

**Paper Name: Principles of Management**

**Code: HU 705**

**Credits: 2**

**Total Contact Hours: 24**

Course objectives: 1. To understand and apply management principles in to manufacturing organization. 2. To understand concepts of work study, method study, and time study to improve productivity of any manufacturing organization.

Outcomes:

CO1: To understand the managerial functions and will remember the basic knowledge on international aspect of management

CO2 : To analyze the planning process in the organization

CO3 : To understand and apply the concept of organization

CO4: Demonstrate the ability to directing ,leadership and communicate effectively

**Unit I Evolution of Management Practices:**

Characteristics, objectives Functions, Principles and Types of Management., Scientific Management- Contribution of F. W. Taylor, Henry Fayol Gantt, Maynard and Indian contributors to the Management thought. Organization: Definition, Principles, Function and Types of organization structure, Managerial Functions

**Unit II Motivation:**

Human Needs and Types of Motivation, Theories of Motivations Maslow's theory, McGregor's Theory of X and Theory of Y, Herzberg's Theory of two factor, David C. McClelland's Theory of Achievement, Expectance/valence Theory of Victor Vroom, Porter & Lawler's Model. Group dynamics: Types, characteristics, objectives of Group Dynamics Leadership: Definition, styles & functions of leadership, qualities for good leadership, role of the leader, Theories of leadership, Managerial grid, professional and business ethics.

**Unit III Entrepreneurship development:**

Characteristics of successful entrepreneurs, communications skill, problem solving skill and process, Basic element of Business plans, Sources of finance, Selection of Business location, Record keeping system, Analysis financial performance, Break even analysis, Technology and Business, Strategies for Business Growth, Concept related to start-up and Intellectual Property Rights (IPR).

**Unit IV Wages and incentives:**

Concept of wages, factors affecting wages, Job evaluation, merit rating.

**Unit V Method Study Steps, Tools and Techniques used in the Method Study and Work Measurement Time Study:**

Aim & Objectives, Terminology & Tools, Use of stopwatch procedure in making Time Study. Time Study Forms, Performance rating, allowances and its types. Calculation of Standard Time. Work sampling

## **INTRODUCTION:**

The origin of management in the organized way can be traced as back as the origin of human beings. They earned their livelihood by hunting that was carried out in groups. Later possession of land mass became important hence there arose conflict between the groups. Local conflicts were resolved by power using primitive weapon system.

Two landmarks are most important in the management study. One, publication of classical economic doctrines by Adam Smith in 1776 titled “Wealth of Nations” in which Smith has argued that the economic advantages the organizations and societies would gain from the concepts are:

- 1) Division of labour that promoted
- 2) skill development.
- 3) Specialised task allotment.
- 4) Time measurement in relation to the quantum of work performed.

Smith concluded that, division of work would benefit in higher quality of work and higher productivity.

Two Industrial revolution of eighteenth century, advent of machine power and subsequent development of infrastructural facilities of rail road transportation, communication network, formation of corporations worldwide promoted requirement of people having increased managerial skills and formalised management practices, which gave birth to the formal theories of management in early 1900s. The concept of management was not clear till about mid of 20th century. There was a contrast between the thinkers. However, Classical approach of management which propogated Scientific Management and General Administrative Theory was a fabulous development. This followed an intensive research work undertaken by Elton Mayo which is known as Howthron studies. It was followed by more recent concepts of Operatons Research, process management, systems approach, total quality management and last but not the least the contingency approach. In this chapter let us study various theories as the management progressed.

### **Approaches to Management**

#### **SCIENTIFIC MANAGEMENT - TAYLOR**

Fredrick Winslow Taylor (1856-1915), Frank Gilberth his wife Lillian Gilberth and Henry Gantt have done pioneering work in the field of management. They evolved methods and techniques and transformed the field of management in which all works were to be done in the scientific way. Salient points of scientific management propogated by Taylor are given as under:

(i) Effective use of human beings in industrial organizations particularly at the shop floor. He introduced various systems to improve the efficiency of workers.

(ii) Taylor stated that managing workforce is an art. He further defined managing as ‘knowing exactly what you want men to do and then see that they do it the best and cheapest way’

(iii) He standardized the work and introduced better methods of doing it.

(iv) Time and motion study

(v) Introduction of differential piece- rate system of payment offering additional reward for production beyond the standard laid down.

(vi) Functional foremanship, creating supervisor having direct authority over the workers.

### **Administrative principles:**

The father of modern management theory is the French industrialist Henry Fayol. His contribution is generally termed as process management and administrative management. Fayol looked at the problems from the top management point of view. He has used the term 'administration' instead of management emphasising that there is unity of science of administration. This administrative science can be applied equally well to public and private affairs. Therefore, management is a universal phenomenon. However he has emphasised that principles of management are flexible and not absolute and are usable regardless of changing and special conditions industrial Activities Fayol found that activities of an industrial organization could be divided into six groups

1. Technical – relating to production and maintenance
2. Commercial – buying, selling and exchange.
3. Financial – search for capital and its optimum utilization.
4. Security – protection of property and human beings
5. Accounting – accounting of stores and equipment. Statistics is also covered under accounting.
6. Managerial – activities include planning, organizing, commanding, coordinating and control.

### **Fayol divided his approach of studying management into three parts.**

1. **Managerial Qualities** Fayol Considered that manager must have following qualities

(a) Physical ability: relating to health, vigour and ability to effectively address the people.

(b) Mental ability: to understand and learn, judgment, mental vigour and adaptability.

(c) Moral ability: energy, firmness, initiative, loyalty, tact and dignity (

d) Educational ability: General acquaintance with matter not belonging exclusively to the function performed

(e) Technical ability: Particular to function being performed

(f) Experience: Arising out of work

## 2. General Principles of Management

In order to develop managerial knowledge, he developed principles of management. These are given below

- (i) **Division of Labour:** Fayol recommended that work of all types must be subdivided and allotted to number of persons. Sub-division makes each task simpler and results in greater efficiency.
- (ii) **Unity of authority and responsibility:** Authority refers to the right of a superior to give orders to subordinates, take decisions on specified matter, use the sources of organization. Responsibility on the other hand includes obligation with respect to the performance and achieving goals in a satisfactory manner. This principle suggests that giving authority without corresponding responsibility leads to arbitrary and unmindful use of authority. Authority relates to the power an individual acquire by virtue of his official position. Personal authority can also be derived from intelligence, moral worth and past experience of an individual.
- (iii) **Discipline:** In the context of management means obedience, proper conduct in relation to others and complying with the rules and regulations of the organization. Smooth functioning needs discipline. Discipline is also self-imposed in relation to the work environment. If an individual does not display adequate self-discipline and if it has an adverse impact on the work then he should be warned, suspended, demoted or even dismissed depending upon the gravity of the indiscipline.
- (iv) **Unity of command:** This principle states that subordinate should receive orders and be accountable to one and only one superior. It is necessary for stability, orderly functioning of the organization and accountability
- (v) **Unity of direction:** According to this principle, the efforts of all the members of the organization should be directed towards common goals. The principle seeks to ensure unity of action, coordination of strength and focusing of effects.
- (vi) **Subordination of individual to general interest:** What is in the interest of the organization as a whole must take precedence over the interest of individuals. The efforts should be to bring about convergence of general and individual interest. Organizational interests are common to all employees. These should be above the individual interests. All the employees must set an example and be fair in their dealings. Supervisory staff must be vigilant and carry out supervision of assigned job religiously.
- (vii) **Fair remuneration to employee:** Remuneration of employee should be fair and reasonable. It should be decided on the basis of work assigned, cost of living, financial and position of business He recommends profit sharing by

managers and not by workers. Fayol recommends non-financial incentives for workers.

- (viii) **Centralisation and decentralisation:** Centralization means the concentration of all powers at the top level of management and decentralization means the authority or the power is shared by middle as well as low level of management. Degree of centralization and decentralization depends upon the size of the organization, experience of the superiors and ability of subordinates.
- (ix) **Scalar chain:** Fayol defines scalar chain as the chain of superiors ranging from the top management to the lowest rank. The chain also determines the line of authority. The principle suggests that there should be a clear line of authority from top to bottom linking managers at all levels. It is a chain of command as well as communication.
- (x) **Order:** The principle is concerned with arrangement of things and placement of people. Arrangement of things—material order and arrangement of people—social order. The people should be assigned specific places of work and that they should be available there and things should be kept at allotted places.
- (xi) **Equity:** means, similar treatment is assigned to people at similar positions. For example workers performing similar jobs should be paid the same wages.
- (xii) **Stability of tenure of personnel:** Employees should not be moved from their positions frequently. Period of service in a position should be fixed. The individual should not be transferred often as it takes time to settle down in the new appointment. It does not mean that when an employee is due for promotion and a vacancy exists at a new place, should not be transferred. Individual interests must have priority over the other aspects of the organization.
- (xiii) **Initiative:** Employees at all levels should be allowed to take initiative in work related matters. Initiative means eagerness to initiate action without being asked to do so. However it does not imply freedom to whatever people like to do. Initiative increases zeal and energy.
- (xiv) **Esprit de corps:** It refers to team-spirit that is harmony in work group and mutual understanding among workers. Managers must take steps to develop a sense of belonging among the members of the work group. If there is team-spirit then everyone comes forward to help each other. It must be remembered that 'union is strength'.

### **Udai Pareek**

Dr. Udai Pareek the Father Figure in HRD, contributed a lot to the field of Organizational Behavior and HRD. He was instrumental in L&T setting up the First dedicated department of HRD in India. Extending the concept of Sense of Efficacy to the role Udai Pareek formulated a term called "Role, Efficacy" (Pareek, 1983). According to these formulation individuals

with high degree of role efficacy, carry with them different perceptions and feeling of their role. Role efficacy is defined as the potential effectiveness of an individual occupying a particular role in an organization.

In mid-sixties Dr. Pareek proposed the concept of Extension Motivation in his seminal articles on the New Paradigm for Development published in the Journal of Social Issues and International Social Science Journal (Pareek, 1968). To summarise, the concept extension motivation simply means a need or a desire to extend oneself or the ego to others and relate to a larger group and its goals. It means a motivation for helping others, working for larger goals that benefit larger groups or society. It also means an ability to sacrifice one's own comforts and desires for the sake of others.

It is this powerful motivation that has led to many great people to make sacrifices for the good of the larger community. Pareek has contributed to a wide range of Management issues in a variety of organizations. His conceptualization of process oriented interventions for organizational development spells out the need to have concepts of 'extensive motivation' and 'development motivation', OCTAPACE organizational cultural having Openness (O), Collaboration (C), Trust (T), Authenticity (A), Proactivity (P), Autonomy (A), Confrontation (C) and Experimentation (E). He believes that each culture has its strength and weaknesses for developing modern organizations.

**B. R. Viramani** In his book, Indian Management and related writings, Viramani observes that Western management is passing through a confused state of evolutionary process where the past management concepts based on managerial rights and prerogatives are undergoing change due to various countervailing forces, and the new concepts are taking shape. Periodically the management gurus and consultants try to evolve new concepts which emerge as latest fads every now and then but do not last long. On the face of it, there are four types of Indian organizations- multinational, public sector, the traditional family owned and the government department- with enough similarities so as to club them all together as "Indian". There is a need to study these Indian organizations to draw upon some universal lessons of management from Indian management practices.

### **Motivation:**

Motivation by definition refers to what activates, directs human behaviour and how this behaviour is sustained to achieve a particular goal. Also it can be defined as the set of processes that arouse, direct and maintain human behaviour towards attaining some goals.

According to Greenberg and Baron this definition could be divided into three main parts.

The first part looks at arousal that deals with the drive, or energy behind individual (s) action. People turn to be guided by their interest in making a good impression on others, doing interesting work and being successful in what they do.

The second part referring to the choice people make and the direction their behaviour takes. The last part deals with maintaining behaviour clearly defining how long people have to persist at attempting to meet their goals.

### **Maslow's hierarchy of Needs Model**

Motivation is concerned with the set of processes that arouse, direct, and maintain behaviour toward a goal. It is not equivalent to job performance but is one of several

determinants of job performance. Today's work ethic motivate people to seek interesting and challenging jobs instead of just money.

Maslow's need hierarchy theory postulates that people have five basic needs, activated in a specific order from the most basic, lowest-level need (physiological needs) to the highest-level need (need for self-actualization).

Maslow theorized that people have five types of needs and that these are activated in a hierarchical manner. The needs are aroused in a specific order, from lowest to highest. The lowest-order need must be fulfilled before the next-higher-order need.

1. *Physiological needs:*

- a. At the bottom of the hierarchy are physiological needs.
- b. They refer to satisfying fundamental biological drives (e.g., the need for food, air, water, and shelter).

Organizations must provide employees with a salary that affords them adequate living conditions. Similarly, sufficient opportunities to rest (e.g., coffee breaks) and to engage in physical activity (e.g., fitness and exercise facilities) also are important for people to meet these needs.

2. *Safety needs:*

- a. The second level of need.
- b. Safety needs refer to the need for a secure environment that is free from threats of physical or psychological harm.

Organizations can provide employees with safety equipment (e.g., hard hats and goggles), life and health insurance, and security forces (e.g., police and fire protection). Similarly, jobs that provide tenure (e.g., teaching) and no-layoff agreements provide a psychological security blanket that helps to satisfy safety needs.

3. *Social needs:*

- a. The third level of need.
- b. Social needs are the needs to be affiliative (e.g., to have friends, to be loved and accepted by other people).

Organizations may encourage participation in social events (e.g. office picnics or parties).

4. *Esteem needs:*

- a. The fourth level of needs.
- b. Esteem needs, are a person's need to develop self-respect and to gain the approval of others--the desire to achieve success, have prestige, and be recognized by others.

5. *Self-actualization needs:*

The top of Maslow's hierarchy.

This is the need to become all that one can be, to develop one's fullest potential. Individuals who have self-actualized are working at their peak, and they represent the most effective use of an organization's human resources.

## **Herzberg's Two-Factor Theory of Motivation**

In 1959, Frederick Herzberg, a behavioural scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction".

Herzberg classified these job factors into two categories-

a. **Hygiene factors-**

Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent / if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as **hygiene or maintenance factors** as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include:

- Pay - The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.
- Company Policies and administrative policies - The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.
- Fringe benefits - The employees should be offered health care plans (mediclaime), benefits for the family members, employee help programmes, etc.
- Physical Working conditions - The working conditions should be safe, clean and hygienic. The work equipment should be updated and well-maintained.
- Status - The employees' status within the organization should be familiar and retained.
- Interpersonal relations - The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present.

Job Security - The organization must provide job security to the employees.

- b. **Motivational factors-** According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include:

- Recognition - The employees should be praised and recognized for their accomplishments by the managers.
- Sense of achievement - The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.
- Growth and promotional opportunities - There must be growth and advancement opportunities in an organization to motivate the



employees to perform well.

- Responsibility - The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.
- Meaningfulness of the work - The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.

### McClelland's Theory of Needs

David McClelland's research indicates that individuals are motivated based on three needs-

Need for achievement – The drive to excel, to achieve in relation to a set of standards, to strive to succeed.

Need for power – The need to make others behave in a way that they would not have behaved otherwise.

Need for affiliation – The desire for friendly and close interpersonal relationships.

Unlike Maslow, McClelland did not differentiate between any certain transition among the needs. He indicates that some people have higher levels of one need than others.

People who have high achievement needs are different from others in the following ways:

1. They seek personal responsibility for finding solutions to problems. This means they take the initiative to find results, sometimes even when it isn't their problem.
2. They need rapid feedback on their performance. They are usually very frustrated by not receiving feedback, and the quicker the better.
3. They are not gamblers, but instead set appropriately challenging goals. High achievers like to control their own success; they don't like to "win the lottery" or anything by chance.
4. They want to stretch themselves, so they set goals that are challenging but ones that they perceive they have at least a 50% chance of attaining.

People who have a high need for power are not power-mongers! Instead, they understand the use of power and that it enables people to get things done and make a difference in a positive way.

McClelland found that people who have a high need for affiliation have the following characteristics:

1. They enjoy being with people and being accepted and liked by the people around them.
2. They prefer cooperation over competition.
3. They strive to make and keep relationships with a high amount of trust and mutual understanding.

### **Process Theory:**

#### **Victor Vroom**

At a time when manager have been bombarded with number of different approaches to motivation, Victor Vroom presented the Expectancy Theory (1964) as an alternative to content theories. Expectancy theory represents a comprehensive, valid and useful approach to understanding motivation.

Key variables in the model:

According to this theory people having their own needs and expectations of what they desire from their work.

- ◆ A person's motivation to exert some level of effort is a function of three things:
  - **Expectancy:** that effort will lead to performance.
  - **Instrumentality:** the connection between performance and the appropriate reward.
  - **Valence:** the value the person places on the reward.
- ◆  $Motivation = E \times I \times V$ 
  - If any factor (E, I, or V) is zero, then there is no motivation to work toward the reward.
  - Employee confidence building and training, accurate appraisals, and knowledge of workers' desired rewards can increase employee motivation.

**Valence:** People have preferences /valences for various outcomes or incentives that are potentially available to them. Valence refers to the personal value workers place on the rewards they believe they will receive for performing. It is the importance that the individual places

on the potential outcome or reward that can be achieved on the job. It reflects the strength of a person's desire for or attraction to the outcome of a particular course of action. It can be defined as the strength of a person's preference for one outcome in relation to others. It is the subjective value attached to an incentive or reward. An outcome is positively valence when it is preferred and negative valence when it is not preferred or is avoided. An outcome has a valence of zero when the individual is indifferent to attaining or not attaining it.

For example, an individual desires promotion and feels that superior performance is a strong factor in achieving that goal. His first level outcomes are then superior, average or poor performance. His second level outcome is promotion. The first level outcome of high performance thus acquires a positive valence by virtue of its expected relationship to the preferred second level outcome of promotion. According to this example, a person would motivate toward superior performance because of the preference to be promoted. The superior performance (first level outcome) is being seen as instrumental in getting promotion (Second outcome).

**Expectancy:** People have expectancies about the likelihood that an action or effort on their part will lead to the intended performance. Workers will be motivated by the belief that their performance will ultimately lead to payoffs for them. Expectancy refers to the individual's belief regarding the likelihood or subjective probability that a particular behaviour will be followed by a particular outcome and it is most easily thought of as a single –probability statement. Expectancy can take values ranging from 0, indicating no chance that an outcome will occur after the behaviour or act, to +1, indicating perceived certainty that a particular outcome will follow a behaviour or act.

In the work setting, individuals hold effort-performance expectancy. This expectancy represents the individual's perception of how hard it will be to achieve a particular behaviour and the probability of achieving that behaviour. There is also a performance –outcome expectancy. In the individual's mind every behaviour is associated with outcomes (rewards or punishment).

From a managerial perspective, expectancy theory suggests that the manager should develop an awareness of employee thought processes and based on that awareness, take actions that will influence those processes in a manner that facilitates the attainment of positive organisational outcomes.

**Instrumentality:**

Instrumentality is the perception by an individual that first level outcomes (performance) are associated with second level outcomes (rewards). It refers to the strength of a person's belief that attainment

of a particular outcome will lead to (be instrumental in) attaining one or more second level outcomes. Instrumentality can be negative, suggesting that attaining a second level outcome is less likely if a first level outcome has occurred or positive, suggesting that the second level outcome is more likely if the first level outcome has been attained.

First level and second level outcomes

First level outcomes resulting from behaviour are those associated with doing the job itself and include productivity, absenteeism, turnover and quality of productivity. The second level outcomes are those events (rewards or punishment) that the first level outcomes are likely to produce, such as merit pay increases, group acceptance or rejection, promotion and termination.

### **Porter and Lawler's model**

Porter and Lawler Model is an improvement over Vroom's Expectancy Model:

It is based on four assumptions about behaviour in organisations:

- 1) Behaviour is determined by a combination of factors in the individual and in the environment,
- 2) Individuals make conscious decisions about their behaviour in the organisation,
- 3) Individuals have different needs, desires and goals and
- 4) Individuals decide between alternate behaviours on the basis of their expectations that given behaviour would lead to a desired outcome.

Porter and Lawler applied their model to study the behaviour of managers and concluded that there exists a complex relationship between job attitudes and job performance. This model encounters some of the simplistic traditional assumptions about the positive relationship between satisfaction and performance.

Key variables in the model:

1. Effort: Effort signifies the amount of energy exerted by an individual on a specified task. Effort is a result of the attractiveness of the reward and the way in which the individual perceives the linkage between effort and payoff. If the employee places a high value on a reward and if he perceives a high probability that his effort will lead to this reward then he will exert great quantity of effort.
2. Performance: Motivation leads to an observed level of effort by the employee. Effort alone is not enough. Performance results from a combination of the effort that an individual puts forth and the level of ability which he has and the way he perceives the role he should take.

3. Rewards: Performance may lead to two kinds of rewards, namely, intrinsic rewards such as a sense of self actualisation and extrinsic rewards such as working conditions and status. Porter and Lawler believed that intrinsic or internally mediated rewards are subject to fewer disturbing influences and thus are likely to be more directly related to good performance. On the other hand extrinsic rewards (like pay, promotion, job security, and status) are given by organisation. Moreover perceived-equitable rewards vitally affect the performance – satisfaction relationship.
4. Satisfaction: Porter and Lawler viewed satisfaction as a deficiency measure.

The extent to which actual rewards fall short, meet or exceed the individual's perceived level of equitable rewards determines the degree of satisfaction. If actual rewards meet or exceed perceived equitable rewards, the individual will feel satisfied and if these are less than equitable rewards, the individual will feel dissatisfied.

Thus satisfaction is only in part determined by actual rewards and that satisfaction is more dependent on performance than performance is on satisfaction.

So Porter and Lawler's framework is thus a marked departure from the traditional analysis of satisfaction and performance relationship. In practice we can say, motivation is not a simple cause and effect relationship rather is a complex phenomenon.

Porter and Lawler suggested that managers should carefully assess their reward structure and that through careful planning and careful definition of role requirements, the effort-performance –reward-satisfaction systems should be integrated into the overall system of managing.

## Group Dynamics

A group is a collection of two or more interacting individuals with a stable pattern of relationships between them who share common goals and who perceive themselves as being a group. Within organizations, there are two major classes of groups—formal groups (which include command groups and task groups) and informal groups (which include interest groups and friendship groups).

Norms are generally agreed upon informal rules. Roles are the typical pattern of behavior in a social context. Status refers to the prestige accorded group members. Cohesiveness describes the pressures faced by group members to remain in their groups. Together, these factors determine the dynamics of people working in groups.

Individual productivity is influenced by the presence of other group members. Sometimes a person's performance improves in the presence of others (when the job he or she is doing is well learned), and sometimes performance declines in the presence of others (when the job is novel). This phenomenon is known as social facilitation. Not only is performance influenced by the presence of others but also by the group's racial/ethnic

diversity. Performance in diverse groups is initially worse than performance in homogeneous groups, although these differences disappear with repeated involvement with the group. On additive tasks (i.e., ones in which each member's individual contributions are combined), social loafing occurs. According to this phenomenon, the more people who work on a task, the less each group member contributes to it.

Teams are special kinds of groups—ones whose members focus on collective rather than individual work products, are mutually accountable to each other, share a common commitment to purpose, and are usually self-managing. Teams differ with respect to several dimensions: their purpose or mission (work teams versus improvement teams), time (temporary teams or permanent teams), degree of autonomy (work groups, semiautonomous work groups, or self-managed teams), authority structure (intact teams versus cross-functional teams), and physical presence (physical teams versus virtual teams).

#### A. WHAT IS A GROUP? A WORKING DEFINITION

1. Social scientists formally define a group as a collection of two or more interacting individuals, with a stable pattern of relationships between them, who share common goals and perceive themselves as being a group.
2. Four key characteristics of groups:

##### *Social interaction.*

Group members must have some influence on each other. This interaction between the parties may be verbal (e.g., sharing strategies for a corporate takeover) or nonverbal (e.g., exchanging smiles in the hallway), but the parties must affect each other to be considered a group.

##### *Stability.*

Groups also must possess a stable structure. Groups can—and often do—change, but there must be some stable relationships that keep the members together and functioning as a unit.

##### *Common interests or goals.*

Members share common interests or goal.

##### *Recognition as being a group.*

The individuals involved must perceive themselves as being a group. Groups are composed of people who recognize each other as being members of their group and who can distinguish members from nonmembers.

#### B. TYPES OF GROUPS

1. Formal and informal groups.

- a. Formal groups are created by the parent organization and are intentionally designed to direct members toward some important organizational goal.
- b. A command group is a group determined by the connections between individuals who are formal members of the organization.
- c. A formal organizational group also may be formed around some specific task. Such a group is referred to as a task group.

Unlike command groups, task groups may include individuals with some special interest or expertise in a specific area, regardless of their positions in the organizational hierarchy

- a. Whether they are permanent groups, which are known as standing committees, or temporary ones formed for special purposes (e.g., a committee formed to recommend solutions to a parking problem), which are known as ad hoc committees or task forces, task groups are common in organizations.
2. Informal groups develop naturally among an organization's personnel without any direction from management.
    - a. One key factor in the formation of informal groups is a common interest shared by its members.
    - b. Sometimes the interests that bind individuals together are more diffuse. Groups may develop from a common interest in participating in sports, going to the movies, or just getting together to talk. These kinds of informal groups are known as friendship groups.
    - c. Informal work groups are an important part of life in organizations, and although, as mentioned, they develop without direct encouragement from management, friendships often originate out of formal organizational contact.

## B. HOW GROUPS ARE FORMED

### **The Five-Stage Model**

*Forming*--members get acquainted with each other, they also establish the ground rules by finding out what behaviors are acceptable regarding the job (e.g., how productive they are expected to be) and interpersonal relations (e.g., who is really in charge).

*Storming*--is characterized by a high degree of conflict within the group. Members often resist the control of the group's leaders, and they show hostility toward each other.

*Norming*--the group becomes more cohesive, and identification as a member becomes greater. Close relationships develop, and shared feelings become common.

*Performing*--questions about group relationships and leadership have been resolved--and the group is ready to work. Having fully developed, the group may now devote its energy to getting the job done.

*Adjourning*--Groups may cease to exist because they have met their goals and no longer are needed. Other groups may adjourn gradually, as the group disintegrates either because members leave or the norms no longer are effective for the group.

Groups can be in any stage of development at any given time and the amount of time a group may spend in any given stage varies. The boundaries between the various stages may not be clearly distinct, several stages may be combined, and the dynamic nature of groups makes it unlikely they will progress through these stages in a completely predictable order.

## **Leadership in Organizations**

### **A. LEADERSHIP: A WORKING DEFINITION**

1. In many cases the individual possessing the most formal authority also is the most influential. In some situations, however, this is not so, and then we typically identify the person who actually exercises the most influence over the group as being its leader.
2. A working definition of leadership:
  - a. leadership is the process whereby one individual influences group members toward attaining defined group or organizational goals.
  - b. Leadership involves noncoercive influence.
  - c. Leadership primarily involves influence, a leader changes the actions or attitudes of several group members or subordinates.
  - d. In general, leadership refers to the use of noncoercive techniques. This is what distinguishes a leader from a dictator.
3. At least in part, leadership rests on positive feelings between leaders and their subordinates. Subordinates accept the influence of leaders because they respect, like, or admire them not because they hold positions of formal authority.
4. Leadership influence is goal-directed



- a. Leadership involves the exercise of influence for a purpose, to attain defined group or organizational goals.
  - b. Leaders focus on altering those actions or attitudes of their subordinates that relate to specific goals.
5. Leaders influence subordinates in various ways, but leaders also are influenced by their subordinates. In fact, it may be said that leadership exists only in relation to followers.

#### B. LEADERS VERSUS MANAGERS: A KEY DISTINCTION--AT LEAST IN THEORY

1. The primary function of a leader is to create the essential purpose or mission of the organization and the strategy for attaining it.
  - a. Leadership is about coping with change.
  - b. Leaders establish direction by creating a vision of the future.
2. In contrast, the primary function of a manager is to implement that vision.
  - a. Essentially, the manager's job is to put into practice the means to achieve the leader's vision.
  - b. Thus, whereas management is about coping with complexity.

Managers create plans and monitor results

#### THE TRAIT APPROACH TO LEADERSHIP: HAVING THE RIGHT STUFF

1. Relatively few individuals become leaders. And only a small proportion are considered to be effective in this role.
2. One of the most widely studied approaches to this question suggests that effective leadership is based on the characteristics people have.

#### A. THE GREAT PERSON THEORY

1. Common sense suggests that some people born to lead. Great leaders, past and present seem to differ from ordinary human beings in several respects. They all possess high levels of ambition coupled with clear visions of precisely where they wanted to go.
2. According to the great person theory, great leaders possess key traits that set them apart from most other humans. These traits remain stable over time and across different groups.

#### B. WHAT ARE THE CHARACTERISTICS OF GREAT LEADERS?

1. Most of these characteristics (e.g., drive, honesty and integrity, self-control require no elaboration. Several others, however, are not quite as obvious.

2. Leadership motivation refers to a leader's desire to influence others and, in essence, to lead. Such motivation can take two distinct forms.
  - a. First, it may cause leaders to seek power as an end in itself. Leaders who demonstrate such personalized power motivation have a desire to dominate others and are concerned with status.
  - b. In contrast, socialized power motivation may cause leaders to seek power as a means to achieve desired, shared goals. This type of leadership motivation usually is far more adaptive for organizations.
3. Another special characteristic is flexibility, the ability of leaders to recognize which actions are required and then to act accordingly. Evidence suggests the most effective leaders are adaptive, matching their style to the needs of followers or the demands of the situations they face.
4. Leaders have to be smart and demonstrate what is known as multiple domains of intelligence. The include:
  - a. *Cognitive intelligence*: The best leaders are smart, and appear smart, but do not need to be geniuses *Emotional intelligence*: Successful leaders need to be sensitive to the needs of others.
  - b. *Cultural intelligence*: The behavior of leaders is influenced by the cultures in which they operate.

## CONTINGENCY THEORIES OF LEADER EFFECTIVENESS

1. Leadership is a complex process that involves intricate social relationships, and it is affected by a wide range of factors. Effective leadership is essential for organizational success.
2. Contingency theories of leadership differ sharply in their content, terminology, and scope, from previous theories.
3. It does agree in two key areas.
  - a. It recognizes that no single style of leadership is preferred and that the key task of OB researchers is determining which leadership styles are most effective under which conditions.
  - b. Second, all are concerned with the issue of leader effectiveness.

### A. LPC CONTINGENCY THEORY: MATCHING LEADERS AND TASKS

1. Under what conditions are leaders more successful when they demonstrate a concern for people compared with a concern for production?
2. The basics of the theory:

- a. LPC contingency theory reflects the assumption that a leader's contribution to successful performance by a group is determined both by his/her own traits and by the situation.
  - b. According to this theory, esteem--liking--for the least preferred coworker--LPC-- is the most important personal characteristic.
  - c. This refers to a leader's tendency to evaluate in a favorable or an unfavorable manner the person with whom she/he finds it most difficult to work.
  - d. Leaders who perceive this person in negative terms (i.e., low LPC leaders) primarily are concerned with attaining successful task performance.
  - e. In contrast, those who perceive this person in positive terms (i.e., high LPC leaders) mainly are concerned with establishing good relations with subordinates.
  - f. The LPC is fixed, an individual's leadership style that cannot be changed.
3. Which type of leader--one low in LPC or one high in LPC--is more effective? It depends on the degree to which the situation favors the leader.
    - a. The nature of the leader's relations with group members--the extent to which he/she enjoys their support and loyalty.
    - b. The degree of structure in the task--the extent to which task goals and subordinates' roles are clearly defined.
    - c. The leader's position power--his/her formal capacity to enforce compliance by subordinates.
  4. Combining these factors, the leader's situational control can range from very high--positive relations with group members, a highly structured task, and high position power--to very low--negative relations with group members, an unstructured task, and low position power.
    - a. Low LPC leaders (i.e., ones who are task-oriented) are superior to high LPC leaders (i.e., ones who are relations-oriented) when situational control is either very low or very high.
    - b. In contrast, high LPC leaders have an edge when situational control falls within the moderate range.
  5. Under conditions of low situational control, groups need considerable guidance to accomplish their tasks. Low LPC leaders are more likely to provide structure than high LPC leaders, so they usually are superior in such cases.
  6. Similarly, low LPC leaders also are superior under conditions of high situational control. Indeed, when leaders are liked, their power is not challenged, and when the demands of the task make clear what a leader should do, it is perfectly acceptable for them to focus on the task at hand.

7. Things are different, however, when situations offer leaders only moderate situational control--a leader with good subordinate relations but an unstructured task.
8. Practitioners have found LPC contingency theory to be quite useful in suggesting ways of enhancing leader effectiveness. The best way to enhance effectiveness is to match the right leaders with the right situations.
9. This involves completing questionnaires that can be used to assess both the LPC score of the potential leader and the amount of situational control he or she will face.
  - a. Then, using these indexes, leaders can be matched to the situations that best suit their leadership styles a technique known as leader match.

### **Unit III Entrepreneurship development:**

Characteristics of successful entrepreneurs, communications skill, problem solving skill and process, Basic element of Business plans, Sources of finance, Selection of Business location, Record keeping system, Analysis financial performance, Break even analysis, Technology and Business, Strategies for Business Growth, Concept related to start-up and Intellectual Property Rights (IPR).

#### **Entrepreneurship – Meaning and Concept**

- Entrepreneurship is the act of being an entrepreneur.
- French word 'Entrependre' and German word 'uternehmen' both referring to individuals who undertakes an 'endeavor'.
- Hence, anyone who exhibits the characteristics of self-development, creativity, self-decision making and risk taking.
- According to oxford dictionary Entrepreneur is 'one who organizes and manages enterprise involving high risk'. But researches indicates that entrepreneurs need not necessarily be high risk takers, however, they reduce risk and increase likelihood of success.

## Entrepreneurial Characteristics

1. **Vision** : Dream and visualizing the ways and means to achieve, visualizing market demands, socio-economic and technological environment
  - Without the vision of making a big mark on the mobile industry Dhirubhai and now Anil Ambani could not have made what Reliance Communication (An Anil DhirubhaiAmbani Group) is today.
2. **Knowledge** : Conceptual knowledge and technicalities of technological, operational, financial & market dynamics.
  - Without sound knowledge of computers Naryanmurthy could not have made Infosys.

### 3. Desire to Succeed

- Constantly work to achieve higher goals.
- Without a desire to succeed constantly MukeshAmbani would not have planned to ventured into Retail, Real Estates and Biotech.

### 4. Independence

- Needs independence in work and decision making without following rules of thumb and make their own rules and destiny.

### 5. Optimism

- Highly optimistic about achieving their vision.
- Without optimism Narayanmurthy (who took loan from his wife as not having enough finances) would not have left a lucrative job and created Infosys.

### 6. Value Addition

- Not rule of thumb , but a constant desire to introduce something new to existing business.
- Create, innovate or even add value to the existing products.

Without alue addition of 'life time free incoming calls' Tata Indicom would not have been able to create space in already saturated mobile markets

### 7. Leadership

- Exhibits qualities of a leader -Good Planners, Organizers, Good Communication Skills, Empathetic toward their employees, good decision-makers, initiative to implement plans, result oriented

### 8. **Hard working**

- At time also called as workaholics.
- Continuous efforts to achieve success and know that there is no substitute for hard work

### 9. **Desire to control over their own fate**

- Do not move in herds like sheep but pave own paths.
- Do not believe in luck or destiny but create their own destiny.

#### 10. Risk-Taking Ability

### INTELLECTUAL PROPERTY RIGHTS - LAW AND PRACTICE

Intellectual property has increasingly assumed a vital role with the rapid pace of technological, scientific and medical innovation that we are witnessing today. Moreover, changes in the global economic environment have influenced the development of business models where intellectual property is a central element establishing value and potential growth. In India several new legislations for the protection of intellectual property rights (IPRs) have been passed to meet the international obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Intellectual property has therefore grown into one of the world's biggest and fastest-growing fields of law thereby necessitating the demand for IP professionals well versed in this area to deal with (IPRs) across the national and international borders.

#### Business Plan

- Blueprint of step-by-step procedure followed to convert business idea into a successful business venture.

A business plan is a written description of the goals and objectives of the business and how they are going to be achieved. It includes the mission of the business along with the production, organizing, marketing, and financing intentions –

- Is it feasible to operate my own business?
- Is my business idea feasible?

#### Why Develop a Business Plan?

- A business plan is a very important tool if you are starting a new business or expanding an existing one.
- The business plan communicates to others how successful you are going to be.
- Lending institutions require them to support loan applications.
- Experience shows that successful businesses have a plan; the majority that fail do not.
- A good business plan is your road map to success!
- Implementing the plan
- Objective evaluate the prospects of the business - TOWS
- Resource requirement for implementation
- To document ownership arrangement, future prospects, and projected growth rate.

### Business Plan Process:

Preliminary Investigation



Idea Generation



Environmental Scanning



Feasibility Analysis



Project Report Preparation



Evaluation Control and Review

### Idea Generation

- Innovative idea, new concept, product or service also incremental value addition.
  - Sources of new ideas – consumers, existing companies, R&D, employees, dealers, retailers.
  - Methods of generating new ideas – brain storming, GD, data collections, feedback, invitation of ideas through advertisements, mails or internet, market research, commercializing inventions, business contests, fests, contest business plans
2. Environment scanning - both external and internal that includes analysis of perspective TOWS of business enterprise.
  3. Sources of information can be both informal (family, friends and colleagues) and formal (bankers, magazines, newspapers, govtdeptts, seminars, suppliers, competitors, dealers).
  4. Environment scanning focus on maximizing information because more supportive the information, greater is the confidence regarding the success of the business.

### External Environment

1. Socio-cultural Appraisal: Social and cultural norms, beliefs, value system, open or close culture, level of rigidity/flexibility of a society toward product /service/concept. Technological know-how to convert the idea into a product, modern technologies expected in the future.
2. Economic Appraisal : Assessment of economy in a given society in terms of inflation, per capita income and consumption pattern, balance of payment, consumer price index etc. Healthy economy offers greater opportunities for growth and development

of industry together with confidence to the entrepreneur about the success of his business venture.

3. Demographic Appraisal : A population pattern in a given geographical region. It includes variables like age, profile, distribution, sex, education profile, income distribution etc. Demographic appraisal help in identifying size of target market.
4. Government Appraisal : Assessment of legislation, policies, incentives, subsidies, grants, procedures etc. formulated by government for a particular industry.
5. Outcome of the other policies too be taken in to consideration while conducting govt appraisal

#### Internal Environment

- Raw Material : Assess availability of raw material at present and future, if not adequate/ shortage, serious concern, where is the nearest source and cost involved therein.
- Production/Operation : Availability of machineries, equipment, tools and techniques required for production/ operations.
- Finance: Assessment of total requirement of finances in terms of start-up expenses, fixed expenses and running expanses. It also indicates source of finance that can be approached for funding
- Market: It asses the present, potential and future demands of the market.
- Human Resource: Assessment of the kind of the human resources required and its demand and supply in the market. This helps in estimating the cost and level of competition in hiring and retaining the human resources.

Objective of the environment scanning should be Maximizing information from maximum sources for enhanced possibility of success in the business

#### Feasibility Analysis

- Feasibility study is done to find whether the proposed project (considering the above discussed environment appraisal) would be feasible or not.
- Feasibility study is dependent on environment appraisal yet it is far more descriptive.
- The variable/dimensions of feasibility analysis -
  1. Market Analysis
  2. Technical/Operational Analysis
  3. Financial feasibility
  4. Drawing functional plan

### **Unit IV Wages and incentives**



## **Wage and Salary Administration**

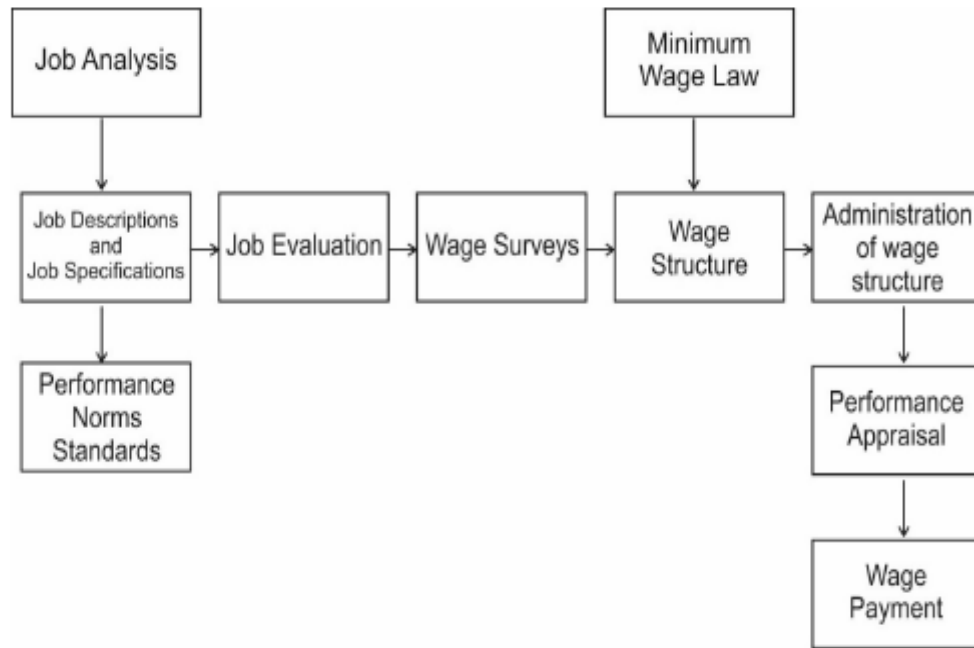
Wage & salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner<sup>1</sup>. In soundness of compensation management depends upon the amount of wage and salary paid to an employee for a fair days work. Wage and salary is significant to most of the employees as it constitutes a major share of their income "Pay" in one form or another is certainly one of the main springs of motivations in our society 'Salary provides more than a means of satisfying the physical need it provides recognition, a small of accomplishment. The term "wage" may be defined as the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees.

Significance of wage & salary administration:

Wage & salaries have two different purposes from point of employers & employees. (i) Employers perceive as a cost of business effort and attempt to reduce it. But they also realise that it is not possible because of these reasons: (a) Wage & salary are essential to attract and retain an effective work force. (b) Wage and salary are required to motivate, employees for positive attitudes and better performance. (c) Employees have to be provided compensation for service rendered by them to the organisation. (ii) Employees consider wage as a means for satisfying their need to maintain their standard. They also want it equitable with similar skills for doing similar work.

Process of Determinations of wages: Determination of equitable wage and salary structure in one of the most important phase of employer-employee relations. The primary objective of wage and salary administration programme is that each employee should be equitably compensated for the service rendered on the basis of: (i) the nature of job. (ii) The present worth of that type of job in other organisation, and (iii) the effectiveness with which the individual performs the job

The first two factors are related to job evaluation and wage survey, while the third to performance appraisal. Comparison of a job to other job in the organisation is done through job evaluation. Comparison of similar job in other organisations is done through wage surveys to determine the going wage for the given job.



**Unit V Method Study Steps, Tools and Techniques used in the Method Study and Work Measurement Time Study: Aim & Objectives, Terminology & Tools, Use of stopwatch procedure in making Time Study. Time Study Forms, Performance rating, allowances and its types. Calculation of Standard Time. Work sampling**

The systematic examination of the method carrying on activities so as to improve the effective use of resources and to setup standards of performance for the activities being carried out.

Work-study forms the basis for work system design. The purpose of work design is to identify the most effective means of achieving necessary functions. This work-study aims at improving the existing and proposed ways of doing work and establishing standard times for work performance. Work-study is encompassed by two techniques, i.e., method study and work measurement.

“Method study is the systematic recording and critical examination of existing and proposed ways of doing work, as a means of developing and applying easier and more effective methods and reducing costs.”

“Work measurement is the application or techniques designed to establish the time for a qualified worker to carry out a specified job at a defined level or performance.”

## PRODUCTIVITY

Productivity is the quantitative relation between what we produce and we use as a resource to produce them, i.e., arithmetic ratio of amount produced (output) to the amount of resources (input). Productivity can be expressed as:  $\text{Productivity} = \frac{\text{Output}}{\text{Input}}$  Productivity refers to the efficiency of the production system. It is the concept that guides the management of production system. It is an indicator to how well the factors of production (land, capital,

labour and energy) are utilised. European Productivity Agency (EPA) has defined productivity as, “Productivity is an attitude of mind. It is the mentality of progress, of the constant improvements of that which exists. It is the certainty of being able to do better today than yesterday and continuously. It is the constant adaptation of economic and social life to changing conditions. It is the continual effort to apply new techniques and methods. It is the faith in progress.”

### Steps in Making Time Study

Stop watch time is the basic technique for determining accurate time standards. They are economical for repetitive type of work. Steps in taking the time study are:

1. Select the work to be studied.
2. Obtain and record all the information available about the job, the operator and the working conditions likely to affect the time study work.
3. Breakdown the operation into elements. An element is a distinct part of a specified activity composed of one or more fundamental motions selected for convenience of observation and timing.
4. Measure the time by means of a stop watch taken by the operator to perform each element of the operation. Either continuous method or snap back method of timing could be used.
5. At the same time, assess the operators’ effective speed of work relative to the observer’s concept of ‘normal’ speed. This is called performance rating.
6. Adjust the observed time by rating factor to obtain normal time for each element.

Normal time= Observed time \*Rating/100

7. Add the suitable allowances to compensate for fatigue, personal needs, and contingencies. etc. to give standard time for each element.
8. Compute allowed time for the entire job by adding elemental standard times considering frequency of occurrence of each element.
9. Make a detailed job description describing the method for which the standard time is established.
10. Test and review standards wherever necessary

### Allowances:

The normal time for an operation does not contain any allowances for the worker. It is impossible to work throughout the day even though the most practicable, effective method has been developed. Even under the best working method situation, the job will still demand the expenditure of human effort and some allowance must therefore be made for recovery from fatigue and for relaxation. Allowances must also be made to enable the worker to attend to his personal needs.

The allowances are categorised as:

- (1) Relaxation allowance, (2) Interference allowance, and (3) Contingency allowance.

### 1. RELAXATION ALLOWANCE

Relaxation allowances are calculated so as to allow the worker to recover from fatigue. Relaxation allowance is a addition to the basic time intended to provide the worker with the opportunity to recover from the physiological and psychological effects of carrying out specified work under specified conditions and to allow attention to personal needs. The amount of allowance will depend on nature of the job.

Relaxation allowances are of two types: fixed allowances and variable allowances.

Fixed allowances constitute:

(a) Personal needs allowance: It is intended to compensate the operator for the time necessary to leave, the workplace to attend to personal needs like drinking water, smoking, washing hands. Women require longer personal allowance than men. A fair personal allowance is 5% for men, and 7% for women.

(b) Allowances for basic fatigue: This allowance is given to compensate for energy expended during working. A common figure considered as allowance is 4% of the basic time.

## 2. VARIABLE ALLOWANCE

Variable allowance is allowed to an operator who is working under poor environmental conditions that cannot be improved, added stress and strain in performing the job. The variable fatigue allowance is added to the fixed allowance to an operator who is engaged on medium and heavy work and working under abnormal conditions. The amount of variable fatigue allowance varies from organization to organization.

3. INTERFERENCE ALLOWANCE It is an allowance of time included into the work content of the job to compensate the operator for the unavoidable loss of production due to simultaneous stoppage of two or more machines being operated by him. This allowance is applicable for machine or process controlled jobs.

## 4. CONTINGENCY ALLOWANCE

A contingency allowance is a small allowance of time which may be included in a standard time to meet legitimate and expected items of work or delays. The precise measurement of which is uneconomical because of their infrequent or irregular occurrence. This allowance provides for small unavoidable delays as well as for occasional minor extra work: Some of the examples calling for contingency allowance are:

- 1) Tool breakage involving removal of tool from the holder and all other activities to insert new tool into the tool holder.
- 2) Power failures of small duration.
- 3) Obtaining the necessary tools and gauges from central tool store. Contingency allowance should not exceed 5%.

## 5. POLICY ALLOWANCE

Policy allowances are not the genuine part of the time study and should be used with utmost care and only in clearly defined circumstances. The usual reason for making the policy allowance is to line up standard times with requirements of wage agreement between employers and trade unions. The policy allowance is an increment, other than bonus increment, applied to a standard time (or to some constituent part of it, e.g., work content) to provide a satisfactory level of earnings for

a specified level of performance under exceptional circumstances. Policy allowances are sometimes made as imperfect functioning of a division or part of a plant.

