B.COM (H) – Core 7- Semester III

Management Principles and Application

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SYLLABUS

(Core-7)

MANAGEMENT PRINCIPLES &APPLICATIONS

Objective:
The objective of the course is to provide the student with an understanding of basic management concepts, principles and practices.

Unit-I: Introduction:
Management-definition, importance, functions, nature-as profession, science and art, universality of management; levels of management; managerial tasks and skills
Different Schools of Thoughts: Classical School-contributions of Taylor and Henri Fayol; Neo-classical school-Human Relations approach and Behavioural Science Approach; Modern School; System approach and Contingency approach

Unit-II: Planning:
Concept, importance, steps, types, premises, barriers to effective planning and remedial measures; strategic planning-concept forecasting –concept, techniques.

Organizing:
Concept, importance, principles, different organization models-line and staff; Functional; Departmentation-need, basis, principles, Delegation of Authority-elements, steps barriers;Centralization and Decentralization of Authority; Span of Management; concept and determining factors

Unit-III: Directing and Staffing:

Directing: concepts, importance of directing, Leadership: Concept, importance, types, leadership traits, Tannenbaum & Schmidt's Model and Blake & Mouton's Model.

Staffing: concepts, importance

Unit- IV: Motivation, Co-ordination and Control:

Motivation: Concept, importance, importance of need theory, and contributions of McGregor, Maslow, Herzberg.
Coordination: concepts, importance, principles and implementation techniques.
Control:concepts, importance and tools of control.

Learning Outcomes: Students would be able to make use of different management principles in the course of decision making in different forms of business organizations.

Text Books Recommended
1. Pany Tushar K , Management Principles and Application, Kalyani
2. Prasad, L.M. Principles and Practice of Management, Sulatan Chand

Suggested Readings:
1. Sharma gupta , Management: Principles and application , Kalyani Publishers
2. R. K . Singhal, Management Principle and application, V.K. Global Pub. Pvt. Ltd, New Delhi.
3. Management Principles and Applications-Jhunjhunwala J Mohanty- Himalaya Publishing House
4. Principles of Management: Mitra, Oxford University Press.
5. Griffin, R.W. – Management :Principles& Practices, Cengage Learning
6. Gupta R.N - Principles & Practice of Management – S. Chand
7. A K Jha, Management Principles and Application - Vrinda Publications (P) Ltd.
8. Chandan J.S – Management Concepts of Strategy – Vikash Publication
9. B.P. Singh and A.K.Singh, Essentials of Management, Excel Books
10. TN Chhabra, Management Concepts and Practice, DhanpatRai& Co. (Pvt. Ltd.), New
Delhi
11. Peter F Drucker, Practice of Management, Mercury Books, London\

Unit – 1
INTRODUCTION OF MANAGEMENT

AIMS AND OBJECTIVES

After studying this lesson you will be able to:

(i)   Understand the meaning and characteristics of management.

(ii)   Describe scope of management

(iii)   Understand functions of management.

(iv)   Know the nature of management i.e. is it a science or an art.

(v)   Understand skill of the manager.

(vi)   Describe management as a profession.

(vii)   Understand scientific management.

(viii) Understand the evolution of management thought.

(ix)   Understand the principles of management by H. Fayol.

CONTENTS

1.1.INTRODUCTION

Management is a universal process in all organized, social and economic activities. Wherever there is human activity there is management.

Management is a vital aspect of the economic life of man, which is an organized group activity. A central directing and controlling agency is indispensable for a business concern. The productive resources –material, labour, capital etc. are entrusted to the organizing skill, administrative ability and enterprising initiative of the management. Thus, management provides leadership to a business enterprise. Without able managers and effective managerial leadership the resources of production remain merely resources and never become production. Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

1.2 MEANING OF MANAGEMENT

Management is a technique of extracting work from others in an integrated and co-ordinated manner for realizing the specific objectives through productive use of material resources. Mobilising the physical, human and financial resources and planning their utilization for business operations in such a manner as to reach the defined goals can be benefited to as management.

1.3 DEFINITION OF MANAGEMENT

Management may be defined in many different ways. Many eminent authors on the subject have defined the term "management". Some of these definitions are reproduced below:

In the words of George *R* Terry - "Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources".

According to James L Lundy - "Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective",

In the words of Henry Fayol - "To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control".

According to Peter F Drucker - "Management is a multipurpose organ that manages a business and manages managers and manages worker and work".

In the words of J.N. Schulze - "Management is the force which leads, guides and directs an organisation in the accomplishment of a pre-determined object".

In the words of Koontz and O'Donnel - "Management is defined as the creation and maintenance of an internal environment in an enterprise where individuals working together in groups can perform efficiently and effectively towards the attainment of group goals".

According to Ordway Tead - "Management is the process and agency which directs and guides the operations of an organisation in realising of established aims".

According to Stanley Vance - "Management is simply the process of decision-making and control over the actions of human beings for the express purpose of attaining predetermined goals".

According to Wheeler - "Business management is a human activity which directs and controls the organisation and operation of a business enterprise. Management is centred in the administrators of managers of the firm who integrate men, material and money into an effective operating limit".

In the words of William Spriegel - "Management is that function of an enterprise which concerns itself with the direction and control of the various activities to attain the business objectives".

In the words of S. George - "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others".

In the words of Keith and Gubellini - "Management is the force that integrates men and physical plant into an effective operating unit".

According to Newman, Summer and Warren - "The job of management is to make cooperative endeavour to function properly. A manager is one who gets things done by working with people and other resources".

According to John F M - "Management may be defined as the art of securing maximum results with a minimum of effort so as to secure maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service".

In the words of Kimball and Kimball - "Management embraces all duties and functions that pertain to the initiation of an enterprise, its financing, the establishment of all major policies, the provision of all necessary equipment, the outlining of the general form of organisation under which the enterprise is to operate and the selection of the principal officers. The group of officials in primary control of an enterprise is referred to as management".

According to E. Peterson and E.G Plowman - Management is "a technique by means of which the purpose and objectives of a particular human group are determined, classified and effectuated".

According to Mary gushing Niles - "Good management or scientific management achieves a social objective with the best use of human and material energy and time and with satisfaction for the participants and the public".

If the views of the various authorities are combined, management could be defined as "a distinct ongoing process of allocating inputs of an organisation (human and economic resources) by typical managerial functions (planning, organising, directing and controlling) for the purpose of achieving stated objectives namely - output of goods and services desired by its customers

(environment). In the process, work is performed with and through personnel of the organisation in an ever-changing business environment".

Management is a universal process in all organised social and economic activities. It is not merely restricted to factory, shop or office. It is an operative force in all complex organisations trying to achieve some stated objectives. Management is necessary for a business firm, government enterprises, education and health services, military organisations, trade associations and so on.

1.4 NATURE OR CHARACTERISTICS OF MANAGEMENT

An analysis of the various definitions of management indicates that management has certain characteristics. The following are the salient characteristics of management.

1. *Management is a Factor of Production:* Manager's primary task is to secure the productive performance through planning, direction and control. It is expected of the management to bring into being the desired results. Rational utilisation of available resources to maximise the profit is the economic function of a manager. Professional manager can prove his administrative talent only by economising the resources and enhancing profit. According to Kimball -"management is the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration".

2. *Management also implies skill and experience in getting things done through people:* Management involves doing the job through people. The economic function of earning profitable return cannot be performed without enlisting co-operation and securing positive response from "people". Getting the suitable type of people to execute the operations is the significant aspect of management.

3. *Management is a process:* Management is a process, function or activity. This process continues till the objectives set by administration are actually achieved. "Management is a social process involving co-ordination of human and material resources through the functions of planning, organising, staffing, leading and controlling in order to accomplish stated objectives".

3. *Management is a universal activity:* Management is not applicable to business undertakings only. It is applicable to political, social, religious and educational institutions also. Management is necessary when group effort is required.

4. *Management is a Science as well as an Art:* Management is an art because there are definite principles of management. It is also a science because by the application of these principles predetermined objectives can be achieved.

5. *'Management is a Profession:* Management is gradually becoming a profession because there are established principles of management which are being applied in practice, and it involves specialised training and is governed by ethical code arising out of its social obligations.

6. ***Management is an endeavour to achieve pre-determined objectives:***Management is concerned with directing and controlling of the various activities of the organisation to attain the pre-determined objectives. Every managerial activity has certain objectives. In fact, management deals particularly with the actual directing of human efforts.

8. ***Management is a group activity:*** Management comes into existence only when there is an group activity towards a common objective. Management is always concerned with group efforts and not individual efforts. To achieve the goals of an organisation management plans, organises, co-ordinates, directs and controls the group effort.

9. ***Management is a system of authority:*** Authority means power to make others act in a predetermined manner. Management formalises a standard set of rules and procedure, to be followed by the subordinates and ensures their compliance with the rules and regulations. Since management is a process of directing men to perform a task, authority to extract the work from others is implied in the very concept of management.

10. ***Management involves decision-making:*** Management implies making decisions regarding the organisation and operation of business in its different dimensions. The success or failure of an organisation can be judged by the quality of decisions taken by the managers. Therefore, decisions are the key to the performance of a manager.

11. ***Management implies good leadership:*** A manager must have the ability to lead and get the desired course of action from the subordinates. According to R. C. Davis-"management is the function of executive leadership everywhere". Management of the high order implies the capacity of managers to influence the behaviour of their subordinates.

12. ***Management is dynamic and not static:*** The principles of management are dynamic and not static. It has to adopt itself according to social changes.

13. ***Management draws ideas and concepts from various disciplines:*** Management is an interdisciplinary study. It draws ideas and concepts from various disciplines like economics, statistics, mathematics, psychology, sociology, anthropology etc.

14. ***Management is Goal Oriented:*** Management is a purposeful activity. It is concerned with the achievement of pre-determined objectives of an organisation.

15. ***Management is Intangible:*** It cannot be seen with the eyes. It is evidenced only by the quality of the organization and the results i.e. profits, increased productivity etc.

1.5 SCOPE OF MANAGEMENT

It is very difficult to precisely state the scope of management. However, management includes the following aspects:-

- **Subject-matter of Management**

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

- **Functional Areas of Management**

Management covers the following functional areas:-

• *Financial Management:* Financial management includes forecasting, cost control, management accounting, budgetary control, statistical control, financial planning etc.

• *Human Resource Management:* Personnel/Human Resource management covers the various aspects relating to the employees of the organisation such as recruitment, training, transfers, promotions, retirement, terminations, remuneration, labour welfare and social security, industrial relations etc.

• *Marketing Management:* Marketing management deals with marketing of goods, sales promotion, advertisement and publicity, channels of distribution, market research etc.

• *Production Management:* Production management includes production planning, quality control and inspection, production techniques etc.

• *Material Management:* Material management includes purchase of materials, issue of materials, storage of materials, maintenance of records, materials control etc,

• *Purchasing Management:* Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts etc.

• *Maintenance Management:* Maintenance management relates to the proper care and maintenance of the buildings, plant and machinery etc.

• *Office Management:* Office management is concerned with office layout, office staffing and equipment of the office.

➢ **Management is an Inter-Disciplinary Approach**

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

➢ **Principles of Management**

The principles of management are of universal application. These principles are applicable to any group activity undertaken for the achievement of" some common goals.

➢ **Management is an Agent of Change**

The techniques of management can be improved by proper research and development.

➢ **Essentials of Management**

The essentials of management include scientific method, human relations and quantitative techniques.

1.6 Is MANAGEMENT A SCIENCE OR AN ART?

A. question often arises whether management is a science or art. It is said that "management is the oldest of arts and the youngest of sciences". This explains the changing nature of management but does not exactly answer what management is? To have an exact answer to the question it is necessary to know the meanings of the terms "Science" and "Art".

What is "Science"?

Science may be described- "as a, systematic body of knowledge pertaining to an area of study and contains some -general truths explaining past events or phenomena".

The above definition contains three important characteristics of science. They are:

1.   It is a systematized body of knowledge and uses scientific methods for observation

2.   Its principles are evolved on the basis of continued observation and experiment and

3.   Its principles are exact and have universal applicability without any limitation.

Judging from the above characteristics of science, it may be observed that-

1.   Management is a systematized body of knowledge arid its principles have evolved on the basis of observation.

2.   The kind of experimentation (as in natural sciences) cannot be accompanied in the area of management since management deals with the human element.

3.   In management, it is not possible to define, analyse and measure phenomena by repeating the same conditions over and over again to obtain a proof.

The above observation puts a limitation on management as a science. Management like other social sciences can be called as "inexact science".

What is "Art"?

'Art' refers to "the way of doing specific things; it indicates how an objective is to be achieved." Management like any other operational activity has to be an art. Most of the managerial acts have to be cultivated as arts of attaining mastery to secure action and results.

The above definition contains three important characteristics of art. They are-

1.   Art is the application of science. It is putting principle into practice,

2.   After knowing a particular art, practice is needed to reach the level of perfection.

3. It is undertaken for accomplishing an end through deliberate efforts. Judging from the above characteristics of art, it may be observed that-

1. Management while performing the activities of getting things done by others is required to apply the knowledge of certain underlying principles which are necessary for every art.

2. Management gets perfection in the art of managing only through continuous practice.

3. Management implies capacity to apply accurately the knowledge to solve the problems, to face the situation and to realise the objectives fully and timely.

The above observation makes management an art and that to a fine art.

Management is both a Science as well as an Art

Management is both a science as well as an art. The science of management provides certain general principles which can guide the managers in their professional effort. The art of management consists in tackling every situation in an effective manner. As a matter of fact, neither science should be over emphasized nor art should be discounted; the science and the art of management go together and are both mutually interdependent and complimentary.

Management is thus a science as well as an art. It can be said that-"the art of management is as old as human history, but the science of. management is an event of the recent past."

1.7 PROFESSIONALISATION OF MANAGEMENT

There has been a growing trend towards professionalisation of management. Professionalisation imparts a certain social responsibility and dignity to management. A professional cannot be controlled or directed by the client. He has professional knowledge and judgment which he uses to make his decision. Thus, professionalisation makes business more efficient, dynamic and socially responsible. The growth of management education in India has contributed to professionalisation in the business field.

The company form of business organization which has split ownership from management and the gaining popularity of the company form of business organization have increased the need for professional managers.

According to Peter Drucker, "Professional management is a function, a discipline, a task to be done; and managers are the professionals who practice this discipline, carry out the functions and discharge these tasks. It is no longer relevant whether the manager is also an owner; if he is it is incidental to his main function, which is to be a manager."

The World Council of Management has recommended the following criteria for professionalisation. They are:

1. Members of a profession subordinate self-interest to the client interest and the official interest.

2. A profession is based on a systematic body of knowledge that is held to common and lends to application.

3. Membership of a profession should depend on the observance of certain rules of conduct or behaviour.

A critical evaluation of the above definitions show that professionalisation of business management shows that:

1. There exists a systematic body of knowledge on management. A professional should have formally acquired the specialized knowledge and skill for management. Management is taught as a discipline in various educational institutes, throughout the world.

2. Membership of a profession should depend on the observance of certain rules of conduct and behaviour. The decisions and actions of a professional are guided by certain ethical considerations.

3. A profession is based on a systematic body of knowledge that is held in common and lends itself to application. Thus, a profession should have no ideological bias in the discharge of his functions.

A close scrutiny of management shows that management unlike law or medicine is not a full-fledged profession. The reasons are -

1. It is not obligatory to possess specific qualifications for being appointed as a manager.

2. There is no single association to regulate the educational and training standards of managers.

3. Uniform professional standards have not been set up for the practicing managers.

1.8 FUNCTIONS OF MANAGEMENT

Functions of management

A manager is called upon to perform the following managerial functions:
1. Planning
2. Organising
3. Staffing
4. Directing
5. Leadership
6. Communication
7. Motivation
8. Supervision
9. Co-ordination

10. Controlling

1. Planning: Planning is a basic managerial function. Planning helps in determining the course of action to be followed for achieving various organisational objectives: It is a decision in advance, what to do, when to do how to do and who will do a particular task. Planning is a process which involves 'thinking before doing'. Planning is concerned with the mental state of a manager. He thinks before undertaking a work. Other functions of management such as organising, staffing, directing, co-ordinating and controlling are also undertaken after planning.

Hart defines planning as "the determination in advance of a line of action by which certain results arc to be achieved." According to Terry, "'Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formulations of proposed activities believed necessary to achieve desired results."

Planning is a process of looking ahead. The primary object of planning is to achieve better results. It involves the selection of organisational objectives and developing policies, procedure, programmes, budgets and strategies. Planning is a continuous process that takes place at all levels of management. A detailed planning is done in the beginning but the actual performance is reviewed and suitable changes are made in plans when actual execution is done. Plans may be of many kinds, such as short range plans, medium range plans, long range plans, standing plans, single use plans, strategic plans, administrative plans and operational plans.

The process of Planning involves a number of steps : (i) gathering information ; (ii) laying down objectives; (iii) developing planning premises; (iv) examining alternative courses of action; (v) evaluation of action patterns ; (vi) reviewing limitations (vii) implementation of plans.

2. Organising. Every business enterprise needs the services of a number of persons to look after its different aspects. The management sets up the objectives or goals to be achieved by its personnel. The energy of every individual is channelised to achieve the enterprise objectives. The function of organising is to arrange, guide, co-ordinate, direct and control the activities of other factors of production, *viz.,* men, material, money and machines so as to accomplish the objectives of the enterprise. In the words of Koontz and O'Donnel, "Organising that part of managing that involve establishing and intentional structure of roles for people in an enterprise to fill." Organisation provides the necessary framework within which people associate for the attainment of business objectives.

Louis A. Allen describes organisation as, "the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." The process of organisation involves the following steps:

(i) to identify the work to be performed;
(ii)   to classify or group the work ;
(iii)   to assign these groups of activities or work to individuals;

(iv)   to delegate authority and fix responsibility and

(v)   to co-ordinate these authority-responsibility relationships of various activities.

The character and type of organisation depends upon the size and nature of the enterprise. Though there are many types of organisations but generally three types of organisations are in vogue :

(i)   Line organisation

(ii)   Functional organisation; and

(iii)   Line and staff organisation

In line organisation authority flows vertically from the top of the hierarchy to the bottom. Under functional organisation, the work is divided into different departments. Each department deals in one type of work and it specialises in one work only. A workman has to work under many superiors who specialise in different functions. Line and staff organisation provides for specialists with line executives. It is a combination of line and functional form of organisation.

A sound organisation contributes greatly to the continuity and success of the enterprise. However, an organisation is not an end in itself. The organisation structure should be flexible.

3. Staffing. The function involves manning the positions created by organisation process. It is concerned with human resources of an organisation. In the words of Koontz and O'Donnel, "staffing is filling, and keeping filled, positions in the organisation structure through defining work-force requirements, appraising, selecting, compensating and training. Thus, staffing consists of the following:

(i)   Manpower planning i.e., assessing manpower requirements in terms of quantity and quality.

(ii)   recruitment, selection and training:

     (iii) Placement of man power;

(iv) development, promotion, transfer and appraisal

(v) determination of employee remuneration.

Every manager in an organisation has to perform the staffing function in one form or the other, in order to get things done through others. But, it is decidedly a difficult managerial function as it concerns human beings whose behaviour and actions cannot be predicted, and that is why it has become a distinct and specialised branch of management.

4. Directing. Directing is concerned with carrying out the desired plans. It initiates organised and planned action and ensures effective performance by subordinates towards the accomplishment of group activities. Direction is called management in action. In the words of George R. Terry, "Direction is moving to action and supplying stimulative power to the group." After planning, organising and staffing, the manager has to guide and supervise his subordinates. According to Massie, "Directing concerns the total manner in which a manager influences the

actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed."

5. Leadership. A manager has to issue orders and instructions and guide and counsel his subordinates in their work with a view to improve their performance and achieve enterprise objectives. Leadership is the process by which an executive or manager imaginatively directs/guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organisation in such a manner that both will get maximum satisfaction.

Leadership is the ability to build up confidence and zeal among people and to create an urge in them, to be led. To be a successful leader, a manager must possess the qualities of foresight, drive, initiative, self-confidence and personal integrity. Different situations may demand different types of leadership, *viz.,* autocratic leadership, democratic leadership and free rein leadership.

6. Communication. Communication constitutes a very important function of management. u is said to be the number one problem of management today. It is an established fact that managers spend 75 to 90 per cent of their working time in communicating with others. Communication is the means by which the behaviour of the subordinate is modified and change is effected in their actions.

The word 'communication' has been derived from the Latin word 'communis' which means 'common'. Thus, communication means sharing of ideas in common. The essence of communication is getting the receiver and the sender tuned together for a particular message. It refers to the exchange of ideas, feelings, emotions and knowledge and informations between two or more persons. Nothing happens in management till communication takes place.

Communication is a two-way process as it involves both information and understanding. It may be written, oral, gestural. Communication is said to be formal when it follows the formal channels provided in the organisation structure. It is informal communication, when it does not follow the formal channels. Communication flows downward from a superior to subordinates and upward from subordinates to a superior. It also flows between two or more persons operating at the same level of authority.

Communication is essential at all levels of management for decision- making and planning. It increases managerial capacity and facilitates control. It has been rightly said that good managers are good communicators and poor managers are poor communicators.

7. Motivation. The term motivation is derived from the word 'motive' which means a need, or an emotion that prompts an individual into action. Motivation is the psychological process of creating urge among the subordinates to do certain things or behave in the desired manner. It is a very important function of management. The importance of motivation can be realised from the fact that performance of a worker depends upon his ability and the motivation.

There are many strategics adopted by managers for increasing the motivation of subordinates. According to Michel Jucius, Motivation means the act of stimulating some one or oneself to get a desired course of action to push the right button to get a desired reaction, a compliment, dollar raise, a smile, a promise of a rise, a new typewriter, a preferred location or a new desk." Thus, a manager has to provide some personal incentive to the subordinates to motivate, persuade and inspire them for contributing their best towards the achievement of enterprise objectives. The incentives to be proved may be financial such as increase in wages, or non-financial, like better working conditions, job security, recognition, etc. A sound motivational system must be productive, competitive, comprehensive and flexible, and it must consider the psychological, social, safety, ego and economic needs of the workers.

8. Supervision. Supervision is another important element of directing function of management. After issuing instructions, the manager or the supervisor has to see that the given instructions are carried out. This is the aim of supervision. Supervision refers to the job of overseeing subordinates at work to ensure maximum utilisation of resources to get the required and directed work done and to correct the subordinates whenever they go wrong. Though supervision is performed at all levels of management, the major responsibility for supervision lies with the first line of management. Sound organisational set up, effective delegation, human approach, effective communication and management by exception make supervision effective.

9. Co-ordination. Co-ordination is one of the most important functions of management. It is essential to channelise the activities of various individuals in the organisation for the achievement of common goals. Every department or section is given a target to be achieved and they should concentrate only on their work and should not bother about the work of other organs. It is left to the management to see that the work of different segments is going according to pre-determined targets and corrective measures have to be taken if there is any deviation. Co-ordination creates a team spirit and helps in achieving goals through collective efforts. It is the orderly arrangement of group effort to provide unity of action in the persuit of common objectives.

Dalton McFarland defines co-ordination as the "process whereby an executive develops an orderly pattern of group effort among his subordinates and secures unity of action in the pursuit of common purposes."

Co-ordination can be classified under two categories: (i) vertical and horizontal co-ordination, and (ii) internal and external co-ordination. Whereas vertical co-ordination is the co-ordination between different levels of management, the term horizontal co-ordination is used when co-ordination has to be achieved between departments of the same level of authority. Co-ordination is internal when it is between different sections of the same concern and external when it is required with persons outside the organisation.

10. Controlling. Controlling can be defined as "determining what is being accomplished, that is evaluating the performance, if necessary, applying corrective measures so that the performance takes place according to plans.

Control is essential for achieving objectives of an enterprise. The planning of various activities does not ensure automatic implementation of policies. Control is the process which enables management to get its policies implemented and take corrective actions if performance is not according to the predetermined standards. If planning is the beginning of the management process, controlling may be said to be the final stage. If planning is looking ahead, controlling is looking back. Control is not possible without planning and planning is meaningless without control.

Control is a line function and executives at various levels of management continuously assess the performance of their subordinates. The main purpose of control is to see that the activity is achieving the desired results. A control system, to be effective, must conform to the nature of activity, report deviations promptly, reflect organisation structure, assure corrective action and be economical.

The process of controlling involves the following steps :

  (i) establishing standards of performance ;
  (ii) measuring actual performance ;
  (iii) comparing the actual performance with the standard.;
  (iv) finding variances or deviations, if any ; and
  (v) taking corrective action or measures.

1.9 SKILLS OF A MANAGER

A. Technical Skills

Robert Katz has put various management skills into three broad categories; technical skills, human skills, conceptual skills. It refer to knowledge and proficiency in processes, procedures, methods and techniques which are used in doing a work. These skills are hard skills and are easily visible in a person. Technical skills are developed by accountants, engineers, managers, and other persons through the actual practice by doing things.

B.Human Skills

Human skills, also known as human relations skills or administrative skills, are the ability of a person to work with others on a person-to-person basis and to build cooperative group relations to achieve group objectives and, consequently, organizational objectives.

C.Conceptual Skills

Conceptual skills, also known as general management skills, are related to concepts and mental perception conceptual framework intended to develop new ideas, products, etc. Conceptual skills refer to the ability to see the whole picture to recognize significant elements in a situation and to

understand the relationship among these elements.

In short, technical skills deal with things, human skins deal with people, and conceptual skills deal with ideas. Managers require these skills. However, what "will be proportion of these skills in managers depends on the management levels at which they work. Managers at lower level require technical skills more; managers at middle level require human skills more, and managers at top level require conceptual skills more.

Besides these three skills, various writers and researchers have provided other skill sets for various levels of management.

Top Management Skills: As per need of the world, much attention has been focused on the skills and their development in top management because this level is the major driving force in an organization. In a survey of 90 global chief executives, conducted by Anderson Consulting, a US-based consultancy firm shows that the chief executives require fourteen skills. Accordingly, a chief executive thinks globally, anticipates opportunities, creates a shared vision, develops and empowers people, appreciates cultural diversity, builds teamwork and partnership, embraces changes, shows technological savvy, encourages constructive challenge, ensures customer satisfaction, achieves a competitive advantage, demonstrates personal mastery, shares leadership, and lives the values.[7] In Indian context, one such study of 125 chief executives has identified various relevant personal skills as analytical skills, creativity, sense of high achievement, risk-taking aptitudes, business aptitudes, leadership; job-related skills such as corporate perspective, knowledge of external environment, outside contacts, planning processes, and accuracy in work.

Middle Management Skills: In middle management group, there may be managers at different levels placed between the top management and supervisors. Usually, they are concerned with a particular functional area of the organization. There is a tendency of faster movement of this group of managers. Therefore, they require a variety of skills which must be relevant for their entire career. While at the lower end of middle management, more of technical and human skills are required; at the higher end of middle management, more creative and integrative skills are required. Thus, the managers in the middle management require human relations skill, leadership skill, motivating skill and integrative skill.

Supervisory Management Skills: Supervisors may also be classified into front-line, intermediate, and senior. Since they are directly concerned with operatives where the actual operations of the organization take place, supervisors should possess skills which help them to get things done by operatives. Every supervisor in the organization should have sound technical knowledge of his field to provide proper instructions and guidance to operatives, interpersonal skill to develop cohesive operative-management relations, accuracy in work, motivational skill for creating proper work environment, and communication skill for interacting with higher management.

1.10 CHARACTERISTICS OF QUALITY MANAGERS

Quality managers (or good managers) are those managers who continuously strive for success and ultimately achieve it. Though success of managers depends on their own characteristics as well as on the contextual variables which affect their working as discussed earlier, managers having characteristics of quality managers tend to be successful even in unfavourable situations as they have qualities to convert unfavourable situations into favourable situations. Various academicians and practitioners have made attempts to describe characteristics of quality/effective/successful managers. As a result, there is lot of literature on this issue. In a comparatively recent publication, Rao has identified dimensions of managers who make a difference: versatility, efficacy, internality, values, creativity, interpersonal engagement, team building, time and talent management, communication and motivation, and leadership styles. Based on this and other literature, it may be concluded that the characteristics of quality managers are as follows:

1. Professional Competence. Professional competence refers to having thorough knowledge of the field concerned. In the case of management, professional competence involves being well-versed in management principles and how these principles can be applied in the given situations.

2. Belief in High Achievement. Quality managers have belief in high achievement. They have internal locus of control implying that they feel that they can control situations and the situations cannot control them. They have a feeling that if others can do something exceptional, they can also do the same way. This belief instills confidence in them for doing better and better.

3. Creativity. Creativity involves conceiving of original and unique alternatives to the solution of a problem. Creativity is required because nature of problems goes on changing requiring innovative solutions.

4. Analytical Skills. Managers have to work in complex situations which contain both significant and insignificant factors. With analytical skills, quality managers may be able to identify those factors which are more relevant for their work.

5. Decisive. Quality managers are quite decisive. They make decisions after careful analysis of the contextual variables well in time. They do not waver between 'what to do' or 'what not to do' in a given situation.

6. Excellent Communication Skills. Communication involves sharing of ideas and understanding with others. In order to understand others and making himself understood by others, excellent communication skills are required. Further, persuasive communication may influence others favourably.

7. Leading from the Front. Quality managers lead from the front. They do not speak about themselves but their work speaks on their behalf. This feature leads the followers to follow the leaders enthusiastically.

8. Openness. Quality managers have quality of openness. They are change-prone and not

change-resistant. Being open, they appreciate any idea which is fruitful and accept it from whatever source it comes.

9. High Integrity. Quality managers have high integrity and adopt ethical practices in all types of decisions and dealings. Similarly, they expect the same pattern to be followed by others.

10. Team-based Approach. Quality managers adopt team-based approach. For work performance,-they adopt 'give and take' approach. They believe in developing themselves as well as others.

1.11 Universality of Management

There is a controversy about the universality of management. The question whether management is universally applicable or not has attracted attention of management scholars and practitioners alike. Settlement of this controversy is necessary to determine the extent to which management knowledge developed in on country can be transmitted to other countries. If it is universal, there is no problem in transferability of management knowledge. In its absence, there is serious question on the universal use of management knowledge developed in a country. However, opinions about the universal applicability of management are not uniform. There are two divergent types of arguments; one suggests that management is universally applicable and another suggests that it ft not universally applicable. Therefore, it is essential to overcome this problem so that Indian managers can take adequate precautions while applying management concepts developed in other countries, mostly in developed countries.

1.12 PROCESS OF MANAGEMENT

The process of management involves the determination of objectives and putting them into action. Management is an activity consisting of a distinct process which is primarily concerned with the important task of goal achievement. No business enterprise can achieve its objectives until and unless all the members of the enterprise make an integrated and planned effort under the directions of a central coordinating agency. This central coordinating agency is technically known as management and the methodology of getting things done is known as Management Process.

According to G.R. Terry "Management is a distinct process consisting of planning, organsing, actuating and controlling performed to determine and accomplish stated objectives by the use of human beings and other resources"

Under management as a process, management is considered as a continuing activity made up of basic management functions. The process is ongoing and continuing. It assumes a cyclic character.

1. Planning: Denotes the determination of short-to-long range plans to achieve the objectives of organization.
2. Organising: Indicates the development of sound organization structure according to predetermined plans.

3. Direction: Means stimulating and motivation of personnel of the organization according to predetermined plans.
4. Controlling: Offers assurance that directs action i.e., plan in-action is taking place as per plan.

We have an ongoing cycle of planning-action-control replanning Control function closes the system loop by providing adequate and accurate feedback of significant deviations from planned performance in time. Feedback can affect the inputs or any of the managerial functions or the process so that deviations can be removed and goals can be accomplished.
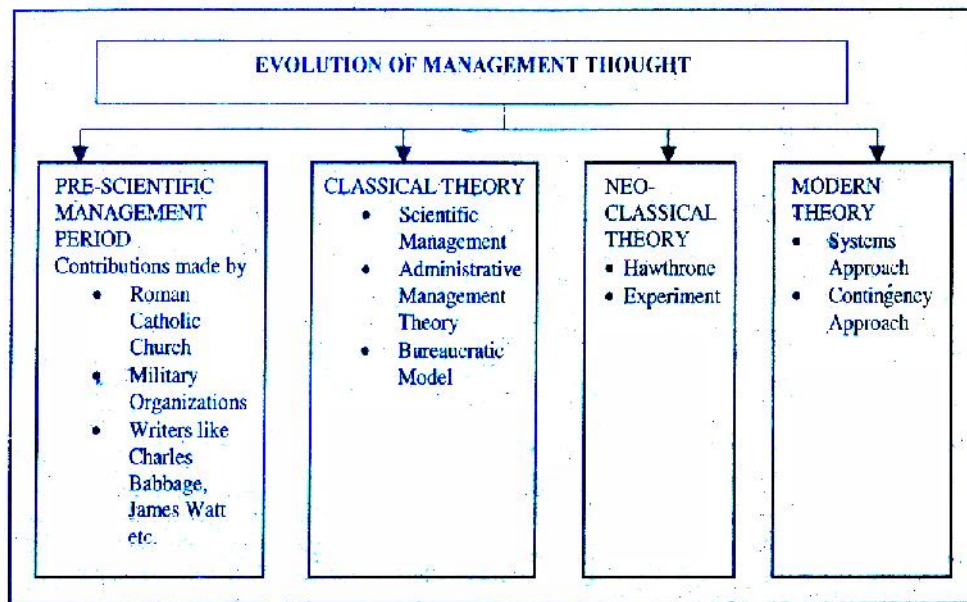
1.13 DEVELOPMENT OF MANAGEMENT THOUGHT

The origin of management can be traced back to the days when man started living in groups. History reveals that strong men organized the masses into groups according to their intelligence, physical and mental capabilities. Evidence of the use of the well-recognized principles of management is to be found in the organization of public life in ancient Greece, the organization of the Roman Catholic Church and the organization of military forces. Thus management in some form or the other has been practiced in the various parts of the world since the dawn of civilization. With the on set of Industrial Revolution, however, the position underwent a radical change. The structure of industry became extremely complex. At this stage, the development of a formal theory of management became absolutely necessary. It was against this background that the pioneers of modern management thought laid the foundations of modem management theory and practice.

Evolution of management thought may be divided into four stages

(1) Pre-scientific management period.

(2)   Classical Theory

(a)   Scientific Management of Taylor

(b)   Administrative Management of Fayol

(c)   Bureaucratic Model of Max Weber

(3) Neo-classical Theory or Behaviour Approach
(4) Modern Theory or Systems Approach

explains the evolution of management thought.

EVOLUTION OF MANAGEMENT THOUGHT

PRE-SCIENTIFIC MANAGEMENT PERIOD Contributions made by	CLASSICAL THEORY	NEO-CLASSICAL THEORY	MODERN THEORY
• Roman Catholic Church • Military Organizations • Writers like Charles Babbage, James Watt etc.	• Scientific Management • Administrative Management Theory • Bureaucratic Model	• Hawthrone • Experiment	• Systems Approach • Contingency Approach

Evolution of Management Thought

13.1 Pre-scientific Management Period

The advent of industrial revolution in the middle of the 18th century had its impact on management. Industrial revolution brought about a complete change in the methods of production, tools and equipments, organization of labour and methods of raising capital. Employees went to their work instead of receiving it, and so, the factory system, as it is known today, become a dominant feature of the economy. Under this system, land and buildings, hired labour, and capital are made available to the entrepreneur, who strives to combine these factors in the efficient achievement of a particular goal. All these changes, in turn, brought about changes in the field of management. Traditional, conventional or customary ideas of management were slowly given up and management came to be based on scientific principles. In the words of L. F. Urwick - "Modern management has thrown open a new branch of human knowledge, a fresh universe of discourse". During the period following the industrial revolution, certain pioneers tried to challenge the traditional character of management by introducing new ideas and character of management by introducing new ideas and approaches. The notable contributors of this period are:

(A) *Professor Charles Babbage (UK 1729 -1871):* He was a Professor of Mathematics at Cambridge University. Prof Babbage found that manufacturers made little use of science and mathematics, and that they (manufacturers) relied upon opinions instead of investigations and accurate knowledge. He felt that the methods of science and mathematics could be applied to the solution of methods in

the place of guess work for the solution of business problems. He advocated the use of accurate observations, measurement and precise knowledge for taking business decisions.. He urged the management of an enterprise, on the basis of accurate data obtained through rigid investigation, the desirability of finding out the number of times each operation is repeated each hour, the dividing of work into mental and physical efforts, the determining of the precise cost for every process and the paying of a bonus to the workers in proportion to his own efficiency and the success of enterprise.

(B) *James Watt Junior (UK 1796-1848 and Mathew Robinson Boulton (1770-1842):* James Watt Junior and Mathew Robinson Boulton contributed to the development of management thought by following certain management techniques in their engineering factory at Soho in Birmingham. They are:

- ➢ Production Planning
- ➢ Standardization of Components
- ➢ Maintenance
- ➢ Planned machine layout
- ➢ Provision of welfare for personnel
- ➢ Scheme for executive development
- ➢ Marketing Research and forecasting
- ➢ Elaborate statistical records

(C) *Robert Owens (UK. 1771 - 1858):* Robert Owens, the promoter of co-operative and trade union movement in England, emphasized the recognition of human element in industry. He firmly believed that workers' performance in industry was influenced by the working conditions and treatment of workers. He introduced new ideas of human relations - shorter working hours, housing facilities, training of workers in hygiene, education of their children, provision of canteen etc. Robert Owen, managed a group of textile mills in Lanark, Scotland, where he used his ideas of human relations. Though his approach was paternalistic, he carne to be regarded as the father of Personnel Management.

(D) *Henry Robinson Towne (USA 1844 -1924):* H.R Towne was the president of the famous lock manufacturing company "Yale and Town". He urged the combination of engineers and economists as industrial managers. This combination of qualities, together with at least some skill as an accountant, is essential to the successful management of industrial workers. He favoured organized exchange of experience among managers and pleaded for an organized effort to pool the great fund of

accumulated knowledge in the art of workshop management.

(E) *Seebohm Rowntree (UK 1871- 1954):* Rowntree created a public opinion on the need of labour welfare scheme and improvement in industrial relations. The Industrial Welfare Society, The Management Research Groups and the Oxford Lecture Conferences in the U.K owed their origin and progress to the interest and zeal of Rowntree.

13.2 Classical Theory

Prof. Charles Babbage, James Watt Junior and Mathew Robinson Boulton, Robert Owen, Henry Robinson Towne and Rowntree were, no doubt, pioneers of management thought. But, the impact of their contributions on the industry as a whole was meagre. The real beginning of the science of management did not occur until the last decade of the 19th century. During this period, stalwarts like F.W. Taylor, H.L. Gantt, Emerson, Frank and Lillian Gilberth etc., laid the foundation of management, which in due course, came to be known as scientific management. This epoch in the history of management will be remembered as an era in which traditional ways of managing were challenged, past management experience were scientifically systematized and principles of management were distilled and propagated. The contributions of the pioneers of this age have had a profound impact in furthering the management know-how and enriching the store of management principles.

F.W. Taylor and Henry Fayol are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management.

Features of Management in the Classical Period:

1. It was closely associated with the industrial revolution and the rise of large-scale enterprise.

2. Classical organization and management theory is based on contributions from a number of sources. They are scientific management, administrative management theory, bureaucratic model, and micro-economics and public administration.

3. Management thought focused on job content division of labour, standardization, simplification and specialization and scientific approach towards organization.

A. Taylor's Scientific Management: Started as an apprentice machinist in Philadelphia, USA. He rose to be the chief engineer at the Midvale Engineering Works and later on served with the Bethlehem Works where he experimented with his ideas and made the contribution to the management theory for which he is so well known. 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:

1. *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.

3. *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 systematised. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

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

(a) *Tools and equipment:* By standardization it 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.

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

(c) *Conditions of Work;* To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

(d) *Materials;* The efficiency of a worker depends on the quality of materials and the method of handling materials.

5. *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.

(h) *The Inspector:* To show to the worker how to do the work.

6. *Mental Revolution:* At present, industry is divided into two groups - management and labour. 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.

Benefits of Scientific Management: Taylor's ideas, research and recommendations brought into focus technological, human and organizational issues in industrial management. Benefits of Taylor's scientific management included wider scope for specialization, accurate planning, timely delivery, standardized methods, better quality, lesser costs, minimum wastage of materials, time and energy and cordial relations between management and workers. According to Gilbreths, the main benefits of scientific management are "conservation and savings, making an adequate use of every one's energy of any type that is expended". The benefits of scientific management are:-

(a) Replacement of traditional rule of thumb method by scientific techniques.

(b) Proper selection and training of workers.

(c) Incentive wages to the workers for higher production.

(d) Elimination of wastes and rationalization of system of control.

(e) Standardization of tools, equipment, materials and work methods.

(f) Detailed instructions and constant guidance of the workers.

(g) Establishment of harmonious relationship between the workers.

(h) Better utilization of various resources.

(i) Satisfaction of the needs of the customers by providing higher quality products at lower prices.

Criticism

1. *Worker's Criticism:*

    (a) *Speeding up of workers:* Scientific Management is only a device to speed up the workers without much regard for their health and well-being.

    (b) *Loss of individual worker's initiative:* Scientific Management reduces workers to automatic machine by taking away from them the function of thinking.

    (c) *Problem of monotony,* By separating the function of planning and thinking from that of doing, Scientific Management reduces work to mere routine.

    (d) *Reduction of Employment:* Scientific Management creates unemployment and hits the workers hard.

    (e) *Weakening of Trade Unions:* Under Scientific Management, the important issues of wages and working conditions are decided by the management through scientific investigation and the trade unions may have little say in the matter.

(f) *Exploitation of workers:* Scientific Management improves productivity through the agency of workers and yet they are given a very small share of the benefit of such improvement.

Employer's Criticism:

    (a) *Heavy Investment:* It requires too heavy an investment. The employer has to meet the extra cost of the planning department though the foreman in this department do not work in the workshop and directly contribute towards higher production.

    (b) *Loss due to re-organization:* The introduction of Scientific Management requires a virtual reorganization of the whole set-up of the industrial unit. Work may have to be suspended to complete such re-organization.

    (c) *Unsuitable for small scale firms:* various measures like the establishment of a separate personnel department and the conducting of time and motion studies are too expensive for a small or modest size industrial unit.

Contributions of Scientific Management; Chief among these are:
1. Emphasis on rational thinking on the past of management.
2. Focus on the need for better methods of industrial work through systematic study and research.
3. Emphasis on planning and control of production.
4. Development of Cost Accounting.
5. Development of incentive plans of wage payment based on systematic study of work.
6. Focus on need for a separate Personnel Department.
7. Focus on the problem of fatigue and rest in industrial work.

B. *Administrative Management Theory:* Henry Fayol was the most important exponent of this theory. The pyramidal form, scalar principle, unity of command, exception principle, span of control and departmentalisation are some of the important concepts set forth by Fayol and his followers like Mooney and Reiley, Simon, Urwick, Gullick etc.

Henry Fayol (France, 1841 -1925): Henry Fayol was born in 1941 at Constantinople in France. He graduated as a mining engineer in 1860 from the National School of Mining. After his graduation, he joined a French Coal Mining Company as an Engineer. After a couple of years, he was promoted as manager. He was appointed as General Manager of his company in 1888. At that time, the company suffered heavy losses and was nearly bankrupt. Henry Fayol succeeded in converting his company from near bankruptcy to a strong financial position and a record of profits and dividends over a long period.

Concept of Management: Henry Fayol is considered the father of modern theory of genera] and industrial management. He divided general and industrial management into six groups:

1. Technical activities - Production, manufacture, adaptation.

2. Commercial activities - buying, selling and exchange.

3. Financial activities - search for and optimum use of capital.

4. Security activities - protection of property and persons.

5. Accounting activities - stock-taking, balance sheet, cost, and statistics.

.6. Managerial activities - planning, organization, command, co- ordination and control.

These six functions had to be performed to operate successfully any kind of business. He, however, pointed out that the last function i.e., ability to manage, was the most important for upper levels of managers.

The process of management as an ongoing managerial cycle involving planning, organizing, directing, co-ordination, and controlling, is actually based on the analysis of general management by Fayol. Hence, it is said that Fayol established the pattern of management thought and practice. Even today, management process has general recognition.

Fayol's 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 labour 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 honoured 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 non-financial 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:* Fayol 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.

C. *Bureaucratic Model:* Max Weber, a German Sociologist developed the bureaucratic model. His model of bureaucracy include

(i) Hierarchy of authority.

(ii) Division of labour based upon functional specialization.

(iii) A system of rules.

(iv) Impersonality of interpersonal relationships.

(v) A system of work procedures.

(vi) Placement of employees based upon technical competence.

(vii) Legal authority and power.

Bureaucracy provides a rigid model of an organization. It does not account for important human elements. The features of Bureaucracy are:-

1. Rigidity, impersonality and higher cost of controls.

2. Anxiety due to pressure of conformity to rules and procedure.

3. Dependence on superior.

4. Tendency to forget ultimate goals of the organization.

Bureaucratic Model is preferred where change is not anticipated or where rate of change can be predicated. It is followed in government departments and in large business organizations.

1.13.3 Neoclassical Theory

Neo-classical Theory is built on the base of classical theory. It modified, improved and extended the classical theory. Classical theory concentrated on job content and management of physical resources whereas, neoclassical theory gave greater emphasis to individual and group relationship in the workplace. The neo- classical theory pointed out the role of psychology and sociology in the understanding of individual and group behaviour in an organization.

George Elton Mayo (Australia, 1880 - 1949): Elton Mayo was born in Australia. He was educated in Logic and Philosophy at St. Peter's College, Adelaide. He led a team of researchers from Harvard University, which carried out investigation in human problems at the Hawthorne Plant of Western Electrical Company at Chicago. They conducted some experiments (known as Hawthorne Experiments) and investigated informal groupings, informal relationships, patterns of communication, patterns of informal leadership etc. Elton Mayo is generally recognized as the father of Human Relations School. Other prominent contributors to this school include Roethlisberger, Dickson, Dewey, Lewin etc.

Hawthorne Experiment: In 1927, a group of researchers led by Elton Mayo and Fritz Roethlisberger of the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western Electric Company, Chicago. The experiment lasted up to 1932. The Hawthorne Experiments brought out that the productivity of the employees is not the function of only physical conditions of work and money wages paid to them. Productivity of employees depends heavily upon the satisfaction of the employees in their work situation. Mayo's idea was that logical factors were far less important than emotional factors in determining productivity efficiency. Furthermore, of all the human factors influencing employee behaviour, the most powerful were those emanating from the worker's participation in social groups. Thus, Mayo concluded that work arrangements in addition to meeting the objective requirements of production must at the same time satisfy the employee's subjective requirement of social satisfaction at his work place.

The Hawthorne experiment consists of four parts. These parts are briefly described below:-

1. Illumination Experiment.
2. Relay Assembly Test Room Experiment.
3. Interviewing Programme.
4. Bank Wiring Test Room Experiment.

1. ***Illumination Experiment:*** This experiment was conducted to establish relationship between output and illumination. When the intensity of light was increased, the output also increased. The output showed an upward trend even-when the illumination was gradually brought down to the normal level. Therefore, it was concluded that there is no consistent relationship between output of workers and illumination in the factory. There must be some other factor which affected productivity.

2. ***Relay Assembly Test Room Experiment:*** This phase aimed at knowing not only the impact of illumination on production but also other factors like length of the working day, rest hours, and other physical conditions. In this experiment, a small homogeneous work-group of six girls was constituted. These girls were friendly to each other and were asked to work in a very informal atmosphere under the supervision of a researcher. Productivity and morale increased considerably during the period of the experiment. Productivity went on increasing and stabilized at a high level even when all the improvements were taken away and the pre-test conditions were reintroduced. The researchers concluded that socio-psychological factors such as feeling of being important, recognition, attention, participation, cohesive work-group, and non-directive supervision held the key for higher productivity.

3. ***Mass Interview Programme:*** The objective of this programme was to make a systematic study of the employees' attitudes which would reveal the meaning which their "working situation" has for them. The researchers interviewed a large number of workers with regard to their opinions on work, working conditions and supervision. Initially, a direct approach was used whereby interviews is asked questions considered important by managers and researchers. The researchers observed that the replies of the workmen were guarded. Therefore, this approach was replaced by an indirect technique, where the interviewer simply listened to what the workmen had to say. The findings confirmed the importance of social factors at work in the total work environment.

4. ***Bank Wiring Test Room Experiment:*** This experiment was conducted by Roethlisberger and Dickson with a view to develop a new method of observation and obtaining more exact information about social groups within a company and also finding out the causes which restrict output. The experiment was conducted to study a group of workers under conditions which were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. It was

observed that the group evolved its own production norms for each individual worker, which was made lower than those set by the management. Because of this, workers would produce only that much, thereby defeating the incentive system. Those workers who tried to produce more than the group norms were isolated, harassed or punished by the group. The findings of the study are:-

(i)   Each individual was restricting output.

(ii)   The group had its own "unofficial" standards of performance.

(iii)   Individual output remained fairly constant over a period of time.

(iv)   Informal groups play an important role in the working of an organization.

Contributions of the Hawthorne Experiment: Elton Mayo and his associates conducted their studies in the Hawthorne plant of the western electrical company, U.S.A., between 1927 and 1930. According to them, behavioural science methods have many areas of application in management. The important features -of the Hawthorne Experiment are:-

1. A business organization is basically a social system. It is not just a techno-economic system.

2. The employer can be motivated by psychological and social wants because his behaviour is also influenced by feelings, emotions and attitudes. Thus economic incentives are not the only method to motivate people.

3. Management must learn to develop co-operative attitudes and not rely merely on command.

4. Participation becomes an important instrument in human relations movement. In order to achieve participation, effective two-way communication network is essential.

5. Productivity is linked with employee satisfaction in any business organization. Therefore management must take greater interest in employee satisfaction.

6. Group psychology plays an important role in any business organization. We must therefore rely more on informal group effort.

7. The neo-classical theory emphasizes that man is a living machine and he is far more important than the inanimate machine. Hence, the key to higher productivity lies in employee morale. High morale results in higher output.

Elements of Behavioural Theory or Human Relation Approach: There are three elements of behavioural theory.

1. ***The Individual:*** The neoclassical theory emphasized that individual differences must be recognised. An individual has feelings, emotions, perception and attitude. Each person is unique. He brings to the job situation certain attitudes, beliefs and ways of life, as well as skills. He has certain meaning of his job, his supervision,

working conditions etc. The inner world of the worker is more important than the external reality in the determination of productivity. Thus human relations at work determine the rise or fall in productivity. Therefore human relationists advocate the adoption of multidimensional model of motivation which is based upon economic, individual and social factors.

2. *Work Groups:* Workers are not isolated; they are social beings and should be treated as such by management. The existence of informal organization is natural. The neo-classical theory describes the vital effects of group psychology and behaviour on motivation and productivity.

3. *Participative Management:* The emergence of participative management is inevitable when emphasis is laid on individual and work groups. Allowing labour to participate in decision making primarily to increase productivity was a new form of supervision. Management now welcomes worker participation in planning job contents and job operations. Neoclassical theory focuses its attention on workers. Plant layout, machinery, tool etc., must after employee convenience and facilities. Therefore, neoclassical approach is trying to satisfy personal security and social needs of workers.

Limitations of Human Relations Approach:-

1. The human relationists drew conclusions from Hawthorne studies. These conclusions are based on clinical insight rather than on scientific evidence.

2. The study tends to overemphasize the psychological aspects at the cost of the structural and technical aspects.

3. It is assumed that organizational problems are amenable to solutions through human relations. This assumption does not hold good in practice.

4. The human relationists saw only the human variables as critical and ignored other variables.

5. The human reiationists overemphasize the group and group decision-making. But in practice, groups may create problems and collective decision-making may not be possible.

1.13.4. Modern Theory (System Approach)

The systems approach to management indicates the fourth major theory of management thought called modern theory. Modern theory considers an organization as an adaptive system which has to adjust to changes in its environment. An organization is now defined as a structured process in which individuals interact for attaining objectives.

Meaning of "System": The word system is derived from the Greek word meaning to bring together or to combine. A system is a set of interconnected and inter-related elements or component parts to achieve certain goals. A system has three significant parts:

1.   Every system is goal-oriented and it must have a purpose or objective to be attained.

  2. In designing the system we must establish the necessary arrangement of components.

  3. Inputs of information, material and energy are allocated for processing as per plan so -that the outputs can achieve the objective of the system.

Characteristics of Modern Management Thought:

1. ***The Systems Approach:*** An organization as a system has five basic parts -

   (1) Input
   (2) Process
   (3) Output
   (4) Feedback and
   (5) Environment.

It draws upon the environment for inputs to produce certain desirable outputs. The success of these outputs can be judged by means of feedback. If necessary, we have to modify out mix of inputs to produce as per changing demands.

2. ***Dynamic:*** We have a dynamic process of interaction occurring within the structure of an organization. The equilibrium of an organization and its structure is itself dynamic or changing.

3. ***Multilevel and Multidimensional:*** Systems approach points out complex multilevel and multidimensional character. We have both a micro and macro approach. A company is micro within a business system. It is macro with respect to its own internal units. Within a company as a system we have:-

(1) Production subsystem
(2) Finance subsystem
(3) Marketing subsystem
(4) Personnel subsystem.

All parts or components are interrelated. Both parts as well as the whole are equally important. At all levels, organizations interact in many ways.

4. ***Multimotivated:*** Classical theory assumed a single objective, for instance, profit. Systems approach recognizes that there may be several motivations behind our actions and behaviour. Management has to compromise these multiple objectives e.g. economic objectives and social objectives.

5. *Multidisciplinary:* Systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, social psychology, sociology, ecology, economics, mathematics, etc.

6. *Multivariable:* It is assumed that there is no simple cause-effect phenomenon. An event may be the result of so many factors which themselves are interrelated and interdependent. Some factors are controllable, some uncontrollable. Intelligent planning and control are necessary to face these variable factors.

7. *Adaptive:* The survival and growth of an organization in a dynamic environment demands an adaptive system which can continuously adjust to changing conditions. An organization is an open system adapting itself through the process of feedback.

8. *Probabilistic:* Management principles point out only probability and never the certainty of performance and the consequent results. We have to face so many variables simultaneously. Our forecasts are mere tendencies. Therefore, intelligent forecasting and planning can reduce the degree of uncertainty to a considerable extent.

1.14 SUMMARY

Management plays very important role in the modern world and the welfare of the people and the destiny of the country are very much influenced by it. Management is necessary for a business firm, government enterprises, education and health services, military organizations, trade associations and so on. The origin of management can be traced back to the days when man started living in groups. Henry Fayol is considered the father of modern theory of general and industrial management. F.W. Taylor well known as the founder of scientific management was the first to recognize and emphasis the need for adopting a scientific approach to task of managing as enterprise. The process of management involves the determination of objectives and putting them into action.

How throne studies proved social factors were responsible for deciding the level of output, motivation influences both money and bonus, leadership is important for directing group behavior, communication plays an important role etc.

1.15 SELF ASSESSMENT QUESTIONS
1. Define management.
2. Discuss management as a process.
3. Management is what a manager does? Explain.
4. Is management an Art?
5. Is management s social science?
6. Briefly describe the professionalization of management in India.
7. Distinguish between administration and management.
8. Explain the skills required by a manager.

9. What is the interpersonal role of a manager?
10. Bring out a case for universality of management?
11. Define management. Describe its main characteristics.
12. What is management? Is there a difference between management and administration?
13. "Management is the art of getting things done through people". Explain.
14. "Mangers are born, not made". Do you agree with this statement?
15. Is management an art or science?
16. Is management a profession? Give reasons for your answer. What is the position of management as profession in India?
17. What is the concept of universality of management? Give arguments for and against this concept.
18. Discuss the role played by a manager in the present context of business.
19. Discuss the challenges being faced by management in the current globalization trends.
20. Discuss various functional areas of management.

Unit -2

PLANNING

AIMS AND OBJECTIVES:

After studying this lesson you will be able to:

    (i)   Understand the nature of planning in an organization.

    (ii)   Understand the importance, advantages and disadvantages of planning.

    (iii)   Understand the principles & types of planning.

    (iv)   Explore the nature of types of decision making.

    (v)   Know about models and issues of decision making.

CONTENTS

PLANNING

<center>**PLANNING**</center>

2.1 INTRODUCTION AND MEANING

When management is reviewed as a process, planning is the first function performed by a manager. The work of a manager begins with the setting of objectives of the organization and goals in each area of the business.

Planning is a tool in the hands of a manager who wants to face problems created by change. Successful managers deal with foreseen problems and unsuccessful managers struggle with unforeseen problems. The difference lies in planning. Every enterprise which strives to survive and grow must place heavy emphasis upon planning. A planner foresees opportunities and devises ways and means to take advantage from them. There may be cases where little bit of planning helps in achieving objectives. This may happen in favourable situations. In a competitive business world a manager cannot wait for favourable circumstances, he has to decide in the face of uncertainties. There is no place for guesswork or chance. The need is for proper planning.

Planning means looking ahead. It is deciding in advance what is to be done. Planning helps in determining the course of action to be followed for achieving various organisational objectives. It is a decision in advance; what to do, when to do, how to do and who will do a particular task. Planning is a process which involves 'thinking before doing. 'It is concerned with a mental state of the manager. He thinks before undertaking a work. Other functions of management like organising, controlling and directing are also undertaken after proper planning.

In the past four decades every type of enterprise has shown a tremendous interest in planning. In the present economic, technological, political and social set up planning is essential for the survival of an enterprise. The change and growth bring new opportunities but they also bring more risks. The task of planning is to minimise risk while taking advantage of opportunities.

2.2 DEFINITIONS

The words 'planning' and 'a plan' may also be taken as similar but their meanings arc different. A plan is a commitment to particular course of actions whereas planning is an activity consisting of a process. To clear the meaning of planning further, some definitions have been discussed:

Gcogre Terry. "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results." According to Terry planning is based on certain assumptions which arc required to formulate policies of the business. The purpose of planning is to achieve business objectives.

Hart. "The determination in advance of a line of action by which certain results are to be achieved." Planning is the deciding of a course required for reaching organisational goals. The line of action is decided in advance so that actual execution becomes easy later on.

Koontz and O'Donncll. "The selection from among alternatives for future courses of action for the enterprise as a whole and each department with it." Although the exact future can seldom be predicted and factors beyond control may interfere with the best-laid plans, unless there is planning, events are left to chance. It is an intellectually demanding process and requires the selection of a course of action.

Alfred and Beaty, "Planning is the thinking process, the organised forecast, the vision based on fact and experience that is required for intelligent action." Planning is a process in which decisions are taken in advance. The pros and cons of the decisions and their implications in the future arc discussed beforehand. A wrong decision may create difficulties for the management and may result in financial loss too,

Louis A. Allen. "Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets." According to Allen, planning is essentially deciding about future. The ways and means required to achieve organisational goals form the essential part of planning.

George B. Galloway. "Planning is the opposite of improvising. In simple words, it is organised foresight plus corrective hindsight,... Conceived as a process, planning embraces a series of steps: (i) the determination of objectives to be sought ; (ii) research to understand the problem; (iii) the discovery of alternative solutions; (iv) policymaking Choosing between alternatives, including the frequent choice of doing nothing ; (v) the detailed execution of the chosen alternative known in physical planning as layout or design." As per this view, planning starts with setting up of objectives and leads to the execution of various policies. A good planner chooses the best method of doing a thing for achieving the desired results.

2.3 NATURE OF PLANNING

1. *Planning is goal-oriented:* Every plan must contribute in some positive way towards
   the accomplishment of group objectives. Planning has no meaning without being related to goals.

2. *Primacy of Planning:* Planning is the first of the managerial functions. It precedes
   all other management functions.

3. *Pervasiveness of Planning:* Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.

4. *Efficiency, Economy and Accuracy:* Efficiency of plan is measured by its

contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.

5. *Co-ordination:* Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.

6. *Limiting Factors:* A planner must recognise the limiting factors (money, manpower
etc) and formulate plans in the light of these critical factors.

7. *Flexibility:* The process of planning should be adaptable to changing environmental - conditions.

8. *Planning is an intellectual process:* The quality of planning will vary according to the quality of the mind of the manager.

2.4 IMPORTANCE OF PLANNING

As a managerial function planning is important due to the following reasons:-

1. ***To manage by objectives:*** All the activities of an organisation are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.

2. ***To offset uncertainty and change:*** Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.

3. ***To secure economy in operation:*** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.

4. ***To help in co-ordination:*** Co-ordination is, indeed, the essence of management, and planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organisation.

5. ***To make control effective:*** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.

6. ***To increase organisational effectiveness:*** Mere efficiency in the organisation is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organisational effectiveness in the context of the stated objectives and take further actions in this direction.

2.5 ADVANTAGES OF PLANNING

• All efforts are directed towards desired objectives or results. Unproductive work and waste of resources can be minimised.

• Planning enables a company to remain competitive with other rivals in the industry.

• Through careful planning, crisis can be anticipated and mistakes or delays avoided.

• Planning can point out the need for future change and the enterprise can manage the change effectively.

• Planning enables the systematic and thorough investigation of alternative methods or alternative solutions to a problem. Thus we can select the best alternative to solve any business problem.

• Planning maximises the utilisation of available resources and ensures optimum productivity and profits.

• Planning provides the ground work for laying down control standards.

• Planning enables management to relate the whole enterprise to its complex environment profitably.

2.6 DISADVANTAGES OF PLANNING

• Environmental factors are uncontrollable and unpredictable to a large extent. Therefore planning cannot give perfect insurance against uncertainty.

• Planning is many times very costly.

• Tendency towards inflexibility to change is another limitation of planning.

• Planning delays action.

• Planning encourages a false sense of security against risk or uncertainty.

2.7 PLANNING PROCESS

The planning process involves the following steps:

1. *Analysis of External Environment:* The external environment covers uncontrollable and unpredictable factors such as technology, market, socio-economic climate, political conditions etc., within which our plans will have to operate.

2. *Analysis of Internal Environment:* The internal environment covers relatively controllable factors such as personnel resources, finance, facilities etc., at the disposal of the firm. Such an analysis will give an exact idea about the strengths and weakness of the enterprise.

3. *Determination of Mission:* The "mission" should describe the fundamental reason for the existence of an organisation. It will give firm direction and make out activities meaningful and interesting.

4. *Determination of Objectives:* The organisational objectives must be spelled out in key areas of operations and should be divided according to various departments and sections. The objectives must be clearly specified and measurable as far as possible. Every member of the organisation should be familiar with its objectives.

5. *Forecasting:* Forecasting is a systematic attempt to probe into the future by inference from known facts relating to the past and the present. Intelligent forecasting is essential

for planning. The management should have no stone unturned in reducing the element of guesswork in preparing forecasts by collecting relevant data using the scientific techniques of analysis and inference.

6. *Determining Alternative course of Action:* It is a common experience of all thinkers that an action can be performed in several ways, but there is a particular way which is the most suitable for the organisation. The management should try to find out these alternatives and examine them carefully in the light of planning premises.

7. *Evaluating Alternative Courses:* Having sought out alternative courses and examined their strong and weak points, the next step is to evaluate them by weighing the various factors.

8. *Selecting the Best:* The next step - selecting the course of action is the point at which the plan is adopted. It is the real point of decision-making.

9. *Establishing the sequence of activities:* After the best programme is decided upon, the next task is to work out its details and formulate the steps in full sequences.

10. *Formulation of Action Programmes:* There are three important constituents of an action plan:

- The time-limit of performance.

- The allocation of tasks to individual employees.

• The time-table or schedule of work so that the functional objectives are achieved within the predetermined period.

11. *Reviewing the planning process:* Through feedback mechanism, an attempt is made to secure that which was originally planned. To do this we have to compare the actual performance with the plan and then we have to take necessary corrective action to ensure that actual performance is as per the plan.

2.8 NEED FOR PLANNING

The following reasons are the need for planning:

1. **Essential for Modern business:** The growing complexities for modern business, rapid technological changes, meaning of economics to international competition, changes in consumer testes necessitate. Planning not only in the current context but also in the future environment. Planning always takes into account all possible features development.

2. **Related to Performances:** Planning helps in setting goals for each function and for each employee. The concerns having formal planning have performed better as compared to those where planning is not taken up as a regular activity. Studies have provide that planning has been an instrument in improved performance.

3. **Focus on Objectives.** The thrust of formal planning is on setting objectives and providing guidelines for reaching them. Objectives provide a direction and all planning decisions are directed towards achieving them. It ensures maximum utilisation of managerial time and efforts.

4. **Proper Allocation of Resources.** The needs of the organisation are anticipated with the help of planning. The acquisition and allocation of resources can be properly planned thus minimizing wastages and ensuring optimal utility of these resources.

5. **Facilitates Control.** Planning can be used to devise a mechanism of control. There can be quantitative targets and their comparison with actual performance can bring to notice any deviations. A periodical review can also help in pointing out low performance. The deviations in production, sales, profits etc. may come to light during periodic investigations and remedial action can be taken.

6. **Helpful in Decision making.** Planning is helpful in the process of decision-making. Since planning helps in specifying the actions to be taken for achieving organisational objectives, it serves as a basis for decision-making for the future. The objectives, plans, policies, schedules, rules etc. serve as guidelines for routine decision making.

7. **Avoiding Business Failures,** Business failures may be due to wrong and unscientific planning. A bad planning may result into wastage of human and physical resources. The enterprise may not be able to face competition from well planned units. Good planning will help in utilizing available resources in a best possible way thus reducing the chances of failures.

2.9 PLANNING PREMISES

Planning premises are those basic assumptions upon which the process of planning proceeds. Planning involves making a choice of action on the basis of assumptions of what is likely to happen in the future which is totally uncertain. These assumptions or premises are the postulates. A manager tries to make assumptions on the basis of likely happenings in future and bases his present decisions on those. In case the assumptions or premises happen as assumed earlier then decisions will be proper, in case the premises change then plans will have to be modified. Such premises constitute the ground on which plans stand.

Classification of Planning Premises

Planning premises provide the bedrock upon which the plans are based. Planning premises may be classified as follows:

(i) **Internal and External Premises.** Internal premises arc those factors which exist within the firm or which belong to the firm's own climate. These premises are commitments for resources, sources of raw materials and other equipment, sales forecasts, basic policies and programmes, availability and competence of management and other personnel. All these factors are known and fully controllable.

External planning premises pertain to the outside environment of the firm. These relate to general business environment, conditions which influence the demand for business products and resources available to the organisation. Like, the political philosophy of national and state governments, fiscal and monetary policies, trends in population growth, education, national income etc. All these external factors have great impact on the planning of a business unit.

(ii) Controllable and Uncontrollable Premises. There are some factors which are within the control of management. These factors include managerial policies, programmes and rules etc.

There are certain factors over which management has no control. Such factors include strikes, wars, natural calamities, new inventions etc. All these factors have a bearing on the planning of an organisation. There are some factors over which management has some control, these are called semi-controllable factors. Such factors may be efficiency of workers, pricing policy, marketing, programmes etc. Management docs not have full control over these factors. All these premises are important for preparing plans. Any change in these premises necessitate modifications of plans.

(iii) Tangible and Intangible Premises. Tangible premises are those which can be expressed in quantity or arc quantifiable. Intangible premises are just assumed and cannot be expressed in quantities, for example, reputation of a concern. All these premises have greater influence on the decision-making process.

All the planning premises discussed above have great impact on planning premises. Though future is always uncertain but still certain assumptions arc made to base the plans. The premises are helpful guidelines for taking planning decisions.

2.10 PRINCIPLES OF PLANNING

A number of fundamental principles have been devised over the years for guiding managers undertaking planning. Some of these principles are discussed as under:

1. Principle of Contribution to Objectives. All types of plans are prepared to achieve the objectives of the organisation, Both major and derivative plans are prepared to contribute to the objectives of the enterprise. Planning is used as a means to reach the goals.

2. Principles of Primacy of Planning. This principle states that planning is the first or primary function of every manager. He has to plan first and then proceed to carry out other functions. Other managerial functions are organised to reach the objectives set in planning.

3. Principle of Planning Premises. In order to make planning effective, some premises or presumptions have to be made on the basis of which planning has to be undertaken. Plans are, generally not properly structured the reason being that planning premises are not properly developed. This principle lays emphasis on properly analysing the situation which is going to occur in future.

4. Principle of Alternatives, Planning process involves developing of many alternatives and then selecting one which will help in achieving desired business goals. In the absence of

various alternatives proper, planning will be difficult.

5. Principle of Timing, Plans can contribute effectively to the attainment of business goals if they are properly timed. Planning premises and policies are useless without proper timing.

6. Principle of Flexibility. This principle suggests flexibility in plans if some contingencies arise. The plans should be adjusted to incorporate new situations. The dangers of flexibility should be kept in mind. The changes may upset the earlier commitments. So the cost of changes should be compared to the benefits of flexibility.

7. Principle of Commitment. There should be a time frame for meeting the commitments made. This will ensure the achievement of targets in time.

8. Principle of Competitive Strategics, While formulating own plans a manager should keep in mind the plans of competitors. The plans should be framed by thinking of what the competitors will do in similar situations.

2.11 TYPES of Planning/Scope of Planning

There are three types of planning. These are identified on the following dimensions.

1. On the basis of coverage of activities

   (i)   Corporate planning

   (ii)   Functional planning

2. On the basis of Importance of Contents.

   (i)   Strategic Planning.

   (ii)   Operational Planning

3. On the basis of time period involved.

   (i)   Long term planning.

   (ii)   Short-term Planning

1. Corporate Planning and Functional Planning

We have seen earlier that planning activity is pervasive and can be undertaken at various levels of an organization. It may be for the organization as a whole or for its different functions. Thus, based on the coverage of activities, there may be planning for the organization as a whole, known as corporate planning or for its different functions, known as functional planning.

(i)   Corporate Planning

Corporate planning is undertaken at the top level, also known as corporate level, and covers the entire organizational activities. It is of integrative nature and integrates entire planning process of the organization. The basic focus of corporate planning is to determine the long-term objectives of the organization as a whole and to generate plans to achieve these objectives bearing in mind

the probable changes in the environment. Corporate planning, generally, has long-term orientation and provides basis for functional planning.

(ii) Functional Planning

Functional planning is of segmental nature and is undertaken for each major function of the organization like production/operations, marketing, finance, human resource, etc. At the second level, functional planning is undertaken for sub-functions within each major function. For example, marketing planning is undertaken at the level of marketing department and to put marketing plan in action, planning at sub-functions of marketing like sales, product promotion, marketing research, etc. is undertaken. A basic feature of functional planning is that it is derived out of corporate planning and, therefore, it should contribute to the latter. This contribution is achieved by integrating and coordinating functional planning with corporate planning.

2. Strategic Planning and Operational Planning

On the basis of importance of contents, planning may be divided into strategic planning and operational planning.

(i) Strategic Planning

Strategic planning involves setting long-term direction of the organization in which it wants to proceed in future. It is the process of deciding long-term objectives of the organization and defining where the organizational resources and efforts should be put to achieve organizational objectives. Strategic planning deals with strategic issues like type of business to be undertaken, diversification of business into new lines, type of products to be offered, and so on. This way, strategic planning encompasses all the functional areas of business and is effected within the existing and long-term framework of environmental factors. Strategic planning also involves rigorous analysis of various environmental factors to relate the organization relates to its environment.

(ii) Operational Planning

Operational planning, also known as tactical planning, is the process of deciding the most effective use of the resources already allocated through strategic planning and to develop a control mechanism to ensure effective implementation of the actions so that organizational objectives are achieved. Usually operational planning covers one year or so. It aims at sustaining the organization in its production/generation and distribution of current products (goods and services) to the existing markets. Operational planning answers the questions about a particular action as follows:

1. Why is the action required?

2. What action is to be taken?

3. What will the action accomplish?

4. What are the likely results of the action?

5. What conditions must be met in putting the action in operation?

Operational planning is undertaken within the framework of the strategic planning. Examples of operational planning are adjustment of production within given capacity, increasing the efficiency of operating activities through analysis of past performance, budgeting future costs, specific details of future short-term operations, and so on.

Difference between Strategic Planning and Operational Planning

Apart from the period of time involved in strategic planning and operational planning, there are certain differences between the two. The major differences between the two are as follows:

1. Range of Choice. Strategic planning guides the choice among the broad directions in which the organization seeks to move and allocation of its financial, physical, and human resources over future specified period of time. Operational planning, on the other hand, focuses on the ways and means in which each of the individual functions may be programmed so that progress may be made towards the attainment of organizational objectives.

2. Type of Environment. The type of environment for two types of planning is different. Strategic planning takes into account the external environment and tries to relate the organization with it. The nature of external environment, thus, is of prime concern of strategic planners. Operational planning mostly focuses on internal organizational environment so as to make the effective use of given resources.

3. Focus. Strategic planning focuses on setting long-term trend and direction for managerial actions. Focus of operational planning is on making effective use of organizational resources allocated by strategic planning process.

4. Sequence of Formulation. Strategic planning precedes operational planning and the latter is primarily concerned with the implementation of the former. Therefore, operational planning is based on strategic planning.

5. Level of Formulation. Strategic planning is formulated by top-level management with the support of specified planning staff in the organization. At this level, managers can take an overall view of the organization and have necessary capability to relate the organization with its environment. Operational planning is usually spread over a wide range within the organization and is generally performed by operating managers with the help of the subordinate staff.

3. Long-Term Planning and Short-Term Planning

Planning is concerned with future course of action. This may be of long term or short term. Thus, there are long-term planning and short-term planning.

(i) **Long-term Planning**

Long-term planning is of strategic nature and involves more than one year period, usually 3-5 years though period of 5 years is more common in Indian context. Long-term planning usually

covers all the functional areas of the business and is undertaken within the existing and long-term future environmental scenario. In the long-term planning process, high emphasis is placed on analysis of environmental factors. Sometimes, basic changes in the organization like change in organizational vision and mission, major change in organization structure, change in key personnel of the organization, etc. become the significant factor for long-term planning.

(ii) Short-term Planning

Short-term planning usually covers one year. This aims at making effective use of organizational resources — financial, physical, and human resources. Short-term planning directly and immediately affects functional areas — production, marketing, finance, etc.

Coordination of Short-term Planning and Long-term Planning. In fact, in a successful planning process, short-term plans are made with reference to long-term plans because short-term plans contribute to long-term plans. As such, there is a need for coordination between these two plans. While preparing the short-term plans, the managers should consider that they are contributing to the long-term plans. For this purpose, they should scrutinize the former in the light of the latter. People at comparatively lower levels should also be made aware of this fact. Sometimes, the short-term plans do not contribute to long-term plans, though they may contribute to achieve immediate organizational objectives, for example, cutting cost of research and development to show higher profitability. This type of problem may be overcome by coordination in short-term planning and long-term planning.

2.12 PLANNING IN INDIAN ORGANIZATIONS

Since planning is the basis for managerial actions, it has existed in all organizations, either formally or informally. However, it has been emphasized since 1990s with the process of liberalization of Indian economy. With increased competition, more and more organizations are undertaking strategic planning approach. In fact, many companies have established separate corporate planning divisions or cells to provide aid in arriving strategic decisions.

EXHIBIT Planning practice of ACC Limited

Planning process of ACC Limited includes both long-term and short-term. Duration of long-term planning is five years while that of short-term is one year. In long-term planning, policy decisions are made by the Board of Directors in the following areas: *(i)* rehabilitation, *(ii)* expansion, and *(iii)* diversification. All these require careful analysis of the situation because of high investment and long gestation period. Short-term plans are prepared in three areas: *(i)* production, (ii) dispatches, and (iii) costs. Minute details are worked out in each of these areas. Steps involved in each of these areas start with the preparation of targets by various production units located at different places. These targets are submitted to the Head Office located at Mumbai for scrutiny which scrutinizes the targets in the light of those achievable under optimum conditions. Targets fixed under this process may be slightly higher than the targets submitted by each unit. These targets work as motivating factor to the various production units. The targets so envisaged by the Head Office are then discussed by the heads of units. Thereafter, the agreed

targets are fixed. These targets are put before the Executive Committee of Directors which analyses the information and makes suitable changes, if necessary, and places it before the Board of Directors which finally lays down the plans. Besides, capital and revenue budgets are prepared by the Head Office in the form of consolidated budgets based on the budgets prepared by various production units.

2.13 BUSINESS FORECASTING

In order to formulate accurate plans, managers have to find out the likely behaviour of relevant factors in future. This is done to some extent by making suitable forecast through business forecasting (simply known as forecasting) which is defined as follows:

Forecasting is the process of estimating the relevant events of future, based on the analysis of their past and present behaviour.

On the basis of the definition, the following features of forecasting can be identified:
1. Forecasting is related to future events.
2. Forecasting defines the probability of happening of future events. Therefore, happening of future events can be precise only to a certain extent.
3. Forecasting is made by analyzing the past and present relevant events, that is, taking those factors which are relevant for the functioning of an organization.
 4.   The analysis of various factors may require the use of various statistical tools and techniques. However, personal observations can also help in the process.

2.14 SELF ASSESSMENT QUESTIONS
1.   Define planning.
2.   'Planning is an intellectual process, explain.
3.   Name five principles of planning.
4.   What is corporate planning?
5.   What is the need for strategic planning?
6.   Differentiate between strategic and operational planning.
7.   What are the characteristics of a good plan?
8.   Explain the mission or purpose of planning.
9.   Explain the concept of planning. Discuss the nature of planning.
10.   Planning is the thinking process and managers being men of action, should have no use for it, Comment.
11.   How far planning is useful to management?
12.   Why planning is essential in a business? How can it be made effective?
13.   Discuss the concept of corporate planning. How docs strategic planning differs from operational planning?
14.   What are the main limitations of planning? How can planning be made effective?

UNIT 2

ORGANISING

AIMS AND OBJECTIVES

This lesson is intended to study the various aspects of organising. After studying this lesson you will be able to:

- (i) Describe the meaning and process of organising
- (ii) Determine the kind of organizational structure
- (iii) Know principles of organisation
- (iv) Differentiate between formal and informal organisation
- (v) Describe the importance of organisational structure
- (vi) Understand meaning and features of organizational charts and manuals
- (vii) Describe various types of organisaton
- (viii) Understand departmentation
- (ix) To know span management
- (x) To understand decentalisation
- (xi) To know advantage and disadvantage of decentralisation
- (xii) To understand delegation
- (xiii) To know principles of delegation
- (xiv) Understand importance of delegation
- (xv) To understand matrix organization

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ORGANISING

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UNIT 2-ORGANISING

3.1 INTRODUCTION AND MEANING

Organisation involves division of work among people whose efforts must be co-ordinated to achieve specific objectives and to implement pre-determined strategies. Organisation is the foundation upon which the whole structure of management is built. It is the backbone of management. After the objectives of an enterprise are determined and the plan is prepared, the next step in the management process is to organize the activities of the enterprise to execute the plan and to attain the objectives of the enterprise. The term organisation is given a variety of interpretations. In any case, there are two broad ways in which the term is used. In the first sense, organisation is understood as a-dynamic process and a managerial activity which is necessary for bringing people together and tying them together in the pursuit of common objectives. When used in the other sense,. organisation refers to the structure of relationships among positions and jobs which is built up for the realisation of common objectives. Without organising managers cannot function as managers. Organisation is concerned with the building, developing and maintaining of a structure of working relationships in order to accomplish the objectives of the enterprise. Organisation means the determination and assignment of duties to people, and also the establishment and the maintenance of authority relationships among these grouped activities. It is the structural framework within which the various efforts are coordinated and related to each other. Sound organisation contributes greatly to the continuity and success of the enterprise. The distinguished industrialist of America, Andrew Carnegie has shown his confidence in organisation by stating that: "Take away our factories, take away our trade, our avenues of transportation, our money, leave nothing but our organisation, and in four years we shall have re-established ourselves." That shows the significance of managerial skills and organisation. However, good organisation structure does not by itself produce good performance. But a poor organisation structure makes good performance impossible, no matter how good the individual may be,

3.2 DEFINITION OF ORGANISATION

The term 'Organisation' connotes different things to different people. Many writers have attempted to state the nature, characteristics and principles of organisation in their own way. It can be used as a group of persons working together or as a structure of relationships or" as a process of management. Now, let us analyse some of the important definition of organising or organisation, and understand the meaning of organisation.

According to Sheldon, "Organisation is the process of so combining the work which individuals or groups have to perform with facilities necessary for its execution, that the duties so

performed provide the best channels for efficient, systematic, positive and coordinated application of available effort."

In the words of Chester I Bernard, "Organisation is a system of co-operative activities of two or more persons."

Mc Ferland has defined organisation as, "an identifiable group of people contributing their efforts towards the attainment of goals".

According to Louis A Allen, "Organisation is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

According to North Whitehead, "Organisation is the adjustment of diverse elements, so that their mutual relationship may exhibit more pre-determined quality."

In the words of Theo Haimann, "Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organising function, the manager defines, departmentalises and assigns activities so that they can be most effectively executed."

In the words of Mooney and Railey, "Organisation is the form of every human association for the attainment of a common purpose."

According to John M Pfiffner and Frank P Sherwood, "Organisation is the pattern of ways in which large number of people, too many to have intimate face-to-face contact with all others, and engaged in a complexity of tasks, relate themselves to each other in the conscious, systematic establishment and accomplishment of mutually agreed purposes."

In the words of Koontz and O'Donnell, "Organisation involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision of authority, delegation and co-ordination."

According to Noirthcott, C H, "Organisation refers to arrangements by which tasks are assigned to men and women so that their individual efforts contribute effectively to some more or less clearly defined purpose for which they have been brought together."

In the words of G E Milward, "Organisation is a process of dividing work into convenient tasks or duties, of grouping such duties in the form of posts of delegating authority to each

post and of appointing qualified staff to be responsible that the work is carried out as planned."

3.3 ORGANISATION AS A PROCESS

Organisation is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. To organise is to harmonise, coordinate or arrange in a logical and orderly manner. Each member in the organisation is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty. The managerial function of organising consists in making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve a rational, well coordinated and orderly structure for the accomplishment of work. According to Low A Allen, "Organising involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organisational objectives." The various steps involved in this process are:

(i) Determination of Objectives

It is the first step in building up an organisation. Organisation is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. Organisation structure is built on the basis of the objectives of the enterprise. That means, the structure of the organisation can be determined by the management only'after knowing the objectives to be accomplished through the organisation. This step helps the management not only in framing the organisation structure but also in achieving the enterprise objectives with minimum cost and efforts. Determination of objectives will consist in deciding as to why the proposed organisation is to be set up and, therefore, what will be the nature of the work to be accomplished through the organisation.

(ii) Enumeration of Objectives

If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. The first step in organising group effort is the division of the total job into essential activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For example, the work of an industrial concern may be divided into the following major functions - production, financing, personnel, sales, purchase, etc.

(iii) Classification of Activities

The next step will be to classify activities according to similarities and common purposes and functions and taking the human and material resources into account. Then, closely related and similar activities are grouped into divisions and departments and the departmental activities are further divided into sections.

(iv) Assignment of Duties

Here, specific job assignments are made to different subordinates for ensuring a certainty of work performance. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him. In the words of Kimball and Kimball - "Organisation embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between department and individuals."

(v) Delegation of Authority

Since so many individuals work in the same organisation, it is the responsibility of management to lay down structure of relationship in the organisation. Authority without responsibility is a dangerous thing and similarly responsibility without authority is an empty vessel. Everybody should clearly know to whom he is accountable; corresponding to the responsibility authority is delegated to the subordinates for enabling them to show work performance. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

3.4 ORGANISATION STRUCTURE

An organisation structure shows the authority and responsibility relationships between the various positions in the organisation by showing who reports to whom. Organisation involves establishing an appropriate structure for the goal seeking activities. It is an established pattern of relationship among the components of the organisation. March and Simon have stated that- "Organisation structure consists simply of those aspects of pattern of behaviour in the organisation that are relatively stable and change only slowly." The organisation is generally shown on an organisation chart. It shows the authority and responsibility while designing the relationships between various in the organization. Organistion structure, due attention should be given to the principles of organization.

   (i)   **Significance of Organisation Structure**

1.   Properly designed organisation can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.

2.   Organisation structure determines the location of decision-making in the organisation.

3.   Sound organisation structure stimulates creative thinking and initiative among organisational members by providing well defined patterns of authority.

4.   A sound organisation structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.

5.   Organisation structure provides the pattern of communication and coordination.

6.   The organisation structure helps a member to know what his role is and how it relates to other roles.

(ii)   Determining the kind of Organisation Structure

According to Peter F Drucker-"Organisation is not an end in itself, but a means to the end of business performance and business results. Organisation structure is an indispensable means; and the wrong structure will seriously impair business performance and may even destroy it. Organisation structure must be designed so as to make possible to attainment of the objectives of the business for five, ten, fifteen years hence". Thus it is essential that a great deal of care should be taken while determining the organisation structure. Peter Drucker has pointed out three specific ways to find out what kind or structure is needed to attain the objectives of a specific business:

(i) *Activities Analysis:* The purpose of 'activities analysis' is to discover the primary activity of the proposed organisation, for it is around this that other activities will be built. It may be pointed out that in every organisation; one or two functional areas of business dominate. For example, designing is an important activity of the readymade garments manufacturer. After the activities have been identified and classified into functional areas, they should be listed in the order of importance. It is advisable to divide and sub-divide the whole work into smaller homogeneous units so that the same may be assigned to different individuals. Thus, in devising an organisational structure, it is important to divide the entire work into manageable units. It has rightly been said that the job constitutes the basic building block in building up an organisational structure.

(ii) *Decision Analysis:* At this stage, the manager finds out what kinds of decisions will need to be made to carry on the work of the organisation. What is even more important, he has to see where or at what level these decisions will have to be made and how each manager should be involved in them. This type of analysis is particularly important for deciding upon the number of levels or layers in the organisation structure.

As regards decision, analysis, Peter Drucker, has emphasized four basic characteristics. They are:

1.   the degree of futurity in the decision

2.   the impact that decision has on other functions

3.   the character of the decision determined by a number of qualitative factors, such

as, 'basic principles of conduct, ethical values, social and political beliefs etc., and

4.   whether the decisions are periodically recurrent or rates as recurrent decisions may

require a general rule whereas a rate decision is to be treated as a distinctive event.

A decision should always be made at the lowest possible level and so close to the scene of action as possible.

> **(iii)   Relations Analysis:** Relations Analysis will include an examination of the types of relationships that develop within the organisation. These relationships are vertical, lateral and diagonal. Where a superior-subordinate relationship is envisaged, it will be a vertical relationship. In case of an expert or specialist advising a manager at the same level, the relationship will be lateral. Where a specialist exercises authority over a person in subordinate position in another department in the same organisation it will be an instance of diagonal relationship. Peter Drucker emphasises that-"the first thing to consider in defining a manager job is the contribution his activity has to make to the larger unit of which it is a part." Thus, downward, upward and lateral (side-ways) relations must be analysed to determine the organisation structure'.

3.5 PRINCIPLES OF ORGANISATION

1.   Consideration of unity of objectives: The objective of the undertaking influences the organisation structure. There must be unity of objective so that all efforts can be concentrated on the set goals.

2.   Specialisation: Effective organisation must include specialisation, Precise division of work facilitates specialisation.

3.   Co-ordination: Organisation involves division of work among people whose efforts must be co-ordinated to achieve common goals. Co-ordination is the orderly arrangement of group effort to provide unity of action in the pursuit of common purpose.

4.   Clear unbroken line of Authority: It points out the scalar principle or the chain of command. The line of authority flows from the highest executive to the lowest managerial level and the chain of command should not be broken.

5.   Responsibility: Authority should be equal to responsibility i.e., each manager should have enough authority to accomplish the task

6.   Efficiency: The organisation structure should enable the enterprise to attain objectives with the lowest possible cost.

7. Delegation: Decisions should be made at the lowest competent level. Authority and responsibility should be delegated as far down in the organisation as possible.

8. *Unity of Command:* Each person should be accountable to a single superior. If an individual has to report to only one supervisor there is a sense of personal responsibility to one person for results.

9. *Span of Management:* No superior at a higher level should have more than six immediate subordinates. The average human brain can effectively direct three to six brains (i.e., subordinates).

10. *Communication:* A good communication sub-system is essential for smooth flow of information and understanding and for effective business performance.

11. *Flexibility:* The organisation is expected to provide built in devices to facilitate growth and expansion without dislocation. It should not be rigid or inelastic.

3.6 FORMAL AND INFORMAL ORGANISATION

The formal organisation refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organisation is built by the management to realise objectives of an enterprise and is bound by rules, systems and procedures. Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for carrying it out. Informal organisation, which does not appear on the organisation chart, supplements the formal organisation in achieving organisational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organisation and to use them for achieving organisational objectives.

Formal Organisation

Chester I Bernard defines formal organisation as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organisation is conscious common purpose and comes into being when persons-

(i)   Are able to communicate with each other

(ii)   Are willing to act and

(iii) Share a purpose.

The formal organisation is built around four key pillars. They are:

• Division of labour

• Scalar and functional processes

• Structure and

• Span of control

Thus, a formal organisation is one resulting from planning where the pattern of structure has already been determined by the top management.

Characteristic Features of formal organisation

1. Formal organisation structure is laid down by the top management to achieve organisational goals.
2. Formal organisation prescribes the relationships amongst the people working in the organisation.
3. The organisation structures is consciously designed to enable the people of the organisation to work together for accomplishing the common objectives of the enterprise
4. Organisation structure concentrates on the jobs to be performed and not the individuals who are to perform jobs.
5. In a formal organisation, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organisation arise from the pattern of responsibilities that are created by the management.
6. A formal organisation is bound by rules, regulations and procedures.
7. In a formal organisation, the position, authority, responsibility and accountability of each level are clearly defined.
8. Organisation structure is based on division of labour and specialisation to achieve efficiency in operations.
9. A formal organisation is deliberately impersonal. The organisation does not take into consideration the sentiments of organisational members.
10. The authority and responsibility relationships created by the organisation structure; are to be honoured by everyone.
11. In a formal organisation, coordination proceeds according to the prescribed pattern.

Advantages of formal organisation

1. The formal organisation structure concentrates on the jobs to be performed. It," therefore, makes everybody responsible for a given task.

2. A formal organisation is bound by rules, regulations and procedures. It thus ensures law and order in the organisation.

3. The organisation structure enables the people of the organisation to work together for accomplishing the common objectives of the enterprise

Disadvantages or criticisms of formal organisation

1. The formal organisation does not take into consideration the sentiments of organisational members.

2. The formal organisation does not consider the goals of the individuals. It is designed to achieve the goals of the organisation only.

3. The formal organisation is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

(ii) Informal Organisation

Informal organisation refers to the relationship between people in the organisation based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organisation is an organisation which is not established by any formal authority, but arises from the personal and social relations of the people.

These relations are not developed according to procedures and regulations laid down in the formal organisation structure; generally large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organisation according to its environment.

Characteristics features of informal organisation

1.   Informal organisation is not established by any formal authority. It is unplanned and arises spontaneously.

2.   Informal organisations reflect human relationships. It arises from the personal and social relations amongst the people working in the organisation.

3.   Formation of informal organisations is a natural process. It is not based on rules, regulations and procedures. -

4.   The inter-relations amongst the people in an informal organisation cannot be shown in an organisation chart.

5.   In the case of informal organisation, the people cut across formal channels of communications and communicate amongst themselves.

6.   The membership of informal organisations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.

7.   Membership of informal groups can be overlapping as a person may be member of a number of informal groups.

8.   Informal organisations are based on common taste, problem, language, religion, culture, etc. it is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organisation.

Benefits of Informal organisation

1.   It blends with the formal organisation to make it more effective.

2.   Many things which cannot be achieved through formal organisation can be achieved through informal organisation.

3.   The presence of informal organisation in an enterprise makes the managers plan "and act more carefully.

4.   Informal organisation acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.

5. An informal organisation has a powerful influence on productivity and job satisfaction.

6. The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.

7. Informal organisation helps the group members to attain specific personal objectives.

8. Informal organisation is the best means of employee communication. It is very fast.

9. Informal organisation gives psychological satisfaction to the members. It acts as a safety valve for the emotional problems and frustrations of the workers of the organisation because they get a platform to express their feelings.

10. It serves as an agency for social control of human behaviour.

3.7 MANAGEMENT'S ATTITUDE TOWARDS INFORMAL ORGANISATION

Formal organisation, no doubt is an important part of the organisation but it alone is not capable of accomplishing the organisational objectives. Informal organisation supplements the formal organisation in achieving the organisational objectives. If handled properly, informal organisation will help in performing the activities of the organisation very efficiently and effectively. In the words of Keith Davis-"An informal organisation is a powerful influence upon productivity and job satisfaction. Both formal and informal systems are necessary for group activity just as two blades are essential to make a pair of scissors workable". As both formal and informal organisations are quite essential for the success of any organisation, a manager should not ignore the informal organisation. He should stud^ thoroughly the working pattern of informal relationship in the organisation and use the informal organisation for achieving the organisational objectives.

3.8 DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANISATION

Formal Organisation	Informal Organisation
1. Formal organisation is established with the explicit aim of achieving well-defined goals.	1. Informal organisation springs on its own. Its goals are ill defined and intangible.
2. Formal organisation is bound together by authority relationships among members. A hierarchical structure is created, constituting to management, middle management and	2. Informal organisation is characterised by a generalised sort of power relationships. Power in informal organisation has bases other than rational legal right.

supervisory management.	
3. Formal organisation recognised certain tasks and activities which are to be carried out to achieve its goals.	3. Informal organisation docs not have any well-defined tasks
4. The roles and relationships of people in formal organisation are impersonal defined	4. In informal organisation the relationships among people are interpersonal.
5. In formal organisation, much emphasis is placed on efficiency, discipline, conformity, consistency and control.	5. Informal organisation is characterised by relative freedom, spontaneity, homeliness and warmth.
6. In formal organisation, the social and psychological needs and interests of members of the organisation get little attention.	6. In informal organisation the socio-psychological needs, interests and aspirations of members get priority.
7. The communication system in formal organisation follows certain pre-determined patterns and paths.	7. In informal organisation, the communication pattern is haphazard, intricate and natural.
8. Formal organisation is relatively slow to respond and adapt to changing situations and realities.	8. Informal organisation is dynamic and very vigilant. It is sensitive to its surroundings.

3.9 IMPORTANCE OF ORGANISATION

Organisation, in its simplest sense, means a form of human association for the attainment of common objectives. Sound organisation is quite essential for every enterprise, Organised thoughts have always been the basis of organised actions,. Without sound organisation, no management can manage the various operations of the enterprise. Obviously, the better the organisation, the fuller would be the achievement of the common objectives and similarly, loose organisation of an enterprise implies a dangerous state of affairs. The importance of organisation can be clearly understood from the statement of Kenneth C Towe. According to him , "A sound form of organisation is the answer to every business problem, that a poor organisation could run a good product into the ground and that a good organisation with a poor product could run a good product out of the market." Some of the principal advantages of organisation may be outlined as below:

1. Facilitates Administration

A properly designed and balanced organisation facilitates both management and operation of the enterprise. It increases management's efficiency and promptness, avoids delay and duplication of work and motivates the employee to perform their job efficiently. By-proper division of labour,

consistent delegation and clear job definition, the organisation structure siphons off the routine duties and makes them the responsibility of lower rated positions.

2. Facilitates Growth and Diversification

The organisation structure is the framework within wiuch the company grows. The organisation structure should provide for expansion and diversification of the enterprise otherwise, the enterprise will find itself in a serious administrative crisis. Thus, the organisation facilitates growth and diversification of the enterprise.

3. Provides for Optimum use of Technological Improvements

A sound organisation structure facilitates the optimum use of technological improvements like computer systems etc. The high cost of installation, operation and maintenance of such equipment calls for proper organisation.

4. Encourages Human use of Human Beings

A sound organisation provides for efficient selection, training and development of staff, job rotation and job enlargement. The organisation structure can profoundly affect the people of the company. Proper organisation facilitates the intensive use of human capital.

5. Stimulates Creativity

Organisation stimulates creativity. By providing well-defined areas of work and ensuring delegation of authority, organisation provides sufficient freedom to the managers and encourages their initiative, independent thinking and creativity.

6. Facilitates stability of the organisation

By ensuring delegation of authority, two-way communication, co-operation, effective leadership, employee morale and flexibility to adjust to changes in the conditions, a sound organisation facilitates stability of the organisation.

7. Reduces Employee Turnover

Organisation increases employee satisfaction, ensures better relations between the management and the workers, and thereby reduces employee turnover.

8. Reduces Duplication of Activities

Organisation avoids delay and duplication of activities and consequent confusion by ensuring well-defined responsibilities and authority.

9 Fosters Coordination

By providing the framework for holding together the various functions in an orderly pattern, organisation fosters co-ordination.

3.10 ORGANISATION CHARTS AND MANUALS

Organisation chart: The pattern of network of relations between the various positions in an organisation as well as between the persons who hold those positions is referred to as "Organisation chart". Organisation data are often shown in the form of graphic chart. Organisation charts are the important tool for providing information on managerial positions and relationships in an organisation.

1. Meaning of Organisation Chart

According to Harold Koontz and Cyril Donnell, "Every organisation can be charted, for a chart is nothing more than an indication of how departments are tied together along their principal lines of authority."

In the words of George R Terry, "A chart is a diagrammatical form which shows important aspects of an organisation including the major functions and their respective relationships, the channels of supervision, and the relative authority of each employee who is in charge of each respective function."

According to Louis A Allen, "The organisation chart is a graphic means of showing organisation data. Organisation charts are snap-shots; they show only the formal organisation and depict it for only a given moment in time."

In the word of J Batty, "An organisation chart is a diagrammatic representation of the framework or structure of an organisation."

According to Henry H Albens, "An organisation chart portrays managerial positions and relationships in a company or department unit."

From the above definitions, it is clear that an organisation chart is a diagrammatical form which shows important aspects of an organisation including the major functions and their respective relationships. It is a graphic portrayed of positions in the enterprise and of the formal lines of communication among them. It enables each executive and employee to understand his position in the organisation and to know to whom he is accountable. The organisation chart has the following characteristics:

➢ It is a diagrammatical presentation

➢ It shows principal lines of authority in the organization.

➢ It shows the interplay of various functions and relationships

➢ It indicates the channels of communication.

"The organisation chart should not be confused with the organisation structure. An organisation chart is merely a type of record showing the formal organisational relationships which management intends should prevail. It is, therefore, primarily a technique of presentation.

2 Advantages of Organisation Chart

1. Organisation chart gives a clear picture of the organisation structure and the relationships that exist in an organisation.

2. It shows at a glance the line's of authority and responsibility. From it, the individuals can see who their associates are, to whom they report and from whom they get instructions.

3. By providing a detailed and clear picture of the authority relationships existing in an organisation, they help to avoid misunderstanding of jurisdictional problems and minimise organisational conflicts.

4. It plays a significant part in organisation improvement by pointing out inconsistencies and deficiencies in certain relationships. When management sees how its organisation structure actually looks, it may discover some unintended relationships.

5. With the help of an organisation chart, outsiders can easily know the persons whom they have to approach in connection with their work. This helps the outsiders to save their time and also to form a better opinion of the concern.

6. By providing a clear picture of the lines of authority and responsibilities, they help

to avoid overlapping and duplication of authority and secure unity of command.

7.   It serves as a valuable guide to the new personnel in understanding the organization and for their training.

8.   It provides a framework of personnel classification and evaluation systems. They show to the personnel what promotions they can expect, and what extra training is required for promotion to a higher position.

3 Disadvantages or Limitations of Organisation Chart

1.   Organisation chart shows only the formal relationships and fails to show the informal relations within the organisation. Informal relationships are also important in any organisation.

2.   Organisation charts, no doubt show the line of authority but they do not show the quantum of authority vested in different managerial positions. Thus, it is not able to answer the questions like how much authority can be exercised by a particular executive, how far he is responsible for his functions and to what extent he is accountable.

3.   An organisation chart is incomplete, It is not possible to include all information affecting the organisation.

4.   It shows a static state of affairs and does not represent flexibility which usually exists in the structure of a dynamic organisation.

5.   When there is an organisation chart, the personnel in the organisation become too conscious of their responsibilities and boundary line. This injects rigidity and inflexibility into the organisation structure. Updating is not possible without disturbing the entire set-up.

6.   Organisation chart gives rise to a feeling of superiority and inferiority which causes conflicts in the organisation and affects team-spirit adversely.

7.   It does not show the relationships that actually exist in the organisation but shows only the "supposed to be" relationships.

8.   The organisation charts just display the organisation structure. They neither guarantee a good organisation structure nor good management.
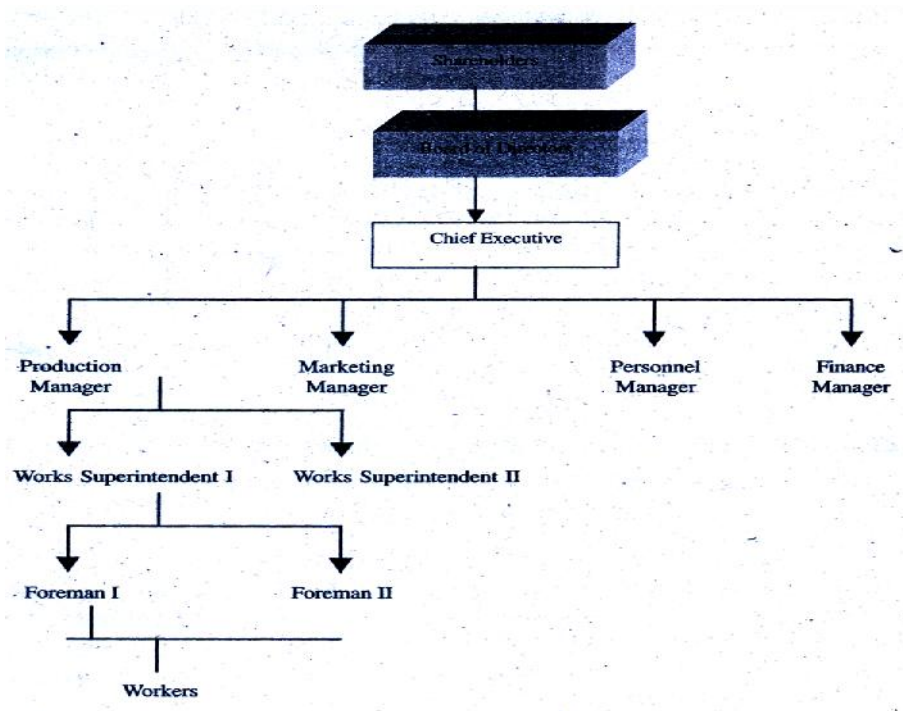
4 Types of Organisation Chart

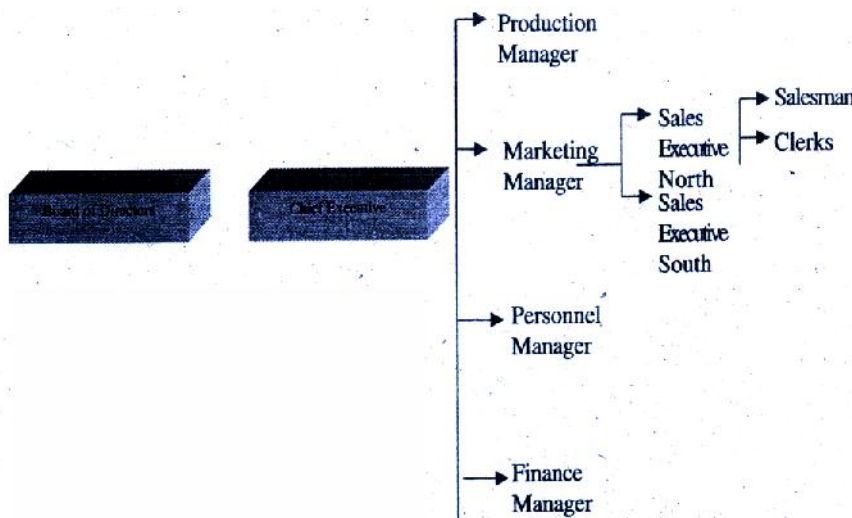An organisation chart can be drawn in different forms. They are:

• Top-to-down chart or vertical chart
• Left-to-right chart or Horizontal chart
• Circular chart.

Top-to-down chart or vertical chart: Most organisations use this type of chart which[1] presents the different levels of organisation in the form of a pyramid with senior executive' at the top of

the chart and successive levels of management depicted vertically below' that. The following diagram illustrates this type of chart.
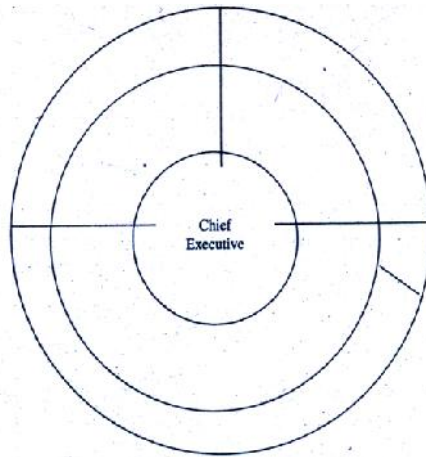

Left-to-right or Horizontal Chart; Horizontal charts which read from left to right are occasionally used. The pyramid lies horizontally instead of standing in the vertical position. The line of command proceeds horizontally from left to right showing top level at the left and each successive level extending to the right. The following diagram illustrates this type of chart:

Horizontal organisation chart

Circular Chart: In this chart, top positions are located in the centre of the concentric circle. Positions of successive echelons extend in all directions outward from the centre. Positions of equal status lie at the same distance from the centre on the same concentric circle. The following diagram illustrates the circular chart.

5. Meaning of Organisation Manual

An organisation chart shows who has the authority over whom but does not state that extent of authority or the duties each person in the organisation is expected to perform. In order to **supplement** the information of this chart, an organisation may prepare a Manual or Management Guide. Manual sets down in the form of a book or booklet all the details of the organisation, its objectives and policies, authorities, functions, duties and responsibilities of each unit and all information relating thereto.

A manual can be a useful instrument of management which more than justifies the amount of work and money involved in its compilation. Where a good manual is in use, each person can determine the responsibilities of his job and its proper relationship with other jobs in the organisation. Jurisdictional conflicts and overlapping can be avoided. A manual provides quick settlement of all misunderstandings. It relieves the manager from the botheration of repeating the same information time and again. It provides uniformity and consistency in the procedures and practises. If, a good organisation manual is in use, each personnel in the organisation can know

the responsibilities of his job and its relationship with other jobs in the organisation. Good organisation manual has the following contents.

1. Nature of the enterprise
2. Objectives of the enterprise
3. Policies of the management
4. Job Descriptions
5. Duties and responsibilities of various personnel
6. Instructions relating to the performance of standard as well as non-standard jobs.

6. Types of Manuals

The different types of manuals are:

1. *Policy Manuals:* It describes the overall limitations within which activities are to take place and thus reveals the broad courses of managerial action likely to take place under certain conditions.

2. *Operations Manual:* It is prepared to inform the employees of established methods, procedures and standards of doing the various kinds of work.

3. *Organisation Manual:* It explains the organisation, the duties and responsibilities of various departments, and their respective sub-divisions. Promotional charts may be included in the organisation manual which will show possible promotional lines throughout the entire organisation.

4. *Departmental Practice Manual:* **It** deals in detail with the internal policies, organisation and procedures of one department.

5. *Rules and Regulations Manual:* It gives information about the operating rules and employment regulations. It is a handbook of employment rules.

7. Advantages of Manuals

1. It contains in writing all-important decisions relating to internal organisation of the enterprise.

2. It avoids conflicts and overlapping of authority.

3. It enables new employees to know the various procedure and practice in the shortest possible time.

4. It enables quick decisions.

5. It contains rules and regulations which employees must follow.

8 **Disadvantages of Manual**

1. The preparation of manual is costly and time consuming and process.
2. Manuals leave little scope of individual's initiative and direction.
3. Manuals bring rigidity to the organisation.
4. Manuals may put on record those relationships which no one would like to see exposed.

3.11 TYPES OF ORGANISATION

Organisation requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. Organisation structure is primarily concerned with the allocation of tasks and delegation of authority. The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner. According to the different practices of distributing authority and responsibility among he members of the enterprise, several types of organisation structure have been evolved. They are:

1. Line organisation
2. Line and Staff organisation
3. Functional organisation
4. Committee organization

1. Line Organisation

This is the simplest and the earliest form of organisation. It is also known as "Military", "traditional", "Scalar" or "Hierarchical" form of organisation. The line organisation represents the structure in a direct vertical relationship through which authority flows. Under this, the line of authority flows vertically downward from top to bottom throughout the organisation. The quantum of authority is highest at the top and reduces at each successive level down the

hierarchy. All major decisions and orders are made by the executives at the top and handed down to their immediate subordinates who in turn break up the orders into specific instructions for the purpose of their execution by another set of subordinates. A direct relationship of authority and responsibility is thus established between the superior and subordinate. The superior exercises a direct authority over his subordinates who become entirely responsible for their performance to their commanding superior. Thus, in the line organisation, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line of authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in the organisation.

Prof. Florence enunciates three principles which are necessary to realise the advantages of this system and the non-observance of which would involve inefficiency.

1. Commands should be given to subordinates through the immediate superior; there should be no skipping of links in the chain of command.

2. There should be only one chain. That is, command should be received from only one immediate superior.

3. The number of subordinates whose work is directly commanded by the superior should be limited.
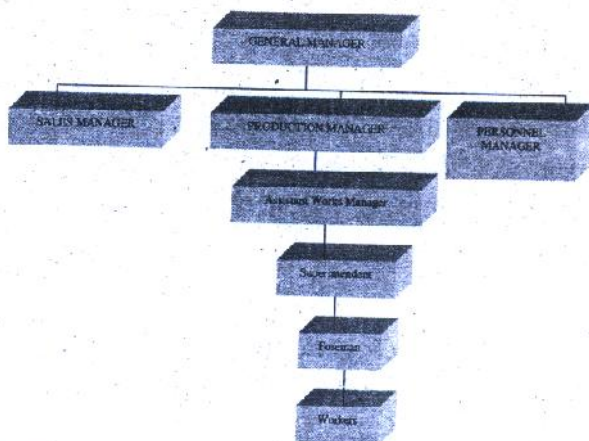
The following picture depicts the line organisation:

Chart showing a line organisation

Advantages or merits of line organisation

1. It is the easiest to establish and simplest to explain to the employers.

2. It fixes responsibility for the performance of tasks in a definite manner upon certain individuals.

3. There is clear-cut identification of authority and responsibility relationship. Employees are fully aware of the boundaries of their job.

4. It is most economical and effective.

5. It makes for unity of control thus conforming to the scalar principle of organisation.

6. It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible. The subordinates are also aware of the necessity of satisfying their superior in their own interests.

7. It facilitates prompt decision-making because there is definite authority at every level.

8. As all the activities relating to one department or division are managed by one executive, there can be effective coordination of activities.

9. This system is flexible or elastic, in the sense that, as each executive has sole responsibility in his own position and sphere of work, he can easily adjust the organisation to changing conditions.

10. Under this system, responsibility and authority are clearly defined. Every member of the organisation knows his exact position, to whom he is responsible and who are responsible to him. Because of the clear fixation of responsibility, no person can escape from his liability.

Disadvantages or demerits of line organisation

1. With growth, the line organisation makes the superiors too overloaded with work. Since all work is done according to the wishes of one person alone, the efficiency of the whole department will come to depend upon the qualities of management displayed by the head of that department. If therefore, something happens to an Efficient manager, the future of the department and of the concern as a whole would be in jeopardy.

2. Being an autocratic system, it may be operated on an arbitrary, opinionated and dictatorial basis.

3. Under this system, the subordinates should follow the orders of their superior without expression their opinion on the orders. That means there is limited communication.

4. There may be a good deal of nepotism and favouritism. This may result in efficient

people being left behind and inefficient people getting the higher and better posts.

5. The line organisation suffers from lack of specialised skill of experts. Modern business is so complex that it is extremely difficult for one person to carry in his head all the necessary details about his work in this department.

6. Line organisation is not suitable to big organisations because it does not provide specialists in the structure. Many jobs require specialised knowledge to perform them.

7. If superiors take a wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.
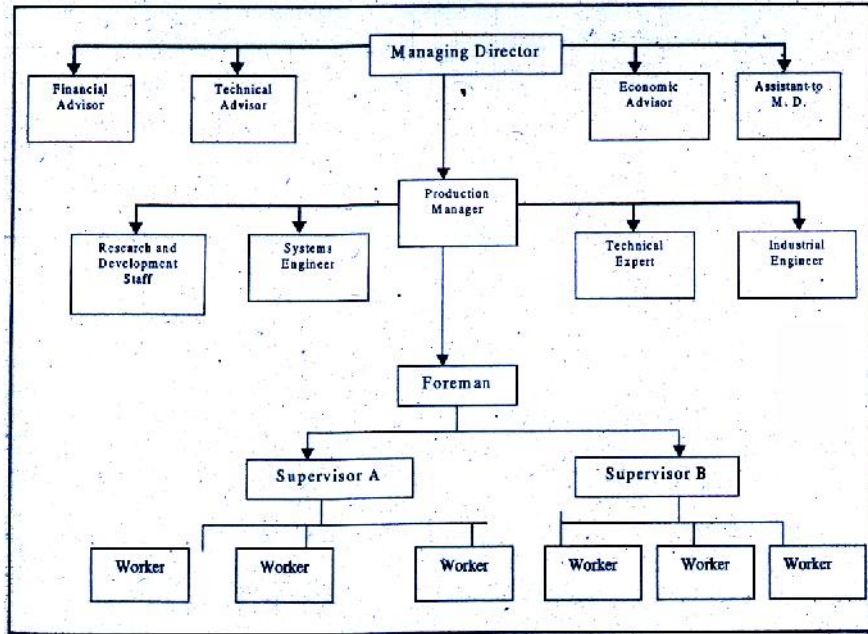
8. The organisation is rigid and inflexible.

9. There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.

Prof. Florence, sums up the inefficiencies of the line organisation system under three heads-"(i) Failure to get correct information and to act upon it; (ii) red-tape and bureaucracy; (iii) Lack of specialised skill or experts... while commands go down the line under the hierarchical system information is supposed to be coming up the line." In spite of these drawbacks, the line organisation structure is very popular particularly in small organisations where there are less number of levels of authority and a small number of people.

2. Line and Staff Organisation

In line and staff organisation, the line authority remains the same as it does in the line organisation. Authority flows from top to bottom. The main difference is that specialists are attached to line managers to advise them on important matters. These specialists stand ready with their speciality to serve line mangers as and when their services are called for, to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organisation as they are employed to provide expert advice to the line officers. The combination of line organisation with this expert staff constitutes the type of organisation known as line and staff organisation. The 'line' maintains discipline and stability; the 'staff provides expert information. The line gets out the production, the staffs carries on the research, planning, scheduling, establishing of standards and recording of performance. The authority by which the staff performs these functions is delegated by the line and the performance must be acceptable to the line before action is taken. The following figure depicts the line and staff organisation:

Line and staff Organisation

Types of Staff

The staff position established as a measure of support for the line managers may take the following forms:

1. Personal Staff: Here the staff official is attached as a personal assistant or adviser to the line manager. For example - Assistant to managing director.

2. Specialised Staff: Such staff acts as the fountainhead of expertise in specialised areas like R & D, personnel, accounting etc. For example-R & D Staff.

3. General Staff: This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For example— Financial advisor, technical advisor etc.

Features of line and staff organisation

1. Under this system, there are line officers who have authority and command over the subordinates and are accountable for the tasks entrusted to them. The staff officers are specialists who offer expert advice to the line officers to perform their tasks efficiently.

2.   Under this system, the staff officers prepare the plans and give advise to the line officers and the line officers execute the plan with the help of workers.

3.   The line and staff organisation is based on the principle of specialisation.

Advantages or merits of line and staff organisation

•   It brings expert knowledge to bear upon management and operating problems. Thus, the line managers get the benefit of specialised knowledge of staff specialists at various levels.

•   The expert advice and guidance given by the staff officers to the line officers benefit the entire organisation.

•   As the staff officers look after the detailed analysis of each important managerial activity, it relieves the line managers of the botheration of concentrating on specialized functions.

•   Staff specialists help the line managers in taking better decisions by providing expert advice. Therefore, there will be sound managerial decisions under this system.

•   It makes possible the principle of undivided responsibility and authority, and at the same time permits staff specialisation. Thus, the organisation takes advantage of functional organisation while maintaining the unity of command.

•   It is based upon planned specialisation.

•   Line and staff organisation has greater flexibility, in the sense that new specialised activities can be added to the line activities without disturbing the line procedure.

Disadvantages or demerits of line and staff organisation

•   Unless the duties and responsibilities of the staff members are clearly indicated by charts and manuals, there may be considerable confusion throughout the organization as to the functions and positions of staff members with relation to the line supervisors.

•   There is generally a conflict between the line and staff executives. The line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.

•   Line managers sometimes may resent the activities of staff members, feeling that prestige and influence of line managers suffer from the presence of the specialists.

•   The staff experts may be ineffective because they do not get the authority to implement their recommendations.

•   This type of organisation requires the appointment of large number of staff officers or experts in addition to the line officers. As a result, this system becomes quite expensive.

•   Although expert information and advice are available, they reach the workers through the

officers and thus run the risk of misunderstanding and misinterpretation.

• Since staff managers are not accountable for the results, they may not be performing their duties well.

• Line mangers deal with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical. This may hamper coordination in the organisation.

3 Functional Organisation

The difficulty of the line organisation in securing suitable chief executive was overcome by F. W. Taylor who formulated the Functional type of organisation. As the name implies, the whole task of management and direction of subordinates should be divided according to the type of work involved. As far as the workman was concerned, instead of coming in contact with the management at one point only, he was to receive his daily orders and help directly from eight different bosses; four of these were located in the planning room and four in the shop. The four specialists or bosses in the planning room are:

(i)   Route Clerk

(ii) Instruction Card Clerk

(iii) Time and Cost Clerk

(iv) Shop disciplinarian.

The four specialists or bosses at the shop level are:

1. Gang Boss
2. Speed Boss
3. Inspector
4. Repair Boss
• *The Route Clerk;* To lay down the sequence of operations and instruct the workers concerned about it.
• *The Instruction Card Clerk:* To prepare detailed instructions regarding different aspects of work.
• *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.
• *The Shop Disciplinarian:* To deal with cases of breach of discipline and absenteeism.
• *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.
• *The Speed Boss:* To ensure that machines are run at their best speeds and proper tools are used by the workers.
• *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.
The following chart depicts the functional foremanship:

It was F. W. Taylor who evolved functional organisation for planning and controlling manufacturing operations on the basis of specialisation. But in practice, functionalisation is restricted to the top of the organisation as recommended by Taylor.

Features of functional organisation

The features of functional organisation are as follows:

1.   The work of the enterprise is divided into different functional departments and the different functional departments are placed under different specialists.

2.   The functional specialist has the authority or right to give orders regarding his function whosesoever that function is performed in the enterprise.

3.   'Under this system, the workers have to receive instructions from different specialists.

4.   If anybody in the enterprise has to take any decision relating to a particular function, it has to be in consultation with the functional specialist.

5.   Under this system, the workers have to perform a limited number of functions.

Advantages of functional organisation

1.   Functional organisation is based on expert knowledge. Every functionary in charge is an expert in his area and can help the subordinates in better performance in his area.

2.   Division of labour is planned not incidental.

3.   As there is not scope for one-man control in this form of organisation, this system ensure co-operation and teamwork among the workers.

4.   This system ensures the separation of mental functions from manual functions.

5.   It helps mass production by standardization and specialization.

6.   This system ensures maximum use of the principle of specialisation at every work point.

7.   As there is joint supervision in the organisation, functional organisation reduces the burden on the top executives.

8.   Functional organisation offers a greater scope for expansion as compared to line organisation. It does not face the problem of limited capabilities of a few line managers.

9.   The expert knowledge of the functional mangers facilitates better control and supervision in the organisation.

Disadvantages or demerits of Functional organisation

a)   It is unstable because it weakens the disciplinary controls, by making the workers

work under several different bosses. Thus, functional organisation violates the principle of unity of command.

b) Under this type of organisation, there are many foremen of equal rank. This may lead to conflicts among them.

c) The co-ordinating influence needed to ensure a smoothly functioning organisation may involve heavy overhead expenses.

d) The inability to locate and fix responsibility may seriously affect the discipline and morale of the workers through apparent or actual contradiction of the orders.

e) This system is very costly as a large number of specialists are required to be appointed.

f) A functional manager tends to create boundaries around himself and think only in term of his own department rather than of the whole enterprise. This results in loss of overall perspective in dealing with business problems.

g) It is difficult for the management to fi\ responsibility for unsatisfactory results,

4. Committee Organisation

Committee organisation as a method of managerial control has very little practical importance, because it is managed by a senior member of the committee only. But the committee organisations are widely used for the purpose of discharging advisory functions of the management. Committees are usually relatively formal bodies with a definite structure. They have their own organisation. To them are entrusted definite responsibility and authority.

According to Hicks, "A committee is a group of people who meet by plan to discuss or make a decision for a particular subject."

According to Louis A Allen, "A committee is a body of persons appointed or elected to on an organised basis for the consideration of matters brought before it."

A committee may formulate plans, make policy decisions or review the performance of certain units. In some cases, it may only have the power to make recommendations to a designated official. Whatever may be the scope of their activities, committees have corne to be recognised as an important instrument in the modern business as well as non-business organisations.

Objectives of committees

Committees are constituted to achieve one or more of the following objectives:

- To have consultations with various persons to secure their view-points
- To give participation to various group's of people
- To secure cooperation of different departments

• To coordinate the functioning of different departments and individuals by bringing about unity of directions.

Types of committees

1. Line committee: If a committee is vested with the authority and responsibility to decide and whose decisions are implemented, it is known as line committee.

2. *Staff committee:* If a committee is appointed merely to counsel and advise, it is known as a staff committee.

3. *Formal committee:* When a committee is constituted as a partof the organization structure and has clear-cut jurisdiction, it is a formal committee.

4. *Informal committee:* An informal committee is formed to advice on certain complicated matters. It does not form part of the organisation structure.

5. *Coordinating committee:* It is constituted to coordinate the functioning of different departments.

6. *Executive committee:* It is a committee which has power to administer the affairs of the business.

1. Standing committee: are formal committees that are of permanent character.

8. *Ad hoc committee:* They are temporary bodies. It is appointed to deal with some special problem and stops functioning after its job are over.

Advantages or merits of committee type of organisation

1. A committee is an effective method of bringing the collective knowledge and experience of a number of persons. Therefore, many multi-dimensional and complex problems of modern enterprises, which cannot be solved satisfactorily by individual managers, can be solved by committees.

2. Committees offer scope for group deliberations and group judgment. Results obtained by group deliberation and group judgment are likely to be better than those obtained by individual judgment.

3. When it is necessary to integrate varying points of view, which cannot conveniently be coordinated by individuals, the committee may be used to bring about coordination.

4. The management can give representation to the employees in various committees. This will motivate the employees for better performance as they feel that they have a say in the affairs of the organisation.

5. A committee form of organisation facilitates pooling of authority of individual managers for making some type of decisions of an inter-departmental nature.

6. A committee form of organisation tends to promote organisational cohesiveness. Group endeavour, team spirit and collective responsibility are control to the philosophy of

committees.

Disadvantages of committee type of organisation

(a) If a manager has an opportunity to carry a problem to a committee, he may take it as a means of avoiding decision-making or to escape the consequences of an unpopular decision.

(b) Sometimes, a committee may not be able to take the needed decision because of the conflicting views of the members.

(c) Committees take more time in procedural matters before any decision is taken. In some cases, slowness seriously handicaps the administration of the organisation.

(d) Committees are an expensive device both in terms of cost and time.

(e) When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive.

(f) No member of a committee can be individually held responsible for the wrong decision taken by the committee.

(g) It is very difficult to maintain secrecy regarding the deliberations and the decisions taken by a committee, especially when there are many members in the committee.

DEPARTMENTATION

3.1 MEANING

Departmentation is the process of grouping various activities into separate units of departments. A department is a distinct section of the business establishment concerned with a particular group of business activities of like nature. The actual number of departments in which a business house can be divided depends upon the size of establishment and its nature. A big business enterprise will, usually, have more departments as compared to a small one.in the words of Allen, "Departmentation is a means of dividing a large and monolithic functional organisation into smaller, flexible, administrative units."

3.2 NEED AND SIGNIFICANCE OF DEPARTMENTS

Departments comprise a framework for as organization and enables it to expand in definition. Departmcntation aims at (i) specialisation of activities for efficient performance ; *(ii)* simplifying the task of management within a workable span ; and *(iii)* maintaining co-ordination and control of the various activities, The advantages of departmentation can be summed up as :

1. It increases the efficiency of the enterprise since   various activities are grouped into workable units.
2. It renders the task of fixation of accountability for results very easy since activities are well defined and responsibilities are clearly laid.
3, It provides for fixation of standards for performance appraisal and thus ensures effective

control.

4, It creates opportunities for the departmental heads to take initiative and thus develop managerial facilities.

3.3 PROCESS INVOLVED IN DEPARTMENTATION

The various steps involved in departmentation are:

1. to identify task or duties ;
2. to analyse details of each task ;
3. to describe the functions or to group similar activities ;
4. to entrust the grouped activities to departmental heads ; and
5. to define the authority and responsibility of departmental heads.

3.4 DANGERS OF DEPARTMENTATION

Although departmentation is very essential for the efficient running and control of a business, there are a few dangers of departmentation which should be taken care of while assigning and grouping of activities:

1. Dividing the business house into various departments makes the co-ordination of various activities very difficult. To achieve   individual efficiency, one department may work against the interest of another department thus reducing the overall efficiency and profitability of the business as a whole.

2. Dcpartmentation creates difficulties of communication among the various departments of the organisation and renders planning and control more difficult.

3. Departmcntation increases the levels of management which is more expensive and it also increases the gap between the top management and the workers.

3.5 METHODS OR BASIS OF DEPARTMENTATION

The following are the basis of dividing responsibility within an organisation structure.

1. Functional Departmentation.
2. Productwise Departmentation.
3. Territorial or Geographical Departmcntation.
4. Customerwise Departmcntation.
5. Process or Equipmentwise Dcpartmentation.
6. Combined or Composite Form of Departmcntation.

1. Functional Departmentation: It refers to grouping the activities of an enterprise on the basis of functions such as production, sales, purchase, finance, personnel, etc. The actual number of departments in which an enterprise can be divided depends upon the size of establishment and its nature. To begin with, we may have three or four main departments. With the growth in the size of the business, more departments and sub-departments may be created.

Advantages

The important advantages of functional departmentation are :

(i)   It is a very simple, natural and logical way of grouping activities.

(ii)   It promotes specialisation and expertise in various functional areas and experts can be employed.

(iii)   It facilitates co-ordination both within the function and at the inter-departmental level.

(iv)   It generates a high degree of centralisation at the level of chief executive.

Disadvantages

Functional departmentation suffers from the following drawbacks :

(i)   It may lead to internal frictions among the various departmental heads as one department may ignore the interest of the other.

(ii)   In functional departmentation, men are experts of their areas of function only. This hinders the development of all-round managers.

(iii)   It leads to excessive centralisation and delay in decision making.

(iv)   It is unsuitable where emphasis lies on products more than the functions.

2**. Productwise Departmentation**. The grouping of activities on the basis of products is very popular with large organisations having distinct type of products. Under this method, all activities related to one type of product are put together under one department under the direction of a production manager. An electronic company, for instance, may have different departments dealing in television sets, radios and transistors, computers, agro-dairy instruments, etc.

Advantages

The following are the main advantages of productwise departmentation:

(i)   It ensures better customer service.

(ii)   Unprofitable product lines can be easily determined.

(iii)   It solves the co-ordination problem of functional departments.

(v)   It makes control effective.

(vi)   It assists in the development of all-round managerial talent.

(vii)   It is flexible as a new product division can be easily added.

Disadvantages

 Productwise dcpartmcntation suffers from the following drawbacks :

         (i)   It is expensive because of duplication of service functions in various product

divisions.

(ii)   It may not be linked by customers and dealers who have to deal with different salesmen of the same enterprise for different products.

(iii)   It may cause difficulty in apportioning general expenses incurred by the enterprise as a whole.

3. Territorial or Geographical Departmentation. Vhen several activities of an enterprise are geographically dispersed in different locations, territorial or geographical departmentation may be adopted. All activities relating to a particular area or zone may be grouped together under one zonal manager or head

Advantages

The territorial departmentation offers the following advantages :

(i)   It enables an enterprise to cater to the needs of local people in a satisfactory manner,

(ii)   It enables a concern to make use of locational advantages.

(iii)   It facilitates effective control.

(iv)   It facilitates effective co-ordination of activities within an area,

(v)   It assists in the development of all-round managerial   talent.

Disadvantages

(i)   It is an expensive method of creating departments and over head costs are also increased.

(ii)   It leads to duplication of activities which creates confusion and involves costs.

(iii)   Co-ordination among various territorial divisions may become difficult.

4. Customer-wise Departmentation: A business house may be divided into a number of departments on the basis of customers ir serves, viz., large and small customers ; industrial and ultimate buyers ; government and other customers etc. The peculiar advantage of customer wise departmentation is that it ensures full attention to different types of customers and their different needs, tastes and requirements can be met effectively. However, it may not be possible to group all activities of an enterprise on the basis of customers.

5. Process or Equipmentwise Departmentation: An enterprise where production is carried through different   processes may adopt process wise partmentation to enable continuous flow of production. Similarly, where work is carried on machines which are common, departments may be created on the basis of equipments, such as milling departments, grinding departments, lathe department etc. The main advantage of this method is that it avoids duplication of equipment in various activities

6. Combined or Composite Method of Departmentation. In practice, it may not be advisable to create departments on the basis of any one of the above mentioned methods, An enterprise may have to combine two or more of the methods of departmcntaton to make best use of all of them. Such a method is known as combined or composite method of departmentation.

SPAN OF MANAGEMENT

3.6 MEANING

Span management also known as span of control refers to the number of subordinates managed by a superior. The term span' literally means the space between two supports of a structure, *e.g.,* the space between two pillars of a bridge. The space between the two pillars should neither be too large nor too small. If it is too large the bridge may collapse; and it too small, It will enhance its cost.

"When applied to management, 'span' refers to the number of subordinates a manager or supervisor can supervise, manage or control effectively and efficiently. Obviously, if the number of subordinates placed under one manager is too large, it will become difficult to effectively control them and the desired results cannot be achieved. On the other hand, if the number is too small, the time, energy and abilities of the supervisor are not utilised fully and the task may not be accomplished. Span of supervision, therefore, refers to the optimum number of subordinates that a manager or supervisor can manage or control effectively. In the words of Spriegal "Span of control means the number of people reporting directly to an authority. The principle of span of control implies that no single executive should have more people looking to him for guidance and leadership than he can reasonably be expected to serve."

3.7 DETERMINING THE PROPER SPAN

Very often the question is asked as to how many subordinates a supervisor can manage effectively. There cannot be a definite answer to this question because the ideal number may be different under different situations depending upon the time, knowledge, energy and abilities of the supervisor. However, this question has been attempted by various management experts and even they are not unanimous over this point.

The idea of limited span developed from experience. Although the concept of span of control was discussed by Henri Fayol, but Sir Ian Hamilton is usually given credit for developing this concept. Sir Ian Hamilton was in favour of a narrow span consisting of not more than six subordinates working under a manager to get the work accomplished.

V.A. Graicunos pubBshed a famous paper in 1933. He analysed subordinate-superior relationship in terms of a mathematical formula. The formula was based on the theory that the complexities of management increase geometrically as the number of subordinates increases arithmetically. Graicunos identified three types of subordinate-superior relationship;

1. *Direct Single Relationship* arising from the direct and individual interaction of the superior with his subordinate. Thus, if a supervisor has four subordinates, there would be four direct single relationships.

2. *Direct Group Relationships* arising between the superior and the subordinate in all possible combinations, such as A to B with C, and A to C with B.

3. *Cross Relationships* arising from mutual relationships among subordinates for working under the same superior.

DECENTRALISATION

3.8 MEANING
Decentralisation means the division of a group of functions and activities into relatively autonomous units with overall authority and responsibility for their operation delegated to a head of each unit. It implies the dispersal of division making power at lower levels to management.

Definitions

According to **McFarland** . "Decentralisation is a situation in which ultimate authority to command and ultimate responsibility for results is localised as far down in the organisation as efficient management of the organisation permits." The delegation of authority and responsibility is allowed downward upto a level it is necessary. In McFarland's views the degree and extent of delegation should be determined as per the needs of the situation.

According to **Allen** Decentralisation refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at the central points,"

Allen says that authority should be delegated to the lower levels of management and top management should retain only those powers which cannot be exercised at lower level. In his view decentralisation will involve systematic delegation of authority.

According to **Earl P. Strong** relates decentralisation to the working of different units of an enterprise. He says that decentralisation will require the delegation of authority to the persons in charge of different units. They should have sufficient authority to run the units independently.

3.9 MEASUREMENT OF DEGREE OF DECENTRALISATION
Decentralisation is not an absolute term. The degree of decentralisation varies from concern to concern. Earnest Dale has pointed out the following four tests to determine the degree of decentralisation:

1. **More Number of Decisions.** The greater the number of deisions made at lower levels of management, the greater is the degree of decentralisation :
2. **Important Decisions are takes.** *If* important decisions arc taken at lower levels then degree of decentralisation will be more. On the other hand if insignificant decisions are allowed at lower levels then decentralisation will be much less,

3. **Effect of Decisions.** If decisions affecting more functions are allowed at lower levels then decentralisation will be more. On the other hand if only operational decisions are made at lower levels then decentralisation will be less. When decisions involving finances are taken at

lower level then degree of decentralisation will be more.

4. Checking of Decisions. When decisions are subject to the approval of superiors then decentralisation will be less. Still, it will be less if superiors are to be consulted before taking certain decisions. If subordinates are free to take decisions of their own then decentralisation will be more.

3.10 ADVANTAGES OF DECENTRALISATION

Some of the advantages of decentralisation arc discussed as under:

1. **It Reduces Burden of Top Executives.** Centralisation of authority over-burdens top executives. They are left with no time for planning, etc. In decentralisation decision-making power is delegated to the lower levels relieving top executives of some of their burden. Under this system top executives will retain only that work which requires their personal attention otherwise everything is assigned to persons at appropriate levels. This will reduce the burden of top executives and they will be able to devote more time for planning, etc.

2. **It Takes Quick Decisions.** Under decentralised system decision-making powers are delegated to the level of actual execution. Whenever there is a need for taking a decision, the concerned executive will decide the things immediately. There is no need to make reference to the top level for most of the work. It quickens the process of decision-making.

3.   It Facilitates Diversification. With the expansion and diversification of activities there will be a need to delegate authority at departmental level. Decentralisation gives enough authority to persons at various levels for carrying out the required task. The centralised system of authority will not allow diversification beyond a certain level because decision- making is reserved by one man only. The organisation will become more and more complex with the addition of new products and setting up of- more units. Decentralised system will be more suitable for expanding enterprises.

4.   Motivation of Subordinates. Under decentralisation subordinates get opportunity for taking decisions independently. This fulfils the human need for power, independence and status. Subordinates will realise their importance in the organisation. They will try to put their maximum efforts so that their performance improves. They get a chance to take initiative and to try new ideas. The subordinates feel motivated under decentralised set-up.

5.   It is Sense of Competition. Under decentralised system different departments or units are made separate profit centres. The employees of different dedpartments will compete with each other to show better results. The sense of competition will improve the performance of all departments or segments.

6. **Provides Product or Market Emphasis.** Since decision-taking is scattered and goes to lower levels of management there will be more product or market emphasis. The changing

tastes and fashions require prompt decisions. The decentralised system will respond immediately to the   changing situations. The persons concerned with marketing will take quick decisions as are necessary under the situation.

7. **Division of Risk.** The enterprise is divided into a number of departments under decentralisation. Management can experiment new ideas at one department without disturbing others. This will reduce thi. risk if things go adverse. Once the experiment is successful it can be used in other segments also. So risk element can be limited under decentralised system.

8. **Effective Control and Supervision.** With the delegation of authority, span of control will be effective. Since executives at lower levels will have the full authority to lake important decisions, they will recommend awards or punishments as per their performance. This will improve supervision and control.

Disadvantages of Decentralisation

Decentralisation suffers from a number of drawbacks and some of these are discussed as follows:

1. Lack of Co-ordination. Under decentralisation each department, unit or section enjoys substantial powers. They have the powers to formulate their own policies and programmes. It becomes difficult to co-ordinate the activities of various segments. Moreover, every segment emphasises its own work only without bothering about others. This creates more difficulties in co-ordinating activities.

2. Difficulty in Control. Since different units work independently it becomes difficult to control their activities. Top management will not be able to exercise effective control because it does not remain in touch with day-to-day activities of various segments.

3. Costly. Decentralised system involves heavy overhead expenses. Every decentralized division has to be self-sufficient for its activities like production, marketing, accounting, personnel, etc. A number of persons will be employed to man various activities. These persons are paid higher salaries involving huge costs. Decentralised system is suitable for large scale enterprises only. Small-scale business units cannot afford to spend higher overhead expenses.

4.   Lack of Able Managers. Decentralised system will succeed only if competent persons are employed to manage various jobs in different segments. Competent persons are not sometimes available as per the requirements. The system will fail if competent personnel are not available.

DELEGATION

3.11 MEANING

Delegation of authority involves giving authority to various organizational positions to get things done. All important decisions are taken at top level by Board of Directors. The execution is entrusted to Chief Executive. The Chief Executive assigns the work to departmental managers

who in turn delegate the authority to their subordinates. Every superior delegates the authority to subordinates for getting a particular work done. The process goes to the level where actual work is executed

There is a limit upto which a person can supervise the subordinates. When the number of subordinates increases beyond it then he will have to delegate his powers to others who perform supervision for him. A manager is not judged by the work he actually performs on his own but the work he gets done through others. He assigns duties and authority to his subordinates and ensures the achievement of desired organisational goals.

3.25 DEFINITIONS

Allen "The entrustment of a part of the work, or responsibility and authority to another, and the creation of accountability for performance."

O.S. Hiner. says "Delegation takes place when one person gives another the right to perform work on his behalf and in his name, and the second person accepts a corresponding duty or obligation to do what is required of him."

Douglas C. Basil. Opens, "Delegation refers to a manager's ability to share his burden with others. It consists of granting authority or the right to decision-making in certain defined areas and charging subordinates with responsibility for carrying through an assigned task."

3.12 CHARACTERISTICS OF DELEGATION

Delegation is the assignment of authority to subordinates in a defined area and making them responsible for the results. Delegation has the following characteristics :

1. Delegation takes place when a manager grants some of his powers to subordinates.
2. Delegation occurs only when the person delegating the authority himself has that authority i.e. a manager must possess what he wants to delegate.
3. Only a part of authority is delegated to subordinates.
4. A manager delegating authority can reduce, enhance or take it back. He exercises full control over the activities of the subordinates even after delegation.
5. It is only the authority which is delegated and not the responsibility. A manager cannot abdicate responsibility by delegating authority to subordinates.

3.13 Elements of Delegation

Delegation involves following three elements:

1. **Assignment of Duties**: (The first step in delegation is the assignment of work or duty to the subordinate i.e. delegation of authority. The superior asks his subordinate to perform a particular task in a given period of time. It is the description of the role assigned to the subordinate. Duties in terms of functions or tasks to be performed constitute the basis of

delegation process.

2. **Grant of Authority:** The grant of authority is the second element of delegation. The delegator grants authority to the subordinates so that the assigned task is accomplished. The delegation of responsibility with authority is meaningless. The subordinate can only accomplish the work when he has the authority required for completing that task. Authority is derived from responsibility, It is the power, to order or command, delegated from superior, to enable the subordinate to discharge his responsibility. The superior may transfer it to enable the subordinate to complete his assigned work properly. There should be a balance between authority and responsibility. The superior should delegate sufficient authority to do the assigned work.

3. **Creation of Accountability.** Accountability is the obligation of a subordinate to perform the duties assigned to him. The delegation creates an obligation on the subordinate to accomplish the task assigned to him by the superior. When a work is assigned and authority is delegated then the accountability is the by-product of this process. The authority is transferred so that a particular work is completed as desired. This means that delegator has to ensure the completion of assigned work. Authority flows downward whereas accountability flows upward. The downward flow of authority and upward flow of accountability must have parity at each position of management hierarchy. The subordinate should be made accountable to only one superior. Single accountability improves work and discipline.

3.14 PRINCIPLE OF DELEGATION

The following are the principles of delegation:

1.   **Principle of Functional Definition**. The related or similar activities should be grouped together according to enterprise function. When the definition of a position is clear then delegation of authority becomes simple. In the words of Koontz and O'Donnell "the more a position or a department has clear definitions or results expected, activities to be undertaken, organisation authority delegated and authority and informational relationships with other positions   understood,   the   more adequately the individuals responsible can contribute toward accomplishing enterprise objectives."

It is very difficult to define a job and the authority required to accomplish it. If the superior is not clear about the results expected then it becomes all the more difficult. It should be clear who should do what so that right amount of authority is delegated. Dual subordination results in conflicts, division of loyalty and lack of personal responsibility for results.

2. **Principle of Unity of Command:** the basic management principle is that of unity of command. This principle states that a subordinate should report only to single superior. This will give a sense of personal responsibility. Although it is possible for a subordinate to receive orders from more superiors and report to them but it creates more problems and difficulties. An

obligation is essentially personal and authority delegation by more than one person to an individual is likely to result in conflicts in both authority and responsibility. This principle is also useful in the classification of authority-responsibility relationships.

3. **Principle of Delegation by Results Expected.** The delegation of authority should be based on the basis of results expected. The authority should be sufficient to achieve the desired results. If the authority is insufficient then results will not be achieved. So there should be a balance between the results expected and the authority required.

4. **Principle of Absoluteness of Responsibility.** The responsibility of a subordinate, once he has accepted the work, is absolute to his superior. The responsibility of the superior does not decrease once he has delegated authority. A person can delegate authority and not responsibility. He will remain accountable for the work even if it is delegated to the subordinate. So the responsibility of superior and subordinate remains absolute.

5. **Principle of Parity of Authority and Responsibility.** Since authority has the right to carryout assignments and responsibility is the obligation to accomplish it, there should be a balance between the both. The responsibility should bear logical relationship with authority delegated. The subordinate should not be burdened with high performance responsibility with delegating enough authority. Sometimes the authority is delegated but the concerned person is not made accountable for its proper use. This will be a case of poor management. The parity between authority and responsibility will be essential for achieving efficiency.

6. **Authority Level Principle.** The principle of decision-making should remain at the levelat which authority is delegated. The managers delegate authority to subordinates but have the temptation to make decisions for them. They should allow the subordinates to take their own decisions as per the authority delegated to them. The delegation of authority will be effective only when it is clear and understandable to subordinates. The subordinates should know the area of their decision-making and should avoid the temptation of referring things to higher ups. In the words of Koontz and O'Donnell, the authority level principle would be "maintenance of intended delegation requires that decisions within the authority competence of individuals be made by them and not be referred upward in the organisation structure."

7.   **The Scalar Principle.** The scalar principle refers to the chain of direct authority relationships from superior to subordinates throughout the organisation. The ultimate authority must rest somewhere. Subordinates must know to whom they should refer the matter if it is beyond their authority. The more clear the line of authority from top manager to every subordinate the more effective will be responsible decision-making."

3.15 TYPES OF DELEGATION

Delegation may be of the following types:

1. **General or Specific Delegation.** When authority is given to perform general managerial functions like planning, organising, directing etc., the subordinate managers perform these functions and enjoy the authority required to carry out these responsibilities. The chief

executive exercises overall control and guides the subordinates from time to time.

The specific delegation may relate to a particular function or an assigned task. The authority delegated to the production manager for carrying out this function will be a specific delegation. Various departmental managers get specific authority to undertake their departmental duties.

2. **Formal or Informal Delegation**. Formal delegation of authority is the part of organisational structure. Whenever a task is assigned to a person then the required authority is also given to him. This type of delegation is part of the normal functioning of the organisation. Every person is automatically given authority as per his duties. When production manager gets powers to increase production then it is a formal delegation of authority.

Informal delegation does not arise due to position but according to circumstances. A person may undertake a particular task not because he has been assigned it but it is necessary to do his normal work.

3   Lateral Delegation: When a person is delegated an authority to accomplish a task, he may need the assistance of a number of persons. It may take time to formally get assistance from these persons. He may indirectly contact the persons to get their help for taking up the work by cutting short time of formal delegation. When the authority is delegated informally it is called lateral delegation.

3.16 NEED OF DELEGATION

Delegation is a universally accepted principle. It has been practised **since** time immemorial and in every field. Delegation is necessary not only for a business undertaking but also for running a government. In government, legislative bodies delegate their powers to Council of Ministers who in turn delegate to officers and so on. Delegation is essential even for running a family because head of the family will have to get the help of various members for performing various tasks. An industrial undertaking benefits by delegation in the following ways :

1. **Relieving Top Executives:** Top executives cannot perform and supervise each and every work. Moreover they are required to undertake important tasks of planning and controlling. Delegation helps executives in delegating their work to subordinate officers.

2. **Improved Functioning.** In the absence of delegation some persons may be burdened with more tasks while others may not have sufficient work to do. Delegation helps in rationalizing the functioning of an organisation. Work is divided among various persons in such a way that it is done in an efficient way. Nobody is unduly burdened and no work is left unattended.

3. **Use of Specialists.** Delegation enables the use of specialists for taking up different functions. A production manager will be assigned the task of production, a sales manager will look after sales department, a lawyer will look after legal matters and so on. The use of specialists for different functions will improve the quality of work.

4. **Helps in Employee Development.** When subordinates are given independent assignments then they will be able to use their initiative and experience. This will also give them confidence in taking up further responsibilities. Without delegation, subordinates will not get a chance to try their knowledge. Delegation of power is the best way of developing subordinates and preparing them for taking up more responsibilities in future.

5. **Helps in Expansion and Diversification.** The expansion and diversification of an enterprise needs the services of more and more persons. The assignment of various tasks to subordinates will prepare them for undertaking new assignments. If subordinates are not assigned important works earlier then it will be dangerous to give them independent tasks straight way. Delegation is very useful for undertaking expansion and diversification plans.

3.31 FACTORS INFLUENCING DEGREE OF DELEGATION

Delegation of authority is a must for every organisation. The question to be decided is how much authority should be delegated to subordinate managers. The pattern to be followed for delegation should be decided on the basis of its requirements. It will be wise to check from time to time the already existing delegation of authority in order to make sure that it is appropriate and adequate.

A number of factors influence the decision about delegation. Some of these are discussed as follows

1. Knowledge about Company: The history of the company influences the degree of delegation. A company grown over a period of time has a tendency to centralise powers. When a concern is small then most of the decision-making is done by the owner. With the growth of business, the tendency to centralise powers remains^ On the other hand if a concern is the outcome of a merger, amalgamation or combination, there may be a great amount of decentralisation. If a company is working on a decentralised pattern it will be run in the same way even on its acquisition. So the growth history of a concern influences the degree of delegation.

2. Assignment of duties*: The element of delegation is linked to the availability of subordinate managers. If sufficient persons are available who can take responsibility then delegation can easily be done. Generally, managers complain that sufficient subordinate managers are not available who can be assigned important duties. Unless subordinates are delegated the powers they will not learn the art of management. With additional experience and training their judgment would be improved and they will become more capable subordinates. Many large firms push decision-making to the lower ranks of the organisation for the purpose of developing and training managerial manpower. A subordinate may be given small powers in the beginning. As he develops his managerial capabilities he can be assigned more important work. One thing should be clear that unless otherwise powers are delegated to lower levels, the concern will not be able to develop subordinate managers. The delegation process should be continually pursued so that people are trained to undertake more responsibilities.

3. Importance and Costliness of Decisions: The importance and costliness of decisions greatly influences the degree of delegation. Generally speaking, the costlier and more important the decision, the greater the probability of its being made at the upper level of the managerial hierarchy. Decision-making also requires various facts and figures about the issue. A manager will ensure that he gets all required information for deciding the issue This type of information is easily available at higher levels of management. A manager knows that he can delegate authority and not responsibility. Some decisions can influence the whole organisation. Any wrong decision on such important matters can damage the enterprise beyond control. Such decisions are taken at higher level because these persons have the past experience of deciding such things. In a manager's career he should first be given authority to take decisions which are not too costly so that he is able to learn from his experience.

4. Size of the Enterprise. The extent of delegation is linked to the size of the enterprise. In a large unit more decision making is needed at various levels of management. The problems of communication and co-ordination often arise in such units. If decision-making is closer to the place of action it will save time, paper work is reduced, misunderstandings in communication can largely be eliminated. There is a tendency to decentralise in big units for avoiding many difficulties.

5. Available Controls. A manager delegating authority wants to be sure that it is used in accordance with his intentions and the general objectives of the organisation. In order to achieve this there must be control devices. Generally, managers hesitate to delegate due to the reason that they donot know how to control. They have a feeling that it takes more time to exercise control than exercising the authority themselves. It will be better to set up some control devices. The better the control devices, the more will be the delegation of authority.

6. Types of Enterprise. The degree of delegation of authority may also be influenced by the type of enterprise. If the enterprise is in an industry which is rapidly expanding, as in the electronic field, top management will have to delegate otherwise ii will be over burdened with many decisions Decentralisation of authority will take place even if the subordinate managers donot have adequate experience to exercise authority. Management should make guidelines for subordinate managers for taking proper decision.

If the enterprise operates in a static industry then all decision-making is done at the central level. In case of banking and insurance the growth is slow and decision-making remains at the top. So delegation of authority depends upon the nature of the enterprise.

7. Environmental Factors. In addition to internal factors delegation may be influenced by internal factors too. These factors may be natural unions, government control over business and tax policies. Some large concerns have to deal with workers' unions at national level. All the negotiations are done and decisions are taken at national level. In such a situation the things are decided at head quarter level and are applicable at all levels It, therefore, follows that within the

area of labour relations, decision-making is decentralised. The same holds true as applied to government control over business, and tax laws.

3.17 DIFFERENCE BETWEEN DECENTRALISATION AND DELEGATION

The words decentralisation and delegation appear to be inter- changeable but it is not so. Even though both involve dispersal of authority but decentralisation is an extension of delegation. Following are the points of distinction between the two:

	Delegation	Decentralisation
1. *Nature*	Delegation is individualistic. It involves two persons, superiors are subordinates.	Decentralisation is totalistic in nature. It involves delegation from top management to the department or divisional level.
2. *Control*	Control rests with the dclegator or superior	In this system top management exercises minimum control. All powers are given to concerned departments or divisions.
3. *Need*	Delegation is essential to get things done by others. Unless otherwise authority is delegated it will be difficult to assign responsibility.	Decentralisation is optional because it is the philosophy of management. Top management may or may not disperse authority.
4. *Respon-sibility*	In delegation, responsibility remains with the delegator. He can delegate authority and not responsibility.	In decentralisation, head of the department is responsible for all activities under him. He is required to show better performance of the whole department.

3.34 MATRIX ORGANIZATION

Matrix organization structure is the combination of two complementary structures — project structure and functional structure. Project organization structure is the structure in which divisions are created on the basis of projects undertaken by an organization at a particular time. On completion of a project, the concerned division is abolished and its resources are allocated to other projects. Project organization structure is created for completing projects of large size which take sufficiently long time. Matrix organization structure is also created for completing projects but size of these projects is much smaller with shorter time duration.
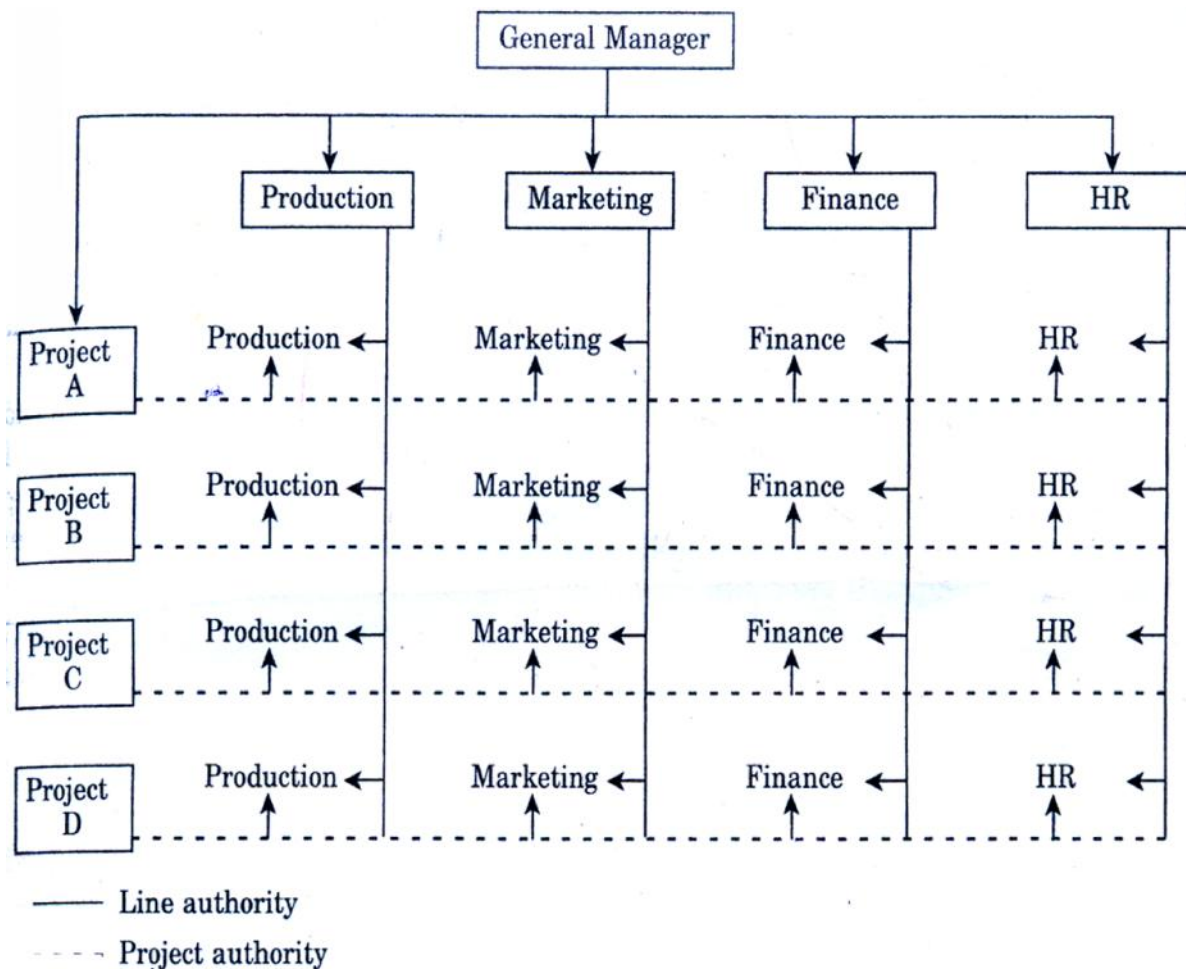
Design of Matrix Organizations Structure

In matrix organization structure, a project manager is appointed for each project to coordinate the activities of the project. Personnel are drawn from their respective functional departments. On completion of the project, these people may return to their original departments for further

assignment. Thus, each functional staff has two bosses — his functional superior and his project manager. During his assignment to a project, he works under the coordinative command of the project manager and may be called upon by his functional superior to perform certain services needed in the project. Thus, a subordinate in matrix organization structure may receive instructions from two bosses. Therefore, he must coordinate the instructions received from two or even more bosses. Thus, there are two types of authority in matrix organization structure: line authority exercised by the concerned functional superior and project authority exercised by project manager.

Advantages of Matrix Organization Structure

As compared to functional and divisional organization structures, matrix organization structure is of comparatively recent origin but its use has spread in various fields, including educational institutions which undertake multidisciplinary projects. In fact, matrix structure has been evolved to overcome the limitations of traditional hierarchical organization structures (functional and divisional). It has the following advantages:

Matrix organization structure

1.   Matrix organization structure focuses on resources of each project, permitting better planning and control to meet the project deadline. In project execution, time is of prime importance and, therefore, it should be completed within the specified time. However, since the organization cannot create many project divisions, matrix serves the purpose adequately.

2. It is quite flexible structure as compared to traditional hierarchical structures. Therefore, it can work very well in dynamic environment by absorbing the inevitable events that may occur as work progresses on projects.

3. It emphasizes professional competence by elaborating authority of knowledge rather than authority of position, this type of internal environment in the organization provides personnel to develop and test their professional competence and widen their scope to contribute maximum in the organization.

4. It relieves top management for taking long-term course of actions so that the organization can design its strategies suitable to environmental needs.

3.18 SUMMARY

Organisation is the backbone of management. It is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. Organisation structure is primarily concerned with the allocation of tasks and deligation of authority.

Departmentation is a means of dividing a large and monolithic functional organization into smaller, flexible administrative units. It is the process of grouping various activities into separate unit of department. Span of management returns to the number of subordinates managed by a superior. The term span means the space between two supports of a structure.

Decentralisation refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at the control points. Delegation is the assignment of authority to the subordinate in a defined area and making them responsible for the results.

3.19 SELF ASSESSMENT QUESTIONS

Q.1.   Organisation is the backbone of Management. Comment.

Q.2.   Define organization and explain its principles.

Q.3.   Compare formal and informal organizations.

Q.4.   What is an Organisation chart?

Q.5.   Define Departmention and explain need of departmention.

Q.6.   What is Span of management?

Q.7.   What is decentralization and what are its advantages?

Q.8.   Define delegation and discuss various principles.

Q.9   Discuss various types of delegation.

Q.10.   What is Matrix organization?

UNIT-3
STAFFING, DIRECTING, LEADERSHIP

4.1 STAFFING

Staffing is the function of employee recruitment, screening and selection performed within an organization or business to fill job openings. ... Some related terms and departments include human resources, personnel management and hiring.

Staffing is the managerial function of recruitment, selection, training, developing, promotion and compensation of personnel. Staffing may be defined as the process of hiring and developing the required personnel to **fill** in the various positions in the organization.

The steps involved in the staffing process are:

- Estimating manpower requirement: Staffing process begins with the estimation of manpower requirement which means finding out number and type of employees needed by the organisation . Recruitment: Selection, Placement and Orientation and Training and Development

In terms of working with companies, both **staffing and recruiting** are used to hire candidates for a particular role. However, **staffing** is commonly used to fill short term roles or to

hire people for specific projects. On the other hand, **recruiting firms** deal with those who are seeking jobs as well as those that are not.

4.1.1 Concept of stafffing

Staffing is the managerial function of recruitment, selection, training, developing, promotion and compensation of personnel.

Staffing may be defined as the process of hiring and developing the required personnel to fill in the various positions in the organization.

It involves estimating the number and type of personnel required. It involves estimating the number and type of personnel required, recruiting and developing them, maintaining and improving their competence and performance. Staffing is the process of identifying, assessing, placing, developing and evaluating individuals at work.

4.1.2 Process of staffing:-

The process of staffing starts with ascertaining the required number of various categories of employees for the organisation. This is known as manpower planning. It decides the kinds of staff and the number of staff required for the organisation. This is done through several methods like job analysis, workload analysis, etc. The next thing to be done in the staffing process is the recruitment exercise, i.e., finding out the available manpower from internal and external sources. The next step is to select the right person from the available manpower through tests and interviews and make appointments. This is followed by their placement on the jobs and necessary introduction of the work environment and the rules of compensation, promotion, transfer etc. Thus, the various steps involved in the process of staffing are as follows.

(a) Manpower Planning

(b) Job Analysis

(c) Recruitment

(d) Selection

(e) Placement

(f) Induction

(g) Training and Development

(h) Performance Appraisal

(i) Compensation

(J) Promotion and Transfer

Let us now discuss these aspects briefly to gain more clarity.

a) **Manpower planning**

Manpower planning refers to the process of estimating the manpower requirement of an organization. While estimating the manpower requirement, the management generally keep mind the available infrastructure including the technology, production schedule, market fluctuation, demand forecasts, government's policies and so on. It tentatively decides the kinds of staff as well as the number of staff needed for the organisation. The focus of the Manpower planning is to get right number of qualified people at the right time.

b) **JOB ANALYSIS**

In the context of recruitment, one must be conversant with another important aspect of manpower planning viz, job analysis, which is a pre-requisite for any recruitment exercise. The job analysis helps in determining the qualifications, skills and experience required for various categories of employees. It involves:

(i) identification of each job in terms of duties and responsibilities, (called job description) and

(ii) determining the abilities and skills that are required for performing the job (called job specification).

c) **RECRUITMENT**

Suppose you want to open a restaurant. After planning and organising you are aware of the various job positions that are required to be filled up. Let us say, you have assessed your requirement for a general manager, a chef, an accountant, and many other staff for home delivery of foods. Possibly, you have a list of persons interested to join your restaurant. For example, your uncle has promised you to provide an experienced general manager. The manager of the bank from where you have taken loan has referred an accountant to you. One of the chief cooks of a reputed hotel has already approached/talked to you to join your restaurant as a chef. In addition to all these, you know that there is an office that can provide you people of your requirement by charging a fee, whenever you ask for it. You also know that an advertisement in the newspaper can help you in getting applications from many people. While engaging yourself into all these activities you are basically trying to make a pool of suitable/interested applicants for the job. In other words you are recruiting mthe staff for your business. The term recruitment is often used to

signify employment. It is true that normally when we say we have recruited such and such persons, it signifies that we have employed them. But as a part of staffing function, the term recruitment has limited scope. It just refers to one of the initial steps in employment of people i.e., searching for suitable candidates for the various job positions to be filled up from time to time in the organisation. Thus, **recruitment is the process of finding and attracting suitable applicants for employment.**

Having determined the qualification and experience required for various jobs involved, one has to search for the suitable persons and receive their application. For this purpose one has to have an idea as to where such persons are available. In other words, one must be aware of the sources of recruitment before publicising the specific staffing needs and induce the suitable persons to apply for the job positions involved. These sources can be internal and external.

A) Internal Sources: In any business, existing employees expect that they will have chances of promotion and will be considered for higher positions before outsiders are considered. Managers, therefore may promote and transfer some of the existing employees to fill the vacant positions. The advantage of internal recruitment is that it is easier for managers to fill vacancies as they are conversant with the abilities and skills of their subordinates and have records of their performances. Employees also feel happy as their work performance is recognised by management through promotion.

However, there is one major drawback of recruitment through internal sources i.e., the organisation is deprived of the benefit of inducting fresh blood into its system.

(B) External Sources: All vacancies cannot be filled up from within the organisation. Existing employees may lack the required skill, initiative and qualification needed for the jobs involved. Hence managers have to recruit some persons from outside the organisation. Not only that the external recruitment provides a wide choice from among a large number of external candidates from which employees may be recruited. The workers and office employees at the lower level are often recruited from outside the organisation. The various external sources of recruitment are as follows:

 (a) Media Advertisements: You must have seen advertisements in newspapers about vacancies in organisations. The advertisement contains details about the job, its nature, the qualification required to do the job, how to apply, etc. This is a very popular medium of advertising. The job advertisements are also given in magazines, specialised employment magazines like

Employment News, Rozgar Samachar, etc. Now-a-days we also commonly find such advertisements in various electronic media like television and Internet. Such advertisements normally get a very good response from the prospective candidates.

(b) Employment Exchanges: In India, employment exchanges have been set up by the government for bringing together job-seekers and employers who are looking for employees. Those who are in search of employment get themselves registered with the local Employment Exchanges which keep a record of all such persons in detail who require help in finding jobs. The employer informs about the vacancies to the nearest Employment Exchange. The Employment Exchange, in turn, identifies the names of the qualified employment seekers already registered with it, and forwards them to the employer for consideration. Thus, if you are seeking a job after passing the senior secondary examination, it would be better if you get yourself registered with an Employment Exchange. It may forward your name to the prospective employers keeping in view the suitability of the job as per your qualifications.

(c) Educational Institutions: Now-a-days, companies/big organisations maintain a close liaison with the universities, vocational institutes and management institute for recruitment of their staff. As and when the need arises, the companies send one or more of their senior executives to the institutions of repute imparting such professional/technical education to students. These executives take the interview of the interested candidates and select the suitable candidates as per their requirement. This process is popularly known as campus interview and is found to be an effective source of recruitment of managers, engineers, technicians etc. for many companies on a regular basis.
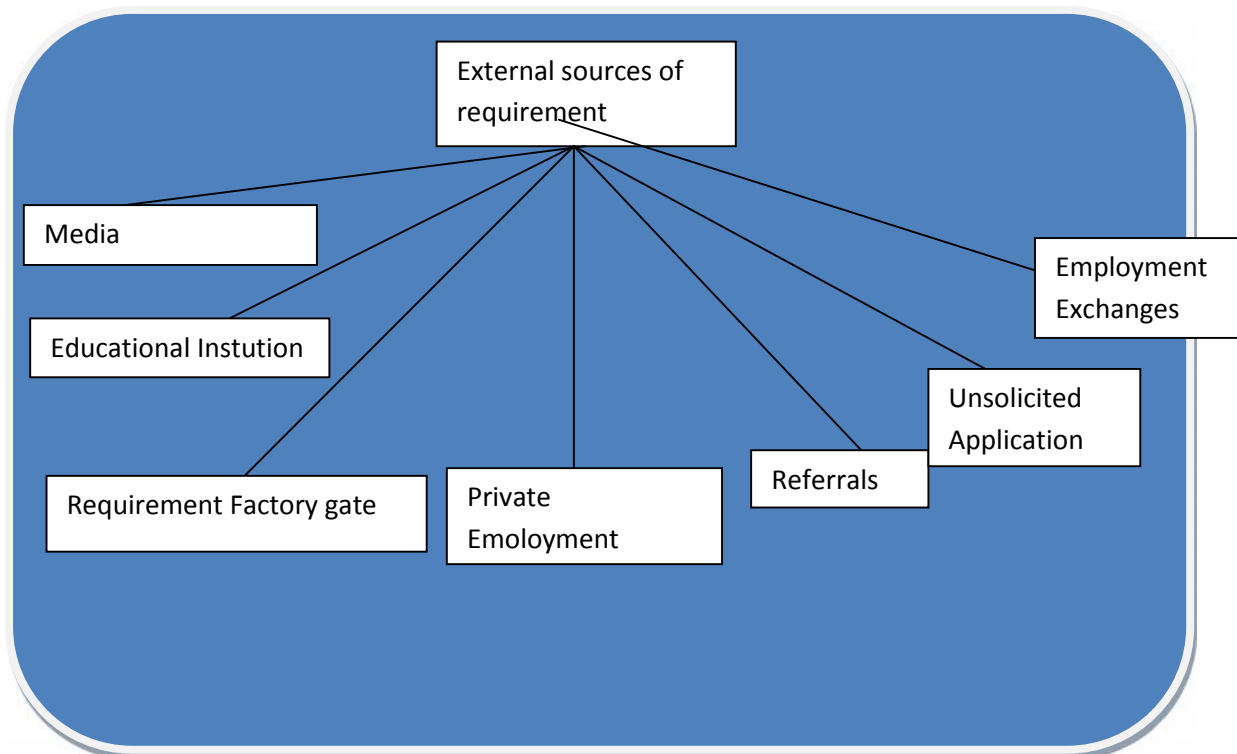
(d) Unsolicited Application : Those looking for jobs often apply on their own initiative. They assume that certain vacancies are likely to arise, and apply without references to any job advertisement. Managers keep a record of such applications and contact the suitable candidates when they need them.

(e) Recruitment at the Factory gate: This is found mainly in case of factory workers to be recruited on daily wages. Such workers gather in the morning at the factory gate to serve as casual workers. Very often existing regular employees go on leave, and their vacancies are filled up by recruitment at the factory gate. These casual workers having served in the factory for some time may be considered for regular employment at some stage.

(f) Referrals: Quite often the management gets references about interested workers from different sources like workers unions, previous employees, existing employees, clients of the organisation etc. These sources are important because their recommendations are made by people who are associated with the organisation and are fully conversant with its requirements.

Sometimes we also receive recommendations from our friends and relatives to employ persons known to them. But one should be very much cautious while considering such recommendations.

(g) Private Employment Agencies: In urban areas, number private organisations have started functioning as employment agencies. These agencies register with them the names of the individuals who are seeking employment and try to arrange job interviews for such candidates. Companies often get in touch with such agencies to provide them the details of suitable candidates for various jobs.

d) SELECTION

When an adequate number of applications/names of interested candidates have been collected through the recruitment exercises the selection process starts. Selection refers to the process of choosing the most suitable person from among the list of interested candidates. It

involves going through the qualification and experience of all candidates and matching them with the expectation for the job so as to decide on the most suitable ones for the job. The entire process goes through a number of steps which may be called as selection procedure.

4.1.3   SELECTION PROCEDURE

As stated above, the selection procedure consists of a number of steps in logical order to identify the candidates who are to be finally appointed. These steps are :

(a) Screening the applications

(b) Holding tests

(c) Selection interview

(d) Checking references

(e) Medical examination of the candidates

(f) Issue of appointment letter

Let us discuss all the steps in brief.

(a) Screening the Applications

After receiving the applications from the candidates through recruitment process, the same must be examined to decide which ones deserve to be considered and followed up. Normally, the candidates are asked to apply in their own handwriting on a plain paper. Sometimes the job advertisement mentions the particulars to be given in the application. In many cases the candidates are required to apply in the prescribed form of the company, containing particulars of name, address, nationality, religion, mother tongue, date and place of birth, marital status, education and training, employment history, references etc. Screening exercise involves checking the contents of the applications so as the ascertain whether or not the minimum eligibility conditions in respect of age, experience, qualifications and skills are fulfilled by the candidates who have applied for the job. Screening is usually done by a senior officer of the company or by a screening committee. The purpose of screening is to prepare a list of eligible candidates who are to be evaluated further. Candidates not eligible are thereby excluded from further consideration.

(b) Holding Tests

After screening the applications, eligible candidates are asked to appear for selection tests. These tests are made to discover and measure the skill and abilities of the candidates in terms of the

requirements of the job. For instance, if the job of a typist requires a minimum typing speed of 40 words per minute, a test is given to see whether the candidates applying for the job have the required typing speed. Passing the test by a candidate does not mean that he will be employed. It implies that all those who have passed the test are qualified for further processing and those who have failed are not to be considered. The nature of test depends upon the nature of the job involved. For clerical jobs, for examples, an intelligence and aptitude test may be arranged which may include test of general knowledge, test on quantitative problem, and test of reasoning power and vocabulary. For industrial workers and technical hands performance tests may be organised. For example, to judge the speed and accuracy of typing, candidates may be given a standard paragraph to type. Similarly, candidates for an auto mechanic job may be asked to replace a piston. This is known as Skill or Trade test. For supervisory and managerial jobs, tests are given to find out the candidate's personality, decisionmaking abilities, etc.

(c) Selection Interview

Interview is the most important part of the selection procedure. It serves as a means of checking the information given in the application form and making an overall assessment of the candidate's suitability for the job. In an interview, the candidate has a face-to-face interaction with the employer or representatives of the employer, where they try to judge the ability of the candidate. They also get an opportunity to go into the details of the candidate's background which helps a lot in assessing the candidates suitability.

(d) Checking of References

In addition to the requisite educational qualification, skill and experience, it is expected that the candidates who are to be considered for employment must have other qualities like balanced temperament, honesty, loyalty, etc. These qualities cannot be judged on the basis of any test. Therefore, information is obtained and verified from the heads of educational institutions where the candidates have studied, or from the persons whose names are given by the candidates as referee, or from their previous employers. For certain jobs, like the job of a cashier or a security guard, reliability is a very important job requirement. Therefore, references are required to be contacted to ensure that persons can be relied upon. In case of experienced employees their previous employers can also be contacted for this purpose.

(e) Medical Examination

Candidates finally selected for the job are asked to undergo medical examination to see whether the selected candidates are physically fit for the job. A proper medical examination ensures higher standard of health of the employees and their physical fitness which, in turn, reduces the labour turnover, absenteeism and accidents. The medical examination would also reveal whether he/she suffers from any illness which can be cured e.g., poor eyesight etc. Medical test is essential for certain types of jobs as in the case of police and army, where physical fitness is very important. For certain categories of jobs like the job of driver, proper eyesight is very much essential.

(f) Issue of Appointment Letter

Candidates finally selected are offered to join the organisation for which a formal appointment letter is issued containing the nature of job, the remuneration, pay scale, and other terms and conditions relating to employment. Usually a reasonable time is given to the candidates to join the organisation. Though a number of steps in the selection procedure have been listed, all the steps need not be followed in all cases. For example, for employing casual workers on daily wages, simply an interview by a company's officer is sufficient. Whereas for the job of a typist or clerk, screening of applications, holding tests and interview will be essential. Similarly, for the job of a cashier, checking of references may also be needed.

e) PLACEMENT

If the selected candidate decides to join the organisation, he/she has to report to the concerned authority and formally joins the organisation by giving his consent in writing. Then he/she is placed to perform specific job. Thus, placement refers to selected candidate's joining the positions in the organisation for which they have been selected. The appointment of every candidate is followed by a record of particulars of employment. Such records is properly maintained and described as employment record. It serves a useful purpose on many occasions like selection of employees for training, promotion, increments etc.

f) INDUCTION

Induction is the process of introducing new employees to the organisation. The new employees should know under whom and with whom he/she is to work, get acquainted and adjusted to the work environment, get a general idea about the rules and regulations, working conditions etc.

Usually the immediate supervisor of the new employee introduces him to his work environment. A proper induction programme is likely to reduce his anxiety on how to cope with the work and how to become part of the organisation and helps in development of a favourable attitude towards the organisation and the job.

g) TRAINING AND DEVELOPMENT

Helping the employees to improve their knowledge and skill so as to be able to perform

their tasks more efficiently is known as training. It is an organised activity for increasing the knowledge and skills of people for a specific purpose. The term 'development' refers to the process of not only building up the skill and abilities for specific purpose but also the overall competence of employees to undertake more difficult and challenging tasks. It is generally used with reference to the training of managers and executives. Training is necessary for new employees as well as the existing employees for improving their performance at work. For new employees, training is necessary to help them get acquainted with the method of operation and skill requirement of the job. For existing employees, training at periodical intervals is helpful for learning better ways of doing the work, and also as and when they have to undertake new jobs. Thus, training helps employees to improve their knowledge and skill and make them perform their tasks more efficiently. It also helps them in promotion and improves their attitudes and confidence levels.

4.1.4   METHODS OF TRAINING

There are different methods of giving training to the employees which can be divided into

two broad categories.

(1) On-the-Job methods, and

(2) Off-the-Job methods.

1. On-the-Job methods: In these methods, the employees learn about their jobs while doing the work duly assisted by their supervisors or seniors. These methods encourage self-learning through practice. Job instruction or coaching, and job rotation, learning while working as an assistant to a senior, understudy positions, temporary promotions care some of the common methods of on-the-job training.

2. Off-the-Job methods: These methods involve training employees away from the work place so that experts may conduct the training and employees are free from immediate pressure of completing the jobs at hand. Lectures with demonstration, conferences, case discussions, video

shows and films are some of the common methods used as off-the-job training methods. Then, there is another off the job method of training called vestibule training. The vestibule training refers to the training in specially designed workshops in which an attempt is made to duplicate as closely as possible the actual condition of the work place. In such workshops a large number of employees can be trained in a relatively short period of time.

h) Performance Appraisal

In simple words, performance appraisal means judging the performance of employees. Specifically, it means judging the relative abilities of employees at work in a systematic manner. This enables managers to identify employees who are performing the work satisfactorily, and those who are not able to do so, and why. To be fair, performance appraisal needs to be carried out using the same methods and keeping in view uniform standards of work. Generally it is the responsibility of supervisors to carry out performance appraisal of their subordinates, and report it to their own superiors. He may also have to identify the causes of the performance especially if it has fallen short of the expected performance. The standard of performance or the expected level of performance of an employee on a job forms the basis of judging how well the employee has performed, and whether one employee is more efficient than the other in doing a similar job. The yardstick placed may be the desired quantity of output, the quality of work done, minimisation of wastage of materials caused in the process of work etc. The choice depends upon the type of job involved. However, where quantity or number of units produced or wastage of materials form the basis of appraisal, it is likely to be more accurate. On the other hand, quality of work done may be difficult to measure and hence performance appraisal may not be very accurate.

i) Compensation

Compensation is one of the most important factors influencing relations between management and the workers. No organisation can attract and retain qualified employees without offering them a fair compensation. The term 'compensation' refers to a wide range of financial and non financial rewards to the employees for services rendered to the organisation. It includes wages, salaries, allowances and other benefits which an employer pays to his employees in consideration for their services. Compensation may be divided into two categories:

(a) Base/primary compensation.

(b) Supplementary compensation.

Base or primary compensation is a fixed amount paid every month to an employee. It includes wages, salary and allowances paid to an employee irrespective of his performance. Supplementary compensation refers to the compensation paid to the employees to motivate them to work more efficiently. It is also known as incentive compensation. The incentives may be monetary or non-monetary. The monetary incentives include bonus, commission sales, or profit sharing plans. The non-monetary incentives, on the other hand, include cordial relations with the supervisor, assignment of challenging jobs, recognition etc. Such incentives help the employees to sustain interest in the job and motivates them to work hard. They also provide job satisfaction.

j) Promotion And Transfer

When an employee is assigned a job involving greater responsibilities, more pay, higher status and prestige than his/her present job, it is known as promotion. Thus, promotion refers to the advancement of an employee to a higher level or position. The main purpose of promotion is to make fuller use of the abilities of a person and also increase his job satisfaction. The basis of promotion may be seniority in service or merit, that is, superior abilities of the employees, or it may be seniority and merit, that is, merits being the same, one who is senior, is considered for promotion. When the performance of an employee is not satisfactory and it cannot be improved, he may be assigned a job of lower rank carrying lower status and pay. This is known as 'demotion'. Transfer refers to a type of job change where any employee is assigned a different job of the same rank and pay, or when an employee is assigned a similar job in another unit of the firm. Thus, transfer does not usually involve any increase in pay or a superior status. It may be done simply to enable the employee to gain wider experience, or to give him greater job satisfaction, or to balance the requirements of staff in different units.

4.4 Leadership:-

There is now a wide recognition in the international community that 'leadership matters' for growth and development, just as there was recognition some years ago that 'institutions matter'.2 But what is 'leadership'? How is it defined and can there be universal understandings and application of the concept? Leadership is a concept which is often talked about, and which has generated a proliferation of literature, especially in the field of management and organizational science (Jones, 2005: 259). However, despite the almost unanimous agreement on the importance of leadership for the success of private sector organizations and institutions, and the countless works on the concept, "the field of leadership studies has not succeeded in

articulating a coherent, paradigm-shifting model or approach that both scholars and practitioners can accept and work with" (Ibid., 259). There is no unanimity as to what 'leadership' means. This brief survey sets out a representative sample of some of the ways in which 'leadership' has been defined from within a number of very different disciplines and approaches. It concludes with a preliminary working definition of 'leadership' in a developmental context. As will be apparent from what follows, the study of leadership has largely been dominated by scholars and practitioners working in management and organizational science, psychology and other related disciplines (Lyne de Ver, 2008), but has hardly been a central concern of political scientists (Peele, 2005), economists or development theorists.

As such, many of the conceptions of leadership in the literature are Western-oriented, universalist or individualistic, and there are few conceptions which either incorporate a political understanding of leadership as a process or which have developmental salience. Moreover, apart from the many recent claims about the importance of leadership for growth and development, there has been little serious analysis of what this means in practice (and how it can be enhanced or supported) in the very often unstable, hybrid and evolving institutional contexts which characterise the condition of many developing countries. The work of the Leaders, Elites and Coalitions Research programme (LECRP) has as one of its basic assumptions that 'leadership' needs to be understood politically, that is as a political process, which involves at least three critical aspects.

4.4.1   Concept of Leadership:-

One of the foremost scholars of leadership, Barnard Bass, has described leadership as a "universal phenomenon" (1990b:4). He defines leadership as "an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perception and expectations of the members. Leaders are agents of change – persons whose acts affect other people more than other people's acts affect them. Leadership occurs when one group member modifies the motivation or competencies of others in the group...It should be clear that with this broad definition, any member of the group can exhibit some amount of leadership, and the members will vary in the extent to which they do so" (1990: 19-20). Bass also identifies numerous other definitions of leadership under the following groupings:

• **"The focus of group processes"**: For example, Cooley states that "the leader is always the nucleus of a tendency" (1902). Influenced by the needs of their followers, he/she then focuses the followers' energies in a particular direction. The single leader embodies the collective will. Leadership is a func- tion of needs existing, and is a relationship between leader and followers (Bass, 1990:11).

 • **"Leadership as personality and its effects"**: For example, A. O. Bowden (1926) "equated leadership with strength of personality: 'Indeed, the amount of personality attributed to an individual may not be unfairly estimated by the degree of influence he can exert upon others" (Bass, 1990:26). Or, Bingham (1927) defined leadership as a person possessing of the "greatest number of desirable traits of personality and character" (Bass, 1990:12). Personality theorists "regard leadership as a one-way effect: Leaders possess qualities that differentiate them from followers" (Bass, 1990:12). This does not acknowledge the impact followers have upon leaders.

• **"Leadership as the art of inducing compliance"**: For example, Munson (1921) stated that leadership is "the ability to handle men so as to achieve the most with the least friction and the greatest cooperation...Leadership is the creative and directive force of morale" (Bass, 1990:12). B. V. Moore (1927) stated that leadership can be defined as "the ability to impress the will of the leader on those led and induce obedience, respect, loyalty, and cooperation" (Bass, 1990:12). This perspective also regards leadership as "a unidirectional exertion of influence and as an instrument for moulding the group to the leader's will." This is seen as possibly "legitimating an authoritarian concept of leader- ship" (Bass, 1990:13).

• **"Leadership as the exercise of influence"**: This reflects a move towards generality or abstraction. Leadership as "influencing change in the conduct of people." (Bass, 1990:13). Leadership is "the process of influencing the activities of an organized group in its efforts toward goal setting and goal achievement" (Bass, 1900: 13).

This is a more interactive view of the relationship between leaders and followers. It is "an individual's effort to change the behaviour of others is attempted leadership. When the other members actually change, this creation of change in others is successful leadership. If the others are reinforced or rewarded for changing their behaviour, this evoked achievement is effective leadership" (Bass, 1990:13). 'Influence' reflects the idea that there is a difference in the extent to which individuals affect the group. There is no single leader who influences all equally, without

a feedback relation. This allows for a less dominating role for the leader. "Leaders serve as models for the followers.

• **"Leadership as an act or behaviour":** The followers of this perspective define leadership in terms of actions and behaviours. E.g. Fiedler (1967) - "By leadership behaviour we generally mean the particular acts in which a leader engages in the course of directing and coordinating the work of his group members. This may involve such acts as structuring the work relations, praising or criticizing group members, and showing consideration for their welfare and feelings" (Bass, 1990: 14). "Leadership as a form of persuasion": Several theorists saw leadership as "successful persuasion without coercion" (Bass, 1990:14).

• **Leadership as a power relation:** The view of most political theorists (from Machiavelli to Marx) was that power was the basis of political leadership. "Power is regarded as a form of influence relationship. It can be observed that some leaders' tendencies to transform any leadership opportunity into an overt power relation, combined with the often undesirable consequences for individuals and societies, has induced many theorists to reject the notion of authoritarian leadership" (Bass, 1990:15). This is a realist view of leadership; the power relation may be overt, covert or unrecog- nised and the sources of power may vary too.

• **Leadership as an instrument of goal achievement:** This perspective looks at leadership in terms of its ability to satisfy a group's needs and meet its goals. It has commonly been used by the classical organizational theorists who "defined leadership in terms of achieving a group's objectives" (Bass, 1990: 15). For example, R.C. Davis (1942) "referred to leadership as 'the principal dynamic force that motivates and coordinates the organization in the accomplishment of its objectives'" (Ibid.). In this sense "leadership transforms followers, creates visions of the goals that may be attained, and articulates for the followers the ways to attain those goals" (Bass, 1990b: 16).

• **Leadership as an emerging effect of interaction:** This perspective sees leadership not as a cause of group action but as an effect of it. For example, Bogardus (1929) stated that "as a social process, leadership is that social interstimulation which causes a number of people to set out toward an old goal with new zest or a new goal with hopeful courage – with different persons keeping different places" (Bass, 1990: 16). This theoretical perspective, importantly, called attention to the idea that emergent leadership grows out of the process of interaction. "It can be observed that leadership truly only exists when it is acknowledged and conferred by other

members of the group" (Ibid.). Thus leaders can emerge passively, through acknowledging the status and responsibility assigned to them by the group.

• **Leadership as a differentiated role:** This takes its basis from role theory, under which each member of a group occupies a position in the community/group as well as in various other organizations/ institutions. Each position is more or less well-defined, and provides the member with a role to play.

For Leadership, here is seen as an aspect of role differentiation. For T. Gordon (1955), "leadership was an interaction between a person and a group or, more accurately, between a person and the group members. Each participant in this interaction played a role. These roles differed from each other; the basis for their difference was a matter of influence – that is , one person, the leader, influenced , and the other persons responded" in Bass, 1990(Summarised: 17). "Of all the available definitions, the role conception of leadership is most firmly buttressed by research findings. Leadership as a differentiated role is required to integrate the various other roles of the group and to maintain unity of action in the group's effort to achieve its goals" (Bass, 1990: 17).

• **Leadership as the initiation of structure:** Several commentators viewed leadership "not as the passive occupancy of a position or as acquisition of a role but as a process of originating and maintaining the role structure – the pattern of role relationships" (Bass, 1990: 17). There is a difference between a stimulus from a leader and a stimulus from a follower -"in the probability that the stimulus will structure the group's behaviour. The stimulus from a leader has a higher probability of structuring a group's behaviour because of the group-endowed belief that the leader is a legitimate source of such stimuli" . It is "defined leadership as 'the initiation and maintenance of structure in expectation and interaction'" . This definition leads to a "consideration of the basic processes involved in the emergence of the leadership role" . But: "if structure is the consistent pattern of differentiated role relationships within a group, we must be sure also to consider the persons, resources, and tasks within differentiated roles" (Ibid.).

•**Leadership as a combination of elements:** Many combine several definitions to cover a larger set of meanings. leadership is the exercise of noncoercive influence to coordinate the members of an organized group to accomplishing the group's objectives. Leadership is also a set of priorities attributed to those who are perceived to use such influences successfully" . Such a leader is courageous, value driven, and able to deal with ambiguity and complexity". In addition to Bass's

collection, there are also many other different attempts to define 'leadership' as a concept, which have had very different results.

4.4.3 Importance of leadership:

The importance of leadership style has long been a subject of much debate and contentious discussion. The word "leadership" has numerous definitions, depending on the perspective of the educator (Stogdill, 1974). Transformational leaders change their organization's culture by inspiring a sense of mission and purpose about the importance of the group's work and stimulating new ways of thinking and problem solving (Bass & Avolio, 1993).

Transformational leaders inspire individuals within an organization to work harder and to strive for the highest levels of performance (Bass, 1985). Bass (1985) contends that transformational leadership is the most successful form of leadership in academic settings. In contrast, other research suggests that transformational leadership is not only inappropriate for a university president, but in fact renders that person less successful because of the distancing involved in becoming a true transformational leader

Accountability has become a key issue for these universities over the past 25 years. University administrators have fallen under scrutiny regarding a wide spectrum of decision-making issues.

One method of establishing accountability to the public is by publishing comparisons among universities. Research conducted by a number of investigators (Pascarella, Smart, Ethington & Nettles 1987), has demonstrated that institutional prestige, or standing has a positive effect on the success of an institution in a number of areas. The general public's perception of the educational reputation of an institution is a strong factor in recruitment of top high school students, as well as engendering a broader base for financial development.

Theories of leadership

1. Which characteristics enable someone to be a great leader?

2. How do leader behavior or style, power, and various contingencies affect the interaction between leaders and their situation? 1960s

3. How do followers perceive leadership? 1980s – Ultimately leadership exists in the eye of the beholder.

Academic leadership

• Little theorizing, even fewer empirical studies – "From the Other Side of the Academy to Academic Leadership Roles: Crossing the Great Divide" (Land, 2003)

• Distinction between formal and informal academic leadership – Various career routes to becoming dean / vice-chancellor – Scientific leadership (potential): "excellence only" (e.g. ERC) – Being an excellent scientist   an excellent leader

• Women in academic leadership? – Mostly qualitative, about experiences and sense making

Theories in leaderships:

Leadership has been defined in terms of traits, behaviours, influences, interaction patterns, role relationships, and occupation of a position.

The following are examples of definitions of leadership from some of the well-known writers and researchers in the field of leadership:

• Leadership is a "particular type of power relationship characterized by a group member's perception that another group member has the right to prescribe behaviour patterns for the former regarding his activity as a group member" .

• Leadership is "interpersonal influence, exercised in a situation, and directed, through the communication process, toward the attainment of a specified goal or goals" .

• Leadership is "an interaction between persons in which one presents information of a sort and in such a manner that the other becomes convinced that his outcomes … will be improved if he behaves in the manner suggested or desired".

• Leadership is "the initiation and maintenance of structure in expectation and interaction" .

• Leadership is "the relationship in which one person, the leader, influences others to work together willingly on related tasks to attain that which the leader desires".

Leadership is "the influential increment over and above mechanical compliance with the routine directives of the organization".

• According to Bray, Campbell and Grant, leadership is the "effectiveness in getting ideas accepted and in guiding a group or an individual to accomplish a task" .

• Koontz and O'Donnell define leadership as "the art or process of influencing people so that they will strive willingly towards the achievement of group goals".

As can be seen from the definitions reflected above, most definitions of leadership reflect the assumption that leadership involves a process whereby one person exerts intentional influence over other people to guide, structure, and facilitate activities and relationships in a group or organization. Most conceptions of leadership imply that at various times one or more group members can be identified as a leader according to some observable difference between the person(s) and other members, who are referred to as "followers" or "subordinates". According to Janda (1960), definitions of leadership as a phenomenon involve the interaction between two or more persons. In addition, most definitions of leadership reflect the assumption that leadership involves an influencing process whereby intentional influence is exerted by the leader over followers. The numerous definitions of leadership that have been proposed appear to have little else in common. The definitions differ in many respects, including important differences as to who exerts influence, the purpose of the attempts to influence, and the manner in which influence is exerted. The researcher will not attempt to resolve the controversy over the most appropriate definition of leadership as part of this study. For the purposes of this study, the various definitions will be viewed as a source of different perspectives on a complex, multifaceted phenomenon.

LEADERSHIP VERSUS MANAGEMENT

Scholars such as Bass (1990), Hickman (1990), Kotter (1988), Mintzberg (1973) and Rost (1991) view leading and managing as distinct processes, but they do not assume that leaders and managers are different types of people. However, these scholars differ somewhat in how they define the two processes.

Mintzberg (1973) developed a list of ten managerial roles to be observed in his study of executives. The ten roles account for all of management activities, and each activity can be explained in terms of at least one role, although many activities involve more than one role. Three roles deal with the interpersonal behaviour of managers (leader, liaison, and figurehead); three roles deal with information-processing behaviour (monitor, disseminator, and spokesman) and four roles deal with decision making behaviour (entrepreneur, conflict solver, resource allocator, and negotiator).

Based on the finding of his research, Mintzberg (1973) reached the conclusion that the roles of a manager are largely predetermined by the nature of the managerial position, but that managers do have flexibility in the way each role is interpreted and enacted.

Kotter (1990) differentiated between management and leadership in terms of the core processes and intended outcomes. According to Kotter (1990) management seeks to produce predictability and order by:

• Setting operational goals, establishing action plans with timetables, and allocating resources;

• Organizing and staffing e.g. establishing structure, assigning resources and tasks; and

• Monitoring results and solving problems.

Leadership seeks to produce organizational change by:

• Developing a vision of the future and strategies for making necessary changes;

• Communicating and explaining the vision, and

• Motivating and inspiring people to attain the vision.

Management and leadership are both involved in creating networks or relationships in order to facilitate the taking of action. However, the two processes have some incompatible elements. Strong leadership can disrupt order and efficiency and too strong a focus on management can discourage risk-taking and innovation. According to Kotter (1990), both processes are necessary for the success of an organization. Effective management on its own can create a bureaucracy without purpose, while effective leadership on its own can create change that is impractical. The

relative importance of the two processes and the best way to integrate them depend on the situation that prevails.

Rost (1991) describes leadership management as a relationship based on authority that exists between managers and subordinates in order to produce and sell goods and services. He defined leadership as a relationship based on influence between a leader and followers with the mutual purpose of accomplishing real change. Leaders and followers influence each other as they interact in non-coercive ways to decide what changes they wish to make. Managers may be leaders, but only if they succeed to build a relationship based on influence with their followers. Rost proposes that the ability to lead is not necessary for a manager to be effective in producing and selling goods and services. However, even when authority is a sufficient basis for downward influence over subordinates, good relationships is necessary for influencing people over whom the leader has no authority, , good relationships based on influence with subordinates seems necessary .

Interest in leadership increased during the early part of the twentieth century. Early leadership theories focused on what qualities distinguished between leaders and followers, while subsequent theories looked at other variables such as situational factors and skill level. While many different leadership theories have emerged, most can be classified as one of **eight** major types:

1. "Great Man" Theories: Great Man theories assume that the capacity for leadership is inherent – that great leaders are born, not made. These theories often portray great leaders as heroic, mythic, and destined to rise to leadership when needed. The term "Great Man" was used because, at the time, leadership was thought of primarily as a male quality, especially in terms of military leadership.

 2. Trait Theories: Similar in some ways to "Great Man" theories, trait theory assumes that people inherit certain qualities and traits that make them better suited to leadership. Trait theories often identify particular personality or behavioral characteristics shared by leaders. But if particular traits are key features of leadership, how do we explain people who possess those qualities but are not leaders? This question is one of the difficulties in using trait theories to explain leadership.

3. Contingency Theories: Contingency theories of leadership focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation. According to this theory, no leadership style is best in all situations. Success depends upon a number of variables, including the leadership style, qualities of the followers, and aspects of the situation.

4. Situational Theories: Situational theories propose that leaders choose the best course of action based upon situational variable. Different styles of leadership may be more appropriate for certain types of decision-making.

5. Behavioral Theories: Behavioral theories of leadership are based upon the belief that great leaders are made, not born. Rooted in behaviorism, this leadership theory focuses on the actions of leaders, not on mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation.

6. Participative Theories: Participative leadership theories suggest that the ideal leadership style is one that takes the input of others into account. These leaders encourage participation and contributions from group members and help group members feel more relevant and committed to the decision-making process. In participative theories, however, the leader retains the right to allow the input of others.

7. Management Theories: Management theories (also known as "Transactional theories") focus on the role of supervision, organization, and group performance. These theories base leadership on a system of reward and punishment. Managerial theories are often used in business; when employees are successful, they are rewarded; when they fail, they are reprimanded or punished.

8. Relationship Theories: Relationship theories (also known as "Transformational theories") focus upon the connections formed between leaders and followers. These leaders motivate and inspire people by helping group members see the importance and higher good of the task. Transformational leaders are focused on the performance of group members, but also want each person to fulfill his or her potential. These leaders often have high ethical and moral standards.

QUESTIONS

I.Short Answer Type Question

1.What do you mean by Staffing?

2.Write a brief note on the nature of staffing.

3.Staffing is a separate function of management. How?

4.What do you mean by human Asset?

5.State the meaning of placement and orientation.

II.Long Answer Type Questions

1.What do you mean by staffing function of management? Explain its characteristics .

2.What is meant by staffing ? Explain the process of staffing in a big business concern.

3.what is meant by staffing? What are the specific task of staffing function?

4.Is staffing a managerial function? Explain the process of staffing.

5what do you understand by staffing? Explain its importance.

6.Explian the main theories of leadership? Examine Critically.

7.Explian the management system of likert..

8.Discuss the characteristic of leadership and briefly describe its main theories .

9. What is managerial grid? Explain..

10. What is 'Traditional leadership' ? Explain the characteristics of it..

UNIT- 4: MOTIVATION, COORDINATION & CONTROL

4.2   Motivation

Motivation in management describes ways in which managers promote productivity in their employees. Several theories of management, and ways in which this applies to the workplace.

The Definition of Motivation

Often, people confuse the idea 'motivated' employees. These may be related, but **motivation** actually describes the level of desire employees feel to perform, regardless of the degree of happiness. Employees who are adequately motivated to perform will be more productive, more engaged and feel more invested in their work. When employees feel these things, it helps them, and thereby their managers, be more successful.

It is a manager's job to motivate employees to do their jobs well. So how do managers do this? The answer is **motivation in management**, the process through which managers encourage employees to be productive and effective.

Think of what you might experience in an organization setting .

- Be friendly, creating a pleasant transaction that makes you more likely to return
- Process your transaction quickly, meaning that the store can service more customers
- Suggest an additional item you would like to purchase, increasing sales for the store

In short, this employee is productive and delivers a high-quality output.

How to Motivate Employees

There are many ways to motivate employees. Managers who want to encourage productivity should work to ensure that employees:

- Feel that the work they do has meaning or importance
- Believe that good work is rewarded
- Believe that they are treated fairly

4.2.1   Importance of motivation:-

There are certain terms which you will commonly come across when you learn this lesson on motivation such as needs, goals, incentives etc. Let us understand some of these concepts.

(a) Needs and Motives

A need is a condition of lack or deficit of something required by the organism.In order to maintain homeostasis or balance the organism finds it necessary to satisfy the needs. The needs are of different types. The need for food or water is a physiological need, which arises out of lack or deficit of food or water in the organism. The needs for excretion and urination are also physiological needs. They are due to the organism's necessity to eliminate waste matter from the body. The need for contact with other persons is a social need. The other social needs include need for prestige, status, affection, self-esteem, and so on. A person becomes more aware of his needs when they are not fulfilled. In other words, when you are hungry, you need food, and, when you are thirsty you need water. In these cases you are in a state of deprivation and your bodily system suffers from some kind of imbalance. The needs may be broadly categorised as,

primary or physiological needs and secondary or social needs. Needs for food, water, sex, sleep and rest, and elimination are primary needs. Needs for achievement, affiliation, power are examples of social needs. The term 'motive' refers to goal directed behaviour and energising conditions within the organism that drive behaviour. It is generally used to refer to certain conditions which, besides arousing, predispose a person to respond, or behave in a way appropriate to that motive. Motives direct the activity of the individual towards person's goals.

(b) Goals Thinking about the goal motivates a person to organize his or her action. If hunger is a need, eating food is a goal. Thus goal is related to the need state. However, in certain cases, behaviour is also guided by intrinsic goals. It means behaviour does not always need external goal. It may be satisfying and enjoyable in itself. Some people may like to sing, dance or play just for the sake of singing, dancing or playing. They like such activities. Thus goals can be intrinsic or extrinsic.

(c) Incentives Incentives refers to the goal objects which satisfy the needs. Incentives vary in quality and quantity which make them less or more satisfying and attractive. Thus one can put in greater amount of effort to attain a more attractive incentive. As a matter of fact many incentives assume considerable significance in the lives of people and they do every thing possible to attain those incentives.

(d) Instincts Instinct is an old concept in the field of motivation. It is defined as an innate biological force that predisposes the organism to act in a certain way. At one time all behaviours were supposed to be results of certain instincts. Some of the instincts identified by early psychologists are fight, repulsion, curiosity, self abasement, acquisition etc. It was thought that instincts were inherited and compelling sources of conduct, but can be modified by learning and experience. This term is no more used in relation to human behaviour. Animal behaviour is sometimes explained using this term. In current usage 'instinct' is reserved for innate response tendencies found among animals.

4.2.2 Extrinsic and intrinsic motivation:-

While thinking about motivation we often try to locate its source whether it is internal to the person or external to him or her. Undertaking a given task may be motivated by promise of a prize or some other kind of gain which is external to the task.

Thus, the task is instrumental in receiving or gaining access to the external reward. In all such situations the locus of control is external to the person who is asked to undertake the activity. Such situations characterize the kind of motivation which is extrinsic. On the other hand, we have situations in which the source of motivation lies inside the task. In such cases we work because the task itself is interesting and does not require any external source of motivation. Here, the task is not instrumental in obtaining any external reward. The locus of control is inside the person.   Person's involvement in the task is spontaneous and the task itself acts as its own reward. This situation represents intrinsic motivation such as a child's play, reading an interesting novel, writing a poem or a story. It has been found that intrinsic motivation leads to high quality of work, meeting challenges, and pursuit of excellence. Infact attachment with outcome often distracts the process or activity. .

4.2.3   Major motivation:-

An attempt is made in this chapter to bring a theoretical base for motivation. There are many competing theories, which attempt to explain the nature of motivation. These theories are all, at least, partially true, and all help to explain the behavior of certain people at certain times. However, the search for a generalised theory of motivation at work appears a vain quest.

Motivation varies over time and depending up on the circumstances. It is because of the complexity of motivation and the fact that there is no single answer to what motivates people to work well, that these different theories are important for the managers to guide them. They show that there are many motives, which influence people's behavior and performance.

The different theories provide a framework within which direct attention is incorporated to the problem of how best to motivate staff to work willingly and effectively. It is important to emphasize that these various theories are not conclusive. These different cognitive theories of motivation are usually divided into two contrasting approaches

1: **Content theories and process theories.** Content theories attempt to explain those specific things, which actually motivate the individual at work. These theories are concerned with identifying people's needs and their relative strength, and the goals they pursue in order to satisfy these needs. Content theories place emphasis on what motivates. Process theories attempt to identify the relationship among the dynamic variables, which make up motivation. These theories are more concerned with how behavior is initiated, directed and sustained. Process theories place emphasis on the actual process of motivation.

2. Expectancy Theory

Expectancy theory outlines the connection employees expect between effort and reward. If an employee does very well and puts forth additional effort, they will likely expect to be rewarded accordingly. In a retail setting, for example, a cashier might offer to work a double shift when a manager is short staffed, but would expect praise and perhaps additional compensation for doing so.

4.3 Maslow's Need Hierarchy Theory

The most well known and pioneering theory of motivation is that of Abraham Maslow's hierarchy of needs. According to Maslow's hierarchy of human needs, people are motivated by five basic needs. These needs are arranged in the order in which a person seeks to gratify them. These needs are:

1. Physiological needs - (food, clothing, shelter, etc.,)
2. The need for safety and security - (freedom from danger, job security,
3. Health-care etc..,)
4. The need to belong - (Acceptance by the group, friendships, love etc.,)
5. The need for esteem - (Recognition by others, feeling of achievement
6. etc.,)
7. The need for seIf-actualization - (fulfillment of capacities)

The needs are arranged in order of importance under the assumption that a lower level need is satisfied before the next higher level need becomes a motivating factor. People try to satisfy their physiological needs first. When their basic needs are ensured, they seek security, belongingness, esteem and finally self- actualization. When one need is satisfied, next higher level need emerges to take its place. People are always striving to satisfy the new needs that emerge. Since the need hierarchy theory of Abraham Maslow is being the core of study, this theory is dealt in detail in chapter I11 separately.

4.3.1 Henberg's Two-Factor Theory

On the basis of extensive interviews with some 200 engineers and accountants employed in l l industries in an around Pittsburgh area, U.S.A., Frederick Herzberg and his associates developed a Two factor3 model of motivation. In the interviews they were asked about what kind of things on their job made them unhappy or dissatisfied and what things made them happy or

satisfied. From the analysis they found that reported good feelings were associated with job content factors4. Reported bad feelings, on the other hand, were associated with the peripheral aspects of the job-the job context factors. The intrinsic job content factors are the job satisfiers or motivators and the extrinsic job context factors are the dissatisfiers or hygiene factors. Taken together, they became known as Herzberg's dual factor theory.

4.3.2 Vroom's Expectancy Theory

One of the most widely accepted explanations of motivation is Victor room's" expectancy theory. Vroom proposed his expectancy theory in 1960's as an alternative to the content models. Vroom explains that motivation is a product of three factors, viz, Valence (how much one wants a reward), Expectancy (one's estimate of the probability that effort will result in successful performance) and Instrumentality (one's estimate that performance will result in receiving the reward). This motivational relationship is expressed in the form of a formula. Motivation = V X E X I (Valence X Expectancy X Instrumentality) Valence is the strength of a person's preference for a particular outcome. It is the personal value workers place on the rewards they believe they will receive for performance. When valence is high, motivation is also high. Expectancy refers to a person's perception of the probability that effort will lead to performance. Instrumentality is a person's perception of the probability that certain outcomes are attached to performance. Thus an individual is motivated by the perceived reward available to him for accomplishing a goal. For example, an employee who feels that his promotion depends upon his excellent performance, then there are two outcomes, namely, first level outcome, i.e., excellent performance and the second level outcome, i.e., his promotion. Here his valence should be considered. Valence for a reward is unique to each employee. His valence, (i.e., strength of preference for the particular outcome) may be positive, neutral or negative. If his desire for promotion is high, his valence will be positive. If he is indifferent to promotion, valence will be zero and if he dislikes promotion, then it will be negative.

Here the employee would be motivated towards excellent performance because of his preference to be promoted. The excellent performance, i.e., the first level outcome is being seen as instrumental in getting his promotion, i.e., second level outcome. Thus according to Vroom, motivation is the product of valence, expectancy and instrumentality. This theory represents a comprehensive, valid and useful approach to understanding motivation.

CO-ORDINATION

4.1 MEANING

Coordination is concerned with harmonious and unified action directed toward a common objective. It ensures that all groups and persons work efficiently, economically and in harmony. Co-ordination requires effective channels of communication. Person to person communication is most effective for co-ordination. Co-ordination is undertaken at every level of management.

4.2 DEFINITION

According to Henry Fayol, "To Coordinate is to harmonise all the activities of a person in order to facilitate its working and its success".

According to George Terry, "Co-ordination deals with the task of blending efforts is order to ensure successful attainment of an objective. It is accomplished by means of planning organising, actuating, and controlling.

According to Neoman, "Co-ordination is a part of all phases of administration and that it is not a separate and definite activity".

4.3 NATURE OF CO-ORDINATION

1. Co-ordination is to harmonise various activities of the enterprise to ensure smooth working.

2. It is an effort to ensure the objections of the business with minimum friction and maximum co-ordination among various segments of the business.

3. Co-ordination is an effort to reach business goals by means of planning, organising, actuating and controlling various activities.

4. It is not a separate managerial function.

5. The exercise of each managerial function involves co-ordination.

4.4 ESSENTIALS OF CO-ORDINATION

In reality co-ordination is the essence of management. Co-ordination is better descriptive of manager's functions than management itself. Every managerial function needs co-ordination in itself. Following are the reasons for treating co-ordination as the essence of management;

1. Co-ordination is the synchronisation of human efforts in an organisation and management too tries to correlate various managerial functions for achieving business objectives. Business goals will be achieved only when activities of various functions will be co-ordinated. It will be a collective effort of all the functions which will be instrumental in reaching business goals. So management itself is the synchronisation of various activities being undertaken in the business.

2. Every business function has some objectives. In order to achieve these objectives various

activities are undertaken, some more important and some less important. The functions of planning, organising, staffing, directing and controlling comprise of various sub-functions or activities. Unless these activities of various functions are synchronised the objectives of the functions will not be achieved. Similarly, in order to achieve business goals various functions need to be synchronised. So co-ordination is essential for every activity of all the functions. So proper management needs proper co-ordination and it is inherent in every managerial activity.

3. When various functions are performed by taking into consideration the integration of various activities, the results will be good. On the other hand if every activity is taken up without having regard to other activities then there will be chaos and mismanagement. There will be a need of co-ordination for setting the things right. It was this reason that classical school of management considered co-ordinalion as a separate function of management. In the systems approach of management execution of management functions proceeds on integrative basis and the problem of co-ordination does not arise but it becomes automatic process. All managerial functions try to achieve integration of various efforts and co-ordination becomes the essence of management and not a separate function.

4.5 PRINCIPLES OF CO-ORDINATION

Mary Parker Follett, in her discussion, has stated the following important principles of co-ordination:

1. **Principle of Direct Contract.** Miss Follett believes that co-ordination can be achieved more easily by direct interpersonal horizontal relationships and direct personal communications,

which bring out agreement on methods, actions, and ultimate achievement. The possibilities of conflict and misunderstanding always remain. These can be removed or sorted out by direct contact and proper communication among various persons. Direct contact even helps in creating mutual goodwill which may help in proper co-ordination.

2. **Principle of Early Beginning.** Co-ordination can be achieved more readily in the early stages of planning and policy-making. If the policies are in execution stage then co-ordination may become difficult. If the plans are executed without proper co-ordination then results may be disastrous. "If the head of the production department, while he is forming his policy, meets and discusses with the other heads, the question involved a successful co-ordination is far more likely to be achieved, that is, you cannot, with the greatest degree of success for your undertaking, make policy forming and policy adjusting two separate processes." Achieving co-ordination in the early stages of planning and policy making is essential.

3. **Principle of Reciprocal Relationship.** All the factors in a situation are reciprocally related. The work of one person is dependent on that of the other, who in turn, may be

dependent on some other. For instance, A works with B and he in turn works with C and D. The relationship of all the four will be reciprocal. In the absence of co-ordination among them the work of everyone will suffer. Similarly, other factors like materials, finance, sales, production will be dependent upon one another. When members in an organisation realise that all factors are reciprocally related then co ordination becomes easy.

4. **Principle of Continuity.** As the fourth principle of co-ordination, Mary Follert states that

co-ordination is a continuing process and something which must go on all the time. It is a managerial process which is exercised every time so that the working is smooth and uninterrupted. It is not like reconciling conflicts as and when they arise. Co-ordination cannot be left to a sheer chance but management should make constant efforts to achieve it. There is a constant need for co-ordination in a business.

4.6 IMPORTANCE OF CO-ORDINATION

Co-ordination is essential at every level of management. It is a process of group efforts for achieving business, goals. The quality of management will depend upon the efficiency achieved in co-ordination. According to Chester Bernard, "the quality of co-ordination is the crucial factor in the survival of organisation." Smooth working and achievement of organisational goals will depend upon sound co-ordination. The important benefits of co-ordination are stated as follows:

1. **Better Personnel Relations.** Management and staff create cordial human relations through co-ordination. The points of dispute or conflict among different persons, between line and staff, etc. can be settled by mutual discussions. Better personal relations are also helpful in increasing the morale of employees which ultimately leads to job satisfaction.

The results-of co-ordinated group efforts will be much better than the sum results of different individuals. The members will willingly and wholeheartedly contribute towards the success of the enterprise. Therefore, co-ordination is necessary to bring unity of action in the organisation.

2. **Unity of Direction.** Co-ordination helps in creating unity of direction. Different segments of the business may set different goals. The co-ordination process helps in synchronising various efforts. It motivates various employees to view their work from the standpoint of the business. In the absence of co-ordination, there may be conflicting goals and everybody may perceive the objectives in a different way. This will create confusion and chaos in the organisation. Co-ordination will help in reconciling conflicting views.

3**. Essential for Management.** The increase in the size of organisation has brought a number of complexities. There is a degree of specialisation, division of labour and large number of individuals. Everybody has his own personality traits and ways of working. It is essential to synchronise the work of all persons in the organisation. Co-ordination helps in bringing unity of action for achieving business goals.

4. **Efficiency and Economy.** Co-ordination promotes efficiency and economy in the organisation. By co-ordinating activities the efficiency is brought in the working. It also helps in avoiding delays and eliminating duplication of efforts. This will result in saving of time and energy, thus bringing economy to the business.

5. **Helpful in Developing and Retaining of Personnel.** Co-ordination by synchronising various activities, helps in promoting team spirit among organisational personnel. There will be no conflict or confusion in division of work and everybody will try to improve his own performance. This helps in developing potentialities of every person in the organisation. Co-ordination also helps in promoting job satisfaction among employees by giving them personal contentment. The concern will be able to retain the services of good employees.

4.7 TECHNIQUES OF EFFECTIVE CO-ORDINATION

Every management will try to improve its working through proper co-ordination of work. The aim of every managerial function will be to reach organisational goals and this is facilitated only through co-ordination. The purpose should be to achieve effective co-ordination. Some of the techniques used for achieving effective co-ordination are discussed as follows:

1. **Goals are Well Defined**. The goals of the organisation should be clear and well-defined. Everybody should know the objectives and his contribution towards its achievement. Unity of purpose will be achieved through proper co-ordination.

2. **Simplified Organisation.** The organisational structure should clearly define the authority and responsibility of each and every person. This will help in reducing conflicts among persons. Over specialisation of activities also creates problems of co-ordination. There should be well-defined organisational charts, job descriptions, work manuals, etc. for avoiding any type of misunderstanding. Co-ordination will be Achieved when there are clear lines of authority and responsibilities.

3. **Effective Communication.** Effective communication helps in creating proper understanding among persons whose work needs to be co-ordinated. Through communication every individual understands his scope, limitations, his position in the organisation and his relationship with others. Regular communication among various persons helps in resolving conflicts and differences. People can understand the view point of others in the organisation.

4. **Effective Leadership.** Effective leadership is essential for better co-ordination. A good leader is able to achieve co-ordination both at planning and execution stages. If a leader is undecided about his task then he will not be able to either guide or co-ordinate their activities.

5. **Effective Supervision.** Co-ordination can also be facilitated by effective supervision. A supervisor is the person who constantly watches the work of his subordinates. He can adjust the work load, provide guidance to his subordinates if the situation demands. A supervisor is an important person in co-ordinating the work at execution level. He will keep the overall objectives of the organisation in mind and will direct the work of his subordinates in that direction.

6. **Co-operation**. Co-ordination can be achieved through voluntary co-operation of employees. There should be a feeling of mutual help for each other. Co-operation can be brought by keeping harmonious relations among employees. Management should encourage formal and informal communication among employees. There should also be committees to take important decisions. The decisions of committees will be group decisions and everybody will co-operate in implementing them.

4.8 PROCESS OF CO-ORDINATION

Co-ordination cannot be achieved through orders. It is a process which can be achieved through managerial functions. It is a by-product of good management. When all the functions are carried out properly then co-ordination will come by itself. Co-ordination may be achieved through following processes:

1. **Through Planning.** The planning is the elementary stage of achieving co-ordination. When various functions are properly planned and various policies are integrated then co-ordination will be easily achieved. If production manager is to plan for his development then it will be better to consult purchase manager, personnel manager, finance manager, sales manager also. When production is planned with the consent of other concerned managers then co-ordination takes place at planning level. If other managers feel some difficulties then they will explain it and mutually accepted decisions will resolve the differences. Co-ordination can certainly be achieved at planning stage. According to Mary Follett, planning stage is the ideal lime to bring about co-ordination and they must see to it that various plans are properly interrelated.

2. **Through Organisation.** Co-ordination is an essential part of organisation. Mooney considers co-ordination as the very essence of organisation. When a manager groups and assigns various activities to subordinates, the thought of co-ordination will be upper most in his mind. The related activities are placed together to avoid delays and confusion. In the process of organisation, the authority and responsibility of various persons is defined and even the relationship among different jobs is also specifically given. The whole process of organisation will lead to effective co-ordination. A well thought-out organisation will ultimately lead to co-ordination.

3. **Through Directing.** When a manager directs his subordinates he will be co-ordinating their work. He will give them directions, guidelines and instructions for doing a job assigned to them. He will direct in such a way that the achievement of overall organisational objectives is ensured. The manager should use a group system to take decisions. Everybody should be free to express his opinion. This will create a sort of moral binding on the employees to work for the proper implementation of these decisions. The co-ordination work of the manager will also become easy. So, direction of employees will also lead to co-ordination.

4. **Through Controlling.** The manager is required to control the work of everyone in the organisation so that all efforts are directed towards main goals. There may be instances when performance of subordinates is not upto the mark or it is not in the direction in which it should have been. The manager will take corrective measures as and when required. He will synchronise

the work of his subordinates so that the goals are achieved easily. The controlling function itself will facilitate co-ordination because it will require the evaluation of performance of subordinates and will enable the manager to make changes if there are deviations between standards set and results achieved.

5. **Through Staffing.** The staffing function can also help in proper co-ordination. While staffing, the manager should keep in mind the nature of jobs and the type of persons required for managing them. He should ensure the right number of executives in various positions for proper performance of their functions. The executives are of such a quality or are given such a training that they are able to co-operate and co-ordinate their efforts.

6. **Through Proper Communication.** Effective communication is of utmost importance for achieving better co-ordination. There should be a regular flow of information among various persons so that they are given required information for proper co-ordination. The personal contact is the most effective type of communication. Other methods like reports, procedures, bulletins, etc., can also be used properly. The development of data processing devices are of utmost use for facilitating quick communication. The subordinates must get proper information at the right time for enabling them to co-ordinate their work. According to Newman, "Since co-ordination is concerned with the inter-relationships of separate activities, it can be no better than the transfer of information about those activities to some common point or points, where the dovetailing takes place."

CONTROLLING

4.9 MEANING

Controlling is an important function of management. It is the process that measures current performance and guides it towards some predetermined objectives. Under primitive management, control was undertaken only when something went wrong and the objectives of control was to reprimand the person responsible for these events and take action against him. The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pinpoints the reasons why it has happened and provides data that enable the manager to take corrective steps, if he finds he is on the wrong track. Therefore, there is no intention to punish the person for wrongdoing, but to find out the deviations between the actual performance and the standard performance and to take steps to prevent such variances in future.

The concept of control is often confused with lack of freedom. The opposite of control is not freedom but chaos or anarchy. Control is fully consistent with freedom. In fact, they are inter-dependent. Without control, freedom cannot be sustained for long. Without 'freedom, control becomes ineffective. Both freedom and accountability are embedded in the concept of control.

4.10 DEFINITIONS OF CONTROLLING

Control is the process through which managers assure that actual activities conform to planned activities. According to Breach.- "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance."

According to George R Terry - "Controlling is determining what is being accomplished i.e., evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

According to Billy E Goetz - "Management control seeks to compel events to conform plans".

According to Robert N Anthony - "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently."

In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

In the words of Haynes and Massie - "Fundamentally, control is any process that guides activity towards some predetermined goal. The essence of the concept is in determining whether the activity is achieving the desired results".

In the words of J. L. Massie - "Control is the process that measures current performance and guides it towards some predetermined goals."

In the words of Henry Fayol - "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Its object is to find out the weakness and errors in order to rectify them and prevent recurrence. It operates on everything, i.e., things, people and actions".

From the above definitions it is clear that the managerial function of control consists in a comparison of the actual performance with the planned performance with the object of discovering whether all is going on well according to plans and if not why. Remedial action arising from a study of deviations of the actual performance with the standard or planned performance will serve to correct the plans and make suitable changes. Controlling is the nature of follow-up to the other three fundamental functions of management. There can, in fact, be not controlling without previous planning, organising and directing. Controlling cannot take place in a vacuum.

4.11 CHARACTERISTICS OF CONTROLLING

Managerial control has certain characteristic feature. They are:

1. Control is the function of every manager. Managers at all levels have to perform this function to contribute to the achievement of organisational objectives.

2. Control leads to appraisal of past activities. The deviations in the past are revealed by the control process. Corrective actions can be initiated accordingly.

3. Control is linked with future, as past cannot be controlled. It should anticipate possible deviations and to think of corrective action for the control of such deviations in the future. It is usually preventive as presence of control system tends to minimize wastages, losses and deviations from standards.

4. Control is concerned with setting standards, measurement of actual performance, comparison of actual performance with predetermined standards and bringing to light the variations between the actual performance and the standard performance.

5. Control implies taking corrective measures. The object in checking the variations or deviations is to rectify them and prevent their recurrence. It is only action which adjusts performance to predetermined standards whenever deviations occur.

6. Control can be exercised only with reference to and or the basis of plans. To quote Mary Gushing Niles - "Whereas planning sets the course, control observes deviations from the course or to an appropriately changed one".

7. To some people, control is opposite of freedom. This is not true. Control is based on facts and figures. Its purpose, is to achieve and maintain acceptable productivity from all resources of an enterprise. Therefore, control aims at results and not at persons. It is for correcting a situation, and not for reprimanding persons.

8. Information or feedback is the guide to control. The feedback is helpful to the manager to determine how far the operations are proceeding in conformity with plans and standards, and where remedial action is called for.

9. Control involves continuous review of standards of performance and results in corrective action which may lead to change in the performance of other functions of management. This makes control a dynamic and flexible process. .

10. Control is a continuous activity. It involves constant analysis of validity of standards, policies, procedures etc.

4.12 STEPS IN CONTROL PROCESS

There are three basic steps in a control process:

A. Establishing standards.

B. Measuring and comparing actual results against standards.

C. Taking corrective action.

A. Establishing Standards

The first step in the control process is to establish standards against which results can be measured. The standards the managers desire to obtain in each key area should be defined as far as possible in quantitative terms. Standards expressed in general terms should be avoided. Standards need to be flexible in order to adapt to changing conditions. The standard should emphasis the achievement of results more man the conformity to rules and methods. If they do not do so, then people will start giving more importance to rules and methods than to the final results.

While setting the standards, the following points have to be borne in mind:

(a) The standards must be clear and intelligible. If the standards are clear and are understood by the persons concerned, they themselves will be able to check their performance.

(b) Standards should be accurate, precise, acceptable and workable.

(c) Standards are used as the criteria or benchmarks by which performance is measured in the control process. It should not be either too high or too low. They should be realistic and attainable.

(d) Standards should be flexible i.e., capable of being changed when the circumstances require so.

B. Measuring and Comparing actual Results against Standards

The second step in the control process is to measure the performance and compare it with the predetermined standards. Measurement of performance can be done by personal observation, by reports, charts and statements. If the control system is well organised, quick comparison of these with the standard figure is quite possible. This will reveal variations.

After the measurement of the actual performance, the actual performance should be compared with the standards fixed quickly. A quick comparison of actual performance with the standard performance is possible, if the control system is well organised. While comparing the actual performance with the standards fixed, the manager has to find out not only the extent of variations but also the causes of variations. This is necessary, because some of the variations may be unimportant, while others may be important and need immediate corrective action by the manager.

C. Taking Corrective Action

After comparing the actual performance with the prescribed standards and finding the deviations, the next step that should be taken by the manager is to correct these deviations. Corrective action should be taken without wasting of time so that the normal position can be restored quickly. The manager should also determine the correct cause for deviation.

Taking corrective action can be achieved in the following way:

(a) The manager should try to influence environmental conditions and external situations in such a way as to facilitate the achievement of goals.

(b) He should review with his subordinates the instructions given earlier so that he may be able to give clear, complete and reasonable instructions in future.

(c) There are many external forces which cannot be adjusted by the manager. They have to be accepted as the facts of the situation, and the executives should revise their plans in the light of these changing forces.

4.13 TYPES OF CONTROLLING

Most control methods can be grouped into one of the two basic types:
1. Future oriented control and
2. Past-oriented controls.

1. Future-oriented Controls

These are also known as steering controls or feed-forward controls and are designed to measure results during the process so that action can be taken before the job is done or the period is over. They serve as warning-posts principally to direct attention rather than to evaluate e.g.: Cash flow analysis, funds flow analysis, network planning etc.

2. Past-oriented Controls

These are also known as post-action controls and measure results after the process. They examine what has happened in a particular period in the past. These controls can be used to plan future behaviour in the light of past errors or successes.

4.14 ESSENTIALS OF EFFECTIVE CONTROL SYSTEMS

1. *Suitable:* The control system should be appropriate to the nature and, needs of the activity. A large firm calls for controls different from those needed for a small firm. In other words, control should be tailored to fit the needs of the organisation. The flow of information concerning current performance should correspond with the organizational structure employed. If a superior is to be able to control overall operations, he must find a pattern that will provide control for individual parts. Budgets, quotas and other techniques may be useful in controlling separate departments.

2. *Timely and Forward Looking:* The control system should be such as to enable the subordinates to inform their superiors expeditiously about the threatened deviations and failures. The feedback system should be as short and quick as possible. If the control reports are not directed at future, they are of no use as they will not be able to suggest the types of measures to be taken to rectify the past deviations. A proper system of control should enable the manager concerned to think of and plan for future also.

3. **Objective and Comprehensive:** The control system should be both, objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by the employees. This is necessary both for the smooth working and the effectiveness of the system.

4. **Flexible:** The control system should be flexible so that it can be adjusted to suit the needs of any change in the environment. A sound control system will remain workable even when the plans change or fail outright. It must be responsive to changing conditions. It should be adaptable to new developments including the failure of the control system itself. Plans may call for an automatic system to be backed up by a human system that would operate in an emergency.

5. **Economical:** Economy is another requirement of every control. The benefit derived from a control system should be more than the cost involved in implementing it. A small company cannot afford the elaborate control system used by a large company. A control system is justifiable if the savings anticipated from it exceed the expected costs in its working.

6. **Acceptable to Organisation Members:** The system should be acceptable to organisation members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards as unreasonable or unrealistic.

7. **Motivate People to High Performance:** A control system is most effective when it motivates people to high performance, Since most people respond to a challenge, successfully meeting to tough standard may well provide a greater sense of accomplishment than meeting an easy standard. However, if a target is so tough that it seems impossible to meet, it will be more likely to discourage than to motivate effort.

8. **Corrective Action;** Merely pointing of deviations is not sufficient in a good control system. It must lead to corrective action to be taken to check deviations from standard through appropriate planning, organizing and directing. In the words of Koontz and O'Donnell, "An adequate control system should disclose where failure is occurring, who is responsible for them and what should be done about them." A control system will be of little use unless it can generate the solution to the problem responsible for deviation from standards.

9. **Reflection of Organisation Pattern:** Organization is not merely a structure of duties and function, it is also an important vehicle of control. In enforcing control the efficiency and the effectiveness of the organisation must be clearly brought out.

10. **Human Factor:** A good system of control should find the persons accountable for results, whenever large deviations take place. They must be guided and directed if necessary.

11. **Direct Control:** Any control system should be designed to maintain direct contact between the controller and controlled. Even when there are a number of control systems provided by staff specialists, the foreman at the first level is still important because he has direct knowledge of

performance.

12. **Focus on Strategic Points:** A good system of control not only points out the deviations or exceptions but also pinpoints them where they are important or strategic to his operations.

4.15 SCOPE OF CONTROLLING

The scope of control is very wide. A well designed plan of control (or control system) covers almost all management activities. According to Holden, Fish and Smith, the main areas of control are as follows:

1. **Control over policies***:* The success of any business organisation to a large extent, depends upon, how far its policies are implemented. Hence the need of control over policies is self-evident. In many enterprises, policies are controlled through policy manuals.

2. **Control over organisation:** Control over organisation is accomplished through the development of organisation chart and organisation manual. Organisation manual attempts at solving organisational problems and conflicts making long-range organisation planning possible, enabling rationalisation of organisation structure, helping in proper designing of organisation and department.

3. **Control over personnel:** The statement that 'Management is getting the work done through people' underlines sufficiently the importance of control of personnel. All employees working at different levels must perform their assigned duties well and direct their efforts in controlling their behaviour. Personal Director or Personnel Manager prepares control plan for having control over personnel.

4. **Control over wages and salaries:** Such type of control is done by having programme of job evaluation and wage and salary analysis. This work is done either by personnel department or industrial engineering department. Often a wage and salary committee is constituted to help these departments in the task of controlling wages and salaries.

5. **Control over costs:** Cost control is exercised by the cost accountant, by setting cost standards for material, labour and overheads and making comparison of actual cost data with standard cost. Cost control is supplemented by budgetary control systems.

6. **Control over methods:** Control over methods is accomplished by conducting periodic analysis of activities of each department. The functions performed, methods adopted and time devoted by every employee is studied with a view to eliminate non-essential motions, functions and methods.

7. **Control over capital expenditures;** It is exercised through a system of evaluation of projects, ranking of projects in terms of their rank power and appropriate capital to various projects. A capital budget is prepared for the whole firm. A capital budgeting committee reviews the project proposes and approves the projects of advantages to the firm. Capital budgeting, project analysis, break-even analysis, study of cost of capital, etc. are some popular techniques of control over capital expenditure.

8. ***Control over research and development;*** Such activities are highly technical in nature so no direct control is possible over them. By improving the ability and judgment of research staff through training programmes and other devices, an indirect control is exercised on them. Control is also exercised by having a research on the business.

9. ***Control over external relations:*** Public relations department is responsible for controlling the external relations of the enterprise. It may prescribe certain measures for other operating departments which are instrumental in improving external relations.

10. ***Overall control:*** It is effected through budgetary control. Master plan is prepared for overall control and all the departments are made involved in this procedure. For effective control through the master plan, active support of the top management is essential.

CONTROL TECHNIQUES

4.6 MEANING

A variety of tools and techniques have been used over the years to help managers control. The activities in their organization. Every management wants to ensure that the scarce resources at its disposal are effectively and productively utilised. To achieve this objective it has to devise a monitoring system which will keep the management informed about the implementation of its plans and policies. In case the plans are not properly implemented then variations in performance must come to the notice of management so that timely corrective measures are taken up. A control system should be devised to evaluate the performance of various segments of the enterprise.

There are two types of control techniques, which are as follows:

Types of control techniques:

1. Traditional Control Techniques	2. Modern Control Techniques
(i) Budgeting and Budgetary Control	(i) Return on Investment Control
(ii) Cost Control	(ii) Programme Evaluation and Review Technique (PERT)
(iii) Production Planning and Control	(iii) Management Information System (MIS)
(iv) Inventory Control	(iv) Management Audit
(v) Break Even Analysis	
(vi) Profit and Loss Control	
(vii) Statistical Data Analysis	

1. TRADITIONAL CONTROL TECHNIQUES

(i) Budgeting: A budget is a statement of anticipated results during a designating period expressed in financial and non-financial terms. A budget is the monetary or/and quantitative expansion of business plans and policies to be pursued in the future period of time. The term budgeting is used for preparing budgets and other procedures for planning, co-ordination and control of business enterprise. So a budget is a pre-determined statement of management policy during a given period which provides a standard for comparison with the results actually achieved.

BUDGETARY CONTROL

Budgetary control is the process of determining various budgeted figures for the enterprise for the future period and then comparing the budgeted figures with the actual performance for calculating variances, if any. First of all, budgets are prepared and then actual results are recorded. The comparison of Budgeted and actual figures will enable the management to. find out discrepancies and take remedial measures at a proper time. The budgetary control is a continuous process which helps in planning and co-ordination. It provides a method. of control too. A budget is a means and budgetary control is the end-result.

Definitions

According to **Brown and Howard,** "Budgetary control is a system of controlling costs which includes the preparation of budgets, co-ordinating the departments and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability. Weldon characterises budgetary control as planning in advance of the various functions of a business so that the business as a whole is controlled.

J. Batty defines it as, "A system which uses budgets as a means of planning and controlling all aspects of producing and/or selling commodities and services. **Welsch** relates budgetary control with day-to-day control process. According to him, "Budgetary control involves the use of budget and budgetary reports, throughout the, period to co-ordinate, evaluate and control day-to-day operations in accordance with the goals specified by the budget." From the above given definitions it is clear that budgetary control involves the following :

(a) The objects are set by preparing budgets.
(b) The business is divided into various responsibility centres for preparing various budgets.
(c) The actual figures are recorded.
(d) The budgeted and actual figures are compared for studying the performance of different cost centres.
(e) If actual performance is less than the budgeted norms, a remedial action is taken immediately.

Objectives of Budgetary Control

Budgetary control is essential for policy planning and control. It also acts as an instrument of co-ordination. The main objectives of budgetary control are as follows:

1. To ensure planning for future by setting up various budgets, the requirements and expected performance of the enterprise are anticipated.
2. To co-ordinate the activities of different departments.
3. To operate various cost centres and of departments with efficiency and economy.
4. Elimination of wastes and incuses in profitabilities

5. To anticipate capital expenditure for future
6. To centralize the control system
7. Correction of deviations from the established standards
8. Fixation of responsibilities of various individuals in the organization.

(ii) COST CONTROL

Cost control is a control of all the costs of an enterprise in order to achieve cost effectiveness in business operations. Cost can be classified as: fixed cost, variable cost, semi-variable cost. The fixed costs arc incurred over a period over a period of time and are not directly related to production. These costs remain the same even if there is an increase or decrease in production. Variable costs; on the other hand, change in the proportion of output. Semi-variable costs are fixed as well as variable in nature. Some costs may "be incurred continuously, others now and then and still others only deemed to be incurred (depreciation).

There may be different methods of recording cost for various products. In each method, classification, recording and allocation of expenses may be done differently. In each method there will be a system where deviations in standard or budgeted costs and actual costs will be reported to the concerned officials for taking corrective measures.

The cost standards are fixed for each product or activity and actual cost records are also sent to the incharge of the product or activity. In case of any deviation in cost, immediate remedial measures are taken up. The regular cost control system will help in keeping cost under check.

Merits

1. Cost Control System helps in discovering efficient and inefficient operations. The activities which are not profitable can either be closed or efforts for improving them may be made. On the other hand, profitable activities can be encouraged.

2. Cost control records provide valuable information for submitting tenders or quoting prices of products or services.

3. It helps in pinpointing the factors leading to losses. If the causes of losses are pin pointed then it will become easy to control them.

4. The reasons for variations in profit can be ascertained.

5. It helps in keeping a check on inventories. There will be a proper system of receiving, storing, issuing and using of materials and other stores.

6. Cost records become a basis for planning future production policies.

(iii) PRODUCTION PLANNING AND CONTROL

Production planning and control is an important task of production manager. It has to see that production process is properly decided in advance and is carried out as per plan. Production planning is the function of looking ahead, anticipating difficulties to be faced and the likely

remedial steps to remove them. Production control, on the other hand, guides and directs flow of production so that products are manufactured in a best way and conform to a planned schedule and are of the right quality. Control facilitates the task of manufacturing and see that everything goes as per the plans.

Techniques. Following techniques are helpful in production planning and control.   .

(a) **Routing,**   It is the determination of exact path which will be followed in production. It is the selection of the path from where each unit will have to pass before reaching the final stage. Route determines the best and cheapest sequence of operations to be followed.

(b) **Scheduling.** It is the determination of time and date when each operation is to be commenced and completed. The time and date for manufacturing each component is fixed in such a way that assembling for final product is not delayed in any way.

(c) **Dispatching (Implementation).** It refers to the process of actually ordering the work to be done. It involves putting the plan into effect by issuing orders. It is concerned with starting the process and operations on the basis of route sheets and schedule charts.

(d) **Follow up and Expediting.** It is related to evaluation and appraisal of work performed. This is an important function of production control. If goods are to be produced as per the plans then a proper follow up of work is essential to see whether production schedule is properly adhered to or not. In case there are any bottlenecks then these must be removed in time.

(e) **Inspection.** The purpose of inspection is to see whether the products manufactured are of requisite quality or not. It is carried on at various levels of production process so that pre-determined standards of quality are achieved. In case the products are not of proper quality then immediate steps are taken to correct things.

(iv) INVENTORY CONTROL

Inventory control or materials management connotes controlling the kind, amount, location and timing of various commodities used in and produced by the industrial enterprises. It is the control of materials in such a manner that it ensures maximum return on working capital.

Inventory control is necessary for the smooth and uninterrupted functioning of production department. It's main purpose is to maintain an adequate supply of correct material at the lowest total cost. Inventory control is exercised at three stages. (i) purchasing of materials (ii) storing of materials *(iii)* issuing of materials.

Inventory control can be exercised by establishing various parameters :

(i) safety inventory level i.e. the stock which must be maintained at all time so that uninterrupted production is carried out. *(ii)* maximum inventory level i.e. the stock limits beyond which materials should not be stored. *(iii)* reordering level is the point at which fresh orders for purchasing inventory should go. (iv) danger level i.e. the level of stock at which extra effort should be made to replenish stocks so that production is not discontinued for want of materials.

(v) BREAK EVEN ANALYSIS

The study of cost volume profit relationship is frequently refer as breakeven analysis. The term break-even analysis is used in two senses-narrow sense and broad sense. In its broad sense, break-even analysis refers to the study of relationship between costs, volume and profit at different levels of sales or production. In its narrow sense, it refers to a technique of determining that level of operations where total revenues equal total expenses i.e. the point of no profit, no loss.

Assumptions: The break even analysis is based on the following assumptions :

(i) All elements of cost *i.e.* production, administration and selling and distribution can be segregated into fixed and variable components.

(ii) Variable cost remains constant per unit of output and thus fluctuates directly in proportion to changes in the volume of output.

(iii) Fixed cost remains constant at all volumes of output.

(iv) Volume of production is the only factor that influences cost.

(v) There is a synchronisation between production and sales.

Some words which are generally used in break-even analysis :

Break-even Point. It is a level of production at which revenue and costs (fixed and variable) are the same, at this point there is neither profit nor loss. Every concern tries to reach this level of production at the earliest and profit starts only when production increases beyond this level.

Contribution: It is the difference between sales and variable cost or marginal cost of sales. It may also be defined as the excess of selling price over variable cost per unit. Contribution is the amount that is contributed towards fixed expenses and profit.

Profit/Volume Ratio (P/V Ratio): It establishes the relationship between contribution and sales and is of vital importance for studying the profitability of operations of business. It reveals the effect on profit or changes in the volume. The concept of P/V ratio is useful to calculate the break-even point, the profit at a given volume of sales, the sales volume required to earn a given profit and the volume of sales required to maintain the present profits if the selling price is reduced by a specified percentage.

Breakeven point is an indicative of effectiveness and control. The production targets are fixed in advance and breakeven point helps in this fixation. In case there is an adverse change in break-even point then the causes for it are properly analysed. Breakeven point is a yard stick for measuring the performance of management. Break-even analysis is based on certain assumptions which may not always be correct so it cannot always be used as reliable standard for performance.

(vi) PROFIT AND LOSS CONTROL

Profit and loss control is a simple and commonly used overall control device to find out the immediate revenue or cost factors responsible for either the success of an enterprise. As a control device it is regarded very effective in certain respects because it enables the management to influence in advance revenues, expenses and consequently even profits.

The sales, expenses and profit of different departments or for different products are compared with that of other departments or products. The department or product becomes a cost centre. The in charge of the department is responsible for its performance. Even historical comparison is done to assess the performance. In case there are deviations in performance then immediate steps are taken to -rectify them.

(vi)   STATISTICAL DATA ANALYSIS

Statistical data analysis is an important control technique. This analysis is possible by means of comparison of ratios, percentages, averages, trends etc. of different periods with a view to pinpoint deviations and causes. This method of control is very useful in case of inventory control, production control and quality control. The minimum and maximum control limits are fixed and deviations within these limits are allowed but if variations go beyond prescribed parameters then immediate steps are taken to correct them. Statistical control charts are prepared with the help of collected data and permissible limits are plotted. A look at the chart will give an idea to the viewer if everything is going as per the plans or not. So analysis of data is a good device of control.

2. MORDERN CONTROL TECHNIQUES

Following are the modern techniques of control which are commonly used at present.

I. Return On Investment Control (Roi). Profits are the measure of overall efficiency of a business. Profit earned in relation to the capital employed in a business is an important control device. If the rate of return on investment (shareholders funds) is quite satisfactory, it will be taken as a yard-stick of good performance. The return on investment can be compared over a period of time as well as with that of other similar concerns. This comparison will show the present performance in relation to earlier periods and also the level of achievement of the concern in comparison to other concerns.

The return on investment is computed by dividing the operating net profit (before interest and tax) by the capital employed in the concern. The following formula is used for this purpose:

$$\text{Return on Investment} = \frac{\text{Net Profit before interest and tax}}{\text{Capital employed}}$$

ROI is used to measure the overall efficiency of a concern. It reveals how well the resources of a concern are used, higher the return better are the results.

II. Programme Evaluation and Review Technique (PERT). Programme evaluation and review technique (PERT) was first developed as a management tool for coordination and early completion of Polaris Ballistic Missile Project in USA resulting in a reduction of 30 per cent time in project execution. A contemporary of PERT is CPM (Critical Path Method) and was developed in connection with maintenance and construction work.

PERT is useful at several stages of project management starling from early planning stages when various alternative programmes are being considered to the scheduling phase, when time and resources schedules are laid out, to final stage in operation, when used as control device to measure actual versus planned progress. PERT uses 'network' as the basic tool of project management and is helpful in completing a project on schedule by co-ordinating different jobs involved in its completion.

III. Management Information System (MIS). Management information system (MIS) is an approach of providing timely, adequate and accurate information to the right person in the organisation which helps in taking right decisions. So MIS is a planned and organised approach to the transferring of intelligence within an organisation for better management. The information is furnished into useful quantums of knowledge in the form of reports. An effective system of MIS collects data from all possible sources. The information is properly processed and stored for use in future.

MIS is of two types; (i) Management operating system meant for meeting the information needs of lower and middle level management. The information supplied generally relates to operations of the business, (ii) Management reporting system which supplies information to top level management for decision-making. The information is presented in a way which enables management to take quick decisions.

An MIS should be so designed which helps management in exercising effective control over all aspects of the organisation.

IV. Management Audit Management audit is an investigation by an independent organization to find out whether the management is carried out most effectively or not. In case there are drawbacks at any level then recommendations should be given to improve managerial efficiency. In the words of Leslie R. Howard, "Management audit is an investigation of a business from the highest level downward in order to ascertain whether sound management prevails throughout, thus facilitating the most effective relationship with the outside world and the most efficient organisation and smooth running internally:'

Objectives

Management audit has the following objectives :

(i)   To see whether the work at all levels is undertaken efficiently or not.

(ii) If the management is not done effectively then suitable recommendations are made to tone it up.

(iii) Whether the plans and programmes are executed properly or not?

(iv) Suggesting ways and means of increasing managerial efficiency.

(v) It also aims to help management at all levels in the effective and efficient discharge of duties and responsibilities.

(vi) The organisational structure is also reviewed to assess whether it can achieve overall business objectives or not.

(vii) Whether the enterprise's share in the market is increasing or declining and how it stands in comparison to competitors.

4.7 SELF ASSESSMENT QUESTIONS:

1. What is Co-ordination?

2. Describe principles of co-ordinations.

3. What are the techniques of effective co-ordination?

4. Define controlling and discuss its characteristics.

5. Discuss types of controlling.

6. What is the scope of control?

7. Discuss various control Techniques.