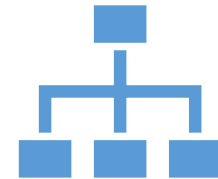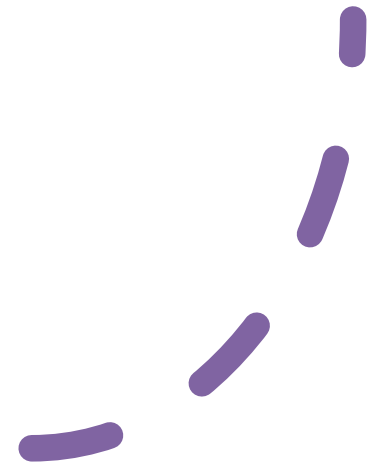# GE18551

Principles of Management

Introduction to Syllabus

- Unit I : Introduction to Management and Organizations

- Unit II : Planning

- Unit III : Organising

- Unit IV : Directing

- Unit V : Controlling

Unit 1 : Introduction to Management and Organizations

- Definition of Management
- Nature of Management
- Management as Science or Art
- Management and Administration
- Evolution of Management
- Contribution of Taylor and Fayol
- Types of Managers
- Managerial roles and skills
- Organization culture – Dimensions
- Strong and Weak culture
- External Environment – Specific and General environment
- Understanding the global environment

Definition of Management

- By Koontz and Weihrich: "Management is the process of designing and maintaining an environment in which individuals working together in groups, efficiently accomplish selected aims."

- By Stephen P. Robbins: "Management involves coordinating and overseeing the work activities of others so that their activities are completed efficiently & effectively"

Definition of Management

- Peter F. Drucker-Father of Modern Management: "Management is an organ, organs can be described and defined only through their functions"

- Charles W L Hill: "Management is the art of getting things done through people in organizations"

Definition of Organization

An organization is a collection of people working together in a coordinated and structured fashion to achieve one or more goals.

Organizations and People

Organizations are strongly influenced by the people that form part of them.

Organizations can take in part of the personality of the people within them and their attitudes, perceptions and behaviors.
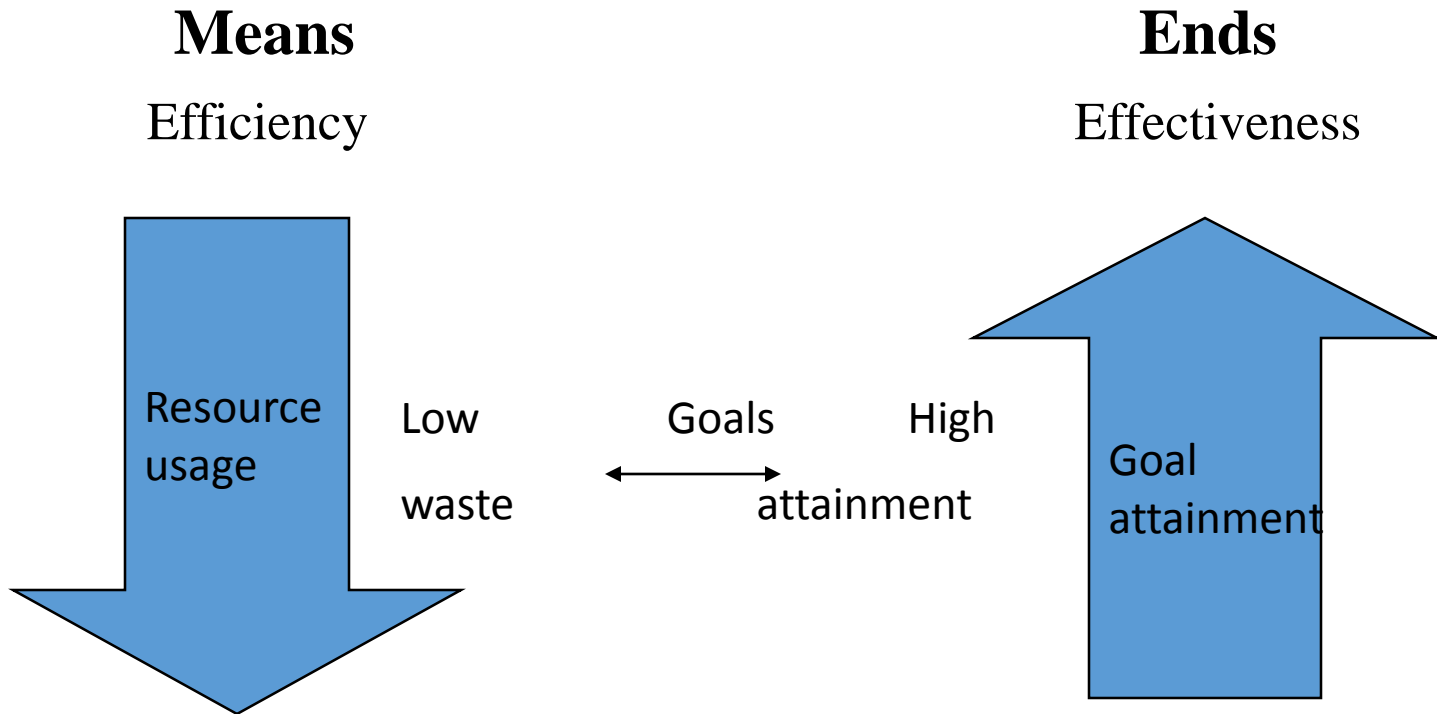
Organizations Require Management

Organizations use management to accomplish the work that is required to achieve the goals.

- Managerial Concerns
  - Efficiency
    - "Doing things right"
      - Getting the most output for the least inputs
  - Effectiveness
    - "Doing the right things"
      - Attaining organizational goals

Efficiency & Effectiveness

Means

Efficiency

Ends

Effectiveness

Resource usage

Low waste

Goals attainment

←→

High attainment

Goal attainment

Management levels

- Small organization usually have only one level of management, the founder or the owner.

- Large organization have many levels of management with varying goals, responsibilities and authority.

Top
Managers

Middle Managers

First-Line
Managers

Non Managers

Classifying Managers

First-line Managers

Individuals who manage the work of non-managerial employees.

Middle Managers

Individuals who manage the work of first-line managers.

Top Managers

Individuals who are responsible for making organization-wide decisions and establishing plans and goals that affect the entire organization.

Nature of Management

Purposive activity

Integrating activity (Integrates human efforts with nonhuman resources)

On going activity

Pervasive activity (relevant for all organizations)

Group activity

Management – Science or Art?

Science?

→ Managers can work better by using the organized knowledge about management. It is this knowledge that constitutes science.

Art?

→ Know-how (natural skill)

Administration

- Determines policies and objectives
- Not directly involved in the execution of plans and achievement of objectives
- Planning, organising and staffing
- Top level executives
- Requires more administrative skills

Management

- Implements policies and objectives
- Directly involved in the execution of plans and achievement of objectives
- Directions, motivations and control
- Lower level executives
- Require more technical skills

Managerial skills

Conceptual skills

- The **ability to analyze and diagnose a complex situation** and distinguish between **cause and effect.**

Human skills

- The ability to understand, alter, lead, and control the behavior of other individuals and groups. (**Ability to work well with other people both individually & in groups**)

Technical skills

- **Job-specific skills** required to perform a particular type of work or occupation at a high level.

Managerial skills required at different levels

Top Managers

Middle Managers

Lower-level Managers

Conceptual Skills

Human Skills

Technical Skills

Level of Importance

Managerial functions

Planning

What How Where When Whom (To be done)

Organising

Bringing together human and non-human resources
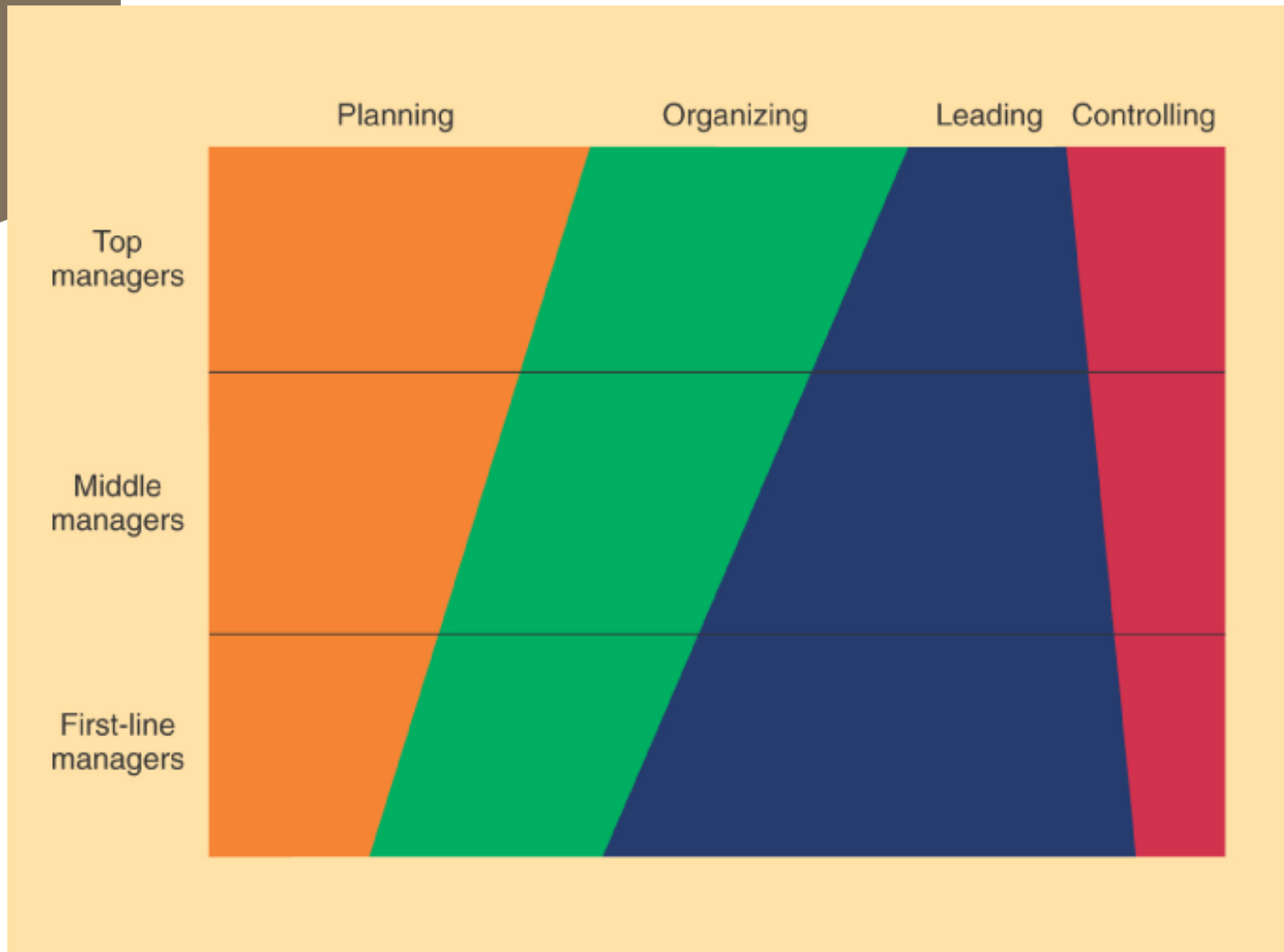
Establishing authority-responsibility relationships

Directing

Process of instructing, guiding, supervising, motivating and leading

Controlling

Verifying performance

Time spent by managers on different managerial functions

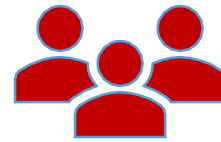# Managerial Roles

Henry Mintzberg...

He has categorized these roles into three groups

- ✓ Interpersonal roles
- ✓ Informational roles
- ✓ Decisional roles

Interpersonal Roles

A manager serves

✓ As a figurehead – a symbol

✓ As a leader, ie., hires, trains, encourages, fires, remunerates, judges

✓ As a liaison (communication) between outside contacts and the organization

Informational roles

A manager serves as a monitor by gathering information (recipient role)

As a disseminator of information

As a spokesperson of the organization

Decisional Roles

A manager serves as an entrepreneur by being:

- ✓ An initiator
- ✓ Innovator
- ✓ Problem discoverer
- ✓ Designer of improvement projects

✓ As a disturbance handler of unexpected situations

✓ As a resource allocator and

✓ As a negotiator

The managerial work activity approach

Interpersonal Roles

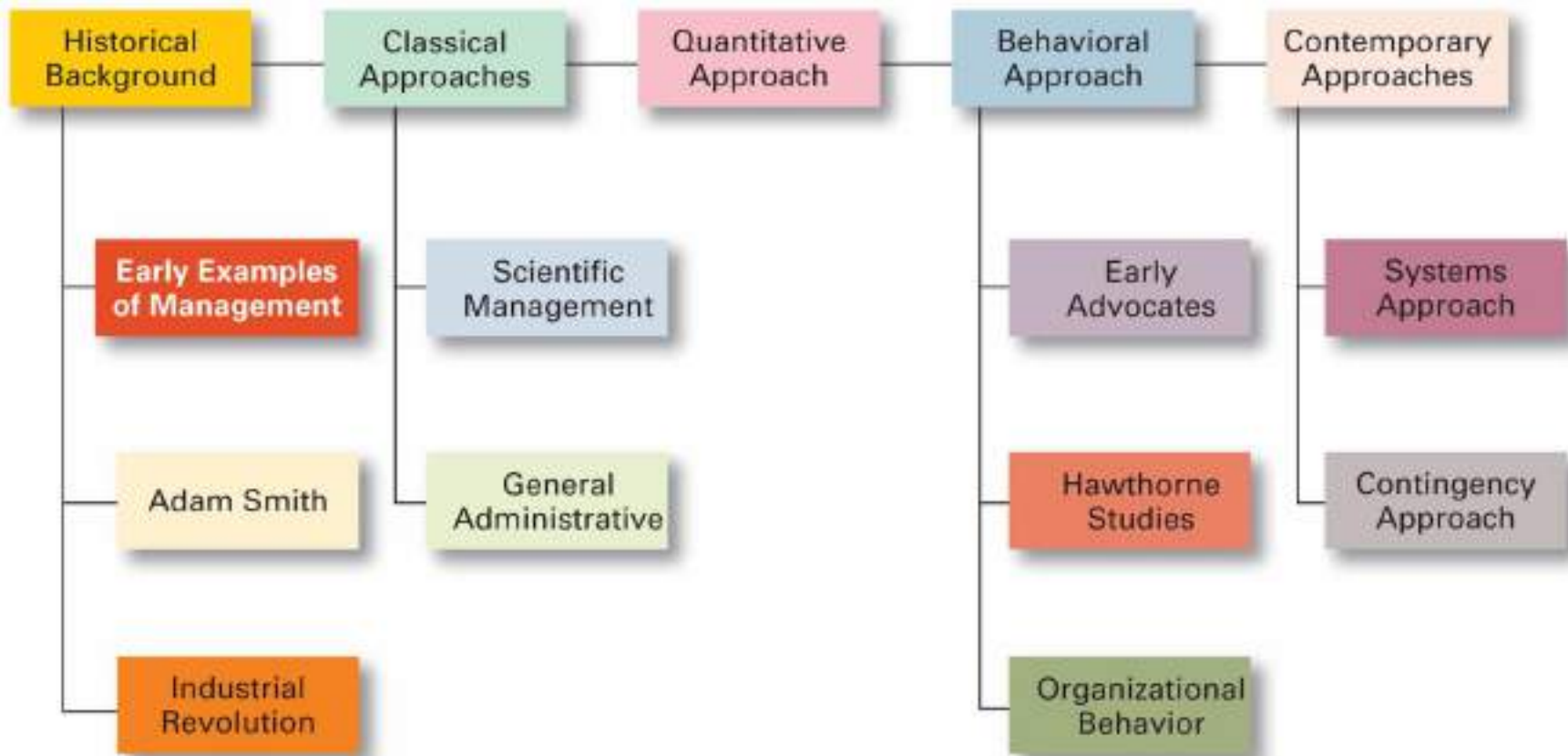- Figurehead
- Leader
- Liaison

Informational Roles

- Monitor
- Disseminator
- Spokesperson

Decisional Roles

- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator

```
Historical          Classical          Quantitative          Behavioral          Contemporary
Background          Approaches         Approach              Approach            Approaches


   Early Examples       Scientific                             Early                Systems
   of Management        Management                            Advocates            Approach


   Adam Smith           General                              Hawthorne            Contingency
                        Administrative                        Studies             Approach


   Industrial                                               Organizational
   Revolution                                                 Behavior
```
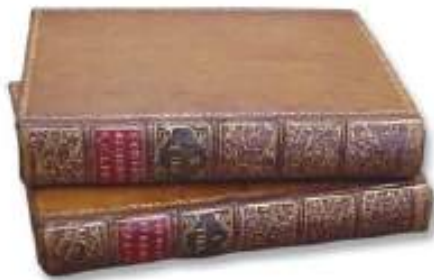
Early examples of management

In 1776, Adam Smith published *The Wealth of Nations*, in which he argued the economic advantages that organizations and society would gain from the **division of labor** (or **job specialization**)—that is, breaking down jobs into narrow and repetitive tasks. Using the pin industry as an example, Smith claimed that 10 individuals, each doing a specialized task, could produce about 48,000 pins a day among them. However, if each person worked alone performing each task separately, it would be quite an accomplishment to produce even 10 pins a day! Smith concluded that division of labor increased productivity by increasing each worker's skill and dexterity, saving time lost in changing tasks, and creating labor-saving inventions and machinery. Job specialization continues to be popular. For example, think of the specialized tasks performed by members of a hospital surgery team, meal preparation tasks done by workers in restaurant kitchens, or positions played by players on a football team.
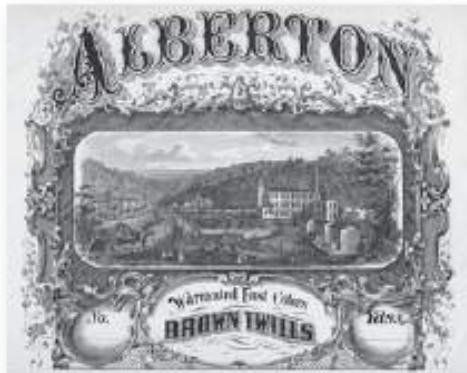
Starting in the late eighteenth century when machine power was substituted for human power, a point in history known as the **industrial revolution**, it became more economical to manufacture goods in factories rather than at home. These large efficient factories needed someone to forecast demand, ensure that enough material was on hand to make products, assign tasks to people, direct daily activities, and so forth. That "someone" was a manager: These managers would need formal theories to guide them in running these large organizations. It wasn't until the early 1900s, however, that the first steps toward developing such theories were taken.

Taylor's Scientific Management Principles

❖ Frederick W. Taylor – Father of scientific management
❖ Worked at the Midvale and Bethlehem steel companies
❖ Pig iron experiment – workers loaded 12.5 tons (average)/day onto rail cars – After scientifically applying different Combinations (procedures, techniques, and tools) the Productivity increased to 47 or 48 tons /day

✓ ***Develop a science*** for each element of an individual's work to ***replace the old rule-of-thumb method.***

✓ Scientifically select and then train, teach and develop the worker.

Taylor's Scientific Management Principles

✓Heartily ***cooperate with the workers*** so as to ensure that all work is done in accordance with the principles of the science that has been developed.

✓***Divide work and responsibility*** almost equally between management and workers. Management does all work for which it is better suited than the workers.

Contribution from Frank and Lillian Gilbreth

- They studied work to eliminate inefficient hand and body motion

- By carefully analyzing the bricklayer's job, Frank reduced number of motions in laying

    -exterior brick from 18 to 5

    -Interior brick from 18 to 2

- They invented a device called microchronometer to study hand and body motions

- They labeled 17 basic hand motions called therbligs

Fayol's 14 Principles of Management
(General Administrative theory)

- ✓ Division of Work
- ✓ Authority
- ✓ Discipline
- ✓ Unity of command
- ✓ Unity of direction
- ✓ Subordination of individuals interests to the general interest
- ✓ Remuneration
- ✓ Centralization

- ✓ Scalar chain
- ✓ Order
- ✓ Equity
- ✓ Stability of tenure of personnel
- ✓ Initiative
- ✓ Esprit de corps

Weber's Bureaucracy
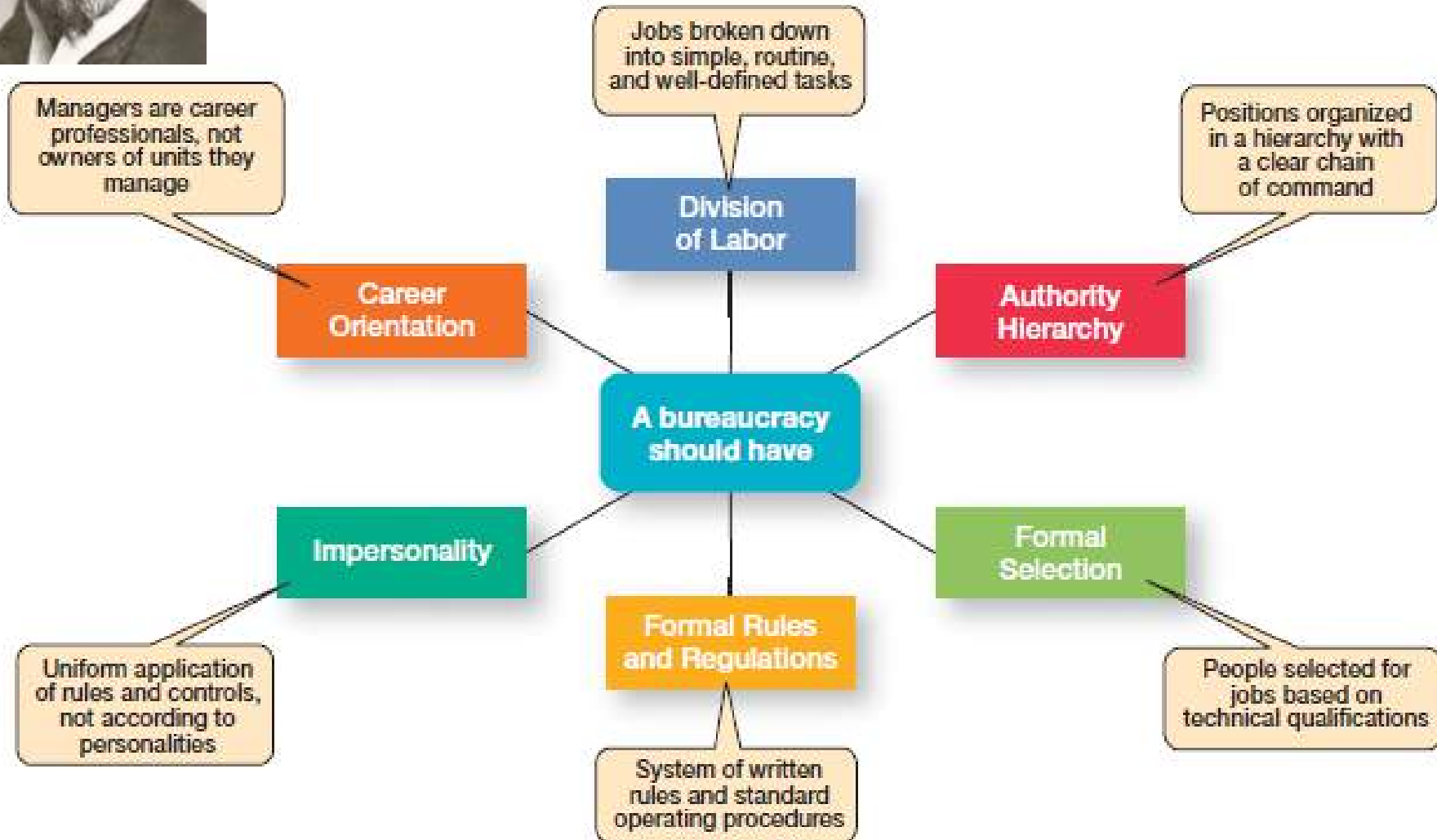
Quantitative Approach

- Also called **operations research or management science.**

- Evolved from mathematical and statistical methods developed to solve WWII military logistics and quality control problems.

- After WWII these techniques were applied to businesses.

- Whiz kids (Group of military officers) –joined Ford Motor company-applied statistical methods and quantitative models to improve decision making.

Linear Programming - resource allocation

Critical path scheduling analysis – Work scheduling

EOQ models – Optimum inventory levels

TQM-   Management philosophy devoted to continual improvement and responding to customer needs and expectations

Understanding Organizational Behavior

- Organizational Behavior (OB)
  - The study of the actions of people at work; people are the most important asset of an organization
- Early OB Advocates
  - Robert Owen
  - Hugo Munsterberg
  - Mary Parker Follett
  - Chester Barnard
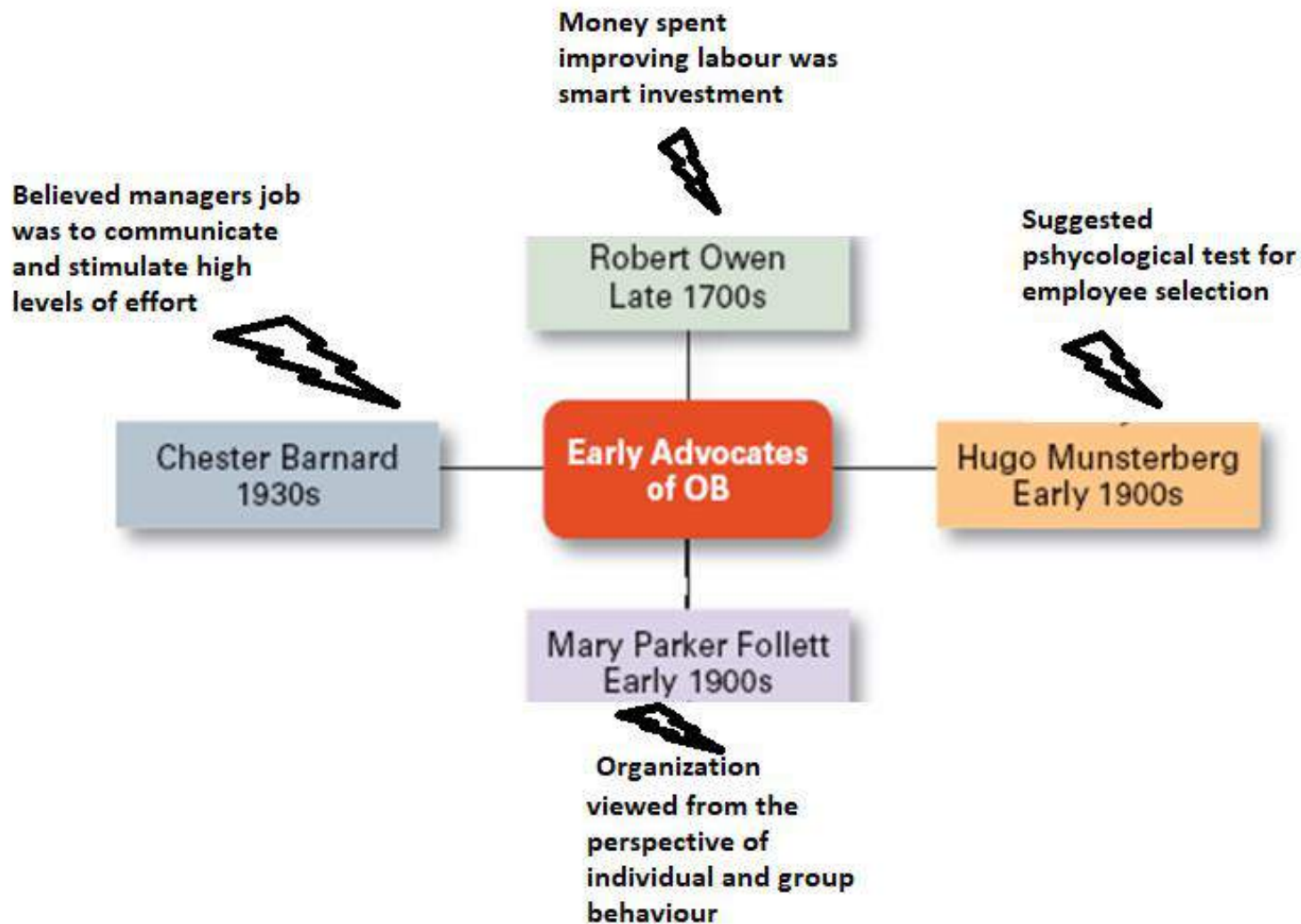
**Hawthrone studies
(Behavioral Approach)**

Studies conducted at Western Electric Company works, Cicero, illinois.

(Effect of light levels on worker productivity)

Harvard Prof. Elton Mayo join the study as consultant.

Research concluded that *social norms or group standards were the key determinants of individual work behaviour.*

Hawthrone studies

- ✓ People behaviour & attitude are closely related.

- ✓ Group factor significantly affect individual behaviour.

- ✓ Group standards establish individual work output.

- ✓ Money is less a factor in determining output, than are group standards, group attitude, & security.

Contemporary Approach

- Systems Theory
- Contingency Approach

System

Set of interrelated and interdependent parts arranged in a manner that produces a unified whole.

Closed Systems: Not influenced by and do not interact with their environment.

Open Systems: Influenced by and do interact with their environment.

Systems Theory
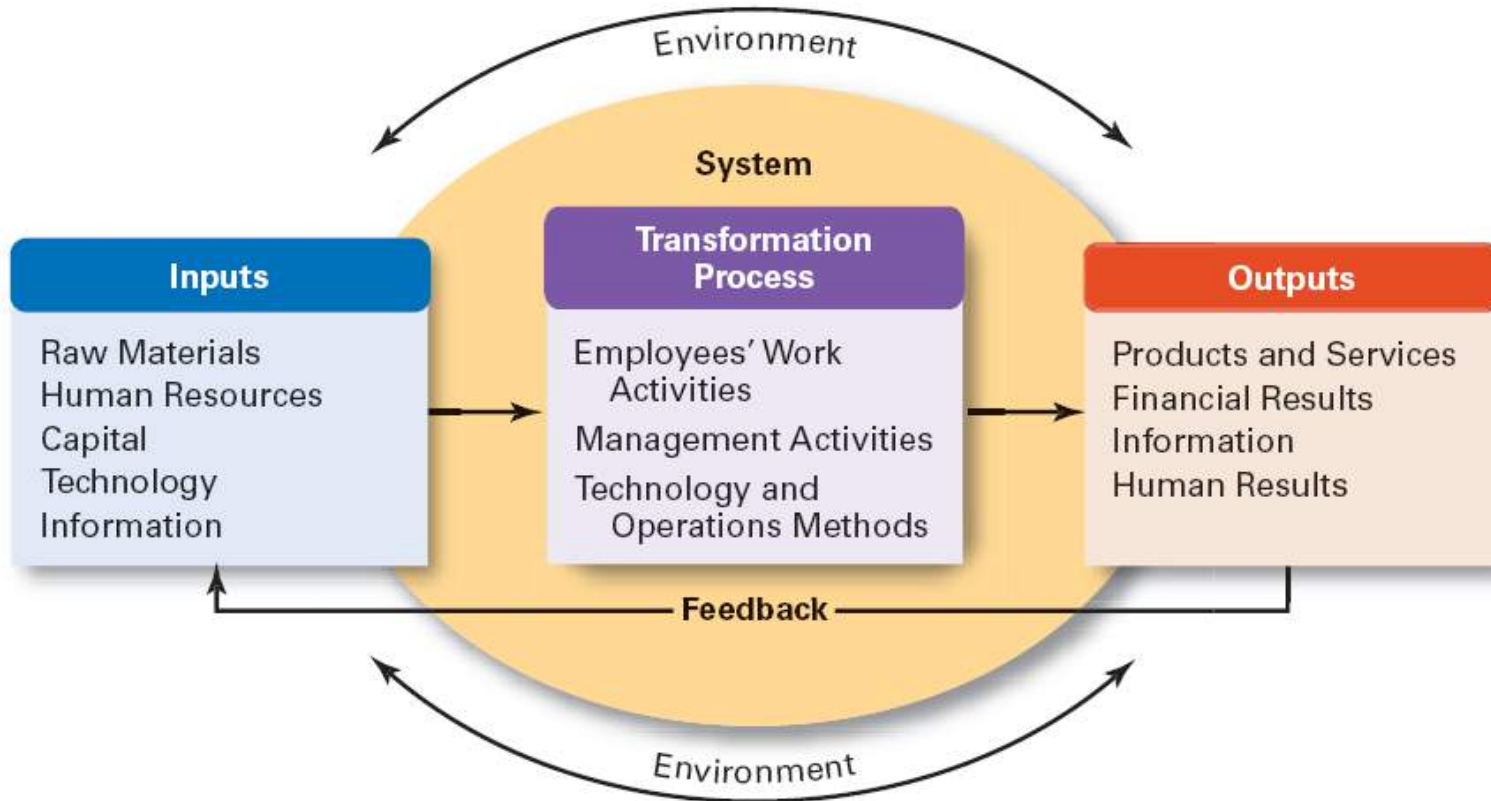
Interdependent Factors

- Individuals

- Groups

- Attitudes

- Motives

- Formal structure

- Interactions

- Goals

- Status

- Authority

Managers must ensure that all these parts are working together to achieve Organization's goals
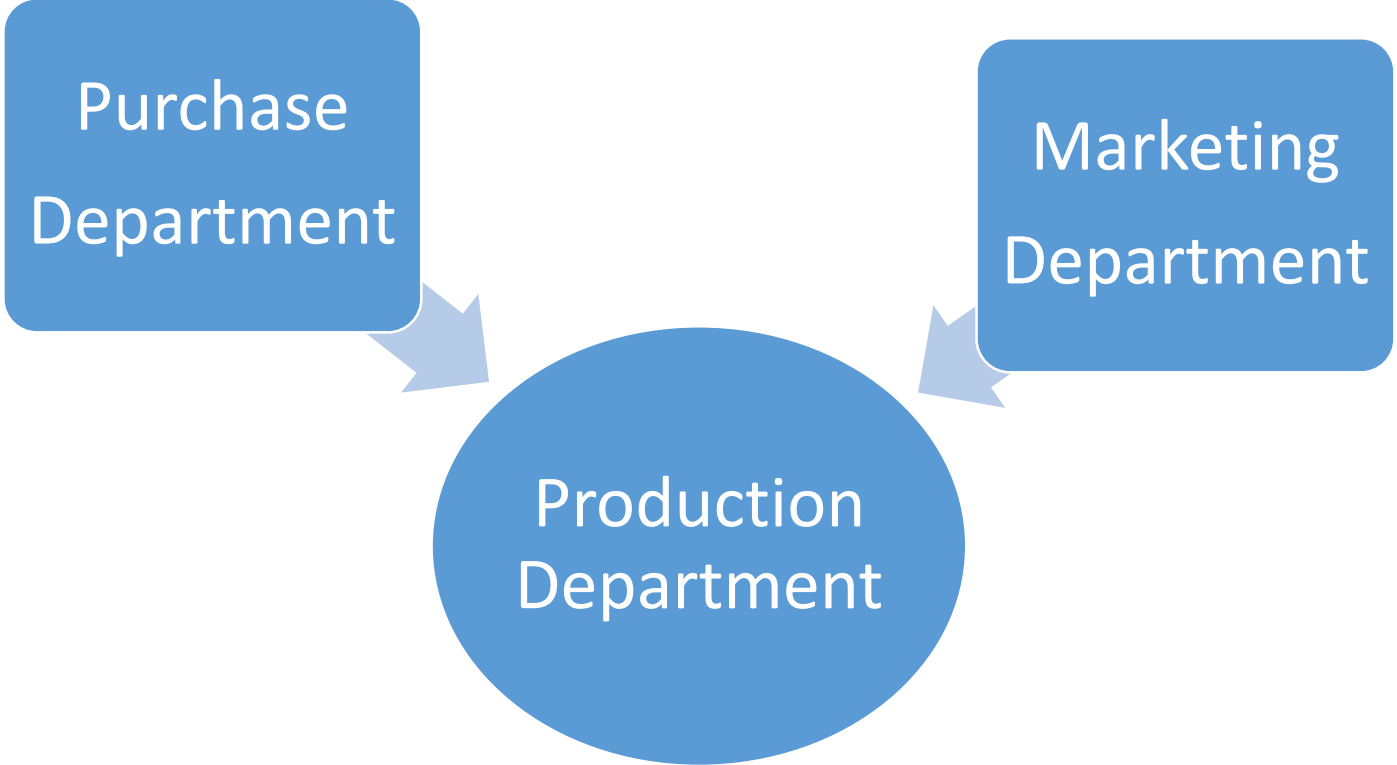
Implications of the Systems Approach

- **Coordination** of the organization's parts is essential for proper functioning of the entire organization.

- **Decisions and actions** taken in one area of the organization will **have an effect in other areas** of the organization.

- Organizations are not self-contained and, therefore, must adapt to changes in their **external environment** (Government regulations, supplier relations etc.,).

Contingency Approach
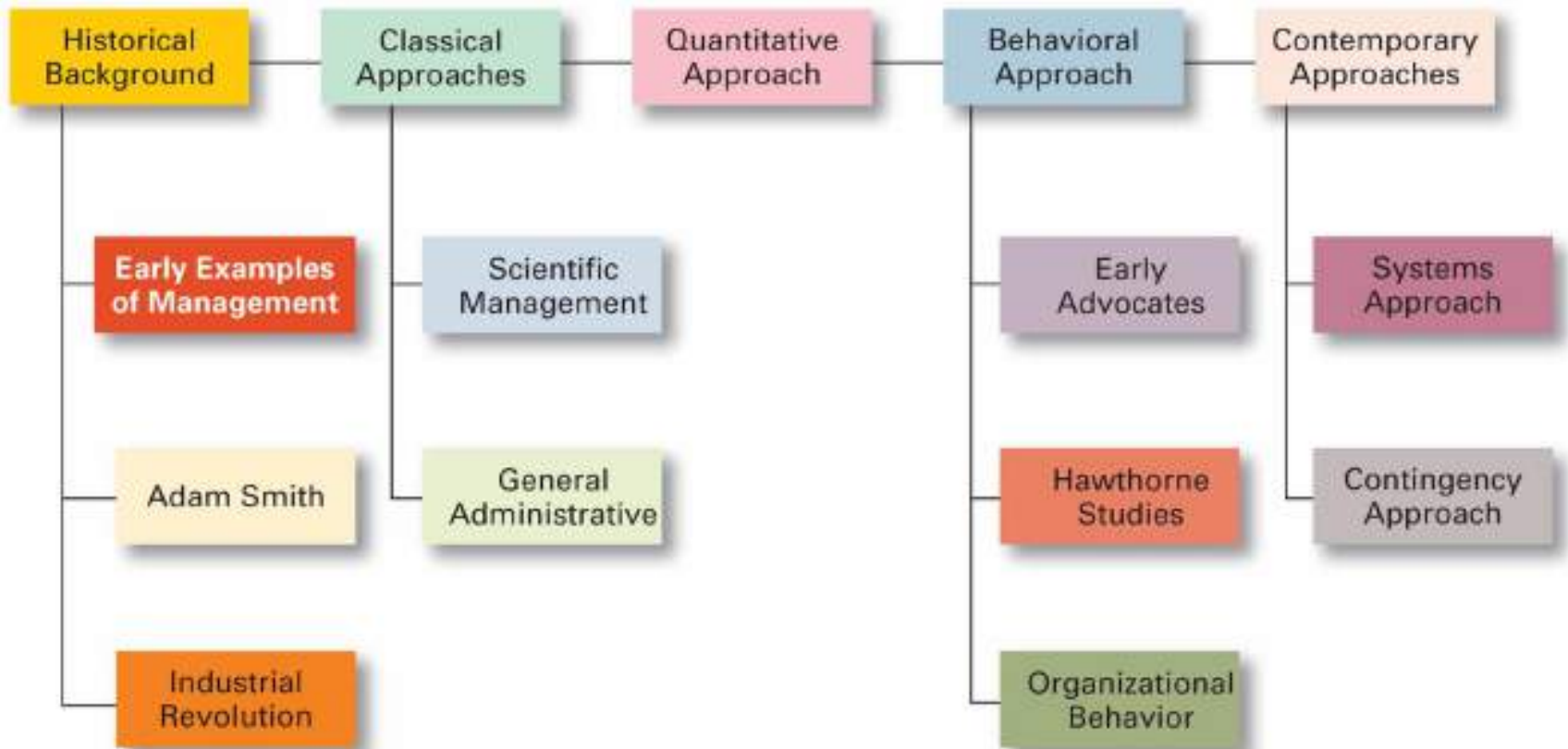## (Situational Approach)

- Management principles – generally assumed to be universally applicable.

- Later researches found exceptions.

  -Division of labour – too specialized

  - Bureaucracy – Other structural design may be more effective

CA says that organizations are different, face different situations, and require different ways of managing.

Popular Contingency Variables

- **Organization size**
  - As size increases, so do the problems of coordination.

- **Routineness of task technology**
  - Routine technologies require organizational structures, leadership styles, and control systems that differ from those required by customized or non-routine technologies.

- **Environmental uncertainty**
  - What works best in a stable and predictable environment may be totally inappropriate in a rapidly changing and unpredictable environment.

- **Individual differences**
  - Individuals differ in terms of their desire for growth, autonomy, tolerance of ambiguity, and expectations.

Historical Background
- Early Examples of Management
- Adam Smith
- Industrial Revolution

Classical Approaches
- Scientific Management
- General Administrative

Quantitative Approach

Behavioral Approach
- Early Advocates
- Hawthorne Studies
- Organizational Behavior

Contemporary Approaches
- Systems Approach
- Contingency Approach

Global Management in today's world

- Sukhoi (Russian jet maker) – plans to build passenger planes (Domestic & International markets)

-- Demand of the commercial market to be a lot different

- Nissan Motor Company – Exporting limited no. of its U.S made Quest minivans to china

-- Move that reflects how deeply Japan's automakers are integrated into the U.S. economy

Global Management in today's world

- Due to High cost, Danish Toy maker, Lego group transferred production from switzerland to czech.

- In Bangalore, GE has sunk more than $80 million into creating its largest research center outside US.

-- The move was believed as risky when india & pakistan nearly went into war in 2002.

Global Management in today's world

- In 2006, Global Electronic industry had to comply with European rules called RoHS (Restrictions to Hazardous substances).

"Doing business globally today isn't easy"

Globalization - economic & social benefits

- Openness it creates is the challenge

Challenges due to openness

➢ Increased threat of terrorism

➢Open to the bad as well as good

➢Economic interdependence of trading countries

➢Other complication like tradition, history, religious belief, deep-seated values

US cultural values & US business philosophy are said to be slowly taking over the world

MANAGING GLOBALLY

Social Change

Non Western culture (India, China, Saudi Arabia)	Western culture
• view change as slow, natural progression. • Attitude towards change is passive.	• Change can be shaped and controlled to achieve the goals. • Attitude towards change is active.

Western Managers assigned to non-western countries often face difficulty to introduce innovations.

MANAGING GLOBALLY

Time Orientation
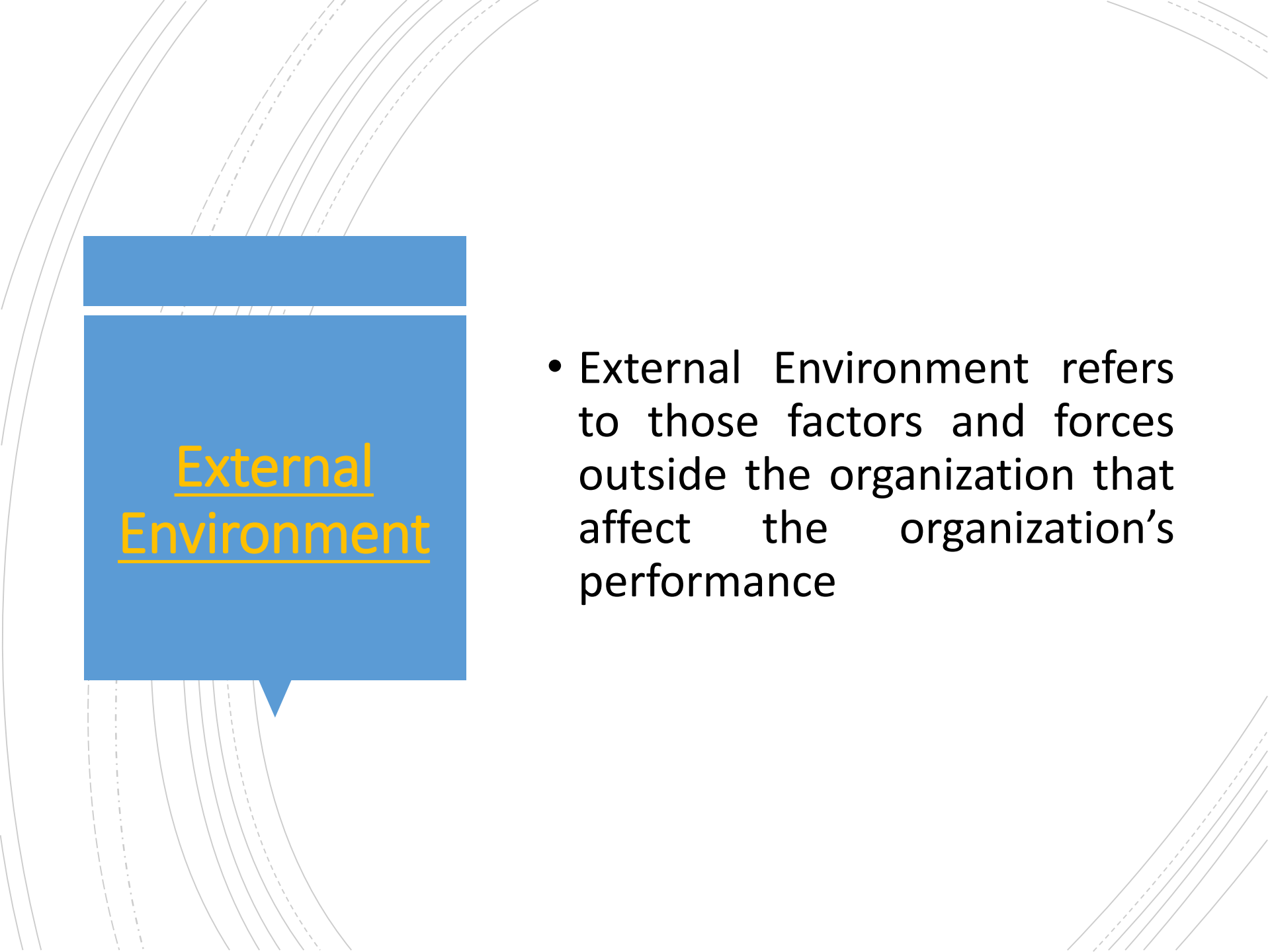
United States and Canada	India
• Think time as extremely scarce commodity (time is money). • Usually set tight deadlines.	• Time is unlimited and unending resource. • Casual about keeping appointments and meeting deadlines.

Indifference that can be highly frustrating to Canadian and U.S Managers who have to work with them.

External Environment

- External Environment refers to those factors and forces outside the organization that affect the organization's performance

Impact of External Environment

- Bottle water industry has seen a tremendous increase in sales since the mid 1990s (Europe has 34% share).

- Forty one million people use skype.

- Japan consumers can get many products from vending machines, which accounts for $ 56 Billion of revenue annually.

- Indian Govt. aimed to save 10000 Megawatts, through energy saving schemes.

General Environment

ECONOMIC CONDITIONS

POLITICAL/ LEGAL CONDITIONS

SOCIO CULTURAL CONDITIONS

DEMOGRAPHIC CONDITIONS

TECHNOLOGICAL CONDITIONS

GLOBAL CONDITIONS

Economic conditions

INTEREST RATES

INFLATION

STOCK MARKET
FLUCTUATIONS

CHANGES IN
DISPOSABLE
INCOME

RECESSION

Economic conditions

- Nestlé spends more than $30 billion a year on raw materials.

- 10 percent of the world's coffee crop

- 12 million metric tons of milk, and

- more than 300,000 tons of cocoa.

Political/Legal conditions

- Local Laws
- Other country laws & regulations

"Person with Disabilities Act" 1995, became a law under which 5% of the workforce will be composed of persons with disabilities.

Socio cultural conditions

Family leave policies

Flexible work hours

On-site childcare facilities

"Workers begun seeking more balanced life"

Increasing fear of violence & Crime

More acceptance of gambling & gaming activities

More emphasis on religion & spiritual activities

Demographic Conditions

Changes in the physical characteristics of a population like gender, age, level of education age, race, gender, education level, geographic location, income, and family composition etc

- Depression group (1912-1921)
- World War II group (1922-1927)
- Generation X (1965-1977)
- Generation Y (1978-1994) → Have grown up with an amazing array of experiences & opportunities
- iGeneration

They are learning, working, shopping, playing in fundamentally different ways that are beginning to affect the way organisations are managed

Technological conditions

- Automated offices, Electronic meetings
- Robot Manufacturing, Powerful Microprocessors

Global Conditions

- Nigeria will have larger population than Russia
- Ethiopia will have larger population than Germany
- Moracco will have larger population than Canada

Organization culture

Organizational culture has been described as the shared values, principles, traditions, and ways of doing things that infuence the way organizational members act and that distinguish the organization from other organizations.

Definition of culture implies….

1. Culture is perception
2. Culture is descriptive
3. Culture is shared value

Dimensions of organisation culture
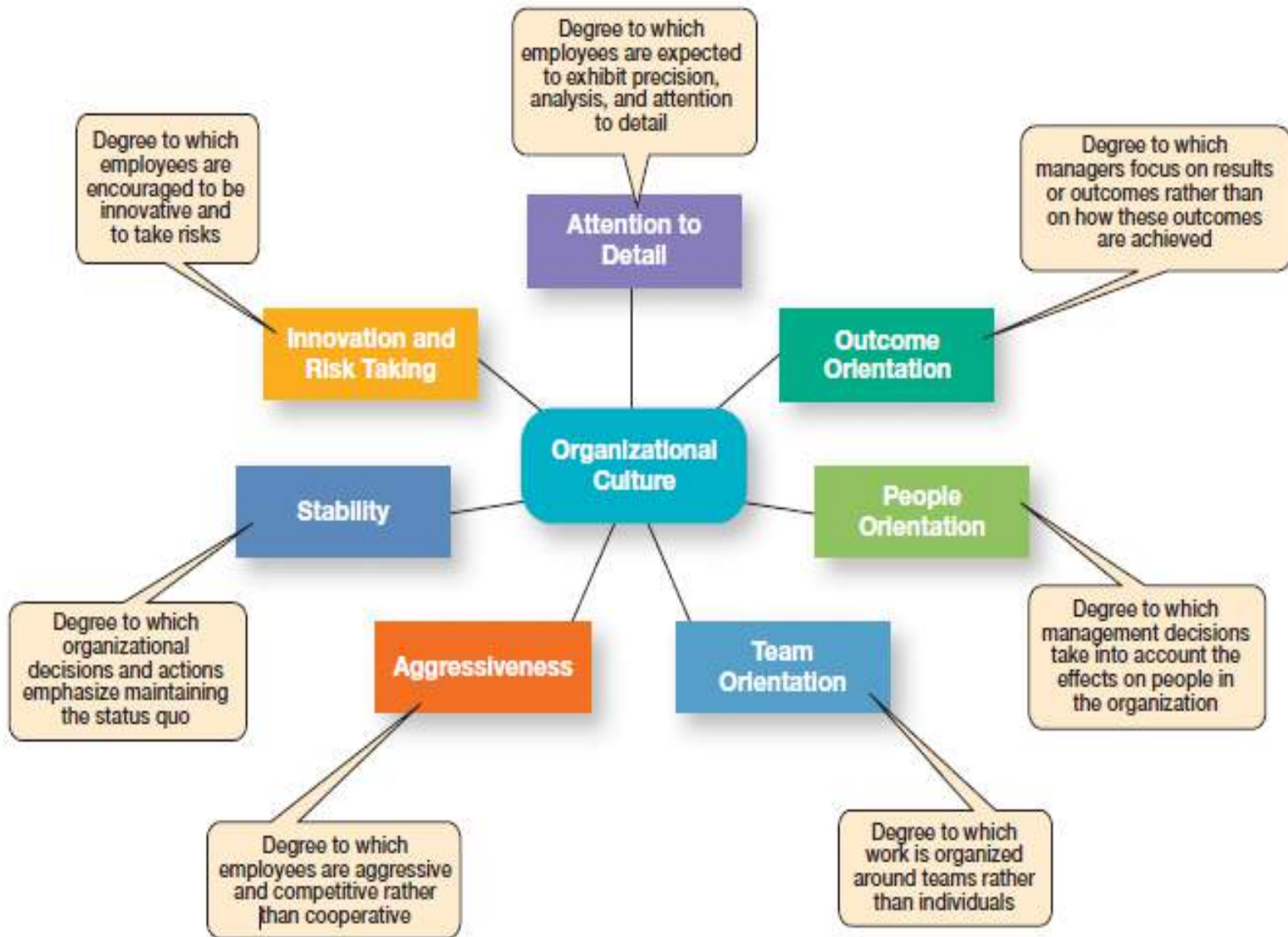
Establishing and Maintaining Culture
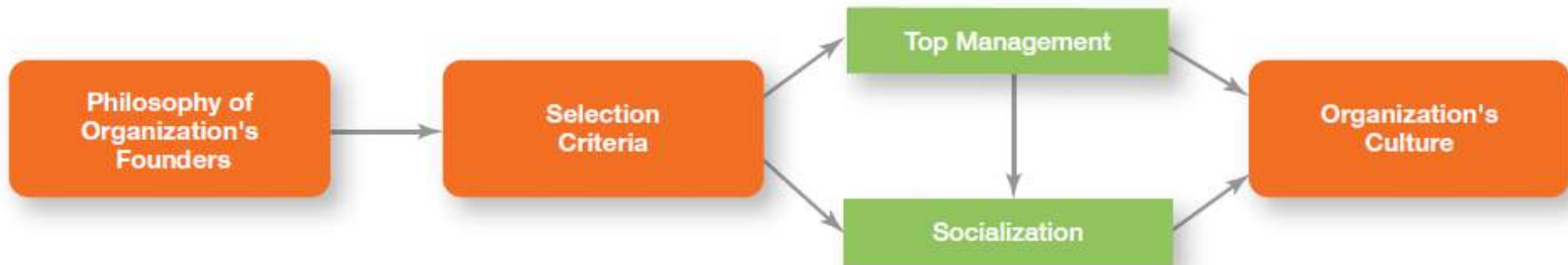
Risk taking appetite & irreverence (disrespectful) to its large competitors has spread the growth and action of Nirma Industries.

-Karsan Bhai Patel, founder Nirma

Stepping out of Narayan Murthy from the CEO's role at the prime of his career, signalled to others that the need to develop & mentor those below them, so that constantly they can rediscover their strength

IBM's CEO Sam Palmisano wanted employee to value team work

Strong Cultures	Weak Cultures
Values widely shared	Values limited to a few people—usually top management
Culture conveys consistent messages about what's important	Culture sends contradictory messages about what's important
Most employees can tell stories about company history or heroes	Employees have little knowledge of company history or heroes
Employees strongly identify with culture	Employees have little identification with culture
Strong connection between shared values and behaviors	Little connection between shared values and behaviors

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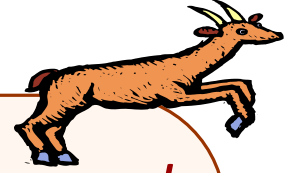
"Every morning in Africa, a gazelle wakes up and knows it must run faster than a lion or it will be killed. Every morning a lion wakes up and knows that it must outrun the slowest gazelle or it will starve to death. It doesn't matter whether or not you are a gazelle or lion. When the sun comes up, you better start running."

Jack Perkowski, Chairman and CEO, ASIMCO Technologies

Unit 1 : References

- Stephen P. Robbins, Mary Coulter and Agna Ferandez, "Management", 14th edition prentice Hall (India) Pvt. Ltd.,

- Stephen P. Robbins, David A. Decenzo, Sanghamitra, Bhattachryya, Madhushree Nanda Agarwal, "Fundamentals of Management", 6th edition, Pearson Education.

- Harold Koontz & Heinz Weihrich, "Essentials of management", 10th edition, Tata McGraw Hill.

UNIT II
PLANNING

Unit II : Planning

- Nature and purpose of planning
- Steps involved in planning process
- Types of plans
- Management by objectives
- Strategic management process
- Types of corporate strategies
- Forecasting
- Decision making steps and process

WHAT and WHY of Planning

- Boeing called its new 787 aircraft the Dreamliner, but the project turned into more of a nightmare for managers. The new plane was the company's most popular product ever, mostly because of its innovations, especially in fuel efficiency. However, the plane is two and a half years behind schedule.

WHAT and WHY of Planning

- Boeing admitted that the project's timeline was way too ambitious even though every detail had been meticulously planned.

- Some customers (the airlines who ordered the jets)—around 60 in total—got tired of waiting or responded to the changing economic environment and canceled their orders.

Could Boeing's managers have planned better?

Planning

- Planning is the process of deciding in advance. what is to be done, where, how and by whom it is to be done.

- It is basically a process of thinking before doing.

- Planning is the selection from among alternatives for future courses of action for the enterprise as a whole and each department within it.

Definition of planning

- "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

Koontz O'Donnel

Contd..

- "Planning involves defining the organization's goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate work activities. It's concerned with both ends (what) and means (how)".

Stephen Robbins

Why Do Managers Plan?

- Provides direction

- Reduces uncertainty

- Minimizes waste and redundancy

- Sets the standards for controlling

Planning and Performance

The Relationship Between Planning And Performance

- Formal planning is associated with:
    - Higher profits and returns on assets.
    - Positive financial results.

- The **quality of planning** and implementation (*problem due to external forces*) affects performance more than the **extent of planning.**

- Formal planning must be used for several years before planning begins to affect performance.

Nature of Planning

1. Planning is goal-oriented

2. Continuous and ongoing process

3. Pervasive process (done by managers at all levels)

4. Intellectual process – involves choice and decision making

5. Integrating process – Improper planning results in random activity

6. Flexible in nature

Purpose of Planning

1. To manage by objectives
2. To offset uncertainty and change
3. To secure economy in operation
4. To help in co-ordination
5. To make control effective
6. To increase organizational effectiveness

Planning Process

Being aware of the opportunity	→	**Setting objectives or goals**	→	Considering planning premises	→	Identifying Alternatives

↓

Numberising plans by making budgets	←	Formulating supporting plans	←	Choosing an alternative	←	Comparing Alternatives
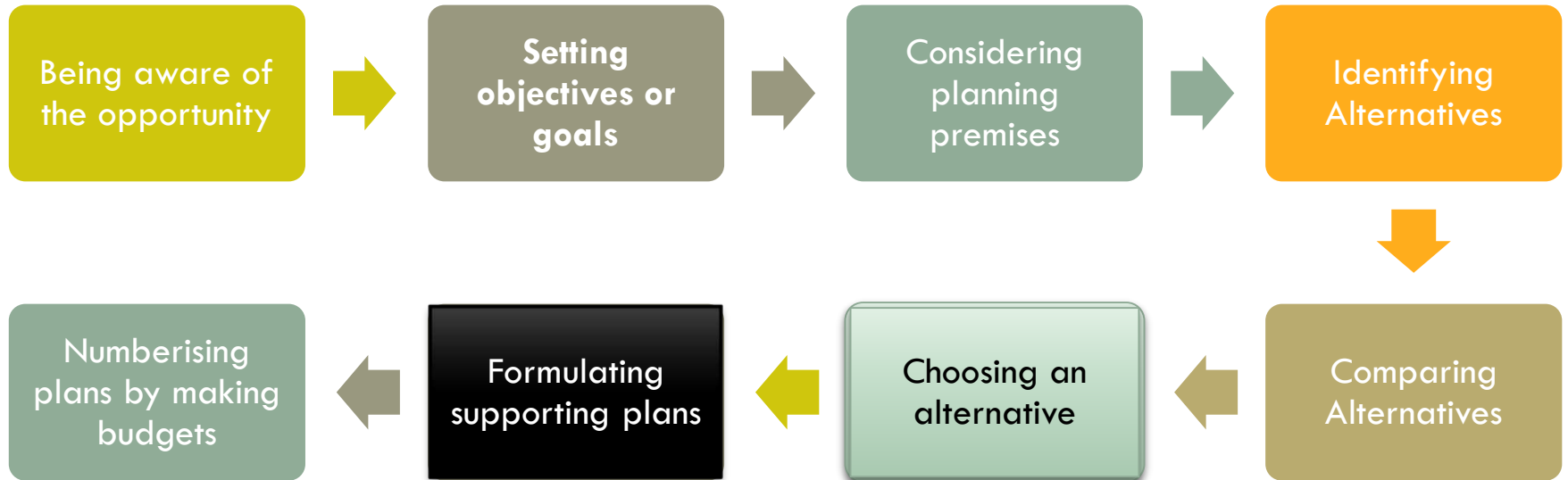
LIMITATIONS OF PLANNING

- Lack of reliable data- reliable information is not available
- Lack of initiative- manager fails to take initiative
- Costly process-time consuming and expensive process
- Rigidity in organizational working
- Non-acceptability of change-a commonly experienced phenomenon
- External limitations- very difficult to predict
- Psychological barriers

Plans – Documents that outline how goals are going to be met
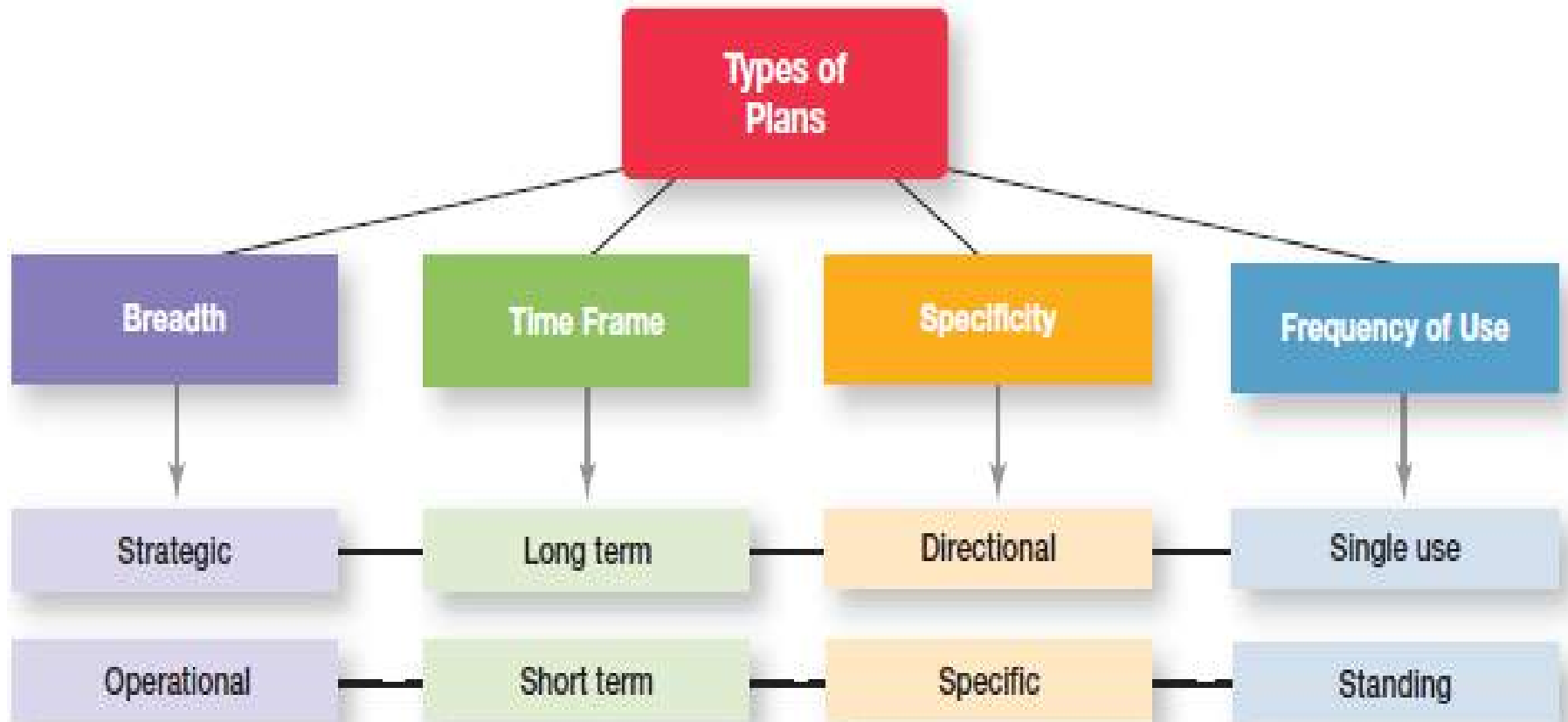
Non Verifiable Objectives

- To make a reasonable profit
- To improve communication
- To improve productivity of the production department
- To develop better managers
- To install a computer system

Verifiable Objectives

- To achieve a return on investment of 12%
- To issue a two page monthly news letter
- Increase productivity by 5% on dec 2020
- To design and conduct a 40 hr program
- Install a computerized control system in the production department by dec 2020

Management By Objective

Benefits of MBO

- Improvement of managing through result oriented planning

- Clarification of organizational roles, structures, delegation of authority

- Encouragement of personal commitment

- Development of effective control

Failure of MBO

- Failure to teach the philosophy of MBO
- Failure to give guidance to goal setters
- Difficulty in setting verifiable goals with the right degree of stretch or pull
- Emphasis on short term goals (at the expense of long term goals)
- Danger of inflexibility
- Quantitative goals, where they are not applicable
- Difficult to implement where;

  fast changing environment prevail,

  performance measure is not easy

<u>Strategies</u>

Plans for,

How the organization will do whatever it is in business to do?

How it will compete successfully?

How it will attract and satisfy customers in order to achieve its Goals?

Strategic Management Process
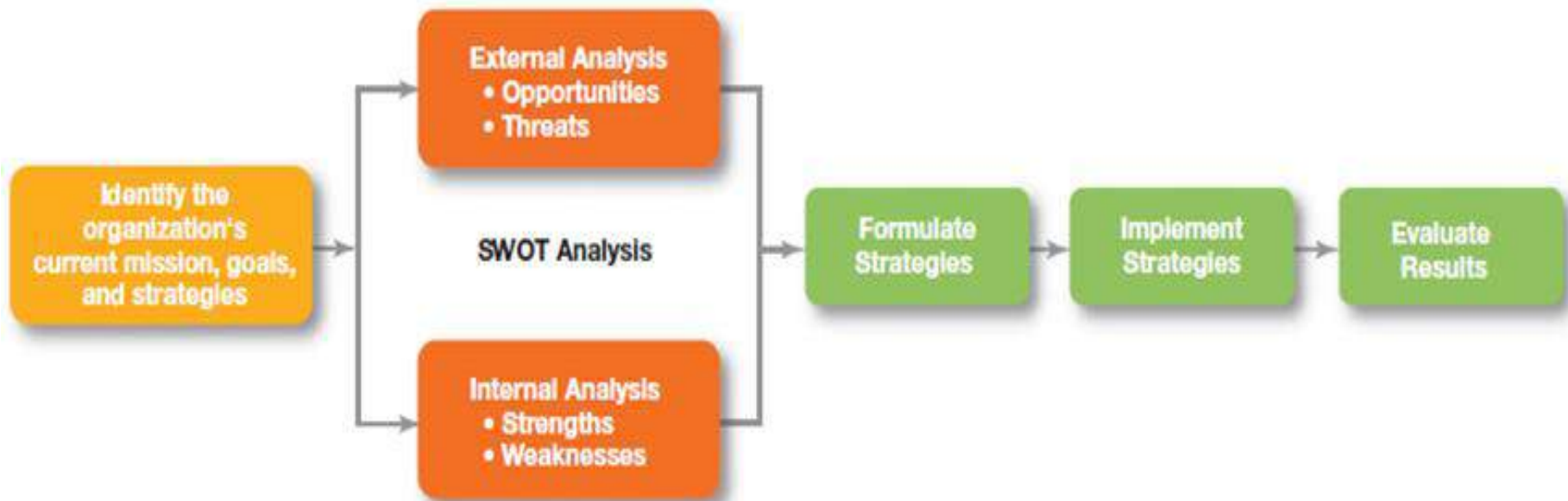
Strategic Management

Strategic Management is concerned with planning, decision making and implementing actions which determines an individual firm to excel, survive or exit the business by making the best use of the firms' resources.

Reasons for Strategic management

- Changing business policy and government regulations
- Demographic pattern shift
- Advancements in technology
- Customer empowerment
- Diversifying markets
- E-business revolution
- Innovative product need
- Scarce resources
- Cost escalation
- Recession in economy

Some examples…

- Lenovo acquired IBM in china

- Sun pharma acquired Ranbaxy

- IGATE acquired patni computers

- Launching of Tata Nano

- LG had a MoU with Maharashtra govt for 900 Crores

- BHEL plans to expand its business to 800 MW projects

- SR group sold its holdings in Vodafone

- Tata steels entered a joint venture agreement with Iranian mines and minerals

Strategic management deals with long term decisions taken by top level management which gives overall directions to the firms to achieve its long-term objectives

Types of Organizational Strategies

SBUs – When an organization is in several different businesses, these single businesses that are independent and formulate their own strategies are often called strategic business units

Corporate Strategies

Three main types

Growth

Stability

Renewal

Growth strategies

Concentration - focuses on its primary line of business (CRI pumps)

CRI pumps - 250-crore company with an annual production of 750000 pumps that exports to 40 countries

Vertical Integration – backward (Netflix), forward (Apple)

Netflix – Movie distributor also engages in content manufacturing

Apple - Has more than 80 retail stores to distribute its product

Growth strategies

Horizontal Integration – A company grows by combining with competitors

Exxon acquired Mobil

Walt Disney acquired Pixar animation studios

Diverification – related (Godrej), Unrelated (Tata Group of India, ITC india Ltd)

Stability Strategies

An organization continue to do what it is currently doing

SAIL - concentrated on increasing operational efficiency of its various plants rather than going for expansion

Renewal Strategies

- Retrenchment
- Turnaround

Cut cost, restructure organization

Combination Strategy

- Simultaneous pursuit of two or more of the strategies described earlier.

Example:

L&T sold off its cement division to kumar Mangalam Birla's Grasim Industries. By selling off this division, L&T was better able to concentrate on its growth strategy of its core engineering business.

How are corporate strategies managed?
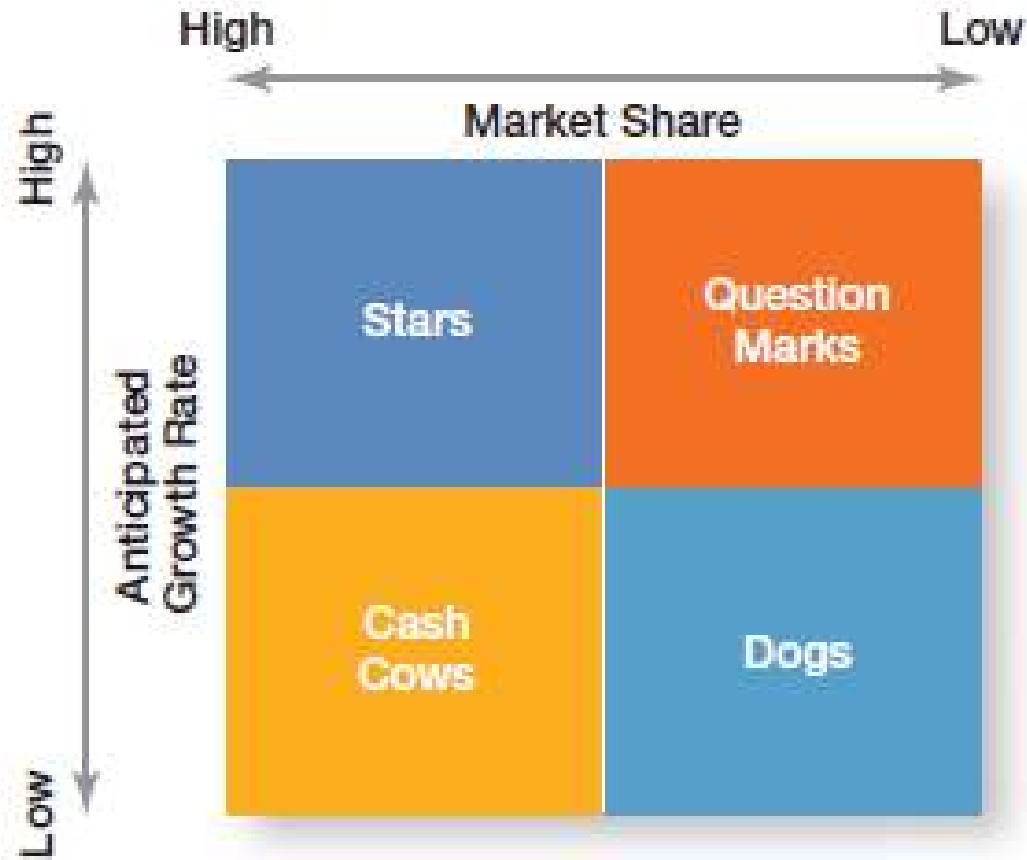
BCG matrix

Types of Organizational Strategies

Corporate — Multibusiness Corporation

Competitive — Strategic Business Unit 1 | Strategic Business Unit 2 | Strategic Business Unit 3

Functional — Research and Development | Manufacturing | Marketing | Human Resources | Finance

SBUs – When an organization is in several different businesses, these single businesses that are independent and formulate their own strategies are often called strategic business units

Competitive strategies

Cost leadership strategy

Differentiation strategy

Focus Strategy

Cost leadership strategy

- Lowest cost producer
- The product being offered must be perceived as comparable to that offered by rivals

How?

1. Efficiency of operations
2. Economies of scale
3. Technological innovation
4. Low-cost Labor
5. Preferential access to raw material

Examples: Big Bazaar, bajaj Auto, Reliance Petrochemicals, Ambuja cements

Differentiation strategy

- Unique in its industry in ways that are widely valued by buyers
- The attribute chosen must be different and justify price premium

How?

1. Emphasize high quality
2. Extraordinary service
3. Innovative design
4. Technological capability
5. Unusually positive brand image

Examples: Ranbaxy (Technology), DLF Universal (Reliability),
 HUL (Distribution), Maruti Udyog (service)

Focus strategy

- Focus strategy aims at a cost advantage (cost focus) or differentiation advantage (differentiation focus) in a narrow segment (product variety, end buyer, geographical location of the buyer).

Success depends on…

1. Size of segment
2. Capability of the organization to support the additional cost of focusing

Examples: HUL (cost focus – wheel detergent line for price sensitive customers)

Bang & Olufsen, focuses on high end audio equipments

Competitive strategies
Five forces Model

Policies

- Policies are general guidelines to follow in making decisions and taking action.

- Policies are developed to support strategic plans in every area of the organization.

- Policies exist at various levels of the enterprise Corporate level, divisional level and departmental level.

- Policies are valuable because they allow lower levels of management to handle problems without going to top management for a decision each time.

Examples for policies

- Hiring only university trained engineers
- Encouraging employee suggestions for improved cooperation
- Promoting from within
- Confirming strictly to high standard of business ethics
- Setting competitive prices

Decision making

Defined as the selection of a course of action from among alternatives. It is at the core of planning.

Step	Detail
Identifying a Problem	"My sales reps need new computers!"
Identifying Decision Criteria	• Memory and storage • Display quality • Battery life • Warranty • Carrying weight
Allocating Weights to the Criteria	Memory and storage ....10 Battery life............................8 Carrying weight......................6 Warranty...............................4 Display quality.......................3
Developing Alternatives	HP ProBook Toshiba Satellite Sony VAIO Sony NW Lenovo IdeaPad Dell Inspiron Apple Macbook HP Pavilion
Analyzing Alternatives	HP ProBook Toshiba Satellite Sony VAIO Sony NW Lenovo IdeaPad Dell Inspiron Apple Macbook HP Pavilion
Selecting an Alternative	HP ProBook Toshiba Satellite Sony VAIO Sony NW Lenovo IdeaPad ✓ Dell Inspiron Apple Macbook HP Pavilion
Implementing the Alternative	Dell Inspiron
Evaluating Decision Effectiveness	

	Memory and Storage	Battery Life	Carrying Weight	Warranty	Display Quality	Total
HP ProBook	100	24	60	32	15	231
Sony VAIO	80	56	42	32	21	231
Lenovo IdeaPad	80	40	42	40	30	232
Apple Macbook	80	56	42	32	21	231
Toshiba Satellite	70	64	42	32	21	229
Sony NW	80	24	36	40	24	204
Dell Inspiron	100	56	48	24	21	249
HP Pavilion	40	80	24	32	30	206

Decision-Making Approach
- Rationality
- Bounded rationality
- Intuition

Decision-Making Errors and Biases

Types of Problems and Decisions
- Well structured—programmed
- Unstructured—nonprogrammed

Decision-Making Conditions
- Certainty
- Risk
- Uncertainty

Decision-Making Process

Decision
- Choosing best alternative
  - maximizing
  - satisficing
- Implementing
- Evaluating

Decision Maker's Style
- Linear thinking style
- Nonlinear thinking style

Decision making approaches

Rationality

Bounded Rationality

Role of intuition

Rationality

HP acquired compaq for $25 billion in 2002.

The company did no research on how customers viewed compaq products.

By the time HP discovered the perception of customers on compaq as inferior just opposite to the perception of HP products – It was too late.

<u>Rationality</u>

Rational – logical and consistent choices to maximize value

<u>Assumptions of rationality</u>

❖The problem is clear & Unambiguous

❖A single and well define goal is to be achieved

❖All alternatives & consequences are known

❖Preferences are clear, constant and stable

❖No time or cost constraint exist

❖Final choice will maximize payoff

These assumptions are not very realistic

Bounded rationality

Managers make decision rationally but are limited (bounded) by their ability to process information.

Managers satisfies rather than maximize(can't possibly analyze all information on all alternatives).
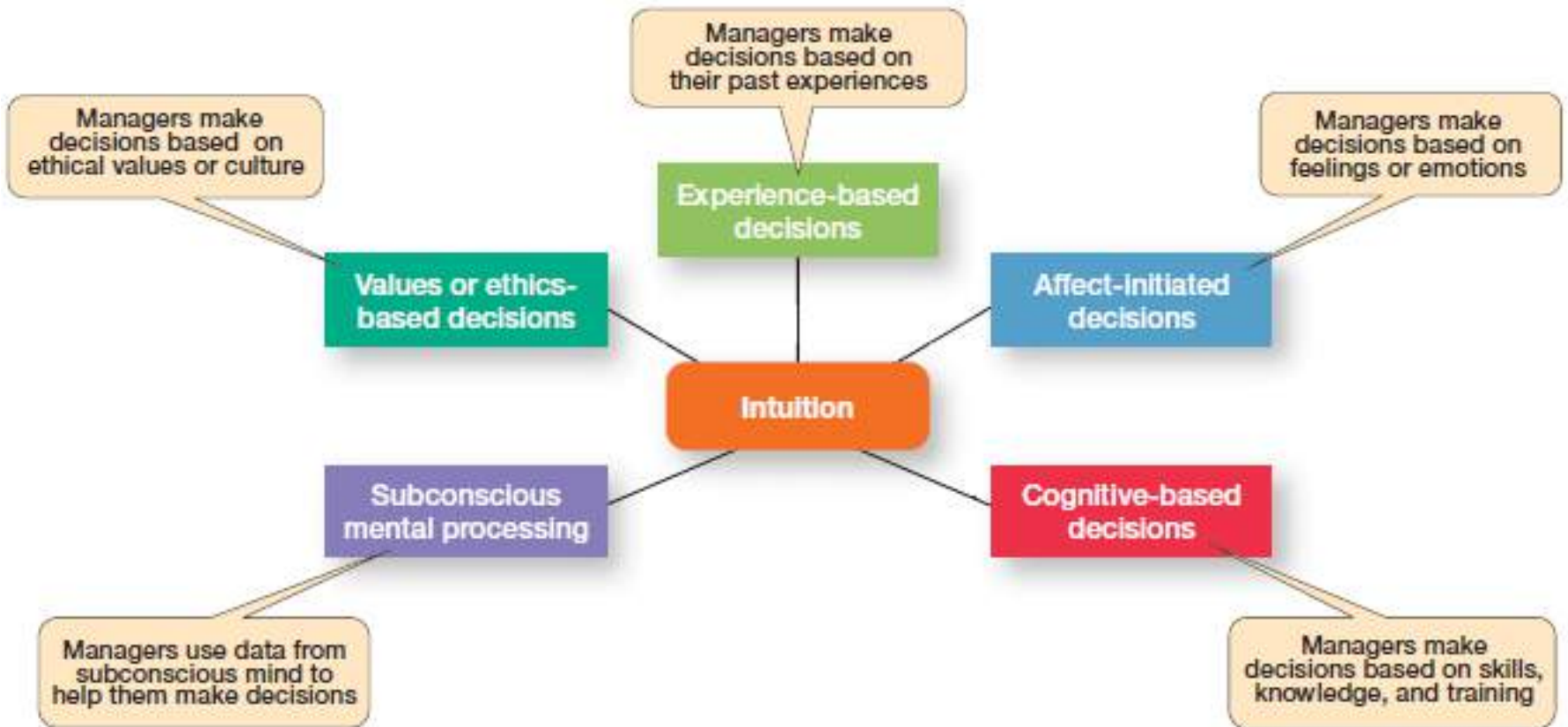
They accept solutions that are good enough.

Decision making may also be influenced by

- Organization's culture
- Internal Politics
- Power considerations
- Escalation of commitment (Challenger space shuttle disaster)

Role of Intuition

Making decisions on the basis of experience, feelings, and accumulated judgment

Managers make decisions based on their past experiences

Managers make decisions based on ethical values or culture

Managers make decisions based on feelings or emotions

Experience-based decisions

Values or ethics-based decisions

Affect-initiated decisions

Intuition

Subconscious mental processing

Cognitive-based decisions

Managers use data from subconscious mind to help them make decisions

Managers make decisions based on skills, knowledge, and training

Types of Problems and Decisions

> Structured problems and programmed decisions

> Unstructured problems and nonprogrammed decisions

Structured problems - straight forward, familiar, and easily defined

Unstructured problems – New, unusual, and for which information is ambiguous and incomplete

<u>Decisions</u>

Programmed decision - A repetitive decision that can be handled by a routine approach

"Develop-the-alternatives" stage doesn't exist or given little attention

<u>Types of programmed decision</u>

Procedure - series of interrelated sequential steps

Rule - Explicit statement that tells a manager what he or she can or cannot do

Policy - guidelines for making a decision -ambiguous

Decisions

Nonprogrammed decision - Unique and nonrecurring and require custom made solutions

Characteristic	Programmed Decisions	Nonprogrammed Decisions
Type of problem	Structured	Unstructured
Managerial level	Lower levels	Upper levels
Frequency	Repetitive, routine	New, unusual
Information	Readily available	Ambiguous or incomplete
Goals	Clear, specific	Vague
Time frame for solution	Short	Relatively long
Solution relies on . . .	Procedures, rules, policies	Judgment and creativity

Decision making styles

 Linear thinking - preference for external data and facts, and processing this information through rational and logical thinking.

 Non-linear thinking – preferences for internal sources of information

Decision Making Under Various Conditions

Certainty

Uncertainty

Risk

Certainty

- A state of certainty exists only when the managers knows the available alternatives as well as the conditions and consequences of those actions.

- There is little ambiguity and relatively low possibility of making a bad decision.

- It assumes that manager has all the necessary information about the situation.

- Hence, decisions under certainty means a perfectly accurate decision will be made time after time. Of course, decision making under certainty is rare.

Decision making conditions - Risk

Event	Expected Revenues	x	Probability	=	Expected Value of Each Alternative
Heavy snowfall	$850,000		0.3		$255,000
Normal snowfall	725,000		0.5		362,500
Light snowfall	350,000		0.2		70,000
					$687,500

Decision making conditions - Uncertainty

Payoff Matrix

Visa Marketing Strategy (in millions of dollars)	MasterCard's Competitive Action		
	CA_1	CA_2	CA_3
S_1	13	14	11
S_2	9	15	18
S_3	24	21	15
S_4	18	14	28

Optimist - S4 (this choice maximizes the maximum possible gain)

Pessimist - S3 (largest of the minimum payoff)

Regret matrix

(in millions of dollars) Visa Marketing Strategy	MasterCard's Competitive Action		
	CA_1	CA_2	CA_3
S_1	11	7	17
S_2	15	6	10
S_3	0	0	13
S_4	6	7	0

S4 – Minimizes the maximum regret

uncertainty

- There is no awareness of all the alternatives and also the outcomes.

- Managers must require as much relevant information as possible.

- Require creativity and the willingness to take a chance in the face of such uncertainties.

- Managers do not even have enough information to calculate probabilities and degrees of risk. Statistical analysis is of no use.

- Intuition, judgment, and experience always play major roles in the decision making process under conditions of uncertainty.

Bias & Errors

➢Overconfidence bias

➢Immediate gratification bias

➢Anchoring effect (initial information)

➢Selective perception (event interpretation)

➢Framing bias (highlighting)

➢Confirmation bias (past choice)

➢Availability bias (recent events)

➢Self servicing bias

➢Representation bias (similar events)

➢Randomness bias (create meaning)

➢Sunk cost error (past cannot be changed)

➢Hindsight bias (false belief that the results could have predicted)

Decision-Making Errors and Biases

- Overconfidence
- Immediate Gratification
- Anchoring Effect
- Selective Perception
- Confirmation
- Framing
- Availability
- Representation
- Randomness
- Sunk Costs
- Self-serving
- Hindsight

Planning Tools
and Techniques

Assessing the Environment

- Environmental Scanning
  - The screening of large amounts of information to anticipate and interpret change in the environment.

Fast-growing areas of environmental scanning

:

competitor intelligence

global scanning

Competitor Intelligence

- The process of **gathering information** about competitors—who they are?; what they are doing?

- **Is not spying** but rather careful attention to readily accessible information from employees, customers, suppliers, the Internet, and competitors themselves.

- May involve *reverse engineering* of competing products to discover technical innovations.

- *Competitor intelligence experts suggest that **80 percent** of what managers need to know about competitors **can be found out from their own employees, suppliers, customers, and online searches***

<u>Global Scanning</u>

- Screening a broad scope of information on global forces that might affect the organization.

- Has value to firms with significant global interests.

- Draws information from sources that provide global perspectives on world-wide issues and opportunities.

<u>Forecasting</u>

- The part of organizational planning that involves creating predictions of outcomes based on information gathered by environmental scanning.

  - Facilitates managerial decision making.

  - Is most accurate in stable environments.

Forecasting Techniques

- Quantitative forecasting

  - Applying a set of mathematical rules to a series of hard data to predict outcomes (e.g., units to be produced).

- Qualitative forecasting

  - Using expert judgments and opinions to predict less than precise outcomes (e.g., direction of the economy).

Forecasting Techniques

- **Quantitative**
    - Time series analysis
    - Regression models
    - Econometric models
    - Economic indicators
    - Substitution effect
- **Qualitative**
    - Jury of opinion
    - Sales force composition
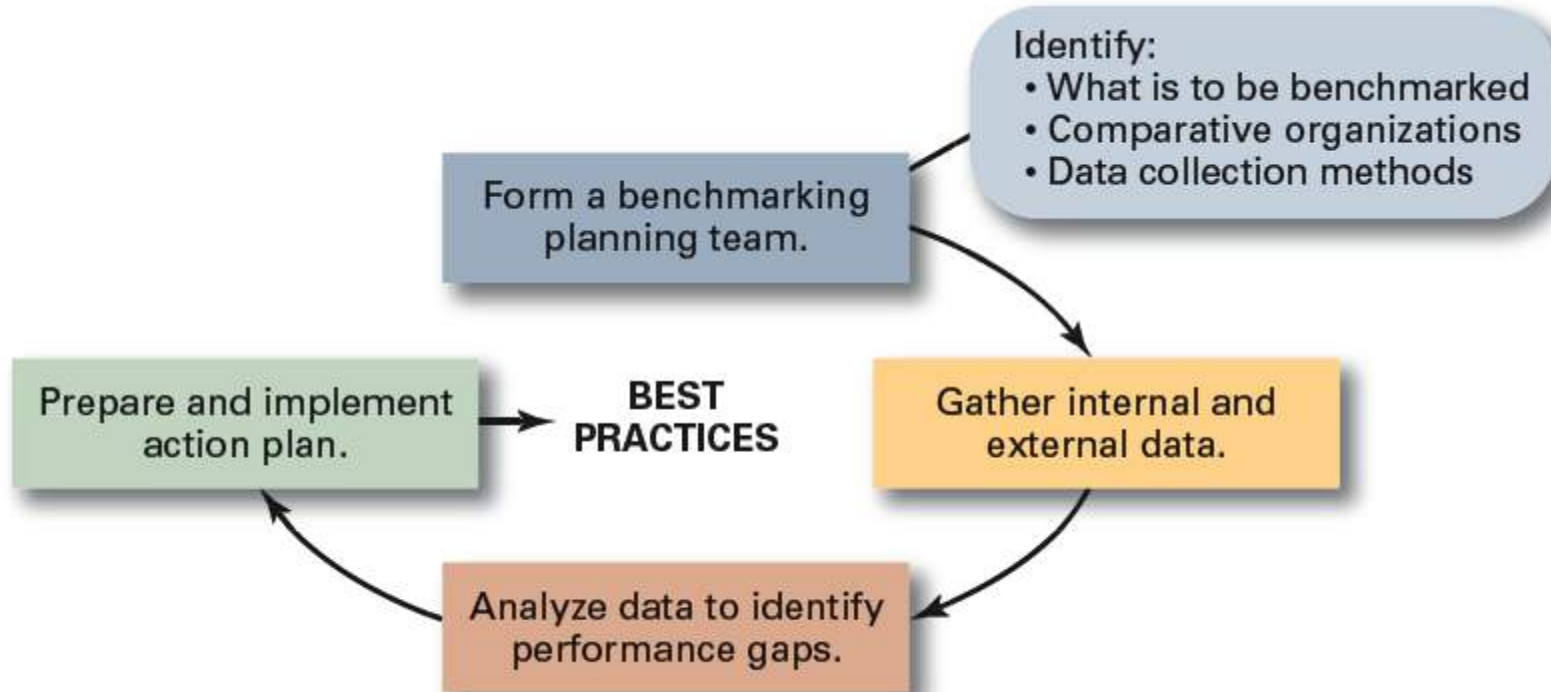   - Customer evaluation

Making Forecasting More Effective

1. **Use simple forecasting methods.**

2. **Don't rely on a single forecasting method.**

3. **Don't assume that the turning points in a trend can be accurately identified.**

4. **Shorten the time period covered by a forecast.**

5. **Remember that forecasting is a developed managerial skill that supports decision making.**

Benchmarking

- The search for the best practices among competitors and noncompetitors that lead to their superior performance.

- By analyzing and copying these practices, firms can improve their performance.

- Studies showed user have achieved 69% faster growth and 45% greater productivity

Steps in Benchmarking

Identify:
- What is to be benchmarked
- Comparative organizations
- Data collection methods

Form a benchmarking planning team.

Prepare and implement action plan.

BEST PRACTICES

Gather internal and external data.

Analyze data to identify performance gaps.

United airlines studied NASCAR pit crews to see how they could make gate turn around faster.

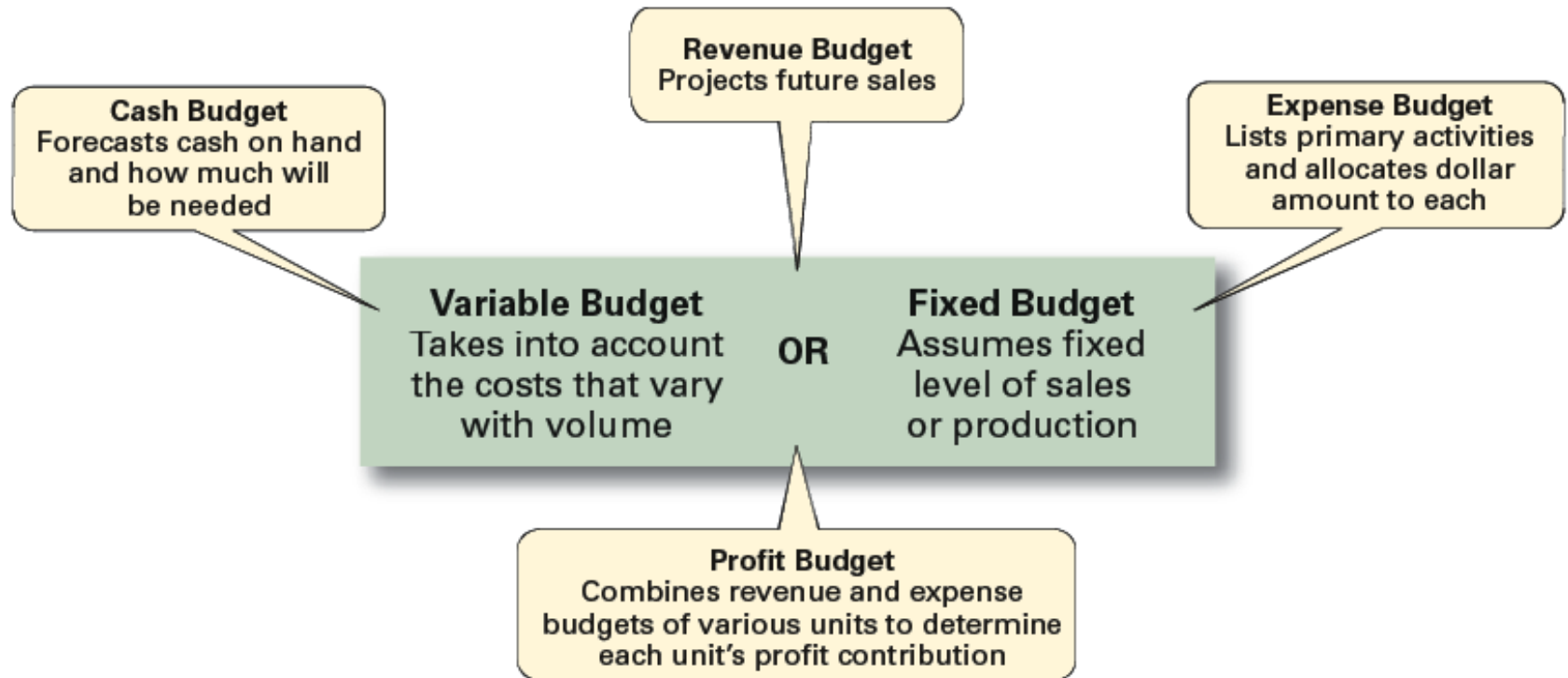IBM studied Las vegas casinos for ways to discourage employee theft.

Allocating Resources

- Types of Resources

  - The assets of the organization

    - **Financial:** debt, equity, and retained earnings

    - **Physical:** buildings, equipment, and raw materials

    - **Human:** experiences, skills, knowledge, and competencies

    - **Intangible:** brand names, patents, reputation, trademarks, copyrights, and databases

Allocating Resources: Budgeting

- Budgets

  - Are numerical plans for allocating resources (e.g., revenues, expenses, and capital expenditures).

  - Are used to improve time, space, and use of material resources.

  - Are the most commonly used and most widely applicable planning technique for organizations.

Types of Budgets

Revenue Budget
Projects future sales

Cash Budget
Forecasts cash on hand
and how much will
be needed

Expense Budget
Lists primary activities
and allocates dollar
amount to each

Variable Budget
Takes into account
the costs that vary
with volume

OR

Fixed Budget
Assumes fixed
level of sales
or production

Profit Budget
Combines revenue and expense
budgets of various units to determine
each unit's profit contribution

Suggestions for Improving Budgeting

- **Collaborate and communicate.**

- **Be flexible.**

- **Goals should drive budgets—budgets should not determine goals.**

- **Coordinate budgeting throughout the organization.**

- **Use budgeting/planning software when appropriate.**

- **Remember that budgets are tools.**

- **Remember that profits result from smart management, not because you budgeted for them.**

Allocating Resources: Scheduling

- Schedules

  - Plans that allocate resources by detailing

  - what activities have to be done

  - the order in which they are to be completed

  - who is to do each

  - when they are to be completed

  Represent the coordination of various activities

Allocating Resources: Charting

- Gantt Chart

  - A bar graph with time on the horizontal axis and activities to be accomplished on the vertical axis.

  - Shows the expected and actual progress of various tasks.

- Load Chart

  - A modified Gantt chart that lists entire departments or specific resources on the vertical axis.

  - Allows managers to plan and control capacity utilization.
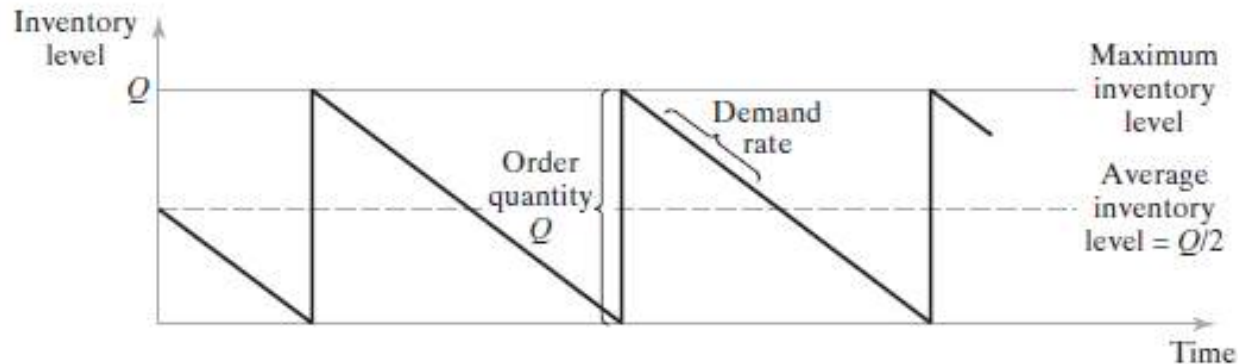
A Gantt Chart

A Load Chart

Editors	Month					
	1	2	3	4	5	6
Annie						
Antonio						
Kim						
Maurice						
Dave						
Penny						

■ Work scheduled
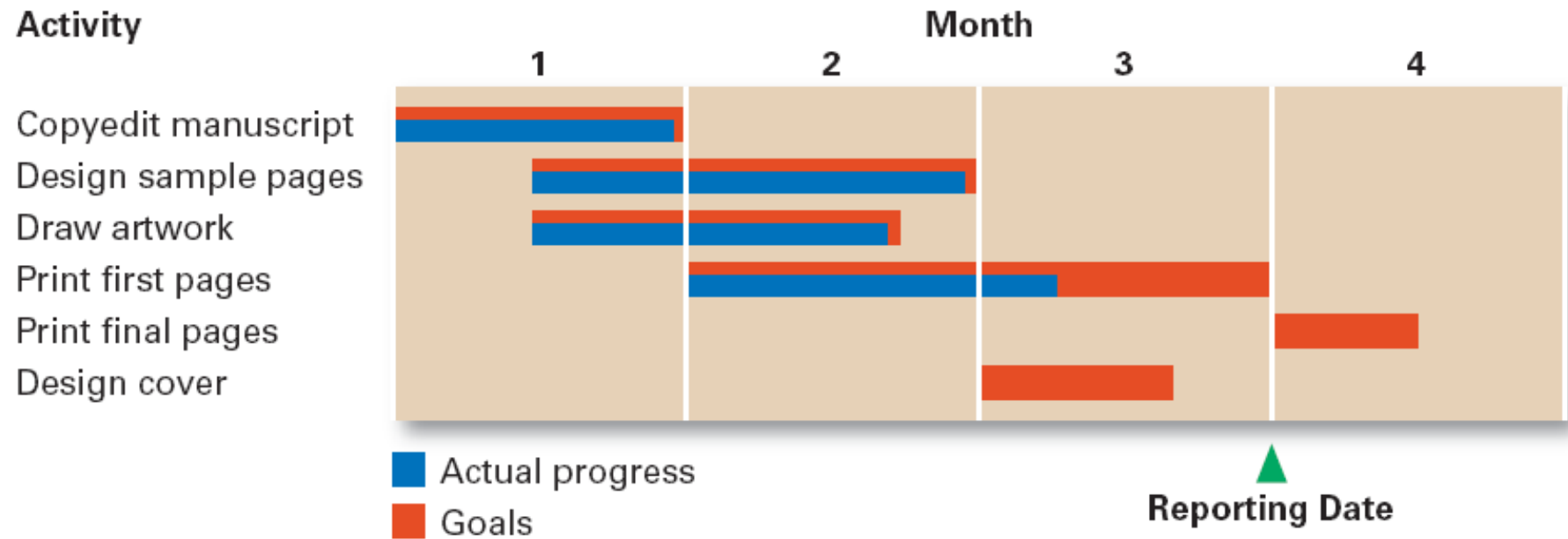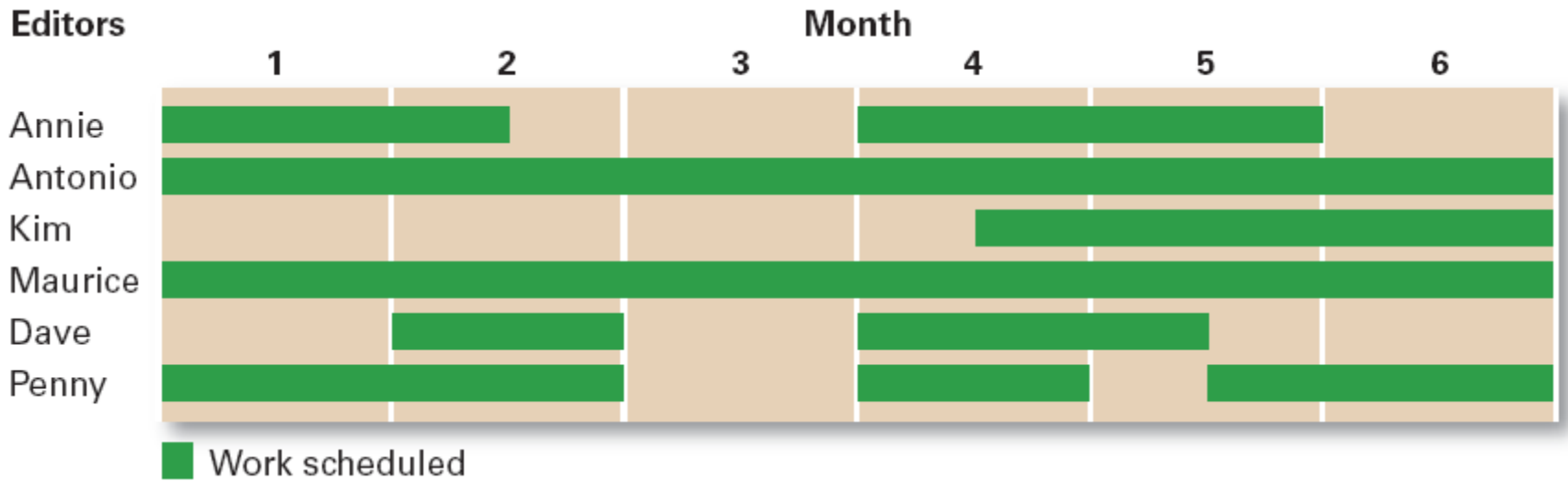
Economic Order Quantity

Model of inventory level over time in the typical make-to-stock situation

$$\textbf{Total Inventory Cost(annual)} = \frac{C_h Q}{2} + \frac{C_{su} D_a}{Q} \qquad \textbf{EOQ} = \sqrt{\frac{2D_a{}^C{}_{su}}{C_h}}$$

C_h = Carrying or holding cost ($/pc/yr),
C_{su} = setup cost or ordering cost ($/setup or $/order)
D_a = Annual demand for the item (pc/yr)

Example:

Assume a car dealer who faces demand for 5,000 cars per year, and that it costs $15,000 to have the cars shipped to the dealership. Holding cost is estimated at $500 per car per year. How many times should the dealer order, and what should be the order size?

$$Q = \sqrt{\frac{2(15,000)(5,000)}{500}} = 548$$

Allocating Resources: Analysis

- **Program Evaluation and Review Technique (PERT)**

  - A flow chart diagram that depicts the sequence of activities needed to complete a project and the time or costs associated with each activity.

    - Events: endpoints for completion.

    - Activities: time required for each activity.

    - Slack time: amount of time a individual activity can be delayed without delaying the whole project

    - Critical path: longest or most time-consuming sequence of events and activities in a PERT network.

## Events and Activities in Constructing an Office Building

Event	Description	Expected Time (in weeks)	Preceding Event
A	Approve design and get permits.	10	None
B	Dig subterranean garage.	6	A
C	Erect frame and siding.	14	B
D	Construct floor.	6	C
E	Install windows.	3	C
F	Put on roof	3	C
G	Install internal wiring	5	D.E.F.
H	Install elevator	5	G
I	Put in floor covering and paneling.	4	D
J	Put in doors and interior decorative trim.	3	I.H
K	Turn over to building management group.	1	J

A Visual PERT Network for Constructing an Office Building
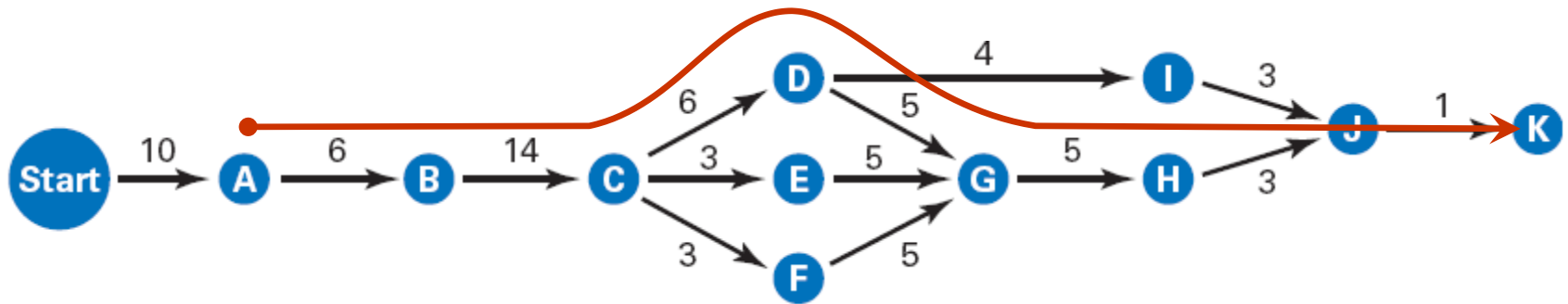
Critical Path: A - B - C - D - G - H - J - K

Breakeven Analysis
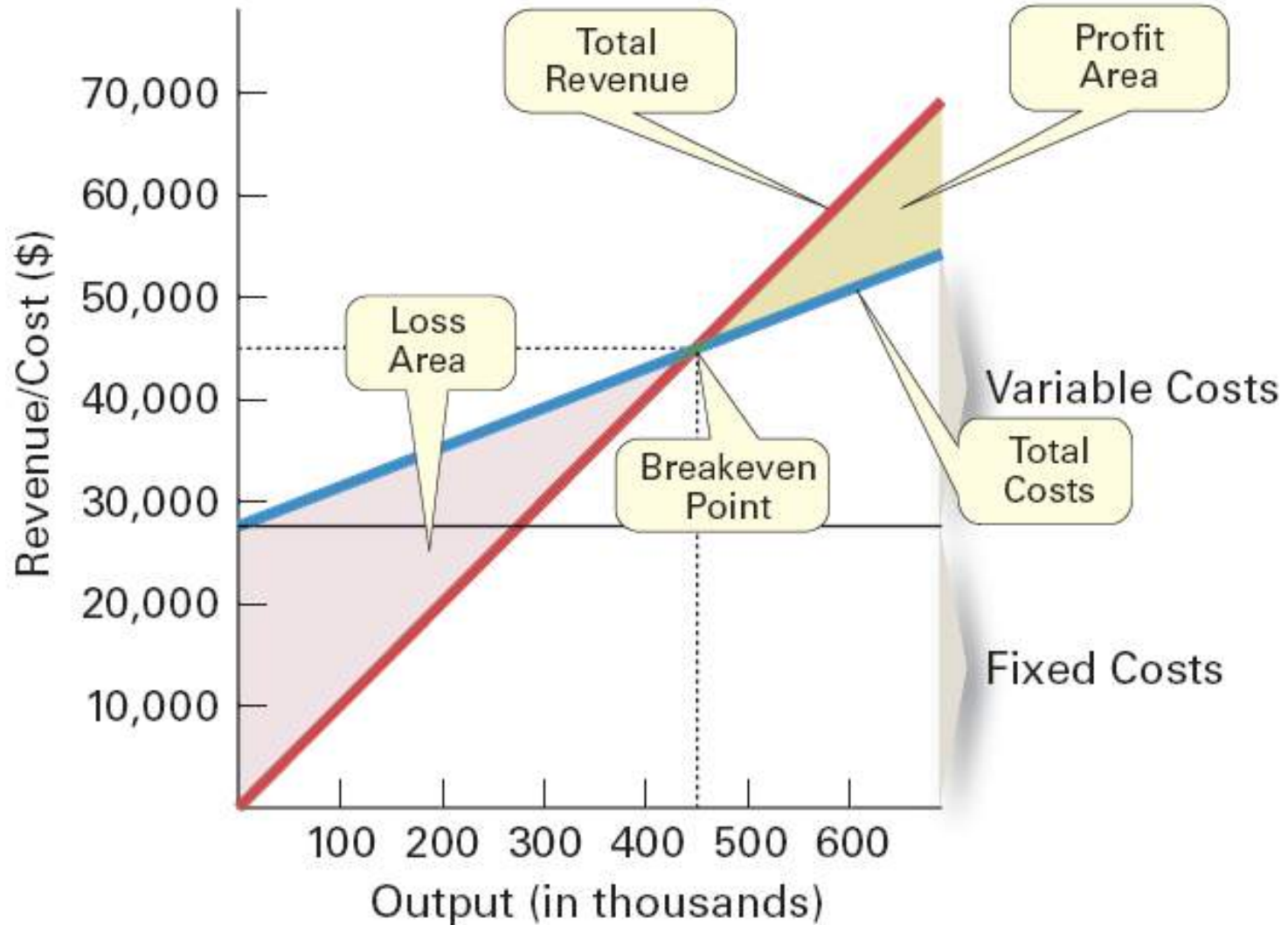
Books Referred:

1. Stephen P. Robbins and Mary Coulter, 'Management', Prentice Hall of India, 9th edition & 10th edition.

2. Charles W L Hill, Steven L McShane, 'Principles of Management', Mcgraw Hill Education, Special Indian Edition, 2007.

3. Hellriegel, Slocum & Jackson, ' Management - A Competency Based Approach', Thomson South Western, 10th edition, 2007.

4. Harold Koontz, Heinz Weihrich and Mark V Cannice, 'Management - A global & Entrepreneurial Perspective', Tata Mcgraw Hill, 12th edition, 2007.

5. Andrew J. Dubrin, 'Essentials of Management', Thomson Southwestern, 7th edition, 2007.

Unit III : Organising

- Nature and purpose
- Formal and Informal organization
- Line and staff authority
- Departmentation by different strategies
- Centralization and Decentralization
- Span of control
- Human Resource Management
- External factors
- HR planning
- Recruitment and Decruitment
- Selection – selection tools
- Orientation
- Employee training
- Employee performance management
- Appraisal methods
- Compensation and benefits

Organising

TVS Group's – India's Leading supplier of automotive components

Employs more than 40000 people

Turnover – In excess of USD 2.2 billion

The work environment is mundane, structured, and disciplined coupled with high level of care commitment

Organising

Work also get done at Cisco systems

The Environment is not structured

70% of the employees work from home,
   at least 20% of time

Organising

➢ Identification and grouping of activities to attain objectives

➢ Assignment of each grouping to a manager with the authority necessary to supervise

➢ Provision for coordination horizontally & vertically

Organising

Defined as arranging & structuring work to accomplish organizational goal

Purposes of Organizing

- Divides work to be done into specific jobs and departments

- Assigns tasks and responsibilities associated with individual jobs

- Coordinates diverse organizational tasks

- Clusters jobs into units

- Establishes relationships among individuals, groups, and departments

- Establishes formal lines of authority

- Allocates and deploys organizational resources

What Is Organizational Structure?

Organizational Structure

Formal arrangements of jobs within the organization

When managers change or create structure, they are engaged in Organizational design, a process that Involves decisions about six key elements

Key Elements:

- **Work specialization**

- **Departmentalization**

- **Chain of command**

- **Span of control**

- **Centralization and decentralization**

- **Formalization**

Key Design Questions and Answers for Designing the Proper Organization Structure

The Key Question	The Answer Is Provided By
1. To what degree are articles subdivided into separate jobs?	Work specialization
2. On what basis will jobs be grouped together?	Departmentalization
3. To whom do individuals and groups report?	Chain of command
4. How many individuals can a manager efficiently and effectively direct?	Span of control
5. Where does decision-making authority lie?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers?	Formalization

Organizational Structure

Work Specialization

The degree to which tasks in the organization are divided into separate jobs with each step completed by a different person

Overspecialization can result in human diseconomies from boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover

Work Specialization

Division of labor:

- Makes efficient use of employee skills

- Increases employee skills through repetition

- Less between-job downtime increases productivity

- Specialized training is more efficient

- Allows use of specialized equipment

Aravind eye care hospital, Madurai, performed 2500 cataract surgeries in a year compared to 300 similar surgeries in other hospitals in india.

Work has been carefully analysed, Trained nurses guided the patients, Doctors spent only 10 -12 minutes needed for surgery

Economies and Diseconomies of Work Specialization
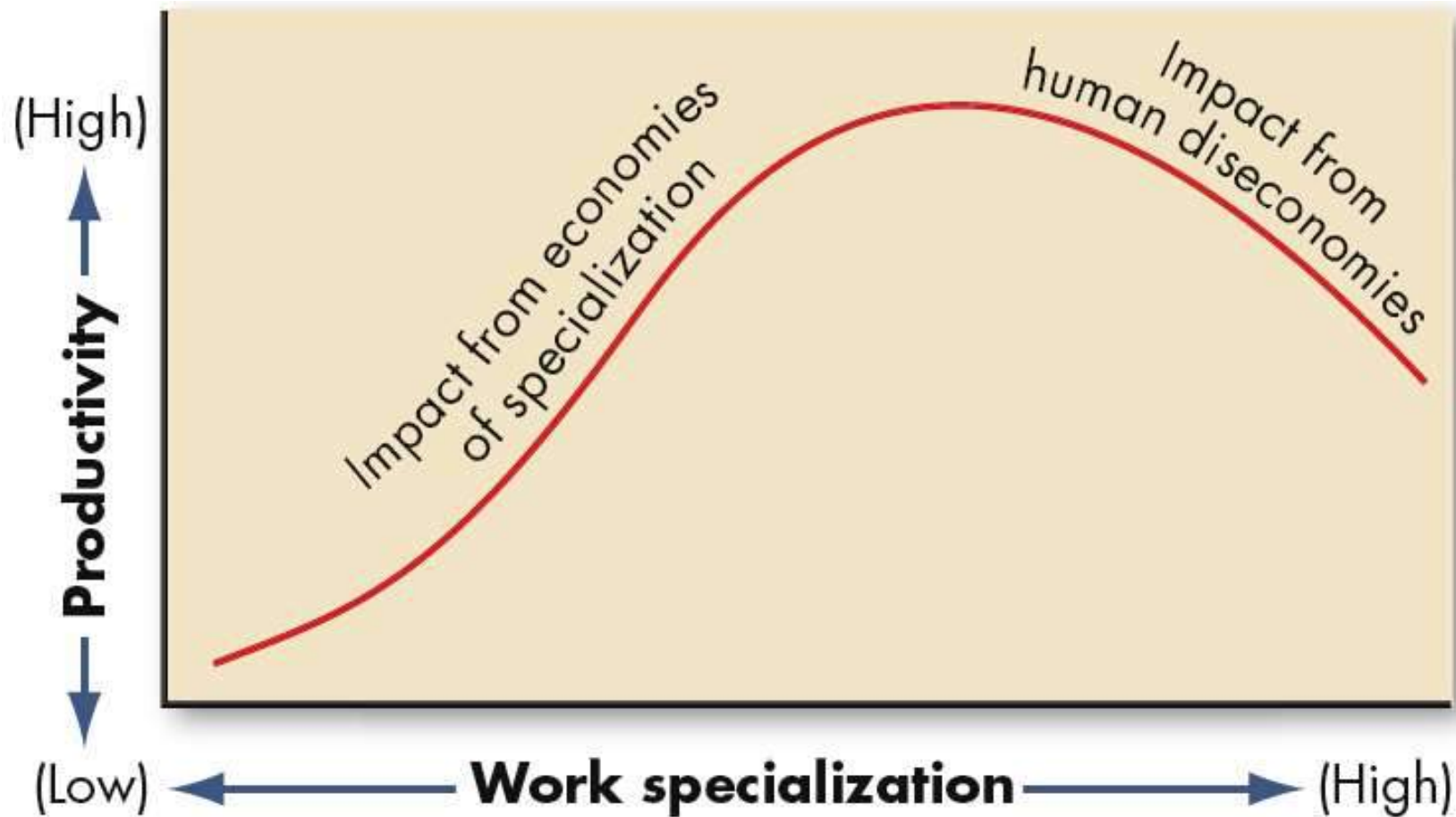
Formalization

The degree to which jobs within the organization are standardized and the extent to which employee behaviour is guided by rules and procedures.

Formal Organization

- Formal means the intentional structure of roles in a formally organized enterprise

- Formal does not mean that there is no flexibility

- At the same time, individual effort must be

  channeled toward group & organization goals

Informal Organization

Keith davis of Arizona state university defines informal organization as "***Network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with one another***"

May help in the achievement of organizational goals

Departmentation or Departmentalization

Department – a distinct area, division, or branch of an organization over which a manager has authority for the performance of specified activities
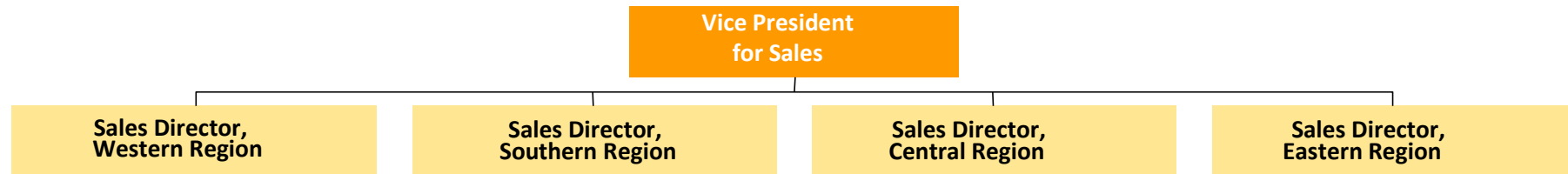
Five common form of Departmentalization

- ## Functional
  - Grouping jobs by functions performed

- ## Product
  - Grouping jobs by product line

- ## Geographical
  - Grouping jobs on the basis of territory or geography

- ## Process
  - Grouping jobs on the basis of service

- ## Customer
  - Grouping jobs by type of customer and needs
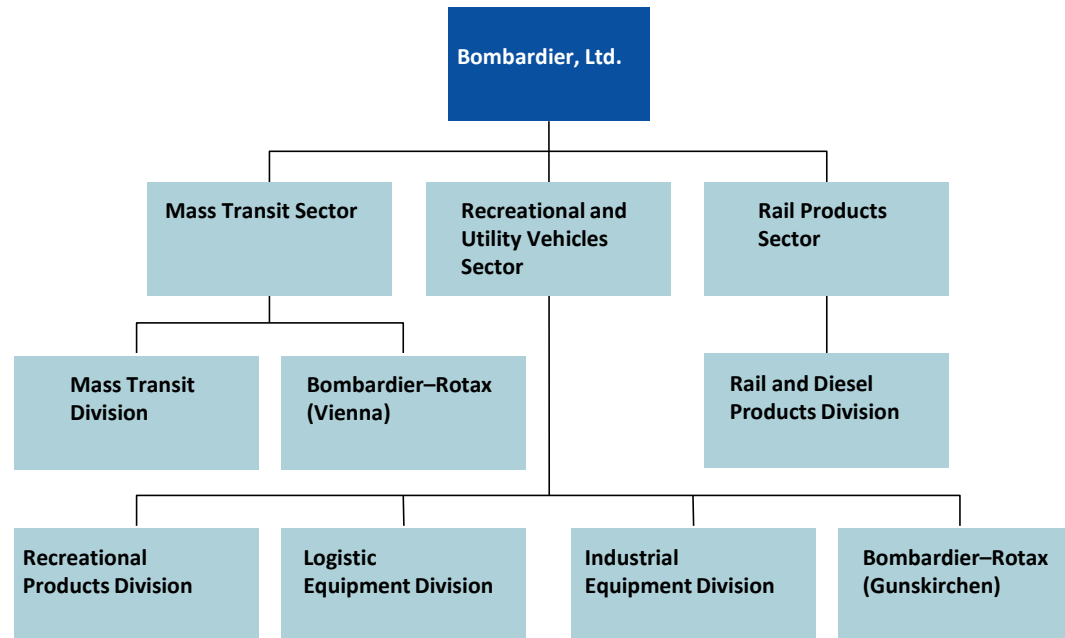
Functional Departmentalization

```
                          ┌─────────────────┐
                          │  Plant Manager  │
                          └────────┬────────┘
        ┌──────────┬───────────────┼───────────────┬──────────────┐
  ┌───────────┐ ┌───────────┐ ┌──────────────┐ ┌──────────────┐ ┌───────────┐
  │ Manager,  │ │ Manager,  │ │  Manager,    │ │  Manager,    │ │ Manager,  │
  │Engineering│ │Accounting │ │Manufacturing │ │Human Resources│ │Purchasing │
  └───────────┘ └───────────┘ └──────────────┘ └──────────────┘ └───────────┘
```
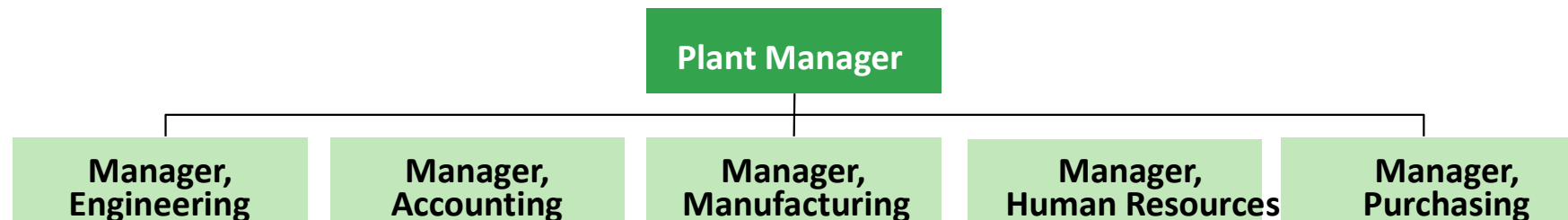
+ Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations

+ Coordination within functional area

+ In-depth specialization

– Poor communication across functional areas

– Limited view of organizational goals
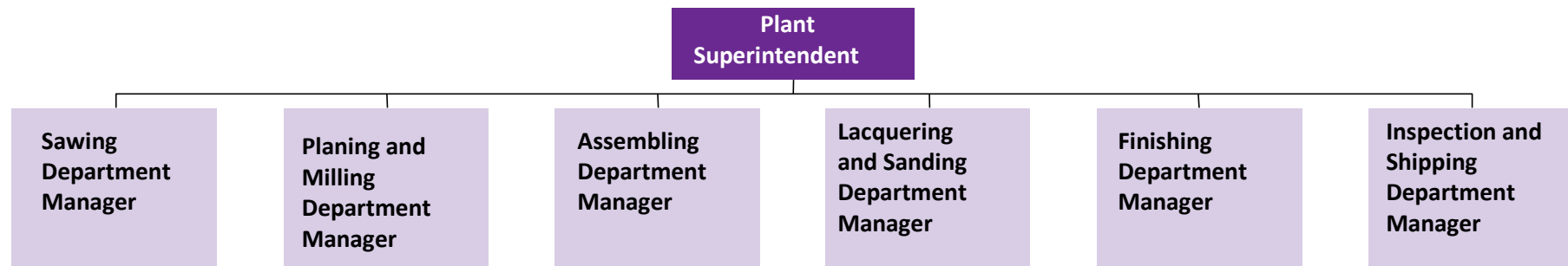
Geographical Departmentalization

```
                        ┌─────────────────────┐
                        │   Vice President     │
                        │     for Sales        │
                        └─────────────────────┘
         ┌────────────────┬──────┴──────┬────────────────┐
┌──────────────┐  ┌──────────────┐  ┌──────────────┐  ┌──────────────┐
│ Sales Director,│ │ Sales Director,│ │ Sales Director,│ │ Sales Director,│
│ Western Region │ │ Southern Region│ │ Central Region │ │ Eastern Region │
└──────────────┘  └──────────────┘  └──────────────┘  └──────────────┘
```

+ More effective and efficient handling of specific regional issues that arise

+ Serve needs of unique geographic markets better

– Duplication of functions

– Can feel isolated from other organizational areas

Product Departmentalization

```
                        Bombardier, Ltd.
            ┌──────────────────┼──────────────────┐
      Mass Transit      Recreational and      Rail Products
         Sector        Utility Vehicles          Sector
                            Sector
      ┌──────┴──────┐          │                   │
 Mass Transit   Bombardier–Rotax          Rail and Diesel
   Division       (Vienna)               Products Division
          ┌────────┬──────────┬──────────┐
   Recreational   Logistic    Industrial    Bombardier–Rotax
 Products Division Equipment   Equipment      (Gunskirchen)
                   Division    Division
```

+ Allows specialization in particular products and services

+ Managers can become experts in their industry

+ Closer to customers

– Duplication of functions

– Limited view of organizational goals

Process Departmentalization

```
                          ┌─────────────────┐
                          │      Plant      │
                          │  Superintendent │
                          └─────────────────┘
```

| Sawing Department Manager | Planing and Milling Department Manager | Assembling Department Manager | Lacquering and Sanding Department Manager | Finishing Department Manager | Inspection and Shipping Department Manager |

+ **More efficient flow of work activities**

– **Can only be used with certain types of products**

Customer Departmentalization

```
                    ┌─────────────┐
                    │  Director   │
                    │  of Sales   │
                    └──────┬──────┘
          ┌────────────────┼────────────────┐
┌─────────────────┐ ┌─────────────────┐ ┌─────────────────┐
│    Manager,     │ │    Manager,     │ │    Manager,     │
│ Retail Accounts │ │Wholesale Accounts│ │Government Accounts│
└─────────────────┘ └─────────────────┘ └─────────────────┘
```
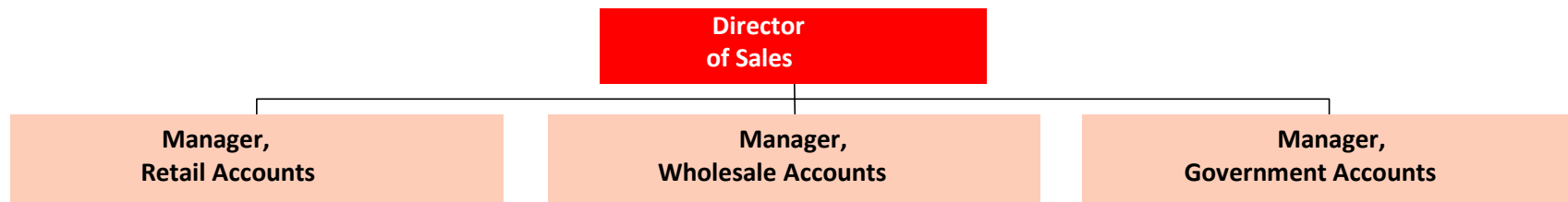
+ Customers' needs and problems can be met by specialists

– Duplication of functions

– Limited view of organizational goals

A Matrix Organization in an Aerospace Firm

Design Engineering	Manufacturing	Contract Administration	Purchasing	Accounting	Human Resources (HR)
Alpha Project — Design Group	Manufacturing Group	Contract Group	Purchasing Group	Accounting Group	HR Group
Beta Project — Design Group	Manufacturing Group	Contract Group	Purchasing Group	Accounting Group	HR Group
Gamma Project — Design Group	Manufacturing Group	Contract Group	Purchasing Group	Accounting Group	HR Group
Omega Project — Design Group	Manufacturing Group	Contract Group	Purchasing Group	Accounting Group	HR Group

Key Elements:

+ Gains the advantages of functional and product departmentalization while avoiding their weaknesses.

+ Facilitates coordination of complex and interdependent activities.

− Breaks down unity-of-command concept.

Centralization

- – The degree to which decision making is concentrated at a single point in the organization.

- – If top managers make the organization's key decisions with little or no input from below, then the organization is centralized.
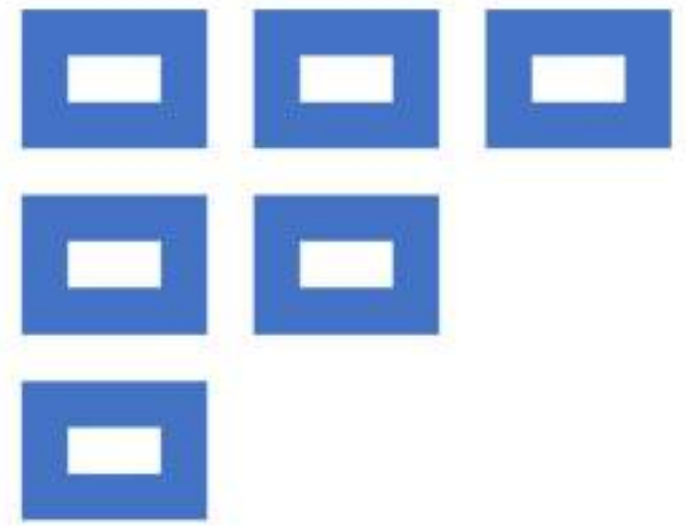
Factors that influence the amount of centralization

- More Centralization

    - Environment is stable

    - Lower-level managers are not as capable or experienced at making decisions as upper-level managers

    - Lower-level managers do not want to have a say in decisions

    - Decisions are relatively minor

    - Organization is facing a crisis or the risk of company failure

    - Company is large

    - Effective implementation of company strategies depends on managers retaining say over what happens.

- <u>Decentralization</u>

  - The degree to which lower-level employees provide input or actually make decisions.

  - The more that lower level employees provide input or actually make decisions, the more decentralization there is.

Factors that influence the amount of decentralization

More Decentralization

– Environment is complex, uncertain

– Lower-level managers are capable and experienced at making decisions

– Lower-level managers want a voice in decisions

– Decisions are significant

– Corporate culture is open to allowing managers to have a say in what happens

– Company is geographically dispersed

– Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.
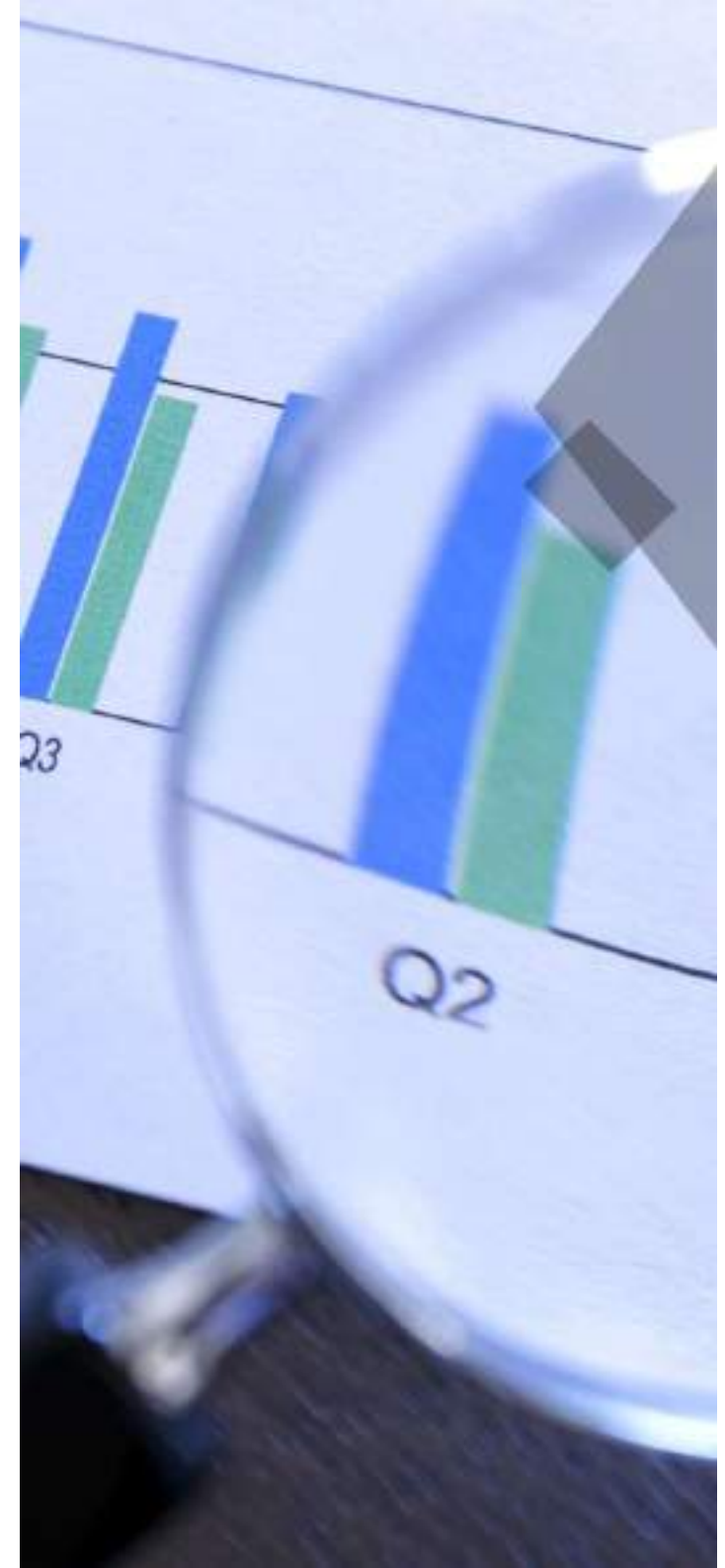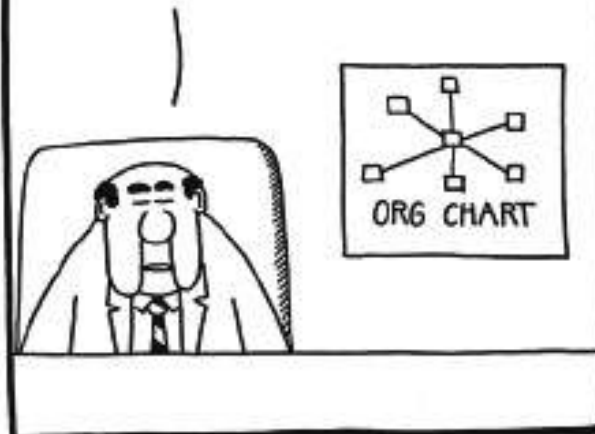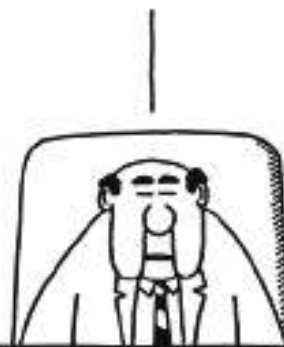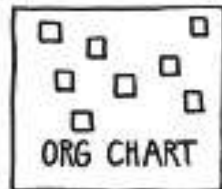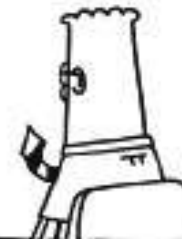
- **Mechanistic Organization**
  - A rigid and tightly controlled structure

- **Organic Organization**
  - Highly flexible and adaptable structure

Mechanistic

- High Specialization
- Rigid Departmentalization
- Clear Chain of Command
- Narrow Spans of Control
- Centralization
- High Formalization

Organic

- Cross-Functional Teams
- Cross-Hierarchical Teams
- Free Flow of Information
- Wide Spans of Control
- Decentralization
- Low Formalization

Today's view

- Distinct shift towards decentralised decision making (employee empowerment)

Mindtree – 100% of its employees are given with subsidised price for its stocks

Chain of command

Line of authority extending from upper organizational level to the lowest level

Other concepts connected to chain of command

- Authority
  - The rights inherent in a managerial position to tell people what to do and to expect them to do it

- Responsibility
  - The obligation or expectation to perform. Responsibility brings with it accountability (the need to report and justify work to manager's superiors)

- Unity of Command
  - The concept that a person should have one boss and should report only to that person

Line and Staff Authority

– Line managers are responsible for the essential activities of the organization, including production and sales. Line managers have the authority to issue orders to those in the chain of command

   • production manager, and the sales manager are examples of line managers
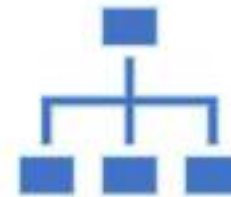
Staff managers have advisory authority, and cannot issue orders to those in the chain of command (except those in their own department)

Limitations of staff authority

- Danger of undermining line authority

- Lack of staff responsibility (shifting blames for mistakes)

- Thinking in vaccum (impracticality of staff recommendations)

- Managerial problems (lack of maintaining unity of command)

Delegation of Authority

Process of delegation involves
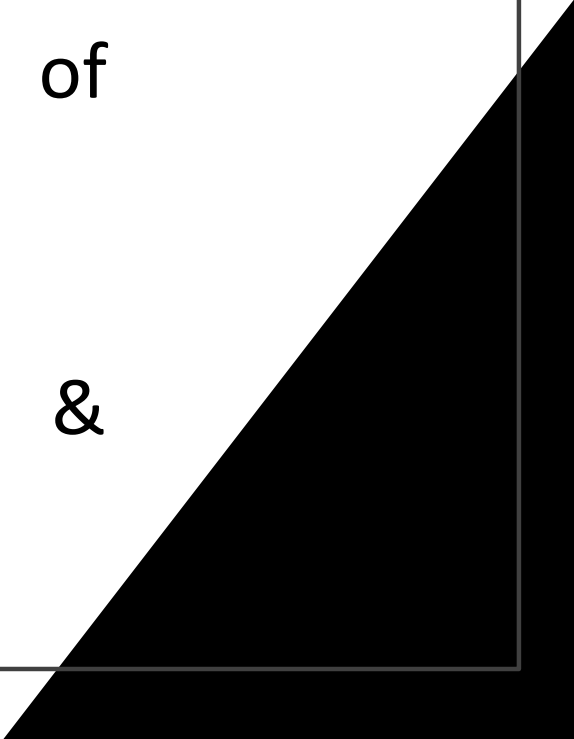
❖ Determining results expected from a position

❖ Assigning tasks to the position

❖ Delegating authority for accomplishing these tasks

❖ Holding the person in that position responsible for the accomplishment of the tasks

Personal attitudes in delegation

- Receptiveness – willingness to give other people's idea a chance

- Willingness to let go – willingness to release the right to make decisions

- Willingness to let others make mistakes

- Willingness to trust subordinates

- Willingness to establish & use broad controls

Overcoming weak delegation

- Define assignments & delegate authority in the light of results expected

- Selecting the right person for the job

- Maintain open lines of communication

- Establish proper control

- Reward effective delegation & successful assumption of authority
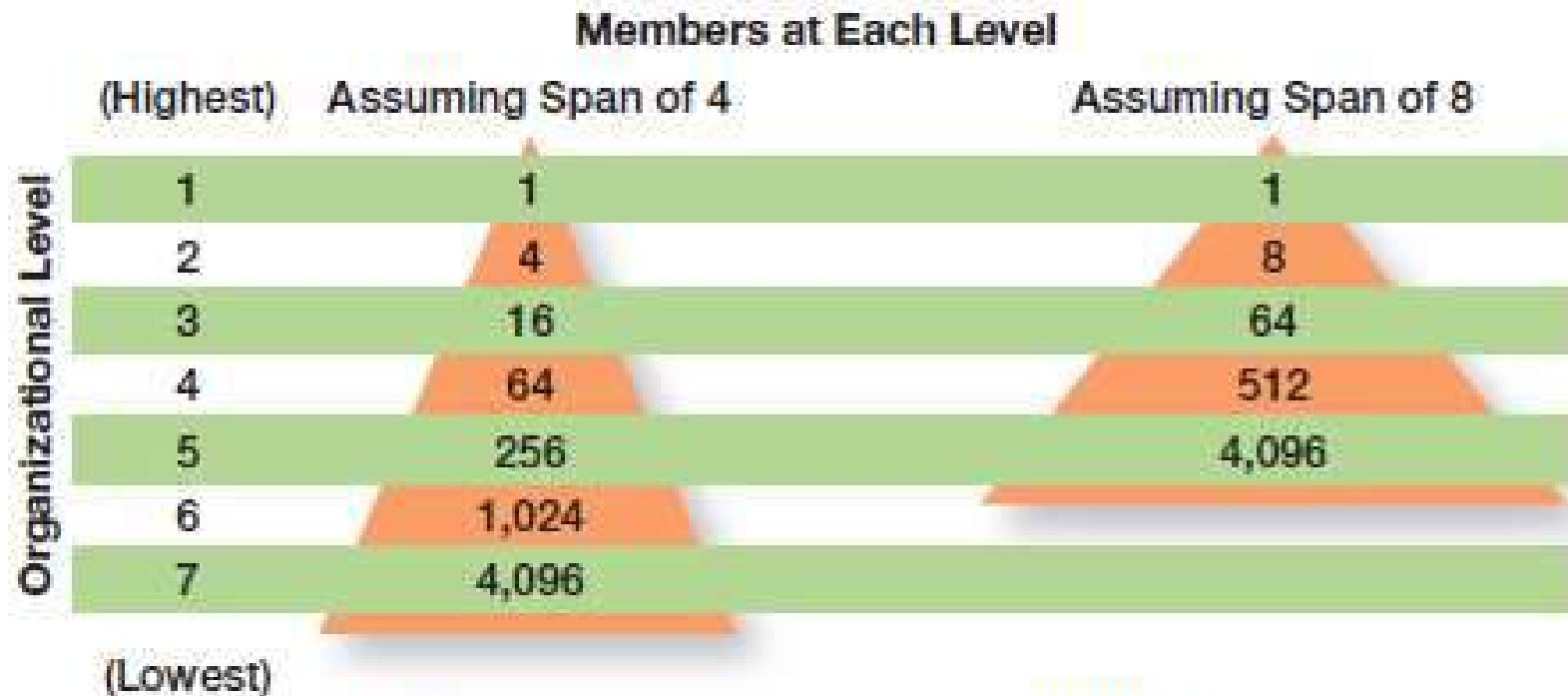
Span of Control

The number of employees who can be effectively and efficiently supervised by a manager
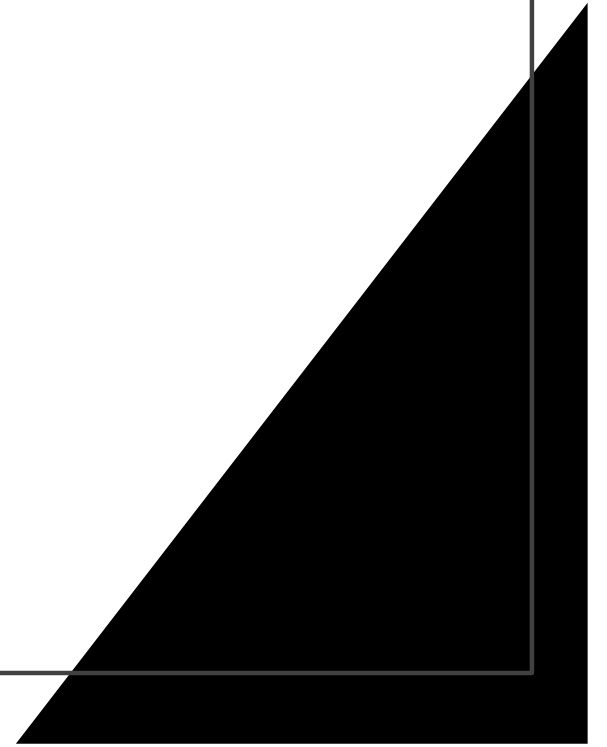
Width of span is affected by:

- Skills and abilities of the manager and the employees
- Characteristics of the work being done
- Similarity of tasks
- Complexity of tasks
- Physical proximity of subordinates
- Standardization of tasks
- Sophistication of the organization's information system
- Strength of the organization's culture
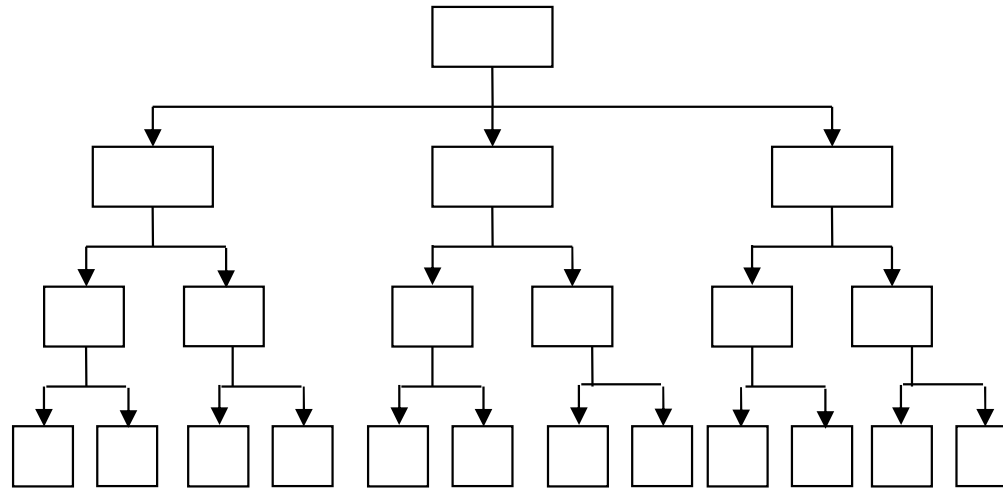- Preferred style of the manager

Contrasting Spans of Control

Members at Each Level

Organizational Level	(Highest) Assuming Span of 4	Assuming Span of 8
1	1	1
2	4	8
3	16	64
4	64	512
5	256	4,096
6	1,024	
7	4,096	
(Lowest)		

Span of 4:
Employees: = 4,096
Managers (level 1–6) = 1,365

Span of 8:
Employees: = 4,096
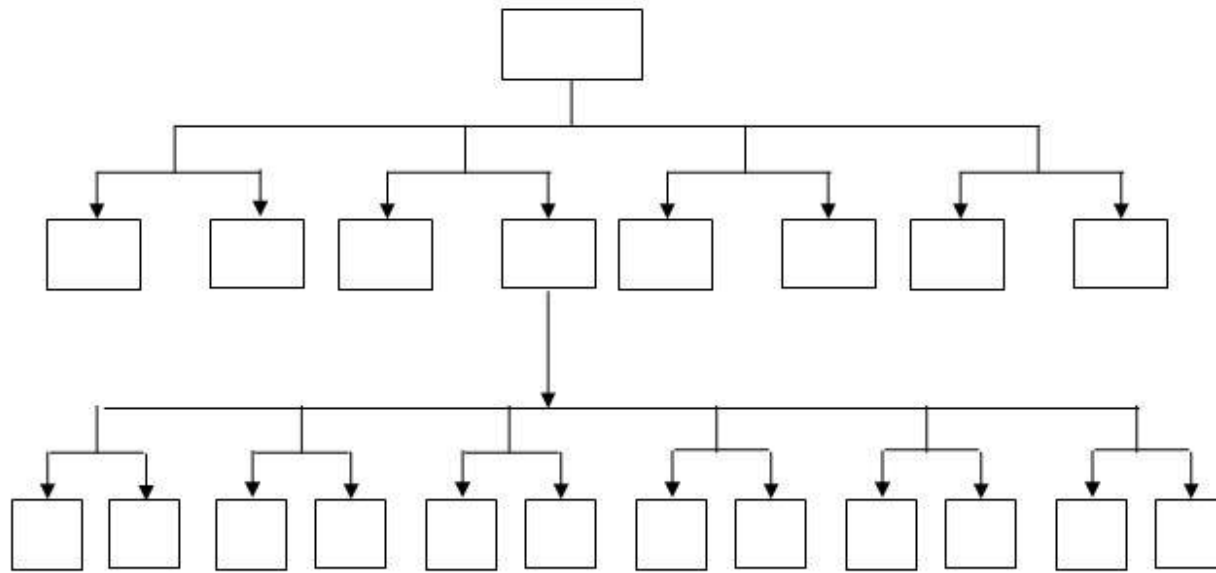Managers (level 1–4) =   585

Organization with narrow spans

Advantages:
- Close supervision
- Close control
- Faster communication

Disadvantages:
- Supervisors tend to get too involved in subordinates work
- Many levels of management
- High costs due to many levels
- Excessive distance between entry level and top level

Organization with wider spans

Advantages:
- Superiors are forced to delegate
- Clear policies must be made
- Subordinates must be carefully selected

Disadvantages:
- Tendency of overloaded superiors to become decision bottlenecks
- Danger of superior's loss of control
- Requires exceptional quality of managers

Today's View

Factors influencing span of control

Skill and ability of Managers & employees

Characteristics of the work being done

Larger span – today's trend

Speedy decision making

Increased flexibility

Closer to customers

Empowerment of employees

Reduced costs

Staffing

- Defined as filling & keeping filled, positions in the organization structure

- This is done by identifying workforce requirements, inventorying the people available, recruiting, selecting, placing, promoting, appraising, planning the career of, compensating and training

A consultant to godrej say "It is not the machinery, the money or the structure that is important. It is the people. The company's main asset is its people"

The main asset of people is not competency, hard work nor time, it is their mind & their heart

The Importance of Human Resources Management (HRM)

- A source of competitive advantage

- An important part of organizational strategies

    - *Managers must work with people & treat them as partners, not just as cost to be minimized or avoided*

- The way organizations treat their people has been found to significantly affect organizational performance (high performance work practices)

High performance work practices

- Self managed team
- Decentralised decision making
- Training programs to develop knowledge, skills and abilities
- Flexible job assignments
- Performance based compensation
- Staffing based on person-job & person-organisation fit

Factors that affect the HRM process

- Employee labor union
- Government laws
- Demographic trends

Employee labor union

➢ Represents workers (seeks to protect their interest)

➢ Defines things such as,

   hiring criteria, promotions, layoffs, training eligibility, disciplinary practices

Employee labor union

- ✓ 12.1% of U.S workforce is unionized
- ✓ 9.6% of France
- ✓ 31% of indian
- ✓ 19.6% of Japan
- ✓ 22.7% of Australia
- ✓ 30% of Canada
- ✓ 19% of Mexico

Government Laws

- Wal mart stores payed $33.5 million to settle a federal law suit that accused the company of violating overtime laws

Demographic Trends

- By 2020 – more than half of the working people will be more than 40 in india

- Less than 15 years of age is 35% - will enter into workforce much before the existing employees are willing to or asked to give way for new employees

- Decision regarding hiring, training must be made without to race, gender, religion, age, color, national origin or disability

- More women are entering the workplace

Job Design

Importance

- Individuals should feel good about their work.

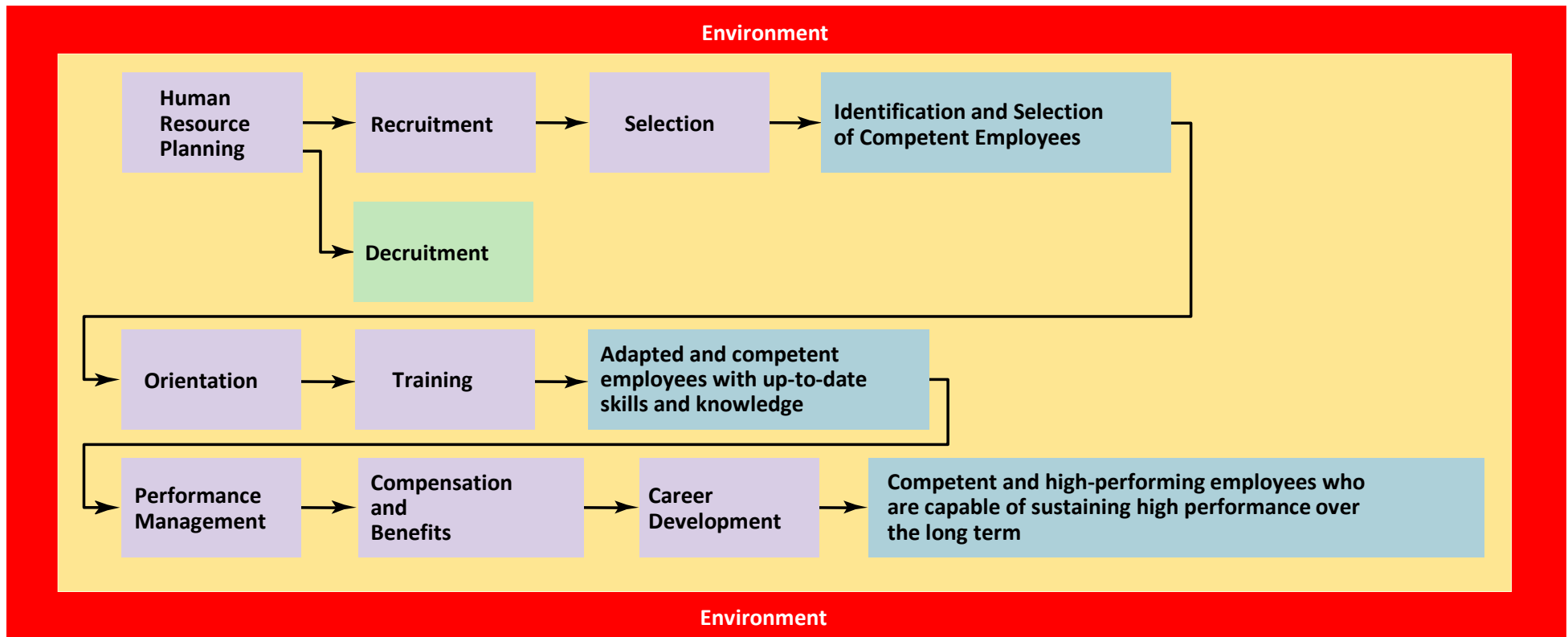- Job should be structured in terms of content, function, and relationships.

Factors influencing job design

- Individual differences

- Technology

- Cost associated with restructuring the jobs

- Organisation structure
    - -- Autonomous work group – decentralised organization

- Internal climate
    - -- Groups may function well in an atmosphere that encourages participation

The HRM Process

- Functions of the HRM Process

  - Identifying and selecting competent employees

  - Providing employees with up-to-date knowledge and skills to do their jobs

  - Ensuring that the organization retains competent and high-performing employees

The Human Resources Management Process

Environment

| Human Resource Planning | → | Recruitment | → | Selection | → | Identification and Selection of Competent Employees |

Decruitment

| Orientation | → | Training | → | Adapted and competent employees with up-to-date skills and knowledge |

| Performance Management | → | Compensation and Benefits | → | Career Development | → | Competent and high-performing employees who are capable of sustaining high performance over the long term |

Environment

Managing Human Resources

- Human Resources (HR) Planning
  - The process by which managers ensure that they have the right number and kinds of people in the right places, and at the right times, who are capable of effectively and efficiently performing their tasks

- Human Resources Inventory
  - A review of the current makeup of the organization's resources status
  - Job analysis
    - Job Description
      - A written statement of what the jobholder does, how it is done, and why it is done
    - Job Specification
      - A written statement of the minimum qualifications that a person must possess to perform a given job successfully

Staffing the Organization

Recruitment

The process of locating, identifying, and attracting capable applicants to an organization

Decruitment

The process of reducing a surplus of employees in the workforce of an organization

Major Sources of Potential Job Candidates

Source	Advantages	Disadvantages
Internet	Reaches large numbers of people; can get immediate feedback	Generates many unqualified candidates
Employee referrals	Knowledge about the organization provided by current employee; can generate strong candidates because a good referral reflects on the recommender	May not increase the diversity and mix of employees
Company Web site	Wide distribution; can be targeted to specific groups	Generates many unqualified candidates
College recruiting	Large centralized body of candidates	Limited to entry-level positions
Professional recruiting organizations	Good knowledge of industry challenges and requirements	Little commitment to specific organization

Decruitment Options

Option	Description
Firing	Permanent involuntary termination
Layoffs	Temporary involuntary termination; may last only a few days or extend to years
Attrition	Not filling openings created by voluntary resignations or normal retirements
Transfers	Moving employees either laterally or downward; usually does not reduce costs but can reduce intraorganizational supply-demand imbalances
Reduced workweeks	Having employees work fewer hours per week, share jobs, or perform their jobs on a part-time basis
Early retirements	Providing incentives to older and more senior employees for retiring before their normal retirement dates
Job sharing	Having employees share one full-time position

Selection

❖ Screening job applicants to determine who is the best qualified for the job

❖ Managers need to select carefully because hiring errors can have significant implications

❖ Selection involves predicting which applicants will be successful if hired

- Reject Error – Rejected candidate can expose the organisation to discrimination charges

- Accept Error – Cost of training, Profit lost, Cost of severance, & subsequent cost of further recruiting & screening

- *Emphasis should be to reduce the probability of reject & accept error*

Types of Selection Devices

- Application Forms
- Written Tests
- Performance Simulations
- Interviews
- Background Investigations
- Physical Examinations

Application Forms

- Almost universally used
- Relevant biographical data and facts that can be verified
- Can predict job performance
- Weighted-item applications are difficult and expensive to create and maintain

Written Tests

- Must be job related
- Include intelligence, aptitude, ability, personality & interest tests
- Are popular
- Relatively good predictor for supervisory position

Performance Simulation Tests

- Testing an applicant's ability to perform actual job behaviors, use required skills, and demonstrate specific knowledge of the job.
  - Work sampling
    - Requiring applicants to actually perform a task or set of tasks that are central to successful job performance.
  - Assessment centers
    - Dedicated facilities in which job candidates undergo a series of performance simulation tests to evaluate their managerial potential.

Other Selection Approaches

Interviews

Although used almost universally, managers need to approach interviews carefully.

Can be useful for managerial positions.

Background Investigations

Verification of application data

Reference checks:

- Lack validity because self-selection of references ensures only positive outcomes.

Physical Examinations

Useful for physical requirements and for insurance purposes related to pre-existing conditions.

Orientation

A person starting a new job needs the same type of introduction to his or her job & the organization. This introduction is called **orientation**.

Orientation programs may be formal or informal

Types of Orientation

- **Work-unit orientation**
  - Familiarizes new employee with work-unit goals
  - Clarifies how his or her job contributes to unit goals
  - Introduces employee to his or her co-workers

- **Organization orientation**
  - Informs new employee about the organization's objectives, history, philosophy, procedures, and rules
  - Includes a tour of the entire facility

Employee Training

- L&T – MoU with Henry Boot Training Ltd & the construction industry training board of UK to meet international standards

- Thermax reduced 20-25% of attrition by continuous training

Types of Training

Type	Includes
General	Communication skills, computer systems application and programming, customer service, executive development, management skills and development, personal growth, sales, supervisory skills, and technological skills and knowledge
Specific	Basic life/work skills, creativity, diversity/cultural awareness, managing change, leadership, product knowledge, public speaking/presentation skills, safety, ethics, sexual harassment, team building, wellness, and others

Training Methods

- **Traditional Training Methods**

  ➢ On-the-job

  ➢ Job rotation

  ➢ Mentoring and coaching

  ➢ Experiential exercises

  ➢ Workbooks/manuals

  ➢ Classroom lectures

- **Technology-Based Training Methods**

  ➢ CD-ROM/DVD/videotapes/ audiotapes

  ➢ Videoconferencing/ teleconferencing/ satellite TV

  ➢ E-learning

Retaining competent , High Performing Employees

- Managers need to know whether their employees are performing their jobs efficiently and effectively

- Performance Management System establishes standards to evaluate employee performance

Performance Appraisal methods

- Written Essays
- Critical Incidents
- Graphic Rating Scales
- Behaviourally Anchored Rating Scales (BARS)
- Multiperson Comparisons
- Management by Objectives (MBO)
- 360-Degree Feedback

Advantages and Disadvantages of Performance Appraisal Methods

Method	Advantage	Disadvantage
Written essays	Simple to use	More a measure of evaluator's writing ability than of employee's actual performance
Critical incidents	Rich examples; behaviorally based	Time-consuming; lack quantification
Graphic rating scales	Provide quantitative data; less time-consuming than others	Do not provide depth of job behavior assessed
BARS	Focus on specific and measurable job behaviors	Time-consuming; difficult to develop
Multiperson comparisons	Compares employees with one another	Unwieldy with large number of employees; legal concerns
MBO	Focuses on end goals; results oriented	Time-consuming
360-degree appraisals	Thorough	Time-consuming

Compensation and Benefits

- Benefits of a Fair, Effective, and Appropriate Compensation System

  - Helps attract and retain high-performance employees

  - Impacts the strategic performance of the firm

- Types of Compensation

  - Skill-based pay

  - Variable pay

Offer by some organisation

- Financial Technologies - a meal of their choice, a blackberry, a laptop, Medical insurance to dependent parents

- Tata steels - job to a child as per his/her qualification

- IOC - Advance & Bonus

- HPCL-Meal at subsidized rate

- HCL – Travel charges, Free telephone coupon for family members

References

- Stephen P. Robbins and Mary Coulter, 'management', Prentice Hall of India.

- Raymond A Noe, 'Employee Training and Development', Tata McGraw-Hill.

- Harold Koontz, Heinz Weihrich, 'Essentials of Management-An International Perspective', Tata McGraw-Hill.

UNIT IV

Foundations of individual and group behaviour – motivation – motivation theories – motivational techniques – job satisfaction – job enrichment – leadership – types and theories of leadership – communication – process of communication – barrier in communication – effective communication.
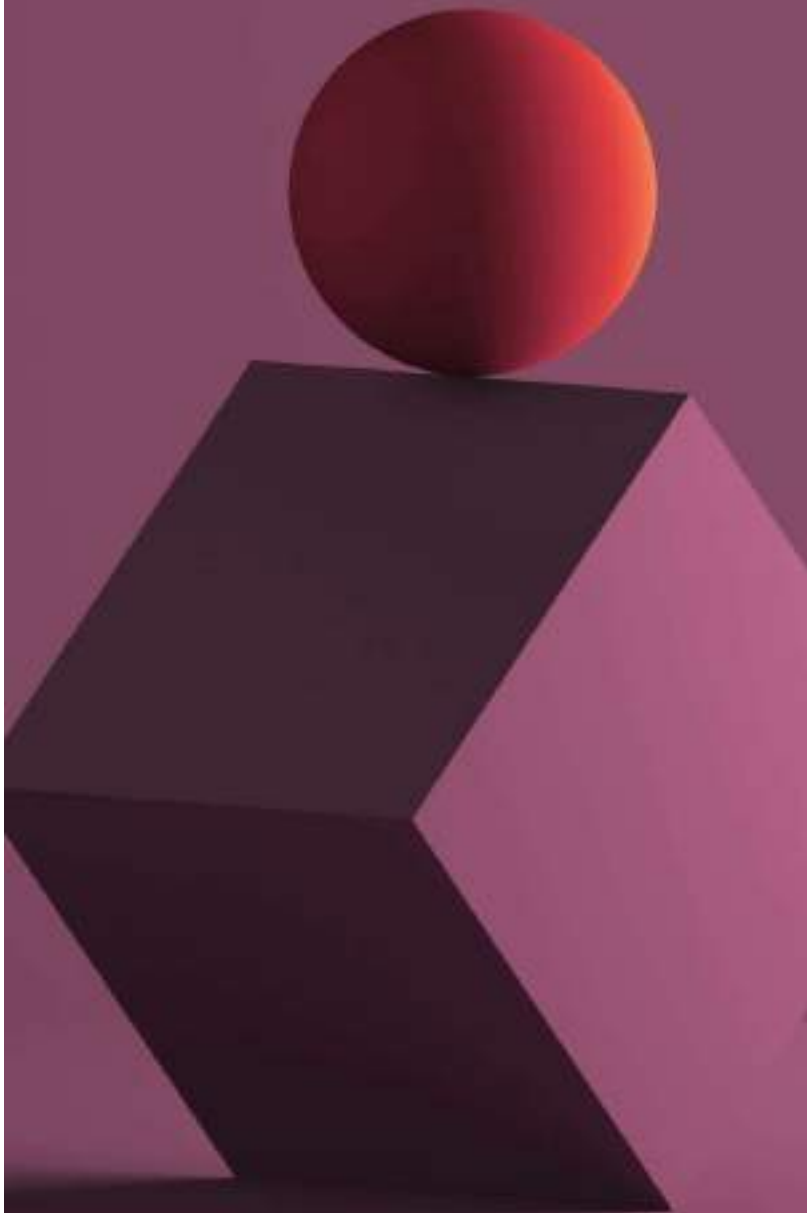
Foundations of individual and group behaviour

- Most managers are concerned with the **attitudes of their employees** and want to **attract and retain employees with the right attitudes and personalities**.

- They want people who w**ork hard**, **get along with coworkers and customers, have good attitudes, and exhibit good work behaviors** in other ways.

Behavior - the actions of people

Organizational behavior - study of the **actions of people at work**.

Organization as iceberg

Visible Aspects
Strategies
Objectives
Policies and Procedures
Structure
Technology
Formal Authority
Chain of Command

Hidden Aspects
Attitudes
Perceptions
Group Norms
Informal Interactions
Interpersonal and Intergroup Conflicts

Studies on OB has a small visible dimension and a much higher hidden portion

An Example

More than 25,000 employees of Market Basket, a family-owned supermarket chain in New England, organized a two-month protest because the company's CEO, Arthur T. Demoulas, was fired after a disagreement with his cousin, Arthur S. Demoulas.

Arthur T. engendered strong employee loyalty because he was paying higher-than average wages, promoting from within, and clearly communicating expectations. The employees were so passionate in their outrage that they also inspired boycotts by customers and vendors.

The result? The company was estimated to have lost $70 million each day. The collective voices of the employees, customers, and vendors led to the reinstatement of Arthur T. And Arthur S. found out the hard way about the power of behavioral elements.

Goals of Organizational Behaviour

- To ***explain, predict,* and *influence*** behavior.

- Managers need to be able to *explain* why employees engage in some behaviors rather than others, *predict* how employees will respond to various actions and decisions, and *influence* how employees behave

Six important employee behaviour

- Employee productivity – measure of efficiency and effectiveness

- Absenteeism – failure to show up for work (cost companies $84 billion dollar each year)

- Turnover

    → Increase recruiting, selection, and training costs and work disruptions

    → Cost companies—ranging from 16 percent of an unskilled worker's pay to 213 percent of a highly trained employee

Six important employee behaviour

- Organizational citizenship behavior (OCB)

Not part of an employee's formal job requirements but promotes the effective functioning of the organization.

Eg:

→helping others on one's work team

→ volunteering for extended job activities

→ avoiding unnecessary conflicts

→ making constructive statements about one's work group and the organization

Advantage: organizations that have such employees outperform those that don't

Drawback: work overload, stress, and work–family life conflicts

Six important employee behaviour

- Job satisfaction

- Counterproductive workplace behavior

  intentional employee behavior that is potentially harmful to the organization or individuals within the organization

  (Eg: deviance, aggression, antisocial behavior, and violence)

Four psychological factors

- Employee attitudes
- Personality
- Perception
- Learning

Attitudes

- Attitudes are evaluative statements

- Reflect how an individual feels about something

- Made up of three components: cognition, affect and behavior

Cognition, affect and behavior

Cognitive component of an attitude refers to the beliefs, opinions, knowledge, or information held by a person.

The affective component of an attitude is the emotional or feeling part of an attitude.

The behavioral component of an attitude refers to an intention to behave in a certain way toward someone or something.

Managers aren't interested in every attitude an employee has. They're especially interested in job-related attitudes.

The three most widely known are
    Job satisfaction
    Job involvement
    Organizational commitment

Job satisfaction

- Studies of U.S. workers over the past 30 years generally indicated that the majority of workers were satisfied with their jobs.

- A Conference Board study in 1995 found that some 60 percent of Americans were satisfied with their jobs.

- By 2010, that percentage was down to its lowest level, 42.6 percent.

Job satisfaction

- 41.2 percent of individuals earning between $35,000 and $50,000 are satisfied with their jobs, 61.6 percent of individuals earning more than $125,000 are satisfied.

- For individuals earning less than $15,000, about 41.8 percent of workers say they are satisfied with their jobs.

- Higher-paying jobs generally require **more advanced skills, give jobholders greater responsibilities**, provide more challenges.

Satisfaction and productivity - correlation between satisfaction and productivity **is fairly strong**

Organizations with more satisfied employees tend to be more effective than organizations with fewer satisfied employees

Satisfaction and absenteeism - Although research shows that satisfied employees have lower levels of absenteeism than dissatisfied employees, **the correlation isn't strong**

Satisfaction and Turnover - Research on the relationship between satisfaction and turnover **is much stronger.**

Job satisfaction and customer satisfaction Is job satisfaction related to positive customer outcomes?

For frontline employees who have regular contact with customers, the answer is "**yes**." Satisfied employees **increase customer satisfaction and loyalty**.

Job satisfaction and OCB - Research suggests a **modest overall relationship between job satisfaction and OCB**

"Depends on the perception of fairness"

Job satisfaction and counterproductive behavior

When employees are dissatisfied with their jobs, they are likely to engage in counterproductive behaviors.

Job Involvement

High levels of job involvement have been found to be related to **fewer absences, lower resignation rates, and higher employee engagement with their work.**

High levels of perceived **organizational support** lead **to increased job satisfaction and lower turnover**

Organizational Commitment

The degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in that organization

leads to lower levels of both absenteeism and turnover

Employee Engagement

- Managers want their employees to be connected to, satisfied with, and enthusiastic about their jobs. This concept is known as **employee engagement**.

- Highly engaged employees are passionate about and deeply connected to their work.

- Disengaged show up for work, but have no energy or passion for it.

Factors Contributing to Employee Engagement

- Respect
- Type of work
- Work-life balance
- Providing good service to customers
- Base pay
- People you work with
- Long-term career potential
- Development opportunities
- Fexible work
- Promotion opportunities
- Variable pay/bonuses

Personality, Perception and Learning

- Personality is a unique combination of emotional, thought, and behavioral patterns that affect how a person reacts to situations and interacts with others.

- Perception is a process by which we give meaning to our environment by organizing and interpreting sensory impressions.

- Learning is any relatively permanent change in behavior that occurs as a result of experience

Defining Motivation

Motivation

The process by which a person's effort are energized (intensity), directed & sustained toward attaining a goal.

Key Elements

1. **Intensity: how hard a person tries**

2. **Direction: toward beneficial goal**

3. **Persistence: how long a person tries**

Early Theories of motivation

Maslow's hierarchy of needs theory

Herzberg's two factor theory

Mcgregor's Theory X & Theory Y

McClelland's three needs theory

Contemporary Theories of motivation

Goal Setting theory

Reinforcement theory

Job design theory

Equity theory

Expectancy theory

Maslow's Hierarchy of Needs

Lower-Order Needs
Needs that are satisfied externally; physiological and safety needs.

Higher-Order Needs
Needs that are satisfied internally; social, esteem, and self-actualization needs.

Self-actualization

Esteem

Social

Safety

Physiological
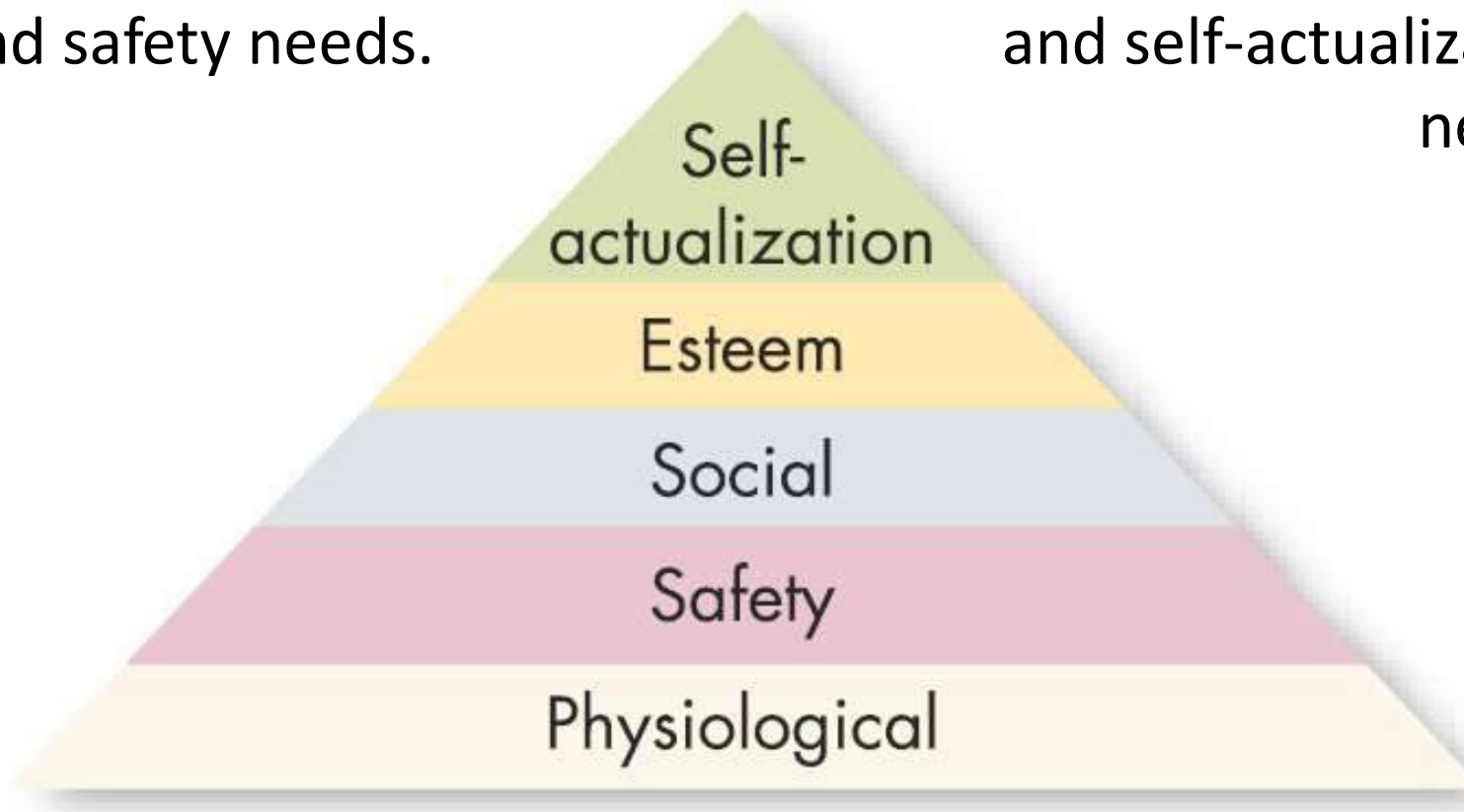
Summary of Maslow's Argument

- Each level in the needs hierarchy must be substantially satisfied before the next need becomes dominant.

- Maslow separated the five needs into higher and lower levels.

- Lower-order needs are predominantly satisfied externally while higher order needs are satisfied internally.

- Widely recognized during the 1960s and 1970s.

No empirical support for his theory, and several studies that sought to validate it could not able to do the same

Herzberg's Two-Factor Theory

- Also called motivation-hygiene theory.

- Based on his study, Herzberg classified the factors influencing the people as intrinsic and extrinsic factors.

- Intrinsic factors are related to job satisfaction, while extrinsic factors are associated with job dissatisfaction.

Herzberg's Motivation-Hygiene Theory
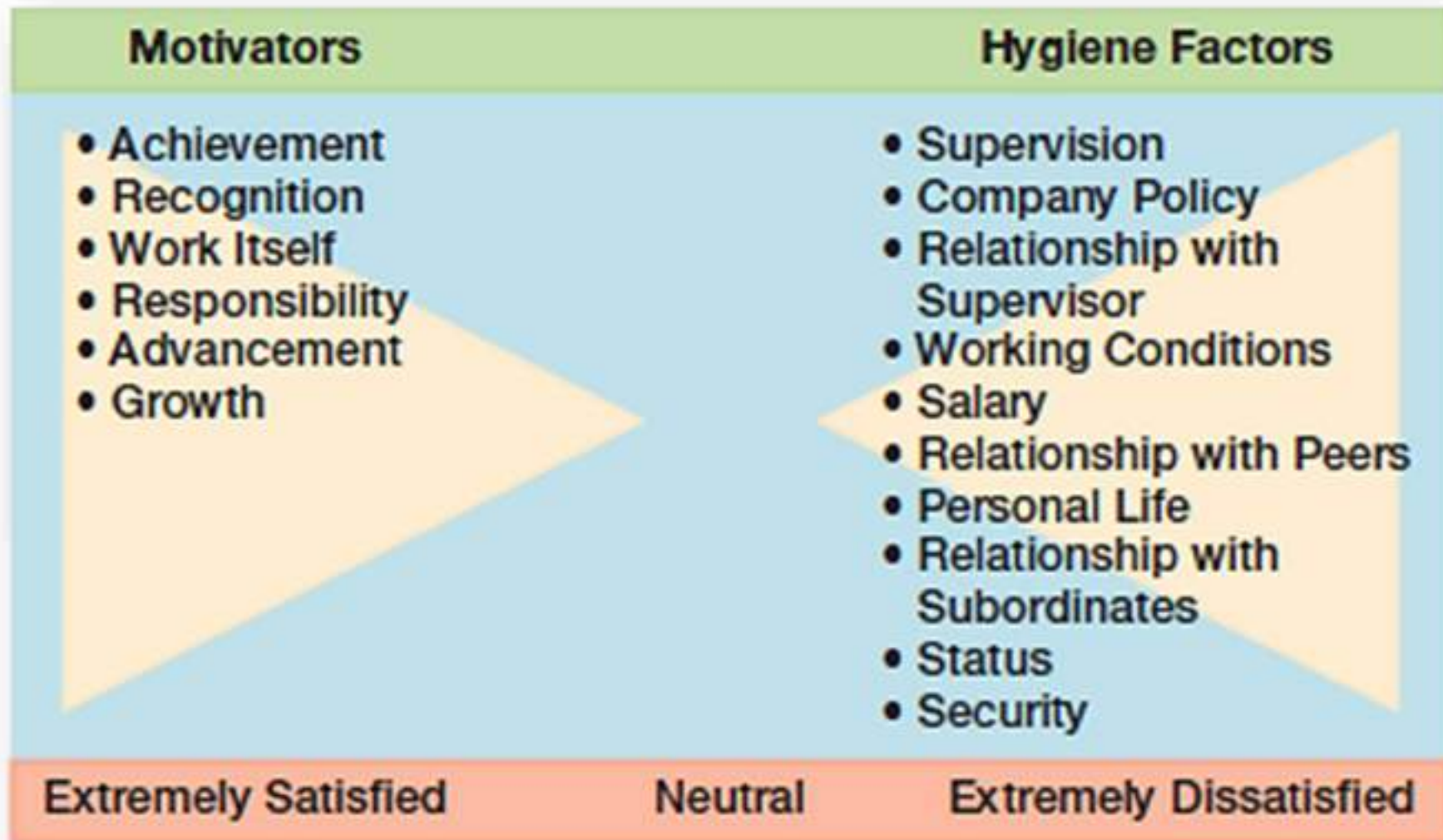
Contrasting Views of Satisfaction and Dissatisfaction
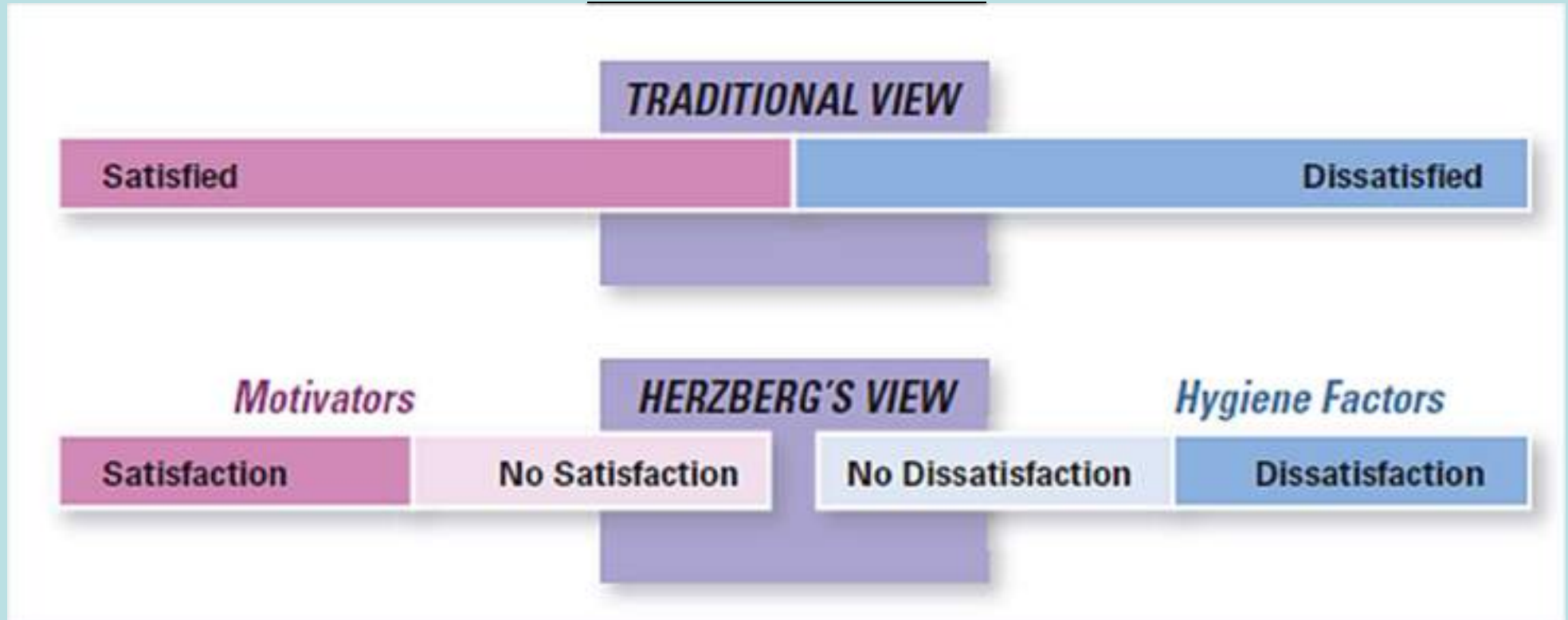
The opposite of "satisfaction" is "no satisfaction," and the opposite of "dissatisfaction" is "no dissatisfaction."

"Dual continuum"

Summary of Herzberg's Theory

- Factors that led to job satisfaction were separate and distinct from those that led to job dissatisfaction.

- Elimination of extrinsic factors (Hygiene factors) not necessarily motivate the people in the organisation.

- To motivate people, Herzberg suggested emphasizing intrinsic factors (Motivators).

- Herzberg's theory enjoyed wide popularity from the mid-1960s to the early 1980s.

- Some critics said his theory was too simplistic.

Comparison of Maslow's & Herzberg's Theories of Motivation

Self-actualization

Esteem

Social

Safety

Physiological

Satisfiers (Motivators)

| Challenging work |
| Achievement |
| Growth in the Job |
| Responsibility |
| Advancement |
| Recognition |

Dissatisfiers (Not Motivators)

| Status |
| Interpersonal Relations |
| Quality of supervision |
| Company Policy and administration |
| Working Conditions |
| Job security |
| Salary |
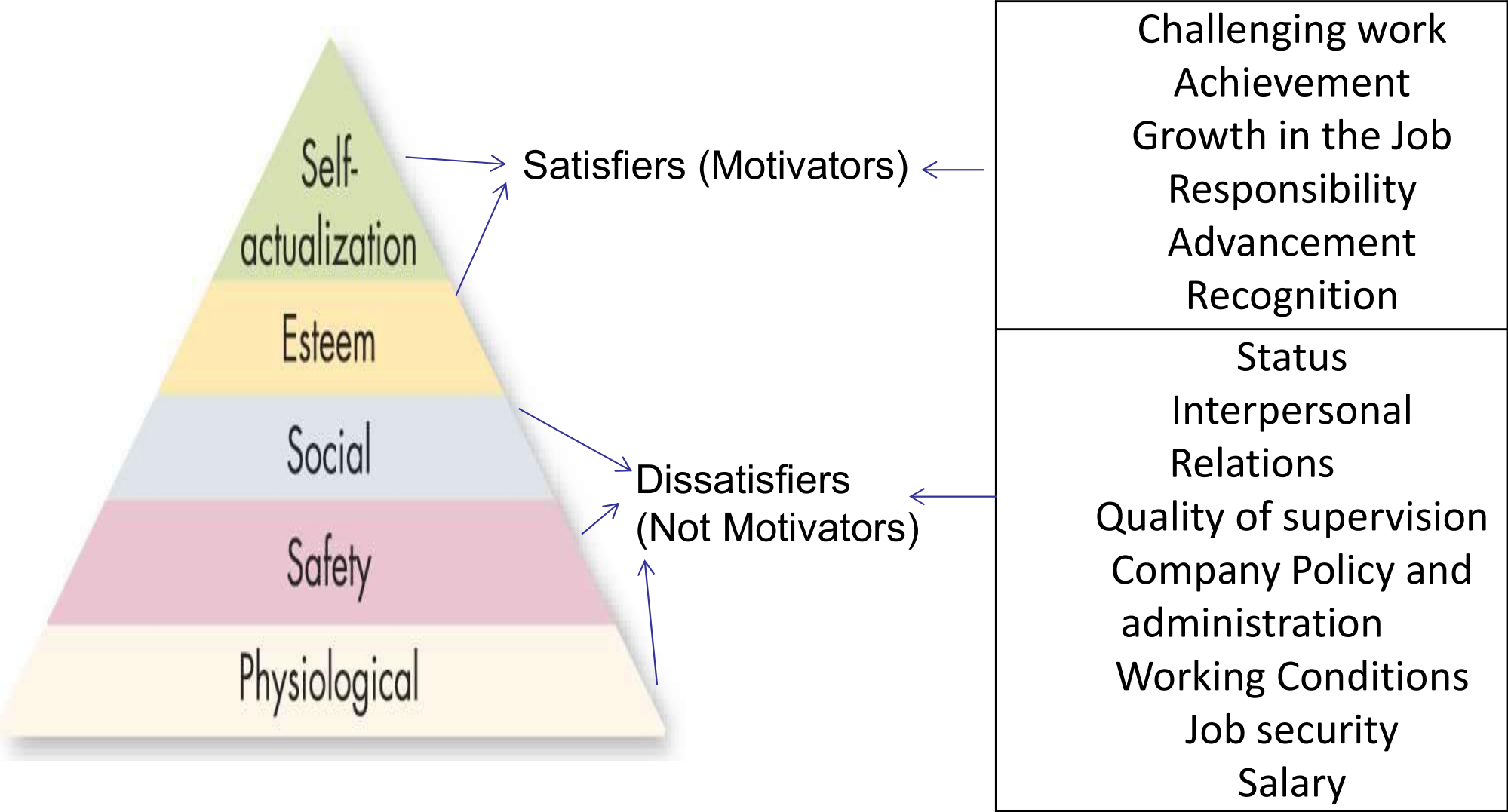
McGregor's Theory X and Theory Y

Andy Grove, cofounder of Intel Corporation and now a senior advisor to the company, was known for being open with his employees. However, he was also known for his tendency to yell. Intel's current CEO, Paul Otellini, said, "When Andy was yelling at you, it wasn't because he didn't care about you. He was yelling at you because he wanted you to do better."

McGregor's Theory X and Theory Y

Theory X

- Assumes workers has little ambition, dislike work, want to avoid responsibility, need to be closely controlled to work effectively.

Theory Y

- Assumes employees enjoy work, seek out and accept responsibility, and exercise self direction.
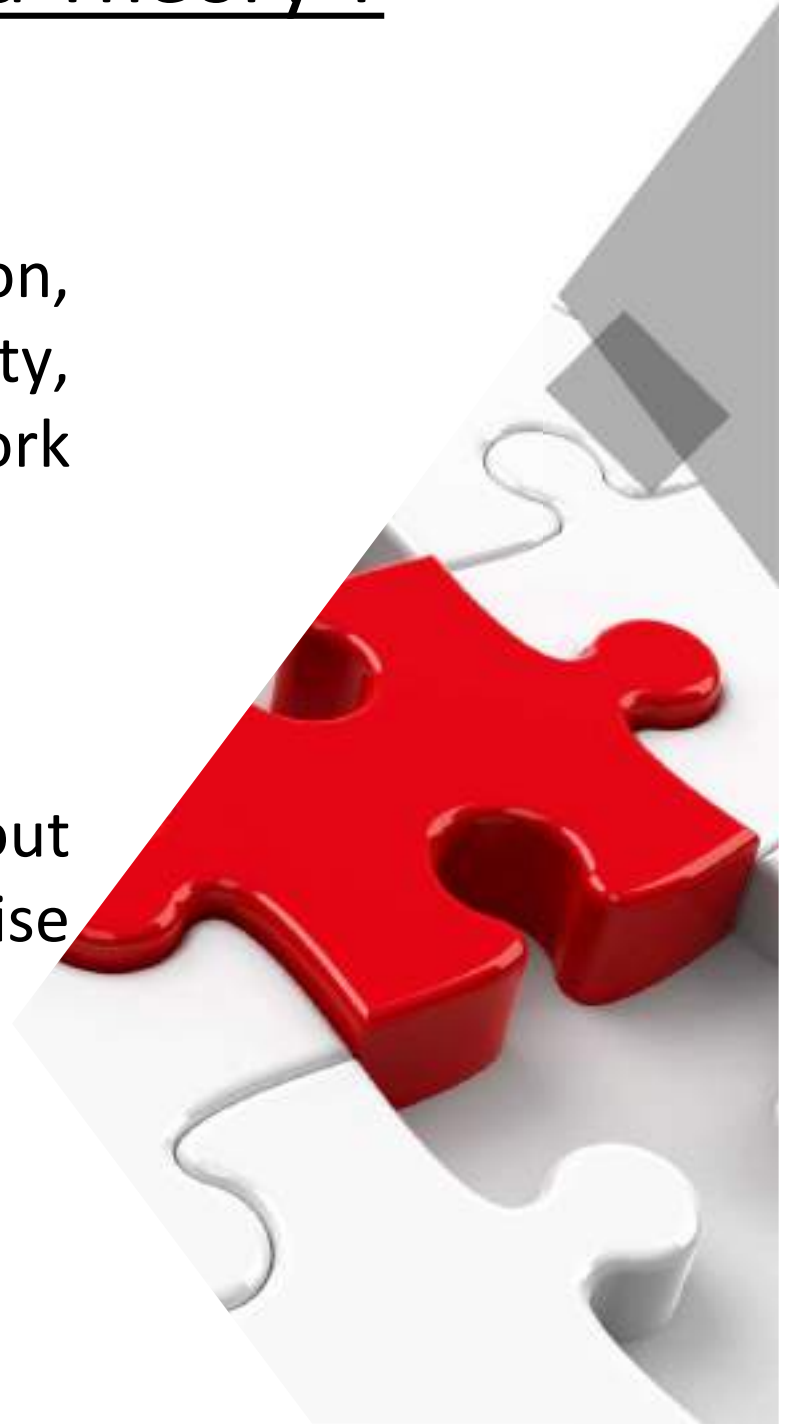
McGregor's Theory X and Theory Y

McGregor proposed that allowing subordinates to participate in

Decision making

Responsible and challenging jobs

Good group relations

Maximize employee motivation

McGregor's Theory X and Theory Y

An example from Nvidia Corporation

 Jen-Hsun Huang, founder of Nvidia Corporation, an innovative and successful microchip manufacturer, has been known to use both **reassuring hugs and tough love in motivating employees.**

 In one meeting, he supposedly screamed at a project team for its tendency to repeat mistakes.

Nvidia corporation putting the philosophy of Theory X management into practice

McGregor's Theory X and Theory Y

An example from Walmart

Walmart gives workers a Significant role in decision making.

➢ Store associates can provide input into what is sold locally.

➢ The company relies on associates' judgment because they interact with customers.

Walmart's U.S. CEO stated: "There is nothing I like better than hearing about your [associates'] jobs, your ideas, your hopes and dreams, and frustrations, and listening to how we can make your lives easier.

Walmart putting the philosophy of Theory Y management into practice.

McGregor's Theory X and Theory Y

No evidence confirm that either set of assumptions is valid

Three-Needs Theory (McClelland)

- There are three major acquired needs that are major motives in work.

  - **Need for achievement (nAch)**

    - The drive to excel and succeed

  - **Need for power (nPow)**

    - The need to influence the behavior of others

  - **Need of affiliation (nAff)**

    - The desire for interpersonal relationships

Early Theories of motivation

- Maslow's hierarchy of needs theory

- Herzberg's two factor theory

- Mcgregor's Theory X & Theory Y

- McClelland's three needs theory

Contemporary Theories of Motivation

Goal-Setting Theory

Reinforcement Theory

Equity Theory

Expectancy Theory

Jobs Design Theory

Goal-Setting Theory (Edwin Locke)

"Just do your best"

"Needed to score 90%"

"Specific goals increase performance and that difficult goals when accepted, results in higher performance"

What does goal setting theory tell us?

- Specified and challenging goals are superior motivating forces (contradictory to three needs theory).

- Such forces produce a higher output than general goals.

- Participative goal setting or dictated?

- Feedback

➤ Helps identify discrepancies
➤ Self generated feedback seems to be more powerful motivator than feedback coming from someone else

Factors influencing the goals–performance relationship:

Goal commitment

Adequate self-efficacy

National culture

Goal commitment

- GS theory assumes that an individual is committed to a goal.

Commitment is most likely, when

✓ goal are made public

✓ an individual has an internal locus of control

✓ the goals are self-set rather than assigned

Self-Efficacy

- The individual's belief that he or she is capable of performing a task.

 Response to negative feedback?

Low self - Efficacy   - reduced effort

High self- Efficacy   - increased effort

National culture

- Well adapted to North America

➤ Subordinates are reasonably independent

➤ People seek challenging goal

➤ Performance is considered important by both managers and subordinates

Goal-Setting Theory

Conclusion of goal setting theory

- Intention to work hard and specific goals is a powerful motivating force and lead to higher performance (under proper condition)

- No evidence of job satisfaction

Reinforcement Theory

- Behaviour is a function of its consequences

- Consequences that immediately follow a behaviour & increase the probability that the behaviour will be repeated are called reinforcers

- RT ignores factors such as goals, expectations & needs

Reinforcement Theory

- Focus on what happens to a person when he does something

  (At flex industries limited, a generous incentive program has increased productivity by 30-40%, & minimize wastage by 2-3%)

Conclusions from Reinforcement Theory

- Behaviour that isn't rewarded or that is punished is less likely to be repeated

- Managers should ignore, not punish undesirable behaviour

(because punishment eliminates undesired behaviour temporarily, may have unpleasant side effects like dysfunctional behaviour, absenteeism etc)

Equity theory

- Developed by J. Stacey Adams

- Employees compare their input and the outcomes in a job

- Then they compare this input-outcome ratio with relevant others

Equity theory

Perceived Ratio Comparison[a]	Employee's Assessment
$\dfrac{\text{Outcomes A}}{\text{Inputs A}} < \dfrac{\text{Outcomes B}}{\text{Inputs B}}$	Inequity (underrewarded)
$\dfrac{\text{Outcomes A}}{\text{Inputs A}} = \dfrac{\text{Outcomes B}}{\text{Inputs B}}$	Equity
$\dfrac{\text{Outcomes A}}{\text{Inputs A}} > \dfrac{\text{Outcomes B}}{\text{Inputs B}}$	Inequity (overrewarded)

[a]Person A is the employee, and person B is a relevant other or referent.

Based on the assessment the results might be lower or higher productivity, improved or reduced quality of output, increased absenteeism, or voluntary resignation

Expectancy Theory

- Most comprehensive explanation of how employees are motivated is Victor Vroom's expectancy theory

- More research evidence supports it (theory also has critics)

- Based on the expectation that the act will be followed by a given outcome & on the attractiveness of that outcome to the individual

Expectancy Theory
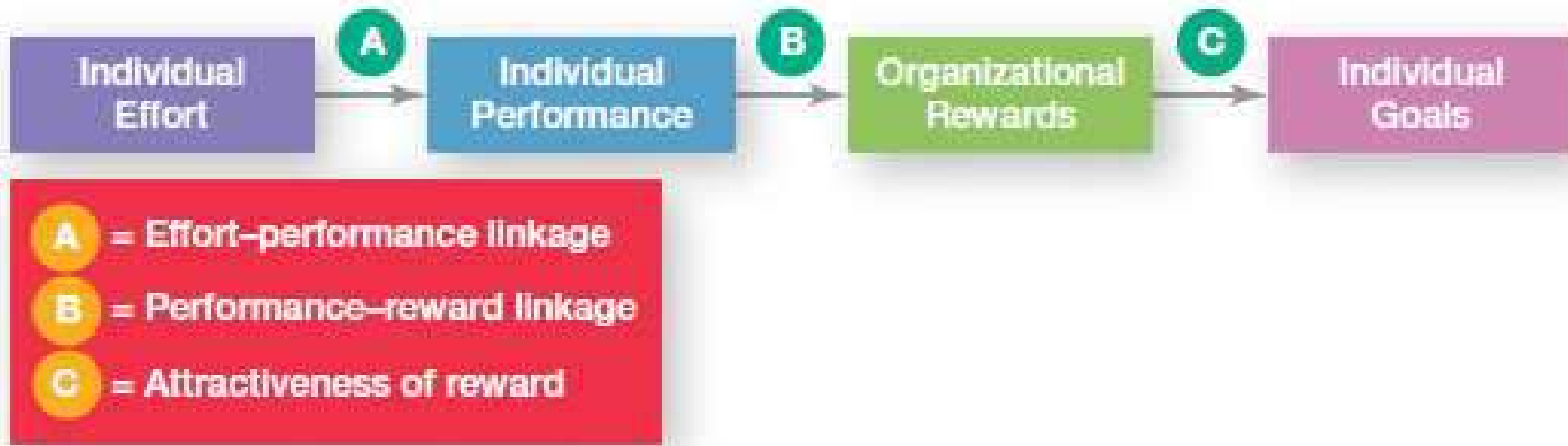
How hard do I have to work to achieve a certain level of performance?

Can I actually achieve that level?

What reward will performing at that level of performance get me?

How attractive is the reward to me, and does it help me achieve my own personal goals?

Job Design Theory

- **job design**

  The way tasks are combined to form complete jobs

- **job scope**

  The number of different tasks required in a job and the frequency with which those tasks are repeated

- **job enlargement**

  The horizontal expansion of a job by increasing job scope

- **job enrichment**

  The vertical expansion of a job by adding planning and evaluating responsibilities

Job Design Theory

Job Characteristics Model

Identifies five job characteristics and their relationship to personal and work outcomes.

Characteristics:
1. **Skill variety**
2. **Task identity**
3. **Task significance**
4. **Autonomy**
5. **Feedback**

Job Design Theory (cont'd)

Skill Variety

The degree to which a job requires
a variety of different activities.

Task Identity

The degree to which the job requires completion of
a whole and identifiable piece of work.

Task Significance

The degree to which the job has a substantial
impact on the lives or work of other people.

Job Design Theory (cont'd)

Autonomy

The degree to which the job provides substantial freedom and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.

Job Design Theory (cont'd)

Feedback

The degree to which carrying out the work activities required by a job results in the individual obtaining direct and clear information about the effectiveness of his or her performance.
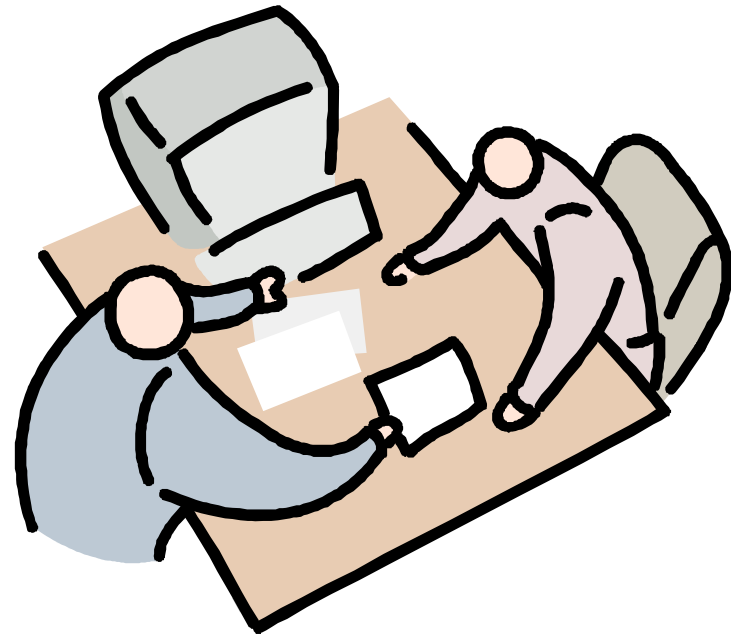
Job Design Theory (cont'd)

- Job Characteristics Model

  – Jobs with skill variety, task identity, task significance, autonomy, and for which feedback of results is given, directly affect three psychological states of employees:

    - Meaningfulness of work

    - Personal feelings of responsibility for results

    - Knowledge of results

  – Increases in these psychological states result in increased motivation, performance, and job satisfaction.

The Job Characteristics Model

Early Leadership Theories

- Trait Theories (1920s–30s)
  - Research that focused on identifying personal characteristics that differentiated leaders from nonleaders was unsuccessful

  - Later research on the leadership process identified seven traits associated with successful leadership

Trait studies includes

- Physical stature
- Appearance
- Social class
- Emotional ability
- Fluency of speech
- Sociability

It proved impossible to identify a set of traits that would always differentiate a leader from a non leader

Seven Traits Associated with Leadership

- Drive - desire for achievement, they are ambitious, have lot of energy, tirelessly persistent, show initiative

- Desire to lead - Willingness to take responsibility

- Honesty and integrity – trust, high consistency between word and deed

- Self-confidence – convince followers about their goals

Seven Traits Associated with Leadership

- Intelligence- gather, synthesize & interpret information
  - create vision, solve problems, make correct decisions

- Job-relevant knowledge – Knowledge about the company, technical matters

- Extraversion – They are live people, Sociable, assertive, rarely silent

Behavioural Theories of Leadership

|	Behavioural Dimension	Conclusion
University of Iowa	*Democratic style:* involving subordinates, delegating authority, and encouraging participation *Autocratic style:* dictating work methods, centralizing decision making, and limiting participation *Laissez-faire style:* giving group freedom to make decisions and complete work.	Democratic style of leadership was most effective, although later studies showed mixed results.
Ohio State	*Consideration:* being considerate of followers' ideas and feelings *Initiating structure:* structuring work and work relationships to meet job goals.	High-high leader (high in consideration and high in initiating structure) achieved high subordinate performance and satisfaction, but not in all situations.
University of Michigan	*Employee oriented:* emphasized interpersonal relationships and taking care of employees' needs *Production oriented:* emphasized technical or task aspects of job.	Employee-oriented leaders were associated with high group productivity and higher job satisfaction.
Managerial Grid	*Concern for people:* measured leader's concern for subordinates on a scale of 1 to 9 (low to high) *Concern for production:* measured leader's concern for getting job done on a scale of 1 to 9 (low to high).	Leaders performed best with a 9.9 style (high concern for production and high concern for people).

Leadership based on the use of authority
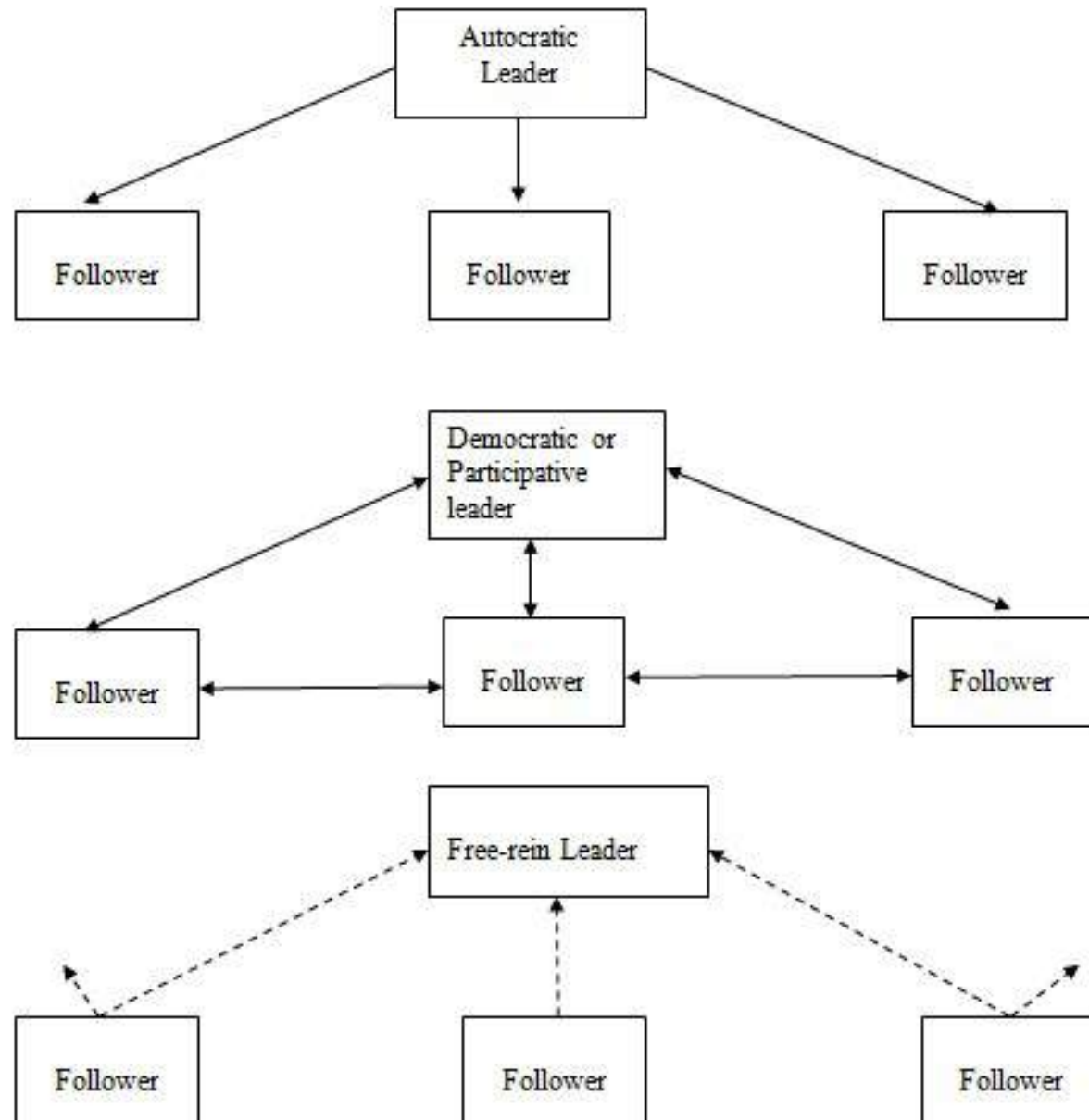
The Managerial Grid

Country Club Management
Thoughtful attention to needs of people for satisfying relationship leads to a comfortable, friendly organization atmosphere and work tempo.

Team Management
Work accomplished is from committed people; interdependence through a "common stake" in organization purpose leads to relationships of trust and respect.
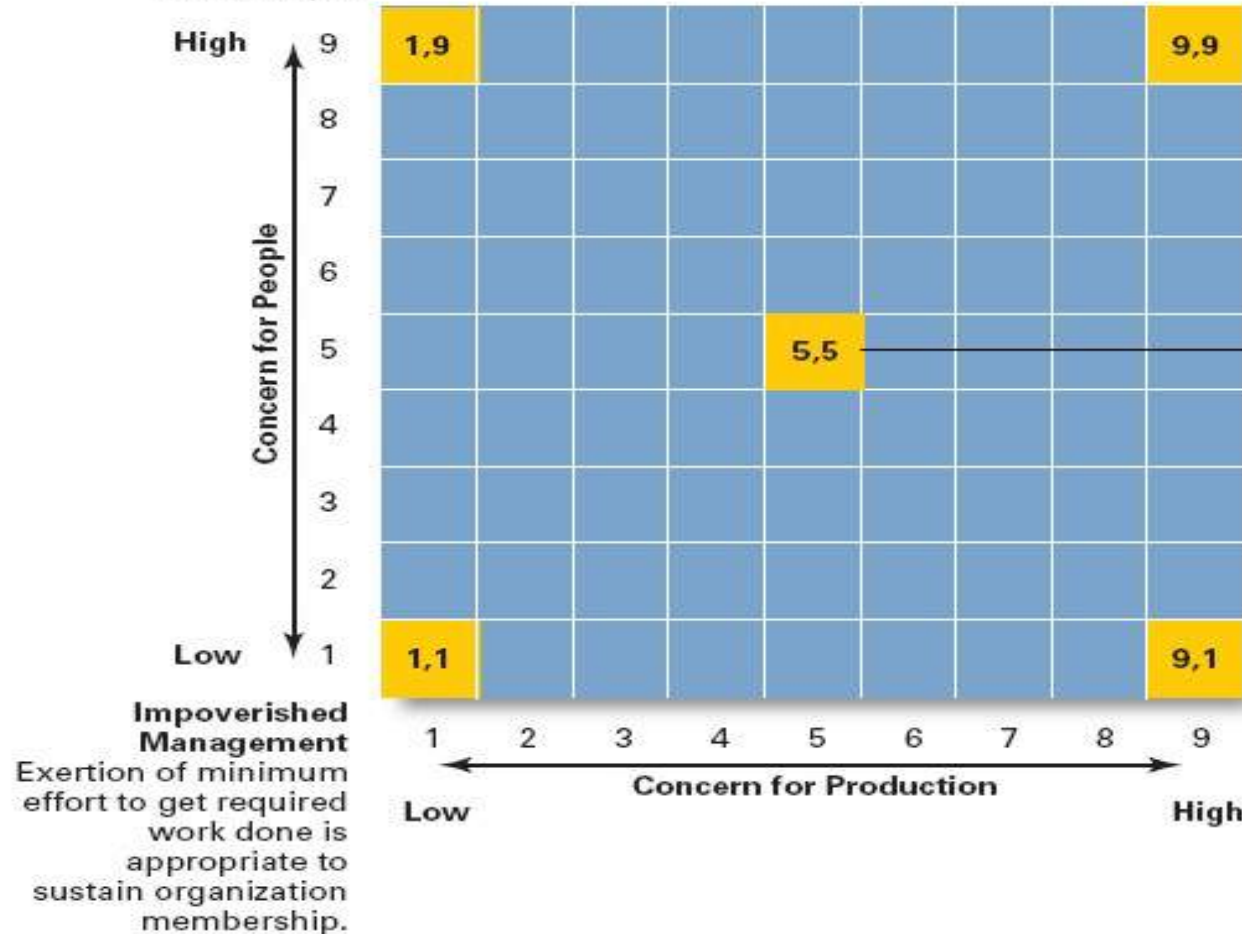
Middle-of-the-Road Management
Adequate organization performance is possible through balancing the necessity to get out work with maintaining morale of people at a satisfactory level.

Impoverished Management
Exertion of minimum effort to get required work done is appropriate to sustain organization membership.

Task Management
Efficiency in operations results from arranging conditions of work in such a way that human elements interfere to a minimum degree.

Concern for People — High / Low

Concern for Production — Low / High

1,9   9,9

5,5

1,1   9,1

Contingency Theories of Leadership

- The Fiedler Model
  - Effective group performance depended on properly matching the leader's style & the amount of control and influence in the situation

  - Keys:
    - Leadership style definition & situation definition
    - Identify the appropriate combinations of style & situations

The Fiedler Model

Leadership style measurement

- leaders were asked to describe the person they least preferred to work with (Least preferred coworker) based on 18 pair of questionaire (rating scale 1 to 8)

- LPC score – 64 or above - relationship oriented
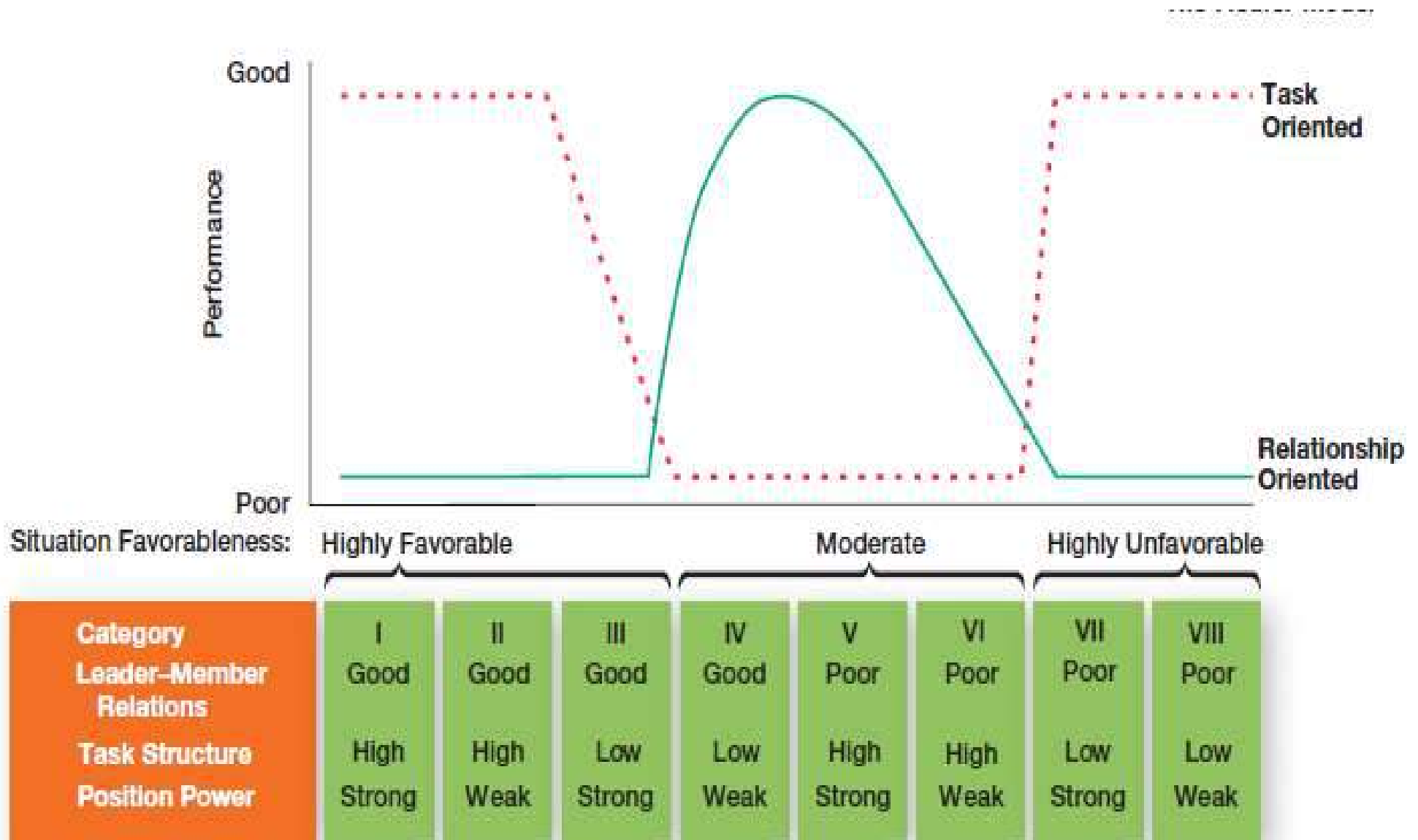
- LPC score – 57 or below task oriented

Assumption: leadership style was fixed, regardless of situation

Situational factors in leader effectiveness

Leader - member relations -- Good or Poor

Task structure - - High or Low

Position power – Strong or Weak

Situation Favorableness:	Highly Favorable			Moderate			Highly Unfavorable	
Category	I	II	III	IV	V	VI	VII	VIII
Leader–Member Relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task Structure	High	High	Low	Low	High	High	Low	Low
Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

Leader style was fixed regardless of situation

Criticisms

- Unrealistic assumption that leader cannot change his leadership style

- Difficult to assess the situation variables

- LPC was'nt very practical

Hersey and Blanchard's Situational Leadership Theory (SLT)

- Called Situational Leadership Theory (SLT)

- Focus on followers readiness
  (It is the followers who accept or reject the leader)

- Group effectiveness depends on the action of followers (normally underemphasized or overlooked by many theories)

Hersey and Blanchard's Situational Leadership Theory (SLT)

- Leadership dimensions
- ❖ Task -- High or Low
- ❖ Relationship – high or Low

Leads to four specific leadership styles

Hersey and Blanchard's Situational Leadership Theory (SLT)

Creates four specific leadership styles incorporating Fiedler's two leadership dimensions:

- Telling: high task–low relationship leadership

  (Leader defines role, and tell what, when, how, where to do various tasks)

- Selling: high task–high relationship leadership

  (Provide both supportive & directive behaviour)

Hersey and Blanchard's Situational Leadership Theory (SLT)

- Participating: low task–high relationship leadership
  (Leader & follower share in decision making)

- Delegating: low task–low relationship leadership
  (Leader provide little direction & support)

Hersey and Blanchard's Situational Leadership Model
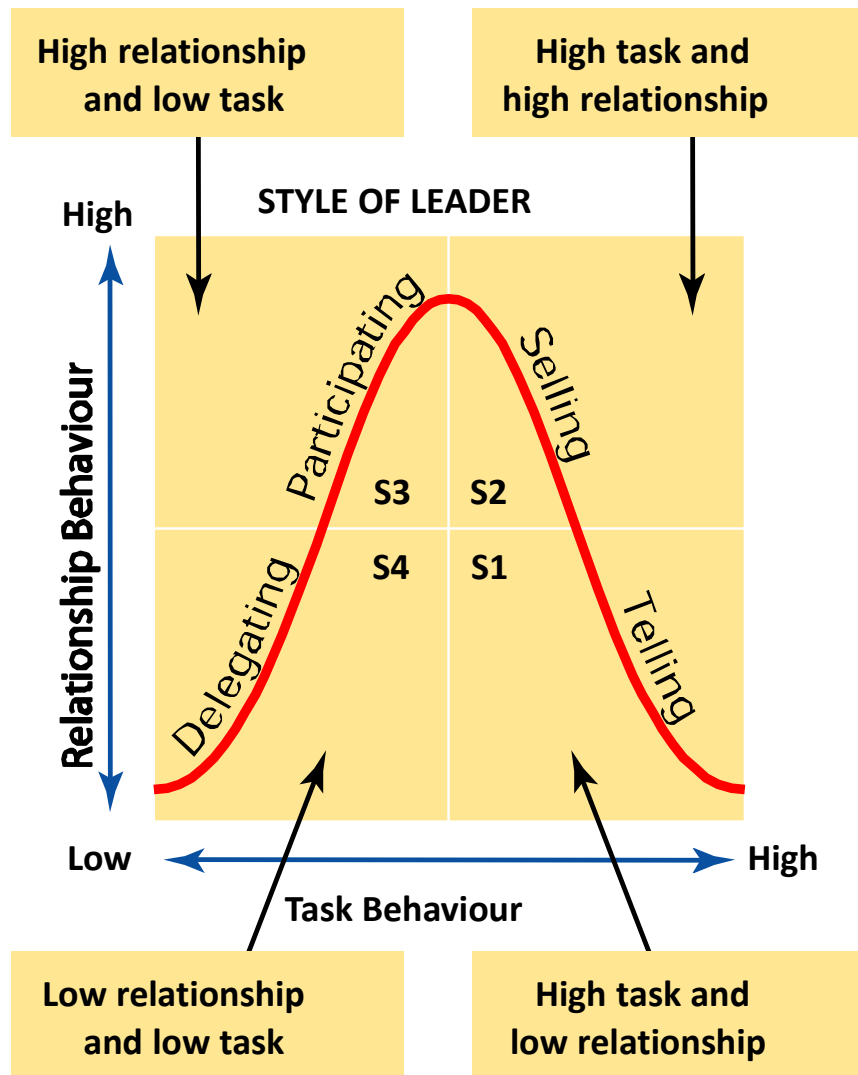
Readiness – extent to which people have the ability & willingness to accomplish a specific task

Path goal model

- It is the leader's job to assist his or her followers in attaining their goals, & to provide direction & support

- Developed by Robert House

- PT is a contingency model of leadership – takes key elements from expectancy theory of motivation

- Path-goal - derived from the belief that leaders clarify the path to help their followers

Path goal model

- Four Leadership behaviour

1. Directive leader - schedules and give specific guidance on how to accomplish tasks

2. Supportive Leader- friendly, shows concern for the needs of followers

3. Participative Leader - consults, and uses the suggestions from followers

4. Achievement oriented Leader – Sets challenging goals, expects high level of performance

Path goal model

Environmental Contingency Factors
- Task Structure
- Formal Authority System
- Work Group

Situations?

Leader Behavior
- Directive
- Supportive
- Participative
- Achievement Oriented

Outcomes
- Performance
- Satisfaction

Subordinate Contingency Factors
- Locus of Control
- Experience
- Perceived Ability
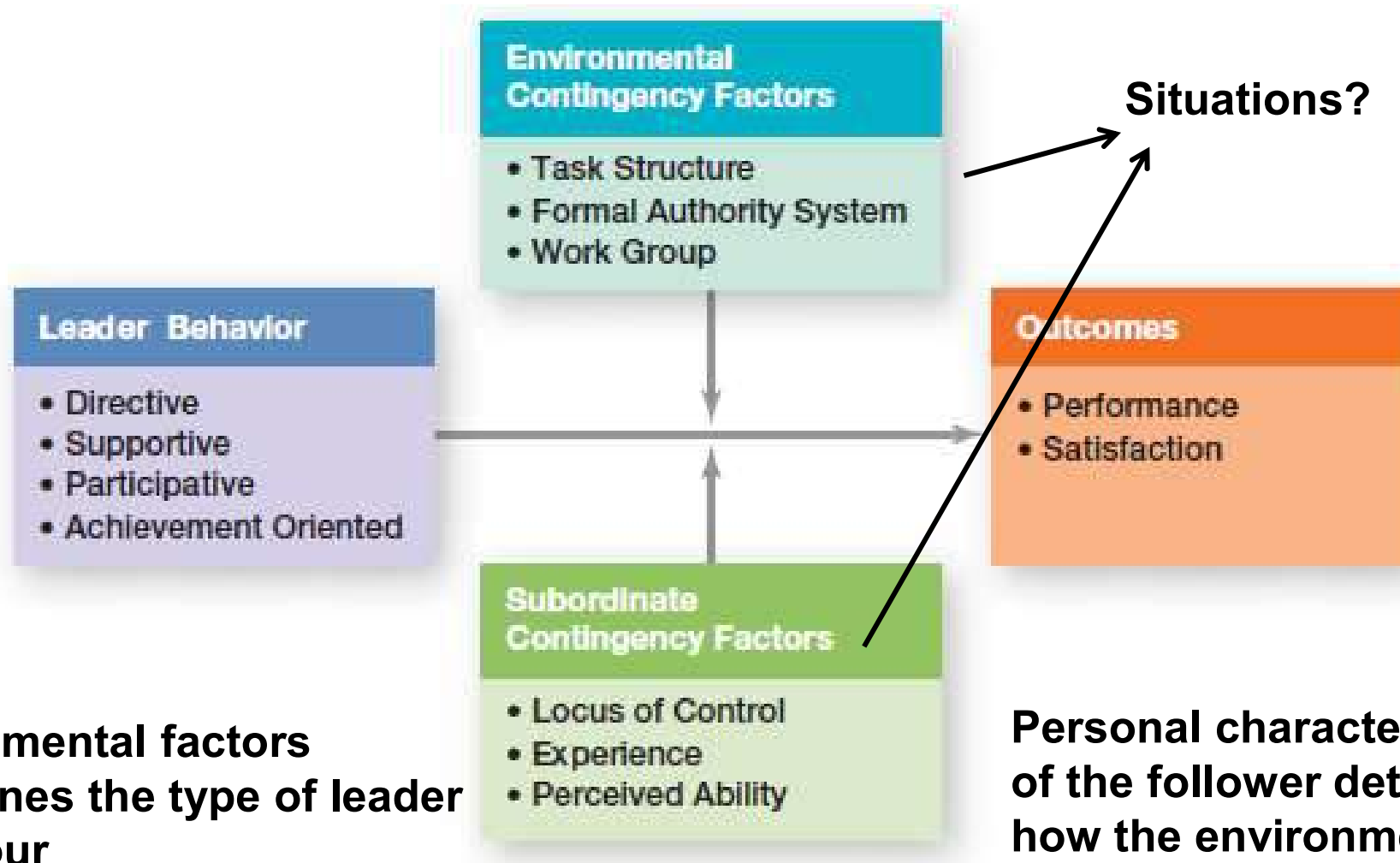
Environmental factors determines the type of leader behaviour

Personal characteristics of the follower determine how the environment and leader behaviour are interpreted

Assumption: Leaders are flexible (same leader can display all style) – contrast to fiedler's model.

Predictions

Directive Leadership

- greater satisfaction when tasks are ambiguous or stress full
- Perceived as redundant among able & experienced subordinates
- Lead to greater satisfaction when there is conflict in the work group
- Subordinates with external locus of control will be satisfied

Supportive Leadership

- High employee satisfaction when subordinates are performing structured task

- Leaders prefer this style in a clear formal authority relationship

Participative Leadership

- Subordinates with internal locus of control will be satisfied

Achievement Oriented Leadership

- Subordinates expect that effort will lead to high performance when tasks are ambiguously structured

Summary

- The theory proposes that the leader behaviour will be ineffective when it is redundant with the sources of environment or incongruent with follower characteristics.

- Employee performance and satisfaction are likely to be positively influenced when the leader compensates for the shortcomings.

Contemporary views of leadership

Transactional leaders

Lead primarily by using social exchanges (exchanges rewards for their productivity).

Transformational leaders

Stimulates and inspires followers to achieve extraordinary outcomes.

How?

➤ Pay attention to the follower's concerns and developmental needs

➤ Attempts to instill in follower the ability to question

- ➢ Transformational leaders were evaluated as more effective, high performers, more promotable than the transactional counterpart.

- ➢ Transformational leadership is strongly correlated with

    lower turnover rates
    higher levels of productivity,
    employee satisfaction,
    creativity,
    goal attainment
    follower well-being

Communication

Communication is the transfer of information from a sender to a receiver with the information being understood by the receiver.

The communication function is the means by which organized activity is unified.

Communication is needed to:

- Establish and disseminate goals of an enterprise
- Develop plans for their achievement
- Organize human and other resources in the most effective and efficient way
- Select, develop, and appraise members of the organization
- Lead, direct, motivate, and create a climate in which people want to contribute
- Control performance
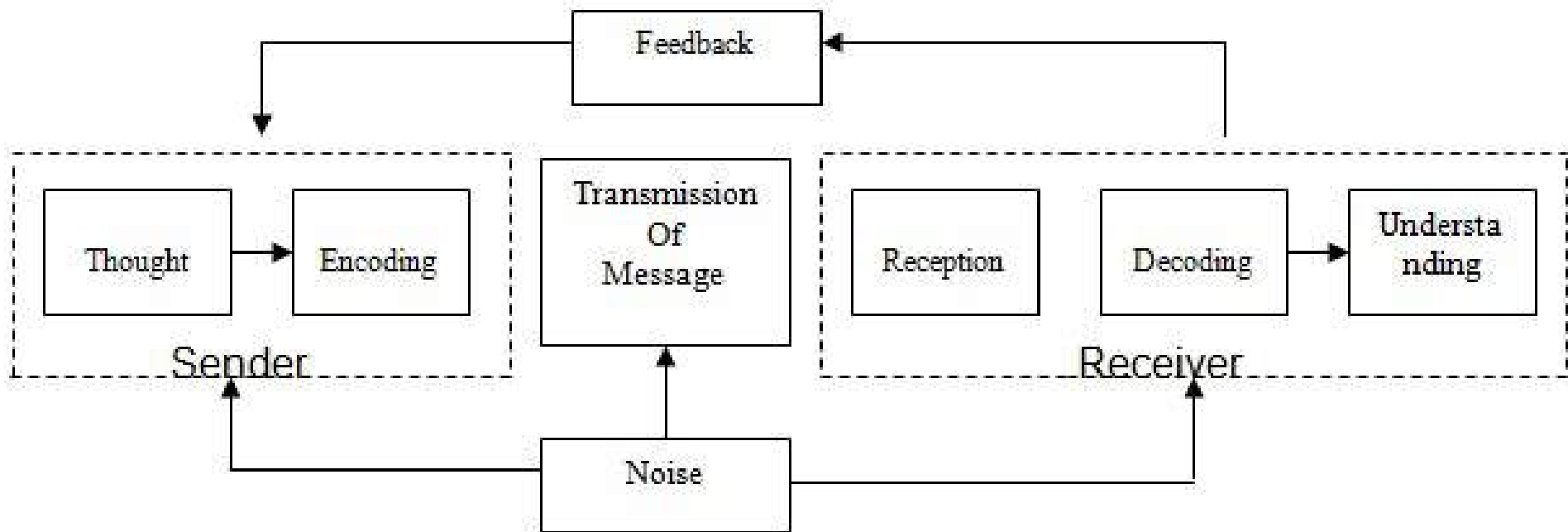
Communication Process Model

Downward Communication

- Downward communication flows from people at **higher levels to those at lower levels** in the organizational hierarchy

- Exists especially in organizations with an **authoritarian atmosphere**

- Downward flow of information through the different levels of the organization is **time-consuming**

Upward Communication

- Upward communication travels from **subordinates to superiors** and continues up the organizational hierarchy

- Found in **participative and democratic** organizational environment

- Typical means for upward communication besides the chain of command are **suggestion systems, appeal and grievance procedures, complaint systems**

Crosswise communication includes the horizontal flow of information among people on the same or similar organizational levels, and the diagonal flow, among persons at different levels who have no direct reporting relationships.

Written Communication

Written communication has the **advantage of providing records, references, and legal defenses**. The message can be carefully prepared and then directed to a large audience through mass mailings.

The disadvantages of written communication are that it may **create mountains of paper**, may be poorly expressed by **ineffective writers**, and may provide **no immediate feedback.**

Oral Communication

Oral communication can occur in a face-to-face meeting of two people or in a manager's presentation to a large audience; it can be formal or informal, and it can be planned or accidental.

Nonverbal Communication

What a person says can be reinforced by nonverbal communication, such as facial expression and body gestures.

Communication Barriers:

- Lack of planning

- Unclarified assumptions

- Semantic distortion

- Poorly expressed messages

- Communication barriers in the international environment (language, culture)

- Loss by transmission and poor retention

Communication Barriers:

- Poor listening and premature evaluation
- Impersonal communication
- Distrust, threat and fear
- Insufficient period for adjustment to change
- Information overload
- Other communication barriers

        Selective perception

        Attitude

        Status and Power

Effective Communication

- Senders of messages clarify in their minds **what** they want to communicate.

- Effective communication requires that encoding and decoding be done with **symbols** that are **familiar to the sender and the receiver** of the message.

- The planning of the communication should not be done in **vacuum**.

- It is important to consider the **needs of the receivers** of the information.

Effective Communication

- In communication the tone of voice, the choice of language, and the congruency between what is said and how it is said influence the reactions of the receiver of the message.

- Communication is complete only when the message is understood by the receiver.

- Effective communication is the **responsibility not only of the sender but also of the receiver of the information**.

Guidelines to improve listening

- Stop talking
- Put the talker at ease
- Show the talker that you want to listen
- Remove distractions
- Empathize with the talker
- Be patient
- Go easy on arguments and criticisms
- Ask questions

Tips for Improving Written Communication

- Use simple words and phrases
- Use short and familiar words
- Use personal pronouns (such as "you") whenever appropriate
- Give illustrations and examples; use charts
- Use short sentences and paragraphs
- Avoid unnecessary words.

What is Controlling ?

» It's the process of monitoring, comparing and correcting work performance.

Purpose of controlling

» All mangers should control even if they think their units are performing as planned.

» They **can't really know how units are performing unless they have evaluated** what activities have been done and compare the actual performance against the desired standard.

» **Effective control ensure** that activities are completed in ways that lead to the **attainment of goals**.

Levels of Management Vs Function
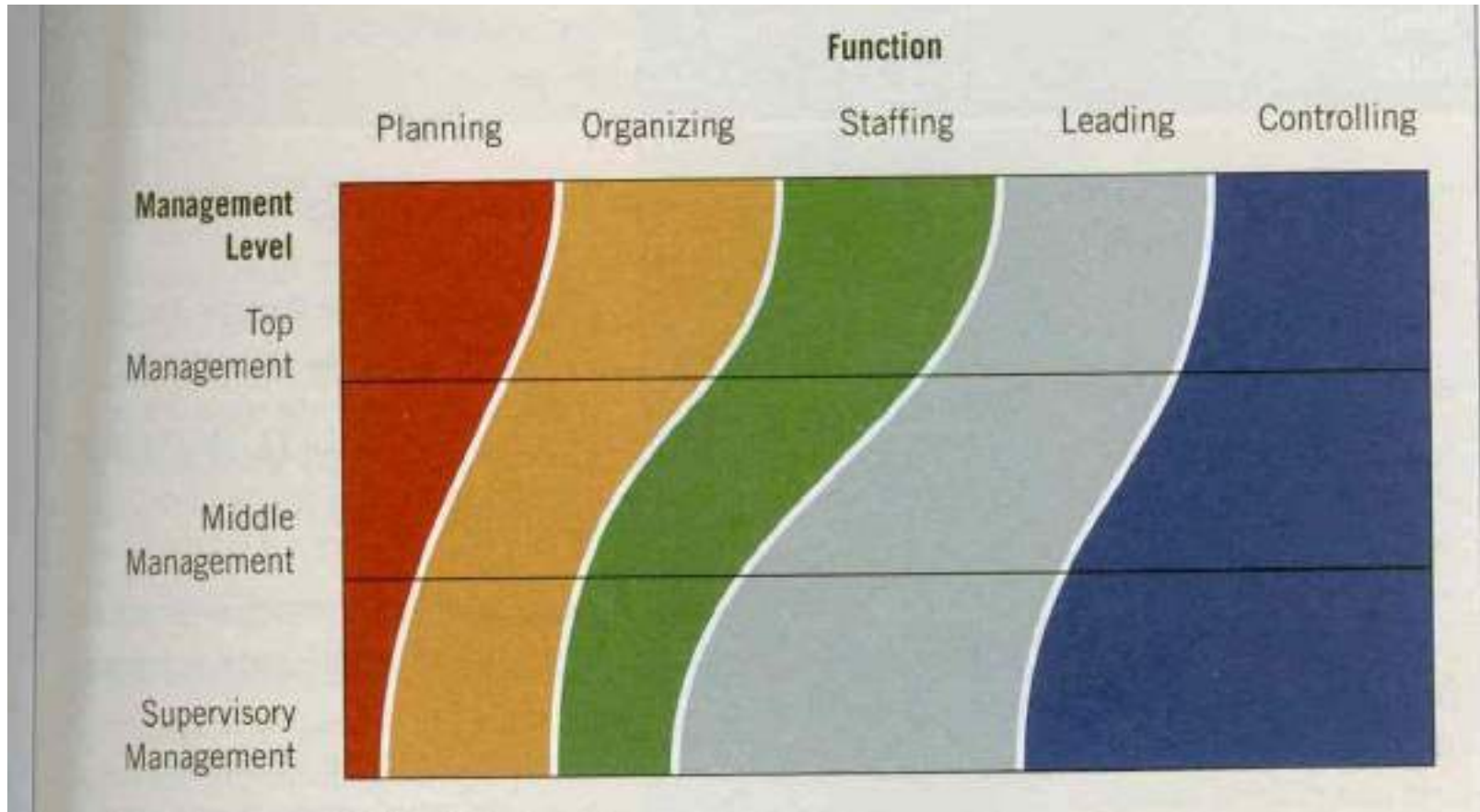
Process of Controlling

- Establish objectives and standards
  - Use your past performance metrics
  - Use metrics from competitors
  - Use benchmark companies to measure against
- Measure actual performance (measures)
- Compare results with objectives and standards
- Take corrective action as needed

The Control Process

The control process is a three step process of measuring actual performance, comparing actual performance against standard, and taking managerial action to correct deviations or to address inadequate standards.

The Control Process

Steps in Controlling process

STEP 1 : MEASURING

To determine what actual performance is, a manager must first get information about it. Thus, the first step in controlling is Measuring.

How We Measure.

Four approaches manages use to measure and report actual performance are

- ➢ Personal observation
- ➢ Statistical report
- ➢ Oral reports &
- ➢ Written reports

What we measure?

what is measured is more critical to the control process than how it is measured, because selecting the wrong criteria will can create serious problems.

Besides, what is measured often determines

What employees will do?.

What control criteria manager may use?

Example

A manager at pizza delivery location might use measures such as number of pizzazs delivered per day, average time, or number of coupons redeemed.

A manager in a government agency might use applications typed per day, client requests completed per hour, or average time to process paperwork.

Common Sources of Information for Measuring Performance

	Advantages	Drawbacks
Personal Observation	• Get firsthand knowledge • Information isn't filtered • Intensive coverage of work activities	• Subject to personal biases • Time-consuming • Obtrusive
Statistical Reports	• Easy to visualize • Effective for showing relationships	• Provide limited information • Ignore subjective factors
Oral Reports	• Fast way to get information • Allow for verbal and nonverbal feedback	• Information is filtered • Information can't be documented
Written Reports	• Comprehensive • Formal • Easy to file and retrieve	• Take more time to prepare

STEP 2 : COMPARING

- Comparing determines the variation between actual performance and a standard.

- Although some variation in performance can be expected in all activities, it's critical to determine an acceptable **range of variation**.

Defining the Acceptable Range of Variation
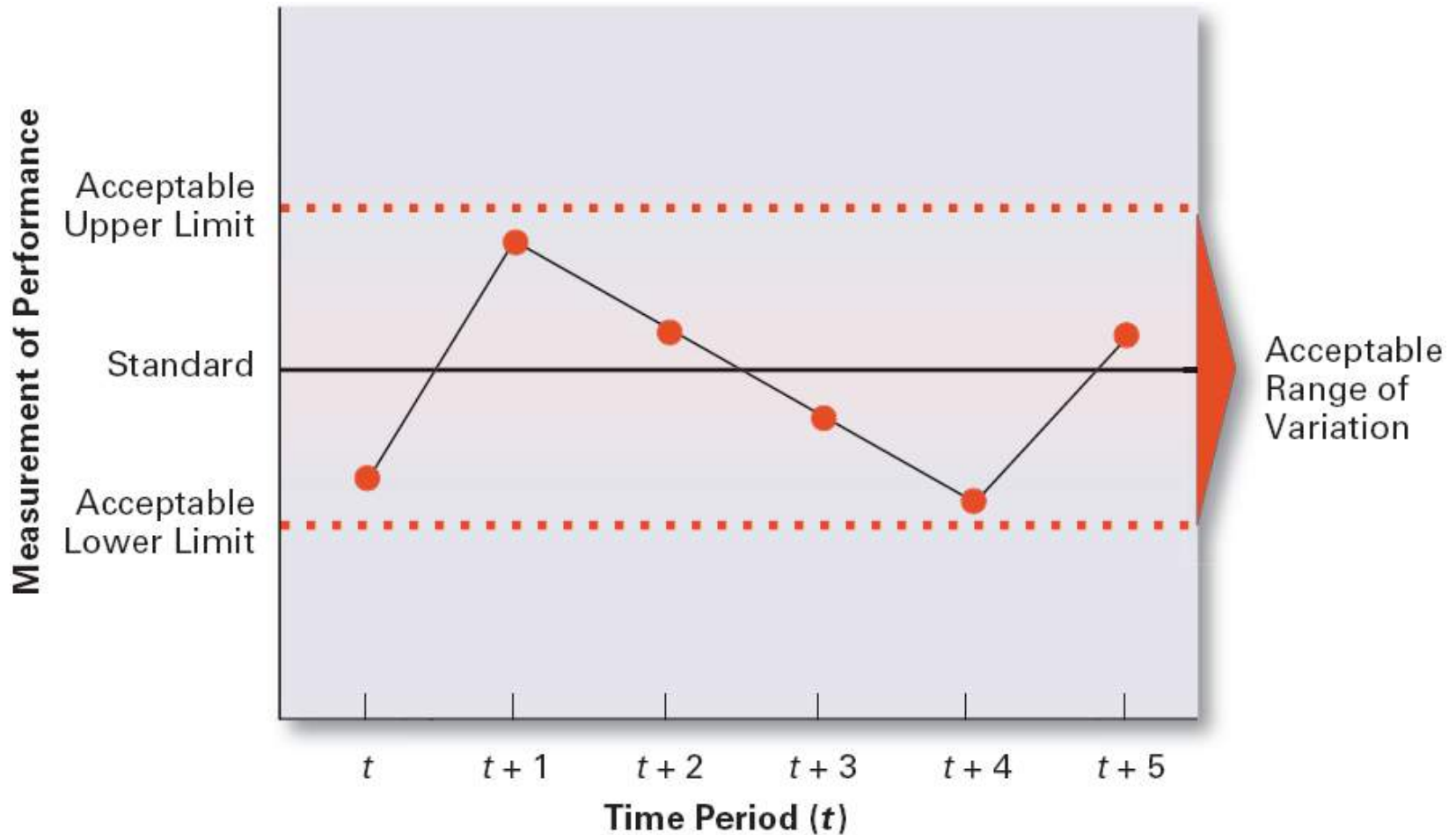
Taking Managerial action

Correct Actual Performance.

Depending on what the problem is, a manager could take corrective action.

For instance, if unsatisfactory worker work is the reason for performance variations, the manager could correct it by implementing **training programs, taking disciplinary action, making changes in compensation practices,** and so forth.

Revise the standard

- In some cases the variance may be cause of unrealistic standards – a goal that is too low or too high. In this case standard – not the performance – needs corrective action.

Managerial Decisions in the Control Process
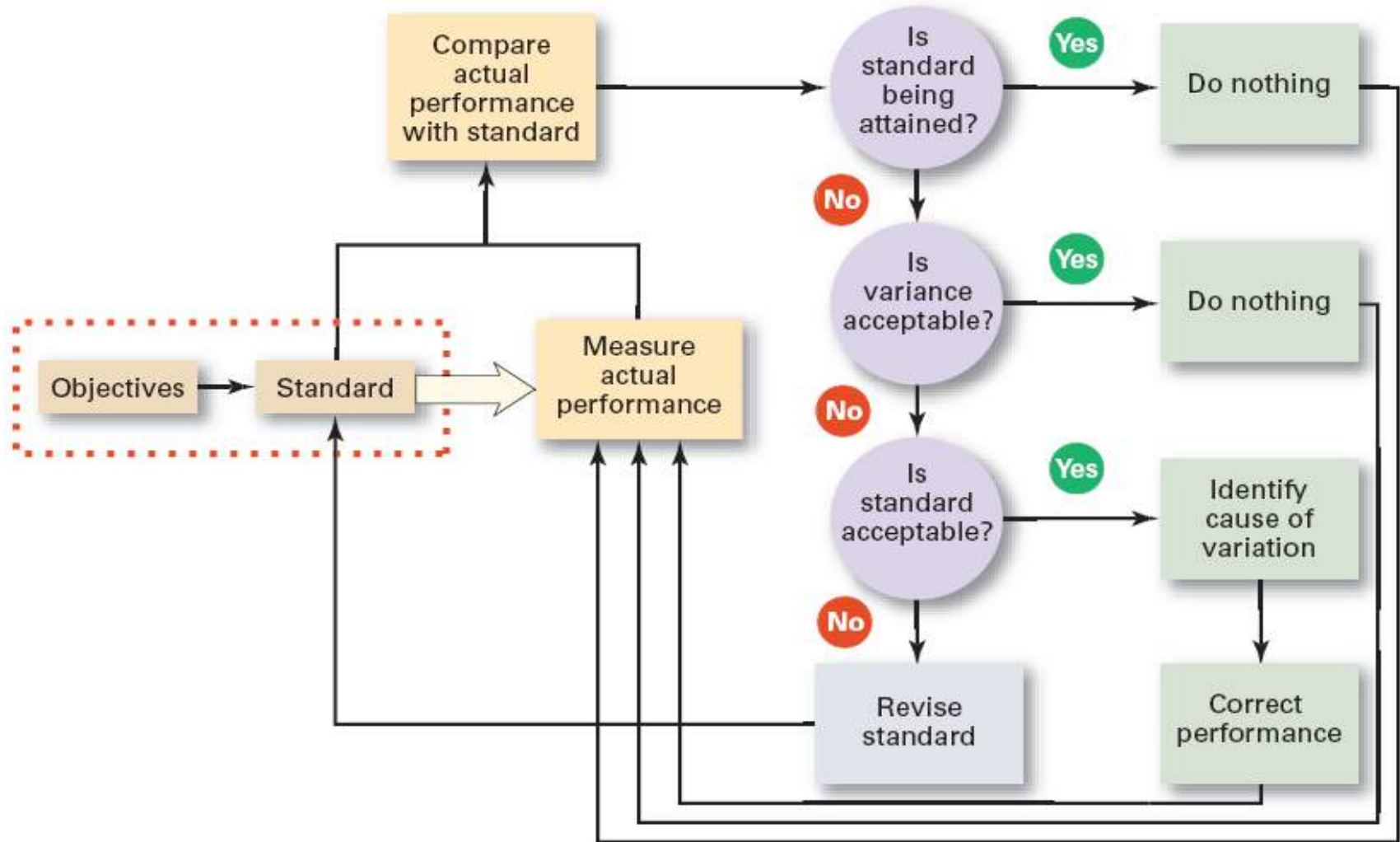
Nature of Controlling

- Goal oriented process
- Pervasive function
- Continuous function
- Backward looking as well as forward looking

Importance of controlling

- Accomplishing organizational goals
- Judging accuracy of standards
- Making efficient use of resources
- Ensures order and discipline
- Improve employee motivation
- Helps on future planning
- Helps on improving overall performance
- Helps in minimising errors

ORGANIZATIONAL PERFORMANCE

Performance – it is the end result of an activity.

Organizational Performance - The accumulated end results of all of the organization's work processes and activities

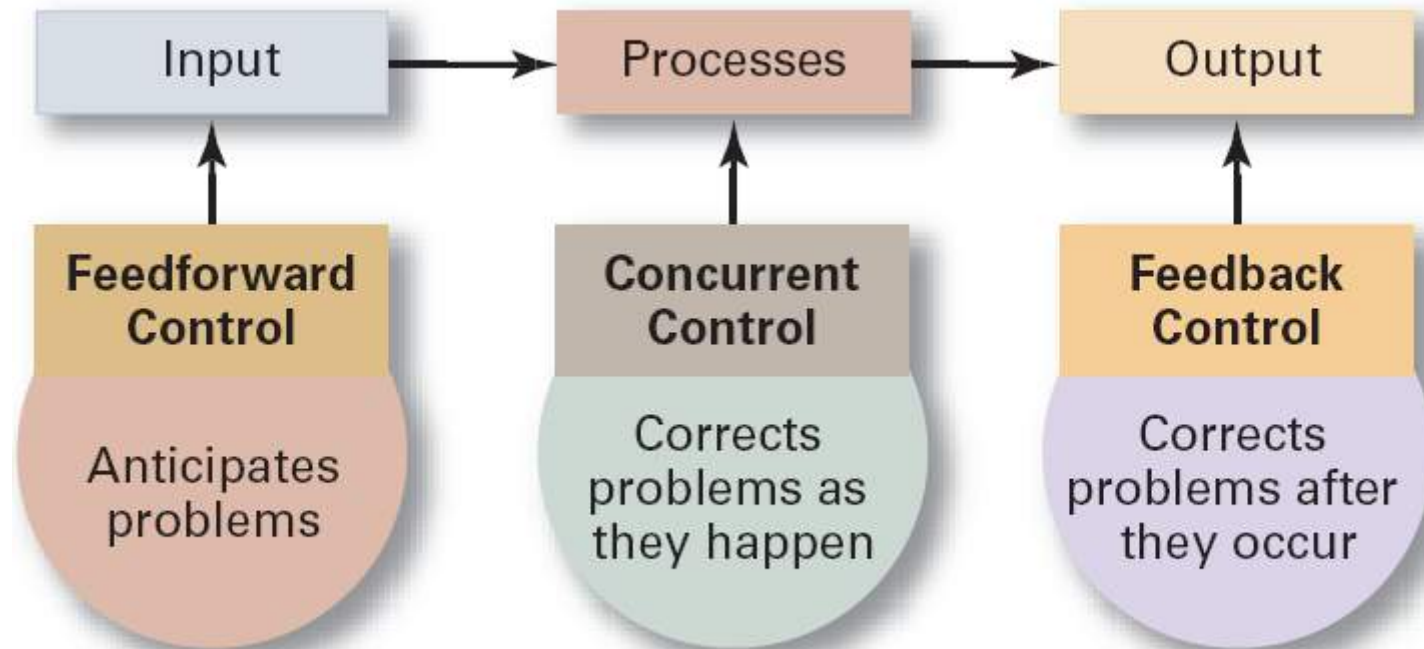# CONTROLLING FOR ORGANIZATIONAL PERFORMANCE

- Cost – efficiency.
- The length of time customers are kept on hold.
- Customer satisfaction with service period.

TOOLS FOR MEASURING ORGANIZATIONAL PERFORMANCE

All managers need Appropriate tools for monitoring and measuring organizational performance. Before describing some specific types of control tools, let's look at the concepts of

- Feed forward control
- Concurrent control
- Feed back control

Types of Control

Tools for Controlling Organizational Performance
FEEDFORWARD CONTROL

The most desirable type of control – FEEDFORWARD Control – Prevents problems because it takes place before the actual activity

eg. When McDoland's opened its first restaurant in Moscow, it sent company quality control experts to help Russian farmers learn techniques for growing high quality potatoes and to help bakes learn processes for baking high quality breads.

Concurrent Control

As its name implies, takes place while a work is in progress.

Eg : Nicholas Fox is director of business product management at Google. He and his team keep a watchful eye on one of google's most profitable business – online ads. They watch " the number of searches and clicks , the rate at which users click ads, the revenue this generates – everything is tracked hour by hour, compared with the data form a week earlier and charted." if they see something that's not working particularly well, they fine tune it.

Feedback Control

The most popular type of control relies on feedback. In the feedback control, the control takes place after the activity is done.

Budgetary control techniques

Budget – Formulation of plans for a given future period in numerical terms

Financial terms - revenue, expenses

Nonfinancial terms - direct-labour hours, materials, sales volume, units of production

Purpose of budgeting

- Budgets correlate planning without loss of control
- Reducing plans to numbers, forces a kind of orderliness
- Managers can more freely delegate authority

Types of budgets

- Revenue and expense budgets

   (Revenue - sales budget, Expense – travel, advertising, insurance)

- Time, space, material and product budgets

- Capital expenditure budgets – expenditures for plant, machinery, equipment

     1. Require care in preparation

     2. Should be tied in with long range planning

- Cash budgets - Availability of cash to meet obligations

Danger in Budgeting

- Overbudgeting – Possibility of spelling out minor expenses in detail
- Overriding enterprise goals
- Hiding Inefficiencies
- Causing Inflexibility
- Expensive
- Human factor (cooperation from workers in the construction and implementation of budget)

- **Variable Budget**

  The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output. Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year.
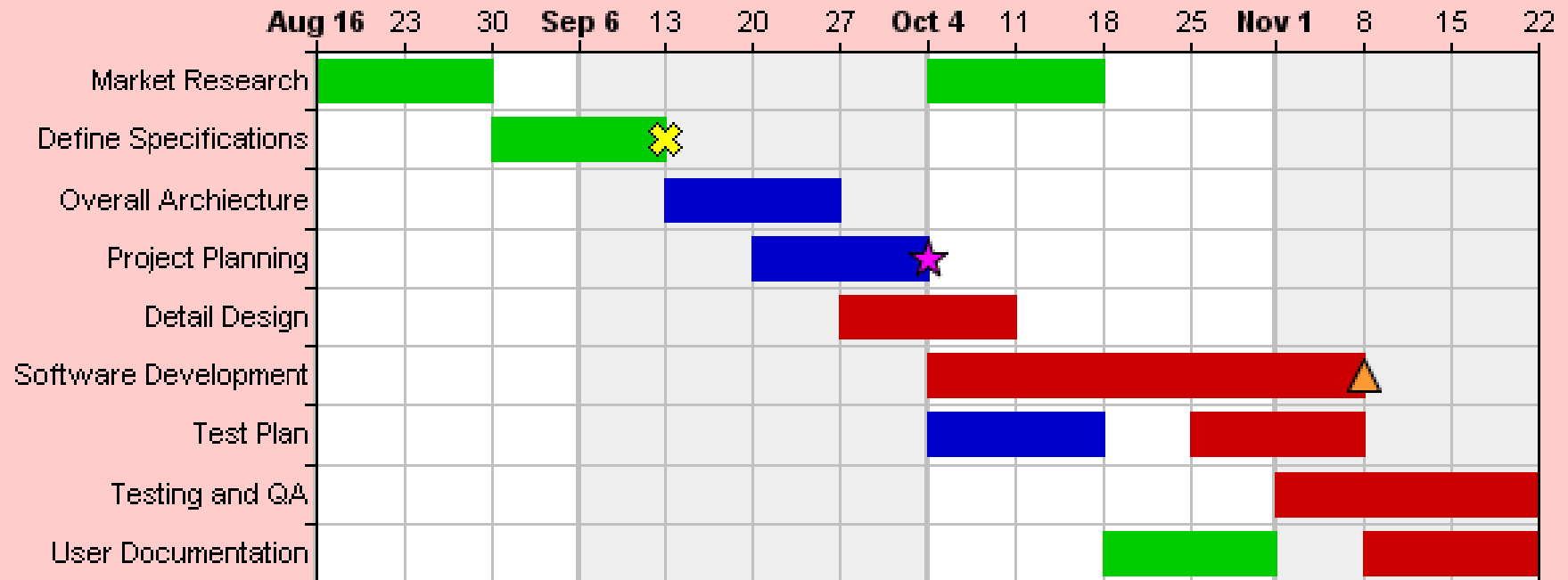
- **Zero Based Budget**

  The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up.

NON-BUDGETARY CONTROL TECHNIQUES

- Statistical data
- Break- even point analysis
- Operational audit
- Personal observation
- PERT
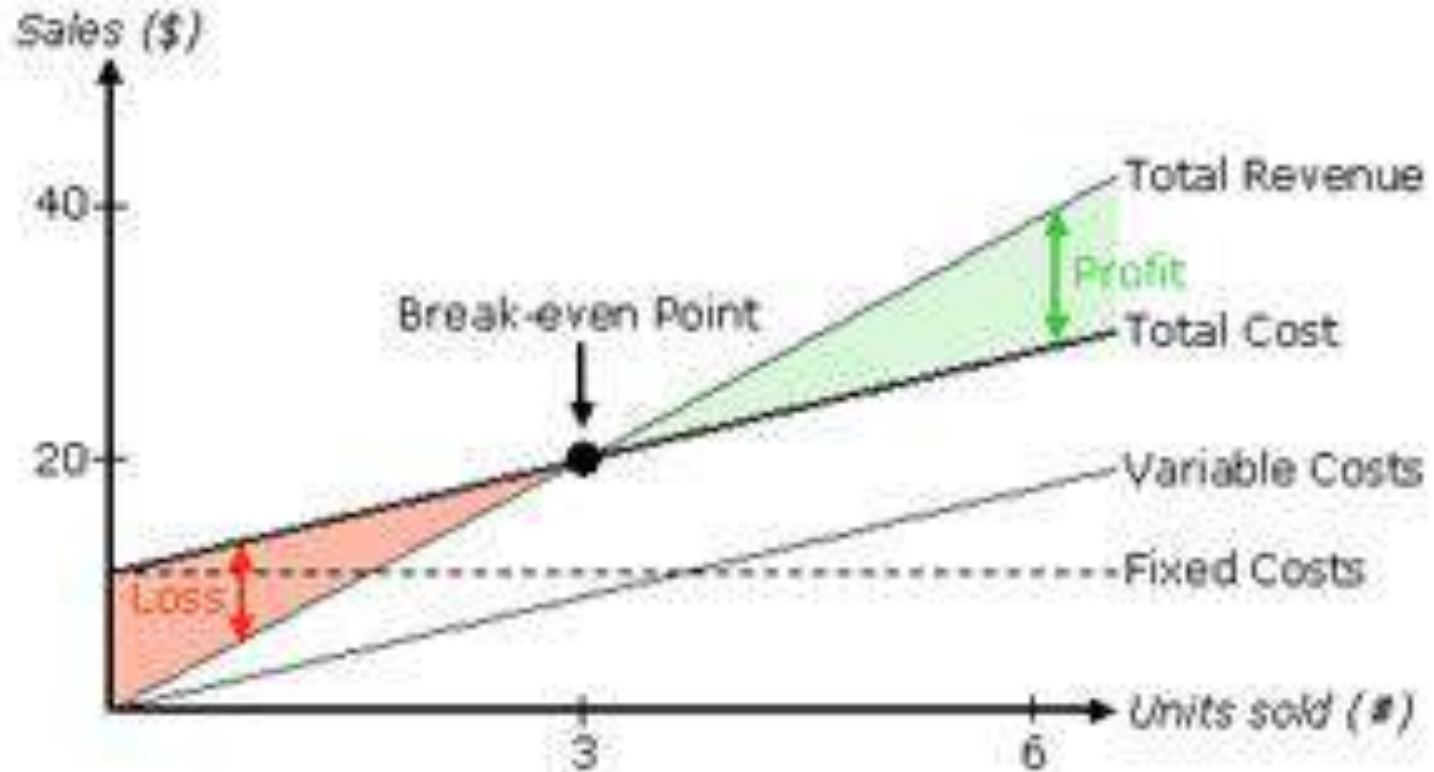- GANTT CHART

Gantt chart

Mutli-Color Gantt Chart Demo

| | Aug 16 | 23 | 30 | Sep 6 | 13 | 20 | 27 | Oct 4 | 11 | 18 | 25 | Nov 1 | 8 | 15 | 22 |

- Market Research
- Define Specifications
- Overall Archiecture
- Project Planning
- Detail Design
- Software Development
- Test Plan
- Testing and QA
- User Documentation

Market Team — Planning Team — Development Team
Milestone 1 — Milestone 2 — Milestone 3
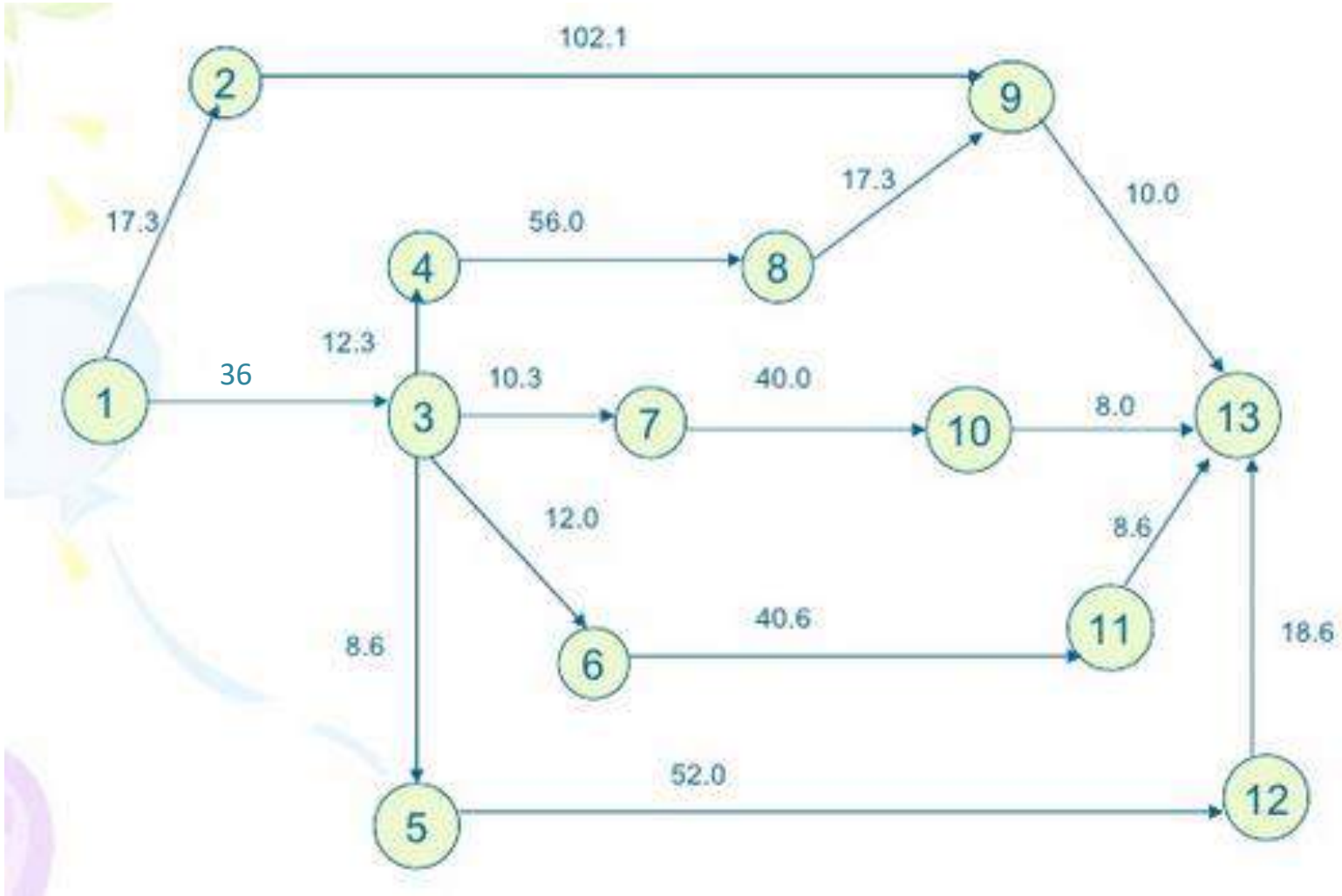
Break even point analysis

PERT

- **Statistical data**

Statistical analysis of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

- **Operational audit**

Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

Requirements for effective control

- Appropriate
- Economical
- Simple
- Objective standards
- Flexible
- Forward looking control
- Concentration on exceptions
- Corrective action
- Use of effective control techniques
- Use of self control system

Symptoms which indicate a faulty control system

- Unrealistic standards
- Poor communication system or network
- No delegation of authority
- Continuous poor performance of workers
- Decline in quality of goods produced

Contingency factors affecting control

Organization size

Position and level

Degree of centralization

Organizational culture

Importance of an activity

Approaches to designing control systems

Market control

Bureaucratic control

Clan control

Market control

- Built around criteria such as price competition or market share
- Have clearly specified and distinct products
- Have considerable competition
- Divisional profit is evaluated as a percentage of total corporate profit

Eg: Matsushita – divisional products (Videos, home appliances, industrial equipments)

Managerial decisions based on the above measures

1. Future source allocation
2. Strategic changes
3. Other work activities that may need attention

Bureaucratic control

- Emphasizes authority
- Relies on administrative rules, regulations, procedures and policies.
- Standardizes activities (budgets)
- Employee work behavior is directed through well defined job descriptions

Eg: Public sector undertakings such as ONGC, NTPC and BPCL

Clan control

- Employee behaviors are regulated by shared values, traditions, rituals, beliefs and other aspects of organizational culture.

- Individuals and groups (clan) are expected to identify work-related behaviours and performance measures.

- Found in organization work in teams and subject to changes in technologies

Eg: Micromatic grinding – organizational members are well aware of ethical workplace behaviour

Information Technology in Controlling

- Facilitate organizational control at a relatively low cost

- Communication

- Technologies

    Hardware,

    Software,

    Telecommunication

    Data   Management

- Promotes development of MIS

Information Technology in Controlling

- Expansion of data

- Computer+OR – enormous expansion of managerial informations related to data on marketing, competition, production and distribution.

Opportunities & Challenges created by IT

- Speech recognition devices
- Telecommuting
- Computer networks
- Internet
- Groupware
- Information security

Advantages

➢ Provide relevant information for facilitating planning and timely control

➢ Data is available in summarized form which minimize information loading

➢ Ease in measuring performance helps in encouraging decentralization in an organization

➢ Improve coordination as all departments are aware of course of action or any change in plan

➢ Enhance quick, cheap and efficient communication

➢ Bring down linguistic, geographical and cultural boundaries.

➢ 24*7 availability of information

➢ Automation helps in saving time and papers

➢ Creation of new type of jobs like computer programmer, system analyzer, software and hardware developer etc

Disadvantages

➢ Require constant monitoring of sensitive data

➢ Security issues like hacking always prevail

➢ Quality of output depends on quality of input

➢ Implementation of MIS is costly as requires hardware, software and training of human resources

➢ Lack of flexibility to upgrade software

➢ Takes only quantitative data

➢ Increase unemployment

➢ Effectiveness decreases due to frequent change in top management and their policies

PERT Background

- US department of defense – Polaris missile project – faced uncertainties.

- PERT was developed by special project office of the department of defense with Booze Allen Hamilton in 1957/58.

- Saved 2 years on this project.

PERT background and assumptions

Probablistic representation of data (activity duration).
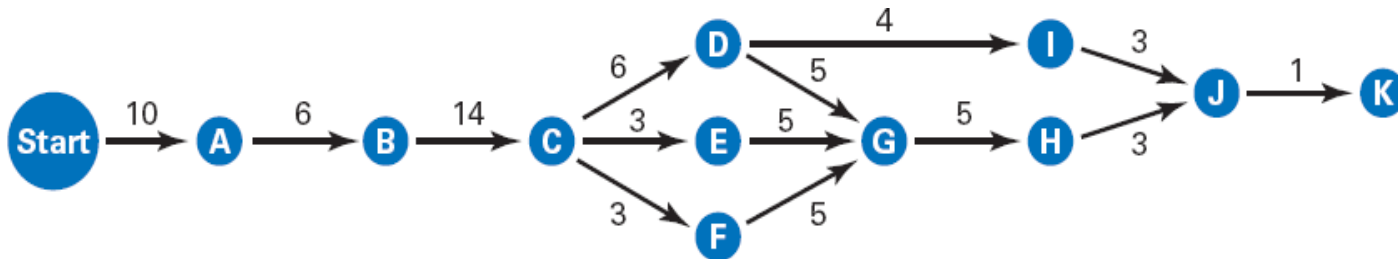
Network diagram is popularly referred to as PERT chart.

Expected activity duration = T_e = (a+4m+b) / 6.

Standard deviation = (b-a)/6.

Project duration can be a normal distribution.
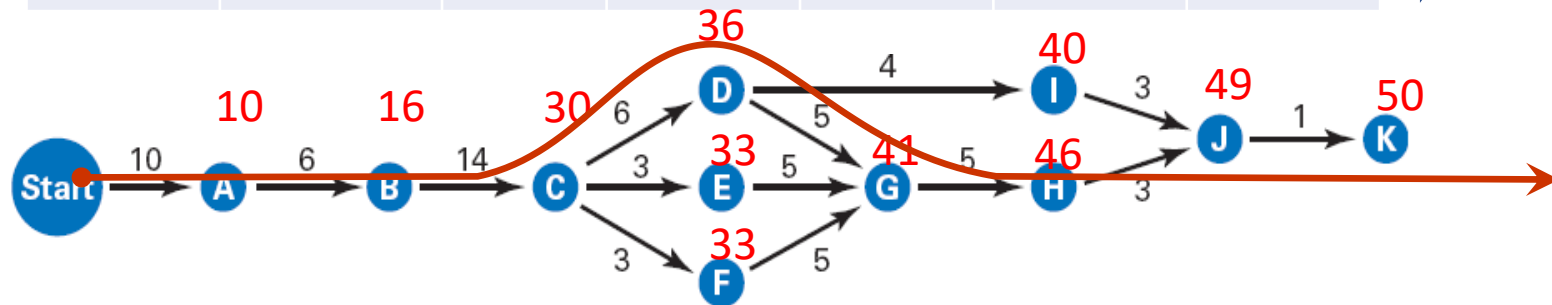
Events and Activities in Constructing an Office Building

Event	Description	Expected Time (in weeks)	Preceding Event
A	Approve design and get permits.	10	None
B	Dig subterranean garage.	6	A
C	Erect frame and siding.	14	B
D	Construct floor.	6	C
E	Install windows.	3	C
F	Put on roof	3	C
G	Install internal wiring	5	D.E.F.
H	Install elevator	5	G
I	Put in floor covering and paneling.	4	D
J	Put in doors and interior decorative trim.	3	I.H
K	Turn over to building management group.	1	J

Activity	Predecessor	A	B	Te	S.D	Variance
A	-	7	14	10	1.17	1.37
B	A	4	10	6	1	1
C	B	8	17	14	1.5	2.25
D	C	5	6	6	0.17	0.03
E	C	1	5	3	0.67	0.45
F	C	1	5	3	0.67	0.45
G	DEF	3	7	5	0.67	0.45
H	G	3	8	5	0.83	0.69
I	D	2	6	4	0.67	0.45
J	IH	2	6	3	0.67	0.45
K	J	0.5	2	1	0.25	0.06
					7.65	

S.D = 2.76

Critical Path: A - B - C - D - G - H - J - K

PERT