should create an environment that encourages feedback. For example, after communicating a job assignment, he might ask, "Do you understand?" or "Do you have any questions?" and find out whether the message has been understood or not. At the same time, he should allow the subordinates to express their reactions.
9. **Communicate for tomorrow as well as today:** Communications must be planned with the past in mind so as to support company policies consistently. They must also take into account the short-run as well as long-run interests of the organisation.
10. **Be a good listener:** Listening is one of the most important, most difficult and most neglected skills in communication. Poor listening techniques plague many managers. Often, they are not prepared to listen to what subordinates say. To improve listening, we need to become more than passive receivers. We should not only concentrate on the explicit meanings another person is expressing but also on the implicit meanings, unspoken words, etc. Effective listening is empathetic listening. It requires an ability to listen for feeling as well as for words.

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Principles of Effective Communication

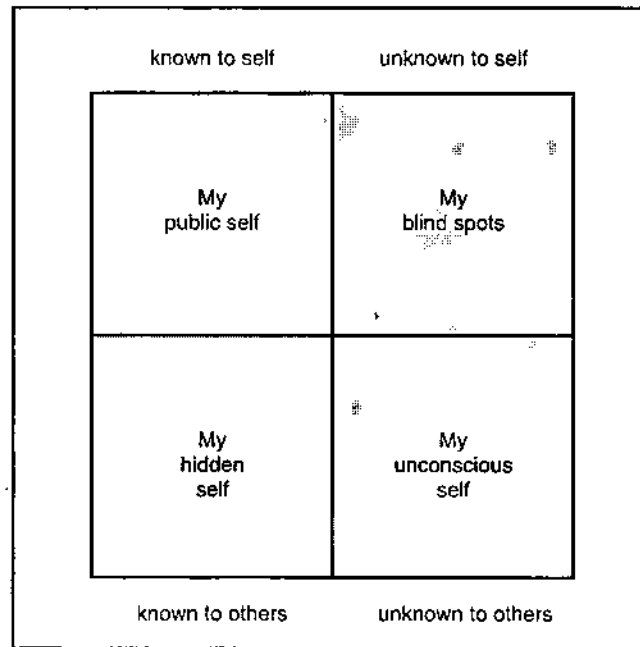
- **Principle of clarity:** The message must be as clear as possible. No ambiguity should creep into it
- **Principle of objective:** The communicator must know clearly the purpose of communication before actually transmitting the message.
- **Principle of understanding:** The communication must create proper understanding in the mind of the receiver.
- **Principle of consistency:** The message communicated should be consistent with plans, policies, programmes and goals of an organization.
- **Principle of completeness:** The message to be communicated must be complete in all respects. Inadequate and incomplete communications confuse the receivers and spoil the show.
- **Principle of feedback:** The receiver should get a chance to offer feedback to the receiver. There must be an opportunity to showcase reactions, feelings and emotions to the extent possible.
- **Principle of time:** Receivers should get the information at a right time.

2.23 INTERPERSONAL STYLE: THE JOHARI WINDOW

The term 'interpersonal style' refers to the manner in which an individual prefers to relate to others. Two people saying the same thing might do so very differently and communicate their messages in ways that may have different effects on you. Obviously, there are individual differences in the way people communicate their

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feelings, opinions and thoughts to others. Joe Luft and Harry Ingham, both researchers at the University of California in the 1950's coined the term Johari Window (a way of looking at how one's personality is expressed) to explain why we do not like to place our cards on the table while trying to relate to others. Luft and Ingham observed that there are aspects of our personality that we're open about, and other elements that we keep to ourselves. At the same time, there are things that others see in us that we're not aware of. As a result, you can draw up a four-box grid, which includes a fourth group of traits that are unknown to anyone



Johari window

Fig. 2.2 The Johari Window: Interpersonal Style and Communication

My public self or ARENA: The public area contains things that are openly known and talked about – and which may be seen as strengths or weaknesses. This is the self that we choose to share with others. Here all the information necessary to carry on effective communication is known to both the communicator (self) and the receivers (others). Arena, thus, is the area of common understanding. Parties can exchange information freely and gain understanding quickly when the arena is fairly large.

My blindspots: Here the relevant information is known to others but not to the self. Others have the advantage of knowing their own reactions, feelings, perceptions and so on while the self is unaware of these.

My hidden self or façade: Here the information is known to the self but unknown to others. Information that we perceive as prejudicial to a relationship or that we keep to ourselves out of fear, desire for power or for any other reason, makes up the Façade (or the false front). This is a dangerous sign, because the subordinate knows something that the superior is not aware of. The façade like the blindspot diminishes the arena and reduces the possibility of effective communication.

My unconscious self or the unknown: This is a tricky position. "I do not understand them and they do not understand me." Here the relevant information is not known

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to anybody. The unknown self is potentially disruptive because it contains hidden characteristics, drives and needs that can be handled effectively if they are understood. Through self disclosure I place my cards on the table and it encourages you to throw light on my blindspots. Such an interactive self disclosure helps me peep into the unknown area and improve my communication skills and you also begin to reap the benefits of improved communication.

Feedback: As you can see from the above figure, if Arena is very small then there is very little open interaction between the parties. If the Arena is very large, parties get a chance to make correct perceptual judgements about each other and develop healthy working relationships later on. Expanding the size of arena depends on whether one is willing to 'listen' and others are willing to give information that is essential for effective communication to take place. Active cooperation of others is necessary to get honest feedback.

Exposure and the inherent risks : The application of the Johari Window comes in opening up the public area, so that the other three areas begin to shrink. This is done by regular and honest exchange of feedback, and a willingness to disclose personal feelings. The process that the self uses to increase the information known to others is called exposure. Of course exposure would put the self in a vulnerable position. Exposing one's true feelings by telling it like it is often involves risks. "If you give people information about yourself, you give them power over you," she says. Monica Lewinsky's disclosure to Linda Tripp and the ensuing scandal that enveloped President Clinton is a case in point. People also misjudge how others respond to secrets: Sometimes you get negative feedback. For example, a woman who reveals that she was raped may be seen in the future as a victim, or by men as damaged goods. Now, if you must tell your secret to someone, choose that person very carefully. So you need to pick up someone whose response would help you see the picture correctly. Unfortunately, such a person is often hard to find. So if you are unable to find a trustworthy person, keep the secrets to yourself and remain in control of your own self. Exposure of course helps people to get to know each other closely. People around you will understand what "makes you tick", and what you find easy or difficult to do, and can provide appropriate support. And of course you can then do the same for them. Self-assessment questionnaires can be used to indicate the size of your public window, but any measure is purely subjective.

In order to improve interpersonal communication, both the communicator and the listener must be willing to share information honestly and openly. They must be willing to share feedback as well with an open mind. In terms of Johari Window, large hidden or blind areas hinder effective interpersonal communication.

2.24 TRANSACTIONAL ANALYSIS

Dr. Eric Berne developed a technique (called Transactional Analysis) designed to help individuals communicate with others and understand both their behaviour and that of other people. At its simplest level, transaction analysis is the method for studying transactions between individuals. A transaction is nothing but a unit of social interaction—or simply the interaction between two or more people in a social setting.

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The basic purpose of TA is to provide better understanding of how people relate to one another, so that they may develop improved communication and human relationship. The central theme of TA is that each person has three ego states (defined as a consistent pattern of feeling and experience directly related to a corresponding consistent pattern of behaviour) that serve as important sources for behaviour—namely the parent, the child and the adult.

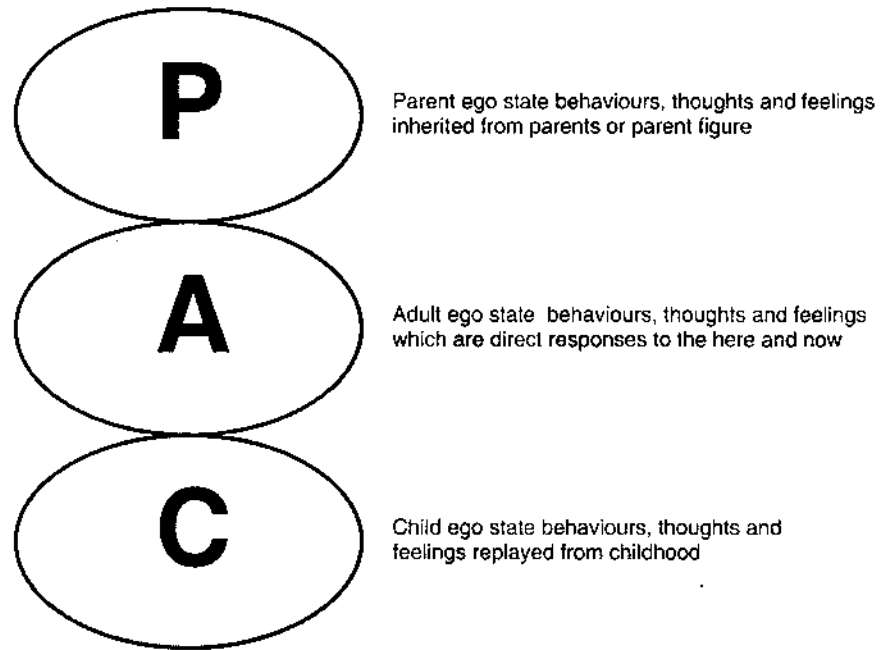


Fig. 9.3 The Johari Window: Interpersonal Style and Communication

The Parent

The Parent ego state is the sum total of feelings, thinking and behaviour that we have copied from our parents and significant others right from childhood. The overall imprint of either a nurturing parent (be careful, do not hurt yourself; drive carefully, the roads are wet) or a critical parent (you always get up late in the morning, try harder to improve your grades) is evident when individuals try to communicate with others. Nurturing parent is that part of a person which is understanding and caring about other people. Behaviour coming from the nurturing parent may set limits on and provide direction for people behaviour. It will not put the people down and make them feel not OK as individual. Critical parent behaviour attacks people's personalities as well as their behaviour. Critical parent makes people feel that they are not OK. When people are in their critical parent ego state they are very evaluative and judgemental.

The Child

The Child ego state is a set of behaviours, thoughts and feelings which are replayed from our own childhood. Examples of recordings in the Child include: "When I saw the monster's face, I felt really scared". "The clown at the birthday party was really funny! These are characterized by highly emotional and/or uncensored behaviour. The child ego state is associated with behaviours that appear when a person is responding

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emotionally. A person's child contains the 'natural' impulses and attitudes learned from child experiences. There are several forms of the child ego state. However, two kinds of ego states viz. happy child and destructive child are commonly cited. People behaving from their happy child take up things they want to pursue without rubbing people on the wrong side. However, people in their destructive child undertake things that are either destructive to others or to themselves, or to their environment. In understanding the difference between these two types of child ego state, it helps to remember that behaviour by itself is not happy or destructive. Feedback from other people would give an indication whether one is behaving or responding from the child ego state. If Ram is smoking secretly while at work he might be doing so to rejuvenate himself. When someone in the department objects to this but Ram continues to smoke unmindful of consequences, his behaviour has moved from the happy child state to that of a destructive child.

The Adult

The Adult ego state is characterized by logical thinking and rational behaviour. Instead of getting scared or making assumptions, the adult begins to examine data in an unemotional manner. Behaviour from the adult ego state is characterized by problem solving analysis and rationale decision-making. People operating from the adult ego state are taking emotional content of their child ego state, the value-laden content of their parent ego state and checking them out in the reality of the external world. These people are examining alternatives, probabilities and values prior to engaging in behaviour. Typical statements from this ego state include: consumer research shows we should introduce our new product next May", "On the basis of his education and experience, I think Ram has the best credentials for the job". Dr. Thomas Harris described the Adult as "a data-processing computer, which grinds out decisions after computing the information from three sources: the Parent, the Child, and the data which the adult has gathered and is gathering".

Analyzing Transactions

When two people communicate with each other, one will initiate a dialogue (transactional stimulus) and the other will respond (transactional response. According to TA, a transaction is a stimulus plus a response. For example, if you say to one of your staff, "You really did a fine job on that project", that is stimulus: and he says, "Thanks", that is a response. In terms of Transactional Analysis, now we need to identify which ego state directed the stimulus and which ego state in the other person executed the response. According to Dr. Berne, the **simplest transactions are between Adults ego states**. For example, a surgeon will survey the patient, and based upon the data before him/her, his/her Adult decides that the scalpel is the next instrument required. The surgeon's Adult holds out his/her hand, providing the transactional stimulus to the nurse. The nurse's Adult looks at the hand, and based upon previous experiences, concludes that the scalpel is needed. The nurse then places the scalpel in the surgeon's hand.

Complementary transactions: They occur when the speaker is received by the appropriate ego state of the listener and in turn gets back the expected response. A sick child might ask for a glass of water and the nurturing mother might give the

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water to the child. The transaction below shows a Parent-Child transaction, with the Child ego state providing the *transactional stimulus*, and the adult responding with the *transactional response*.

When the stimulus (sick child asking for water and responses (mother offering water) on the Parent-Adult-Child (PAC) transaction are parallel, the transaction is complementary. In a complementary transaction, the response must go back from the receiving ego state to the sending ego state. The manager might call a subordinate and say: Ram I would like you to analyse these data and tell me which investment offers the best return (stimulus—adult ego state). The subordinate might respond: "I will get on it right away. We will place the findings on your desk by tomorrow morning" (adult—response).

Crossed transaction: A cross transaction would occur when the communicator receives a response from an ego state other than the intended one. The manager might ask a subordinate: Mr. Gupta it is your turn to prepare the control report. The subordinate might reply: Why me always? It's always my turn. How come you never ask Madhuri?" On a daily basis, the husband might ask: "where is my Parker Pen?" (obviously directed at the respondent's adult) look at the reply from the wife: "You always blame me for everything". Instead of the Respondent's Adult responding with "I think it is on the desk in your study room—it is the Respondent's Child that responds back.

Ulterior transactions: Ulterior transactions contain hidden messages in addition to what is openly stated. There are implied meanings and when diagrammed it is necessary to use two types of arrows solid and dotted. The solid reflect what is being said and dotted indicate what is meant. The Manager might say: I would like to recommend you for the job in Mumbai. (It is about time you got out of the home office and started doing something on your own, assuming full responsibility for results) The subordinate might respond: "

I would rather stay here. I really think I am making an important contribution in my current position. (You must be crazy to think that I would go to Mumbai, leaving the next promotion chance to your favourite guy in the department!)

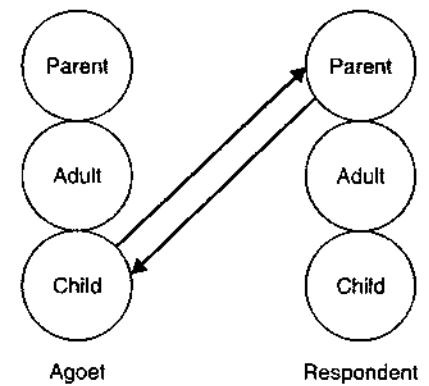


Fig. 9.4 Complementary Transaction

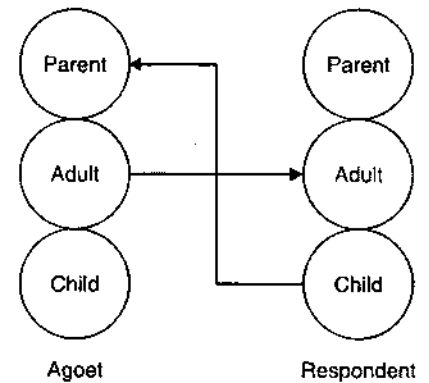


Fig. 9.5 Crossed Transaction

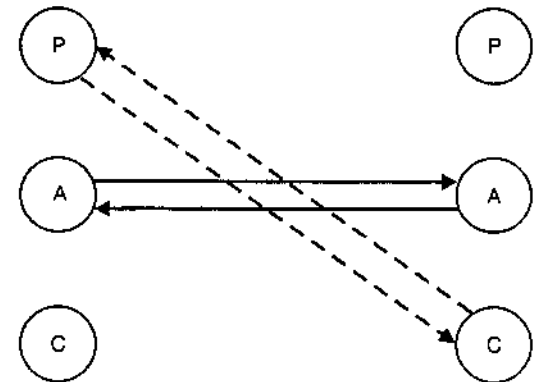


Fig. 2.6 Ulterior Transaction

This transaction shows that when there is more than one stimulus and response, communication breakdowns occur—because both parties try to hide their feelings and thoughts more than what they reveal in front of others.

Life Positions

In addition to the concepts of ego states and transactions, TA theory teaches that there are four basic philosophies or life positions with which a person can identify. A life position is a person's basic belief about him/herself and others, which is used to justify decisions and behaviour. Berne (1972; 84) suggested that there are four life positions

I AM NOT OK, YOU ARE OK	I AM OK, YOU ARE OK
(Therefore the best I can do is to get away from others or hide myself) <i>DEPRESSIVE POSITION</i>	(Therefore you and me can get on with being open with each other) <i>GOOD LIFE POSITION</i>
I AM NOT OK, YOU ARE NOT OK	I AM OK, YOU ARE NOT OK
(Therefore there is no hope. I can never be ok nor could you give me what I need) <i>FUTILE POSITION</i>	(Therefore I best get rid of you to be ok) <i>PARANOID POSITION</i>

- **I am not OK you are OK:** This is the attitude of people with low self esteem. They suffer from feelings of despair and incompetence
- **I am not OK – you are not OK:** This is the worst position where everyone is bring branded as a loser. People struck with this position do not see any hope anywhere
- **I am OK – you are not OK:** These people suffer from a bloated ego. They feel superior to others. They remain arrogant and try to put down others and in the process invite lot of problems on a daily basis.
- **I am OK – You are OK:** This is a healthy position. Differences are accepted. You begin to look at people as they are instead of judging them before hand using your own critical lenses – thereby paving ground for developing and sustaining healthy interpersonal relations.

Although people do occasionally embrace different life philosophies or positions, everyone has a dominant style that is reflective of their life perceptions. Most people in an organisation may begin their journey in an emotional manner. They are fond of telling Stories about how others have come in their way, how other people have betrayed them, how others have taken them for a ride. As they begin to understand the dynamics of life in a better way and show maturity in their interactions with others, the life positions seem to change. The journey from child ego state to adult ego state is not an easy one but one can certainly have a healthy outlook toward life – if one is willing to learn from past mistakes. People with an I am OK, you are OK position are able to get along with people – taking life as it comes instead of indulging in a constant game of mutual recrimination and shifting of blame.

Games

It is the interaction of these parts of our personality with the equivalent child, adult and parent in others that make up our relationships. Often, when we are interacting with others, there can be two conversations going on at the same time - our adult can give the impression of talking to their adult, when in fact it's our parent who's

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talking to their child. Often, these interactions, or transactions as Berne calls them, are normal everyday parts of life. We all need to relate to one another to get along in the world, after all. What he's most interested in, and has spent a long time documenting, aren't these normal interactions - but what he calls "games". He defines such games as "an ongoing series of complementary ulterior transactions progressing to a well-defined, predictable outcome" They are a series of interactions between people that are superficially plausible, but contain some kind of hidden motive. The ultimate aim of the primary player in such games is to achieve some sort of payoff - usually some kind of emotional reward. The early moves are set up so as to maximize the likelihood of this payoff being achieved. The use of the word "games" should not give the impression that such activities are necessarily fun or played light-heartedly. Often the outcomes, though predictable, can be very damaging and distressing.

Game	Description	Real benefit
Stop me if you can	Damaging activity, for example using drugs.	Gets attention, avoids responsibility
Blemish	Finding fault with others. Being as picky as necessary	Distracts attention from self
Clever me	Boasting about what you have done	Get attention, sympathy, admiration
Courtroom	Describe 'logically' how I am right and others are wrong	Get support, sympathy and absolution
If it weren't for you	Blaming others for your non-achievements	Absolution of guilt
I'm only trying to help	Offering help then complaining when it is not accepted	Controlling others
Let's you and him fight	Get others to fight for you	Control of others, share of blame, friendship
Look how hard I've tried	Put in lots of effort that intentionally does not succeed.	Absolves oneself from responsibility.
Now I've got you (you son of a bitch)	Vents rage on someone and blames them for it	Displaces anger. Absolves responsibility
Poor me	Display self as unlucky and helpless	Sympathy and support
See what you made me do	Blaming others for one's own problems	Absolution of responsibility, instilling guilt
Honestly	Making empty promises	Getting one's way in the short-term
Uproar	Violent argument with deliberate pressing of hot buttons	Sustain attention, venting and displacing anger
Yes but...	Providing objections to refuse help	Maintenance of attention and control
Wooden leg	Acquire a handicap, real or imagined and ham it up	Sympathy, avoidance of responsibility

Stroking

Strokes—in the form of praise, recognition and rewards—are essential to inspire people to give their best to an organisation. Without them the spinal cord will shrivel up—according to Berne. Positive strokes sometimes called “warm fuzzies” are positive reinforcers such as a physical pat on the back or a verbal ‘well done’. Positive stroking comes from a healthy state of mind where one begins to see the brighter side of life almost always and is willing to help others through inspiring words of encouragement. Negative strokes put people down and tell others that their words, actions and behaviour are not appropriate. Yelling, name calling, criticisms of various kinds are all part of this unhappy blame game. When played again and again, negative strokes can leave people completely shattered and demoralized.

Transactional Analysis: Evaluation

Transactional Analysis is based on the idea that we take the behaviour, feelings and thoughts from childhood into our adult relationships, and play them out repeatedly. If the childhood relationships were healthy, then the adult relationships would be healthy as well. If not, TA would force people to take a close look at their damaged childhood relationships—the dysfunctional scripts—and improve their interpersonal relationships over time. TA can help develop positive thinking and improve personal effectiveness, if one is prepared and trained to seriously examine one’s life script and the games that one comes across in relationships. Viewing everything from a refreshingly fresh angle and being able to see problematic behaviours, taking the U turn and getting ready to play a completely different set of roles in day to day settings—however—is easier said than done. In actual practice, these changes are actually quite difficult to master for several reasons. First, the reinforcement of the behavior in childhood results in not only an emotional or psychological pattern but also a physiological mapping of the brain chemistry. Also, we are motivated by the reinforcement we get as children, what Berne referred to as “strokes.” We all need strokes, symbols of recognition and acceptance, but if these are reinforced in dysfunctional ways, then dysfunctional patterns are reinforced and become the standard for living.

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2.25 Summary

- Decision making is an essential and important part of every manager’s job. Whatever a manager does, he does through decision making only.
- Managerial decisions are usually classified into three categories: Basic and routine decisions; personal and organizational decisions; programmed and unprogrammed decisions.
- The decision making process consists of a series of steps: awareness of a problem, statement of the problem, developing alternatives, evaluating alternatives, selecting the best alternative, implementing and verifying the decision.
- Individual decision making is built around three models. According to the Rational Economic Model, the decision maker is believed to make decisions that would maximize his advantage by searching and evaluating all possible states that instead of searching for and choosing the best alternative, many managers

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- accept decisions that are only 'good enough'. The political model states that managers try to form alliances and gain support through persuasion while resolving unique problems.
- Groups play a useful role in solving complex problems. Group decision making is marked by four distinguishing features such as conformity, groupthink, superiority and risky shift. They use number of techniques such as brain storming, synectics, nominal group technique and the Delphi technique to generate as many alternatives as possible – discussed in an earlier chapter.
 - Creativity is the ability to imagine or invent something new. Apart from originality or newness, ideas must be useful, and actionable. Creative thinking, precisely, emphasizes this – that of clearing the fog and eliminating incorrect ways of doing things. It tries to put ideas in new combinations. There are four different approaches to creativity: namely, imagination, improvement, investment and incubation. Lateral thinking helps in generating as many ideas as possible by simply breaking out of the concept prisons of old ideas. By changing your attitude and approach you are able to get to the root of the problem quickly and find new, novel and out of the blue kind of solutions.—using the right part of the brain instead of the analytical, more logical part of the brain. Brainstorming, synectics, nominal group technique, and the Delphi technique are some of the most popular ways of generating creative ideas.
 - Conceptual blocks are mental obstacles that artificially constrain problem definition and solution and that keep most people from being effective creative problem solvers. Overcoming these conceptual blocks is simply a matter of skill development and practice in thinking, not a matter of innate ability. Every one creatively find solutions to problems through constant practice. Becoming aware of these thinking inhibitors helps individuals overcome them. Creative people are a great asset to any organisation. Such individuals must be placed in a nurturing and caring environment, so as to see that their ideas do not get killed. Creative organisation must try to invest their time, resources in developing a climate that helps people to work with zeal, commitment and enthusiasm without the fear of failure, ridicule or humiliation.
 - Innovation is the process of creating and implementing a new idea. Organising for innovation involves unleashing the creative energies of employees while directing their efforts toward meeting market needs in a timely manner. Companies can unleash creativity by establishing a culture that values intrapreneurship, accepts and even celebrates failure as a sign of innovation, and reinforces innovation through goal setting rewards and stories of creative employees. Of course, the organisation structure should balance bureaucracy for controlling existing processes with a flexibility that permits innovation to take place, like it happened in the case of Apple.
 - Communication is the process of passing information and understanding from one person to another, usually with the intent to motivate or influence behaviour.
 - Every manager has to be an effective communicator, otherwise, he may not be able to win the hearts of subordinates and deliver results

- The process of communication involves a sender, decoding, encoding and feedback.
- Managers can make use of formal as well as informal channels to get closer and network with colleagues and subordinates in an organisation. Electronic as well as gestural communications are also important in this regard.
- The use of jargon complicates the message and managers need to avoid words that defy understanding at various levels. effective communication has certain principles such as clarity, purpose, participation, empathy, feedback etc.
- Joe Luft and Harry Ingham, coined the term Johari Window (*a way of looking at how one's personality is expressed*) to explain why we do not like to place our cards on the table while trying to relate to others. Luft and Ingham observed that there are aspects of our personality that we're open about, and other elements that we keep to ourselves.
- Transactional analysis is a technique that is employed to understand the dynamics of self and its relationship to Other. It offers a method and approach of analyzing and understanding interpersonal behaviour.

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TEST QUESTIONS

1. Define 'decision-making'. What is the importance of decision-making?
2. What are the different decisions made by managers at different levels in the organisation?
3. Explain the decision-making process in organisations.
4. What do you mean by the term 'bounded rationality'? What are the factors leading to bounded rationality and satisficing decisions?
5. Point out the advantages and disadvantages of Group Decision-Making.
6. Briefly point out the group decision-making techniques.
7. Discuss various decision situations that can be dealt with by managers while performing the function of decision-making.
8. What do you mean by the decision-making under certainty?
9. Distinguish between decision-making under risk and decision-making under ambiguity.
10. 'Managers cannot be rational decision makers in real life'. Discuss.
11. What is the difference between divergent and convergent thinking, and what is their relationship to the process of creativity?
12. Explain the basics of creativity. Elaborate the ways of improving creative abilities.
13. Define 'creativity'. What do you mean by creative thinking? how does it differ from traditional thinking?
14. Describe the elements of an innovative organisation.
15. Explain the various approaches to creativity. Illustrate through examples.

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16. List the various types of conceptual blocks that could come in the way of thinking creatively. Use as many examples as possible to illustrate your arguments.
17. Describe the various techniques that could be used to generate ideas
18. How can we foster creativity among employees?
19. What are the characteristics of creative individuals? Creative Organisations?
20. Explain the various elements of innovation, using examples wherever necessary.
21. Innovation requires allowing people to make mistakes. However, being wrong too many times can be fatal. Do you agree? Why or why not? What are the implications for nurturing innovation?
22. Define communication.
23. Discuss the process of communication in organisations.
24. Distinguish between oral and written communication.
25. Make a distinction between upward and downward communication.
26. What do you mean by diagonal communication? Can the communication be horizontal?
27. What are the barriers to communication? How the barriers can be removed?
28. What must be done to improve the communication in organisations?
29. Outline the principles of effective listening.
30. 'Communication is sharing of meaning and understanding.' Comment.
31. Write short notes on:
 - Effective Communication (2011)
 - Johari Window
 - Grapevine
 - Electronic communication
 - Non-verbal communication.
32. 'Good Communication is the foundation of sound management.' Comment.
33. What are the barriers to communication? Suggest measures to overcome these barriers? (2008,2009,2010)
34. What do you mean by Transaction Analysis? Explain how it helps individuals understand interpersonal relationships.
35. Explain the terms formal and informal communication (2012).
36. Why is it important for managers to understand body language?
37. What do you think are the major barriers to upward communication in organisations? Discuss.
38. Should the grapevine be eliminated? How might managers control information that is processed through the grapevine?

3. MOTIVATION

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STRUCTURE

- 3.1 Introduction
- 3.2 Importance of Motivation
- 3.3 The Process of Motivation
- 3.4 Theories of Motivation: Maslow's Need Hierarchy Theory
- 3.5 Herzberg's Two-Factor Theory
- 3.6 Comparison between Maslow and Herzberg Models
- 3.7 McGregor's Theory X and Theory Y
- 3.8 William Ouchi's Theory Z
- 3.9 Summary

3.1 INTRODUCTION

Motivation is the work a manager performs to inspire, encourage and impel people to take required action. It is a process of stimulating people to action to accomplish desired goals. *"It is the process by which a person's efforts are energized, directed and sustained toward attaining a goal"* (Robbins, 2010). A highly motivated person will put his heart and soul into a job and complete the same to the best of his abilities. The essential job of every manager is to attract and retain talent by striking a happy balance between what the new recruit wants and what the organisation can offer in terms of stimulating growth opportunities, incentives and rewards. The process of motivation is characterised by the following:

- **Motivation is an internal feeling:** Motivation points to energetic forces within individuals that drive them to behave in certain ways and to environmental forces that trigger these drives.
- **Motivation produces goal-directed behaviour:** Motivation has got a profound influence on human behaviour, it harnesses human energy to organisational requirements. There is the notion of goal orientation on the part of individuals, their behaviour is directed towards something.
- **Motivation contains systems orientation:** what inspires people to commit themselves to assigned work is influenced by the nature of work, the mental make up of people and the environmental forces. One should look at all these influencing factors to find out why people are not putting their best foot forward

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- **Motivation can be either positive or negative:** Positive motivation or the carrot approach, offers something precious to the person in the form of additional pay, incentives, praise etc., for satisfactory performance. Negative motivation or stick approach emphasises penalties while controlling performance (reprimands, threat of demotion).
- **Motivation means bargaining:** Behaviour is what people do. Motivation is why they do it. Barnard explained motivation in the form of 'inducements-contribution' theory. It focuses on workers and organisations endeavouring to find what payouts (inducements) to workers in exchange for what degree of cooperation (contributions) from workers will be satisfactory to both parties. The problem of motivation then becomes one of arriving at compensation to workers that will coax them the output that is required.
- **Motivation is different from job satisfaction:** Motivation is the drive to satisfy a want or goal. It is concerned with goal-directed behaviour. Satisfaction refers to the contentment experiences when a want is satisfied. The term 'satisfaction, is used to analyse outcomes already experienced by an employee'. Satisfaction is a consequence of rewards and punishments associated with past experience.
- **Motivation is a continuous process:** Man is a wanting animal. As one need gets satisfied, another need arises causing a person to seek gratification. A variety of needs, therefore, influence people at different points of time. Managers, therefore, should initiate steps to meet these on a daily basis. Motivation is a never ending process.

3.2 IMPORTANCE OF MOTIVATION

The success of an organisation ultimately depends on how effectively managers are able to motivate their subordinates. In the words of Allen, '*poorly motivated people can nullify the soundest organisation*'. The following points bring out the importance of motivation in modern organisations:

1. **Productive use of resources:** Modern organisations work through physical, financial and human resources. The utilisation of physical and financial resources depends on the willingness of people to work. Motivation enables people to convert physical and financial resources into useful products. It helps management to get the best out of human as well as non-human resources.
2. **Increased efficiency and output:** Motivation enables people to work enthusiastically. As we all know, performance is a product of not merely ability to do a task but the willingness to do the same with zeal and enthusiasm. Motivation bridges the gap between the ability to work and the willingness to perform wholeheartedly and thereby to increase the overall efficiency and output. This, ultimately, helps in reducing the cost of operations.
3. **Achievement of goals:** Motivation causes goal-directed behaviour. It helps people to move in a desired direction and earn rewards. In organisations where managers try to understand the needs of employees and institute appropriate incentive systems, accomplishment of goals is fairly easy. If people are not

properly motivated, no useful purpose can be served by planning, organising and staffing functions.

4. **Development of friendly relationships:** Motivation brings employees closer to the organisation. The needs of employees are met through attractive rewards, promotional opportunities, etc. Employees begin to take more interest in organisational work. Their morale would improve. They begin to think that the enterprise belongs to them and there is no difference between the interests of the enterprise and their own interests. This helps in developing cordial relations between management and workers.
5. **Stability in workforce:** Attractive motivational schemes satisfy the need of employees. As a result, their commitment to organisational work increases. Employees do their tasks loyally and enthusiastically. They are not tempted to leave the organisation. This means reduced employee turnover. Further, satisfaction on the job means reduced absenteeism. Employees attend to their work regularly and sincerely so as to earn rewards. The organisation benefits because it is able to maintain a stable workforce. The skill and competence of employees continue to be available to the organisation. This enhances the image of the firm and helps it to secure the services of competent people.

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3.3 THE PROCESS OF MOTIVATION

The way people get motivated is actually a complex process. As mentioned earlier, it is impacted by several forces. However, in a simple model of motivation people have certain needs that motivate them to perform specific behaviours for which they receive the reward that feedback and satisfy the original need.

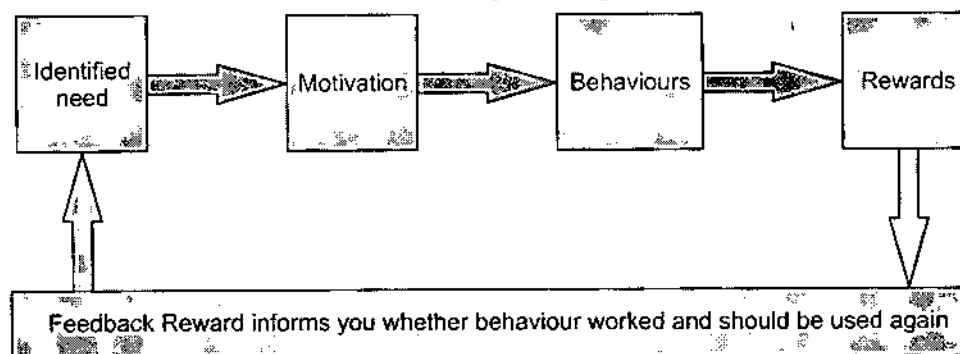


Fig. 3.1 A Simple Model of Motivation

For example you find you are hungry (need) which impels you to seek food (motive). You buy a burger and eat it (behaviour) which provides satisfaction (reward) and informs you (feedback loop) that burgers will reduce hunger and so should be bought in future as well—whenever you are hungry. In an organisation as an hourly worker you may desire more money (need) which impels you (motivates) to work more hours (behaviour), which provides you with more money (reward) and informs you (feedback loop) that working more hours will fulfill your need for more money in the future.

3.4 THEORIES OF MOTIVATION: MASLOW'S NEED HIERARCHY THEORY

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Maslow's Hierarchy of Needs Theory proposes that people are motivated by multiple needs and that these needs exist in a hierarchical order. The essential components of the theory may be stated thus:



- Adult motives are complex. No single motive determines behaviour, rather, a number of motives operate at the same time.
- Needs from a hierarchy. Lower level needs must at least partly be satisfied before higher level needs emerge. In other words, a higher order need cannot become an active motivating force until the preceding lower order need is essentially satisfied.
- A satisfied need is not a motivator. A need that is unsatisfied activates seeking behaviour. If a lower level need is satisfied, a higher level need emerges. Higher level needs can be satisfied in many more ways than the lower level needs.
- People seek growth. They want to move up the hierarchy of needs. No person is content at the physiological level. Usually people seek the satisfaction of higher order needs.
- Human beings are influenced by deprivation-motivation-gratification cycle almost all the time. The deprivation of food, sex, safety, love, affection etc. compels people to find ways and means to satisfy them—that is, their lack of satisfaction causes a deficiency that motivates people to meet these needs.

Maslow's hierarchy of needs – as shown in Figure 3.2 – lists human drivers in order of relative importance. Stronger, instinctive, more animal-like drivers sit at the bottom of the hierarchy. The top of the list has weaker, but more advanced, human needs. Maslow says people generally move up the hierarchy; progressing up the list is the essence of motivation. Once people have enough to eat, they start to look around for physical safety. Once they have esteem they move towards self-actualization.

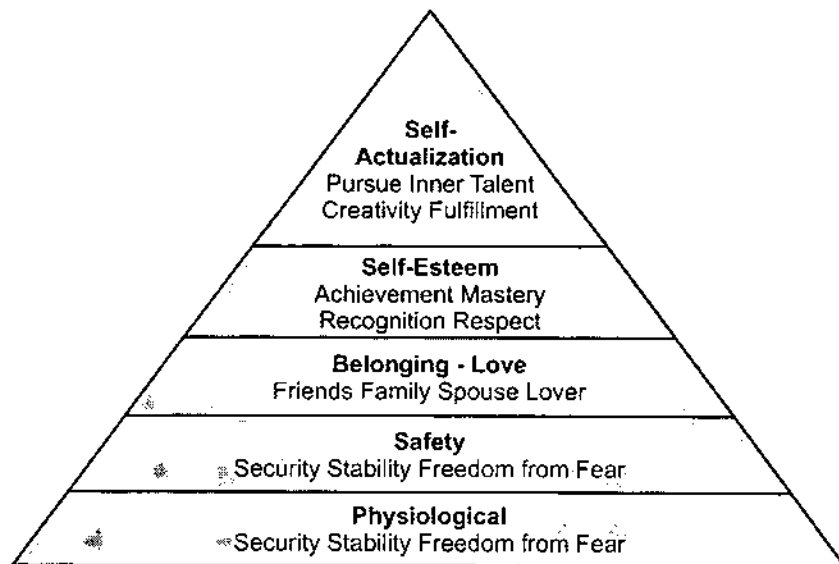


Fig. 3.2 Maslow's Hierarchy of Needs

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1. **Physiological needs.** These are the most basic human physical needs that preserve human life and include needs for food, clothing and shelter. They are the most basic of all human needs and must be satisfied at any cost. They take precedence over other needs when thwarted or not satisfied. Man lives by bread alone, when there is no bread. These needs are generally identified with a particular organ in the body (hunger—stomach etc.). Physiological needs are essentially finite. An individual demands only a particular amount of these needs. (You do not have to eat all items of food at once) at any point of time (like 3 Rotis for lunch, another 2 for dinner etc.). After reasonable gratification, they are no longer demanded and hence not motivational. They must be met repeatedly (morning, noon, evening, night time etc.) within relatively short time periods to remain fulfilled. Satisfaction of physiological needs is usually associated not with money itself but what it can buy. The value of money diminishes as one goes up the hierarchy. Physiological needs are relatively independent of each other.
2. **Safety needs:** Once physiological needs are reasonably satisfied, a person begins to think about safety needs. These needs are concerned with protection from physical danger (fire, accident) and economic security (benefits, pension, insurance). People seek to get away with arbitrary, unpredictable managerial actions as well. They want to live in an orderly and safe work environment, and do not want to get stressed arising out of unacceptable managerial actions. Essentially, safety needs are concerned with protection from hazards of life; from danger, deprivation and threat. Safety needs are primarily satisfied through economic behaviour. Organizations can influence these security needs either positively – through pension schemes, insurance plans – or negatively by arousing fears of being fired or laid off. Safety needs too, are motivational only if they are unsatisfied. They have finite limits.
3. **Social or love needs** After the lower order needs have been satisfied, the social or love needs become important motivators of behaviour. Man is a gregarious being and he wants to belong, to associate, to gain acceptance from associates, to give and receive friendship and affection. Social needs tend to be stronger for some people than for others and stronger in certain situations. Social needs have certain features in common: They provide meaning to work life. Individuals are not treated as glorified machine tools in the production process. People congregate because of mutual feelings of being beaten by the system. They seek affiliation because they desire to have their beliefs confirmed. Social needs are regarded as secondary because they are not essential to preserve human life. They are nebulous because they represent needs of the mind and spirit, rather than of the physical body. Social needs are substantially infinite. Social needs are primarily satisfied through symbolic behaviour of psychic and social content. Where these are not met, severe maladjustment is probable; where the hunger for companionship is assuaged, the mental health of the organism is once again on a better base.
4. **The esteem needs.** Esteem needs are of two types: self esteem and esteem of others. Self-esteem needs include those for self-confidence, achievement, competence, self-respect, knowledge and for independence and freedom. 'Esteem of others' includes reputation, status and recognition. 'Satisfaction of esteem needs

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produces feelings of self-confidence, worth, strength, capability and adequacy, of being useful and necessary in the world'. (Maslow) Thwarting those results in feelings of inferiority, weakness and helplessness They do not become motivators until lower level needs are reasonably satisfied. These needs are insatiable; unlike lower other needs, these needs are rarely satisfied.

5. **The self-actualization needs.** These are the needs for realizing one's full potential and self fulfillment. "Self fulfilling people are rare individuals who come close to living up to their full potential for being realistic, accomplishing things, enjoying life, and generally exemplifying classic human virtues." (For example, Gandhi, Nehru, Lincoln, Roosevelt, Einstein etc.) Self-actualization is the desire to become what one is capable of becoming. A musician must make music, a poet must write, a general must win battles, an artist must paint, a teacher must teach if he is to be ultimately happy. What a man CAN be he MUST be. Self-actualization is a 'growth' need. Self-actualization needs have certain features in common:
 - The specific form that these needs take will vary greatly from person to person. In one person it may be expressed materially, in still another, aesthetically.
 - Self-realization is not necessarily a creative urge. It does not mean that one must always create poems, novels, paintings and experiments. In a broad sense, it means creativeness in realizing to the fullest one's own capabilities; whatever they may be.
 - The way self-actualization is expressed can change over the life cycle. For example, Bjorn Borg, Rod Laver, and Pele switching over to coaching after excelling in their respective fields.
 - These needs are continuously motivational, for example: scaling mountains, winning titles in fields like tennis, cricket, hockey etc. The need for self-realization is quite distinctive and does not end in satisfaction in the usual sense.
 - These needs are psychological in nature and are substantially infinite.
 - The conditions of modern life give only limited opportunity for these needs to obtain expression.

Evaluation

Maslow's theory has been criticized on the following grounds:

1. **Theoretical difficulties:** The need hierarchy theory is almost a non-testable theory. It defies empirical testing, and it is difficult to interpret and operationalize its concepts. For example, what behaviour should or should not be included in each need category? What are the conditions under which the theory is operative? How does the shift from one need to another take place? What is the time span for the unfolding of the hierarchy? Maslow seems to have oversimplified a complex motivational process. The theory, over the years, not surprisingly has received little clear and consistent research support .
2. **Research methodology:** Maslow's model is based on a relatively small sample of subjects. It is a clinically derived theory and its unit of analysis is the individual. Maslow, recognizing these limitations, presented the model "with apologies to those who insist on conventional reliability, validity, sampling etc."

3. **Superfluous classification scheme:** The need classification scheme is somewhat artificial and arbitrary. Needs cannot be classified into neat watertight compartments, a neat 5 step hierarchy. The model is based more on wishes of what man SHOULD BE than what he ACTUALLY IS. Some critics have concluded that the hierarchy should be viewed merely a two-tiered affair, with needs related to existence (survival) at the lower level and all other needs grouped at the second level.
4. **Chain of causation in the hierarchy:** There is no definite evidence to show that once a need has been gratified its strength diminishes. It is also doubtful whether gratification of one need automatically activates the next need in the hierarchy. The chain of causation may not always run from stimulus to individual needs to behaviour. Further, various levels in the hierarchy imply that lower level needs must be gratified before a concern for higher level needs develop. In a real situation, however, human behaviour is probably a compromise of various needs acting on us simultaneously. The same need will not lead to the same response in all individuals. Also, some outcomes may satisfy more than one need.
6. **Needs—crucial determinants of behaviour:** The assumption that needs are the crucial determinants of behaviour is also open to doubt. Behaviour is influenced by innumerable factors (not necessarily by needs alone). Moreover, there is ample evidence to show that people seek objects and engage in behaviour that are in no way connected to the gratification of needs. It is also worth noting that the Maslow's model presents a somewhat static picture of individual needs' structure. The fact that the relative mix of needs changes during an individual's psychological development has been ignored. In addition, a longitudinal view of needs is totally missing. The needs of workers change over time inevitably. According to one authority, in the 1940s and 1950s job security ranked as the most important thing that workers wanted from their jobs. In the 1960s and 1970s interesting work ranked first. Owing to these limitations, the need priority model provides, at the best, an incomplete and partial explanation of behaviour.
7. **Individual differences:** Individuals differ in the relative intensity of their various needs. Some individuals are strongly influenced by love needs despite having a flourishing social life and satisfying family life; some individuals have great and continued need for security despite continued employment with enormous fringe benefits. Young workers have greater esteem and self-fulfillment deficiencies than the older workers. Culturally disadvantaged employees may feel stronger deprivation of biological and safety needs, whereas culturally advantaged employees prefer satisfaction of higher order needs. Educated employees place a premium on challenging tasks. In comparison, less educated employees prefer routine and standardized jobs. The picture will be very confusing if we apply the theory in different countries with cultural, religious differences. In one case black managers had a greater lack of need fulfillment than their black counterparts in almost every category. Surveys in Japan and Continental European countries show that the model does not apply to the managers. Cultural, religious, environmental influences play a major role in determining the need priority in various countries.

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Usefulness of Maslow's Theory

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Maslow is not the final answer in work motivation. Maslow's model should be viewed at best as a general description of the average individual at a specific point in time; it must be viewed as a general theoretical statement, a hypothetical construct rather than an abstraction from field research. Even in its awkward form, the model seems to apply to underdeveloped countries. A survey of 200 factory workers in India points out that they give top priority to lower level needs'. According to other studies, the model seems to apply to managers and professional employees in developed countries like UK; USA. The need priority model is useful because of its rich and comprehensive view of needs. The theory is still relevant because needs no matter how they are classified, are important for understanding behaviour. It is simple to understand that it has a commonsense appeal for managers. It has been widely accepted—often uncritically, because of its immense intuitive appeal only. It has survived, obviously more because of its aesthetics than because of its scientific validity.

3.5 HERZBERG'S TWO-FACTOR THEORY

Herzberg analysed the job attitudes of 200 accountants and engineers who were asked to recall when they had felt positive or negative at work and the reasons why. From this research, Herzberg suggested a two-step approach to understanding employee motivation and satisfaction: The results indicated that when people talked about feeling good or satisfied they mentioned features intrinsic to the job and when people talked about feeling dissatisfied with the job they talked about factors extrinsic to the job. Herzberg called these Motivation and Maintenance factors respectively.

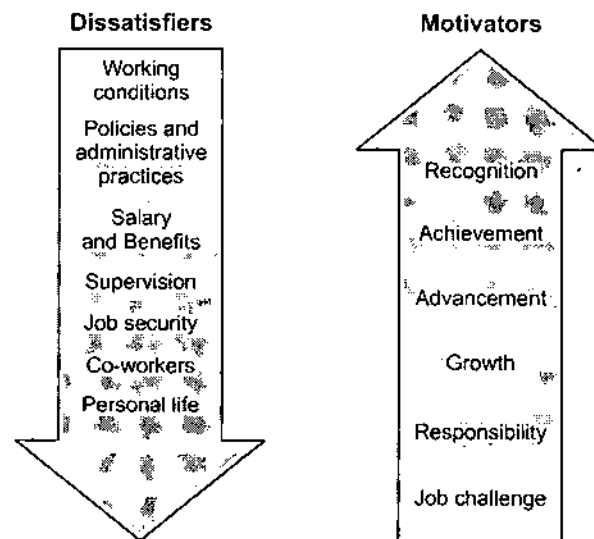


Fig. 3.3 Herzberg's Hygiene and Motivational Factors

- **Hygiene Factors (Maintenance Factors):** Hygiene factors represent the need to avoid pain in the environment. They are not an intrinsic part of a job, but they are related to the conditions under which a job is performed. They are associated with negative feelings. They are environment related factors, hygienes. They

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must be viewed as preventive measures that remove sources of dissatisfaction from the environment. Like physical hygiene they do not lead to growth but only prevent deterioration. Maintaining a hygienic work environment will not improve motivation any more than garbage disposal or water purification. Mr. Fictitious, who is in excellent health will not become any healthier by eating food but if he does not eat food he may become sick and die. Hygiene factors produce no growth in worker output, but they prevent loss in performance caused by work restriction.

- **Motivators:** Motivators are associated with positive feelings of employees about the job. They are related to the content of the job. They make people satisfied with their job. If managers wish to increase motivation and performance above the average level, they must enrich the work and increase a person's freedom on the job. Motivators are necessary to keep job satisfaction and job performance high. On the other hand, if they are not present they do not prove highly satisfying.
- **Managerial Implications:** The implications of the two factor theory for managers are quite clear. Providing hygiene factors will eliminate employee dissatisfaction but will not motivate employees to high achievement levels on the other hand, recognition, challenge, growth opportunities are powerful motivators and will promote high satisfaction and performance. The manager's role is to eliminate dissatisfies—that is, to provide hygiene factors sufficient to meet basic needs – and then use motivators to meet higher – order needs and propel employees toward greater achievement and satisfaction.

Departure from the Traditional View

Traditionally, job satisfaction and dissatisfaction were viewed as opposite ends of a single continuum, when certain things are present on a job—good pay, opportunity for growth, healthy working environment—the employee will be satisfied. When they are absent, he is dissatisfied. The absence of dissatisfaction is satisfaction.

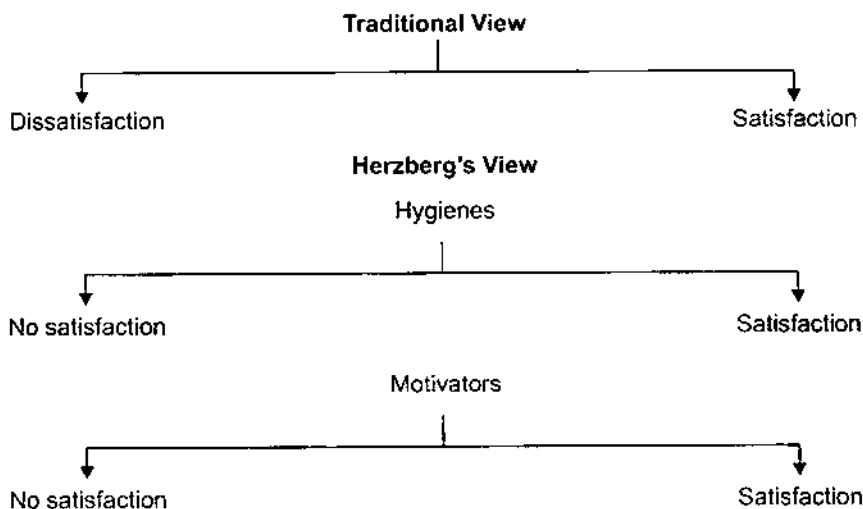


Fig. 3.4 Herzberg's View of Satisfaction and Dissatisfaction

Herzberg's findings indicate that dissatisfaction is not simply the opposite of satisfaction or motivation. One can feel no dissatisfaction and yet not be satisfied.

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Satisfaction and dissatisfaction appear to be somewhat independent. They are not viewed as symmetrical items on a single scale, rather, they are viewed as attributes of different scales. The factors that cause dissatisfaction are different from those that result in satisfaction. Satisfaction is affected by motivators and dissatisfaction by hygiene factors.

3.6 COMPARISON BETWEEN MASLOW AND HERZBERG MODELS

One of the main reasons for the popularity of the Two Factor Theory is that it is compatible with Maslow's Need Hierarchy. Maslow and Herzberg—both tend to oversimplify the motivational process, emphasize the same set of relationships and deal with the same problem. Maslow formulated the theory in terms of needs and Herzberg in terms of goals or rewards. However, Herzberg attempted to refine and hedge on the need hierarchy and cast a new light on the content of work motivation. Herzberg recommended the use of hygiene factors to help people to attain their lower level needs. Motivators are recommended to meet upper level needs. Whereas Maslow's theory implies a hierarchical (sequential) arrangement with greater force from unfulfilled needs and movement through the hierarchy in an ordered or 'cascade' fashion. According to Maslow any unsatisfied need, whether of lower order or higher order, will motivate individuals.



Both models show marked similarities. As a result, the juxtaposition of the two models makes logical sense and is interesting to observe (Figure 3.5).

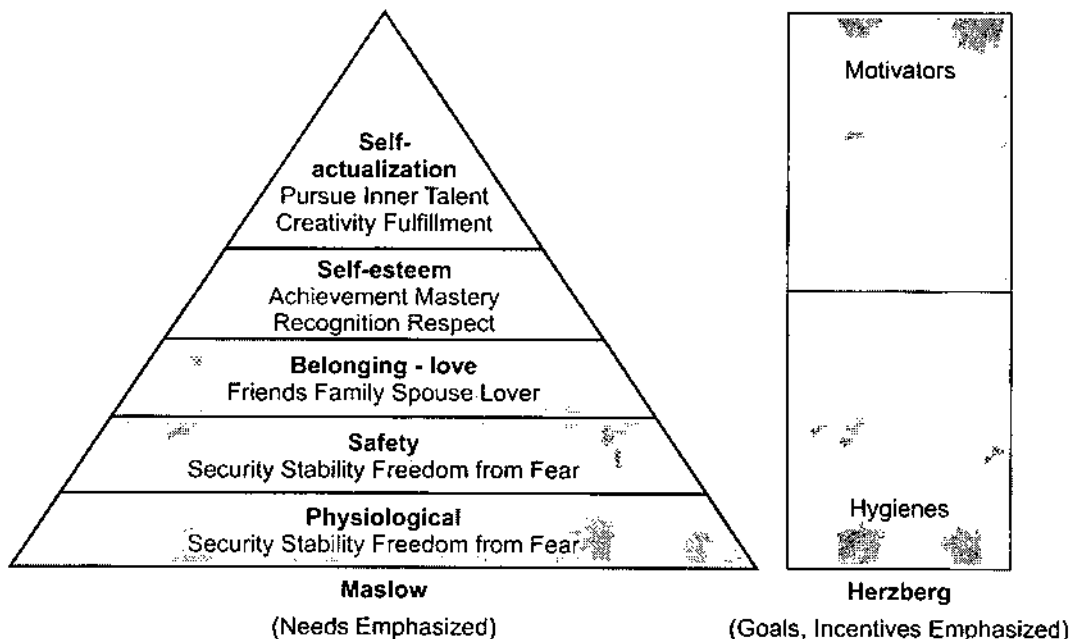


Fig. 3.5 Comparison of Maslow and Herzberg Models Hierarchy of Needs