

What is organizational behavior

Organizational behavior (OB) is the study of how people behave in organizational settings. Its principles are applied with the goal of making organizations and the people in them work more effectively together.

Organizational behavior research can focus on individual behavior within the organization, how groups work together, how the organization itself behaves, and how all of these are interconnected and impact each other. irrespective of its nature, type, structure and size. It is an act of creating and maintaining such a business environment wherein the members of the organization can work together, and achieve business objectives efficiently and effectively.

In other words, it is concerned with **optimally using 5M's, i.e. men, machine, material, money and methods** and, this is possible only when there proper direction, coordination and integration of the processes and activities, to achieve the desired results.

Definition:

Management can be defined as the process of administering and controlling the affairs of the organization. Management is an important factor for the success of any organized activity. Today management basically concern with changes and challenges, and it is difficult to manage.

Management is an art of getting things done through others. Management is to plan, organize, direct and control the resources of the organization for obtaining common objectives or goals. It is related with resources like material, money, machinery, methods, manufacturing and marketing.

Management principles are universal in nature. Management is necessary for all types of organization, such as public sector, private sector, govt. department, hotel, hospital, hostels, educational institutes, require management for several growth and expansion.

Definitions:

- 1) According to Taylor:- “Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.”
- 2) According to Lawrence:- “Management is the accomplishment of results through the efforts of other people.”
- 3) According to Henry Fayol:- “To manage is to forecast and to plan, to organize, to co-ordinate and to control.”

Nature of Management

Universality: It is a universal phenomenon in the sense that it is common and essential in all enterprises. The principles of management can be applied in all managed situations regardless of size, nature and locations of organisation. Universality also implies that managerial skills are transferable and managers can be trained and developed.

Purposeful: it is always aimed at achieving organisation goals and purposes. The success of management is measured by the extent to which desired objectives are attained. The tasks of management are directed towards effectiveness and efficiency.

Social Process: It involves managing people organized in work groups. It involves retaining, developing and motivating people at work as well as taking care of their satisfaction as social beings.

Coordinating Force: It coordinates the efforts of organizational members through orderly arrangement of inter-related activities to avoid duplication of efforts.

Intangible: It is intangible. Its presence can be felt by outcomes of its efforts in the form of orderly, adequate, work output, employee satisfactions etc.

Continuous Process: It is an ongoing process. The cycle of management continues as long as there is existence of organisation.

Composite Process : Management is a composite process made up of individual components. All the functions are performed by several components in orderly fashion.

Creative Organ: Management creates synergy by producing results which are more than the sum of individual efforts of group members. It provides creative ideas, new imagination and vision to group efforts.

System of Authority : Well-defined lines of command, the delegation of suitable authority and responsibility at all levels of decision-making. This is necessary so that each individual should know what is expected from him and to whom he needs to report

Profession : Managers need to possess managerial knowledge and training and have to conform to a recognized code of conduct and remain conscious of their social and human obligations. |

Process : The management process comprises a series of actions or operations conducted towards an end.

Scope of Management Science

Subject-matter of Management

Management is considered as a continuing activity made up of basic management functions like planning, organizing, staffing, directing and controlling. These components form the subject-matter of management.

Functional Areas of Management

Management covers the following functional areas:-

- **Financial Management:** Financial management includes forecasting, cost control, management accounting, budgetary control, statistical control, financial planning etc.
- **Human Resource Management:** Personnel / Human Resource Management covers the various aspects relating to the employees of the organisation such as recruitment, training, transfers, promotions, retirement, terminations, remuneration, labour welfare and social security, industrial relations etc.
- **Marketing Management:** Marketing management deals with marketing of goods, sales promotion, advertisement and publicity, channels of distribution, market research etc.
- **Production Management:** Production Management includes production planning, quality control and inspection, production techniques etc.

- **Material Management:** Material management includes purchase of materials, issue of materials, storage of materials, maintenance of records, materials control etc.
- **Purchasing Management:** Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts etc.
- **Maintenance Management:** Maintenance Management relates to the proper care and maintenance of the buildings, plant and machinery etc.
- **Office Management:** Office management is concerned with office layout, office staffing and equipment of the office.

Management is an Inter-Disciplinary Approach

- Though management is regarded as a separate discipline, for the correct application of the management principles, study of commerce, economics, sociology, psychology, and mathematics is very essential. The science of management draws ideas and concepts from a number of disciplines making it a multi-disciplinary subject.

Principles of Management

- The principles of management are of universal application. These principles are applicable to any group activity undertaken for the achievement of some common goals.
- **Management is an Agent of Change**
The techniques of management can be improved by proper research and development.

The Essentials of Management

The essentials of management include

- scientific method,
- human relations
- quantitative techniques.

Functions of Management

- **Planning:** It is the first and foremost function of management, i.e. to decide beforehand what is to be done in future. It encompasses formulating policies, establishing targets, scheduling actions and so forth.
- **Organizing:** Once the plans are formulated, the next step is to organise the activities and resources, as in identifying the tasks, classifying them, assigning duties to subordinates and allocating the resources.
- **Staffing:** It involves hiring personnel for carrying out various activities of the organization. It is to ensure that the right person is appointed to the right job.
- **Directing:** It is the task of the manager to guide, supervise, lead and motivate the subordinates, to ensure that they work in the right direction, so far as the objectives of the organization are concerned.
- **Controlling:** The controlling function of management involves a number of steps to be taken to make sure that the performance of the employees is as per the plans. It involves establishing performance standards and comparing them with the actual performance. In case of any variations, necessary steps are to be taken for its correction.
- **Coordination** is an important feature of management which means the integration of the activities, processes and operations of the organization and synchronization of efforts, to ensure that every element of the organization contributes to its success.



SCHOOL OF MANAGEMENT THOUGHT

The schools of management thought are theoretical frameworks for the study of management. Each of the schools of management thought are based on somewhat different assumptions about human beings and the organizations for which they work. Since the formal study of management began late in the 19th century, the study of management has progressed through several stages as scholars and practitioners working in different eras focused on what they believed to be important aspects of good management practice. Over time, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. These attempts at classification have resulted in the identification of management schools.

Schools of Management Thought – With Main Features

Several schools of thought of management have evolved over a period of time depending on the learning and philosophy of the exponents. A study of literature in the field of management is necessary to the modern manager, so as to develop his own way of solving the managerial problems and managing the resources of an enterprise effectively. The mental philosophy of the manager will be automatically conditioned by his own thinking and frame of reference. His leaning will automatically be in favour of certain philosophy or school of thought.

Various schools of management thought available are:

1. The Empirical or Management by Custom School,
2. The Human Behaviour or Human Relations School,
3. The Social System School,
4. The Decision Theory or Decisional Management School,
5. The Mathematical or Quantitative Measurement School,
6. The System's Approach or Systems Management School, and
7. The Management Process School,
8. The Contingency School.

1. The Empirical or Management by Custom School:

Those who believe in this thought, is of the opinion that the management is a study of the experiences of managers. If managerial experiences can be studied closely, management knowledge would emerge and grow out of it. Other managers in making their own decisions and solving managerial problems faced by them can use this knowledge. But this school of thought depends heavily on the historical methods of study.

The basic assumption of this approach to the study of management is that the study of actual business situation contributes to the development of management skill. Even today we can see that in management courses much weight is given to the case studies to train students to understand and solve the managerial problems. By studying the management situations, which are unique the manager gets an idea about what could be the good managerial decisions and what makes the decisions poor.

By studying the cases, he can also develop the analytical and problem solving abilities, which are very essential for the successful practice of management in actual life. This school of thought is based on the proverb 'learn from experience'.

Empirical school of thought goes mainly by precedents in so far as it studies the managerial situations handled by the managers and their own experience. However, the exponents of this school do not fully realize that a manager has to work under dynamic conditions and that history does not exactly repeat by itself. The situations of the past may not be exactly same as that of the present because of the development of technology and information system and changes in the social system. Hence, manager may face a problem if he tries to transfer the ideas gained by study of experiences of previous managers straight away.

While making decisions, manager must use his knowledge and study the present problem and try to combine his experience, knowledge from cases, and commonsense to solve the problem. In the words of Harold Koontz, "Management unlike law is not a science based on precedents and situations in the future exactly comparable to the past are exceedingly unlikely to occur. There is a positive danger in relying too much of the past experience and on un-distilled history of managerial problems solving for the simple reason that the technique of approach found right in the past may not fit the situation of the future".

The principle tool of study for the empirical school of thought is the case method. The case is considered to be the most convenient way of acquiring skill of decision-making. However, this method is not necessarily the best method in imparting training for decision-making. In decision-making, there are several complex variables, which change under dynamic conditions. It is because of this, case study method has its own limitations. The main contributors of this school of thought are- Harvard Business School, Ernest Dale and the Management Associations in various countries, especially American Management Association.

The main features of this school of thought are:

- (a) Management is the study of experience.

- (b) The management experience can be passed over to the practitioners and students.
- (c) The success and the failure of management in the process of decision-making could provide guidance to the manager in the similar situation.
- (d) Theoretical research has to be based on practical experience.

2. The Human Behaviour or Human Relation School:

Management could be rightly thought of as the process of getting things done through or with people. If that is so, any organization could be compared to a structure made up of human beings. The relationship among these people is the cementing force that binds them together in pursuit of common organizational goals. According to this school of thought management is the study of behaviour of people at work.

This school had its origin in a series of experiments conducted by Professor Elton Mayo and his associates in Harvard School of Business at the Western Electric Company's Hawthorns Works near Chicago. These studies brought out for the first time the importance of relationship between social factors and productivity. Until then the productivity of the employee was considered to be a function only on physical conditions of work and money wages paid to them. For the first time, it was realized that productivity depended heavily upon the satisfaction of the employee in work situations.

Following the Hawthorne Experiments, a great deal of work has been carried on by behavioural Scientists belonging to variety of disciplines including psychology, sociology, anthropology and philosophy in studying the behaviour of people at work in organizations. Those who subscribe to the Human Relations or the Human Behaviour School of thought are of the view that the effectiveness of any organization depends upon the quality of relationships among the people working in the organization.

Supporters of this school are of the opinion that the management should concern itself with the analysis of organizational behaviour or the interaction among the people at work. Apart from the study of formal organization and techniques used by such organizations, this school studies the psychological change, motivation and relationships among the various groups of people constituting organization and the climate of the organizations. In short, this school of thought concentrates on people and their behaviour, within formal and informal organization.

To summarize, the main features of this school are:

- (a) Since, Management is getting things done through and with people, a manager must have a basic understanding of human behaviour in all its aspects, particularly in the context of work groups and organizations.
- (b) Management must study inter-personal relations among people.

- (c) Motivation of people and higher productivity can be achieved only through good human relations.
- (d) Motivation, leadership, communicating, trading, participative management and group dynamics are critical to the study of management.
- (e) The study of management draws upon the concepts and principles of various behavioural sciences like psychology and social psychology.
- (f) The main thinkers subscribing to this school of thought are Elton Mayo, Roethlisberger, McGregor and Keith Davis. This school has also benefited from the contributions of psychologists like Maslow, Argyris, Herzberg and McClelland.

3. The Social System School:

This school of thought is closely related to the Human Behaviour or Human Relations School of thought. In this school of thought, an organization is considered as a Social System consisting of various groups of people. The founder of this thought is Chester Bernard, who considered an organization as a co-operative system involving collaboration and co-operation among various groups of people.

In real world, we can see that co-operation among the people exists, the society will not have any problem, so also, in an organization, which is considered to a social system consisting various groups of people working together to fulfill organizational goals must work with common understanding and co-operation.

The major contribution of this school of thought is in the development of concepts and theories related to the formal organization, that is, the organization as formerly planned by the entrepreneurs or the top management. Another area in which valuable contribution has been made by the pioneers belonging to this school is that of the informal organization.

An important aspect of the Social System School of thought in management is its focus on the cultural factors in the working of an organization. It is recognized by the exponents of this school that people working together in groups have their own norms and values, which have a bearing on the contribution that they are likely to make towards the goals of the organization.

Moreover the organization has its own cultural environment made of norms and values, which in turn has effect on the functioning of the organization. If the elements of society are highly disciplined one, then the employees will also be of high culture and discipline.

The main features of this school are:

- (a) An organization is a social system. It is a system of cultural relationship, and management concerned with the effectiveness of an organization must study it as such.

- (b) Formal organizations represent cultural relationships of the social groups working within the organization.
- (c) Co-operation among the members working and the groups is essential and is the core of the effective management.
- (d) Management has to direct its efforts towards establishing harmony between the goals of organization and the needs, aims and aspirations of the people comprising the various groups in the organization.
- (e) Relationship exists between internal and external environments and it may change from time to time depending social changes.

The main pioneers and contributors to this field are Max Weber, Moreno, Simon and Rensis Likert.

4. The Decision Theory School or Decisional Management School:

The main work of management is to make decisions. Whatever a manager does is the outcome of a decision made by him from the data on hand and the alternatives available to him. The decision theory school of management thought concentrates its attention on decision-making and treats the various aspects of decision-making as constituting the scope of the study of management.

This school of thought has its origins in the theory of consumer's choice, which has been the favourite preoccupation of the economists since early 19th century. Economists have been trying to determine the process through which a consumer makes a rational choice from among a number of alternative commodities or products available to him. It also takes into account some of the relatively irrational or logical aspects of consumer's choice.

While the Decision Theory School of Thought accepts the basic assumptions that decisions are taken through rational choice from among different alternatives given different constraints, it does not confine itself to the process of decision-making. In fact, analysis of this school includes the behaviour of the person or organizational groups making the decision.

Going further into the question of decision-making, the exponents of this school also concern themselves with the various factors involved in decision-making including the implementation of the decisions, the psychological and sociological foundation of decisions and even the cultural background of the decision-makers. This school of thought is very close to the Social System School of thought.

The main features of this school of thought are:

- (a) Decision-making is very important in the study of management.

- (b) The field of management theory is in essence the field of decision-making.
- (c) The members of any organization are essentially decision-makers and problem-solvers irrespective of their cadre. Hence, management is the study of the process of decision-making and the personalities and behaviour of the decision-makers.
- (d) Management information system, the process and techniques of decision-making form the subject matter of the study of management according to the decision theory school of thought.

The main contributors and thinkers of this school of thought are Chester Bernard, James March, Herbert Simon, Forrester and Richard Cyert.

5. The Mathematical or Quantitative Measurement School:

Mathematics has been universally recognized as an important tool of analysis and a language for precise expression of concepts and relationships among concepts. Mathematics has now made entry in the field of management and is used by modern managers in decision-making process. Now all branches of study have been considered as optimal blend of mathematics and the principle subject.

The scientific and technological developments and the introduction of computers have brought management and mathematics closer to each other. Mathematics is being used in management to study various problems and analyze them to find an optimal and rational solution to these problems. In this sense, mathematics is closely related to the Mathematical School of Thought or Decision Theory School of Management.

The exponents of the mathematical school of thought believe that effective solutions to the problems of management can be achieved through application of simulation and by the use of analytic and synthetic mathematical techniques. The contributors of this school of thought have been using mathematical and quantitative techniques in developing models of the various kinds of decision and problems involved in managing organization with a view to understanding them and also finding optimal solutions to them.

For example, a manager can use inventory models to solve the problems of inventory, Maintenance models to solve the problems of maintenance and Resource allocation models to have optimal utilization of existing resources. Nowadays, the mathematical branch Operations Research has become indispensable tool of a modern manager in making decisions. In fact, it is Fredric Winslow Taylor (F.W. Taylor), father of scientific management has advocated the use of science in management. The thinkers of this school have been labelled as Management Scientists.

The main features of mathematical school of thought are:

- (a) Management is concerned with problem solving and it must make use of mathematical tools and techniques for the purpose.
- (b) The different factors involved in management can be quantified and expressed in the form, of models and with the help of mathematics they can be solved.
- (c) Management problems can be expressed in mathematical symbols.
- (d) Operations Research, mathematical tools simulation and model building are the basic methodologies developed by this school of thought.

But one thing we have to remember is that mathematical models cannot be substitutes for sound judgement, they are only the means to make decisions. The results of the decision depend on the experience and insight of the decision-maker. The main contributors of this school of thought are, F.W. Taylor, Gilbreth, Henry Gantt, Joel Dean, Newmann, Ackoff and Hicks. Mathematics has certainly helped management in systematizing thinking and has lent a certain measure of exactness to the management discipline.

6. The Systems Approach or Systems Management School:

No doubt that major contribution in the development of management thought since 1960s have come basically from the quantitative and behavioural science schools of thought. However, a new direction in management thought has evolved which is named as Systems Approach. Though the systems approach is very much common in natural and physical sciences, this application is new to the field of management.

The system is composed of related and interdependent elements, which form a unitary whole. It may be considered an assembling or a combination of things or parts forming a complex whole. Every system is made up of a number of sub-systems arranged in a hierarchy. From this point of view that an organization may be considered as a system made of number of sub-systems as marketing department, personal department, finance department, and production department.

Once again each subsystem may be considered as an independent system for detailed analysis. According to the systems approach school of thought, attention must be given to the overall effectiveness of the system rather than the effectiveness of a sub-system in isolation. The major concerns here are inter-relationship and interdependence of various subsystems, from the point of view of the total effectiveness of main system.

According to the traditional schools of management thought developed before the Systems Approach, each department or function of management has to be studied separately. However, with the introduction of the Systems Approach, this approach or method of study has to be changed. In an organization, for instance, a project management approach may be introduced by forming teams drawn from different specialization coordinated by a project manager.

This team represents a combination of subsystems brought together in pursuit of goals of the organization (main system). Systems could be simple or complex. Simple systems can be studied in terms of input, the process and the output. In addition, feedback from the output could be linked with the input so that improvements could be brought about in input or process. To study large and complex systems, computers are made use of to build up models and to simulate.

The major features of this school are:

- (a) A system consists of interdependent and interrelated parts known as subsystems.
- (b) The systems approach emphasizes the study of the various parts in their interrelationships rather than in isolation from each other.
- (c) The systems approach to management brings out the complexity of a real life management problem much more sharply than any of the other approaches.
- (d) The systems approach can be utilized by any of the other approaches including the process approach, the mathematical approach etc.
- (e) The systems approach has been utilized in studying the function of complex organizations.

The major contributors to the Systems Approach School of thought are Kenneth, Boulding, Johnson, Cast, Rosen Zweig and C.W. Churchman. We can also remember here Martin, particularly in the area of management audit system. The Systems Approach has an edge over the other approaches in so far as the closeness to reality is concerned.

7. The Management Process School or the Operational Approach School:

This approach is also known as Traditional Approach, the Universalistic Approach or the Classicist Approach. Henry Fayol, a French management practitioner is the founder of this school of thought. According to this school of thought, management can be best studied in terms of the process consisting of five broad categories of functions, namely, Planning, Organizing, Staffing, Directing and Controlling.

Basing on this, this school of thought has evolved some universal principles of management. The subscribers of this school are of the view that management principles are universally applicable. These principles can be applied to any type of organization, may be business, trade, manufacturing organizations or government organizations.

Main features of this school of thought are:

- (a) The study of management should focus on the role and functions of managers.
- (b) The functions of managers are the same irrespective of the type of organization.

(c) The conceptual framework of management can be built through an analysis of the processes of management and identification of principles.

(d) The five functions, namely- planning, organizing, staffing, directing and controlling are the core of management.

This School of thought has been criticized on the following:

(a) This school is losing ground as hardly any significant contribution has been made after Henry Fayol's contribution.

(b) The so-called universal principles of management do not always stand the test of empirical scrutiny.

(c) Organizations functions under dynamic conditions and therefore searching for universal principles may not always be a fruitful exercise.

With all these criticisms, the management process school does prove a concept on framework, which could be usefully utilized in understanding the basics of management.

The chief contributors of this school of thought are Henry Fayol, J.D.Mooney, A.C. Reiley, Lyndall Urwick, Haroled Koontz, Newman and McFarland.

8. The Contingency School:

From all the above discussions, we can see that the whole field of management is divided into two streams:

1. Behavioural Approach and
2. Quantitative Approach.

Quantitative approach works in some situations while the behavioural approach works in some situations. Those who work in the fields of psychology, sociology, anthropology and philosophy will follow behavioural approach and provide useful insight to the field of management from their works. Those who come from disciplines like mathematics; physical sciences have been trying to apply quantitative techniques of analyses to an understanding of management problems.

The main problem however is that while quantitative people could not overcome behavioural problems, the behavioural people could not cope up with operational problems adaptable to quantitative solutions. In recent years it is seen neither of the two have answers to all the

situations. When manager faces with a problem, he must use the basic principles of the two approaches and blend them with his experience and apply systems approach to get a reliable answer.

In view of this, the thinkers and writers in the field of management is now veering round the view that the study of management calls for a contingency approach, which falls somewhere between simplistic and specific principles and complex and vague notions. According to this approach, management is situational.

Study of management according to this approach, lies in identifying the important variables in the situation. This approach has been used in important subsystems of management like organization, design, leadership, behaviour and operations. In present seen of management this approach is more suitable one. Major contributors to this school are- Woodward, Fiedler, Lorsch and Lawrence.

SCIENTIFIC MANAGEMENT

Definition of scientific management by **Frederick Taylor**

- “ **Scientific Management approach is an art of knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way.’ This is also known as Frederick Taylor Theory of management .**

Objectives of Frederick Taylor Theory

- Prevent the wastage of time.
- Reduce the cost of production.
- Secure the labor in industry.
- Increase the efficiency of the workers.
- Develop the relationship between workers and managers.

Frederick Taylor’s Scientific Management Principles:

• Science, not the Rule of Thumb:

The basic principles of scientific management theory by Taylor, are adopting a scientific approach to decision making. Even abandons the all unscientific approach from managerial activities. So, we can say that these principles suggest *thinking before doing*.

• Harmony, not Discord:

An organization consists of two groups, i.e., ‘workers’ and ‘management.’ They must create the ‘Give and Take’ relationship in the workplace. Therefore, Taylor emphasized on Mental Revolution, which means a change of attitude of both groups based on this principle. They should share the opinions and ideas of each other.

• Co-operation, not Individualism:

It shows the importance of each other (management and workers). Management should reward and appreciate the employees for their helpful suggestions. At the same time, employees also cooperate with the management for the improvement of the organization.

- **Development of Every Person to his/her Greatest Efficiency and Prosperity:**

Employees should be properly trained and selected scientifically. And it is essential for each organization. For implementing this task, Taylor arranged some techniques, for instance, work-study, time study, motion study, fatigue study, and method study.

- **Maximum, not Restricted Output:** Maximum productivity is the basic purpose of an organization. In this case, Taylor has emphasized the production maximization in his principles.

Functions of Scientific Management Approach:

From Taylorism, we can find some significant functions. These functions positively help the administrators in their organization's leading. Such as:-

- According to the skills and abilities, an employee must be selected.
- Incentives and wages have to install for enhancing their output and encouraging them.
- Implemented those methods which are based on scientific tasks.
- Carefully observe eradicating interruptions when the plan runs.
- In an organization, leadership should develop and standard.

Features of Frederick Taylor Theory:

According to Taylor, we can find some important features in Scientific Management Theory. Here has described those important features. Such as:

- **Universal:** Its principles apply to all kinds of organizations, business, non-business, all levels of management. Therefore, they are all-pervasive or universal.
- **Flexible:** Here available some flexible features. For example, dynamic guidelines, non-static rules, sufficient room for managerial discretion, Modification, and improvement.
- **Cause & Effect Relationship:** It indicates what will be the result of particular actions. So, if one is known, the other can be detected.
- **Aims at Influencing Human Behavior:** Human behavior is not simple and predictable. It always tries to deal with human behavior so that employee can able to give the best result.
- **Equal Importance:** To achieve the organization's goal, we have to prioritize all things. These principles are the best examples of equal importance.
- **Scientific Selection, Training, and Development of Workers:** In the organization, workers must select, train, and develop through the scientific way.
- **Equal Division of Responsibility between Management and Workers:** Each business environment has to ensure the equal division of responsibility between management and workers.

Management By Objective Management guru peter drucker is credited with being the first to introduce management by objectives (mbo) as an approach for increasing organizational effectiveness. he observes that every manager, from the highest to the lowest levels in the organisation, should have clear objectives to pursue. according to him, such a process would enable each manager to have a clear understanding of what the organisation expectsof him or her and how their individual objectives are integrated with the overall organizational objectives. george odiorne

has done substantial research work on mbo and further popularized the concept.●

To quote George Odiorne, "MBO is a process whereby the superior and subordinate managers of an organisation jointly identify the common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these resources as guides for operating the unit and assessing the contribution of each of its members".

Prerequisites of MBO

- MBO is not merely a goal-setting tool. It is a philosophy and has to be understood thoroughly by the managers concerned with achievement of objectives.
- Top management must be willing to implement the system wholeheartedly. Its support and encouragement are crucial for the success of MBO. The necessary democratic climate has to be created in the organisation for setting the goals in a realistic way.
- Goals have to be spelt out in specific and clear terms. To the extent possible, they must be made realistic because goals motivate employees towards better performance.
- The key result areas (KRAs) of the business have to be identified and appropriate goals have to be specified for these areas. All the important areas of the business must be covered with meaningful goals.
- It has to be realized that goal-setting in the MBO process is not an end by itself. It is only a means to achieve organizational effectiveness. Otherwise, goal-setting becomes the primary task rather than their achievement.
- Appropriate organisation structure has to be designed with well understood relationships among people such that every goal becomes some individual's responsibility.
- Besides clarifying the organizational roles by adopting a suitable organisation structure, attention has to be paid on the resources required by the people to achieve the goals. Otherwise, goals by themselves, however effective they are, do no assure performance. Performance depends on the timely availability of resources. Non availability or inadequate access to the resources frustrates the individuals concerned with the achievement of goals.

Nature of Objectives

'Objectives' are the end points of management action. They provide meaning to the existence of an organisation. Objectives are the specific targets to be achieved by an organisation. They are the end-points towards which all management activities like organizing, staffing, directing and controlling are directed. In other words, only after defining the basic objectives for which an organisation exists, can the manager determine the kind of organisation, the type of personnel and their skills, the kind of motivation and direction and the nature of control techniques which may be employed to achieve the ends.

1. **Objectives may be in quantitative or qualitative terms.** For example, in the areas of market standing, productivity and physical and financial resources quantification is possible. On the other hand, worker's morale, social responsibility, etc. cannot exactly quantified. However,

objectives in the latter category may be expressed in qualitative terms. Thus, quantitative objectives are gauged by '*how much*' while qualitative objectives by '*how well*'.

2. **Objectives have hierarchy** in that objectives which have wider scope and are relevant for the whole organisation are known as enterprise objectives. These objectives are split into unit level or departmental

objectives. Thus, objectives at all levels in the organisation are interrelated and form a network.

3. **Short-term and Long-term Objectives:** Short-term objectives are those which are sought to be achieved by the organisation in the immediate future, while long-term objectives are those which are aimed to be achieved over a longer period, say five to ten years or even more. However, both are not mutually exclusive and are interrelated.

4. **Objectives sometimes may be in conflict with each other** as the goals of the various departments at times may clash. Each department considers that its goals are more important. For example, the production goal of low unit cost achievable through mass production may be in conflict with the sales goal of offering high quality goods. Such conflicts have to be resolved amicably.

Process of MBO

Having understood the basic characteristics of the objectives, let us examine the process of MBO. As a process, management by objectives begins at the top of the organization with the establishment of specific organizational objectives. Subsequently, objectives at various levels down the hierarchy are decided by mutual discussions and consultations by both superiors and subordinates.

The process of MBO includes the following steps:

- establishment of goals for the whole organisation,
- preparation by subordinates, of specific goals within the framework provided by the superior,
- joint discussion of an agreement upon the goals by the superior and subordinate, joint review of progress at regular intervals in the light of the predetermined goals, and corrective measures, if necessary, as revealed by the review.

In the Whole Process, Setting of Goals for the Subordinate Positions is the crucial step. Unlike in the traditional system where goals are decided for the subordinates by the superiors, in the MBO system, goals are set on the basis of consensus reached in the discussions between superiors and subordinates. They are set in a democratic way.

Superiors act as facilitators and create a favorable climate where subordinates freely express their opinions, viewpoints and perceptions about what they believe could be Achieved. The process ensures meeting of minds between superiors and subordinates. As a result, there is ample possibility for the subordinates to feel that they are working for their own goals and not for somebody else's. Consequently, they strive to achieve the goals. As they participate in the goal setting exercise actively, they in turn get motivated to achieve them. Once they achieve the

goals, that contributes for the satisfaction of their ego needs. Thus, MBO serves as a motivational technique.

Advantages of MBO

An organization can benefit in the following ways by implementing MBO.

- Accomplishes consistency in objectives as each department's objectives are consistent with the organizational objectives, the possibility for the various departments working at cross purposes is very less.
- Contributes for effective management by providing lot of clarity in the objectives and the organization that is necessary to achieve them;
- Forces the management to plan the activities in a systematic way.
- Facilitates objective performance appraisal. As the goals themselves become the standards against which the actual performance is measured, MBO system itself acts as an effective performance appraisal tool.
- Contributes for the installation of a democratic and participative setup essential for the success of an organization in a complex business environment of today. The interaction that takes place between the superiors and subordinates is a good sign of human resource development in the organization.

What is Management by Exception?

Management by exception is a business management strategy which states that managers and supervisors should examine, investigate and develop solutions for only those issues where there is a deviation from set standards, norms, business practices or any other financial goals like profits deviation, quality issues, infrastructure issues, etc. instead of examining and dealing with each routine business activities.

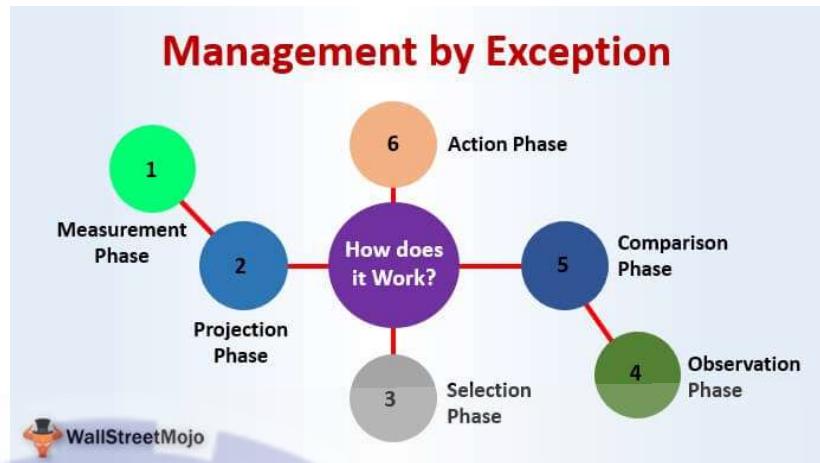
Management by exception (MBE) is a practice where only significant deviations from a budget or plan are brought to the attention of management. The idea behind it is that management's attention will be focused only on those areas in need of action. When they are notified of variance, managers can hone in on that specific issue and let staff handle everything else. If nothing is brought up, then management can assume everything is going according to plan.

This model is similar to the vital signs monitoring systems in hospital critical care units. When one of the patient's vital signs goes outside the range programmed into the machine, an alarm sounds and staff runs to the rescue. If the machine is quiet, it's assumed that the patient is stable, and they will receive only regular staff attention.

Explanation

Management by exception is the system of spotting and reporting a situation to management only in the case where there is an actual requirement of a manager level staff. The basic purpose is to utilize management time in the most efficient and best possible manner by involving them only when there is an important deviation from the routine or normal business results.

As a result, they will have more time to look into an important matter involving major variances and can give their best in fine-tuning the problem while other minor matters may be handled by the lower level staff directly. It helps management to detect and clear the hurdles which need decision making and take the best suitable actions. In this system, management is provided with a concise, unvaried comparative full detailed report covering all major aspects of the issue.



System of Management by Exception:

I Phase: Measurement Phase:

In this phase, facts of operational situation are collected and assessed, i.e., use of performance of its whole range inputs such as efforts contributing to the goals of the organization; its productivity, money flow, effectiveness of financial resources being used to produce goods, services and profits; availability and wastage of material and its economy from its purchase through processing and storing to delivery for finished products utilisation, capability and productivity of the machines.

The information about all these factors are utilised by way of quantitative measurements like using time standards, balance sheet data, inventory data, inspection results of finished products, inventory accumulation for sales, current assets, equipment utilization data.

II Phase: Projection Phase:

In this phase, analysis of those measurements which are meaningful to the objectives of the organisation for future outlook or expectations is carried out. Past and present data are projected by using the statistical concept like probability, standard deviation, confidence, correlation, sample size, significance etc.

Examine the potential effect of changes expected as per forecast. Then the projections are modified by the forecasts to decide the ‘goals’. At this stage complete planning is thoroughly looked at from the angle of existing policies and procedures, organization structure, adequacy and capability of the existing staff and equipment. If need arises necessary changes are made.

III Phase: Selection Phase:

In this phase, those vital and economical available measures are selected, which will best indicate the progress towards its objectives. Thus the criteria are selected, which the management would like to use to follow the progress or performance towards predicted objectives.

This phase examines the measurements used that are useful for achieving business objectives. Based on historical data, projections are prepared by applying statistical knowledge such as significance, probability, confidence, standard deviation, sample size, correlation. After this, plans are developed according to the forecast. In the current scenario, a complete forecast strategy is extensively checked from all possible outcomes like procedures and existing policies, capability and adequacy of equipment and staff, organization structure, etc. If required, plans may be amended.

IV Phase: Observation Phase:

In this phase, current status of performance is periodically observed and measured. The system should be reliable, automatic and adequate. Adequate means of observations should neither be too less nor too more, and only necessary information at desired frequency is obtained.

V Phase: Comparison Phase:

In this phase, comparison is made between the actual and expected performance and progress in order to identify the exception, analyze causes and report the need for action to the appropriate authority about the exceptions that required priority of attention.

VI Phase: Action Phase:

This is the phase, where decisions are taken and implemented with a view to bring the performance to the desired level or adjust in anticipations to reflect changing conditions or take full advantage of better performance or opportunity.

Thus the Management by Exception compromise as systematic approach of handling the management problems and free the manager from the demands of routine work, which enables him to devote more time for creative efforts directed towards “improving the overall efficiency of the organisation”. This also provides necessary information readily available, for taking timely and qualitative decisions, which would require lot of time.

Advantages:

- It helps in the best possible utilization of time as managers are asked to resolve problems only at crucial levels.
- As managers are free from routine work, they can apply their full energy with concentrated efforts on critical problems.
- Due to the limited workload, managers can undergo an in-detailed analysis of work to be done.
- Management activities and control are increased by management by exception.

- It helps in accessing past trends and old work easily.
- It predicts the management opportunities and problems which may arise in future.
- Both qualitative and quantitative efforts are involved in this process.
- It lowers the amount of financial and operational results to be viewed by the management.
- It helps the lower and subordinate staff to implement their own ideas to achieve the desired target.

Limitations of Management by Exception:

Management by exception is not a solution to all management problems; it has its limitations as well.

Some of them are:

1. It requires a comprehensive observing and reporting system
2. It increases paper work.
3. The system is silent till the problem becomes critical.
4. Some important factors, like human behavior, are difficult to measure.

Disadvantages:

- It is based on past results with which current data is compared. Accordingly, if the past data is not proper there may be problems in current decision making.
- It needs a detailed study, observation, and reporting system, so it requires a financial analyst who makes summaries and reports and presents it to the management and hence requires additional manpower.
- The system will not warn until the problem occurs i.e., it acts as corrective instead of preventive.
- It cannot measure human behavior. Therefore, sometimes difficult to implement.

Conclusion:

Management by exception is a management strategy that requires management to ensure its engagement only in the case where there are recorded deviations from the set standard, norms, and benchmarks. It also indirectly helps to boost employee morale as they become part of decision making and problem-solving which would otherwise have been dealt with by manager-level staff which indirectly gives a sense of authority and responsibility in employees.

TOTAL QUALITY MANAGEMENT

W. Edwards Deming, Armand V. Feigenbaum and Joseph M. Juran jointly developed the concept of TQM. Initially, TQM originated in the manufacturing sector but it can be applied to all organizations. The concept of TQM states that every employee works towards the improvement of work culture, services, systems, processes and so on to ensure a continuing success of the organization. TQM is a management approach for an organization, depending upon the participation of all its members (including its employees) and aiming for

long-term success through customer satisfaction. This approach is beneficial to all members of the organization and to the society as well.

Definition of TQM

Total Quality Management is defined as a customer-oriented process and aims for continuous improvement of business operations. It ensures that all allied works (particularly work of employees) are toward the common goals of improving product quality or service quality, as well as enhancing the production process or process of rendering of services. However, the emphasis is put on fact-based decision making, with the use of performance metrics to monitor progress.

The key principles of Total Quality Management

Commitment from the management:

- Plan (drive, direct)
- Do (deploy, support, and participate)
- Check (review)
- Act (recognize, communicate, revise)

Employee Empowerment

- Training
- Excellence team
- Measurement and recognition
- Suggestion scheme

Continuous Improvement

- Systematic measurement
- Excellence teams
- Cross-functional process management
- Attain, maintain, improve standards

Customer Focus

- Partnership with Suppliers
- Service relationship with internal customers
- Customer-driven standards
- Never compromise quality

Process Oriented

- Thinking about the process
- Handling of the process
- Processes which are result oriented

Decision Making Based on Facts Only and Not on Opinions

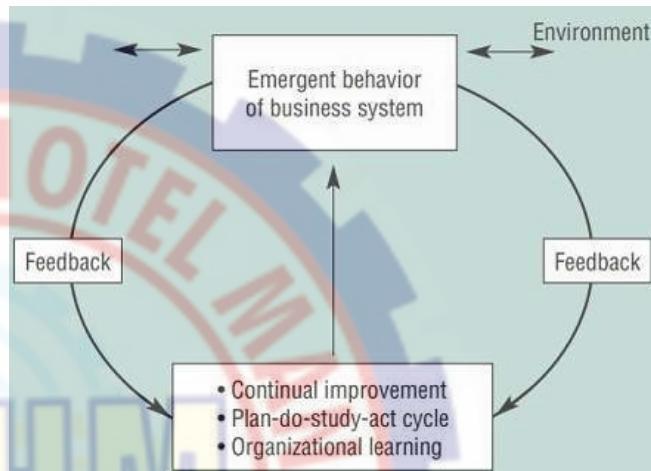
- Integrated, strategic and systematic approach to ensure the entire organisation is aligned

- Communication must be open and at all levels of the organisation.

BENEFITS OF TOTAL QUALITY MANAGEMENT

Total quality management benefits and advantages:

- Strengthened competitive position
- Adaptability to changing or emerging market conditions and to environmental and other government regulation
- Higher productivity
- Enhanced market image
- Elimination of defects and waste
- Reduced costs and better cost management
- Higher profitability
- Improved customer focus and satisfaction
- Increased customer loyalty and retention
- Increased job security
- Improved employee morale
- Enhanced shareholder and stakeholder value
- Improved and innovative processes



Essential requirements for successful implementation of TQM

- **Commitment:** Quality improvement (in all aspects) must be everyone's job in the organization. An apparent commitment from the top management, breaking down the barriers for continuous quality improvement and steps required to provide an environment for changing attitudes must be provided. Training and support for this should be extended.
 - **Culture:** There should be proper training to effect the changes in attitude and culture.
 - **Continuous Improvement:** Recognize improvement as a continuous process, and not merely a one-off program.
 - **Customer Focus:** Perfection in service with zero defects and full satisfaction to the end-user whether it's internal or external.
 - **Control:** Ensure monitoring and control checks for any deviation from the intended course of implementation.
1. Plan
 2. Do
 3. Check
 4. Act

This is also referred to as the PDCA cycle.

Planning Phase: This phase is the most crucial phase of total quality management. Under this phase, employees have to come up with their respective queries and problems which need to be addressed. The employees apprise the management of different challenges which they are facing in their day to day operations and also analyze the root cause of the problem. They need to do the required research and collect significant data which would help them find solutions to all the problems.

Doing Phase:

In this phase, a solution for the identified problems in the planning phase is developed by the employees. Strategies are devised and implemented to crack down the challenges faced by employees. The efficiency and effectiveness of solutions and strategies are also evaluated in this stage.

Checking Phase:

Under this phase, a comparison analysis of before and after is done in order to assess the effectiveness of the processes and measure the results.

Acting Phase: This is the last phase of the cycle, in this phase employees document their results and prepare themselves to address other problems.

Beliefs about Total Quality Management

Following are the universal Total Quality Management beliefs:

- Satisfaction of the customer/owner is the measure of quality.
- Everyone is an owner.
- Continuous Quality improvement must be there.
- Analysis of the processes is the key to quality improvement.
- Constant TQM is not possible without consistent, active and enabling leadership by managers at all levels.
- It is important to incessantly improve the quality of the products and services which we are supposed to provide to our customers/owners.

W. EDWARDS DEMING'S 14 POINTS FOR TOTAL QUALITY MANAGEMENT

1. Create constancy of purpose for improving products and services.
2. Adopt the new philosophy.
3. Cease dependence on inspection to achieve quality.
4. End the practice of awarding business on price alone; instead, minimize total cost by working with a single supplier.
5. Improve constantly and forever every process for planning, production and service.
6. Institute training on the job.
7. Adopt and institute leadership.
8. Drive out fear.
9. Break down barriers between staff areas.
10. Eliminate slogans, exhortations and targets for the workforce.
11. Eliminate numerical quotas for the workforce and numerical goals for management.
12. Remove barriers that rob people of pride of workmanship, and eliminate the annual rating or merit system.
13. Institute a vigorous program of education and self-improvement for everyone.
14. Put everybody in the company to work accomplishing the transformation.

What is Corporate Social Responsibility (CSR)/Social Responsibility of organization

A business enterprise is an important part of the society and it should do its operations and earn money in ways that satisfy the expectations of the society. Social responsibility of a business

refers to the obligations to take those decisions and perform those actions which are desirable in terms of the objectives and values of society. It is the idea that businesses should balance profit-making activities with activities that benefit society; it involves developing businesses with a positive relationship with the society in which they operate.

Corporate social responsibility (CSR) refers to strategies that companies put into action as part of corporate governance that are designed to ensure the company's operations are ethical and beneficial for society.

EXAMPLE -You must have heard of Ultratech Cement. It is the biggest cement company in the country. But did you know that it does social work and development across 407 villages in the rural sector? It focuses on education, healthcare and infrastructure in these villages. Just like them, various businesses in India carry out various types of social responsibility.

CATEGORIES OF CSR:-

Although corporate social responsibility is a very broad concept that is understood and implemented differently by each firm, the underlying idea of CSR is to operate in an economically, socially, and environmentally sustainable manner.

Generally, corporate social responsibility initiatives are categorized as follows:

1. Environmental responsibility

Environmental responsibility initiatives aim at reducing pollution and greenhouse gas emissions, and the sustainable use of natural resources.

2. Human rights responsibility

Human rights responsibility initiatives involve providing fair labor practices (e.g., equal pay for equal work) and fair trade practices, and disavowing child labor.

3. Philanthropic responsibility

Philanthropic responsibility can include things such as funding educational programs, supporting health initiatives, donating to causes, and supporting community beautification projects.

4. Economic responsibility

Economic responsibility initiatives involve improving the firm's business operation while participating in sustainable practices – for example, using a new manufacturing process to minimize wastage.

THE NEED FOR SOCIAL RESPONSIBILITY

- 1. Self-interest:** It is in the self-interest of the business to have a social responsibility as it opens opportunities for understanding the problems and issues of society.

2. **A better environment for Business:** In today's cynical age, social responsibility keeps the businesses honest and the markets stable.
3. **Public image:** When a business takes initiative to solve the problems of the society, it puts the business in the goodwill of the people.
4. **Social power:** A leader is a helper. Helping the society is a form of social responsibility. Executing social work helps the business attain social power within the society.

BUSINESS BENEFITS OF CSR

In a way, corporate social responsibility can be seen as a public relations effort. However, it goes beyond that, as corporate social responsibility can also boost a firm's competitiveness. The business benefits of corporate social responsibility include the following:

1. Stronger brand image, recognition, and reputation CSR adds value to firms by establishing and maintaining a good corporate reputation and/or brand equity.
2. Increased customer loyalty and sales Customers of a firm that practices CSR feel that they are helping the firm support good causes.
3. Operational cost savings investing in operational efficiencies results in operational cost savings as well as reduced environmental impact.
4. Retaining key and talented employees often stay longer and are more committed to their firm knowing that they are working for a business that practices CSR.
5. Easier access to funding many investors are more willing to support a business that practices CSR.
6. Reduced regulatory burden Strong relationships with regulatory bodies can help to reduce a firm's regulatory burden.

Concept of Entrepreneurship

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. The most prominent example of entrepreneurship is the starting of new businesses. In economics, entrepreneurship connected with land, labor, natural resources and capital can generate a profit. The entrepreneurial vision is defined by discovery and risk-taking and is an indispensable part of a nation's capacity to succeed in an ever-changing and more competitive global marketplace

Meaning of Entrepreneur

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example

of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur makes is with a combination of land, natural resources, labour and capital. In a nutshell, anyone who has the will and determination to start a new company and deals with all the risks that go with it can become an Entrepreneur.

What are the 4 Types of Entrepreneurship..

It is classified into the following types:

- **Small Business Entrepreneurship-**

These businesses are a hairdresser, grocery store, travel agent, consultant, carpenter, plumber, electrician, etc. These people run or own their own business and hire family members or local employee. For them, the profit would be able to feed their family and not making 100 million business or taking over an industry. They fund their business by taking small business loans or loans from friends and family.

- **Scalable Startup Entrepreneurship-**

This start-up entrepreneur starts a business knowing that their vision can change the world. They attract investors who think and encourage people who think out of the box. The research focuses on a scalable business and experimental models, so, they hire the best and the brightest employees. They require more venture capital to fuel and back their project or business.

- **Large Company Entrepreneurship-**

These huge companies have defined life-cycle. Most of these companies grow and sustain by offering new and innovative products that revolve around their main products. The change in technology, customer preferences, new competition, etc., build pressure for large companies to create an innovative product and sell it to the new set of customers in the new market. To cope with the rapid technological changes, the existing organizations either buy innovation enterprises or attempt to construct the product internally.

- **Social Entrepreneurship-**

This type of entrepreneurship focuses on producing product and services that resolve social needs and problems. Their only motto and goal is to work for society and not make any profits.

Characteristics of Entrepreneurship:

Not all entrepreneurs are successful; there are definite characteristics that make entrepreneurship successful. A few of them are mentioned below:

•Ability to take a risk- Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.

•Innovation- It should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.

•Visionary and Leadership quality- To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.

•Open-Minded- In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, Paytm recognised the gravity of demonetization and acknowledged the need for online transactions would be more, so it utilised the situation and expanded massively during this time.

•Flexible- An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.

•Know your Product- A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.

Importance of Entrepreneurship:

•Creation of Employment-

Entrepreneurship generates employment. It provides an entry-level job, required for gaining experience and training for unskilled workers.

•Innovation-

It is the hub of innovation that provides new product ventures, market, technology and quality of goods, etc., and increase the standard of living of people.

•Impact on Society and Community Development-

A society becomes greater if the employment base is large and diversified. It brings about changes in society and promotes facilities like higher expenditure on education, better

sanitation, fewer slums, a higher level of homeownership. Therefore, entrepreneurship assists the organisation towards a more stable and high quality of community life.

•Increase Standard of Living-

Entrepreneurship helps to improve the standard of living of a person by increasing the income. The standard of living means, increase in the consumption of various goods and services by a household for a particular period.

•Supports research and development-

New products and services need to be researched and tested before launching in the market. Therefore, an entrepreneur also dispenses finance for research and development with research institutions and universities. This promotes research, general construction, and development in the economy.

Meaning of Small Business

Small businesses are either services or retail operations like grocery stores, medical stores, trades people, bakeries and small manufacturing units. Small businesses are independently owned organizations that require less capital and less workforce and less or no machinery. These businesses are ideally suited to operate on a small scale to serve a local community and to provide profits to the company owners.

Indian government defines small businesses on the basis of the business's ability to invest in the plant and machinery. According to the definition provided by the government website for business, business.gov.in, a small scale business is a business set up in which the financial commitment towards infrastructure such as building & equipment, whether made as an owner or on rental or purchase basis, does not surpass Rs. 1 crore.

TYPES OF SMALL BUSINESS

- Small-scale manufacturing industries.
- Handlooms and power loom.
- Khadi.
- Agro-based industries.
- Tuition Centers.
- Photography.
- Breakfast joint
- Printing.
- Coir.
- Sericulture.

NATURE OF SMALL BUSINESS

The nature of small businesses can be classified as follows:

1. Shoestring Budget

A sole proprietor or a small group of people operate small businesses. These businesses often run on ‘shoestring budget’ meaning that small businesses function on a very tight budget.

2. Labour intensive

Small businesses are mostly labour intensive. Various types of small business largely rely on labour for their functioning. The primary nature of small businesses is more involvement of physical work rather than intellectual work. The lack of machinery makes the employees manage their operations manually.

3. Community-based

Small businesses are started with the motive of satisfying the needs and demands of a local area or community. These businesses demographically target few areas of concentration and are hence community-based.

4. Indigenous technology

Due to small businesses being community focused and labour oriented they often thrive upon native methods of operations. In India, there are many businesses in the rural sector that still use outdated technology. This might give uniqueness to the products but hinders the development of the business.

