1.4 THE BEHAVIORAL SCHOOL (HUMAN RELATION):

- The behavioral school emerged partly because the classical approach did not archive sufficient production efficiency and workplace harmony.
- To 'managers' frustration,
- People did not always follow predicted or expected patterns of behavior.
- Thus there was increased interest in helping managers deal more effectively with a people side of their organizations.
- Several Theorists tried to strengthen with a people side of their organization theory with an insight of sociology and psychology.
- The human Relations movement
- A human relation is frequently used as a general term to describe the ways in which managers interact with their employees.
- When "employee management" simulate more and better work , the organization has a more and better work, the organization has effective human relations
- When morale and efficiency deteriorate, its human relations are said to be ineffective.
- The human relations movement arose from early attempts to systematically discover the social and psychological factors that would create effective Human reaction.

THE CONTINGENCY APPROACH

The contingency approach sometimes called (**situation approach**) was developed by the managers, consultants and researchers who tried to apply the concepts of the major schools to the real life.

- When methods highly effective in one situation failed to work in other situation.
- They sought an explanation.

- Why for example did an organization development work brilliantly in one situation and fail miserably in another.
- Advocates Of the contingency approach had a logical answer to such question. Results differ because situation differs. Techniques that work in one case will not work in other.
- According to the contagious technique the manager's job is to find which technique will in a particular situation, under particular circumstances and at a particular time.
- Best contributes to attainments of management goals, where workers need to encourage increasing productivity.
- For example a classical theorist may prescribe a new work simplification scheme.
- The behavioral scientist may instead seek to create a psychologically motivating climate and recommend.
- some approach like job enrichment the combination of tasks that are different in scope and responsibility and allow the worker greater autonomy in making decisions
- but the manager trained in the contiguous approach will ask
- Which ties the recourse are limited, work simplification would be the best solution,
- However skilled workers driven by pride in their abilities. a job enrichment program might be more effective.
- The contingency approach represents an important turn in management theory, but it portals each set of organization relationship in its unique circumstances.

SYSTEM APPROACH

- The system approach to management views the organizations as a unified, purposeful system composed of integral parts.

- This approach gives managers a way of looking at the organization as a hole and as a part of the larger external environment.
- Systems theory tells us that the activity of any segment of an organization affects, in varying degree the activity of every other segment.
- Production managers in a manufacturing plant, for example, prefer long uninterrupted production runs of standardized products in order to maintain maximum efficiency and low costs.
- Marketing managers on the other hand who want to offer customers quick delivery of a wide range of products would like a flexible manufacturing schedule that can fill special order on short notice.
- Systems oriented production managers make scheduling decisions only after they have identified the impact of these decisions on other department and on the entire organization.
- The point of system approach is that managers cannot wholly with in the traditional organization chart.
- They must mesh their department with the whole enterprise.
- To do that they have to communicate not only with other employees and departments, but frequently with representative of other organization as well.
- Clearly, systems managers grasp the importance of the webs of business relationship to their efforts.

The origin of management as a discipline was developed in the late 19th century. 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

Approaches. The approaches of management are theoretical frameworks for the study of management. Each of the approaches of management are based on somewhat different assumptions about human beings and the organizations for which they work.

The different approaches of management are

a) Classical approach,

b) Behavioral approach,

c) Quantitative approach,

d) Systems approach,

e) Contingency approach.

The formal study of management is largely a twentieth-century phenomenon, and to some degree the relatively large number of management approaches reflects a lack of consensus among management scholars about basic questions of theory and practice.

a) THE CLASSICAL APPROACH:

The classical approach is the oldest formal approach of management thought. Its roots pre-date the twentieth century. The classical approach of thought generally concerns ways to manage work and organizations more efficiently. Three areas of study that can be grouped under the classical approach are scientific management, administrative management, and bureaucratic management.

(i) Scientific Management.

Frederick Winslow Taylor is known as the father of scientific management. Scientific management (also called Taylors or the Taylor system) is a theory of management that analyzes and synthesizes workflows, with the objective of improving labor productivity. In other words, Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work.

(ii) Administrative Management.

Administrative management focuses on the management process and principles of management. In contrast to scientific management, which deals largely with jobs and work at the individual level of analysis, administrative management provides a more

General theory of management. Henri Fayola is the major contributor to this approach of management thought.

(iii) Bureaucratic Management.

Bureaucratic management focuses on the ideal form of organization. Max Weber was the major contributor to bureaucratic management. Based on observation, Weber concluded that many early organizations were inefficiently managed, with decisions based on personal relationships and loyalty. He proposed that a form of organization, called a bureaucracy, characterized by division of labor, hierarchy, formalized rules, impersonality, and the selection and promotion of employees based on ability, would lead to more efficient management. Weber also contended that managers' authority in an organization should be based not on tradition or charisma but on the position held by managers in the organizational hierarchy.

b) THE BEHAVIORAL APPROACH:

The behavioral approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The classical approach emphasized efficiency, process, and principles. Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behavior. Thus, the behavioral approach focused on trying to understand the factors that affect human behavior at work.

(i) Human Relations.

The Hawthorne Experiments began in 1924 and continued through the early 1930s. A variety of researchers participated in the studies, including Elton Mayo. One of the major conclusions of the Hawthorne studies was that workers' attitudes are associated with productivity. Another was that the workplace is a social system and informal group influence could exert a powerful effect on individual behavior. A third was that the style of supervision is an important factor in increasing workers' job satisfaction.

(ii) Behavioral Science.

Behavioral science and the study of organizational behavior emerged in the 1950s and 1960s. The behavioral science approach was a natural progression of the human relations movement. It focused on applying conceptual and analytical tools to the problem of understanding and predicting behavior in the workplace.

The behavioral science approach has contributed to the study of management through its focus on personality, attitudes, values, motivation, group behavior, leadership, communication, and conflict, among other issues.

c) THE QUANTITATIVE APPROACH:

The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its roots can be traced back to scientific management.

(i) Management Science (Operations Research)

Management science (also called operations research) uses mathematical and statistical approaches to solve management problems. It developed during World War II as strategists tried to apply scientific knowledge and methods to the complex problems of war. Industry began to apply management science after the war. The advent of the computer made many management science tools and concepts more practical for industry

(ii) Production and Operations Management.

This approach focuses on the operation and control of the production process that transforms resources into finished goods and services. It has its roots in scientific management but became an identifiable area of management study after World War II. It uses many of the tools of management science.

Operations management emphasizes productivity and quality of both manufacturing and service organizations. W. Edwards Deming exerted a tremendous influence in shaping modern ideas about improving productivity and quality. Major areas of study within operations management include capacity planning, facilities

Location, facilities layout, materials requirement planning, scheduling, purchasing and inventory control, quality control, computer integrated manufacturing, just-in-time inventory systems, and flexible manufacturing systems.

d) SYSTEMS APPROACH:

The simplified block diagram of the systems approach is shown in fig 1.

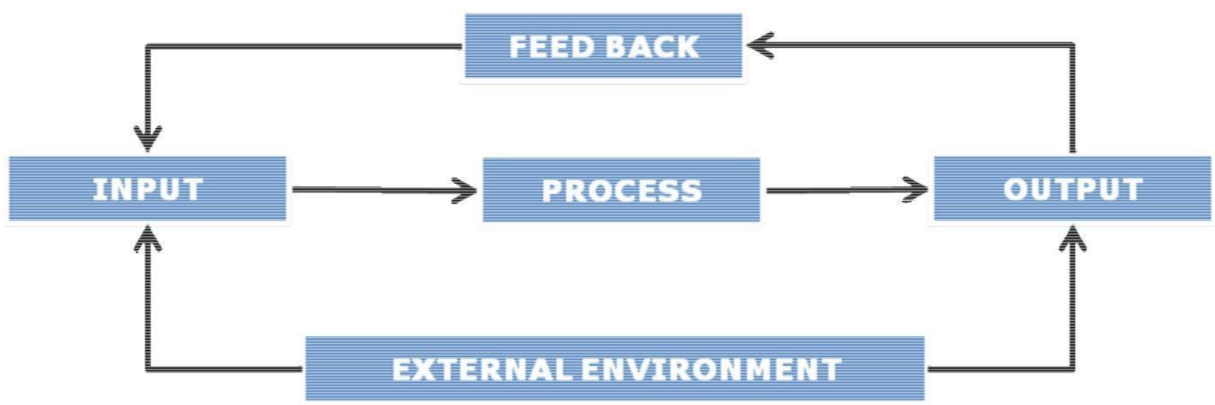

Fig 1: The System Approach

Source: Robert Reinter & Magmata Mocha patria, ― Management‖, Biztantra, 2008

The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The systems approach focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium

e) CONTINGENCY APPROACH:

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics,

Characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

MANAGEMENT APPROACHS	Beginning Dates	Emphasis
CLASSICAL APPROACH		
Scientific Management	1880s	Traditional rules of thumb are replaced by precise procedures developed careful study after of an Individual at work.
Administrative Management	1940s	The function gives idea about primaries of management and the 14 principles of administration.
Bureaucratic Management	1920s	Replaces leadership and traditional charismatic leadership with legal Leadership.
BEHAVIORAL APPROACH		
Human Relations	1930s	Workers' attitudes are associated with productivity
Behavioral science	1950s	Gives idea to understand human Behavior in the organization.

QUANTITATIVE APPROACH

Management Science (Operation research)	1940s	Uses mathematical and statistical approaches to Solve management problems.
Production and Operations Management	1940s	This approach focuses on the operation and control of the production process that transforms resources into finished goods and services
Recent development		
SYSTEMS APPROACH	1950s	Considers the organization as a system that transforms inputs into outputs while in constant Interaction with its' environment.
CONTINGENCY APPROACH	1960s	Applies management principles and processes as dictated by the unique characteristics of each Situation.

CONTRIBUTION OF FAYOL AND TAYLOR

F.W. Taylor and Henry Fayola are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management Taylor's Scientific Management

Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasis the need for adopting a scientific approach to the task of managing an enterprise. He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management.

He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

(a) Observation (b)

Measurement (c)

Experimentation and

(d) Inference.

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work. He summed up his approach in these words:

- Science, not rule of thumb
- Harmony, not discord
- Co-operation, not individualism
- Maximum output, in place of restricted output

- The development of each man to his greatest efficiency and prosperity.

Elements of Scientific Management: The techniques which Taylor regarded as its essential elements or features may be classified as under:

1. Scientific Task and Rate-setting, work improvement, etc.
2. Planning the Task.
3. Vocational Selection and Training
4. Standardization (of working conditions, material equipment etc.)
5. Specialization
6. Mental Revolution.

Scientific Task and Rate-Setting (work study): Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement.

Work study includes.

(a) **Methods Study:** The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.

(b) **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.

(c) **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.

(d) **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.

(e) **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

2. Planning the Task: Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there is no bottlenecks and the work goes on systematically.

Selection and Training: Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

Standardization: Standardization may be introduced in respect of the following.

Tools and equipment: By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

Speed: There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.

Conditions of Work: To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

Materials: The efficiency of a worker depends on the quality of materials and the method of handling materials.

Specialization: Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The `functional foremen' are specialists who join their heads to give thought to the planning of the performance of

Operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

(a) **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.

(b) **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.

(c) **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.

(d) **The Shop Disciplinarian**: To deal with cases of breach of discipline and absenteeism.

(e) **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.

(f) **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.

(g) **The Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.

The Inspector: To show to the worker how to do the work

Mental Revolution: At present, industry is divided into two groups – management and labor. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

Henry Fayal's 14 Principles of Management:

The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of lab our and specialization.

2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.

3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honored by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.

4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).

5. **Unity of Direction:** All members of an organization must work together to accomplish common objectives.

6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

10. **Order:** Fayal suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.

13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

1.4.1 TYPES OF BUSINESS ORGANIZATION

1.4.1.1 BUSINESS ORGANIZATIONS

A business is an organization that uses economic resources or inputs to provide goods or services to customers in exchange for money or other goods and services.

Business organizations come in different types

- Sole proprietorship
- Partnership
- Company
    - o Public sector
    - o Private sector

Sole proprietorship

A sole proprietorship is a business owned by only one person. It is easy to set-up and is the least costly among all forms of ownership.

The owner faces *unlimited liability*; meaning, the creditors of the business may go after the personal assets of the owner if the business cannot pay them.

The sole proprietorship form is usually adopted by small business entities.

Advantages

- Ease of formation and dissolution. Establishing a sole proprietorship can be as simple as printing up business cards or hanging a sign announcing the business. Taking work as a contract carpenter or freelance photographer,
- Typically, there are low start-up costs and low operational overhead.
- Ownership of all profits.
- Sole Proprietorships are typically subject to fewer regulations.
- No corporate income taxes. Any income realized by a sole proprietorship is declared on the owner's individual income tax return.

Disadvantages

- Unlimited liability. Owners who organize their business as a sole proprietorship are personally responsible for the obligations of the business, including actions of any employee representing the business.
- Limited life. In most cases, if a business owner dies, the business dies as well.
- It may be difficult for an individual to raise capital. It's common for funding to be in the form of personal savings or personal loans.

Partnership

A Partnership consists of two or more individuals in business together. Partnerships may be as small as mom and pop type operations, or as large as some of the big legal or accounting firms that may have dozens of partners. There are different types of partnerships—general partnership, limited partnership, and limited liability

Partnership—the basic differences stemming around the degree of personal liability and management control

Advantages

- Synergy. There is clear potential for the enhancement of value resulting from two or more individuals combining strengths.
- Partnerships are relatively easy to form, however, considerable thought should be put into developing a partnership agreement at the point of formation.
- Partnerships may be subject to fewer regulations than corporations.
- There is stronger potential of access to greater amounts of capital.
- No corporate income taxes. Partnerships declare income by filing a partnership income tax return. Yet the partnership pays no taxes when this partnership tax return is filed. Rather, the individual partners declare their pro-rata share of the net income of the partnership on their individual income tax returns and pay taxes at the individual income tax rate.

Disadvantages

- Unlimited liability. General partners are individually responsible for the obligations of the business, creating personal risk.
- Limited life. A partnership may end upon the withdrawal or death of a partner.
- There is a real possibility of disputes or conflicts between partners which could lead to dissolving the partnership. This scenario enforces the need of a partnership agreement.

Corporation or company

A company is owned by shareholders who appoint Directors to give direction to the business. The Chief Executive is the senior official within the company with responsibility for making major decisions. Specialist managers will be appointed to run the company on behalf of the Board.

A company is a legal body in its own right with an existence that is separate in law from its owners. The company will thus be sued and can sue in its own name.

Shareholders put funds into the company by buying shares. New shares are often sold in face values of Rs10 per share but this does not have to be the case.

Limited liability is a form of business protection for company shareholders (and some limited partners). For these individuals the maximums sum they can lose from a business venture which they have contributed going bust is the sum of money that they have invested in the company - this is the limit of their liability.

Every company must register with the Registrar of Companies, and must have an official address.

There are two companies namely

Private companies

Private companies have Ltd after their name. They are typically smaller than public companies although some like Porte cabin and Mars are very large. Shares in a private company can only be bought and sold with permission of the Board of Directors. Shareholders have limited liability

Advantages

- Limited Liability: It means that if the company experience financial distress because of normal business activity, the personal assets of shareholders will not be at risk of being seized by creditors.
- Continuity of existence: business not affected by the status of the owner.
- Minimum number of shareholders need to start the business are only2.

The main advantage is that large amounts of capital can be raised very quickly. One disadvantage is that control of a business can be lost by the original shareholders if large quantities of shares are purchased as part of a takeover bid. In order to create a public company the directors must apply to the Stock Exchange Council, which will carefully check the accounts.

Advantages

- There is limited liability for the shareholders.
- The business has separate legal entity. There is continuity even if any of the shareholders die.
- These businesses can raise large capital sum as there is no limit to the number of shareholders.
- The shares of the business are freely transferable providing more liquidity to its shareholders

Disadvantages

- There are lots of legal formalities required for forming a public limited company. It is costly and time consuming.
- In order to protect the interest of the ordinary investor there are strict controls and regulations to comply. These companies have to publish their accounts.
- The original owners may lose control.
- Public Limited companies are huge in size and may face management problems such as slow decision making and industrial relations problems.

1.5 ORGANIZATION CULTURE AND ENVIRONMENT

1.5.1 ORGANIZATIONAL CULTURE

Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a unique culture, which provides guidelines and boundaries for the behavior of the members of the organization. Let's explore what elements make up an organization's culture.

Organizational culture is composed of seven characteristics that range in priority from high to low. Every organization has a distinct value for each of these characteristics, which, when combined, defines the organization's unique culture. Members of organizations make judgments on the value their organization places on these characteristics, and then adjust their behavior to match this perceived set of values. Let's exam each of these seven characteristics.

Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. Also called corporate culture,

It's shown in

1. The ways the organization conducts its business, treats its em

The extent to which freedom is allowed in decision making,

Developing new ideas, and personal expression

How power and information flow through its hierarchy, and

1. How committed employees are towards collective objectives.

It affects the organization's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality and concern for the environment.

It also extends to production-methods, marketing and advertising practices, and to new product creation. Organizational culture is unique for every organization and one of the hardest things to change.

CHARACTERISTICS OR DIMENSION OF ORGANIZATIONAL CULTURE

Fig 1 shows the seven characteristics of organizational culture. That are:

a) INNOVATIVE CULTURES

Companies that have innovative cultures are flexible and adaptable, and experiment with new ideas. These companies are characterized by a flat hierarchy in which titles and other status distinctions tend to be downplayed

For example, W. L. Gore & Associates Inc. is a company with innovative products such as GORE-TEX® (the breathable fabric that is windproof and waterproof), Glide dental floss, and Elixir guitar strings, earning the company the distinction of being elected as the most innovative company in the United States by Fast Company magazine in 2004.

b) AGGRESSIVE CULTURES

Companies with aggressive cultures value competitiveness and outperforming competitors: By emphasizing this, they may fall short in the area of corporate social responsibility. For example, Microsoft Corporation is often identified as a company with an aggressive culture. The company has faced a number of antitrust lawsuits and disputes with

Competitors over the years.

Recently, Microsoft founder Bill Gates established the Bill & Melinda Gates foundation and is planning to devote his time to reducing poverty around the world.

c) OUTCOME-ORIENTED CULTURES

Outcome-oriented cultures as those that emphasize achievement, results, and action as important values. A good example of an outcome-oriented culture may be Best Buy Co. Inc. Having a culture emphasizing sales performance, Best Buy tallies revenues and other relevant figures daily by department. Employees are trained and mentored to sell company products effectively, and they learn how much money their department made every day

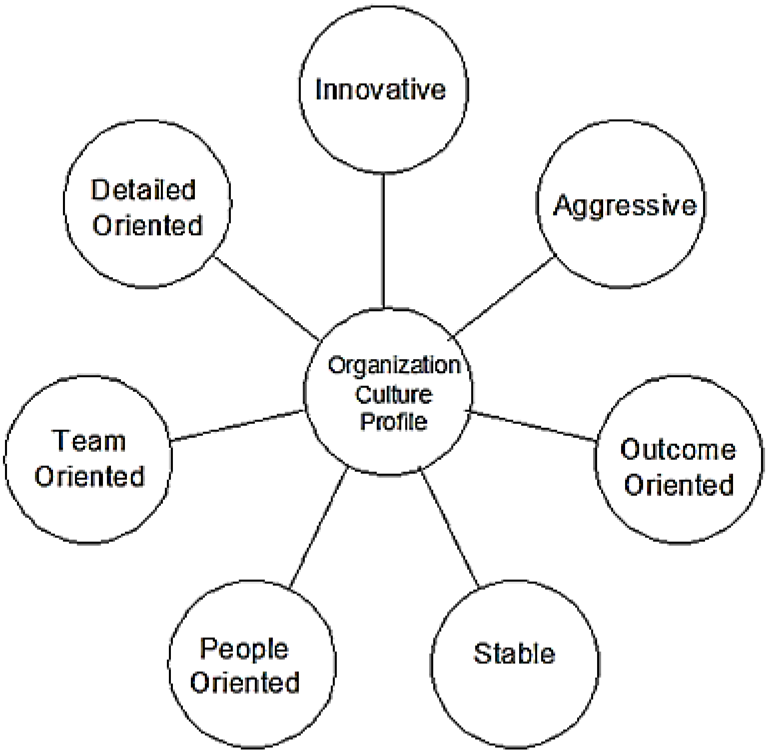

Fig: 1 Characteristics of Organizational Culture

Source: Robert Kreutzer & Magmata Mohapatra, ― Management‖, Biztantra, 2008

a) STABLE CULTURES

Stable cultures are predictable, rule-oriented, and bureaucratic. These organizations aim to coordinate and align individual effort for greatest levels of

Efficiency. When the environment is stable and certain, these cultures may help the organization be effective by providing stable and constant levels of output. These cultures prevent quick action, and as a result may be a misfit to a changing and dynamic environment.

b) PEOPLE-ORIENTED CULTURES

People-oriented cultures value fairness, supportiveness, and respect for individual rights. These organizations truly live the mantra that "people are their greatest asset." In addition to having fair procedures and management styles, these companies create an atmosphere where work is fun and employees do not feel required to choose between work and other aspects of their lives. In these organizations, there is a greater emphasis on and expectation of treating people with respect and dignity

c) TEAM-ORIENTED CULTURES

Companies with team-oriented cultures are collaborative and emphasize cooperation among employees. For example, Southwest Airlines Company facilitates a team-oriented culture by cross-training its employees so that they are capable of helping each other when needed. The company also places emphasis on training intact work teams. Employees participate in twice daily meetings named "morning overview meetings" (MOM) and daily afternoon discussions (DAD) where they collaborate to understand sources of problems and determine future courses of action. In Southwest's selection system, applicants who are not viewed as team players are not hired as employees. In team-oriented organizations, members tend to have more positive relationships with their coworkers and particularly with their managers.

d) DETAIL-ORIENTED CULTURES

Organizations with detail-oriented cultures are characterized in the OCP (Organization culture Profile) framework as emphasizing precision and paying attention to details. Such a culture gives a competitive advantage to companies in the hospitality industry by helping them differentiate themselves from others. For example, Four Seasons Hotels Ltd. and the Ritz-Carlton Company LLC are among hotels who keep records of all customer requests, such as which newspaper the guest prefers or what type of pillow the customer uses. This information is put into a computer system and used to provide better service to returning customers. Any requests hotel employees receive, as well as overhear, might be entered into the database to serve customers better. Recent guests to Four Seasons Paris who were celebrating their 21st anniversary were greeted with a bouquet of 21 roses on their bed. Such clear attention to detail is an effective way of impressing customers and ensuring repeat visits. McDonald's Corporation is another company that specifies in detail how employees should perform their jobs by including photos of exactly how French fries and hamburgers should look when prepared properly.

1.5.2 Organization Environment

The organizational environment is the set of forces surrounding an organization that have the potential to affect the way it operates and its access to scarce resources. The organization needs to properly understand the environment for effective management.

Scholars have divided these environmental factors into two main parts as,

a) Internal Environment,
b) External Environment.

Internal Environment

The internal environment consists of the organization's owners, board of directors, regulators, physical work environment and culture. In the internal environment include strength and weakness of an organization.

Elements of internal environment are:

1. Trade union
2. Management

3. Current employee
4. Shareholders.

External Environment:

As per the Daft theory (1997) , An organization's environment is defined as all the elements existing outside the boundary of the organization that have the potential to affect all or part of the organization Examples include government regulatory agencies, competitors, customers, suppliers, and pressure from the public.

Daft (1997) identified 10 environmental sectors that may have an impact on particular organizations:

1) Industry, 2) raw materials, 3) human resources, 4) financial resources, 5) Markets, 6) technology, 7) general economy, 8) government/legal, 9) sociocultural, 10) international.

Each of these sectors may be divided into two basic components. They are:

1) Task (Specific) Environment: 2) General Environment.

Task Environment:

Task environment is composed of the specific dimensions of the organization's surrounding that are very likely to influence of the organization. It also consists of five dimensions: Competitors, Customers, and Employees, Strategic, Planners and suppliers.

General Environment:

General environment is composed of the nonspecific elements of the organization's surrounding the might affect its activities. It consists of five dimensions:

(a) Economic Factor

Economic factors refer to the character and direction of the economic system within which the firm operates. Economic factors include

- The balance of payments,
- The state of the business cycle,
- The distribution of income within the population, and

Governmental monetary and fiscal policies.

The impact of economic factors may also differ between industries.

BALANCE OF PAYMENTS.

The balance of payments of a country refers to the net difference in value of goods bought and sold by citizens of the country. To decrease the value of goods imported into a country, it is common practice to construct barriers to entry for particular classes of products. Such practices reduce competition for firms whose products are protected by the trade barriers.

Example: Mexico has limited the number of automobiles that can be imported. The purpose of this practice is to stimulate the domestic automobile market and to allow it to become large enough to create economies of scale and to create jobs for Mexican workers. A side effect of the import restriction, however, has been an increase in the price and a decrease in the quality of automobiles available to the public.

Another potential consequence of import restrictions is the possibility of reciprocal import restrictions. Partially in retaliation to import restriction on Japanese televisions and automobiles by the United States, the Japanese have limited imports of agricultural goods from the United States.

Lowering trade restrictions as a means of stimulating the economy of a country may meet with mixed results. The North American Free Trade Agreement (NAFTA) has opened the borders between the United States, Canada, and Mexico for the movement of many manufacturers. Government officials in the United States argue the results have been positive, but many local communities that have lost manufacturing plants question the wisdom of the agreement.

BUSINESS CYCLE

The business cycle is another economic factor that may influence the operation of a firm. Purchases of many durable goods (appliances, furniture, and automobiles) can be postponed during periods of recession and depression, as can purchases of new equipment and plant expansions. Economic downturns result in lower profits, reductions in hiring, increased borrowing, and decreased productivity for firms adversely affected by the recession. Positive consequences of recessions may include reductions in waste, more realistic perceptions of working conditions, exit of marginally efficient firms, and a more efficient system.

INCOME DISTRIBUTION

The distribution of income may differ between economic systems. Two countries with the same mean (per capita) income levels may have dramatically different distributions of income. The majority of persons in the country are considered middle income, with only a relatively small number of persons having exceptionally high or low incomes.

Many developing countries have citizens who are either extremely wealthy or extremely poor. Only a few persons would qualify as middle class. Therefore, although both countries had the same mean income, opportunities to market products to the middle class would be greater in the United States.

TRANSFER PAYMENTS.

Transfer payments (e.g., welfare, social security) within the country change the distribution of income. Transfer payments provide money to individuals in the lower income brackets and enable them to purchase goods and services they otherwise could not afford. Such a redistribution of income may not be the practice in other economic systems. Thus, large numbers of people in need of basic goods and services do not assure that those people will be able to purchase such goods and services.

MONETARY AND FISCAL POLICIES.

Monetary and fiscal policies utilized by the federal government also influence business operations. Monetary policies are controlled by the Federal Reserve System and affect the size of the money supply and interest rates. Fiscal policies represent purchases made by the federal government.

Example: Allocation of funds to defense means expenditures for weapons and hardware. If appropriations had gone to the Health and Human Services and Education Departments instead, much of the money would have constituted transfer payments. The primary beneficiaries of such a fiscal policy would be firms in the basic food and shelter businesses. No matter how government expenditures are reallocated, the result is lost sales and cut budgets for some companies and additional opportunities for others.

(b) Technological Factor

Technology is another aspect of the environment a firm should consider in developing strategic plans. Changing technology may affect the demand for a firm's products and services, its production processes, and raw materials. Technological changes may create new opportunities for the firm, or threaten the survival of a product, firm, or industry. Technological innovation continues to move at an increasingly rapid rate.

DEMAND

Technology can change the lifestyle and buying patterns of consumers. Recent developments in the field of microcomputers have dramatically expanded the potential customer base and created innumerable opportunities for businesses to engage in business via Internet. Whereas computers were traditionally used only by large organizations to handle data processing needs, personal computers are commonly used by smaller firms and individuals for uses not even imagined fifteen years ago. Similarly, new developments in technology led to a reduction in prices for computers and expanded the potential market. Lower prices allow computers to be marketed to the general public rather than to business, scientific, and professional users—the initial market.

Technology may also cause certain products to be removed from the market. Asbestos-related illnesses have severely limited asbestos as a resource used in heat-sensitive products such as hair dryers. Further, a number of chemicals that have been commonly used by farmers to control insects or plants are prohibited from use or require licensure as a consequence of those chemicals appearing in the food chain.

PRODUCTION PROCESSES

Technology also changes production processes. The introduction of products based on new technology often requires new production techniques. New production technology may alter production processes. Robotics represents one of the most visible challenges to existing production methods. Robots may be used in positions considered hazardous for people or that require repetitive, detailed activities.

The consequences for other jobs currently occupied by people are not clear. When production was first automated, although some workers were displaced, new jobs were created to produce and maintain the automated equipment. The impact of robotics on jobs is in large part a function of the uses made of the technology and the willingness of workers to learn to use new technology.

In some industries, use of robots during the early 2000s increased production and efficiency but resulted in significant numbers of job losses. However, technological innovation can also result in increased job growth.

Example: Ford Motor Company's $375-million technology update to its Norfolk assembly plant to build its 2004 F-150 resulted in the ability to build

More models on its assembly line and consequently created about 270 new jobs, an 11 percent increase.

EVALUATING TECHNOLOGICAL CHANGES

There is little doubt that technology represents both potential threats and potential opportunities for established products. Products with relatively complex or new technology are often introduced while the technology is being refined, making it hard for firms to assess their market potential.

Example: When ballpoint pens were first introduced, they leaked, skipped, and left large blotches of ink on the writing surface. Fountain pen manufacturers believed that the new technology was not a threat to existing products and did not attempt to produce ball-point pens until substantial market share had been lost

Another technology, the electric razor, has yet to totally replace the blade for shaving purposes. Perhaps the difference is that the manufacturers of blades have innovated by adding new features to retain customers. Manufacturers of fountain pens did not attempt to innovate until the ballpoint pen was well established.

It is quite difficult to predict the impact of a new technology on an existing product. Still, the need to monitor the environment for new technological developments is obvious. Attention must also be given to developments in industries that are not direct competitors, since new technology developed in one industry may impact companies and organizations in others.

(c) Sociocultural

The sociocultural dimensions of the environment consist of customs, lifestyles, and values that characterize the society in which the firm operates. Socio-cultural components of the environment influence the ability of the firm to obtain resources, make its goods and services, and function within the society.

Sociocultural factors include anything within the context of society that has the potential to affect an organization. Population demographics, rising educational levels, norms and values, and attitudes toward social responsibility are examples of sociocultural variables.

POPULATION CHANGES

Changes in population demographics have many potential consequence

For organizations. As the total population changes, the demand for products and services also changes. For instance, the decline in the birthrate and improvement in health care have contributed to an increase in the average age of the population in the country. Many firms that traditionally marketed their products toward youth are developing product lines that appeal to an older market.

Example: Clothing from Levi Strauss & Co. was traditionally popular

The aging population. Firms in the health-care industry and firms providing

Funeral services are expected to do well give the increasing age of the country population.

RISING EDUCATIONAL LEVELS.

Rising educational levels also have an impact on organizations. Higher educational levels allow people to earn higher incomes than would have been possible otherwise. The increase in income has created opportunities to purchase additional goods and services, and to raise the overall standard of living of a large segment of the population. The educational level has also led to increased expectations of workers, and has increased job mobility. Workers are less accepting of undesirable working conditions than were workers a generation ago. Better working conditions, stable employment, and opportunities for

Training and development are a few of the demands businesses confront more frequently as the result of a more educated workforce.

NORMS AND VALUES

Norms (standard accepted forms of behavior) and values (attitudes toward right and wrong) are differ across time and between geographical areas. Lifestyles differ as well among different ethnic groups. As an example, the application in the United States of Japanese-influenced approaches to management has caused firms to reevaluate the concept of quality. Customers have also come to expect increasing quality in products. Many firms have found it necessary to reexamine production and marketing strategies to respond to changes in consumer expectations.

SOCIAL RESPONSIBILITY

Social responsibility is the expectation that a business or individual will strive to improve the welfare of society. From a business perspective, this translates into the public expecting businesses to take active steps to make society better by virtue of the business being in existence. Like norms and values, what is considered socially responsible behavior changes over time.

In the 1970s agreeing action was a high priority. During the early part of the twenty-first century prominent social issues were environmental quality (most prominently, recycling and waste reduction) and human rights, in addition to general social welfare. More than just philanthropy, social responsibility looks for active participation on the part of corporations to serve their communities.

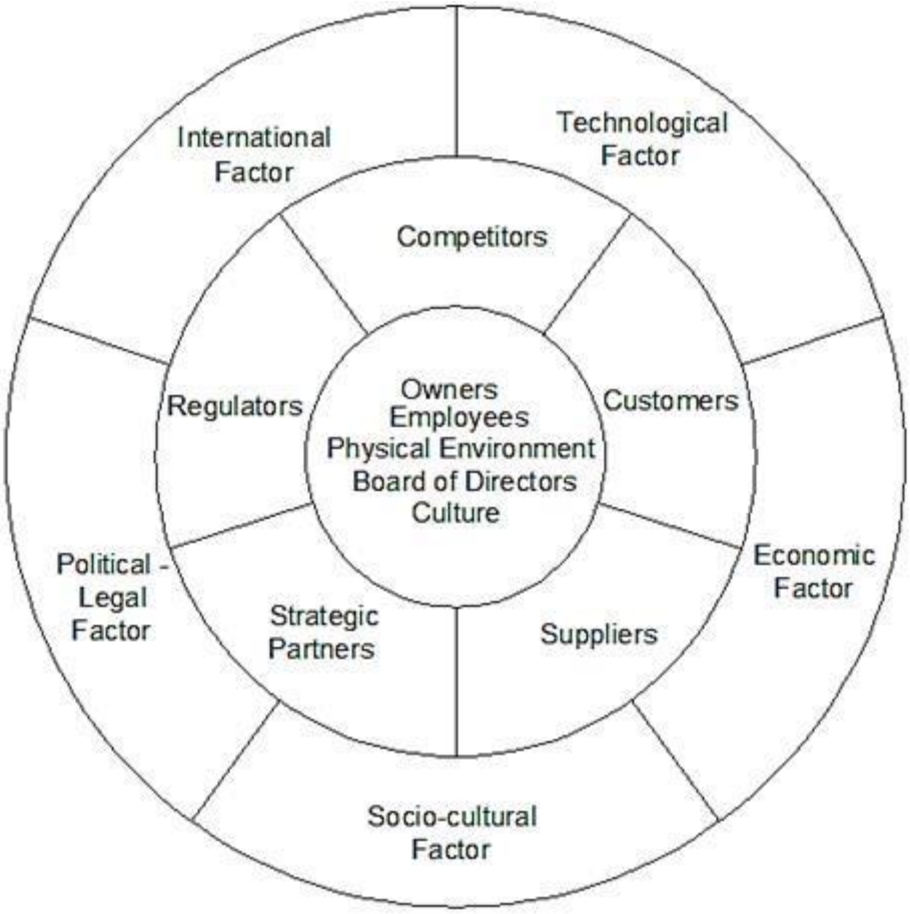

Fig 2 Environment Factors

Source: Robert Kreutzer & Magmata Mohapatra, ― Management‖, Biztantra, 2008

(d) Political-Legal Factor

The above figure 2 shows the Environment Factors. The political-legal dimension of the general environment also affects business activity. The philosophy of the political parties in power influences business practices. The legal environment serves to define what organizations can and cannot do at a particular point in time.

ATTITUDES TOWARD BUSINESS

A pro-business attitude on the part of government enables firms to enter into arrangements that would not be allowed under a more anti-business philosophy. The numerous joint ventures between U.S. and Japanese automobile

Manufacturers could have been termed anticompetitive by a less pro-business administration. The release of many acres of government land for business use (logging, mining) angered many environmentalists who had been able to restrict business use of the land under previous administrations.

Changes in sentiments toward smoking and its related health risks have altered the public's attitude toward the tobacco industry. These changes have been reflected in many organizations by limiting smoking to designated areas or completely prohibiting it at work. The transformation in attitude has also caused firms within the tobacco industry to modify marketing strategies, encouraging many to seek expansion opportunities abroad.

LEGISLATION

The legal environment facing organizations is becoming more complex and affecting businesses more directly. It has become increasingly difficult for businesses to take action without encountering a law, regulation, or legal problem. A very brief listing of significant laws that affect business would include legislation in the areas of consumerism, employee relations, the environment, and competitive practices.

Many of the laws also have an associated regulatory agency. Powerful U.S. regulatory agencies include

- The Environmental Protection Agency (EPA)
- The Occupational Safety and Health Administration (OSHA)
- The Equal Employment Opportunity Commission (EEOC)
- The Securities and Exchange Commission (SEC).

Estimates of the cost of compliance vary widely; many of these costs are passed to consumers. However, costs of legal expenses and settlements may not be incurred for years and are not likely to be paid by consumers of the product or owners of the company when the violation occurred. Still, potential legal action often results in higher prices for consumers and a more conservative

Attitude by business executives.

LEVELS OF GOVERNMENT INFLUENCE

We generally speak about "the government" as referring to the federal government. It is the federal government that passes and enforces legislation concerning the entire country. Actions by the federal government affect a large number of firms and are consistent across state boundaries. Environmental analysis, however, should not overlook actions by both state and local governments.

Regulations concerning many business practices differ between states. Tax rates vary widely. Laws regarding unionization (e.g., right-to-work states) and treatment of homosexual workers differ between states.

Local governments have the potential to affect business practices significantly. Some local governments may be willing to provide incentives to attract business to the area. Some may build industrial parks, service roads, and provide low-interest bonds to encourage a desirable business to move into the community.

Regulatory measures such as building codes and zoning requirements differ significantly between communities. Infrastructure such as electric and sewer services, educational facilities, and sewage treatment capabilities may not be able to accommodate the increased demand associated with certain industries, making that locale unsuitable for establishing some businesses.

(e) International Factor

A final component of the general environment is actions of other countries or groups of countries that affect the organization. Governments may act to reserve a portion of their industries for domestic firms, or may subsidize particular types of businesses to make them more competitive in the international market.

Some countries may have a culture or undergo a change in leadership that

Limits the ability of firms to participate in the country's economy.

ECONOMIC ASSOCIATIONS

One of the most recent joint efforts by governments to influence business practices was NAFTA. The agreement between the United States, Canada, and Mexico was intended to facilitate free trade between the three countries. The result has been a decrease in trade barriers between them, making it easier to transport resources and outputs across national boundaries. The move has been beneficial to many businesses, and probably to the economies of all three countries. In most economic associations, preference is also given to products from member countries at the expense of products from nonmembers.

Probably the best-known joint effort by multiple countries to influence business practices is the Organization of Petroleum Exporting Countries (OPEC). The formation of OPEC, an oil cartel including most major suppliers of oil and gas, led to a drastic increase in fuel prices. Rising fuel prices had a significant effect on the demand for automobiles worldwide. The increases in oil prices also contributed to inflation all over the world. OPEC's early success encouraged countries producing other basic products (coffee beans, sugar, bananas) to attempt to control the prices of their products.

INTERGOVERNMENTAL RELATIONS

Changing relationships between the United States and other countries may alter the ability of firms to enter foreign markets. The United States' establishment of trade relations with China in the 1970s created opportunities for many firms to begin marketing their products in China.

The rise of Ayatollah Ruhollah Khomeini to power in Iran altered the lives of many Iranian citizens. Wine, vodka, music, and other forms of entertainment were prohibited. Black markets provided certain restricted items. Other products, such as wine, began to be produced at home.

1.6 CURRENT TRENDS AND ISSUES IN MANAGEMENT

1.6.1 TRENDS AND CHALLENGES OF MANAGEMENT IN GLOBAL SCENARIO

The management functions are planning and decision making, organizing. Leading, and controlling — are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work lot them; and they have to develop appropriate control mechanisms.

a) Planning and Decision Making in a Global Scenario

To effectively plan and make decisions in a global economy, managers must have a broad-based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations.

At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter market in France, should it buy a local firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

b) Organizing in a Global Scenario

Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe. The firm has made the decision to give local managers a great deal of responsibility for how they run their business.

In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

c) Leading in a Global Scenario

We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds .Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals.

How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

d) Controlling in a Global Scenario

Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not Like-wise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences.

Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.

1.3 MANAGERIAL ROLES AND SKILLS

1.3.1 ROLES OF MANAGER

DECISIONAL ROLES.

Decisional roles require managers to plan strategy and utilize resources. There are four specific roles that are decisional. The entrepreneur role requires the manager to assign resources to develop innovative goods and services, or to expand a business. Most of these roles will be held by top-level managers, although middle managers may be given some ability to make such decisions. The disturbance handler corrects unanticipated problems facing the organization from the internal or external environment. Managers at all levels may take this role. For example, first-line managers may correct a problem halting the assembly line or a middle level manager may attempt to address the aftermath of a store robbery. Top managers are more likely to deal with major crises, such as requiring a recall of defective products.

The third decisional role that of resource allocator, involves determining which work units will get which resources. Top managers are likely to make large, overall budget decisions, while middle managers may make more specific allocations. In some organizations, supervisory managers are responsible for determine allocation of salary raises to employees. Finally, the negotiator works with others, such as suppliers, distributors, or labor unions, to reach agreements regarding products and services.

First-level managers may negotiate with employees on issues of salary increases or overtime hours, or they may work with other supervisory managers when needed resources must be shared. Middle managers also negotiate with other managers and are likely to work to secure preferred prices from suppliers and distributors. Top managers negotiate on larger issues, such as labor contracts, or even on mergers and acquisitions of other companies.

INTERPERSONAL ROLES.

Interpersonal roles require managers to direct and supervise employees and the organization. The figurehead is typically a top of middle manager. This manager may

Communicate future organizational goals or ethical guidelines to employees at company meetings. A leader acts as an example for other employees to follow, gives commands and directions to subordinates, makes decisions, and mobilizes employee support. Managers must be leaders at all levels of the organization; often lower-level managers look to top management for this leadership example. In the role of liaison, a manger must coordinate the work of others in different work units, establish alliances between others, and work to share resources. This role is particularly critical for middle managers, who must often compete with other managers for important resources, yet must maintain successful working relationships with them for long time periods.

INFORMATIONAL ROLES.

Informational roles are those in which managers obtain and transmit information. These roles have changed dramatically as technology has improved. The monitor evaluates the performance of others and takes corrective action to improve that performance. Monitors also watch for changes in the environment and within the company that may affect individual and organizational performance. Monitoring occurs at all levels of management, although managers at higher levels of the organization are more likely to monitor external threats to the environment than are middle or first-line managers. The role of disseminator requires that managers inform employees of changes that affect them and the organization. They also communicate the company's vision and purpose.

Managers at each level disseminate information to those below them, and much information of this nature trickles from the top down. Finally, a spokesperson communicates with the external environment, from advertising the company's goods and services, to informing the community about the direction of the organization. The spokesperson for major announcements, such as a change in strategic direction, is likely to be a top manager. But, other, more routine information may be provided by a manager at any level of a company. For example, a middle manager may give a press release to a local newspaper, or a supervisor manager may

Give a presentation at a community meeting.

1.3.2 SKILLS OF MANAGER

Regardless of organizational level, all managers must have five critical skills: technical skill, interpersonal skill, conceptual skill, diagnostic skill, and political skill.

TECHNICAL SKILL.

Technical skill involves understanding and demonstrating proficiency in a particular workplace activity. Technical skills are things such as using a computer word processing program, creating a budget, operating a piece of machinery, or preparing a presentation. The technical skills used will differ in each level of management. First-level managers may engage in the actual operations of the organization; they need to `to direct and evaluate line employees. Additionally, first-line managers need skill in scheduling workers and preparing budgets. Middle managers use more technical skills related to planning and organizing, and top managers need to have skill to understand the complex financial workings of the organization.

INTERPERSONAL SKILL.

Interpersonal skill involves human relations, or the manager's ability to interact effectively with organizational members. Communication is a critical part of interpersonal skill, and an inability to communicate effectively can prevent career progression for managers. Managers who have excellent technical skill, but poor interpersonal skill are unlikely to succeed in their jobs. This skill is critical at all levels of management.

CONCEPTUAL SKILL.

Conceptual skill is a manager's ability to see the organization as a whole, as a complete entity. It involves understanding how organizational units work together and how the organization fits into its competitive environment. Conceptual skill is crucial for top managers, whose ability to see "the big picture" can have major repercussions on the success of the business. However, conceptual skill is still necessary for middle and supervisory managers, who must use this skill to envision, for example, how work units and teams are best organized.

DIAGNOSTIC SKILL.

Diagnostic skill is used to investigate problems, decide on a remedy, and implement a solution. Diagnostic skill involves other skills—technical, interpersonal, conceptual, and politic. For instance, to determine the root of a problem, a manager may need to speak with many organizational members or understand a variety of informational documents.

The difference in the use of diagnostic skill across the three levels of management is primarily due to the types of problems that must be addressed at each level. For example, first-level managers may deal primarily with issues of motivation and discipline, such as determining why a particular employee's performance is flagging and how to improve it. Middle managers are likely to deal with issues related to larger work units, such as a plant or sales office.

For instance, a middle-level manager may have to diagnose why sales in a retail location have dipped. Top managers diagnose organization-wide problems, and may address issues such as strategic position, the possibility of outsourcing tasks, or opportunities for overseas expansion of a business.

POLITICAL SKILL.

Political skill involves obtaining power and preventing other employees from taking away one's power. Managers use power to achieve organizational objectives, and this skill can often reach goals with less effort than others who lack political skill. Much like the other skills described, political skill cannot stand alone as a manager's skill; in particular, though, using political skill without appropriate levels of other skills can lead to promoting a manager's own career rather than reaching organizational goals.

Managers at all levels require political skill; managers must avoid others taking control that they should have in their work positions. Top managers may find that they need higher levels of political skill in order to successfully operate in their environments. Interacting with competitors, suppliers, customers, shareholders, government, and the public may require political skill.

1.3.2 EVOLUTION OF MANAGEMENT

First, the management was examined under classical management theories that emerged around the turn of the twentieth century. The given bellow Fig 1 shows the Evolution of Management. These include scientific management, which focuses on matching people and tasks to maximize efficiency; and administrative management, which focuses on identifying the principles that will lead to the creation of the most efficient system of organization and management.

Next, we consider behavioral management theories, developed both before and after the Second World War, which focus on how managers should lead and control their workforces to increase performance. Then we discuss management science theory, which developed during the Second World War and which has become increasingly important as researchers have developed rigorous analytical and quantitative techniques to help managers measure and control organizational performance.

Finally, we discuss business in the 1960s and 1970s and focus on the theories that were developed to help explain how the external environment affects the way organizations and managers operate. By the end of this chapter, you will understand the ways in which management theory has evolved over time

You will also understand how economic, political, and cultural forces have affected the development of these theories and the ways in which managers and their organizations behave.

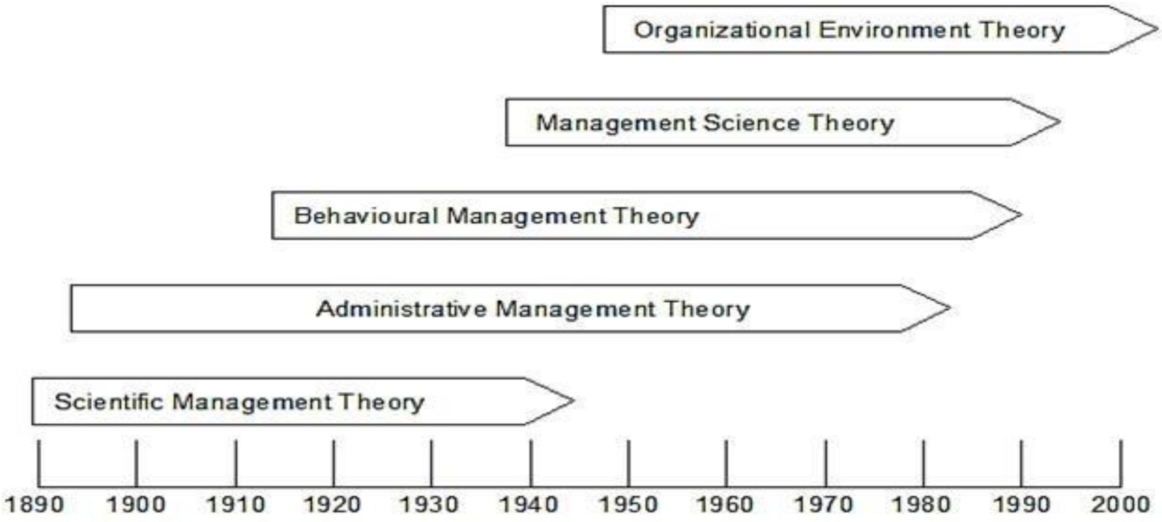

Fig 1 Evolution of Management Theory

Source: Robert Reinter & Magmata Mohapatra, — Management‖, Biztantra, 2008

SCIENTIFIC METHOD

The evolution of modern management began in the closing decades of the nineteenth century, after the industrial revolution had swept through Europe, Canada, and the United States. In the new economic climate, managers of all types of organizations—political, educational, and economic—were increasingly trying to find better ways to satisfy customers' needs.

Many major economic, technical, and cultural changes were taking place at this time. The evolution of modern management began in the closing decades of the nineteenth century, after the industrial revolution had swept through Europe, Canada, and the United States. In the new economic climate, managers of all types of organizations—political, educational, and economic—were increasingly trying to find better ways to satisfy customers' needs. Fg

Many major economic, technical, and cultural changes were taking place at this time. The introduction of steam power and the development of sophisticated machinery and equipment changed the way in which goods were produced, particularly in the weaving and clothing industries. Small workshops run by skilled workers who produced hand-manufactured products (a system called crafts production) were being replaced by large factories in which sophisticated machines controlled by hundreds or even thousands of unskilled or semiskilled workers made products. Owners and managers of the new factories found themselves unprepared for the challenges accompanying the change from small-scale crafts production to large-scale mechanized manufacturing. Many of the managers and supervisors had only a technical orientation, and were unprepared for the social problems that occur when people work together in large groups (as in a factory or shop system). Managers began to search for new techniques to manage their organizations' resources, and soon they began to focus on ways to increase the efficiency of the worker–task mix.

Fredrick w Taylor (1986-1915) rested his philosophy on four basic principles.

1. The development of a true science of management so that the best method for performing each task could be determined.
2. The Scientific selection of workers so that the each worker would be given responsibility for the task for which he or she was best suited.
3. The scientific education and development of workers.
4. Intimate friendly cooperation between management and labor.

The scientific management schools

1. Scientific management theory arose in part from the need to increase productivity.
2. In the United States especially, skilled labor was in short supply at the beginning of the twentieth century.
3. The only way to expand the productivity was to raise the efficiency of workers.
4. Therefore ,Fredrick W.Taylor, Henry Gantt, and Frank and Lillian Gilbert devised the body of principles known as Scientific management theory

Taylor contended that the success of these principles required" a complete

Mental revolution" on the part of management and labor.

Rather than quarrel over profits both side should increase production, by so doing, he believed profits would rise to such an extent that labor have to fight over them.

- In short Taylor believed that management and labor had common interest in increasing productivity.
  1. Taylor based his management system on production line time studies. Instead of relying on traditional work methods, he analyzed and timed steel workers movements on a series of jobs.
  2. Using time study he broke each job down into its components and designed the quickest and best method of performing each component. In this way he established.
- How much workers to do with the equipment and materials in hand. He also encourage
- Employers to pay more productive workers higher rate than others. Using a "scientifically correct "rate that would benefit both the company and workers.
- Thus the workers were urged to surpass their previous performance standards to earn more pay .Taylor called his plane the differential rate system.

Contributions of scientific management theory

- The modern assembly line pours out finished products faster than Taylor could ever imagine.
- This production "**Miracle**" is just one legacy of scientific management.
- In addition its efficiency techniques have been applied to many tasks in non- industrial organizations ranging from fat food service to the training of surgeons.

Limitations of scientific management theory

- Although Taylor's method led to dramatic increase in productivity and higher pay in number of instance.
- Workers and unions began to oppose his approach because they feared that working harder or faster would exhaust whatever work was available Causing layoffs.
- Moreover, Taylor’s system clearly meant that time was of the essence.
- His critics objected to the speed up condition that placed undue pressure on employees to perform at faster and faster levels.
- The emphasis on productivity and by extension profitability led some managers to exploit both the workers and customers.

As a result more workers joined unions and thus reinforced a pattern of suspicious and mistrust that shaded labor relations for decades.

Henry Ligand

Henry L. Gannet (1861-1919) worked with Taylor on several projects but when he went out on his own as a consulting industrial engineer, Gannet began to reconsider tailors insensitive systems.

- Abandoning the differential rate system as having too little motivational impact Gannet came up with new idea.
- Every worker who finished days assigned work load win 50 percent bonus.
- Then he added a second motivation the supervisor would earn a bonus for each worker who reached the daily standard.
- Plus an extra bonus if all the workers reached it.

- This Gantt reasoned would supervisor to train their workers to do a better job.
- Every workers progress was rated publicly and recorded an individual bar charts
- Mark as black on days the worker made the standard in red when he or she fell below it.
- Going beyond this Gantt originated a charting system for production was translated into eight languages and used throughout the world.

Starting in 1920 s it was use in Japan Spain and soviet union it also formed that the basis of two charting device which were developed to assist

1. In planning, managing and controlling complex organization the **C**ritical **P**ath **M**ethod (CPM) originated by DuPont and **P**rogram **E**valuation and **R**eview **T**echnique (PERT), developed by navy.
2. Lotus 1-2-3 is also a creative application of the Gannet chart."

THE GILBRETHS

- Frank B. and Lillian M. Gilbert (1968-1924) and (1878-1972) made their contribution
- To the scientific management movement as a husband and wife team. Lillian and Franck collaborated on fatigue and motion studies and focus on ways on promoting the individual workers welfare to them the ultimate aim of scientific management was to help workers reach their full potential as human beings
- In their conception motion and fatigue were intertwined every motion that was eliminated reduced fatigue.

Using motion picture cameras they tried to find out the most economical motions for each task in order to upgrade performance and reduce fatigue.

CLASSICAL ORGANIZATION THEORY SCHOOL

Scientific management was concerned with increasing the productivity of the shop and the individual worker.

Classical organization theory grew out of the need to find guidelines for managing such complex organization as factories.

HENRI FAYOL

Henri Fayola (1841-1925) is generally hailed as the founder of the classical management school –not because he was the first to investigate managerial behavior but because he was the first to systematize it.

Fayol believed that sound manage

1. **DIVISION OF LABOR**
   - The most people specialize the more efficiency they can perform their work. This principle is epitomized by the modern assembly line.
2. **AUTHORITY**
   - Managers must give orders so that they can get things done while this format give them a right to command managers will not always compel obedience unless they have Personal authority (such as relevant) expert as well
3. **DISIPLINE MEMBERS IN AN ORGANIZATION needs** to respect the rules and agreement that govern the organization.
   - To Fayol, discipline leadership at all levels of the organization fair agreements and judiciously enforced penalties for infractions.
4. **UNITY OF COMMANDS**
   - Each employee must receive instruction from one person, Fayol believe that if employee reported.
   - More than one manager conflict in instruction and confusion in

of authority would result.

5. **UNITY OF DIRECTION**
    - Those operations with in the same organization that have the same objective should be directed by only one manager using one plan.
    - For example the personnel department in the company should not have a woo directors each with a different hiring policy.

6. **SUBORDINATE OF INDIVIDUAL INTEREST TO COMMON GOOD**
    - In any undertaking the interest of employees should not take the precedence over the interest of organization as a whole

7. **REMUNERATION:**
    - Compensation of work done should be common to both employees and employers.

8. **CENTRALIZATION:**
    - Decreasing the role of subordinates in decision making is centralization, increasing their role is decentralization.
    - Fayol believed that the managers should retain the final responsibility.
    - But should at the same time give their subordinate enough authority to do the jobs properly.
    - The problem is finding the proper degree of centralization in each case.

9. **THE HIERARCHY**
    - The line of authority in an organization should represent in the neat box and the line of chart runs in order of rank from top management and lowest levels of enterprise.

10. ORDER:

- Materials and the order should be in the right place at the right time.
- In particular should be in job or position they are most suited to.

11. EQUITY:

- Managers should be fair and friendly to their subordinate.

12. STABILTY OF STAFF:

- A high employee turnover rate undermines the efficient functioning of an organization.

13. INITIATIVE:

- Subordinate should be given the freedom to conceive and carry out their plans even though some mistake may result.

14. ESPRIT DE CROPS:

- Promoting team spirit will give the organization a sense of unity.
- To Fayola even the small factor help to develop the spirit.
- He suggested for example the use of verbal communication instead of formal, written communication whenever possible.

1.5 ORGANIZATION CULTURE AND ENVIRONMENT

1.5.1 ORGANIZATIONAL CULTURE

Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a unique culture, which provides guidelines and boundaries for the behavior of the members of the organization. Let's explore what elements make up an organization's culture.

Organizational culture is composed of seven characteristics that range in priority from high to low. Every organization has a distinct value for each of these characteristics, which, when combined, defines the organization's unique culture. Members of organizations make judgments on the value their organization places on these characteristics, and then adjust their behavior to match this perceived set of values. Let's exam each of these seven characteristics.

Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. Also called corporate culture,

It's shown in

1. The ways the organization conducts its business, treats its em

The extent to which freedom is allowed in decision making,

Developing new ideas, and personal expression

How power and information flow through its hierarchy, and

1. How committed employees are towards collective objectives.

It affects the organization's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality and concern for the environment.

It also extends to production-methods, marketing and advertising practices, and to new product creation. Organizational culture is unique for every organization and one of the hardest things to change.

CHARACTERISTICS OR DIMENSION OF ORGANIZATIONAL CULTURE

Fig 1 shows the seven characteristics of organizational culture. That are:

a) INNOVATIVE CULTURES

Companies that have innovative cultures are flexible and adaptable, and experiment with new ideas. These companies are characterized by a flat hierarchy in which titles and other status distinctions tend to be downplayed

For example, W. L. Gore & Associates Inc. is a company with innovative products such as GORE-TEX® (the breathable fabric that is windproof and waterproof), Glide dental floss, and Elixir guitar strings, earning the company the distinction of being elected as the most innovative company in the United States by Fast Company magazine in 2004.

b) AGGRESSIVE CULTURES

Companies with aggressive cultures value competitiveness and outperforming competitors: By emphasizing this, they may fall short in the area of corporate social responsibility. For example, Microsoft Corporation is often identified as a company with an aggressive culture. The company has faced a number of antitrust lawsuits and disputes with

Competitors over the years.

Recently, Microsoft founder Bill Gates established the Bill & Melinda Gates foundation and is planning to devote his time to reducing poverty around the world.

c) OUTCOME-ORIENTED CULTURES

Outcome-oriented cultures as those that emphasize achievement, results, and action as important values. A good example of an outcome-oriented culture may be Best Buy Co. Inc. Having a culture emphasizing sales performance, Best Buy tallies revenues and other relevant figures daily by department. Employees are trained and mentored to sell company products effectively, and they learn how much money their department made every day

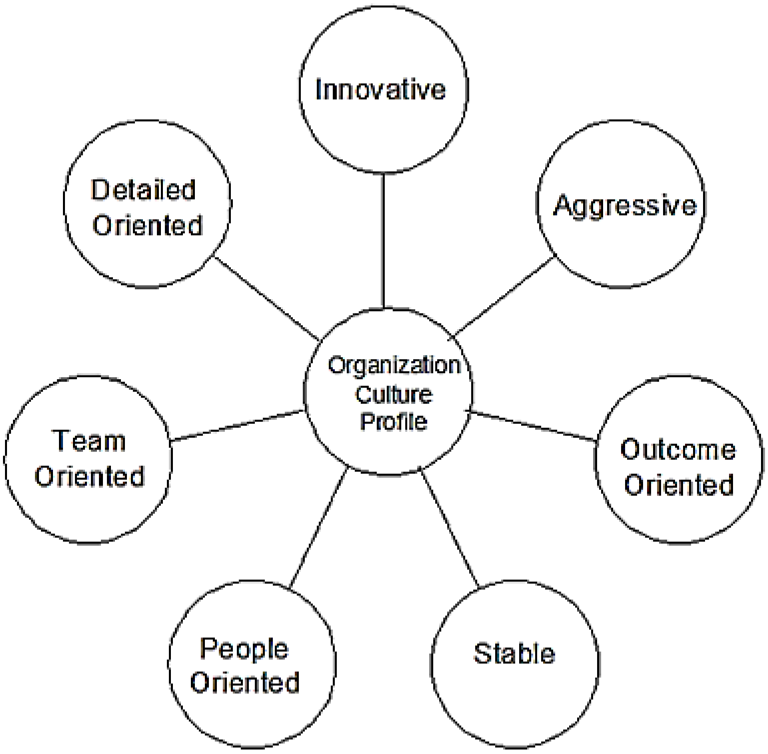

Fig: 1 Characteristics of Organizational Culture

Source: Robert Kreutzer & Magmata Mohapatra, — Management‖, Biztantra, 2008

a) STABLE CULTURES

Stable cultures are predictable, rule-oriented, and bureaucratic. These organizations aim to coordinate and align individual effort for greatest levels of

Efficiency. When the environment is stable and certain, these cultures may help the organization be effective by providing stable and constant levels of output. These cultures prevent quick action, and as a result may be a misfit to a changing and dynamic environment.

b) PEOPLE-ORIENTED CULTURES

People-oriented cultures value fairness, supportiveness, and respect for individual rights. These organizations truly live the mantra that "people are their greatest asset." In addition to having fair procedures and management styles, these companies create an atmosphere where work is fun and employees do not feel required to choose between work and other aspects of their lives. In these organizations, there is a greater emphasis on and expectation of treating people with respect and dignity

c) TEAM-ORIENTED CULTURES

Companies with team-oriented cultures are collaborative and emphasize cooperation among employees. For example, Southwest Airlines Company facilitates a team-oriented culture by cross-training its employees so that they are capable of helping each other when needed. The company also places emphasis on training intact work teams. Employees participate in twice daily meetings named "morning overview meetings" (MOM) and daily afternoon discussions (DAD) where they collaborate to understand sources of problems and determine future courses of action. In Southwest's selection system, applicants who are not viewed as team players are not hired as employees. In team-oriented organizations, members tend to have more positive relationships with their coworkers and particularly with their managers.

d) DETAIL-ORIENTED CULTURES

Organizations with detail-oriented cultures are characterized in the OCP (Organization culture Profile) framework as emphasizing precision and paying attention to details. Such a culture gives a competitive advantage to companies in the hospitality industry by helping them differentiate themselves from others. For example, Four Seasons Hotels Ltd. and the Ritz-Carlton Company LLC are among hotels who keep records of all customer requests, such as which newspaper the guest prefers or what type of pillow the customer uses. This information is put into a computer system and used to provide better service to returning customers. Any requests hotel employees receive, as well as overhear, might be entered into the database to serve customers better. Recent guests to Four Seasons Paris who were celebrating their 21st anniversary were greeted with a bouquet of 21 roses on their bed. Such clear attention to detail is an effective way of impressing customers and ensuring repeat visits. McDonald's Corporation is another company that specifies in detail how employees should perform their jobs by including photos of exactly how French fries and hamburgers should look when prepared properly.

1.5.2 Organization Environment

The organizational environment is the set of forces surrounding an organization that have the potential to affect the way it operates and its access to scarce resources. The organization needs to properly understand the environment for effective management.

Scholars have divided these environmental factors into two main parts as,

a) Internal Environment,
b) External Environment.

Internal Environment

The internal environment consists of the organization's owners, board of directors, regulators, physical work environment and culture. In the internal environment include strength and weakness of an organization.

Elements of internal environment are:

1. Trade union
2. Management

3. Current employee
4. Shareholders.

External Environment:

As per the Daft theory (1997) , An organization's environment is defined as all the elements existing outside the boundary of the organization that have the potential to affect all or part of the organization Examples include government regulatory agencies, competitors, customers, suppliers, and pressure from the public.

Daft (1997) identified 10 environmental sectors that may have an impact on particular organizations:

1) Industry, 2) raw materials, 3) human resources, 4) financial resources, 5) Markets, 6) technology, 7) general economy, 8) government/legal, 9) sociocultural, 10) international.

Each of these sectors may be divided into two basic components. They are:

1) Task (Specific) Environment: 2) General Environment.

Task Environment:

Task environment is composed of the specific dimensions of the organization's surrounding that are very likely to influence of the organization. It also consists of five dimensions: Competitors, Customers, and Employees, Strategic, Planners and suppliers.

General Environment:

General environment is composed of the nonspecific elements of the organization's surrounding the might affect its activities. It consists of five dimensions:

(a) Economic Factor

Economic factors refer to the character and direction of the economic system within which the firm operates. Economic factors include

- The balance of payments,
- The state of the business cycle,
- The distribution of income within the population, and

Governmental monetary and fiscal policies.

The impact of economic factors may also differ between industries.

BALANCE OF PAYMENTS.

The balance of payments of a country refers to the net difference in value of goods bought and sold by citizens of the country. To decrease the value of goods imported into a country, it is common practice to construct barriers to entry for particular classes of products. Such practices reduce competition for firms whose products are protected by the trade barriers.

Example: Mexico has limited the number of automobiles that can be imported. The purpose of this practice is to stimulate the domestic automobile market and to allow it to become large enough to create economies of scale and to create jobs for Mexican workers. A side effect of the import restriction, however, has been an increase in the price and a decrease in the quality of automobiles available to the public.

Another potential consequence of import restrictions is the possibility of reciprocal import restrictions. Partially in retaliation to import restriction on Japanese televisions and automobiles by the United States, the Japanese have limited imports of agricultural goods from the United States.

Lowering trade restrictions as a means of stimulating the economy of a country may meet with mixed results. The North American Free Trade Agreement (NAFTA) has opened the borders between the United States, Canada, and Mexico for the movement of many manufacturers. Government officials in the United States argue the results have been positive, but many local communities that have lost manufacturing plants question the wisdom of the agreement.

BUSINESS CYCLE

The business cycle is another economic factor that may influence the operation of a firm. Purchases of many durable goods (appliances, furniture, and automobiles) can be postponed during periods of recession and depression, as can purchases of new equipment and plant expansions. Economic downturns result in lower profits, reductions in hiring, increased borrowing, and decreased productivity for firms adversely affected by the recession. Positive consequences of recessions may include reductions in waste, more realistic perceptions of working conditions, exit of marginally efficient firms, and a more efficient system.

INCOME DISTRIBUTION

The distribution of income may differ between economic systems. Two countries with the same mean (per capita) income levels may have dramatically different distributions of income. The majority of persons in the country are considered middle income, with only a relatively small number of persons having exceptionally high or low incomes.

Many developing countries have citizens who are either extremely wealthy or extremely poor. Only a few persons would qualify as middle class. Therefore, although both countries had the same mean income, opportunities to market products to the middle class would be greater in the United States.

TRANSFER PAYMENTS.

Transfer payments (e.g., welfare, social security) within the country change the distribution of income. Transfer payments provide money to individuals in the lower income brackets and enable them to purchase goods and services they otherwise could not afford. Such a redistribution of income may not be the practice in other economic systems. Thus, large numbers of people in need of basic goods and services do not assure that those people will be able to purchase such goods and services.

MONETARY AND FISCAL POLICIES.

Monetary and fiscal policies utilized by the federal government also influence business operations. Monetary policies are controlled by the Federal Reserve System and affect the size of the money supply and interest rates. Fiscal policies represent purchases made by the federal government.

Example: Allocation of funds to defense means expenditures for weapons and hardware. If appropriations had gone to the Health and Human Services and Education Departments instead, much of the money would have constituted transfer payments. The primary beneficiaries of such a fiscal policy would be firms in the basic food and shelter businesses. No matter how government expenditures are reallocated, the result is lost sales and cut budgets for some companies and additional opportunities for others.

(b) Technological Factor

Technology is another aspect of the environment a firm should consider in developing strategic plans. Changing technology may affect the demand for a firm's products and services, its production processes, and raw materials. Technological changes may create new opportunities for the firm, or threaten the survival of a product, firm, or industry. Technological innovation continues to move at an increasingly rapid rate.

DEMAND

Technology can change the lifestyle and buying patterns of consumers. Recent developments in the field of microcomputers have dramatically expanded the potential customer base and created innumerable opportunities for businesses to engage in business via Internet. Whereas computers were traditionally used only by large organizations to handle data processing needs, personal computers are commonly used by smaller firms and individuals for uses not even imagined fifteen years ago. Similarly, new developments in technology led to a reduction in prices for computers and expanded the potential market. Lower prices allow computers to be marketed to the general public rather than to business, scientific, and professional users—the initial market.

Technology may also cause certain products to be removed from the market. Asbestos-related illnesses have severely limited asbestos as a resource used in heat-sensitive products such as hair dryers. Further, a number of chemicals that have been commonly used by farmers to control insects or plants are prohibited from use or require licensure as a consequence of those chemicals appearing in the food chain.

PRODUCTION PROCESSES

Technology also changes production processes. The introduction of products based on new technology often requires new production techniques. New production technology may alter production processes. Robotics represents one of the most visible challenges to existing production methods. Robots may be used in positions considered hazardous for people or that require repetitive, detailed activities.

The consequences for other jobs currently occupied by people are not clear. When production was first automated, although some workers were displaced, new jobs were created to produce and maintain the automated equipment. The impact of robotics on jobs is in large part a function of the uses made of the technology and the willingness of workers to learn to use new technology.

In some industries, use of robots during the early 2000s increased production and efficiency but resulted in significant numbers of job losses. However, technological innovation can also result in increased job growth.

Example: Ford Motor Company's $375-million technology update to its Norfolk assembly plant to build its 2004 F-150 resulted in the ability to build

More models on its assembly line and consequently created about 270 new jobs, an 11 percent increase.

EVALUATING TECHNOLOGICAL CHANGES

There is little doubt that technology represents both potential threats and potential opportunities for established products. Products with relatively complex or new technology are often introduced while the technology is being refined, making it hard for firms to assess their market potential.

Example: When ballpoint pens were first introduced, they leaked, skipped, and left large blotches of ink on the writing surface. Fountain pen manufacturers believed that the new technology was not a threat to existing products and did not attempt to produce ball-point pens until substantial market share had been lost

Another technology, the electric razor, has yet to totally replace the blade for shaving purposes. Perhaps the difference is that the manufacturers of blades have innovated by adding new features to retain customers. Manufacturers of fountain pens did not attempt to innovate until the ballpoint pen was well established.

It is quite difficult to predict the impact of a new technology on an existing product. Still, the need to monitor the environment for new technological developments is obvious. Attention must also be given to developments in industries that are not direct competitors, since new technology developed in one industry may impact companies and organizations in others.

(c) Sociocultural

The sociocultural dimensions of the environment consist of customs, lifestyles, and values that characterize the society in which the firm operates. Socio-cultural components of the environment influence the ability of the firm to obtain resources, make its goods and services, and function within the society.

Sociocultural factors include anything within the context of society that has the potential to affect an organization. Population demographics, rising educational levels, norms and values, and attitudes toward social responsibility are examples of sociocultural variables.

POPULATION CHANGES

Changes in population demographics have many potential consequence

For organizations. As the total population changes, the demand for products and services also changes. For instance, the decline in the birthrate and improvement in health care have contributed to an increase in the average age of the population in the country. Many firms that traditionally marketed their products toward youth are developing product lines that appeal to an older market.

Example: Clothing from Levi Strauss & Co. was traditionally popular

The aging population. Firms in the health-care industry and firms providing

Funeral services are expected to do well give the increasing age of the country population.

RISING EDUCATIONAL LEVELS.

Rising educational levels also have an impact on organizations. Higher educational levels allow people to earn higher incomes than would have been possible otherwise. The increase in income has created opportunities to purchase additional goods and services, and to raise the overall standard of living of a large segment of the population. The educational level has also led to increased expectations of workers, and has increased job mobility. Workers are less accepting of undesirable working conditions than were workers a generation ago. Better working conditions, stable employment, and opportunities for

Training and development are a few of the demands businesses confront more frequently as the result of a more educated workforce.

NORMS AND VALUES

Norms (standard accepted forms of behavior) and values (attitudes toward right and wrong) are differ across time and between geographical areas. Lifestyles differ as well among different ethnic groups. As an example, the application in the United States of Japanese-influenced approaches to management has caused firms to reevaluate the concept of quality. Customers have also come to expect increasing quality in products. Many firms have found it necessary to reexamine production and marketing strategies to respond to changes in consumer expectations.

SOCIAL RESPONSIBILITY

Social responsibility is the expectation that a business or individual will strive to improve the welfare of society. From a business perspective, this translates into the public expecting businesses to take active steps to make society better by virtue of the business being in existence. Like norms and values, what is considered socially responsible behavior changes over time.

In the 1970s agreeing action was a high priority. During the early part of the twenty-first century prominent social issues were environmental quality (most prominently, recycling and waste reduction) and human rights, in addition to general social welfare. More than just philanthropy, social responsibility looks for active participation on the part of corporations to serve their communities.

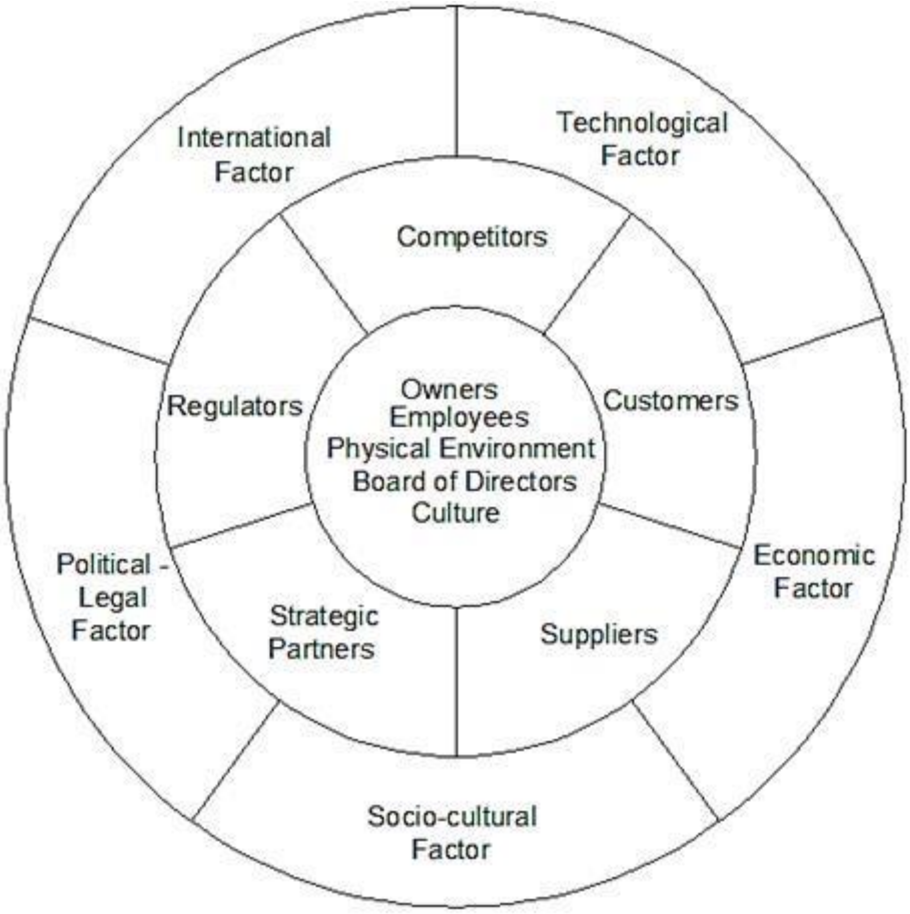

Fig 2 Environment Factors

Source: Robert Kreutzer & Magmata Mohapatra, ― Management‖, Biztantra, 2008

(d) Political-Legal Factor

The above figure 2 shows the Environment Factors. The political-legal dimension of the general environment also affects business activity. The philosophy of the political parties in power influences business practices. The legal environment serves to define what organizations can and cannot do at a particular point in time.

ATTITUDES TOWARD BUSINESS

A pro-business attitude on the part of government enables firms to enter into arrangements that would not be allowed under a more anti-business philosophy. The numerous joint ventures between U.S. and Japanese automobile

Manufacturers could have been termed anticompetitive by a less pro-business administration. The release of many acres of government land for business use (logging, mining) angered many environmentalists who had been able to restrict business use of the land under previous administrations.

Changes in sentiments toward smoking and its related health risks have altered the public's attitude toward the tobacco industry. These changes have been reflected in many organizations by limiting smoking to designated areas or completely prohibiting it at work. The transformation in attitude has also caused firms within the tobacco industry to modify marketing strategies, encouraging many to seek expansion opportunities abroad.

LEGISLATION

The legal environment facing organizations is becoming more complex and affecting businesses more directly. It has become increasingly difficult for businesses to take action without encountering a law, regulation, or legal problem. A very brief listing of significant laws that affect business would include legislation in the areas of consumerism, employee relations, the environment, and competitive practices.

Many of the laws also have an associated regulatory agency. Powerful U.S. regulatory agencies include

- The Environmental Protection Agency (EPA)
- The Occupational Safety and Health Administration (OSHA)
- The Equal Employment Opportunity Commission (EEOC)
- The Securities and Exchange Commission (SEC).

Estimates of the cost of compliance vary widely; many of these costs are passed to consumers. However, costs of legal expenses and settlements may not be incurred for years and are not likely to be paid by consumers of the product or owners of the company when the violation occurred. Still, potential legal action often results in higher prices for consumers and a more conservative

Attitude by business executives.

LEVELS OF GOVERNMENT INFLUENCE

We generally speak about "the government" as referring to the federal government. It is the federal government that passes and enforces legislation concerning the entire country. Actions by the federal government affect a large number of firms and are consistent across state boundaries. Environmental analysis, however, should not overlook actions by both state and local governments.

Regulations concerning many business practices differ between states. Tax rates vary widely. Laws regarding unionization (e.g., right-to-work states) and treatment of homosexual workers differ between states.

Local governments have the potential to affect business practices significantly. Some local governments may be willing to provide incentives to attract business to the area. Some may build industrial parks, service roads, and provide low-interest bonds to encourage a desirable business to move into the community.

Regulatory measures such as building codes and zoning requirements differ significantly between communities. Infrastructure such as electric and sewer services, educational facilities, and sewage treatment capabilities may not be able to accommodate the increased demand associated with certain industries, making that locale unsuitable for establishing some businesses.

(e) International Factor

A final component of the general environment is actions of other countries or groups of countries that affect the organization. Governments may act to reserve a portion of their industries for domestic firms, or may subsidize particular types of businesses to make them more competitive in the international market.

Some countries may have a culture or undergo a change in leadership that

Limits the ability of firms to participate in the country's economy.

ECONOMIC ASSOCIATIONS

One of the most recent joint efforts by governments to influence business practices was NAFTA. The agreement between the United States, Canada, and Mexico was intended to facilitate free trade between the three countries. The result has been a decrease in trade barriers between them, making it easier to transport resources and outputs across national boundaries. The move has been beneficial to many businesses, and probably to the economies of all three countries. In most economic associations, preference is also given to products from member countries at the expense of products from nonmembers.

Probably the best-known joint effort by multiple countries to influence business practices is the Organization of Petroleum Exporting Countries (OPEC). The formation of OPEC, an oil cartel including most major suppliers of oil and gas, led to a drastic increase in fuel prices. Rising fuel prices had a significant effect on the demand for automobiles worldwide. The increases in oil prices also contributed to inflation all over the world. OPEC's early success encouraged countries producing other basic products (coffee beans, sugar, bananas) to attempt to control the prices of their products.

INTERGOVERNMENTAL RELATIONS

Changing relationships between the United States and other countries may alter the ability of firms to enter foreign markets. The United States' establishment of trade relations with China in the 1970s created opportunities for many firms to begin marketing their products in China.

The rise of Ayatollah Ruhollah Khomeini to power in Iran altered the lives of many Iranian citizens. Wine, vodka, music, and other forms of entertainment were prohibited. Black markets provided certain restricted items. Other products, such as wine, began to be produced at home.

1.6 CURRENT TRENDS AND ISSUES IN MANAGEMENT

1.6.1 TRENDS AND CHALLENGES OF MANAGEMENT IN GLOBAL SCENARIO

The management functions are planning and decision making, organizing. Leading, and controlling — are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work lot them; and they have to develop appropriate control mechanisms.

a) Planning and Decision Making in a Global Scenario

To effectively plan and make decisions in a global economy, managers must have a broad-based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations.

At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter market in France, should it buy a local firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

b) Organizing in a Global Scenario

Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe. The firm has made the decision to give local managers a great deal of responsibility for how they run their business.

In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

c) Leading in a Global Scenario

We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds .Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals.

How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

d) Controlling in a Global Scenario

Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not Like-wise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences.

Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.