CHAPTER-I
INTRODUCTION

This research work is designed to examine the effectiveness and efficiency of some large sized industrial units in the textile sector from north India. The report of the study has been divided into five chapters. The present chapter, by way of introduction, is devoted to the discussion of the research problem, the explanation of the concept of effectiveness and efficiency, variables used in the measurement of the effectiveness which, in turn, determine the efficiency. The important variables used to measure effectiveness have been restricted to human behaviour aspect only and the physical factors have not been taken into account. To be more explicit, the variables which influence effectiveness have been taken as: Assumptions about people at work, Managerial Skill (self-assessed), Organisational-Climate (existing and ideal), and Job-Satisfaction. Towards the end of this Chapter, objectives of the study have also been adumbrated.

Since the dawn of 20th century, it has become powerful theory as well as practice to orient the organisations towards effective management. The pivotal point of this theory and practice is the human factor which increases the efficiency without distorting the balance between resources and output. The issue of effective management also rests upon this very human factor in
present time. Our study is an attempt to understand this
advancing technique of human orientation in Indian set up
where the top management is still in the hands of
hereditary proprietorship. This class of management
experts used to acquire training in management at work
but it could not be guaranteed that their aptitude and
potential for management will develop. But now more and
more well trained, genuinely interested and needy people
are entering in the management of business organisations
at middle level in private sector and at top level in the
government (or public) sector. Thus, the management theory
and practice in our country is in transitional stage and
it would be really interesting and useful to measure and
analyse the managerial effectiveness and efficiency in
some Indian industries taking the 'human aspect' for
subject-matter. It is necessary to explain, first, clearly
the concepts of effectiveness and efficiency.

EFFECTIVENESS:

Effectiveness is related to the impression of
work on people working in the organisation, to the
appropriateness of objectives, short and long-term results,
humanistic and idealistic values. Any management can
prove to be effective if it recognizes the desire of
people at work to use their intelligence, imagination,
skill and talent. Managerial effectiveness exists when
the jobs are improved, organisational design is more
congruent with human personality, goals, norms and values of the workers, job-satisfaction and in the light of societal welfare. Etzioni (1964) defined effectiveness in terms of management's ability to acquire and competent use of available inputs to attain the objectives. Managerial effectiveness is largely the extent to which managers and employees can join together and pool their knowledge and efforts to overcome obstacles that inhibit the attainment of the organisational goals (Steers 1977). It is managerial ability to exploit organisational environment in the acquisition of scarce and valued resources to sustain its functioning. Further, effective management is one which: (a) sets short-term goals within the context of long-term policies so that there is no dichotomy between the two, and (b) is geared to implement the goals effectively relying on logical organisational system. It also refers to the well planned human-resources management and producing the results in the line of objectives. Moreover, an effective management is that which produces the desired results and goals within the prefixed parameters. Managerial effectiveness seems to be present in any organisation when it fulfils its mission.

In the plethora of divergent views relating to any organisation's managerial effectiveness, the only way to resolve the dilemma is to define effectiveness in terms of systems level criteria. The management is a larger system in the organisation. If this context is
taken, the managerial effectiveness of any organisation has to be considered in three layers:

(i) Effectiveness with which the organisation serves the purpose of the larger system of which it is a part;
(ii) Effectiveness with which organisation serves its own purpose; and
(iii) Effectiveness with which the organisation serves the purpose of the system which is its part.

Variables Constituting Managerial Effectiveness:

Effectiveness can not be attributed to a single factor as there are many variables constituting it. It is evaluated by using multiple criteria. Single prescription for effectiveness is like mirages; (desirable but distant, receding unreal). It is hardly possible that a management is effective from all angles. Survival of organisation is considered as ultimate and long-run criteria of effectiveness (Gibson et al 1976). Similarly, organisational goals and their achievement is the central motive of managerial effectiveness (Albanese 1978). According to the studies conducted in late seventies of the present century, the effectiveness is influenced by four major categories of variables over which managers have some degree of control (Good-Man & Pennings 1977, Steers 1975, 1977). These are: Organisational characteristics, environmental factors, employees' characteristics (as job-performance, attachment and satisfaction), and managerial policies & practices. According to Likert (1961,1967) general business
conditions, leadership strategies, skills, decision making process, motivational policies, members' morale, effective communication and net profits are the other constituents of managerial effectiveness. Reddin (1967) has placed more emphasis on physical factors and remarked that effectiveness of a manager should be seen objectively by his profit centred performance, maximum output, market share or other similar criteria.

Schein (1970) has defined effectiveness in a more detailed manner. According to him an effective management is one which successfully handles the processes of employees' motivation, brings the job-satisfaction and so minimizes the harmful job policies and conflicts, provides appropriate training, communication, and healthy organisational mentality. Adaptability to changing environmental demands, a sense of identity, capacity to test reality and integration among the sub-parts of the organisation are the four qualities of a healthy and effective management. Minor's (1973) description of effectiveness is still most comprehensive. He is of the opinion that for the management to be effective seven things should be present, viz. (1) close and direct relationship between the expectations of the people and organisational goals is found, (2) continual redefining of what is expected of people through discussions with the people most intimately involved. As time changes so
would job description, (3) when there is rejection of the 'It is not my responsibility' response as an excuse for failures. Under an effective management, people are eager to enlarge their contribution, (4) when there is feeling of contribution to the larger organisation without having to receive regular and specific tasks. Under these conditions people in the organisation take pride in making a valuable contribution; (5) the required information should reach proper place in proper time. When a few people attempt to monopolize all the information and dispense it in small doses, ineffectiveness occurs, (6) in an effective managerial system, peers identify problems and take care of them without the impetus of orders issued from the above, and (7) a strong commitment to goals enhancement and their achievement instead of tendency to look favourably toward outside reference groups. A manager, for example, who spends excessive time of housekeeping instead of figuring out how he or she could take the company forward may be contributing to managerial effectiveness but in a small way.

Organisational goals are given priority than personal goals by the effective management. If managers and employees indulge in achieving their personal goals setting aside the organisational goal, the management would automatically prove ineffective. In bureaucracy, managers often tend to try to build up their own
departments by adding unnecessary personnel, more equipments or expanded facilities. Although, this tendency may increase the prestige and importance of such managers but it often leads to an organisational climate which is shifting and frustrating to the individuals who must cope with it. Thus, when discussing and characterising effectiveness, one must recognize the differences between individual goals and organisational goals.

**EFFICIENCY :**

In an organisation, managerial efficiency refers to the state of output-input relationship. Exploitation of resources in several forms is efficiency. If the available resources are used in such a way that the maximum output (objective output) is attained, then it refers to the "efficient" exploitation otherwise inefficient. Thus, a management can be efficient if the volume of inputs are appropriately conserved to achieve the goals of the organisation. Efficiency can also be used interchangeably with productivity. So, productivity relates to the efficiency with which the labour inputs and other inputs like raw-materials, machinery, land and buildings etc. are utilized.

Katz & Kahn (1970) defined efficiency, 'as the ratio of energetic-output to the energetic input'. Energetic output is the production and energetic input is cost.
Therefore, production/cost also indicates the efficiency. As the numerator increases the 'efficiency' also increases. In other words, the management is said to be efficient if it produces more and better output with less labour, less materials and machines, and in shorter period of time.

Further, efficiency of the management exists when the objectives are achieved with the implications of more, better, faster and cheaper ways of doing things. In efficient managerial process, organisation doesn't face the abnormal wastage. It connotes the idea of doing well without waste of whatever is being done by the management in an organisation. So, efficient management focuses on how (the way) work is done, what should be done is given less direct focus. Therefore, irrelevant activities in the production process are avoided. For the management to be efficient a timely stepwise functioning is adopted.

The efficiency may be categorised as 'potential' efficiency and 'actual' efficiency. The potential efficiency relates to the extent to which energetic investment (input) in several forms such as supplies and power is available with the management for output. Actual efficiency relates to the extent to which the management utilizes the available energy at its disposal. Thus, potential efficiency refers to the capacity of available resources in the hands of management in any organisation. The extent to which the potential efficiency is exploited is called actual efficiency, which is measured by the ratio
between output measure and input measure. The potential efficiency will be called actual efficiency only when all available volume of inputs are exhausted to the cent per cent extent. Now we consider the factors which determine the efficiency.

Variables Determining Managerial Efficiency:

The determinants of managerial efficiency are various types of inputs available with the organisation in the prevailing circumstances. Physical variables (i.e., raw material, technology, machinery and tools, land and buildings, lay-out procedure) and human factors like human behaviour and man power etc. determine the level of efficiency in any organisation. The important point, which should always be borne in mind, is that quality and quantity of the above determinants have an impinge on the level of efficiency. For example, number of labourers is not the barometer of measuring the good efficiency, rather labour force should also be qualitatively good. The ratio of the labour force should be tailor-made with the tools and machinery, land and building etc. In an efficient situation nothing should be passive and apathetic, otherwise it would indicate the 'inefficiency' of the management and the potential efficiency would be greater than actual efficiency in such condition. It is, in fact, the balanced combination of inputs that determines efficiency. Efforts should be made for increasing the efficiency or to exploit the potential
efficiency. It is to be emphasized that organisation model plays an important role in the matter of efficiency. A suitable model of organisation should be designed so that it may cater to the needs for achieving their goals, norms and values of the business and society as a whole. Lichtman & Hunt (1971) correctly advocated for formal organisation as the necessary and sufficient condition for satisfactory efficiency level. With the formal set up, the potential efficiency can be harnessed vastly if management is able to make suitable human relationship on the job. The human relation approach is a continuously expanding body of knowledge since the modern industrial development. So, the management should keep itself abreast of the new changes and developments in this field. Besides human factor, physical aspects should also be developed for the exploitation of potential efficiency. The balance is only possible if the management functions effectively. Thus, Managerial effectiveness, as determined by the factors explained earlier, is the dominating independent variable which can transform the potential efficiency into actual efficiency. So potential efficiency can be equalised to actual efficiency by the effective-management only by putting the positive efforts into work.
At this stage, after having acquired knowledge of the concepts of effectiveness and efficiency, it is pertinent to seek distinction between the two. Altogether, effective management avoids wasteful managerial practices and strives towards the transformation of potential efficiency in actual efficiency. Thus, effectiveness, at first, affects the efficiency and when the results are good and satisfactory, then the management comes up as more effective in future. So, the effectiveness and efficiency are the two different variables. Efficiency is dependent variable and effectiveness is independent variable. Effectiveness, as already mentioned, is the extent to which operative goals can be attained whereas efficiency is the output-input ratio incurred in the pursuit of those goals. Efficiency is the determinant of the managerial-effectiveness. Decreased efficiency would have a detrimental effect on organisation and so on managerial effectiveness. Maximization of return by economic and technical measures in the organisation is the subject matter of efficiency whereas effectiveness involves maximization of return by all measures including economic, technical and non-economic measures. Efficiency involves only economic factors while effectiveness includes not only economic factors but also social and mental elements. Another significant distinction between
the two is that efficiency refers to the capacity of inputs of physical resources whereas the effectiveness is the capability of using the capacity.

The humanitarian variables indicating the effectiveness are grouped in four questionnaires. These questionnaires are: Assumptions about people at work (i.e. Y/X assumptions); Self-assessed managerial skill; Organisational-climate (existing and ideal); and Job-satisfaction. Thus, it becomes necessary here to introduce these main four variables which influence effectiveness. Now we deal with the brief theoretical and historical introduction of these variables in turn.

(I) Assumptions about people at work:

Managers' and/Assistant-Managers' behaviour with their subordinates influence the effectiveness of the management. The assumptions that managers make about their workers and other members determine the way of behaviour with each other. If their assumptions are favourable for the working force, only then they are able to materialise the potential efficiency, otherwise no. When a manager thinks that workers have no thinking ability, are in the habits of avoiding the work, and their perspective is too limited, then it implies that he is profit oriented and not human oriented manager. Moreover, when the managers assume about their people
that they tend to lower their standard if they are not punished for their misbehaviour and mistakes, it represents his self-centered nature. Douglas McGregor (1960) identified two separate sets of assumptions about people. He called these sets of assumptions theory X' and Theory Y' and argued that the assumptions made by the managers about their workers influence their attempts to manage the whole work.

According to McGregor (1960), traditional organisation with its centralized decision making, superior-subordinate-pyramid and external control of work are based upon assumptions about human nature and human motivation. Theory 'X' assumes that the most people prefer to be directed, they are not interested in assuming responsibility and want safety above all. Further, this theory philosophises that people are motivated by money, fringe benefits and the threat of punishment. Management has regarded employees as indolent, without ambition and resistant to change and responsibility. Thus theory 'X' provides a rigid and task oriented approach to the management. A manager, who accepts theory 'X' assumptions, attempts to control and closely supervise their employees because he feels that external control is clearly appropriate for dealing with unreliable, irresponsible and immature workers. Drawing heavily on Maslow's hierarchy of needs, McGregor concluded that theory 'X' assumptions about human nature, when universally applied,
are often inaccurate. The management approaches, developing from these assumptions, may fail to motivate many people to work towards organisational goals and effectiveness. Management requires the practices based on a more accurate understanding of human nature and motivation which brings managerial effectiveness in the organisation. Mc Gregor (1960) developed an alternative theory of human behaviour called theory 'Y'. It postulated that people are not lazy and unreliable by nature, people can be basically self-directed and creative at work if properly motivated. Therefore, the management becomes effective if it unleashes this potential among individuals. Goal achievement would indicate the managerial effectiveness and theory 'Y' assumptions help in it as such managers are supportive and facilitating. In resume, theory 'Y' is human oriented approach. It prescribes the democratic prescription for the course of action of management to work effectively.

'Which theory is good' has always been the question mark. Generally, it happens that in one situation theory 'X' assumptions work well and in another, theory 'Y' assumptions give better results. Mc Gregor (1960) suggested that, generally, under theory 'X' persons rarely develop or perform anywhere near their potential. They simply do their prescribed task, often they are not even expected to do more. Theory 'X' tends to become self-limiting when people believe in democratic leadership.
In fact, 'X' and 'Y' theories are not strategies of managing; these are assumptions about the nature of people which influence the adoption of a strategy for managing. It is meaningless to refer to a manager as a 'theory X' manager or a 'theory Y' manager unless the reference is to the set of assumptions that appears to guide the manager's strategy of managing. Both can be optionalized using several different strategies of managing.

The best assumptions about people are those which most accurately fit the particular group of people. These assumptions will vary not only among situations but also with the time and individuals.

(II) Managerial skill:

Another variable which brings the management in effective process is the skill of managers tackling various problems in the organisation. Managers and assistant-managers generally face the problems in decision making by developing a range of alternatives before coming to a final verdict and quick decisions making in short period and pressures. They also feel embarrassment sometimes when the need arises to communicate the instructions and final verdict to their workers. Problems are also faced by them when the delegation is required. Therefore, only those managers and assistant-managers are effective who are able to solve these problems and attain actual efficiency to the nearest quantum of
potential efficiency. Thus manager's ability to deal with the organisational factors has its importance in a wide range of job situations. These people are required to have effective work habits on their jobs. Generally, skilled managers and assistant-managers can do all this. Skilled managers are more intelligent, better educated, more dominant, more involved in organisational activities, independence oriented, risk bearers, and enjoyers in relationships with people. General intelligence has emerge rather frequently in association with managerial success. Other additional personality characteristics and background factors add the volume of skill in managerial activities. These are: disposition to hard work, being active, taking risks, confidence, low anxiety and a background of effectiveness and success. The different leadership skills and traits are required in different situations. A manager would prove skilled if he gets the job according to his choice, preference and ability so it is advisable to present oneself for more managerial roles in which one can perform the best.

(III) Organisational-climate:

In any organisation, the climate should be congenial to work. It is potential variable to bring the effectiveness in organisation. Management can perform effectively in suitable climatic situations. Such situation is brought about by various factors if the
management people function well. Organisational-climate consists of a set of characteristics describing an organisation. A set of properties of the work climate, specific to be a particular organisation that may be assessed by the way the organisation deals with its employees and its general and task environment (Szilagyi et al 1978).

Mc-Clelland (1965) defined it as a set of generalized attitudes and beliefs that exist in a community or nation. Cambie (1963) found technical, intellectual and social aspects making the total climate.

There have been different approaches to the organisational-climate. James Jones (1974) suggested that there were three separate, but not mutually exclusive, approaches to define and measure organisational climate. These approaches are: 1) Multiple measurement-organisational attribute approach, 2) Perceptual measurement approach, and 3) Perceptual measurement approach (Individual Representative of multiple measurement approach defined the organisational climate as a set of characteristics—(a) That distinguishes the organisation from other organisations (b) That those are relatively enduring over time, (c) Those influence the behaviour of people in the organisation (Forehand and Gilmer 1964). This broad definition would encompass system values and norms (Katz and Kahn 1966) and also studies the different facets of organisational and subgroup processes such as leadership, conflict, reward,
Perceptual measurements (Organisational attribute approach): The definition discussed under the head of multiple measurement places insufficient emphasis on perceptions of the members of the organisation. The approach exerts greater stress on the idea that the climate is interpreted by the members of the organisation to have a certain quality which affects their attitude and motivation. Elaborating further, Campbell et al (1970) identified four categories of the organisational situation, which are: (a) structural properties, (b) environmental characteristics, (c) organisational-climate, and (d) formal role characteristics. Organisational-climate was defined by them as a set of attributes specific to a particular organisation that may be induced from the way the organisation deals with its members and its environment. For the individual member with an organisation, climate takes the form of a set of attitudes and expectations which describe the organisation in terms of both static (such as degree of autonomy) and dynamic.

Pritchard and Karasick (1973) defined organisational-climate through perceptual measurement as: (a) which results from the behaviour and policies of members of the organisations, especially top management, (b) which is perceived by members of the organisation, (c) which serves as a basis for interpreting the situation, and
(d) acts as a service of pressure for directing activity. Thus, they indicated that the climate of an organisation should be measured perceptually.

Perceptual measurement (Individual approach): Schneider and Bartlett (1970), representatives of Individual approach, described organisation-climate as a set of summary or global perceptions held by individuals about their organisational environment. These summary perceptions reflect an interaction between personal and organisational characteristics in which the individual by forming climate perceptions acts as an information processor using inputs from (a) the objective events in the organisation, (b) characteristics of the organisation and (c) characteristics of the perceiver. Schneider (1973) showed that climate took the form of situation-specific value which reflected those aspects of the situation to which individual attaches importance. Organisational-Climate was viewed as a summary evaluation of events based upon the interaction between actual events and the perceptions of those events.

According to perceptual measurement, climate was conceptualized as an "intervening variable", because it was caused by discrete experiences and in turn caused later behaviours. Because of its intervening and perceptual nature, organisational climate was
regarded as neither an independent variable subject to manipulation nor an outcome criterion. A major importance of organisational-climate was seen as an individual attribute. Friedlander and Marquies (1969) viewed the relationship between situational variables and individual variables as dependent on the intervening variables of perceived organisational-climate.

After having discussed the various approaches to the organisational-climate, we now consider appropriately its dimensions. It becomes necessary to construct an instrument that could collect members' perceptions and subjective responses to the organisational environment. Litwin and Stringer (1968) advocated a set of dimensions of organisational-climate in a series of studies. These are: (1) Structure and constraints/ control, (2) Warmth and support, (3) Individual responsibility, (4) Reward and punishment, (5) Conflicts and their tolerance, (6) Performance and standards, (7) Organisation and group identity and (8) Risk and risk taking are the other dimensions constituting the organisational-climate.

(IV) Job Satisfaction:

Managerial effectiveness is influenced by the job satisfaction prevailing among the employees of the organisation. Any management can strive to the
realisation of maximum potential efficiency if it is successful to make its employees realised that the job being done by them is their own job. If such feeling comes into the mind of the workers that will show the increment in outputs and so to managerial effectiveness. Job satisfaction is an important contributor in effectiveness. Thus, question comes into being what is job satisfaction? What brings job satisfaction among workers? Job satisfaction is roughly the feeling and opinion the people have about their jobs and closely related factors. It is an area of major concern to the personnel professional for both humanistic and economic reasons. Job satisfaction may be viewed as the pressurable, emotional state resulting from the perception of one's job as fulfilling or allowing the fulfilment of one's important job values, providing these values are compatible with one's needs (Locke 1976).

Job satisfaction results from the perception that an employee's job actually provides what an employee values in the work situation. It is an emotional response to a job-situation. We can not observe satisfaction; we can infer its existence and quality either from an employee's behaviour or verbal statements. Several writers have pointed to the concept of job-satisfaction as being a result of how much a person wants or expects from the job compared to how much he or she actually
receives (Locke 1969, Porter and Steers 1973). Employees come to work with varying levels of job-expectations. Different people may value different things in a job in quality and intensity. Based on work experiences, employees receive outcomes or rewards from the job. These outcomes include not only extrinsic rewards like pay and promotion, but also a variety of intrinsic rewards such as satisfying co-workers' relations and meaningful work. If the outcomes received by an employee are beyond his expectations, one can think that he is satisfied with the job and wish to remain in the job. More changes of jobs by workers show the managerial ineffectiveness. Question arises that satisfaction with what?

In fact, job satisfaction represents several related attitudes. Five job dimensions represent the most salient characteristics of a job about which people have effective responses (Smith et al 1969). They suggested work, pay, promotional opportunities, supervision and co-workers as job-dimensions. If all these dimensions are acceptable on the job he serves, he will be satisfied to his job. So many other dimensions have also been identified by several investigators. It has been suggested by Porter and Steers (1973) that influences on employee attitudes and behaviour can be
grouped into four relatively discrete categories, representing four levels in the organisation. Firstly, organisation-wide factors like pay system, promotional opportunities, company policies and procedures and organisation structure influence overall job-satisfaction. Secondly, immediate work environment factors, viz., supervisory style, participation in decision making, work group size, coworkers' relations, working conditions are the other influencing factors for a job. Thirdly, job content factors like, job scope, role clarity and conflict or the actual job activities affect the volume of job-satisfaction. Fourthly, personal factors, like age, tenure and personality also affect the satisfaction in job. If the management is able to arrange, organise and adjust all these factors according to the expectations of the maximum employees, it will be an effective management which, further, will achieve actual efficiency.

Now the question in focus is the relative importance of factors for job satisfaction. Personal factors are far less important in determining job satisfaction than are those factors which characterize the work place (O' Reilly & Roberts 1975). The consequencies of job-satisfaction increase or decrease the managerial effectiveness. A management would be effective from human side if turnover increases and
absenteeism decreases. It has been noted that one of the most popular indicators used by the investigator to assess effectiveness is job-satisfaction (Steers 1977). Job satisfaction brings with it a variety of positive consequences and makes the management effective.

OBJECTIVES OF THE STUDY:

The present study is designed with the following objectives:

(1) To account the overall quantitative relationship between the effectiveness and efficiency by linear, multiple and additive model.

(2) To account quantitative relationship between the efficiency and the components of effectiveness individually such as: assumptions about people at work of the superiors, self assessed managerial skill of the superiors, perceptions of the organisational-climate, discrepancy in existing and ideal perceptions of organisational climate and job satisfaction.

(3) To consider the role of organisational factors such as: Sector, hierarchy, industry and departments on effectiveness and efficiency.

(4) To assess the role of individualistic determinants such as age, experience, salary, marital status, nature of appointment, working-shift etc. on the effectiveness.