DCAM-01

VARDHAMAN MAHAVEER OPEN UNIVERSITY, KOTA









PRINCIPLES OF MANAGEMENT

DCAM-01

Vardhaman Mahaveer Open University, Kota

Principles of Management

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Unit - 1 Management: An Overview

Structure of Unit

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1.0 Objectives

After completing this unit, you will be able to:

- Understand the meaning and definition of management;
- Explain various characteristics of management;
- Know various perspective of management;
- Determine whether management is a art, science, or profession;
- Describe different views regarding management versus administration;
- Point out various limitations of management.

1.1 Introduction

Management is a commonly used word. The concept of management is used in every sphere of our modern life. Common men without even knowing the meaning of management make its use in his day-to-day life. Peter Drucker observes that without the leadership of management, a country's resources of production remain resources and never become production. Management converts a mob into an organization, and human efforts into performance. 'Management' is the catalyst which makes possible rapid economic and social development in freedom and with human dignity.

In an industry there are five factors of production - machine, men, material, money and methods. The success of every business depends upon how efficiently above factors of production are used. And these factors of production are controlled by 'Management', so management is the backbone of every industry, trade and commerce.

The area of management is receiving much attention at the present time because the organizations and their environment are becoming more and more complex. In a dynamic society, the management is able to anticipate changes and their impact take appropriate measures to deal with those changes. Krietner R observes, "Management is a problem solving process of efficient use of scarce resources in a changing environment." A successful management is not only effective in achieving the goals, but also efficient in utilizing the resources.

1.2 What is Management?

Management experts have given different meanings of management. It is very wide term and is used as a noun, as a process, as a discipline, as a profession:

1. Management as a Noun: Management as a noun refers to all those persons who are engaged in managing a business organisation and have both responsibility and authority to manage an organization and for those who are responsible for the work of others at all levels.

2. Management as a Process: Management as a process refers to a continuous and dynamic business process. Planning, organizing, staffing, directing, coordination, communication, motivation and control are the important aspects of modern managerial process.

3. Management as a Discipline: Management as a discipline refers to various principles, practices and techniques of management of a business organization. Like Economics, Sociology and Philosophy it is an entire different field and new subject. As a branch of knowledge, it denotes a code of conduct for managers and prescribes the techniques, methods and skills of managing things. It is a young discipline.

4. Management as a Profession: Like medicine, law and teaching, management is also a profession. In any profession a specialized knowledge, experience and competency is needed, likewise these things are also needed in studying management.

Activity A

1. Through your own practical experience, define 'Management' as a process.
2. What do you understand by 'Management as a separate discipline'?

1.3 Management: Definitions

There are a number of definitions of the term 'management'. For the purpose of a detailed study, it will be beneficial to classify some of the important definitions under the following categories:

1. Productivity or Efficiency Oriented Definitions.
2. People Oriented Definitions.
3. Decision-making and Leadership Oriented Definitions.
4. Result or Goal Oriented Definitions.
5. Functional or Process Oriented Definitions.
6. Environment Oriented Definitions.

1. Productivity or Efficiency Oriented Definitions: Productivity or efficiency oriented definitions emphasize that management is the art of getting maximum productivity in the best and cheapest way. This category includes the followings definitions:

In the words of F.W. Taylor known as the Father of Scientific Management, "Management is the art of knowing what you want to do and seeing that it is done in the best and cheapest way". **In the words of William F. Glueck,** "Management is effective utilization of human and material resources to achieve the enterprise's objectives".

The productivity-oriented definitions ignore the "human side" aspect and hence facing criticism by large number of well-known management practitioners and academicians.

2. People Oriented Definitions: Now a lot of emphasis is being given to the 'human aspect' of management. In fact, the main subject of management is 'man'. Management is all about working in and through human relationships.

Lawrence Appley (Former President, American Management Association) defines "Management is personnel administration" he also writes that, "Management is the development of people and not the direction of things." According to him, "Working satisfactorily with people is not part of the management job-it is the entire job". **In the words of Stoner, Freeman and Gilbert,** "Management is a specialty in dealing with matters of time and human relationships as they arise in organizations".

These definitions refer to a class of people within an organization. Managing people and their work relationships is an important part of management.

3. Decision - making and Leadership Oriented Definitions: There are certain authors who admit management as a function of decision-making and leadership. Some of such definitions are as follows:

According to Ross Morre, "Management means decision making". **In the word of Stanley Vance,** "Management is simply the process of decision-making and control over the actions of human beings for the purpose of attaining predetermined goals".

Some writers think of management as a kind of leadership; a leadership of ideas, knowledge, power and relationships. **According to Prof. Clough,** "Management is the art and science of decision making and leadership". **According to Newman, Warren and McGill,** "Managing is the guidance, leadership, and control of the efforts of a group of individuals towards some common goal."

4. Result or Goal Oriented Definitions: Goal-oriented definitions highlight that management or managing is the activity which is concerned with getting things done through and with other people. A few definitions are as follows:

Mary Parker Follett defines, "Management is the art of getting things done through people". **According to Lawrence Appley,** "Management is the accomplishment of result through the efforts of other people". In the words of **Paul Hersey and Blanchard,** "Management is the process of working with and through individuals and groups and other resources to accomplish organisational goals."

5. Functional or Process Oriented Definitions: These are the most widely accepted definitions of management. Such definitions describe the functions that are carried out by managers, to perform the jobs effectively. Some important definitions of functional nature are as under:

Henri Fayol writes, "To manage is to forecast and to plan, to organize, to command, to coordinate and to control." **According to James Lundy,** "Management is a distinct process insisting of planning, motivating and controlling the efforts of others towards specific objectives." **According to George R. Terry,** "Management is a distinct process consisting of planning, organizing, actuating, and controlling, utilizing in each both science and art, and followed in order to accomplish pre-determined objectives."

According to Flippo and Munsinger, "Management is fundamentally a process of planning, organizing, directing and controlling activities that will lead to the effective fulfillment of objectives." **Dalton E. McFarland defines management as** "The process by which managers create, direct, maintain, and operate purposive organizations through coordinated, cooperative human efforts."

6. Environment Oriented Definitions: Both internal and external Environment largely influences management activities. Many experts have widened the process view of management by adding environmental dimension to it. Some of such definitions are as follows:

According to Weihrich and Koontz, "Management is the process of designing and maintaining an environment in which individuals work together in groups, towards efficiently accomplishing the selected aims." **In the words of Kreitner,** "Management is the process of working with and through others, to achieve organisational objectives in a changing environment. Central to this process is the effective and efficient use of limited resources in the dynamic environment."

In the words of Robert Albanese, "Management is the work of creating and maintaining environments in which people can accomplish goals efficiently and effectively. These environments involve the integrated use of human, financial, and natural resources for the purpose of achieving goals." **Thus**, management is an ability to create and design an environment in which people work with full capacity, and they develop the ability to cope with a changing environment.

In brief management is the social process of planning, organizing, staffing, directing and controlling the work and resources for the achievement of organizational goals in a dynamic environment. To conclude, management may be finally regarded as:

- Formulation of plans, policies and objectives;
- Securing men, material, machinery, money and methods for their achievement;
- Putting all of them into operation;
- Directing and motivating the men at work;
- Supervising and controlling their performance; and
- Providing maximum satisfaction and service to employer, employees.

Activity B

1. Conclude goal oriented definitions of management in your own words
2. "Management is people." How?
3. "Management is decision-making." How?

1.4 Characteristics of Management

An analysis of above mentioned definitions reveals the following characteristics of management:

1. Management is a Human Activity as well as a Process of Organized Activity: Management is the development of people and not the direction of things. It deals with human organizations. Animals have no organizations and hence cannot be managed. Moreover, animals are trained, not managed **(Carlisle).** The core aspect of management is 'Man' and arguably the most important one, as personnel are the core resource and modus operandi of all businesses. Management is a process of organized activity. It is concerned with the efficient use of available resources. This process is made up of some interrelated elements - planning, organizing, leading and controlling.

2. Management is Concerned with Group Efforts/Activity : An organization basically comes into existence to achieve certain objectives which are attained more easily by a group than by an individual. No individual can satisfy all his desires by himself. Hence he unites with his fellow - beings and works in an organized group to achieve what he cannot achieve individually.

Management always prefers group efforts. Lawrence Appley call it "Efforts of the people", while J.L. Massie call it "Co-operative group". Management plans, organizes, co-ordinates, directs and control the group efforts, not the individual efforts.

3. Distinct Process: Management is a distinct process performed to determine and accomplish stated objectives by the use of human beings and other resources. Different from the activities, techniques and procedures, the process of management consists of such functions as planning, organizing, staffing, directing, co-coordinating, motivating and controlling.

4. Management is Dynamic: Management has to be performed continuously, in an ever-changing business environment. It is also concerned about the alteration of environment itself so as to ensure the success of the enterprise.

Management is not a static activity. It adapts itself to the new changes in society. It introduces innovation in its styles and methods. Management not only adopts innovative changes, but also introduces modern development in the field of management methodology like "Management of change".

5. Management is a Social Process: According to Newman, management is a social process because managerial actions are chiefly concerned with relations between people. The Process of management is largely social because it involves the interrelationships of people at work. Brech writes, "Since it is chiefly the activities of people that are coordinated and regulated by management, it is correctly called a social process."

Management consists in getting things done through others. While dealing with people management directs co-ordinates and regulates the efforts of the human beings in order to achieve the desired results. In this sense, management is a social process. It has a social obligation to make optimum use of scarce resources for the benefit of the community as a whole.

6. Management is Goal Oriented Activity: According to Theo Haimann, "Effective management is always management by objectives". Haynes and Massie opine that without objectives, management would be difficult, if not impossible.

Every managerial activity has certain objectives which may be expressed or implied. These objectives are determined by top administration. Group efforts are directed towards the achievement of some predetermined goals. Management is concerned with establishment and accomplishment of these objectives. Success of managers is generally measured by the extent to which objectives are achieved. Armstrong says, "Management is a priori goal-oriented, not open-ended. It exists to help in achieving particular desired-ends."

7. Management is Concerned with Managing Effective and Efficient Use of Resources: Effective use is one which produces results while efficient use is one which produces such results with the least possible resources. Thus producing more with the resources available means increases in productivity. Management is concerned with optimized productivity per person or optimized unit of resources.

8. It Involves Decision Making: Decision making is the ultimate object of managerial process. A manager does everything through decision-making. Manager decides the course of action, strategies, policies and programmes through decision making process. Drucker says, "Whatever a manager does, he does through making decisions". Thus, management is always a decision-making process.

9. Universal in Character: In the words of Henry Fayol, "Be it a case of commerce, politics, religion, war in every concern there is management function to be performed." Management is required in all types of organizations. Wherever there is some human activity, there is management because management is a universal concept and its principles and techniques are used all over the world irrespective of the levels of development. According to Geoge Terry, "We are all managers of our own lives, and the practice of management is found in every facet of human activity."

10. Management is an Art of Getting Things Done: According to Koontz and O'Donnell, management is the art of getting things done through and with people in formally organized groups. A manager does not do any operating work by himself; rather he has the authority to get it done through others. In fact, it is when he gets the sense of responsibility for accomplishment then he is a manager.

11. Separate Identity: Management represents a separate class of managerial personnel who are quite different from the identity of workers and capitalists. It is a class of administrators and planners. Managers need not to be owners. In modern industrial society, Labour, Management and Capital are different entities.

12. It is Pervasive at All Levels: Management activity is pervasive at all level of organisation, e.g. top level, middle level and supervisory level. Every manager at top, middle and supervisory levels perform the same managerial functions and activities.

13. Management is a System of Authority: Authority is considered to be the base for performance of managerial functions. Authority is the power to compel men to work in a certain manner. Management cannot work in the absence of authority since it is a rule-making and rule-enforcing body. There is a chain of authority and responsibility among people working at different levels of the organisation.

Authority flows from top to the bottom across all the levels of managerial hierarchy. This system is known as the managerial hierarchical system of authority. Today, modern management is a synthesis of official authority, authoritarian command, humanitarian approach and personal power arising from moral worth and personality.

14. Management is Inter Disciplinary Subject: Although management is a distinctive discipline, a number of other subjects have their influence and relationship with it. Subjects like anthropology, sociology, psychology, political science, economic and various other social science subjects have association with it. Management draws and uses the principles and knowledge of these disciplines.

15. It is Intangible: Management is invisible force. Its presence can be felt by its results like quality improvement and increased output. As pointed out by Terry, management is intangible and it is an unseen force. Its presence is often evidenced by the results of its efforts that is, adequate work output, satisfactory work climate, employee satisfaction etc.

16. Management is Creative Activity: Management is a creative activity. It makes things happen. It is the dynamic activity which uses human, physical, financial and informational resources efficiently and effectively for creating wealth. Peter Drucker says, "Management is a major responsibility for creative action." It creates new jobs, new wealth and new skills.

17. Art as well as Science: Management is a science since its principles are of universal in nature. Management is an art as the results of management depend upon the personal skill of managers. The art of the manager is essential to make the best use of management science. Thus management is both science and art.

18. It is a Profession: Management is a young and emerging profession. It has systematic and specialized body of knowledge, prescribed qualifications to enter the profession, the goal of providing service, and code of conduct for managers. It can be taught as a separate discipline or subject. With the advent of large-scale business, the management is now entrusted in the hands of professional managers.

19. It is Integrating or Coordinating Process: Management does the important work of integrating

the work done by others. It is concerned with the coordination of all activities and resources. The essence of management lies in unifying the individual efforts into a team effort. Koontz and O'Donnell write, "Coordination is the essence of management."

Managers try to strike a happy balance between enterprise objectives and individual goals. According to Newman, managers are needed to convert disorganized resources of men, machines and money into useful, productive enterprises.

20. Other Characteristics

- Management is relationship building within and outside the organisation.
- Management is concerned with ideas, things and people.
- Management is an environment oriented activity.
- Management has its own tools and techniques.
- Management is leadership responsibility, not just an activity.
- Management is concern with performance results and accomplishment.
- Management has distinct identity and entity.

1.5 Different Perspectives of Management

1. Bureaucracy: In the past, management was looked as a command and control model whereby people from the top in succession direct their subordinates what they were supposed to do and achieve, and get feed back to control whether they are following the directions given or not. This model gave rise to bureaucracy. In this model, people look upward for any directions and decisions. The process of taking decisions and actions becomes very lengthy since it goes first upwards and returns downwards. Since many people are involved, the written instructions predominate for giving directions and feedback and this involving a lot of paperwork. This type of management structure is common in most Government organizations.

2. Co-operative Establishments: Some people gave importance to group effort and maintained that the task of management is to create a cooperative environment and, therefore, this aspect is given more importance. Collective farming, cooperatives have their birth in this concept. The management techniques were developed as directed elected leaders than by pure managers.

3. Socio-technical View: People were thought more as a vehicle of work and organizations were primarily though as 'people' organizations. However, when resources were required in terms of process and equipment, organizations became socio-technical in nature. The human labour as well as machinery was visualized as a part of a system - without which both these could not work. The organization was therefore thought to be a socio-technical function, thereby requiring a technical process.

4. System Aspect of Management: An organization is simply an input-process-output system which works continuously. Inputs such as material, money, machines, people, technology etc. undergo change in terms of products or services and then are provided as output to customers. Customers pay for such services and from the money received you again buy input, again process it and offer and output. Thus, this is a continuous.

5. Management as a Process of Functions: As a process, management refers to what management does, i.e., the function performed by managers. According to Henry Fayol, the father of modern management, "management is a process of interrelated functions i.e. planning, organizing coordinating, directing, motivating and controlling. Every manager accomplishes the objectives of his organisation by following this process. This process ensures better utilization of resources for accomplishment of objectives."

6. Decision Making System: Since management takes decisions all the time it was felt that if we concentrate on the process of decision making as a management's main concern, it will reward in terms of results. Thus, decision making acquired a meaningful importance in management. Throughout the life of an organization, management takes decisions and thus it was felt that major management attribute is decision making. Peter F. Drucker, believe whatever a manager does, he does through making decisions. Decision-making is a process of choosing between alternatives after consideration of the likelihood of various outcomes. Success of managers largely depends upon the quality of their decisions.

7. Management is the organ of Business: Peter Drucker views management as an organ of a business. According to him "it is a multi-purpose organ that manages a business and managers and manages worker and work." Without this organ a business enterprise or an industrial society cannot exist. Drucker also explain, "Management is the organ of the institution. It has no function in itself, indeed no existence in itself. Management divorced from the institution it serves is not management."

8. Management as a Class or Elite: Sociologists view the terms 'management' as collective term. They use the term 'management' to refer those persons or elite who directs and supervise the work of others. From this point of view, organization members can be put into two classes-managers and non-managers. Managerial class is elite of brains and education. This class commands knowledge power due to its specialized training. Managers accomplish their work by directing the work of others.

9. Management is an Art of Getting Things Done: "Getting things done" means to get tasks and activities carried out. It implies that management is not a mere philosophy but a highly performance-oriented function. Management gets things done through people, comprising of both managers, subordinate and staff members.

"Getting things done" through the people is really an art, which consists of a range of skills acquired and refined in the course of practice. The skills which are required to get things done through people include conceptual skills, technical skills, administrative skills, social skills and so on. In order to get things done through people, management has to plan the things which are to be done. This "planning" describes the formulation of objectives, strategies, policies and programmes at the top level of management. The tasks to be carried out for achieving the goals are to be determined and assigned to individuals and work units. It is called organisation. Then the roles or various position holders and their inter-relationships are to be designed and defined. Thus, the management means to get things done in an organized and disciplined manner.

10. Management as a Career: The term 'Management is also used to signify a career or an occupation devoted to managing the activities of organizations. Any person when joins a business enterprise as an executive or supervisory level, he is said to be in the management career or occupation.
Management has become a lucrative and challenging career path and source of livelihoods. Those who adopt management career devote their working lifetime to the practice of management. As a career or occupation, management is a board concept. It includes career opportunities in general management as well as in functional areas of management.

11. "Management as the Development of People and Not the Direction of Things": These are the words of Lawrence Appley. Management is the attainment of pre-determined objectives by the direction of human efforts on established lines. Managers do not wait for the future, but they make the future. The basic objective of management is to assist the entire organisation from top to bottom by improving knowledge, skill, habits and attitudes that guide towards productivity.

There are two important elements which make up the 'art of management', namely human resources and physical resources. The term human resources include personnel administration consisting of manpower planning and development of manpower. The term physical resources include finance, raw materials, plant and machinery, buildings, etc. The task of the management is to manage and administer both these resources for the achievement of results. Management directs the human resources or men who make the best and the optimized use of physical resources. This ultimately accelerates productivity.

Management is the "development of people" because people have the capacity to develop and reach expectations in life. According to McGregor's theory of motivation, every individual like to undertake responsibility because his expectations in life is hidden in him. Every individual has the ability to solve the organisational problems and therefore, the management should develop the efficiency of the people which are hidden in them.

12. Management as a Discipline: A discipline is a branch of knowledge and instruction, a mental and moral training thus management as a discipline means a field of study which includes management principles, techniques, functions and problems. Management effectiveness requires the use of certain knowledge, skill and practice. In the present world, management has developed itself into a separate subject-discipline. It has its own basic principles, theories and subject contents. No doubt, management as a discipline has drawn most of its principles from sociology, Economics, Psychology etc.; it has now claimed in its own right as a discipline. The existence and popularity of M.B.A. (Master of Business Administration) courses in most of the Universities bear ample witness to this. As a result of its popularity and effectiveness, most of the managers, before taking up their jobs acquire such qualifications.

13. Management as Leadership: Leadership is an integral part-of management and it plays an important role in managerial functions. Peter Drucker considers leadership as a human characteristic which lifts a man's vision to higher foresight, raises a man's performance to higher standards. According to this concept, managers perform through leading or influencing. They diagnose and understand the situation, adapt their behaviour and communicate in a way that people can easily understand and accept. They have behavioural skill to close the gap between them and employees.

Activity C

1. By combining all above characteristics and perspectives of management, write a summary about, what you feel are the manager's functions.

1.6 Management: Art, Science, or Profession?

In the field of management there is an age old controversy whether management is a science, an art or profession. This controversy has created a good deal of confusion about the nature of management. It is generally acknowledged that management involves some degree of skill. But beyond that there is an ongoing debate about just how management should be classified: as an art, a science, or a profession?

1.6.1 Management as an Art

According to Terry, art is "bringing about of desired results through the application of skill." Art is skillful application which depends entirely on the inherent capacity of a person which comes from within a person and which is learned from practice and experience. In this sense management is certainly an art as a manager uses his skill and knowledge in solving many complicated problems that confront him in working in his organization successfully. For making decisions each manager develops his own personal style and this style is something which can be associated more with art than with science.

Management is considered as an art rather than science mainly because managerial skill is a personal possession and is intuitive. Drucker says "Management is a practice rather than science." It is contended that neither it is possible nor is it desirable to accumulate this body of knowledge which is not transferable.

Management practitioners, argues that management is an art. In their view painting or poetry (or any other fine or literary art) requires three components: the artist's vision, knowledge of craft, and successful communication. In these respects management is an art, because it requires the same components. And therefore, just as artistic skill can be developed through training, so can managerial skill be developed in ways similar to those used in training artists.

It seems most likely that, for further some more time, the field of management will inclined more towards art than science. We are learning more about management every day and in many situations can now safely recommend a specific course of action. The use of computers has vastly improved our ability to make valid predications. But we are at present a long way from possessing the body of theory and accuracy of prediction that belong to science. Indeed, the file of management lags behind the behavioral sciences upon which it draws. A great deal remains to be learned about the interaction of people, about the social structure of organizations, and much more, Until our understanding is more complete, managers will have to rely on their own judgement, their intuition, and often on insufficient information. And so, although some aspects of management have become more scientific, much of management remains an art.

1.6.2 Management as a Science

In the ancient times it was felt that the skills of management cannot be codified and communicated. But today, it has been realized that the principles of management may be codified and communicated, this gave birth to the concept of management as a science. In the words of Keynes, "Science is a systematized body of knowledge which establishes relationship between cause and effect". Following are the essential features of science:

- ✓ Scientific principles are exact and have universal applicability without any limitation.
- ✓ It is a systematized body of knowledge.
- ✓ Scientific principles establish a cause and effect relationship between various factors.
- ✓ The validity of scientific principles can be verified and therefore, they provide a reliable basis for predicting future events.
- ✓ It uses scientific methods for observation.
- ✓ Scientific principles are evolved on the basis of continued observation.

Applying these features of science to management one may determine whether it qualifies as a science:

1. Universal Application: In the words of F. W. Taylor, "The fundamental principles of management are applicable to all human activities from our simplest individual acts to the working of our great corporations". Scientific principles have universal application. The knowledge of management has been accumulated and accepted with reference to general truths. Hence there are certain fundamental principles of management which can be universally applied.

2. Systematized Body of Knowledge: As a science, management is an organized body of knowledge built up by management practitioners, thinkers and philosophers over a period of years. Management science is a body of systematized knowledge accumulated and accepted with reference to the understanding knowledge accumulated and accepted with reference to the understanding of general truths concerning management.

3. Cause and Effect Relationship: Scientific principles establish cause and effect relationship among facts. The principles of management also establish cause and effect relationship, e.g., it is said that poor planning and wrong plant layout result in low productivity.

4. Validity and Predictability: Science is not mere knowledge or collection of facts. It becomes science only when the knowledge so gathered can be verified. The principles of management can also be verified for their validity. These have been put to severe tests and found to be valid. For example, the principle of unity of command states that a subordinate put under one boss will show better results than the subordinate who has to follow two or more bosses. By finding cause and effect relationship the principles of management can serve as a reliable basis for predicting future events.

5. Use of Scientific Methods: The management process makes use of scientific methods for observation. F. W. Taylor, the father of Scientific Management applied scientific techniques to studies of planning, organizing, staffing, motivating, etc.

6. Continued Observation: The principles of management have been developed after continuous observation. Its knowledge has been acquired through continuous and vigorous efforts of many theorists and practitioners over a period of years.

1.6.3 Limitations of Management as a Science

From the above discussion, it is clear that management is a science. But unlike Physics, Chemistry and Biology, it is not an exact science. Its principles cannot be considered as fundamental truths. At times, they may not bring desired results and may not have universal application. The science of management deals with human beings whose behaviour cannot be predicted. Thus, it is a 'soft science' or 'social science' like sociology and political science. As a pure science Management suffers from the following limitations:

- ✓ In management human behaviour cannot be predicted.
- ✓ Management lacks certainty about results.
- ✓ It does not consist on fundamental truths only.
- ✓ Its principles do not always have a universal application.

1.6.4 Management: A Science as well as an Art

Thus management has elements of both art and science. It is not pure science or pure art. It is a science as well as an art. According to the American Society of Mechanical Engineers, "Management is the art and science of preparing, organizing and directing human efforts to control the forces and utilize the material of nature for the benefit of men." As Cossa has said, "Science requires art; art requires science, each being complimentary to each other." There is no hard and fast line between art and science of management. Management as science will have to solve problems and establish principles which might be applied with benefit to the management as art.

So we can say management is a science since its principles are of universal in nature. Management is an art as the results of management depend upon the personal skill of managers. The art of the manager is essential to make the best use of management science. Thus management is both science and art.

Activity D

1. If diploma is skill oriented application, and degree is scientific knowledge oriented application, then should management be considered as a diploma or degree?

1.6.5 Management as a Profession

Is management a profession? The answer to this question will largely depend on the meaning one assigns to the term 'profession'. According to the dictionary, profession is a "calling in which one professes to have acquired specialized knowledge which is used either in instructing, guiding or advising others." Hodge and Johnson have defined the term profession "as a vocation requiring some significant body of knowledge that is applied with high degree of consistency in the service of some relevant segment of society." Professionalism requires a body of codified knowledge which can be taught and which can be applied with some degree of universality.

Edgar H. Schein has compared key qualities of professionals with those of managers. In particular, Schein notes three characteristics. First, professionals base their decisions on general principles. That there are certain reliable management principles is shown by the very existence of management courses and training programs. Although the principles held in common by most managers and management theorists do not apply perfectly in all situations, particular guidelines have high reliability. For example, the simple behavioral guideline, "praise in public and criticize in private," usually works out well, although occasionally it backfires.

Second, professionals achieve professional status through performance, not through favoritism or other factors irrelevant to the work at hand. Unfortunately, in practice managers sometimes achieve managerial positions through their relationships with people in power or by other non-work-related factors. In addition, no agreed-upon body of objective standards exists by which to judge managerial performance.

Finally, professionals must be governed by a strict code of ethics that protects their clients. Because of the professional's expert knowledge in a specific area, clients are dependent upon him or her and, as a result, are in a vulnerable position. Schein argued that no management code of ethics has yet been developed for this.

Schein concluded that by some criteria management is indeed a profession, but by other criteria it is not. Today we can see many signs that management is working towards increased professionalism, both in business and in non business organizations. Current social pressures seem to be bringing about a heightened awareness of ethical standards. The growth of formal management training in graduate college and through executive development programs is spreading a body of accumulated knowledge and teaching the skills that are the hallmark of professionalism.

1.7 Management versus Administration

There is much disagreement among management experts about the use of the two terms - management and administration. Some experts say that there is no fundamental difference between management and administration, while others consider them as two separate functions. A few writers treat administration as a part of management. The views of management experts on this issue may be studies in the following manners:

1. Administration is Above Management
2. Management and Administration is Same Thing
3. Administration is a Part of Management Activities

1. Administration is Above Management: Oliver Sheldon initiated the distinction between

administration and management. He was followed by William Spriegel, Milward, Lansberg, Ordway Tead, Florence, etc. Administration determines the specific goals and lays down the broad areas within which those goals are to be achieved. Administration is a policy making function. Management, on the other hand, is concerned with carrying out the broad policies laid down by administration.

Oliver Sheldon has used this term as "Administration is the function in industry concerned with the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass of organisation and the ultimate control of executive. Management proper is the function in industry concerned in the execution of policy, within the limits set up by the administration and the employment of the organisation for the particular objects set before it."

In the words of Spriegel, 'Administration is largely determinative, whereas management is essentially executive', thus administration relates to decision making and policy formulation whereas management is concerned with the execution of policies framed by the administration. Experts of management Mr. Florence and Mr. Tead state that "Administration is a process of thinking and management is as process or agency of actual operation".

2. Management and Administration is Same Thing: There are experts such as Henri Fayol, William Newman, Ernest Dale, McFarland, Koontz and O'Donnell, George Terry etc., who treat management and administration as same thing. They argue that there is no perceivable distinction between these two terms and these activities may be performed by the same person in an organization so no two sets of persons are required to perform administration and managerial function. The management process is the same in all organizations and at all levels in organisation.

From a practical point of view it is no use to put the curtain between management and administration. In fact, it is virtually impossible to place administration and management in two separate compartments in an undertaking.

Every manager has to perform the dual function simultaneously viz., thinking and doing functions. In general, it can be said that people at the top spend more time in discharging administrative functions while people at the lower level pay more attention to performing routine activities. In other words, top management is chiefly concerned with performing administrative activities, whereas managers at lower levels are predominantly concerned with executive functions. The figure 1.1 illustrates this aspect.

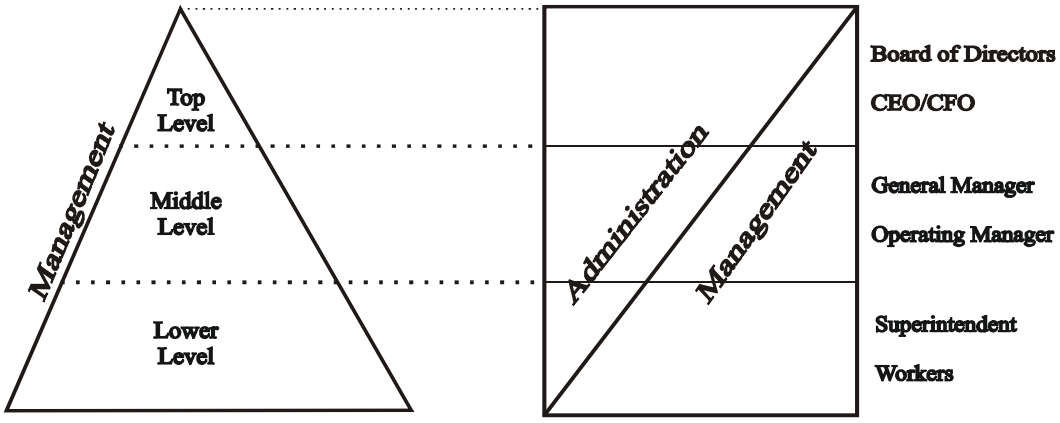


Figure 1.1 Management vs. Administration

Distinction between the above two words is misleading. It is very difficult in a modern business enterprise to know what functions belong to administration and which ones are concerns to management

of an organization. From the above analysis it is clear that the two terms 'administration and management', are complementary to each other. An administrator must have the qualities of manager and similarly administrative qualities are must to be in managers.

3. Administration is a Part of Management Activities: The supporters of this view include Kimball and Kimball, Theo Haimann, E.F.I. Brech, James Lundi, and others. In the words of Brech, "Management is a social process entailing responsibility for the effective and economical planning and regulation of the operations." He further defines administration as a part of the management which is concerned with guidance integration, motivation and supervision of the personnel composing the enterprise, and carrying out its operations."

Thus administration is a part of management. Brech divides the management into three levels:

(i) Top Level Management: It comprises of managing director, executive director, board of directors and general manager etc. This is concerned with the formulation of policy and having a hand in motivating personnel and co-ordination of activities.

(ii) Middle Level Management: It consists of all departmental heads like finance, personnel, production and marketing managers etc. They work within the frame work of the goals, objectives and policies of organization decided by the management.

(iii) Lower Level Management: Officers, supervisors and foremen come in the lower management. They work under the direction and guidance of middle management of the business concern. This is mainly concerned with supervision, control and expert decisions on technologies of operations and also day-to-day activities.

This view about the management and Administration sees management as wider term than administration.

To conclude, we can say that in actual working of a business organisation or any business enterprise it is difficult to know exactly what functions belong to administration and which functions relate to management. Managing Director or General Manager of the business organisation is equally concerned with policy making and its effective implementation. These two terms are used interchangeably with each other.

Activity E

1. Suppose you are an owner of sole proprietorship business. Do you look management as administration or something more? Explain.

1.8 Limitations of Management

All the limitations stated below are not so static. If the managers are efficient and knowledgeable, they can exercise control over these limitations. The important limitations include the following:

1. Principles are not Static: The principles of management are not static in nature. They require to be adjusted according to specific situations. One principle may be good for one enterprise at a time, but it needs not to be suitable for another.

2. Changing Nature of Management: As management is an emerging subject so, concepts of management also change frequently. New ideas are being innovated, new products with more uses and designs are introduced in the market, new likes and dislikes are developing in every buyer.

3. Limitations of Social Science: As management is a social science it suffers from the limitations of social service. Its subject matter is 'man'. The human behaviour is unpredictable because it changes with the change in situation. It lacks exactness and accuracy like physics or chemistry which are natural sciences. Hence management techniques change if the situation changes and the management use its discretion while applying it.

4. Management is Culture Bound: The culture and social customs of every country put influences on management. Social, Political and religious environments put much influence on it. A manager has to take decisions keeping in view of the cultural environment of the particular country or place.

5. Changes in Internal or External Environment of Business: With the change in business environment, business complexities have increased manifold. These changes have brought about changes in theory, practice and philosophy of management. Application of quantitative techniques along with the human relations and systems approach has increased the new horizon of management thinking. As a result some established principles have been refined.

6. Lack of Appropriate Information: Business decisions are taken on the basis of analysis of various information, collected from various sources. There found to be non-availability of up to date data relevant for decision - making. In the absence of up to date and correct information, accurate decisions can not be possible. This may the reasons that may of the business decisions went wrong after their implementation.

7. Narrow Outlook of Managers: It is an important obstruction to the development of management. The habit of getting work done by others develops dictatorship and authoritative attitude among a number a managers. Moreover, their workload is unnecessarily increased due to concentration of power.

8. Change in Social Needs: Management is a social science. It studies social needs which are always subject to change due to which the society becomes more extracting and demanding, while the management fails to fulfill the societies change needs. There fore management should change its principles, policies as the society dictate.

9. A dictatorial Concept: On one aspect management means development of the people and not the direction of things; but on the other the managers sometimes centralize their powers and exercise dictatorship to get the work done by subordinates Managers even do not hesitate to transfer their responsibilities on others.

However, this does not mean that these limitations minimize the importance of management. All these limitations are not so static; the managers can control these limitations depending upon their skills and practical experience.

1.9 Summary

The area of management is receiving much attention at the present time because the organizations and their environment are becoming more and more complex. And management is a problem solving process of efficient use of scarce resources in a changing environment. A successful management is not only effective in achieving the goals, but also efficient in utilizing the resources.

Productivity or efficiency oriented definitions of management emphasize that management is the art of getting maximum productivity in the best and cheapest way. People oriented definitions refer to a class of people within an organization. According to these definitions managing people and their work

relationships is an important part of management. Decision - making and leadership oriented definitions admit management as a function of decision-making and leadership. Goal-oriented definitions highlight that management or managing is the activity which is concerned with getting things done through and with other people. Functional or process oriented definitions describe the functions that are carried out by managers, to perform the jobs effectively. In environment oriented definitions many experts have widened the process view of management by adding environmental dimension to it.

So finally we can conclude that, management is the social process of planning, organizing, staffing, directing and controlling the work and resources for the achievement of organizational goals in a dynamic environment.

There is an ongoing debate on whether management is an Art or Science or Profession? Management is a science since its principles are of universal in nature. Management is an art as the results of management depend upon the personal skill of managers. The art of the manager is essential to make the best use of management science. Thus management is both science and art. Today we can see many signs that management is working towards increased professionalism, both in business and in non business organizations. Current social pressures seem to be bringing about a heightened awareness of ethical standards. The growth of formal management training in graduate college and through executive development programs is spreading a body of accumulated knowledge and teaching the skills that are the hallmark of professionalism.

Distinction between management and administration is very difficult in a modern business enterprise to know what functions belong to administration and which ones are concerns to management of an organization. From discussion in the above unit it is clear that the two terms 'administration and management', are complementary to each other. An administrator must have the qualities of manager and similarly administrative qualities are must to be in managers. Although there are some limitations of management but these limitations are not so static; if the managers are efficient and knowledgeable, they can exercise control over these limitations through their skills and practical experience.

1.10 Self Assessment Questions

1. "Management is the art of getting things done through other people". Explain this statement.
2. Explain the following statements:
   (i) Management is not the direction of things.
   (ii) Management is result-focused.
   (iii) Management is relationship-centered.
   (iv) Management means decision making.
   (v) Management is environment oriented.
3. Define "Management". Discuss its various characteristics.
4. "Management is the function of executive leadership anywhere." Discuss.
5. Explain the various perspective of management in detail.
6. Why some people call management an art, and other call it a science?

7. Is management a science or an art or profession? Explain.

8. Are "Management" and 'Administration' synonymous? Discuss the various viewpoints and conclude.

9. Define management? Distinguish between management and administration.

10. Clearly explain the various limitations of management.

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Unit - 2 Functions and Roles of Management

Structure of Unit

2.0 Objectives
2.1 Introduction: The Management Process & Definitions
2.2 Functions of Management
2.3 Nature of Management Functions or Process
2.4 Relationship among the Management Functions
2.5 Levels of Management
2.6 Mintzberg's Managerial Roles
2.7 Management Skills versus Management Levels
2.8 Summary
2.9 Self Assessment Questions
2.10 Reference Books

2.0 Objectives

After completing this unit, you will be able to:

- Enhance the understanding regarding management and its process;
- Explain various functions of management and the nature of management function;
- Associate the relationship among the management functions;
- Know about the various levels of management exist in an organization;
- Point out various managerial roles suggested by mintzberg's and their importance;
- Determine at what level of management, which type of skills are needed.

2.1 Introduction: The Management Process & Definitions

The general approach to study management is to treat it as a process. According to Stoner, Freeman and Gilbert, "Process is a systematic way of doing things." In simple words, it is a step-by-step sequence. Management is a 'process' to emphasize that all managers engage in certain interrelated activities in order to achieve their desired objectives. The Management process assumes that the totality of what managers do can be divided into set of inter-related functions. Therefore, the study of management basically involves the study of managerial functions or process.

Definitions:

1. In the words of George R. Terry, "Management is a distinct process consisting of planning, organizing, actuating, and controlling, utilizing in each both science and art, and followed in order to accomplish predetermined objectives."

2. In the words of Stanley Vance. "Management is simply the process of decision making and control over the actions of human being for the express purpose of attaining predetermined goals."

3. In the words of Delton E. McFarland, "Management is a process by which managers create, direct, maintain and operate purposive organizations through systematic, coordinated and co-operative human effort."

4. According to Dale S. Beach. "Management is the process of utilizing materials and human resources to accomplish the designate objectives; it involves the organisation, direct, co-ordination and evaluation of people to achieve these objects."

These definitions envisage the following elements:

- Management is a distinct process.
- It consists of planning, organizing, coordinating, directing and controlling.
- It is meant to accomplish pre-determined objectives.

2.2 Functions of Management

It is very difficult to understand the real nature of management process without studying its various facets. In the process of managing, a manager performs various functions for the achievement of pre-determined objectives. Many authorities and scholars on management have tried to discuss the functions of management. But there is no unanimity among them about the nomenclature of the functions of management.

Functions of management can be broadly classified under following two categories:

I. Operating Functions
II. Managerial Functions

I. Operating Functions:

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

Above functions of modern management are watching its respective departments like marketing functions would be seen by the marketing department, production functions by the production department of the business concern and likewise.

II. Managerial Functions: Henri Fayol classified management functions as follows: (i) forecasting and planning, (ii) organizing (iii) commanding, (iv) coordinating, and (v) controlling. Joseph Massie has given the seven functions of management, namely, decision making, organizing, staffing, planning, controlling, communicating and directing. G. R. Terry described managerial functions under four heads, which are: planning, organizing, actuating and controlling. Koontz and O'Donnell are of the opinion that, "the most useful method of classifying managerial functions is to group them around the activities of planning, organizing, staffing, directing and controlling." They have further said that in practice it is not always possible "to place all managerial activities neatly into these categories, since the functions tend to coalesce".

The greatest management expert Mr. Luther Gullick has described following functions under the catchword 'PODSCORB' where:

P	=	Planning
O	=	Organizing
D	=	Directing
S	=	Staffing
CO	=	Coordination
R	=	Reporting
B	=	Budgeting

A detailed discussion of each of the important functions or process of management will take place in separate unit for each in this book; here a brief description is given about what each function refers to:

1. Planning: Planning is the conscious determination of future course of action to achieve the desired goals. It is to determine: What to do? When to do? Where to do? How to do? By whom it should be done? Therefore, planning may be regarded as a process of determining and decision making. It includes the following activities:

- To forecast and determine objects of enterprise
- To decide the policy and to decide the methods of working
- To frame the rules
- To prepare the budget
- To draft a programme

In the words of M. E. Hurle - "Planning is deciding in advance what is to be done in future. It involves the selection of objectives, policies, producers and programmes for attaining enterprise goals." Planning bridges the gap from where we are to where we want to go. It is a prerequisite to doing anything. Proper planning is must to ensure proper utilization of human and non-human resources to achieve the desired goals. It has to be done at all levels of management. Since planning involves taking important decisions, top management devotes more time on planning as compared to low-level management.

Plans give the organization its objectives and set up the best procedure for reaching them. In addition, plans permit (1) the organization to obtain and commit the resources required to reach its objectives, (2) members of the organization to carry on activities consistent with the chosen objectives and procedures, and (3) the progress towards the objectives to be monitored and measured, so that corrective action can be taken if progress is unsatisfactory. Thus planning is done with the aim of chalking out future course of management action. Its main purpose is to provide a guideline for individuals engaged in the business enterprise. In its essence, planning is a process of decision-making after a through evaluation of alternatives course of action.

2. Organizing: The second important function of modern management is organizing. The process of organizing is very essential for accomplishing the objectives of the firm. Once managers have established objectives and developed plans or programs to achieve them, then they must organize human and physical resources of the firm. They must design and develop an organization that will enable members to carry out the chosen programmes successfully. Organizing includes the provision of physical facilities, capital and personnel. It is also concerned with the determination of relationships among functions, jobs and personnel.

Viewed broadly organizing is the process of dividing work into convenient tasks or duties, grouping of such duties in the form of positions, grouping of various positions into departments and sections, assigning duties to individual positions, and delegating authority to each position, so that the work is carried out as planned. According to Fayol, "To organize a business is to provide it with everything useful to its functioning." According to Koontz and O'Donnell, organizing consists of conscious coordination of people towards a desired goal. It involves "the establishment of an intentional structure of rules by indentifying and listing the activities required to achieve the purpose of an enterprise, the grouping of these activities, the assignment of such groups of activities to a manager, the delegation of authority and informational relationships horizontally and vertically in the organisation structure."

A sound organization structure is essential for effective and profitable performance. Without proper

organization, there may be duplication of effort, inadequate attention to certain important functions, unwanted rivalry and friction among personnel, and delays in decision making.

3. Directing: The third basic function of management is directing. While planning tells us what to do and organizing tells us how to do it, directing tells us why the employees should want to do it. When any managerial decision is taken, it must be transformed into action by proper execution. Effective execution or implementation of a decision is possible by 'Direction'.

According to Terry, "Directing means moving to action and supplying simulative power to group of persons." So management guides and leads them continuously. It imparts instructions to them, communicates them orders, rules and decisions, motivates, provides leadership and guidance, supervises their work and behaviors, inspires them towards improved performance of their activity.

The directing function involves these sub-functions:

(i) Communication
(ii) Motivation
(iii) Leadership and
(iv) Supervision & Command

(i) Communication: Communication is the process of passing ideas, views, facts, information and understanding from one person to another. This process is necessary for making the subordinates understand what the management expects from them.

Chester I. Barnard viewed communication as "The means by which people are linked together in an organisation to achieve a common purpose." It is a two-way process and is complete when it is received by the receiver. A manager to be successful must develop an effective system of communication so that he may issue instructions, receive the reactions of the subordinates, guide and motivate them. Through proper communications a manager can create a feeling of belongingness on the part of the subordinates.

(ii) Motivation: The motivation means to encourage the people through wishes, desires, drives, inspirations so that they may do better and more for the accomplishment of the objects of an organisation. Motivation is the process of indoctrinating personnel with unity of purpose and the need to maintain continuous harmonious relationship.

A successful manager should study the behaviour of individuals working under him to provide them proper inducements. To some personnel, financial incentives are important while other are motivated by non pecuniary incentive; like job security, job enlargement, freedom to do work and recognition.

A number of studies have shown that motivation plays a crucial role in determining the level of performance of employees. The most important task of management therefore, is to motivate employees so that they may direct their energies for the accomplishment of organizational goals.

(iii) Leadership: After plans have been formulated and the structure of organization has been determined, it is must to lead the employees towards organizational goals. Leadership may be defined as the process by which a manager guides and influences the work of his subordinates. A manager must possess the leadership skill if he has to get others to follow him and accept his directions.

Leadership skill involves: (1) the ability to comprehend human behaviour, (2) the ability to develop a climate to respond and to arouse motivation (3) the ability to inspire, and (4) the ability to use power effectively,

(iv) Supervision & Command: Supervision is necessary because decisions must be made on what is to be done, how, by whom, and when. Compliance with a plan is also needed; otherwise action would be confused and cooperation would break down.

And the objective of command for every manager is to get the optimum return from all employees of his unit. It is 'issuing orders and instructions' to subordinates. By way of supervision, a manager organizes the work and its flow, determines what people can produce, how well they produce and represents management

4. Staffing: Staffing is an executive function which involves the recruitment, selection, training, developing, compensating, promotion, demotion and maintaining human resource in an organisation. The object of staffing is to take right man for the right job.

Koontz and Weihrich regard staffing as a separate managerial function for the following reasons:

- It gives importance to organisational roles and places emphasis on 'human element'.
- A body of knowledge exists in the area of staffing.
- Managers often overlook the fact that staffing is their responsibility.

5. Coordination: Coordination means the harmonious adjustment of various activities of an organization so that predetermined objects of the organisation may be attained. The task of co-ordination is essentially a matter of seeing that activities are performed in the proper sequence and at the proper time.

Modern business organisation have grown is size and in character. A large number of people work there in so coordination has become very necessary in modern business. Some authors of Management Science consider coordination as a separate function of management while many others call it as 'essence of manager ship'.

In the words of Koontz and O'Donnell, "The best coordination occurs when individuals see how their jobs contribute to the dominant goals of the business enterprise. This implies knowledge and understanding of business enterprise objective."

6. Controlling: Ensuring that the objectives and plans of the organization are achieved is known as the "controlling" function. Trough the controlling function, the manager can keep the organization on the right track and not let it stray too far from its goals. In the words of Henry Fayol, "In an undertaking control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles issued." Thus the control is a measuring and corrective device for management.

Controlling exists at every managerial level. It operates on everything - activities, resources, and persons. E.F.L. Brech defined control as the process or checking actual performance against the agreed standards or plans, with a view to ensuring adequate progress or satisfactory performance and also recording such experience as is gained as a contribution to possible future needs.

The Process of control involves following three things:

- Establishing standards of performance.
- Measuring current performance and comparing it against the established standards.
- Taking action to correct performance that does not meet those standards.

7. Representation: Representation means the representing business concern to outside world. As the leader of business organizations managers have an onerous responsibility of representing the organisation before the interested groups - government officials, trade unions, customers, employees, financial institutions

and suppliers and general public. This function is important due to growing awareness of corporate social responsibilities.

8. Innovation: The famous modern thinker Peter Drucker says that "Managing a business must be creative rather than an adaptive task". The management must try to create new product, practices, new ideas and new quality or devising new methods of work by looking at the needs of the future plans of organisation. Furthermore, the function of innovation involves preparing human resources and organisation for upcoming challenges otherwise the business organisation will become state and static in every aspect. In other words "The real manager is always an innovator".

Activity A

1. Plan your studies for the next examination and see how you allocate time and performance within time allotted.
2. Try to organize your study desk and plan for resources that would be required to make it useful.
3. If you are to be motivated for study, what motivation will prove useful and by whom?
4. Develop a control system for your studies of this subject.

2.3 Nature of Management Functions or Process

Nature of management functions can be identified in following terms, as described below:

1. Management Functions are Universal in Nature: Management functions are universal because a manager has to perform all these managerial functions in the organisation irrespective of his level or type of organisation. However, the managerial functions may be adjusted in accordance with the needs of a particular business organisation. Managerial functions are required not only in business but also in every field of life also. Therefore, it is clear that the managerial functions are universal in their nature.

2. Transfer Ability of Managerial Knowledge: Managerial knowledge cannot be confined to a particular department or a particular business enterprise or particular area. It can be transferred from one department to another, from one enterprise to another, from one industry to another and from one place to another.

3. Managerial Functions are Interactive: This means that managerial functions are interrelate with each other or all managerial functions can be thought of as sub functions of each other.

4. A Sequence of Managerial Functions is Always not Possible: Although the management process suggests a sequential arrangement of functions, it is not possible always. Sequential concept may be adopted by a new organisation. But for an on-going organisation, it is not necessary to insist on a special time sequence for the various functions of management process. In general several functions may be performed at the same time.

5. It Cannot Be Pointed Out, Which Managerial Function is More Important: The relative importance of the management functions can be identified in the context of management levels only.

2.4 Relationship among the Management Functions

What is the relationship among the managerial functions? The only answer is that they are all necessary and are related and interrelated to each other as shown in Figure 2.1.

Above discussed functions of management are inter-related to each other. They are not independent

and do not attach any more or less importance in any aspect. No one management function can be performed without involving the others. Actually, managing is a composite process of all functions. It is a circular in nature. So there is no beginning or end in this process. The only thing in this is that the relative emphasis on different management functions changes according to situation of business and in the context of management levels only.

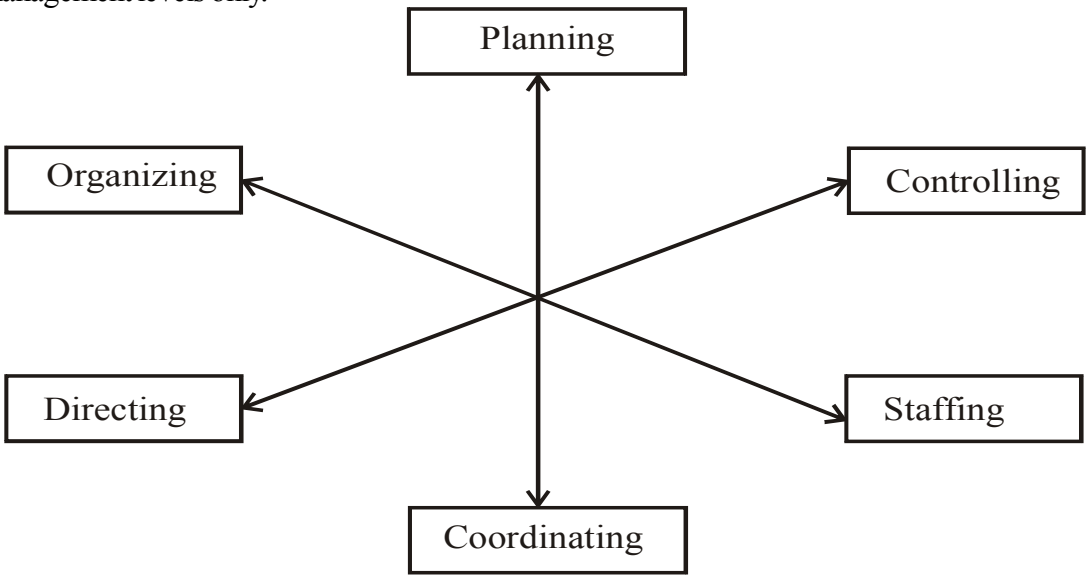


Fig. 2.1 Relationship among Managerial Function

Activity B

1. Is the sequence of managerial functions is always not possible? Conclude your remark as you are an entrepreneur and establishing a new venture.

2.5 Levels of Management

Levels of management means a line of separation between different positions held by seniors and juniors, to distinguish each other in respect of their duties, responsibilities, rights and authority.

In the early stages of business mostly two levels existed in the organizational hierarchy, one consisting of the owner and the other that of the supervisor of manager who control and supervise the work of labour. With the increase in the size of business and labour force it became difficult for chief executives to manage the number of supervisors and hence there developed a third level of management, called 'middle management'.

The number of levels of management increases when the size of the business and work-force increases because there is a limit of number of subordinates a person can supervise. Therefore, in order to make supervision effective, levels of management are increased. But most executives agree that the levels should be as few as possible. A large number of levels of management are not desirable for the following reasons:

- Large number of levels complicates the problem of communication.
- Large levels make the task of co-ordination and control difficult.
- Large number of levels in management increase cost.
- Large levels are demoralizing as those at the last level feel neglected.
- Large levels increase impersonality as personal touch is lost.

On account of these weaknesses it is always desirable to restrict the levels of management to as small a number as possible. "As urwick says "In determining the number of levels which are necessary, prime regard should be paid to the span of control and not vice versa. Forcing managers to exceed their feasible span of control merely in order to reduce the number of levels will increase administrative and social distance."

But the exact number of levels cannot be restricted. Koontz, and O'Donnell and E.F.L. Brech have classified management into two levels, such as top level and supervisory level, while Keith Davis has classified various management levels, as trusteeship management, general management, departmental management, middle management and supervisory management. Certain others have mentioned of five activity levels.

Broadly levels of management consist of the following (see figure 2.2)

1. Top Management

2. Middle Management:

(a) Intermediate or Upper Middle Management

(b) Middle Management

3. Operating/Lower Level/Supervisory/First Line Management

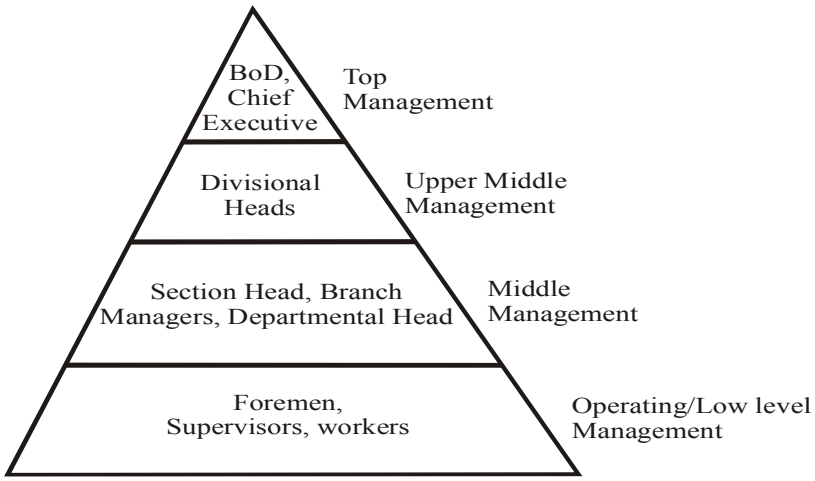


Fig. 2.2 Levels of Management

Management is a "three-level activity", the top level centers around the determination of mission, objectives and policies of the enterprise; the middle level is concerned with the implementation of the policies and programmes set by the top level; and the lower level assists in the achievement of the set goals.

1. Top Management: Top management of a company comprises of Chairman, President, Vice President, Chief Executive Officers, Board of Directors, and Managing Directors etc. This is the policy-making group responsible for performance of entire organisation. They are ultimate source of authority and they establish overall goals, plans, strategies, and broad operating policies and guidelines of the company.

Top management of a concern performs all the function of management, namely, planning, organizing, directing and controlling. In comparison to middle or lower level management top management spends more time on planning and organizing. It is responsible to the shareholders or owners of the concern for its overall management. All the policy decisions of the business are taken by the board of directors and the chief executive and they periodically review the implementation of various business decisions.

According to B.Yill, "It is the function of top management to watch, interpret, exploit or where necessary, counter external influences with appropriate decisions and plans, and to initiate the appropriate adjustments in the functional authority and status structures of the organization. It is top management's duty to protect the integrity of the organization so that it can survive for its own employees, the shareholders', suppliers' and customers' interests and for the general good of the social and economic system within which it operates."

The Board of directors concerns itself with review and decision upon matters of major importance to the concern's success. The Board reserves authority and responsibility for deciding long-term objectives, policies, programmes, and budgets that apply to the concern as a whole, it approves the overall concern organisation and exercise control through review of overall financial and operating result of that concern. Brech has summed up the responsibilities of Board of Directors as "the formulation of policy and the overall control of the organization." Koontz and O'Donnell have stated the following functions of Board of Directors:

- Trusteeship;
- Determination of enterprise objectives;
- Selection of Chief Executive;
- Check on plans and results;
- Approval of budgets;
- Securing long-range business stability;
- Distribution of earnings;
- Asking discerning questions.

The operative work of the Board is relatively limited in nature. It is performed by the chief executive of the concern who is appointed by the Board. It should be noted that the Board of Directors is not to act simply as figureheads or rubber stamps. They are expected to provide "invaluable support to the chief executive as mentors, counselors and critics."

The Chief Executive is the managing director or president of the business concern. He is a member of the Board and represents a link between the Board and other managerial personnel. He has the important task of interpreting the policy of the board to the rest of the management. He has to ensure that policies and programmes laid down by the board of directors have been understood by all the employees. The chief executive thinks and takes business decisions for the long-run welfare of the business enterprise. He puts into effect the policy decisions taken by the Board and maintains effective coordination in the business organisation. Brech has stated the following functions of the chief executive:

- To act as a link between the Board and the rest of the organization ;
- To carry into effect the policy laid down by the Board;
- To ensure that subordinates have a general understanding of the company's policy and its main implications;
- To ensure that among all executives there is a sound understanding.

So we can conclude that the main functions of top management are:

- Determination of objectives, goals, vision;
- Formulation of policies and plans;
- Setting up of organisational structure of frame work;
- Assembling various resources;
- Controlling.

From the nature of functions of top managers, it is clear that they are expected to possess and use more conceptual skill than human and technical skills. The members of the top management of concern should have the ability to develop new concepts and to visualize the business enterprise as a whole.

2. Middle Management: Middle management acts with and under top management to accomplish the objectives of the organisation. Mary C. Nils, in his book 'Middle Management' has laid down the seven functions of middle management, which are as follow:

- To run the most of the functions of organization, leaving the top officers as free as possible so that they can spend more time towards strategic part.
- To cooperate in smoothly functioning of organisation.
- To understand the interlocking of departments towards implementation of policies.
- To achieve the coordination between the different parts of the organisation.
- To build up efficient personnel, where reward is given according to capacity and merit and not according to change or length of service.
- To develop leaders for the future by broad training and development.
- To build and increase a company spirit where all are working to provide a product or service wanted by ultimate customer in an effective manner.

Middle management can be classified in upper middle management and simple middle management. The detail description is as follows:

(a) Intermediary or Upper Middle Management: This level generally consists of divisional and departmental heads such as the production manager, marketing manager, personnel manager, finance manager. The functional managers are responsible for the efficient functioning of their units within the framework of the goals and policies decided by the top management. They act as buffer between the top managers and subordinate managers. Their responsibility is to translate executive orders into operation, implement plans, and directly supervise lower level managers.
They are largely concerned with realizing short term goals and the day-to-day operations of their departments. At this level they become more and more involved with achievement in the short run. They have to set targets and agreed priorities in a more quickly moving situation as they are concerned with specific results.

(b) Middle Management: In organizations where upper middle management exists, this category consists of deputy heads of departments, sectional officers, plant managers, office managers, branch managers, area sales managers, chief accountant, purchase officer, technical and engineering personals etc. These managers have to keep a constant watch on the day-to-day performance and they are concerned with the carrying out of task assigned to them by the departmental managers. They issue detailed and specific instructions regarding operations to first line or junior managers and supervise their work. They also communicate problems, difficulties, and suggestions upward.

3. Operating/Lower Level/Supervisory/First Line Management: This level consists of plant superintendent, senior foreman, clerical supervisor, lab supervisor, accounts officer, etc. It is the lowest level in an organization at which individuals are responsible for the work of others is called first-line or first-level management.

The essential feature of this level of management is that managers at this level are in direct contact with the operative employees of the concern. They implement the policies of top management communicated to them by the middle level manages of the concern. The plans and objectives set by the top management cannot be achieved well if the foremen and operatives do not have better understanding and informal relationship.

This level of management represents a link between the middle management and the workers of the concern. They plan day to day production schedules within the goals set from above. They assign tasks to the operative employees, guide them and take corrective action on the spot. So they should possess more of technical skill. They must also possess the requisite human skill as they have to deal with the workers of concern to get things done from them. They are responsible for developing harmonious relations among the workers and help them in solving their work problems. They must represent the concern of the workers and the workers to the concern.

They perform the control function by evaluating the performance of operative force and then communicate the information to higher in the business organisation. The main functions of supervisory management level have been stated as follows:

- Plans day-to-day production within goals set from above.
- Assigns personnel to specific jobs and tasks.
- Watches hour-to-hour results.
- Reports feed-back information daily.
- Takes corrective action on the spot.
- Evaluates personnel from standpoint of immediate needs.
- Implements policy decisions within the limitations set by higher echelons.

From the above discussion, it can be concluded that all managers-top, middle and first line, perform the same managerial functions in their business concern. The main difference between their jobs in terms of management functions is emphasis. The top management of concern spends more time on planning and organizing than does the middle or first line management of the concern. The middle management spends more time in directing and controlling than the top management of the organisation. The first line managers spend a great deal of time in directing the workers of the concern. But most managers, at various times, perform all the managerial functions through in varying degrees.

Activity C

1. Classify the following position in top, middle and first line management:
   (a) Welder (b) Watchman (c) Planning Manager (d) Nurse (e) contractor
2. If you are promoted from operational level to middle level management, what new knowledge, skills and values will you develop?

2.6 Mintzberg's Managerial Roles

The term 'Managerial Roles' refers to behaviours attribute to a job or position. After examining the work of five chief executives, Mintzberg concluded that every manager plays ten roles which are classified into following three categories:

1. Interpersonal Roles

2. Information Roles, and

3. Decisional Roles

These roles are shown in Figure 2.3 and are described below:

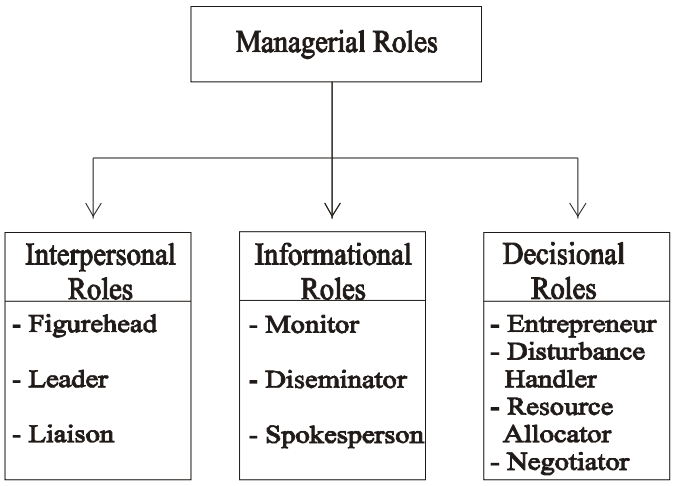


Fig. 2.3 Roles Played by Managers

1. Interpersonal Roles: Three interpersonal roles help the manager keep the organization running smoothly. Thus, although the duties associated with these roles are often routine, the manager cannot ignore them.

The first interpersonal role is that of figurehead. As head of a unit, the manager sometimes acts as a figurehead by performing certain ceremonial duties - greeting visitors, attending a subordinate's wedding, taking a customer to lunch, and so on. Second, the manager adopts the leader role - hiring, training, motivating, and encouraging employees. First-line managers, in particular, feel that effectiveness in this role is essential for successful job performance. Finally, the manager must play the interpersonal role of liaison, by dealing with people other than subordinates or superiors (such as peers within the organization and suppliers or clients outside of it).

2. Informational Roles: Mintzberg suggests that receiving and communicating information are perhaps the most important aspects of a manager's job. A manager needs information in order to make the right decisions, and others in the manager's unit or organization depend on the information they receive from and transmit through the manager.

There are three informational roles in which managers gather and disseminate information. The first is the monitor role. As monitor, the manager constantly looks for information that can be used to advantage. Subordinates are questioned, and unsolicited information is also collected, usually through the manager's system of personal contacts. The monitor role usually enables the manager to be the best informed member of his or her group. Second, in the disseminator role, the manager distributes to subordinates important information that would otherwise be inaccessible to them. Finally, as a spokesperson, the manager transmits some of the information he or she has collected to individuals outside the unit-or even outside the organization. Keeping superiors in the organization satisfied by keeping them well informed is one important aspect of the role of spokesperson.

3. Decisional Roles: There are four decision roles the manager adopts. In the role of entrepreneur, the manager tries to improve the unit. He initiates planned changes to adapt to environmental challenges. As disturbance handlers, managers respond to situations that are beyond their control such as strike, shortages of materials, complains grievances etc. in the role of resource allocator managers are responsible for allocating human, physical and monetary resources. As negotiators managers not only mediate in internal conflicts but also carry out negotiations with other units to gain advantages for their own unit.

Mintzberg's 10 Management Roles: Description and Activities

	Roles	Description	Identifiable Activities
A.	Interpersonal		
	1. Figurehead	Symbolic head; obliged to perform a number of routine duties of a legal or social nature	Ceremony, status, requests, solicitations
	2. Leader	Responsible for the motivation and activation of sub-ordinates; responsible for staffing, training and associated duties.	Virtually all managerial activities involving subordinates
	3. Liaison	Maintains self-developed network of outside contacts and informers who provide favour and information.	Acknowledgements of mail, external board work, other activities involving outsiders.
B.	Informational		
	1. Monitor	Seeks and receives wide variety of special information (much of it current) to develop a thorough understanding of the organisation and environment; emerges as nerve centre of internal and external information of the organisation.	Handling all mail and contacts, which are primarily informational, such as periodical news and observational tours.
	2. Disseminator	Transmits information received from outsiders or from subordinates to members of the organisation; some information factual, some involving interpretation and integration.	Forwarding mail into the organisation for informational purposes, verbal contacts involving information flow to subordinates including review sessions and spontaneous communication.
	3. Spokesperson	Transmits information to outsiders on the organization's plans, policies, actions and results; serves as expert on the organization's industry.	Board meetings, handling mail and contacts involving transmission of information to outsiders.
C.	Decisional		
	1. Entrepreneur	Searches the organisation and its environment for opportunities and initiates "improvement projects" to bring about change; supervises design of certain projects as well.	Strategy and review sessions involving initiation or design of improvement projects.
	2. Disturbance Handler	Responsible for corrective action when the organisation faces important, unexpected disturbances.	Strategy and review involving disturbances and crises.
	3. Resource Allocator	Responsible for the allocation of organizational resources of all kinds in effect the making or approving of all significant organisational decisions.	Scheduling, requests for authorization, any activity involving budgeting and the programming of subordinates work.
	4. Negotiator	Responsible for representing the organisation at major negotiations.	Negotiation.

Thus, Mintzberg's concept of the manager's job offers a useful reminder that our definition of management as a series of functions - planning, organizing, leading and controlling - is a somewhat idealized but useful overview of what managers try to do. In fact, managers operate in a constantly changing environment. Although they attempt to follow systematic and rational procedures, they are often interrupted in their work.

Activity D

1. Explain the 'entrepreneurial role' of a manager.
2. What do you mean by the 'figurehead role' of a manager?
3. Explain 'informational roles' of a manager.

2.7 Management Skills versus Management Levels

In order to be effective, a manager must possess and continuously develop several essential skills. Robert L Katz, an educator and business executive, has identified three basic types of skills – technical, human and conceptual - which he says are needed by all managers.

Technical skill is the ability to use the tools, procedures, and techniques of a specialized field. A surgeon, an engineer, a musician, and an accountant all have technical skill in their respective areas. The manager needs enough technical skill "to accomplish the mechanics of the particular job" he or she is responsible for.

Human skill is the ability to work with, understand and motivate other people. This skill is essential at every level of management within the organisation, but it is particularly important at lower levels of management where the supervisor has frequent contact with operating personnel.

Conceptual skill is the mental ability to coordinate and integrate all of the organization's interests and activities. It involves the manager's ability to see the organization as a whole and to understand how its parts depend on each other. It also involves the manager's ability to understand how a change in any given part can affect the whole organization. A manager needs enough conceptual skill to recognize how the various factors in a given situation are interrelated, so that the actions he or she takes will be in the best interest of the total organization.

Although all these skills are essential for effective management but their relative importance to a specific manager depends on his or her rank in the organization. Technical skill is most important at the lower levels of management; it becomes less important as we move up the chain of command. A production supervisor in a manufacturing plant, for example, is likely to need more technical skill than the company president, because he or she will have to deal with the day-to-day manufacturing problems that arise.

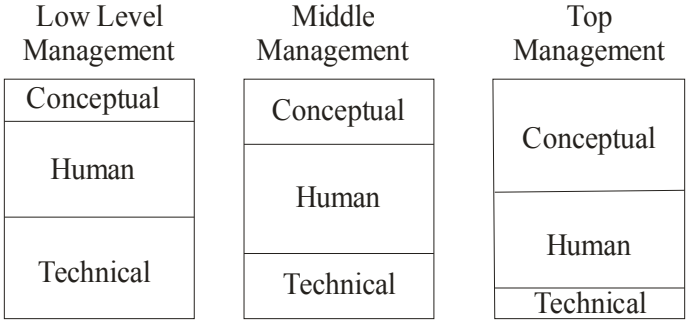


Fig 2.4 Relative Skills Needed for Effective Performance at Different Levels of Management

On the other hand, the importance of conceptual skill increases as we rise in the ranks of management. The higher the manager is in the hierarchy, the more he or she will be involved in the broad, long-term decisions that affect large parts of the organisation. For top management, which is charged with the responsibility for overall performance conceptual skill is probably the most important skill.

Human skill is very important at every level of the organisation. One reason behind this is, because managers get their work done through others: high technical or conceptual skills are not very valuable if they cannot be used to inspire and influence other organization members.

Activity E

1. What is the Human Skill of a manager?

2. What do you mean by conceptual and technical skills of a manager?

2.8 Summary

Management is a 'systematic way of doing things' (Process) to emphasize that all managers engage in certain interrelated activities in order to achieve their desired objectives. Many authorities and scholars on management have tried to discuss the functions of management, but there is no unanimity among them about the nomenclature of the functions of management. Broadly we can classify management functions under two categories - Operating Functions, Managerial Functions.

Functions of management are inter-related to each other and emphasis on different management functions changes according to situation of business and in the context of management levels. Levels of management means, a line of separation between different positions held by seniors and juniors, to distinguish each other in respect of their duties, responsibilities, rights and authority. Broadly levels of management consist of Top Management, Middle Management (Intermediate or Upper Middle Management, Middle Management), and Operating/Lower Level/Supervisory/First Line Management. All managers - top, middle and first line, perform the same managerial functions in their business concern. The main difference between their jobs in terms of management functions is emphasis. The top management of concern spends more time on planning and organizing. The middle management spends more time in directing and controlling than the top management of the organisation. The first line managers spend a great deal of time in directing the workers of the concern.

Mintzberg concluded that every manager plays ten managerial roles which are classified into three categories: 1. Interpersonal Roles (Role of figurehead, leader, liaison) 2. Information Roles (role of disseminate, monitor, spokesperson) 3. Decisional Roles (Role of an Entrepreneur, disturbance handlers, resource allocator, negotiators). Mintzberg concept of the manager's roles offers a useful reminder that our definition of management as a series of functions - planning, organizing, leading and controlling - is somewhat idealized but useful overview of what managers try to do.

In order to be effective, a manager must possess and continuously develop three basic types of skills – technical, human and conceptual. Although all these skills are essential for effective management but their relative importance to a specific manager depends on his or her rank in the organization. Technical skill is most important at the lower levels of management, for top management, which is charged with the responsibility for overall performance, conceptual skill is probably the most important skill and as managers get their work done through others so, human skill is very important at every level of the organisation

2.9 Self Assessment Questions

1. "Management process has no sequence, but involves a logical flow of activities". Explain and discuss some other characteristics of management process approach.
2. What are the operative and managerial functions of management? Discuss in detail.
3. "Coordination is not a function; it is rather the essence of mangership." Explain. Also discuss the basic and dynamic functions of management.
4. Describe the various interpersonal, informational and decisional roles of managers suggested by Mintzberg.
5. Describe the various level of management.
6. Explain the various skill used by a manger and also try to explain the association between levels and skills.
7. "Management is a three level activity" Explain.

2.10 Reference Books

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Unit - 3 Significance and Principles of Effective Management

Structure of Unit

3.0 Objectives
3.1 Introduction
3.2 Significance and Importance of Management to the Business, Industry, Society & Economy
3.3 Qualities of Good Manager
3.4 Henry Fayol's General Principles of Management
3.5 F.W. Taylor's Scientific Management
3.6 Summary
3.7 Self Assessment Questions
3.8 Reference Books

3.0 Objectives

After completing this unit you must be able to :

- Discuss the significance management to business, industry and national economy.
- State the major qualities of a good manager.
- Elaborate general administrative principles given by Henry Fayol.
- Critically examine F.W. taylors scientific management.

3.1 Introduction

As it is said by few philosophers, those things that do not change, loses its existence, it is equally applicable to the study of an organization. Furthermore even experts in the field of management do not have conciliation for the concrete definition, and concept of management. It is because of the fact that the field is so versatile, organic and complex that one cannot study it from one perspective or even few. Principles, rules and guidance of the field of management is so versatile that we find its pervasiveness everywhere. They guide in probably all the situations, but their interpretation keep on changing in every such situation and from person to person. Management, as a unique field of study, is a synergy of economics, political science, human psychology, anthropology, operation research and statistics as well as sociology. Therefore it is to be understood from all these perspectives. The study becomes more dynamic since it is applicable in a vibrant, ever changing and complex environment.

3.2 Significance and Importance of Management to The Business, Industry, Society & Economy

Introduction: For correct application of the management principles, study of commerce, economics, sociology, psychology and mathematics is very essential. For better discipline in the whole organisation, management must adopt an inter-disciplinary approach which is very essential due to complexity of business organisation.The principles of management have universal application, Business organisation, industry, trade, commerce, educational, religious, charitable, political and social institutions etc. can be run successfully and efficiently by applying modern principles and techniques of management everywhere. Scientific methodology must be adopted while applying management principles. Management must concentrate on human relations and follow quantitative technique for productivity as well. The technique of management can be improved by proper research and development. Due to fast changes within and

outside the business organisations, improved and appropriate techniques of management must be developed through research. Proper outcome of all the management areas and their functions can lead the organisation to the everest of alround success.

Following points will elaborate the importance.

1. **Management Meets the Challenges of Changes:** In the era of globalisation, liberalisation, computerisation, privatisation and multinationals, fast and growing changes are taking place. In recent years the challenge of change has become intense and critical. This challenge of changes can be met by professional and efficient management only. Complexities of modern business can be overcome only by scientific management.
2. **Effective, efficient and profitable utilisation of the seven M's:** In this era two M's (Methods, Markets) are added to traditional M's i.e. men, materials, money, machines and management. Among all these seven, management stands at the top. It determines and controls all other factors of business, and manages them for achieving the predetermined objectives and goals of the organisation.
3. **Development of resources:** Good management always tries for development of other resources. It produces good business by creating a vital, dynamic and life giving force in the organisation.
4. **Management directs the organisation:** Role of management as a director is very important. For instance, mind directs and controls the body to fulfill its desires, like wise management directs and controls all the organs of organisation to achieve the desired goals.
5. **Management integrates various interests:** Business organisation activities are carried out by working groups, involving a number of individuals. There are various interest groups and they put pressure over other groups for maximum share in the total output. Management balances these pressures and integrates various interests. Interest of the business organisation and that of the individuals is integrated by the management in such a way, that interests of both the parties are achieved. As a result both the parties are satisfied and work together happily in the organisation.
6. **Management provides stability:** Smooth and continuous running of business organisation depends upon the efficiency of management. Degree of stability of any organisation is positively correlated with the degree of efficiency shown and adopted by the management. It is necessary to change and modify the resources in accordance with the changing environment of the society. If the business enterprises do not change according to the changing environment, their stability may be in danger.
7. **Management provides innovation:** Innovation is a must for business and industry. Otherwise it becomes rigid and outdated. Innovation requires new ideas, improved or new suggestions, new dimension, new vision, excellent imagination etc. All this is provided by management, which makes the business and industry modern, live and dynamic.
8. **Management provides coordination and establishes team spirit:** In an organisation, different activities are performed by different departments. A large number of activities are going on continuously and/or simultaneously in a business enterprise. The management only, has to coordinate all these activities and establish team-spirit among the working groups. Coordination in activities, maintaining and establishing team spirit, is a great task to be done by management alone.
9. **Management tackles business problems:** Management is the only instrument with the enterprise to tackle all sorts of problems of business enterprises. Management possesses the skill for tackling the variety of problems. It very well knows how to face the critical problems of the organisation like competition of technology, problem of marketing, problem of human resources, physical resources, financial resources and so on. It provides a tool for the best way of doing a task.

10. **Management is a tool of personality development :** Management attempts to improve the personality of personnel. Management is not only for the direction of things but the development of men also. Management is always searching new ways and means for developing the personality of the employees. It tries to develop alround personality of employees through education training. It also attempts how to raise their efficiency and productivity. Managements' contribution in personality development of employees is indispensable.

11. **Importance of management in India's developing economy :** Our country is a developing country. Role of management in such situations and circumstances is very important. Total economics of a nation depends upon how the managers are giving their honest and loyal contribution for it. We have a small number of managers. Added to this is scarcity of professional managers as well as experienced managers. There is a great demand for professional managers, business executives to successfully run business enterprises. History of business reveals the fact that the complexity and sophistication of a business need professional management. There is a direct co-relation between the sophistication of business industry and the kind of management needed. For fast development of economy after industrial revolution, we are required to establish industries like machines, tools, equipments, electronics, engineering petrochemicals, chemicals, iron and steel, pharmaceuticals, cement, fertilisers, computers etc. and to manage these industries we need the managers with the ability to manage them successfully. These managers must have the knowledge of technical and scientific know-how, professional and administrative competence and dynamic personality. It is universally admitted that scientific training can build good managers. The managerial skills have to be acquired by training and education and the scientific managerial approach calls for initiative, entrepreneurship, goal setting drive and dynamism. Professional managers must have necessary training and ability to spot the problem areas and bring in together all the diffused talents of the various technical and professional experts such as engineers, scientists, economists psychologists, sociologists etc. to tackle the problem spots with confidence. If business administration and management is founded upon a science, if its practice is a profession, then in the near future we must expect its exponents to be men of high ability and perfect knowledge. Men who have graduated in their profession and are qualified thereby be entrusted with the responsibilities which its practice imposes. Thorough knowledge of the principles, and practice of business administration is needed for developing more good managers. Thus in short management is an essential accompaniment of all social organisations and it is to be found everywhere as a distinct, separate and dominan-for aptivity. Management is the custodian of the economic welfare of the community.

Activity A

1. "Management is all pervasive in nature "Critically examine validity of the statement by quoting practical illustrations of various formal and informal organizational setups.

3.3 Quality of Good Manager

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical (health, vigour, and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);

3. Moral (energy, firmness, initiative, loyalty, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and
6. Experience (arising from the work).

Fayol has observed that the most important ability for a worker is. technical; the relative importance of managerial ability increases as one goes up the scalar chain, with insight becoming the most important ability for top level executives. On the basis of this conclusion, Fayol recognised a widespread need for principles of management and for management teaching. He held that managerial ability should be acquired first in school and later in the workshop. In order to acquire managerial knowledge, he developed principles of management to be taught in academic institutions.

3.4 Henry Fayol's General Principles of Management

Fayol has given fourteen principles of management. He has made distinction between management principles and management elements. While management principle is a fundamental truth and establishes cause-effect relationship, management element denotes the function performed by a manager. While giving the management principles, Fayol has emphasised two things: (i) The list of management principles is not exhaustive but suggestive and has"discussed only those principles which he followed on most occasions.(ii) Principles of management are not rigid but flexible. According to him, there is nothing rigid or absolute in management affairs; it is all question of proportion. Therefore, principles are flexible and capable of being adopted to every need. It is a matter of knowing how to make use of them which is a difficult art requiring intelligence, experience, and proportion. Various principles of management are as follows:

1. Division of Work. Fayol has advocated division of work to take the advantage of specialisation. According to him, specialisation belongs to natural order. The workers always work on the same part, the managers concerned always with the same matters, acquire an ability, sureness, and accuracy which increase their output. Each change of work brings in it training and adaptation which reduces output...yet division of work has its limits which experience and a sense of proportion teach us may not be exceeded. This division of work can be applied at all levels of the organisation.

2. Authority and Responsibility. The authority and responsibility are related, with the latter the corollary of the former and arising from it. Fayol finds authority as a continuation of official and personal factors. Official authority is derived from the manager's position and personal authority is derived from personal qualities such as intelligence, experience, moral worth, past services, etc. Responsibility arises out of assignment of activity. In order to discharge the responsibility properly, there should be parity of authority and responsibility.

3. Discipline. All the personnel serving in an organisation should be disciplined. Discipline is obedience, application, energy, behaviour, and outward mark of respect shown by employees. Discipline may be of two types: self-imposed discipline and command discipline. Self-imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilful leader. Command discipline stems from a recognised authority and utilises deterrents to secure compliance with a desired action, which is expressed by established customs, rules and regulations. The ultimate strength of command discipline lies in its certainty of application.

4. Unity of Command. Unity of command means that a person should get orders and instructions from only one superior. The more completely an individual has a reporting relationship to a single superior, the less is the problem of conflict in instructions and the greater is the feeling of personal responsibility for results. This is contrary to Taylor's functional foremanship.

5. Unity of Direction. According to this principle, each group of activities with the same objective must have one head and one plan. Unity of direction is different from unity of command in the sense that the former is concerned with functioning of the organisation in respect of its grouping of activities or planning while the latter is concerned with personnel at all levels in the organisation in terms of reporting relationship.

6. Subordination of Individual to General Interest. Common interest is above the individual interest. Individual interest must be subordinate to general interest when there is conflict between the two. However, factors like ambition, laziness, weakness, etc., tend to reduce the importance of general interest. Therefore, superiors should set an example in fairness and goodness.

7. Remuneration of Personnel. Remuneration of employees should be fair and provide maximum possible satisfaction to employees and employers. Fayol did not favour profit sharing plan for workers but advocated it for managers.

8. Centralisation. Everything which goes to increase the importance of subordinate's role is decentralisation ; everything which goes to reduce it is centralisation. Fayol refers the extent to which authority is centralised or decentralised. Centralisation and decentralisation are the question of proportion. Since both absolute and relative values of managers and employees are constantly changing, it is desirable that the degree of centralisation or decentralisation may itself very constantly.

9. Scalar Chain. There should be a scalar chain of authority and of communication ranging from the highest to the lowest. It suggests that each communication going up or coming down must flow through each position in the line of authority. It can be short-circuited only in special circumstances when its rigid following would be detrimental to the organisation.

10. Order. This is a principle relating to the arrangement of things and people, material order, there should be a place for everything and every thing should be its place. Similarly, in social order, there should be the right man in the right place. This kind of order demands precise knowledge of the human requirements and resources of the organisation and a constant balance between these requirements and resources. Normally, bigger the size of the organisation, more difficult this balance is.

11. Equity. Equity is the combination of justice and kindness. Equity in treatment and behaviour is liked by everyone and it brings loyalty in the organisation. The application of equity requires good sense, experience, and good nature for soliciting loyalty and devotion from subordinates.

12. Stability of Tenure. No employee should be removed within short time. There should be reasonable security of jobs. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well. Unnecessary turnover is both cause and effect of bad management.

13. Initiative. Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan. Initiative increases zeal and energy on the part of human beings.

14. Esprit de Corps. This is the principle of 'union is strength' and extension of unity of command for establishing team work. The manager should encourage esprit de corps among his employees. The

erring employees should be set right by oral directions and not by demanding written explanations. Written explanations complicate the matters.

Activity B:

1. Take any organization of your choice, for example, government setup, educational setup or business and examine practical applicability of Henry Fayol's 'Administrative Management'.

3.5 F.W. Taylor's Scientific Management

Introduction & Meaning –

F.W. Taylor came about the scientific management in 1910. He is called as the father of scientific management since his contribution to this concept was much more as compared to other experts. Scientific management is a concept which over came the weakness of the traditional hit and miss & rule of thumb method of managing works and workers. It is nothing but the acceptance and application of the method of scientific investigation for the solution of the problems of industrial management. Scientific investigation includes research and experimentation, collection of data, analysis of data and formulation of certain principles on the basis of such analysis. Scientific management tries to maximize the efficiency of the plant by using this method for its operations. Here the management undertakes the responsibility for deciding the proper standers and methods of work and providing for close supervision.

Elements of Science Management -

(1) Scientific task and wage rate setting : Taylor came out with the concept of standard task or a proper day's works. The standard task i.e. set by the management is the amount of work which an average worker, working under ideal standardize condition in an atmosphere and mutual trust and co-operation will be able to do in a day. He felt the need for setting a task since the average worker in a factory will usually work much below his capacity if no standard is set for him. Taylor assumed that a great care is required for setting the standard since, if the standard. are set much higher than the capacity of an ordinary worker, it will not be achieved and will results into frustration. On the other hand if the standard set are much lower than the average capacity the purpose is not served.

Work Study: In order to set standard for different task, work study is to be conducted. Work study can be defined as a systematic objectives and critical examinations of the factors governing (controlling) the operational efficiency of any specified activity in order to effect improvement. Following are the different elements of work study-

(i) Methods Study -Methods study is to be conducted for different job, so that the best method or the most efficient method of doing a particular job comes into pictures.For this the management should prepare a process chart setting out different operations. Management should take into consideration the moments of a particular job, materials, inspection and storage etc. If possible different operation should be combined and the unnecessary elements are to be removed.

(ii) Motion Study- Motion study is a study of the moments of an operator or worker as well as machine also, required in performing operation or a task. The main purpose isto remove or eliminate useless or unnecessary moments. This study helps in settingout a standard of performance. It tries to find out the best method for job performance which every worker is expected to follow.

(iii) Time Study- Time Study deals with the art of observing and recording the time required to each details operation of a job. It requires care full measurement of the time required for different Jobs and the purpose is to determine the proper time for performing the job.

(iv) Fatigue Study- Fatigue study deals with studying what an average. Man perform for long period of years without injuring to his health and happiness. Fatigues of all kinds physical or psychological are adversely affects the health and efficiency of the worker. Hence, the standard task should be set in such a way that the worker should get rest in between the continuous work and it should reduce the fatigue of boredom. The worker gets an opportunity to regain his energy which is lost in continuous work.

(v) Wage Rage Study- The setting of standard task is useless until the wages are fixed in such a manner that the average.worker is motivated to achieve/attain the standards. Taylor suggested that differential Piece Wage System under which workers performing more than the standard task are paid much higher that what is fixed.

(2) Planning The Task: Taylor stress on the planning aspect of every job. So that there are no bottlenecks and the work goes on systematic manner. Accordingly to him all the planning. departments should deal with the following four aspects:

(a) What is to be done?
(b) How the work shall be done?
(c) Where the work shall be done?
(d) When the work shall be done?

The production and the planning. Department should give detail instructions and information to their employees so that the work can be done according to the plans prepared.

(3) Scientific Selection & Training:

(i) Scientific Selection: Taylor put emphasis upon the methods and the procedures used for selecting the workers. Earlier the foreman used to select the workers on the basis of his own knowledge and judgment. Such selection will not necessary lead to the proper performance of the work. So Taylor suggested that the selection of the workers should be done in a very systematic way. Hence, he stress upon a scientific selection of worker, where in every worker is suppose to pass through the selection process designed and thus the most efficient worker are selected.

(ii) Scientific Placement: Once the selection is done in a systematic way than the placement of the selected worker is also equally important i.e. the worker should be placed on such jobs which matches with the skills, abilities and knowledge possessed by the worker and which is the same as demanded by the job requirements. Anymistakes committed in the proper placement of workers will lead to heavy losses.

(iii) Scientific Training & Development: Once the right worker is placed on the right job, again attention should be given to the trainings of the worker, so that he not only performs the job more efficiently but as well will update his knowledge and skills required for future jobs.

(4) Standardisation: Taylor stress upon the standardization of tools and equipments, speed of work, conditions of work and materials used to complete the work :

(i) Tools and Equipments: Taylor wanted to bring standardization related to the tools and equipment which are used for performing a work. This helps in bringing uniformity and will also avoid the use inferior quality of goods, there by adversely affecting the quality of the work. He classified the tools in to first class second class and third class and suggested that the management should select the best tools which properly match with the work concerned.

(ii) Speed of Work: According to Taylor, there should be optimum speed for every machine. If

the machine is operated beyond that speed it will result in to the damage of the machinery. Hence he suggested that the most efficient speed at which the worker should work is to be determine that the work is perform in the most efficient way.

(iii) Condition of Worker: Taylor suggested standardization related to the working conditions which included verification, enough lighting, humidity, coolness, safety etc. These all are very essential since they effect the attitudes of the workers and there by their efficiency.

(iv) Materials: Apart from above mentioned factors, efficiency of the worker also depends upon the quality of materials used as well as the method of handling the materials. If the quality of material is inferior, uniformity of the quality of the product is not maintained. Also the best methods of handling the materials is to be determined so that there is a minimum wastage.

(5) Specialization: Specialisation is a very important feature related to standardization. Taylor suggested the following three elements in order to bring specialization:

(i) Functional Foremanship: In the traditional organizations, one foreman use to issue guideline and instruction to all the workers and the workers were suppose to follow them. What Taylor suggested is the planning. Function should be separated from the doing function i.e. he suggested functional foremanship. Because of functional foremanship, the person concerned specializes in the function performed by him. Since he is supposed to do the same job again and again.

(ii) Management by Exception: Taylor introduced the principle of Management By Exception wherein he try to reduce the workload of overburdened managers. What he suggested is that a manager should perform only the most important task and the least important or the less important task should be deligated to his subordinates so that he can take correct decisions with enough time on his side.

(iii) Cost Accounting: Cost accounting is concerned with the determination of factory cost and the cost of inventories. Cost accounting helps in the following ways:

1. It gives a historical view of the cost of production and its components.
2. It is used to control cost on various items of expenses connected with the manufacturing operations.
3. It is used as an important technique of estimation cost and budgeting.

(6) Mental Revolution: The two parties i.e. the employer and the employees have their own individual interest which are always in conflict to the other parties interest. If one party tries to maximise its interest, automatically the other party's interest is adversely affected & vice versa. So Taylor suggested to bring a mental revolution thereby bringing a change in the attitude and beliefs that both the parties have towards each others. He said that both the parties should try to increase the profit margin and should unctually agree to share the profit, so that interest of the both can be satisfied.

Principles of Scientific Management:

Taylor has given certain basic principles of scientific management. The fundamental principles that Taylor saw underlying the scientific management may be given below:

1. **Replacing Rule of Thumb with Science.** Taylor has emphasised that in scientific management, organised knowledge should be applied which will replace rule of thumb. While the use of scientific method denotes precision in determining any aspect of work, rule of thumb emphasises estimation. Since exactness of various aspects of work like day's fair work, standardisation in work, differential piece rate for payment, etc., is the basic core of scientific management, it is essential that all these

are measured precisely and should not be based on mere estimates. This approach can be adopted in all aspects of managing.

2. **Harmony in Group Action.** Taylor has emphasised that attempts should be made to obtain harmony in group action rather than discord. Group harmony sug-gests that there should be mutual give and take situation and proper understanding so that group as a whole contributes to the maximum.
3. **Co-operation.** Scientific management involves achieving co-operation rather than chaotic individualism. Scientific management is based on mutual confidence, co-operation and goodwill. Co-operation between management and workers can be developed through mutual understanding and a change in thinking. Taylor has suggested "substitution of war for peace, hearty and brotherly co-operation for con-tentment and strife, replacement of suspicious watchfulness with mutual confidence, of becoming friends instead of enemies. It is along this line, I say, that scientific management must be developed."
4. **Maximum Output.** Scientific management involves continuous increase in production and productivity instead of restricted production either by management or by worker. Taylor hated inefficiency and deliberate curtailment of production. His concern was with the large size of the cake. In his opinion, "there is hardly any worse crime to my mind than that of deliberately restricting output." He decried quarrel over production but welcomed quarrel over distribution, provided the product to be distributed had outgrown the size. Therefore, he advised the manage-ment and workers to "turn their attention towards increasing the size of the surplus until the size of the surplus becomes so large that it is necessary to quarrel over how it shall be divided."
5. **Development of Workers.** In scientific management, all workers should be developed to the fullest extent possible for their own and for the company's highest prosperity. Development of workers requires their scientific selection and providing them training at the workplace. Training should be provided to workers to keep them fully fit according to the requirernent new methods of working which may be different from the non-scientific methods.

Criticisms of Taylor's Scientific Management :

(1) Unbalanced Approach : Scientific Management is criticised for taking a partial view of the whole management function i.e. it focuses attention only on the problem of production management. However other management functions like maketing, finance are equally concerned with the integration of all the function and not some or few. Thus, scientific management is criticised for its unbalanced approach related to management functions.

(2) Mechanical Approach : Another criticism is that scientific mgt. focuses on the mechanical approach adopted towards the workers i.e. workers are more or less "automated' and are expected to work similar to machines. Infact , human approach is tobe adopted towards the workers. Workers should be allowed to participate with management thus the atmosphere cooperation can be generated.

(3) Pessimistic assumption about human nature: Scientific mgt. is also criticised for having pessimistic assumption (similar to theory x) , about human nature. It considers that humans basically lake ambition, are not hardworking and are lazy, do not like to take responsibility etc. These all are negative assumptions about human nature and because of this Taylor stressed upon close supervision and tight control over workers. In fact, this theory is too pessimistic and Douglas Mcgragor came out with theory-y against Theory-X which had all positive assumption related to human nature. He stressed upon MBO (Management By Objectives) and self control.

(4) Exploitation of Worker: This theory lead to exploitation of worker in the sense that by following Taylor's scientific management. the productivity though increased but still the wages of the workers

were not raised/or were in the same proportion. Thus, the workers were exploited by not allowing them to share in the high productivity.

(5) **Problem of Monotony:** Over-specialization under scientific management leads to monotony, since the worker is supposed to perform the same job repeatedly; hence, the work becomes dull and monotonous, which will lead to reduced efficiency. Psychologists suggested 'Job Enlargement' where by the workers is allowed to do small bits of work connected with the job proper, in addition to the job itself.

(6) **Loss due to re-organization:** Introduction of scientific mgt. requires a virtual re-organization of the whole industrial structure and because of the suspended work, there could be loss of production. Hence, scientific mgt. is to be introduced slowly so that the normal functioning of the industry is not distributed.

Activity C:

1. Do you think F.W. Taylor's scientific management is at its verge of obsolescence? justify your answer by stating case for or against it with the help of practical illustration of your choice.

3.6 Summary

Management is all pervasive in nature since it is inevitable irrespetive of nature and size of the activity. It has versatile and unique role to play in business, industry, society and national economy as a whole. Henry Fayol gives six types a qualities that a manager require viz-Physical, Mental, Moral, Educational, Technical and experience. He has also give fourteen principles of management also known has 'Administrative Management'.F.W. Taylor come about how to add an element of science in management, he has given elements and principle of scientific management. Scientific management was criticize for its pessimistic assumption about human nature and problem of monotony. Scientific management laid down mental revolution as a essential condition for its successful application.

3.7 Self Assessment Questions

1 What are the common qualities you expect in a successful manager ?

2 Critically evaluate F.W.Taylor's 'Scientific Management' and state whether and to what extent it can be successful in present context ?

3 Which of Fayol's principles & functions of management do you believe still apply today ?

4 Discuss significance of management with reference to business, industry, society and national economy.

5 Was Taylor's assumption that management and labour had a common cause valid ? why or why not ?

6 What were some of the work methods and tools that Taylor introduced to increase productivity ?

3.8 Reference Books

- L.M. Prasad (2002); 'Principles and Practices of Management'; Sultan Chand & Sons, Educational Publishers, 2002, New Delhi.
- James A. F. Stoner, R. Edward Freeman, and Daniel R. Gilbert Jr. (2008); 'Management'; PEARSON Prentice Hall, 6th Edition, Reprint in 2008.

Unit - 4 Schools of Management Thoughts

Structure of Unit

4.0 Objectives
4.1 Introduction
4.2 Historical Background of Management
4.3 Evolution of Management Thoughts
4.4 Classical and Neo-Classical Approaches to Management
4.5 Contingency Approach to Management
4.6 Management Thinkers and Their Contributions
4.7 Characteristics and Limitations of Approaches to Management
4.8 Summary
4.9 Self Assessment Questions
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4.0 Objectives

After completing this unit, you will be able to:

- Learn historical background & evolution of management thoughts.
- Recognize classical, neo-classical contingency approaches to management.
- State characteristics and limitations of different approaches to management.

4.1 Introduction

Study of the field of management and an organization is a study of an organic system. The system, its variables and its dynamics keep on changing with the passage of time. As we put formal attempt to view the situation from management perspectives, probably every time we find its unique interpretation, new experience with related dynamics .In fact this extra ordinary feature which has provoke so many experiments, framing different equation to deal with prevailing situation. With the passage of time management scholars have also found that principles to deal with situation keeps on changing, new perspectives developed over a period of time, and probably their unique tested knowledge in the form of personal opinion prevails as schools of management thoughts. These different views have offered us an opportunity to study, research and practice this organic discipline in a more fertile way.

4.2 Historical Background of Management

Although studying history may not be at the top of your list of exciting things to do, it can help you understand today's management theories and practices and help see what has and has not worked. What is interesting, we think, is that management has been practiced a long time. Organized endeavors directed by people responsible for planning, organizing, leading, and controlling activities have existed for thousand-years. The Egyptian pyramids, the Great Wall of China, the Qutub Minar, and the Taj Mahal, for instance, are tangible evidence that projects of tremendous scope, employing tens of thousands of people, were completed in ancient times. The pyramids are particularly remarkable example. The construction of a single pyramid occupied more than 100,000 workers for 20 years. Who told each worker what to do? Who ensured that there would be enough stones at the site to keep workers busy? The answer is managers. Regardless of what these individuals were called, someone had to plan what

was to be done, organize people and materials to do it, lead and direct the workers, and impose some controls to ensure that everything was done as planned. Another example of early management can be seen during the 1400s in the city of Venice, a major economic and trade center. The Venetians developed an early form of business enterprise and engaged in many activities common to today's organizations. For instance, at the arsenal of Venice, warships were floated along the canals, and at each stop, materials and riggings were added to the ship. Doesn't that sound a lot like a car "floating" along an automobile assembly line and components being added to it? In addition, the Venetians used warehouse and inventory systems to keep track of materials, human resource management functions to manage the labor force, and an accounting system to keep track of revenues and costs. Two events are especially significant to management history. First, in 1776, Adam Smith published The Wealth of Nations, in which he argued the economic advantages that organizations and society would gain from the division of labor (or job specialization)— that is, the breakdown of jobs into narrow and repetitive tasks. Using die pin industry as an example, Smith claimed that 10 individuals, each doing a specialized task, could produce about 48,000 pins per day among them. However, if each person worked alone, performing each task separately, it would be quite an accomplishment to produce even 10 pins per day! Smith concluded that division of labor increased productivity by increasing each worker's skill and dexterity, saving time lost in changing tasks, and creat-ing labor-saving inventions and machinery. Job specialization continues to be popular. For example, think of the specialized tasks performed by members of a hospital surgery team, meal preparation tasks done by workers in restaurant kitchens, or positions played by players on a football team. The second important event is the industrial revolution. Starting in the late eighteenth century when machine power was substituted for human power, it became more economical to manufacture goods in factories than at home. These large, efficient factories needed someone to forecast demand, ensure that enough material was on hand to make products, assign tasks to people, direct daily activities, and so forth. That "someone" was managers, and these managers would need formal theories to guide them in running these large organizations. It wasn't until the early 1900s, however, that the first steps were taken toward developing such theories.

4.3 Evolution of Management Thoughts

Management practice is as old as human civilisation when people started living together in groups. For, every human group requires management and the history of human beings is full of organisational activities. However, the study of how managers achieve results is predominantly a twentieth century phenomenon. In the earlier years, management could not get the attention of researchers because the field of business in which the management concepts were applied was held low, unwor-thy of study; indifferent approach of other social scientists like economists, sociolo-gists, psychologists, etc., towards management and business organisations; treatment of management as an art not as a science; and the commonly-held belief that managers are born and not made. These factors created the situation where the need for a systematic study of management was not felt. This situation continued till the beginning of the twentieth century.

The situation started changing with the beginning of the 20th century; specially the World War I created the situation where people started thinking of solution to the problem of how limited resources could be applied in better way. The World War II added further problem to this end. Growing competition and complexity of managing large business organisations further provided impetus to developing sys-tematic management concepts and principles. In recent years, there has been worldwide rivalry for

markets, power and progress. The increasingly severe competition has come from such factors as (i) technological innovations and their dissemination in business, (ii) growing technological obsolescence, (iii) increase in capital investment, (iv) freedom at national and international markets, and (v) in-creasing buyers' sovereignty in the markets. Besides the growing competition in business, the complexity of managing business also has increased due to (i) increas-ing size of business organisations, (ii) high degree of division of labour and specialisation, (Hi) increased government regulations and controls to make business more socially-oriented, (iv) organised union activities to put pressures on manage-ment, and (v) pressure of various conflicting interest groups to meet their demands from the organisations. Both these factors-growing competition and complexity in managing business-have demanded the efficiency in management process which can come not merely by trial and error methods but by developing and applying sound management concepts and principles.

These factors emerged gradually which attracted the attention of a wide variety of intellectuals-economists, sociologists, psychologists, anthropologists, mathemati-cians, and management practioners-to study the organisations and processes through which these organisations could be made more effective. Each of these groups of intellectuals viewed the organisations and the processes therein in a particular way and made recommendations accordingly.

This led to the emergence of a variety of orientations and approaches in management; some making clear demarcation from others; some overlapping others. Similarly, a particular approach did not really start with the end of the previous one so far as time period is concerned; there was considerable overlapping of time too, as shown in Table . The periods presented are approximate.

TABLE : Evolution of management thought

	Management thought	**Period**
1.	Early contributions	Upto 19th century
2.	Scientific management	1900-1930
3.	Administrative/operational management	1916-1940
4.	Human relations approach	1930-1950
5.	Social systems approach	1940-1950
6.	Decision theory approach	1945-1965
7.	Management science approach	1950-1960
8.	Human behavior approach	1950-1970
9.	Systems approach	1960s onwards
10.	Contingency approach	1970s onwards

Another classification of management thought and approaches is in the form of classical, neoclassical, and modern. Classical approach includes scientific management and administrative/operational management. Neoclassical approach includes human relations approach and some relevant part of social systems approach, decision the-ory approach, management science approach, and human behaviour approach. Modern approach includes systems approach, contingency approach, and some rele-vant portion of the above approaches not included in neoclassical approach. However, this classification is time-spaafic because what is modern in today's con-text, may not remain the same in future.

4.4 Classical and Neo-Classical Approaches to Management

A relevant analogy is the classic story of the blindfolded men and the elephant, in the which each

declares the elephant to be like the part he is feeling : The first man, touching the side, declares that the elephant like a wall; the second touches the trunk and says the elephant is like a snag third feels one of the elephant's tusks and believes the elephant to be like **i** the fourth grabs a leg and says the elephant is like a tree; and the fifth touches the elephant's tail and concludes that the animal is like a rope. Each is encounter same elephant, but what each observes depends on where he stands. Similarly the four approaches contributes to our overall understanding of manage but each is also a limited view of a larger animal.

Classical Approach: Although we've seen how management has been used in organized efforts since e history, the formal study of management didn't begin until early in the twentieuh century. These first studies of management, described as the classical approach, emphasized rationality and making organizations and workers as efficient as possible, major theories comprise the classical approach: scientific management and general administrative management.

Scientific Management: If you had to pinpoint when modern management theory was born, 1911 might be good choice. That was when Frederick Winslow Taylor's Principles of Scientific Management was published. Its contents were widely embraced by managers around the world. The book described the theory of scientific management: the use of scientific methods to define the "one best way" for a job to be done. Let's look more clearly at what Taylor and other scientific management researchers did.

Frederick W. Taylor - Taylor worked at the Midvale and Bethlehem Steel Companies in Pennsylvania. As a mechanical engineer with a Quaker and Puritan background, he was continually appalled by workers' inefficiencies. Employees used vastly different techniques to do the same job. They often "took it easy" on the job, and Taylor believed that worker output was only about one-third of what was possible. Virtually no work stan-dards existed. Workers were placed in jobs with littie or no concern for matching their abilities and aptitudes with the tasks they were required to do. Taylor set out to remedy that by applying the scientific method to shop-floor jobs. He spent more than two decades passionately pursuing the "one best way" for such jobs to be done. Taylor's experiences at Midvale led him to define clear guidelines for improving production efficiency. He argued that these four principles of management would result in prosperity for both workers and managers.4 How did these scientific principles really work? Let's look at an example. Probably the best known example of Taylor's scientific management efforts was die pig iron experiment. Workers loaded "pigs" of iron (each weighing 92 pounds) onto rail cars. Their daily average output was 12.5 tons. However, Taylor believed that by scientifi-cally analyzing the job to determine the "one best way" to load pig iron, output could be increased to 47 or 48 tons per day. After scientifically applying different combinations of procedures, techniques, and tools, Taylor succeeded in getting that level of productivity. How? He put the right person on the job with the correct tools and equipment, had the worker follow his instructions exactly, and motivated the worker with an economic incentive of a significantly higher daily wage. Using similar approaches for other jobs, Taylor was able to define the "one best way" for doing each job. Overall, Taylor achieved consistent productivity improvements in the range of 200 percent or more. Based on his groundbreaking studies of manual work using scientific principles, Taylor became known as the "father" of scientific management. His ideas spread in the United States and to other countries and inspired others to study and develop methods of scientific management. His most prominent followers were Frank and Lillian Gilbreth.

Frank and Lillian Gilbreth - A construction contractor by trade, Frank Gilbreth gave up that career to study scientific management after hearing Taylor speak at a professional meeting.

Frank and his wife, Lillian, a psychologist, studied work to eliminate inefficient hand-and body motions. The Gilbreths also experimented with the design and use of the proper tools and equipment for optimizing work performance. Frank is probably best known for his bricklaying experiments. By carefully analyzing the bricklayer's job, he reduced the number of motions in laying exterior brick from 18 to about 5 and in laying interior brick from 18 to 2. Using Gilbreth's techniques, a bricklayer was more productive and less fatigued at the end of the day.

The Gilbreths were among the first researchers to use motion pictures to study hand-and body motions. They invented a device called a microchronometer that recorded a worker's motions and the amount of time spent doing each motion. Wasted motions missed by the naked eye could be identified and eliminated. Gilbreths also devised a classification scheme to label 17 basic hand motions I search, grasp, hold), which they called therbligs (Gilbreth spelled backward, with the transposed). This scheme gave the Gilbreths a more precise way of analyzing worker's exact hand movements.

How Today's Managers Use Scientific Management. Many of the guidelines and techniques that Taylor and the Gilbreths devised for improving production efficiency are still used in organizations today. When managers analyze the basic work tasks that must be performed, use time-and-motion study to eliminate wasted motions, hire the best-qualified workers for a job, or design incentive systems based on output, using the principles of scientific management.

General Administrative Theory: A-group of writers looked at the subject of management from the perspective of the entire organization. This approach, known as general administrative theory, focused more on what managers do and what constituted good management practice. The two most prominent individuals behind general administrative theory were Heri Fayol and Max Weber.

Henri Fayol - He was the first identified five functions that managers perform: planning, organizing, commanding, coordinatting, and controlling. Because his ideas were important, let's look closer at what he had say. Fayol wrote during the same time period as Taylor. While Taylor was concerned with first line managers and the scientific method, Fayol's attention was directed at the activities of all managers. He wrote from personal experience as he was the managing director of a large French coal-mining firm. Fayol described the practice of management as something distinct from accounting, finance, production, distribution, and other typical business functions that management was an activity common to all business endeavors, govern: even the home led him to develop 14 principles of management—fundamental rules of management that could be applied to all organizational situations and schools.

Max Weber. Max Weber was a German sociologist who studied organizations. Writing in the early 1900s, he developed a theory of authority structures and relations based on an ideal type of organization he called a bureaucracy-a form of organization characterized by division of labor,a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships. Weber recognized that this "ideal bureaucracy" didn't exit in reality.

Employees Work More Efficiently By: When we apply historical study we can conclude that in present context, assigning work that has sufficient challenges.When they encounter barriers, guide and help them without doing their work for them.

Rules for Managers:

- Recognizing and appreciating good performance.
- Setting challenges.
- Planning/executing/monitoring for better results.

Instead, he intended it as a basis for theorizing about how work could be done in large groups. His theory became the structural design for many of today's large organiza Bureaucracy, as described by Weber, is a lot like scientific management in its ideology. Both emphasize rationality, predictability, impersonality, technical competence and authoritarianism. Although Weber's ideas were less practical than Taylor's, the fact that his "ideal type"still describes many contemporary organizations attests to the importance of Weber's ideas.

How Today's Managers Use General Administrative Theories: Several of our current manaagement ideas and practices can be directly traced to the contributions of general administrative theory. For instance, the functional view of the manager's job can be attributed to Fayol. In addition, his 14 principles serve as a frame of reference from which many current management concepts-such as managerial authority, centralized decision making, reporting to only one boss, and so forth-have evolved. Weber's bureaucracy was an attempt to formulate an ideal prototype for organizations. Although many characteristics of Weber's bureaucracy are still evident in large organizations, his model isn't as popular today as it was in the twentieth century. Many managers feel that a bureaucratic structure hinders individual employees' creativity and limits an organization's ability to respond quickly to an increasingly dynamic environment. However, even in flexible organizations of creative professionals-such as Infosys, UTV, Cisco Systems, and Dr Reddy's Lab-some bureaucratic mechanisms are necessary to ensure that resources are used efficiently and effectively.

Activity A:

1. With the help of group efforts try to make effective presentation historical background of management and evolution of management thoughts in you classroom.

4.5 Contingency Approach to Management

Contingency or situational approach is an important addition to the paradigm of modern management theory and approach. In one way, this is an extension of systems approach. The basic idea of contingency approach is that there cannot be a particular management action which will be suitable for all situations. Rather, an impropriate action is one which is designed on the basis of external environment and internal states and needs. Contingency the orists suggest that systems approach does not adequately spell out the precise relationship between organisation and its environment. Contingency approach tries to fill this gap by suggesting what should be done in response to an event in the environment. Some researchers distinguish between contingency and situational approaches by suggesting that situational management implies that what a manager does depends on a given situation. Contingency approach, on the other hand, suggests an active interrelationship between the variables in a situation and the managerial actions devised. Thus, contingency approach takes into account not only given situations but also the influence of given solutions on behaviour patterns of an organisation. Despite these differences and emphasis on varying factors, themes of roth the approaches are common. In fact, some authors believe that the term contingency is misleading and they should have used the term situational. Nevertheless, both terms are used interchangeably. The basic theme of contingency view can be presented by quoting Tosi and Hammer. They say that:"When a subsystem in an organisation behaves in response to another system or subsystem, we say that response is contingent on environment. Hence, a contingency approach is an approach where the behaviour of one subunit is dependent on its environmental relationship to other units or subunits that have control over the consequences desired by that subunit." Judged in the light of this statement, contingency approach has the following features :

1. Management action is contingent on certain action outside the system or sub-system as the case may be.

2. Organisational action should be based on the behaviour of action outside the system so that organisation should be integrated with the environment.
3. Because of the specific organisation-environment relationship, no action can be universal. It varies from situation to situation.

4.6 Management Thinkers and Their Contributions

Name	Chief Publication	Major Contributions
Henri Fayol	Administration Industrielle et Generale (1916).	Stressed that the theory of administration was equally applicable to all forms of organized human cooperation.
Harrington (1853-1931)	1. Efficiency as Basic for Operation and Wages (1900). 2. The Twelve Principles of Efficiency (1912). 3. The Scientific Selection of Employees (1913).	Studied the Sante Fe Rail-road and promoted "scientific management" in general usage.
Fredrick W. Taylor (1856-1915)	1. A Piece-Rate System (1895). 2. Shop Management (1903). 3. On the Art of Cutting Metals (1906) 4. The Principles of Scientific Management (1911).	Father of scientific management. Developed high-speed cutting tools. Introduced time study to industry.
Karl Pearson (1857-1936)	1. On the Correlation of Fertility with Social Value (1913). 2. Tables for Statisticians (1933).	Developed basic statistical tables and statistic technicques, including the chi-square test and the standard deviation concept.
Henry L.Gantt (1861-1919)	1. Work, Wages and Profits (1910). 2. Industrial Leadership (1916). 3. Industrial Leadership (1916). 4. Organizing for work (1919).	Emphasized relation of management and labour. Stressed conditions that have favourable psychological effects on the worker. Developed charting techniques for scheduling.
Max Weber (1864-1920)	1. The Theory of Social and Economic Organisation (translated by Henderson and Parsons in 1947). 2. From Max Weber : Essays in Sociology (translated by Gerth and Mills in 1946).	The foremost pioneer in the development of a theory of bureaucracy.
Frank Gilbreth (1865-1920)	1. Concrete Systems (1908). 2. Motion Study (1911).	Searched for "the one best way". Introduced motion study to industry.
Mary Parker Follent	Dynamis Administration (edited by Metcalf and Urwich, 1941).	Led in practical observations about the value of human relations to the basic principles of organization.

G. Elton Mayo (1880-1949)	1. The Human Problems of an Industrial Civilization (1933). 2. The Social Problems of an Industrial Civilization (1933).	Stressed the importance of human and social factors in industrial relationships. Questioned the overemphasis on technical skills at the expense of adaptive social skills. Led a team of reserachers in extensive studies at the Hawthorne plan of Western Electric Company.
Chester I. Barnard (1886-1961)	1. The Functions of the Executive (1938). 2. Organization and Manageent (1948).	Leader in stressing sociological aspects of management. Concentrated on the concept of authority, the importance of communi-ation, and informal organizations in man-agement.
Kurt Lewin (1890-1947)	Resolving Social Conflicts Field Theory in Social Science (1951).	Developed the theory of group dynamics.
Ronald A. Fischer (1890-1962)	1. Statistical Methods for Research Workers (1925). 2. The Design of Experiments (1935).	Pioneer in the use of statistical methods in research. Made valuable contribuetions to the design of experiments.
Walter A. (1891-1972)	The Economic Quality Control of Manufactured Products (1930).	Applied theory of probability and statistical inference to economic problems at Bell Laboratories. Developed statistical control charts.
F.J.Roethlisberger (1898-1974) Name	1. Management and the Worker (with W.J. Dickson, 1939). 2. Management and Moral (1941). 3. A New Look for Manageent (1948).	Made a comprehensive report on the Hawthorne experiment. Led in experimental research on human factors in management.
Peter Drucker (1909-)	1. The Practice of Management (1954). (And several other books on management).	Developed concepts of management by objectives. As a consultant and writer, popularized new developments in management.
G.B. Dantzig (1914-)	Maximization of a Linear Function of Variables Subjects to Linear Inequalities (1947).	Developed the basis for practical applications of linear programming.
Claude Shannon	The Mathematical Theory of Com munication (1948).	Laid the theoretical foundation for information theory.
Herbert A. Simon (1916 -)	1. Administrative Behavior (1947). 2. Models of Man (1957). 3. Organization (1958).	Winner of Noble Prize in Economics. Developed theory building from behavioural and quantitative bases for modern management.

4.7 Characteristics and Limitations of Approaches to Management

Characteristics/Contributions	Limitations
Empirical, or Case Approach Studies experience through cases Indentifies successes and failure.	Situations are all different. No attempt to identify principles. Limited value for developing management theory.
Interpersonal Behaviour Approach Focus on interpersonal behaviour, human relations, leadership, and motivation, based on individual psychology.	Ignores planning, organizing, and controlling. Psychological training is not enough to become an effective manager.
Group Behaviour Approach Emphasis on behaviour of people in groups. Based on sociology and social psychology. Primarily study of group behaviour patterns. The study of large groups is often called "organization behaviour".	Often not integrated with management concepts, principles, theory, and techniques. Need for closer integration with organization structure design, staffing, planning and controlling.
Cooperative Social Systems Approach Concerned with both interpersonal and group behavioural aspects leading to a system of cooperation. Expanded concept includes any cooperative group with a clear purpose.	Too broad a field for the study of management. At the same time, it over-looks many managerial concepts, principles and techniques.
Socio-Technical Systems Approach Technical system has great effect on social system (personal attitudes, group behaviour). Focus on production, office operations and other areas with close relationship between the technical system and people.	Emphasis only on blue-collar and lower-level office work. Ignores much of other managerial knowledge.
Decision Theory Approach Focus on the making of decisions, persons or groups making decisions, and the decision-making process. Some making as a springboard to study all enterprise activities. The boundaries of study are no longer clearly defined.	There is more to managing than making decisions. The focus is at the same time too narrow and too wide.
Systems Approach Systems concepts have broad applicability. Systems have boundaries, but they also interact with the external environment, i.e. organizations are open systems. Recognizes importance of study inter-relatedness of planning, organizing, and controlling in an organization as well as many subsystems.	Analyses of the interrelatedness of systems and subsystems as well as the interactions of organizations with their external environment. Can hardly be considered a new approach to management.
Mathematical or "Management Science" Approach Managing is seen as mathematical processes, concepts, symbols, and models. Looks at management as a purely logical process, expressed in mathematical symbols and relationships.	Preoccupation with mathematical models. Many aspects in managing cannot be modelled. Mathematics is a useful tool, but hardly a school or an approach to management.

Contingency or Situational Approach Managerial practice depends on circumstances (i.e. a contingency or a situation). Contingency theory recognizes the influence of given solutions on organizational behaviour patterns.	Managers have long realized that ther is no one best way to do things. Difficulty in determining all relevant contingency factors and showing their relationships : Can be very complex.
Managerial Roles Approach Original study consisted of observations of five chief executives. On the basis of this study, 10 managerial roles were identified and grouped into (a) interpersonal, (b) informational, and (c) decision roles.	Original sample was very small. Some activities are not managerial- activities are evidence of planning, organizing, staffing, leading and control-ling. But some important managerial activities were left out (e.g. appraising managers).
McKinsey's 7-S Framework The seven S's are (a) strategy (b) structure (c) systems (d) style (e) staff (f) shared values (g) skills.	Although this experienced consulting firm now consulting firm now uses a framework similar to the one found useful by Kootz et al. since 1955 and confirms its practically, the terms used are not precise and topics are not discussed in depth.
Operational Approach Draws together concepts, principles, techniques, knowledge from other fields, and managerial approaches. The attempt is to develop science and theory with practical application. Distinguishes between managerial and non-managerial knowledge. Develops classification system built around the managerial functions of planning, organizing, staffing, leading and controlling.	Does not, as some authors do, identify "representing" or "coordination" as a separate function. Coordination, for example, is the essence of managership and is the purpose of managing.

Activity B:

1. Make a suggestive not on what should-today's entrepreneurs know about management.

4.8 Summary

Well known schools of management thaught - Classical Neo-Classical and Contingency approach-have contributed to managers understanding of organisations and to their ability to manage them. Each offers a different perspective for defining management problems and opportunities and for developing ways to deal with them. In their current state of evolution, however, each approache also overlooks or deals inadequately with important if organisational life. The newer system approach, based on general system theory and the contingency approach have already been developed to the point where they offer valuable insight for the practicing manager. Eventually they may lead to the integration of the approach yet not perceived on the horizon may accomplish this end.

4.9 Self Assessment Questions

1 Why it is important for you to understand the various management theories that have developed?

2 What are the major contribution and limitation of the classical approach?

3 Which approach or school of management thought makes the most sence to you? Why?

4 Discuss in detail system approach to management?

5 What is the major task of the manager according to the contingency approach?

4.10 Reference Books

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Unit - 5 Planning

Structure of Unit

5.0 Objectives
5.1 Introduction
5.2 Characteristics of Planning
5.3 Nature of Planning
5.4 Types of Planning
5.5 Principles of Planning
5.6 Limitations of Planning
5.7 Summary
5.8 Self Assessment Questions
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5.0 Objectives

After completing this unit, you will be able to:

- Discuss the basic frame work of planning function as an element of managing.
- Understand different types of planning approaches.
- State the major principles involved in planning
- Identify the limitations to effective planning.

5.1 Introduction

Management is concerned with present and future implications of his decisions. Predicting the future is one of management's greatest challenges. According to John McHale, "The future of the future is in the present."' The survival and progress of a concern is largely determined by decisions made today. No organization can avoid change, so all managers must plan effectively. Planning, organizing, directing, and controlling are the primary functions of management. But "planning precedes all other functions." McFarland writes that "Planning is both an organizational necessity and a managerial responsibility."

1. Meaning of Planning : The meaning of the word' 'planning is something of a paradox'. To some' it is an omnibus term having convenient utility and a generalized context extending from broad philosophical considerations to precise details. They think of it as specific activity; in contrast, some believe it is a part of, perhaps even a symbol for almost everything one does. Then, too, an upsurge in planning has created many different kinds of planning, and this array of different entities, all identified by planning has added to confusion. There are some who consider planning synonymous with decision-making. This is also erroneous. Decision-making is not the same as planning because, one can make decisions in other activities also, though the role of decision-making is highly important in planning

Planning is deciding in advance about a future course of action- It is deciding what needs to be done, when and how it needs to be done, and who is to do it. It is the process through which managers determine goals and devise ways of accomplishing them. It is concerned with ends (what is to be done) as well as means (how it is to be done). It involves selecting missions and objectives and the actions to achieve them. It bridges the gap from where we are to where we want to go.

It requires anticipating future and decision- making that is, choosing from among alternative future courses of action. It provides the blueprints of actions to achieve goals.

2. Definitions of Planning : In the words of Koontz and O'Donnell, "planning is an intellectually demanding process; it requires the conscious determination of courses of action and the basing of decisions on purpose, knowledge and considered estimates.

In the words of Tansik and Chase, "Planning is the process of setting a course of action designed to accomplish given goals in a predicted environment.

According to Andrew Szilagyi, "Planning is an ability to visualize a future process and its results.

In the words of C.L. Hudson "To plan is to produce a scheme for future actions to bring about specific results, at specified period of time. It is a deliberate attempt to influence, exploit, bring about and control the nature, direction, extent, speed, and effects of change.

George R. Terry writes, "Planning is the selecting and relating of cats and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

Peter Drucker defines planning as the process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity.

Thus, planning is an intellectual process of making decisions towards a course of action for the future. It is anticipating the future and determining in advance a line of action to achieve better results. It is deciding in the present what has to be done in future. It is development of policies and Programme by which certain results are to be achieved. Planning process involves establishing objectives. Policies, procedures, methods, and rules. It is a process of making assumptions about the future and gathering facts in order to achieve objectives.

3. Plan versus planning : A distinction is often drawn between plans and planning. In brief, plans are result of the planning process. A plan is just a Programme of action regarding the future. It is a statement of objectives to be attained in the future and an outline of the steps necessary to reach them. Planning is the process through which a plan is carried out in practice. W. Haynes makes it clear in this way, "Plans are simply statements of the things to be done. But planning involves (i) deciding on objectives (ii) determining and allocating the resources required and (iv) ensuring that plans are communicated to all concerned.

Plan is a theoretical concept but planning has a practical value. Plans are natural outgrowths of the planning process.

5.2 Characteristics of Planning

On the basis of various definitions, the following characteristics of planning can be pointed out:

1. **Primary task of management :** Planning is the first fundamental function of management. It must occur before any of the other managerial functions. Without planning, the other functions – organizing, direction, controlling etc. Cannot be executed effectively. James Lundi writes, "As a preliminary activity, planning results in the development of a framework within which coordinating, motivating and controlling can be undertaken. "
2. **Intellectual process :** Planning is a process of orderly thinking. While planning, managers have to think about future, as well as about organizational strengths and weaknesses. It requires an ability to visualize the future. It involves processes of perception, analysis and thought.

3. **Future-oriented :** It is a process of looking ahead. Earl Strong says," Planning is anticipating." Hamilton Church writes, "Planning is, in essence, the exercise of foresight." It is looking into the future before the situation actually occurs.
4. **Decision-oriented :** The planning process involves decision-making that specifies actions necessary to achieve future goals. Billy E. Goetz writes, "Planning is essentially choosing and a planning problem arises when an alternative course is discovered."
5. **Goal-oriented :** Planning is focused on those efforts necessary to achieve future end-states. It is associated with the goals of the organisation. Koontz and Weihrich writes, "Plans provided a rational approach to preselected objectives."
6. **Forecasting is the essence of planning :** Planning has the central concern with the future. Fayol says, "It is assessing the future and making provision for it. " Ackoff writes, "Planning is anticipatory decision-making. "It is evaluation and analysis of future in advance. But, Fulmer says. 'Planning is more than forecasting. "It is the means of bridging the gap to the future.
7. **Pervasive function :** Planning is a function of every manager, although the character and type of planning may vary with his formal power. It is applicable at every level of managerial hierarchy. Knootz and Donnell writes, "All managers- from presidents to foremen – plan. And planning must filter through the
8. **Planning and action are twins of management :** Knootz and Donnel writes, "Plans alone cannot make an enterprise successful. Action is required, the enterprise must operate. Plans must focus on action. Without plans, action must become merely random activity producing nothing but chaos." The alternative to a plan is disorder.
9. **Planning is wider than decision-making :** Planning and decision making are not the same. Decision can be made without planning, but planning cannot exist without decision-making. Even then, planning is more than decision making. It involves choosing an objective, charting a course, and moving along that course to achieve that objective. E.W.Reilley writes," Planning has to be a searching look within, a broad look around, and a long look ahead."
10. **Inter-dependent activity :** Planning co-ordinates the activities of various departments, sections and sub-sections. Departmental plans will be the components parts of master Plan prepared at the top of the organisation.
11. **Continuous and dynamic activity :** Planning is a never-ending activity. Planning cycle goes on continuously. It involves constant review and change. To be successful, planning has to adjust with the changes taking place in the environment. Planning prepares for adaptive and innovative change.
12. **Planning is the basis of control :** Knootz and O'Dennell writes," Plans furnish the standards of control. Unplanned action cannot be controlled. Any attempt to control without plans would be meaningless, since there is no way for people to tell whether they are going where they want to go (the task of control) unless they first know where they want to go (the task of planning)."
13. **Other features**
    (i) Planning follows a systematic and routinized procedure.
    (ii) It is participative in nature.
    (iii) Planning always has a dimension of time.
    (iv) It provides purpose and direction for the members of an organisation.
    (v) G.A. Steiner says "Planning is a philosophy as an attitude and a way of life."
    (vi) Planning also implies "managerial innovation" (Knootz and Weihrich).

5.3 Nature of Planning

The basic nature of planning may be understood in terms of it being a rational approach, open-system approach, and its pervasiveness.

1. **Planning: A Rational Approach :** The concept of rationality denotes the choice of appropriate means for achieving stated objectives. In organizational context, planning as a rational tries to fill the gap between actual status (current performance) and desired status (desired performance). The difference between two time periods may vary between short terms, say one year or so and long term, and say 5 years or so or even more depending on the degree of futurity which an organisation takes into account for charting out its plan. The current and desired status usually expressed in terms of objective can be achieved by an action or set of actions. For completing an action, various types of resources-human as well as non-human-are required. The rational approach of planning emphasizes the most appropriate use of these resources.
2. **Planning: An Open System Approach :** Planning adopts an open system approach. It takes inputs from the environment, processes these, and exports outputs to environment. The open system approach of planning indicates that the identification of gap between current status and desired status in future and the action required to bridge this gap is influenced by a variety of environmental factors-economic, political-legal, technological, socio-cultural and competitive. These factors are dynamic and change with the time. Therefore, while adopting open system approach in planning, managers have to take into accounts the dynamic features of the environment.
3. **Pervasiveness of Planning :** Planning is pervasive and extends throughout the organisation. Every manager has a planning function to perform. This stem from the fact that he is a manager and that planning is a fundamental management function. However, the pervasiveness of planning is commonly overlooked and planning is frequently considered as being the function of top level managers. While it is true that they devote more of their time to planning and works with more vital issue then the managers of the middle and lower levels do, the fact remains that every managers has to perform planning within his particular area of activities. Top management is responsible for overall objectives and actions of the organisations. Therefore, it must plan what this objective should be and how this can be achieved. Similarly, a departmental head has to devise the objectives of his department within the organizational objectives and also the method of achieving these; a foreman has to devise the objectives of his shop and also how to achieve these. For example, budget, a part of plan n any organization, is prepared at various levels.

Each level contributes to the preparation of budget by contributing what his efforts will contribute in terms of results. Like all the levels of management, planning exists in all the organisations regardless of its size or nature of activities, In large organisations, its presence is apparent due to some employees giving all or major portion of their time to planning efforts. For example, many large organisations have established separate corporate planning departments. Usually in these cases, emphasis is given to things as the allocation of available resources in the best manner to achieve basic goals and the courses of action for certain problems deemed most expeditious at the times and places. In small organizations, planning is commonly of a somewhat informal type. The owner/manager himself may do most of it. Relatively it's easy to plan for small organisation because the objectives of such an organisation are simple; there are few people to deal with and the planning work itself is free intricacy. Thus, planning is equally essential for the small and large organizations.

Activity A:

1 Take any organization like college, school, work place etc. and analyze the implications of three approaches of planning.

5.4 Types of Planning

Types of Planning

There may be several ways in which an organization can undertake planning process though the basic steps involved remain the same in each way. Planning can be differentiated on the basis of coverage of organizational activities importance of contents in planning process, time dimension in planning, approach adopted in planning, and degree of formalization in planning process, as shown in table.

Table 5.1: Types of Planning

	Dimensions	Types of planning
1.	Coverage of activities	Corporate and functional planning
2.	Importance of contents	Strategic and tactical / operational planning
3.	Time period involved	Long term and short term planning
4.	Approach adopted	Proactive and reactive planning
5.	Degree of formalization	Formal and informal planning

The above classification is not mutually exclusive but iterative. For example, strategic and tactical planning may be undertaken on the basis of proactive or reactive approach, or formal or informal basis. However, in each set of classification, the type of emphasis put in planning process differs.

1. Corporate 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.

- Corporate Planning : The term corporate planning denotes planning activities at the top level, also known as corporate level, which cover the entire organizational activities. The basic focus of corporate planning is to determine the long term objectives of the organization as a whole and then to generate plans to achieve these objectives bearing in mind the probable changes in environment. Because of long term orientation involved and strategic aspects covered in corporate planning, it is also used as synonymous to long term planning or strategic planning. However, some distinction exists among these at least at the conceptual level. Similarly some authors use corporate planning as the total process of management. For example David Hussy has defined corporate planning as follows:

Corporate planning includes the setting of objectives, organizing the work, people, and systems to enable those objectives to be attained, motivating through the planning process and through the plans, measuring performance and so controlling progress of the plan and developing people through better decision making, clearer objectives, more involvement, and awareness of progress.

This definition of corporate planning is quite broad and may cover many management functions not necessarily related to planning aspect of management functions. For example, planning sets future course of action and its implementation is not strictly the planning should be taken as the total planning activities in the organization and not the total management functions.

Similarly corporate planning is used as long range planning because long range planning emphasizes the future orientation of the process. However, there is growing opinion which disfavors the use of long

range planning as synonymous with corporate planning because it underemphasizes the comprehensive nature of corporate planning. The process of corporate planning is concerned with all aspects and not only the long range. Although the future orientation is certainly the most important argument in favor of the process, long range planning without the back up of short range planning will fail. Differences between corporate planning and long range planning can be understood by classifying the more comprehensive corporate planning further into segments. Normally, corporate planning is divided into strategic planning or long range planning and operational, tactical or short range planning.

- Functional planning : As against corporate planning which is integrative functional planning is segmental, and it is undertaken for each major function of the organization like production / operation, marketing, finance human resource / personnel etc. At the second level, 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, sale 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 and Operational Planning : Comprehensive corporate planning may be divided into strategic and operational depending on the direction of actions set in the organization. One part of the planning sets future direction of the organization and another part confines itself to devise actions to proceed in that direction. The former is known as strategic planning while latter is known as operational or tactical planning.

- Strategic Planning : Strategic planning sets the long term direction of the organization in which it wants to proceed in future. Anthony has defined strategic planning as follows:

"Strategic planning is the process of deciding on objectives of the organization, on changes on these objectives, on the resources used to attain these objectives and on the policies that are to govern the acquisition, use and disposition of these resources.

Examples of strategic planning in an organization may be planned growth rate in sales, 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 affected within the existing and long term framework of economic political technological and social factors. Strategic planning also involves the analysis of various environmental factors particularly with respect to how organization related to its environment.

A basic problem in strategic planning is the period for which plan is to be formulated. Normally more than one year period is considered to be a long one. Usually for most of the organizations, of ranges between 3 and 5 years. However there should be some logic in selecting the right time range for planning. In general since planning and forecasting that underlies it are costly and organization should not plan for a longer period than is economically justifiable, yet it is risky to plan for a shorter period. The choice of period lies in the commitment principle which suggests that logical planning encompasses a period of time in the future necessary to foresee, as well as possible, the fulfillment of commitments involved in decision made today. What the commitment principle implies is that long range planning is not really planning for future decisions but rather planning for the future impact of today's decisions. In other words, a decision is commitment, normally of funds direction of action or other similar things. Therefore, the most striking application of planning period would be the setting up of time period long enough to anticipated the recovery of costs sunk in a course of action.

- Operational planning : Operational planning also known as tactical or short term planning, usually cover one year or so. It is aimed at sustaining the organization in its production ad distribution of current products or services to the existing markets. Operation planning can be defined as follows:

"Operational planning is the process of deciding the most effective use of the resources already allocated and to develop a control mechanism to assure effective implementation of the actions so that organization objectives are achieved. Operational planning taken in this way answers the questions about a particular function 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 results of the action required
5. What objectives and conditions must be met?

Operational planning is undertaken out of the strategic planning. The various examples of operational planning may be adjustment of production within giving capacity, increasing the efficiency of operating activities through analyzing past performance, budgeting future costs, programming the comprehensive and special details of future short term operations, and so on.

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

1. **Range of Choice:** Strategic planning guides the choice among the broad directions in which the organization seeks to move and concerns the general plan allocation of its managerial, financial, and physical 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. Usually operational planning aims at contributing to strategic planning as the former tries to achieve results and actions suggested by the latter.
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. It usually encompasses all the functional areas of the organization and is affected within the existing and long term future characteristics of various environmental factors. 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. **Primacy:** Strategic planning precedes operational planning since the latter is primarily concerned with the implementation of the former. Strategic planning sets trends and direction for managerial actions, its time horizon is usually quite long. Operational planning is heavily concerned with short term Programme implementing step by step progress towards basic organizational goals. In the short term, managers have to work within the framework of given resources as the functional capabilities of the organization are generally restricted because in the short term there cannot be fundamental change in these. Therefore, strategic planning must recognize the limits of what operational planning can realistically be undertaken in given time periods.

Level of formulation: Strategic planning is formulated usually by top level management and other specified planning staff in the organization. At this level, managers can take overall view of the organization

and is generally performed by operating managers with the help of the subordinate staff. Since two planning groups are widely separated in the organization, some incompatibility may exist between two types of planning. Therefore, there is a need for integrating these two in order to have better planning effects. If planning is taken as an integrated system, most of the problems of conflict between strategic and operational planning may be overcome.

3. Long Term and Short Term Planning : Planning is concerned with problems of future. Thus, a planning system must involve different degrees of futurity. Some parts of the organization have requirements that entail planning for many years into the future, while others require planning over only a short horizon. Capital expenditure, for example is more subject to long range planning than any other area. Such plans frequently form the basis of other planning. The planning period is divided generally into (i) short term and (ii) long term. However, the time dimension of planning is not so obvious as it might appear. Many complex factors interact to determine planning period the industry peculiarities, the market demand, the availability of resources, the lead time involved in the product life cycle, etc. Thus, what might be a long period of planning for one organization might be a short period for others.

What should be an ideal planning period depends upon commitment principles. Commitment principle implies that long range planning is not really planning for future decision but rather planning the future impact of today's decisions. In other words, a decision is a commitment, normally of funds, direction of action, or reputation. Thus, the commitment for different parts of organization differs. Costs incurred on purchasing a machine may be recouped in ten years and management must foresee the situation for the coming ten years. Similarly, a small manufacturer of spare parts who completes his production cycle consisting of raw material acquisition, production, inventory, sales and collection of money, in six months or so requires a commitment period of six months only and the planning period covers only this period.

- Long term planning : Long term planning is of strategic nature and involves more than one year period extending to twenty years or so. However the more common long term period is 3 to 5 years. The long term plans usually encompass all the functional areas of the business and are affected within the existing and long term framework of economic, social and technological factors. Long term plans also involve the analysis of environmental factors, particularly with respect to how the organization relates to its competition and environmental factors, particularly with respect to how the organization relates to its competition and environment. Sometimes basic changes in organization structure and activities becomes the real output of such plans. Examples of such changes may be new product, product diversification, individuals in the organization, development of new markets etc.

A distinction between short range and long range planning is often made on the basis of the period of time involved. Though there is a clear correlation between these kinds of planning and the length of time horizons the more important distinction is on the basis of the nature of planning.

- Short term planning : Short term planning also known as operational or tactical planning, usually covers one year. These are aimed at sustaining organization in its production and distribution of current products or services to the existing markets these plans directly affect functional groups – production, marketing, finance etc. within its time dimension they answer pertinent questions about a particular function 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 results of the action required
5. What objectives and conditions must be met

Coordination of Short Term 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. The managers should consider, while preparing the short term plans that they are contributing to the long term plans. For this purposes they should scrutinize the former in the light term plans. for this purpose they should scrutinize the former in the light of the latter and subordinates should also scrutinize the former in the light of the latter and subordinates should be made aware of this fact. Sometimes, the short term plans do not contribute to long term plans, but contribute to the organizational objectives. In such a case, the long term plans need to be modified. This can be done when there is flexibility in planning.

4. Proactive and Reactive Planning : Classification of planning into proactive and reactive is based on the organization's response to environmental dynamics. We have seen earlier that planning is an open system approach and is affected by environmental factors which keep on changing continuously. However, organizations response to these changes differs. Based on these responses, planning may be either proactive or reactive.

- Proactive planning : Proactive planning involves designing suitable courses of action in anticipation of likely changes in the relevant environment. Organizations that use proactive planning use broad planning approaches, broad environmental scanning, decentralized control, and reserve some resources to be utilized for their future use. These organizations do not wait for environment to change but take actions in advance of environmental change. Most of the successful organizations, generally, adopt proactive approach in planning. In India, companies like Reliance Industries, Hindustan Lever, etc, have adopted this approach and their growth rate has been much faster than others.

- Reactive Planning : In reactive planning, organizations responses come after the environmental changes have taken place. After the changes take place, these organizations start planning. In such a situations the organizations lose opportunities to those organizations which adopt proactive approach because, by the time, reactors are ready with their plans, the contextual variables of planning show further changes. Therefore, their plans do not remain valid in the changed situations.

This approach of planning is useful in an environment which is fairly stable over a long period of time.

5. Formal and Informal Planning : Classification of planning as formal and informal process is based on the degree of formalization which is used in undertaking planning activities.

- Formal planning : Formal planning is in the form of well structured process involving different steps. Generally, large organizations undertake planning in formal way in which they create separate corporate planning cell placed at sufficiently high level in the organization. Generally, such cells are staffed by people with different backgrounds like engineers, statisticians, MBAs economists etc. depending on the nature of organization's business. These cells monitor the external environment on continuous basis. When any event in the environment shows some change, the cells for the detailed study of the impact of the event and suggest suitable measures to take the detailed study of the impact of the event and suggest suitable measures to take the advantage of the changing environment. The planning process that is adopted is rational', systematic, well documented and regular.

- Informal Planning : As against formal planning, informal planning is undertaken, generally, by smaller organizations. The planning process is based on manager's memory of events, intuitions and gut feelings rather than based on systematic evaluation of environmental happenings. Usually, the corporate planning affairs are not entrusted to any single cell or department but become the part of manager's regular activities. Since the environment for smaller organizations is not complex, they do reasonably well with informal planning process.

Activity B :

1 In the upbringing of a child, parents perform various activities which are in fact short-term and long-term planning activities. Identify and enlist some short-term and long-term planning activities.

5.5 Principles of Planning

As a primary function of management, planning requires some systematic principles. The well known writers Koontz and O'Donnell have formulated certain fundamental principles of planning for the benefit of the managers. These are discussed as under:

1. **Principle of contribution to objectives:** The plans would focus on desired goals. Every plan and all derivative plans must contribute to the achievement of group objectives.
2. **Principle of efficiency:** A plan is efficient if it brings minimum of economic and social costs. Its results must be greater than its unsought consequences.
3. **Principle of primacy of planning:** This principle emphasizes that a manager can hardly undertake organizing, staffing, directing, or controlling without plans to guide him. Hence, planning must precede the execution of all other managerial functions.
4. **Principle of planning premises.** For coordinated planning, it must be formulated on the basis of market forecasts, proper data, existing company policies and plans and anticipated internal environment.
5. **Principle of timing:** Timing is an important attribute of any plan. Timing must be adhered to in the execution of plans. Plans should be timed with the supporting Programme.
6. **Principle of commitment:** The planning period should be justifiable to fulfill the promises and commitments made by the manager. Koontz and O'Donnell write, "Long range planning is not really planning for future decisions but rather planning the future impact of today's decisions."
7. **Principle of flexibility:** The ideal planning is to be flexible. This principle applies to the building into plans, "an ability to change direction" so as to minimize the losses from unexpected events. The plans must have built in flexibility. Koontz and O'Donnell write, "The ability to change a plan without undue cost or friction, to detour, to keep moving towards a goal despite changes in environment has great value."
8. **Principle of navigational change:** The principle of planning indicates that a manager, like the navigator, must continually check his course and redraw plans to meet a desired goal. According to Koontz and O'Donnell, "the manager manages the plan; he is not managed by it."

Activity C:

1. While planning for a college picnic, check the applicability of various principles of planning required to be taken care of.

5.6 Limitations of Planning

Planning as a management function is essential for every manager and every organization, but there are some practical problems in proper planning. The reasons why people tend to fail in planning emphasizes that the practical difficulties encountered in planning disclose that effective planning is not easy. Managers can do better if they are aware of these limitations so that they can take adequate precautions against them. Below are the major limitations to effective planning.

1. Difficulty of accurate premising : Planning exercise is undertaken under certain assumptions of future events which are determined by large number of factors in the environment. Thus a limiting factor in planning is the difficulty of formulating accurate premises. Since the future cannot be known with accuracy, premising is subject to a margin of error. Though this margin of error can be minimized by making suitable forecast of future events, perfection cannot be expected. It is often suggested that since long-range planning requires peeping into the distant future and the distant future is not certain, it is useless to undertake long-range planning. In fact this is true to some extent and specially under two situations long-range planning cannot be undertaken: first in the formative stage of the organization's development when it may not be possible to take up long-range planning; second, when the environment in which the organization operates in usable and uncertain owing to social, technological and other changes.

2. Problems of Rapid change : Another problem which is related to the external environment is the rapid change which takes place in the environment. In a complex and rapidly changing environment, complications that make planning extremely difficult often magnify the succession of new problems. The problem of Change is more complex in long-range planning than in short-range planning. Present conditions tend to weigh heavily in planning and by overshadowing future needs may sometimes result in error of judgment in rapidly changing conditions, planning activities taken in one period may not be relevant for another period because, the conditions in two periods are quite different.

3. Internal Inflexibilities : Managers while going through the planning process have to work in a set of given variables. These variables often provide less flexibility in planning which is needed to cope up with the changes in future events. Such inflexibilities may be either internal to the organization or may lie outside. The major internal inflexibilities are: psychological, policy and procedures, and capital investment.

- Psychological inflexibilities: Psychological inflexibility is in the form of resistant to change. Managers and employees in the organization may develop patterns of thought and behavior that are hard to change. They look more in terms of present rather than future. For them, planning tends to accelerate change and unrest. Thus this approach works against planning because planning often depends on changes. Therefore managers instituting a new plan are often frustrated solely by the unwillingness of people to accept change.

- Policy and procedural Inflexibility: Another internal inflexibility emerges because of organization's policies and procedures. Once these are established they are difficult to change. Thought these policies, procedures and rules are meant to facilitate managerial actions by providing guidelines, they often tend to be too exacting and too numerous that they leave very little scope for managerial initiative and flexibility. Since managers have to plan for future which is not static but changing, they often find themselves in great constraints. Such problems are more prominent in bureaucratic organizations where rules and procedure become more important than results.

- **Capital Investment:** In most cases once funds are invested in fixed assets, the ability to switch future course of action rather limited, and investment itself becomes a planning premise. During the entire life, of the fixed assets this inflexibility continues unless the organization can reasonably liquidate its investments, change its course of action, or unless it can afford to write-off the investment.

4. External Inflexibilities: Besides the internal inflexibilities, managers are confronted with much external inflexibility and they do not have control over these. For example; managers have little or no control over social, economic, technological and political forces. Whether these change quickly or slowly, they do stand in the way of effective planning. Three environmental factors generate inflexibilities for an organizational planning: political climate, trade unions, and technological changes.

- **Political Climate:** Every organization, to a greater or lesser degree, is faced with the inflexibility of the political climate existing at any given time. Attitudes of government towards business, taxation policy, regulation of business, etc., generate constraints on the organizational planning process. Government being the major supplier of certain raw materials, finances through financial institutions may affect the business organizations considerably.

- **Trade Unions:** The existence of trade unions, particularly those organized at the national level, tends to restrict freedom of planning. Apart from wages and other associated benefits, they affect the planning process by putting limitations on the work that can be undertaken by the organization. They set up the work rule and productivity. To that extent, managers are not free to make decisions of their choice.

- **Technological Changes:** The rate and nature of technology changes also present very definite limitations upon planning. An organization is engaged in its process with a given technology. When there is a change in technology, it has to face numerous problems resulting into higher cost of production and less competitive competence in the market. However, the organization cannot change its technology so frequently. Thus higher rate of technology changes more would be the problem of long-range planning.

5. Time and Cost Factors: Planning process is quite a costly and time consuming process. The various steps of planning may go as far as possible because there is no limit of precision in planning tools. Managers can spend unlimited amount of time in forecasting, evaluating alterative, developing supporting plans, or attending other aspects of planning, if they do not have limitations of time and money. Planning process suffers because of time and cost factors. Time is a limiting factor for every manager in the organization. If managers are busy in preparing elaborate reports and instructions beyond certain level, they are risking their effectiveness. Excessive time spent on securing information and trying to fit all of it into a compact plan is dysfunctional in the organization.

Besides time factor, planning is also limited because of cost factor. Planning cost increases if planning becomes more elaborate and formalized. Additional staff is to be appointed. Looking, at the cost aspect, many people have commented that planning consumes more but contributes less. Thus, planning cannot be undertaken beyond a certain level. It should be taken at a level where it justifies its cost. Apart from direct cost involved in manager's time, financial compensation for those who are involved in planning, paper work, etc., planning may be costly to the organization indirectly. Plans provide rigidity of action, though the action is based on future projection. If future events change, the organization does not have any alternative except to sustain loss on the investment committed for planning period.

6. Failure of People in Planning: Apart from the above factors, sometimes, people involved in planning process fail to formulate correct plans. There are many reasons why people fail in planning at

the formulation level as well as implementation level. Some of the major reasons for failure are: lack of commitment to planning, failure to formulate sounds strategies, lack of clear and meaningful objectives, tendency to overlook planning premises, failure to see the scope of plan, failure to see planning as a rational approach, excessive reliance on the past experience, lack of top management support, lack of delegation of authority, lack of adequate control techniques etc. These personnel factors are responsible for either inadequate planning or wrong planning in the organization.

5.7 Summary

In designing an environment for effective performance of individuals working together in groups, a manager's most important task is to see that everyone understands the group's purposes and objectives and its methods of attaining them. If a group effort is to be effective, people must know what they are expected to accomplish. This is the function of planning. It is the most basic of all managerial functions. Planning involves selecting missions and objectives and the actions to achieve them. It requires decision making, that is, choosing from among alternative future courses of action. Planning also strongly implies managerial innovation. It bridges the gap from where we are to where we want to go. Planning as a management function is essential for every manager and every organization, but there are some practical problems in proper planning. The reasons why people tend to fail in planning emphasizes that the practical difficulties encountered in planning disclose that effective planning is not easy. Managers can do better if they are aware of these limitations so that they can take adequate precautions against them.

5.8 Self Assessment Questions

1. Define planning. Discuss various characteristics of planning function.
2. Describe different types of planning.
3. "To be effective, planning requires some systematic principles." Comment and discuss major planning principles.
4. What is planning? State its obstacles and limitations.
5. Discuss the nature of planning as an open system approach and a rational process. How can be planning considered as pervasive?
6. What is corporate planning? How does strategic planning differ from operational/strategic planning?
7. How long-term planning differ from short-term planning? How both can be coordinated?
8. What is plan? How does it differ from planning?

5.9 Reference Books

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Unit - 6 Process and Components of Planning

Structure of Unit

6.0 Objectives
6.1 Introduction
6.2 Planning Process
6.3 Forecasting
6.4 Tools and Techniques of Planning
6.5 Components of Planning
6.6 Summary
6.7 Self Assessment Questions
6.8 Reference Books

6.0 Objectives

After completing this unit, you will be able to:

- Discuss the basic framework of planning process as an element of managing.
- State the major steps involved in planning process
- Identify the importance and techniques of forecasting.
- Understand tools, techniques and components of planning

6.1 Introduction

There is nothing about an organization more important than its future. Owners, management, employees, and society in general are, or should be, more concerned about where a company is going than where it has been. In any situation the responsibility for visualizing, initiating, and achieving future objectives rests with top management. The more specifically the future course of a company is conceived and defined; the more likely is its realization. One of the greatest needs observed is for adequate planning and clarification of future objectives, both near-term and long-term. The purpose of planning is not to show how precisely we can predict the future, but rather to uncover the things we must do today in order to have a future.

6.2 Planning Process

It is not necessary that a particular planning process is applicable for all organizations and for all types of plans because the various factors that go into planning process may differ from plan to plan or from one organization to another. For example, planning process may differ from plan to plan or from one organization to another. For example, planning for a major action will take more serious evaluation of various elements necessary for planning process may not be taken in the same ways as in a large organization. Here is given a process of planning which is applicable for a major Programme like opening of a new product line or acquisition of a major plant. With minor modifications, the process is applicable to all types of plans.

The sequences of various steps in planning are in such a way that they lead to the translation of an idea into action by reaching to the state of establishing of sequences of activities. Each stage contributes to plan formulation in the following ways:

a) Perception of opportunities : Perception of opportunities is not strictly a planning process. However, this awareness is very important for planning process because it leads to formulation of plans by providing clue whether opportunities exist for taking up particular plans. From this point of view, it can be considered as the beginning of planning process. Perception of opportunities includes a preliminary look at possible opportunities and the ability to see them clearly and completely knowledge of where the organization stands in the light of its strengths and weakness an understanding of why the organization wants to solve uncertainties, and a vision of what it expects to gain. This provides an opportunity to set the objectives in real sense because the organization tries to relate itself with the environment. In doing so, it takes the advantages of opportunities and avoids threats. This is a preliminary stage, hence the analysis of environment is not taken in very elaborate form but analysis relates to the determination of opportunities at first instance. Once the opportunities are perceived to be available, the other steps of planning are undertaken.

b) Establishing objectives. At this stage, major organizational and unit objectives are set. Objectives specify the results expected and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the various types of plans. the organizational objectives should be specified in all key result areas. Key result areas are those which are important for organization in achieving its objectives. These are identified on the basis of organizational objectives. For example, for an organization, key result areas may be profitability, sales, research and development manufacturing and so on. Once organizational objectives are identified, objectives of lower units and subunits can be identified in that context. Organizational objectives give direction to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. These in turn, control the objectives of subordinate departments, and so on down the line. Thus, there will be hierarchy of objectives in the organization.

c) Planning premises. After determination of organizational goals, the next step is establishing planning premises, that is, the conditions under which planning activities will be undertaken. Planning premises are planning assumptions the expected environmental and internal conditions. Thus, planning premises are external and internal. External premises include total factors in takes environment like political social, technological, competitors plans and actions, government policies, etc. internal factors include organization's policies, resources of various types and the ability of the organization to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors. The more individual charged with planning understand and utilize consistent planning premises, the more coordinated planning with be forecasting plays a major role in planning premises. The nature of planning premises differs at different levels of planning. At the top level, it is mostly externally focused. As one moves down the organizational hierarchy, the composition of planning premises changes from external to internal. The major plans, both old and new, will materially affecting a subordinate manager's area of authority become premises for the latter's planning.

d) Identification of Alternatives. Based on the organizational objectives and planning premises, various alternatives can be identified. The concept of various alternatives suggests that a particular objective can be achieve planning through various actions for example if an organization has set its objective to grow further, it can be achieved in several ways like expanding in the same field of business or product line, diversifying in other areas, joining hands with other organizations, or taking over another organizations and so on. With in each category, there may be several alternatives. For example diversification itself

may point out the possibility of entering into one of the several fields. The most common problem with alternatives is not that of finding of alternatives only but to reduce the number of alternatives so that most promising ones may be taken for detailed analysis. Since all alternatives cannot be considered for further analysis, it is necessary for the planner to reduce in preliminary examination the number of alternatives which do not meet the minimum preliminary criteria. Preliminary criteria can be defined in several ways, such as minimum investment required, matching with the present business of the organization, control by the government, etc. For example, one company has defined preliminary criteria in terms of size of investment in new project and may not consider any project involving investment of less than Rs. 40 crores.

e) Evaluation of Alternatives. Various alternatives which are considered feasible in terms of preliminary criteria may be taken for detailed evaluation. At this storage, an attempt is made to evaluate how each alternative contributes to the organizational objectives in the light of its resources and constraints.

This presents a problem because each alternative may have certain positive points on one aspect but negative on others. For example, one alternative may be most profitable but requires heavy investment with long gestation period; another may be less profitable but also involves less risk. Moreover, there is no certainty about the outcome of any alternative because it is related with future and future is not certain. It is affected by a large number of factors making the evaluation work quite complex. This is the reason why more sophisticated techniques of planning and decision making have been developed. Such techniques will be described.

f) Choice of Alternative: After the evaluation of various alternatives, the fit one is selected. Sometimes evaluation shows that more than one alternative is equally good. In such a case, a planner may choose more than one alternative. There is another reason for choosing more than one alternative. Alternative course of action is to be undertaken in future which is not constant. A course of action chosen keeping in view the various planning premises may not be the best one if there is change in planning premises. Therefore, planner must be ready with alternative, normally known as contingency plan, which can be implemented in changed situations.

g) Formulation of Supporting Plans. After formulating the basic plan, various plans are derived so as to support the main plan. In an organization there can be various derivative plans like planning for buying equipments, buying raw materials, recruiting and training personnel, developing new product etc. these derivative plans are formulated out of the main plan and therefore they support it.

h) Establishing Sequence of Activities. After formulating basic and derivative plans, the sequence of activities is determined so that plans are put into action. Based on plans at various levels, it can be decided who will do what and at what time. Budgets for various periods can be prepared to give plans more concrete meaning for implementation.

Activity A:

1. You are planning to buy a gift for your parents for their marriage anniversary. Match the different steps of planning process with your actual behavior and analyze the implication of planning process in real life situations.

6.3 Forecasting

An organization has to formulate its plants within the limitations of various factors. In order to formulate accurate plans, managers have to find out the likely behavior of these factors in future. This can

done to some extent by making suitable forecast. A major factor in the increased use of systematic planning throughout the world in recent years is the increased effectiveness of forecasting techniques. The effectiveness has been pronounced in two broad areas where forecasting is needed prediction of broad economic trends and product sales of individual organizations. There has also been development in the entirely new area of forecasting with the prediction of technological development and other types of innovations.

1. Concept of Forecasting

Forecasting is the process of estimating the relevant events of future, based on the analysis of their past and present behavior. The future cannot be probed unless on knows how the events provides information about the future occurrences. Since forecasting may require the use of various statistical techniques, some persons equate this analysis with statistical analysis. For example Neter and Wasserman have defined forecasting as "Business forecasting refers to the statistical analysis of the past and current movement in the given time series so as to obtain clues about the future pattern of those movements.

However, it is not necessary that all forecasts require the same type of statistical analysis as suggested above. For example prediction of technological situation man not requires the use of statistics of the sort suggested above. On the basis of the definition, following features of forecasting can be identified.

i. Forecasting relates to the future events. This is needed for planning process because it devises future course of action.

ii. Forecasting defines the profitability of happening of future events. Therefore happening of future events can be precise only to a certain extent.

iii. Forecasting is made by analyzing the past and present relevant events, that is taking those factors which are relevant for the function of an organization.

iv. The analysis of various factors may require the use of various statistical tool and techniques. However, personal observations can also help in the process.

2. Planning and Forecasting Comparison

Some persons equate both planning and forecasting because both deal with future phenomena. However both are different and clear cut difference can be drawn between the two. The difference lies basically in the scope of two processes. Planning more comprehensive which indicates many sub processes and elements in order to arrive at decisions. Such decisions may be in terms of what is to be done, how to be done, and when to be done. Commitment of actions is the basic ingredient of planning. Forecasting on the other hand, involves the estimate of future evens and provides parameters to the planning. Forecasting process may also involve many sub processes and elements but these are used to project what will happen in future. This may not require any commitment of action but may help in planning the future course of action. In fact, forecasting is one of the major ingredients of planning process because planning involves determination of future course of action in the light of forecast made.

There is another difference between planning and forecasting. Since planning involves making comprehensive decisions in the organization which will determination where the organization would like to go, a large number of persons are involved in planning process, though major decisions are made at the top level. Forecasting in normally taken at middle or lower level. The work may be entrusted to staff positions which may help in arriving at planning decisions. Forecasting does not involve decision making but helps decision making by providing clue about what is likely to happen in future. Therefore, forecasting

activity can be taken by those persons what may not affect whole of the organization or its major portion by their decisions.

3. Importance of Forecasting

The need and importance of forecasting is apparent from the key role it plays in management process, particularly in planning process. in fact, every decisions in the organization is based on some sort of forecasting. It helps management in the following ways.

i. **Promotion of organization**. An organization is established in order to achieve by performance of certain activities. What activities should be performed depends on the expected outcome of these activities. Since expected outcome depends on future events and the way in which an activity is being performed, forecasting of future events is of direct relevance in achieving an objective. Thus, even before establishing an organization, the promoter of the organization must know how the various factors in the environment will behave over a period of time. A successful promoter is one who can forecast what will happen. In fact, many entrepreneurs project the shape of things to some on the basis of their experience and take the advantages.

ii. **Key to planning:** forecasting is an essential ingredient of planning. It is key to planning process. Planning decides the future course of action. However, this future course of action does not take place in vacuum but in certain circumstances and conditions. Unless the managers know these conditions they cannot go for effective planning or even planning at all. Forecasting generates the planning process. it provides the knowledge of planning premises within which managers can analyze their strengths and weaknesses and can take appropriate actions in advance before actually they are put out of market. Forecasting provides the knowledge about the nature of future conditions. For example, if there is a change in consumer's preferences for substitute products, managers can take action to combat this problem by changing to suitable mix of products. Suppose while conditions are still prosperous for steel pipe manufacturers but they find that gradually PVC pipes are coming in the market and being cheaper are replacing steel pipes, they can take suitable action to overcome this problem. The steel pipe manufacturers can know that in future demand for steel pipes will go down, they can assess exactly how much market they will lose, they can take action for diverting their business either by going into manufactures of PVC pipes or in some other business. At the same time, however, if they find that PVC pipes offer very limited competition and market for steel pipes is also expanding they can concentrate on the same business. Thus, forecasting will provide where the efforts should be put.

iii. **Coordination and control.** Forecasting provides the way for effective coordination and control, though indirectly. Forecasting requires information about various external and internal factors. The information is collected from various internal sources beside the external sources. Thus, almost all units of the organization are involved in the process which provides interactive opportunities for better unity and coordination in the planning process. Similarly forecasting can provide relevant information for exercising control. The managers can know their weaknesses in forecasting process and they can take suitable action to overcome these.

iv. **Success in Organization:** All business organizations are characterized by risk and have to work within the ups and downs of the industry. In fact, profit is the reward for bearing risk and working under uncertainties. The risk depends on the future happenings and forecasting's provides help to overcome the problems of uncertainties. Though forecasting does not check the future happenings, it provides clues about those and indicates when the alternative action should be taken. Managers

can save their business and face the unfortunate happenings; it provides clues about those and indicates when the alternative action should be taken. Managers can save their business and face the unfortunate happenings if they know in advance what is going to happen. The business can be saved from the impact of trade cycles. A manager can just work like a navigator. A navigator cannot control the sea tides and other disturbances but he can take his ship at the right path and save it from these disturbances if he knows them in advance.

4. Limitations of Forecasting

No doubt, forecasting is an essential ingredient, but is should not be concluded forecasting is the only element which goes into planning and other areas of organizational process. Forecasting provides base for assuming the behavior certain events which may not be fully true. Future uncertainties always put limitations on planning. If future could be accurately predicted, managers could be ahead without fear that their effort has gone naught. Therefore, managers should well aware about the limitations of forecasting while using it in arriving at certain decisions. In particular, adequate considerations should be given to the following limitations of forecasting.

i. **Based on Assumptions:** forecasting is based on certain assumptions. It suggests that if an event has happened this way in the past, it will happen that in the future. The basic assumption behind this is that events do not change happens hardly and speedily but change on a regular pattern. This assumption may not be good. In fact, there are various factors which go into determining the occurrence an event. The behavior of all these factors which go into determining the occurrence an event. The behavior of all these factors may not be similar. A change particular factor may be so unpredictable and important that it may affect the business situation. For example, if the government increases taxes on certain commodities, their substitutes will be in high demand. The changes in tax structure in case cannot be forecast. Similarly war between two countries can change the business situations. All these events are not subject to precise forecast because it do not depend solely on the assumption that future follows the past.

ii. **Not Absolute Truth.** Forecasts are not always true, they merely indicate trend of future happenings. This is so because the factors which are taken account for making forecast are affected by human factor which is highly unpredictable. Various techniques of forecasting suggest the relationship among various known facts. They can project the future trends but cannot guarantee that would happen in future. More is the period of forecasting, higher is the degree error. Therefore, it has been commented that "the only thing you can be sure all any forecast is that it will contain some error. Therefore, while using forecast managers should take this fact into consideration.

iii. **Time and Cost Factor.** Time and cost factor is also an important aspect of casting. While the above factors speak of limitations inherent in forecasting, time cost factor suggests the degree to which an organization will go for formal forecasting. For making forecast of any event, certain information and data are required. Some of these may be in highly disorganized form; some may be in qualitative form. The collection of information and conversion of qualitative data into quantitative ones involves lot of time and money. Therefore managers have to trade off between the cost involved in forecasting and resultant benefits. This is the reason why the smaller organizations do not go for formal system of forecasting.

5. Steps in forecasting

Forecasting is a process and therefore it proceeds through a series of steps. Depending on the level of formalization and intensity of forecasting, varying emphasis is put on these steps. These steps are as follows :

i. **Developing Groundwork for forecasting.** The first step in forecasting is to develop ground work for forecasting which involves understanding of why changes are likely to take place both at macro level and micro level. The companies involved in forecasting future trend, generally, take past records as basis which might be available internally if proper information system has been developed. However, a mechanical and purely mathematical forecast based on the past data may not be worthwhile in the fast changing environment. Therefore the companies have to take into account various factors which are not reflected in the past data. For example in post liberalization era, the demand for the products has increased at macro level but because of increased competition, many companies have lost their market share.

ii. **Estimating future business.** Based on the past data and identification of events that are likely to affect the future behavior of the business, the trend for the business as a whole and market share of the companies concerned are determined by using various techniques – qualitative and quantitative. The trend is projected after a step by step procedure in which the relevant information is put for close scrutiny and analysis. The business trend which emerges out of this analysis will suggest the likely behavior which may or not correspond with actual. For example, when Government of India prepares its plans, it projects various outcomes at the end of a plan. However, we, often find that many outcomes do not match with the projected ones because of a variety of reasons. Therefore, the projected trend should be used as guideline and not as absolute truth.

iii. **Comparing actual and projected results:** Since there is a likelihood of deviation between actual and projected results, a provision should be made to identify the deviation as quickly as possible so that necessary changes are incorporated in plans. Many companies prepare plans on the basis of certain forecasts but either they modify their plans or abandon these midway because of the changed environmental situations or because of the wrong projection of business trends.

iv. **Refining the Forecasting Process:** The above three steps complete a cycle of forecasting. However, forecasting, being a continuous process and not one shot action is performed continuously with each time, there may be refinement in the forecasting process and therefore, its outcomes. These above steps help the managers to gain proficiency in making dependable forecasts as the time advances, they are able to refine, sharpen and adjust the forecasting techniques to meet the changing needs of their business. Since there are many qualitative variables which affect business trends, their interpretation requires considerable experiences.

6. Techniques of Forecasting

There are various methods of forecasting ranging from simple intuitive methods to the use of highly complex models. However, no method can be suggested as universally applicable. In fact, most the forecasts are done by combining various methods. The major forecasting methods are historical analogy, survey, opinion, polls, business barometers, time series analysis, extrapolation, regression analysis, input out put analysis, and econometric models. These techniques can be used for making forecast of any type economic forecast, sales forecast technological forecast. A brief discussion of these is given below.

i. **Historical Analogy Method:** Under historical analogy method, forecast in regard to a particular phenomenon is based on some analogous conditions elsewhere in the past. This method is based on the stages of economic development as suggested by Rostow. According to him, an economy has to pass through certain stages before the stage of takeoff and later of high mass consumption. Since this is true for all the economies, the situation of a country can be forecast by making comparison with the advanced countries at a particular stage through which the country is presently

passing. For example if the Indian economy is ready for takeoff which was the condition prevailing in USA around 1940, the demand for various commodities can be forecast. Similarly, it has been observed that if anything is invented in some part of the world, this is adopted in other countries after a gap of certain time. Thus, based on analogy, a general forecast can be made about the nature of events in the economic system of the country. However, this method is more useful for indicating qualitative change in society. It is often suggested that social analogies have helped in indicating the trends of changes in the norms of business behavior in terms of life. Similarly changes in the norms of business behavior in terms of life. Similarly changes in the norms of business behavior in terms of attitude of the worker against inequality etc., find similarities in various countries at various stages of the history of industrial growth. This method, thus gives broad indications about the future events of general nature.

ii. **Survey Method:** Field surveys can be conducted to gather information on the intentions of the concerned people, for example information may be collected through surveys about the likely expenditures of consumers on various items. Both quantitative and qualitative information may be collected. Such information may throw useful light on the attitude of the consumers in regard to various items of expenditure and consumption. On the basis of such surveys, demand for various goods can be projected. To limit the cost and time, the survey may be restricted to a sample from the prospective consumers. Survey method is suitable for forecasting demand both of existing and new products.

iii. **Opinion Poll:** Opinion poll is conducted to assess the opinion of the knowledgeable persons and experts in the field whose views carry a lot of weight. For example, opinion polls are very popular to predict the outcome of elections in many countries. Similarly an opinion poll of the sales representatives, wholesalers or marketing experts may be helpful in formulating demand projections. The opinion poll of technical experts may be helpful in estimating the life of a technology. If opinion polls give widely divergent views, these can be carried a step further in which experts may be called for discussion and explanation of why they are holding a particular view. They may be asked to comment on the views of the others, to revise their views in the context of opposing views, and consensus may emerge. This, then, becomes the estimate of future events.

iv. **Business Barometers:** In physical science, a barometer is used to measure the atmospheric pressure. In the same way, index numbers are used to measure the state of economy between two or more periods. These index numbers are the divide to study the trends, seasonal fluctuations, cyclical movements, and irregular fluctuations. These index numbers, when used in conjunction with one another or combined with one or more. Provide indications as to the direction in which the economy is heading. For example, a rise in the rate of investment now may herald an upswing in the economy and may reflect higher employment and income after some time. Again an upswing in economic activity may lead to higher personal income and expenditure after lag of some period. These lag periods may be difficult to predict precisely but they give some advance signals for likely changes in future. Thus, with the help of business activity index numbers, it becomes comparatively easy to forecast the future course of action. However, it should be borne in mind that business barometers have their own limitations and they are not sure road to success. All types of businesses do not follow the general trend but different index numbers have to be prepared for different activities. This is the reason why index numbers are prepared for industry, agriculture, transport etc.

v. **Time series analysis:** Time series analysis involves decomposition of historical series into its

various components, viz. trend, seasonal variations, cyclical variations, and random variations. Time series analysis uses index numbers but it is different from barometric technique. In barometric technique, the future is predicted from the indicating series which serve as barometers of economic change. In time series analysis, the future is taken as some sort of an extension of the past. When the various components of a time series are separated, the variation of a peculiar phenomenon the subject under study, say price, can be known over the period of time which may be true for future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

vi. **Extrapolation:** Extrapolation is also based on time series because it relies on the behaviors of a series in the past and projects the same trend in future. This method does not isolate the effects of various factors influencing a problem under study but takes into account the totality of their effects and assumes that the effect of these factors is of a constant and stable pattern and would continue as such in future. Since the projection of future is based on past, it is essential that the growth curve of a series is chosen after a very careful study of its past behavior.

vii. **Regression Analysis:** Regression analysis is meant to disclose the relative movements of two or more interrelated series. It is used to estimate the changes in one variable as a result of specified changes in other variable of variables. In economic and business situations, there is multiple causation and a number of factors affect a business phenomenon simultaneously. Regression analysis helps in isolating the effects of such factors to a great extent. For example if we know that there is a positive relationship between advertising expenditure and volume of sales or between sales and profit, it is possible to have estimate of the sales on the basis of advertising or of profit on the basis of projected sales, provided other things remain the same. Regression analysis can be used to build models. These models can be seen taking into account linear relationship between two variables only or complex linear relationship having more than two variables. Generally the regression correlation analysis is used for processing the statistical data and deriving a generalized mathematical relationship which subject to a certain error, can be used forecasting the expected values of the dependent variables in future if the value independent variables are known. For example, if quantity of fertilizers being presently is known and also the rate at which the annual consumption is increase in the demand for fertilizers can be predicted for distant future.

viii. **Input Output Analysis:** Under this method, a forecast of output is based given input if relationship between input and output is known. Similarly in requirement can be forecast on the basis of final output with a given input out relationship. It is because of this mechanism that the technique is known as input output analysis or end use technique. The very basis of this technique is that various sectors of economy are interrelated and such interrelationships are established. Such relationships are known as coefficients in mathematical terms example, coal requirements of the country can be predicted on the basis of its rate in various sectors, say industry, transport, household, etc. and on the basis how the various sectors behave in future. This technique yields sector wise forecast and is extensively used in forecasting business events as the data required for application are easily obtained.

ix. **Econometric Models**: The word econometric is made up of two words econometric and metric thereby referring to the science of economic measurement. In economic method, mathematical models are used to express relationship among variables. The models take the form of a set of simultaneous equations. The constants in these equations are arrived at by a study of time series

and since the variables affecting a business phenomenon are many, a large number of equations may have to be formed to arrived a particular econometric model. These equations are not easy to formulate but advent of computers has made the formation of these equations relatively easy. Construction of an econometric model is very expensive, technical and complicated and individual organizations can ill afford to have such models of their own. They have to rely on aggregate or macro level models developed by specialized forecasting agencies or institutes. These aggregate models are, however, useful in making micro level studies by individual organizations.

Activity B :

1. Analyze the applicability of different forecasting techniques in real life situation and discuss its importance to planning.

6.4 Tools and Techniques of Planning

1. Management by Objectives : Management by objectives (MBO) or management by results (MBR) has drawn considerable attention of both academicians as well as practitioners because of two reasons. First it focuses sharply on the objectives or results which a manager is expected to achieve within a specified period. Second it emphasizes participative management, an approach which provides high motivation to individuals in the organization. The term MBO was coined by Peter Drucker in 1954 when he emphasized the concept of managing by objectives. Since then, many organizations, both business and non business, have adopted this in some form or the other. (MBO is explained in detial in unit no. 7)

2. Time event network analysis : Time event network analysis helps to know how the parts of a Programme fit together during the passage of time and events. This is undertaken to ensure that the Programme or project is completed within the stipulated time. In a repetitive and mass production system, once time event network analysis is undertaken, it works for a time till new system is introduced. However, in the case of project completion which is entirely new as compared to the previous project, time event network analysis has to be undertaken a fresh. For example construction of a bridge or manufacturing a space satellite, etc. requires time event network analysis every time the project is undertaken. In these cases, time element is one of the most significant considerations because if the project is not completed within the specified time, the organization has to pay heavy penalty. There are three major techniques for this analysis. Gantt chart, milestone budgeting and PERT / CPM though PERT / CPM is the most popular.

3. Gantt chart : Gantt chart has been developed by Henry Gantt early in twentieth century culminating in the bar chart bearing his name. Gantt recognized that total Programme goals should be regarded as a series of interrelated derivative plans that people could comprehend and follow. Based on this recognition, he identified the relationship among different activities required to complete a Programme. Such relationship was expressed in terms of the starting time of various activities since some of the activities were independent of others while some of the activities were dependent on others. For example construction of building can start only after acquisition of land and therefore these two activities are dependent. In the same example, construction of house and making application for electricity connection and pursuing for it can go together. Thus, both these activities are independent to some extent. Based on this premise, Gantt chart was developed which has been presented in fig.

In the Gantt chart, it is indicated that two or more activities which have sequential relationship must be completed in that order. However, the chart does not depict the relationship between one group

of activities with another group of activities. For example, it shows relationship among two activities in task A but does not show relationship between task A and B or other task. In order to overcome this problem milestone budgeting and PERT / CPM network has been developed.

4. Milestone Budgeting : Milestone budgeting also known as milepost budgeting breaks a project into controllable pieces and then follows them carefully. A milestone is an identifiable segment of a project. When accomplishment of a given segment occurs its costs or other results can be determined. For applying milestone budgeting, a project is broken into subprojects that can be completed individually, in a time sequence, to be ready when needed. For example, a project involving manufacturing of an electrical machine may be broken into design of a circuit, a motor a driving mechanism, a signal feedback device, and similar components, each being completed individually in a time sequence. Thus control is exercised at each level to see how the progress is made in terms of time. The milestone budgeting is an improvement over Gantt chart in the sense that it establishes relationships between two or more segments of a project. how forecast however, such a relationship is not completely depicted in milestone budgeting and in order to overcome this problem. PERT / CPM has been developed.

5. PERT / CPM : PERT (Programme Evaluation and Review Technique) was developed by the special project office of the US Navy in 1958. Almost at the same time, engineers at the Du pont company, USA also developed CPM (Critical Path Method). Though there is some difference between PERT and CPM both utilizes the same principles. The basis difference between the two is that CPM assumes the duration of every activity to be constant, therefore, every activity is either critical or not. In PERT, uncertainty in the duration of activities, most likely duration and is measured by three parameters most optimistic duration, most likely duration and most pessimistic duration. PERT / CPM is used either to minimize total time, minimize total cost, minimize cost for a given total time, minimize time for a given cost, or minimize idle resources.

- Process of PERT / CPM : A Programme consists of several activities and sub activities. In order to complete the Programme, these activities, sub activities should be completed in a proper sequence and in allotted time. Since some of the activities can be taken simultaneously a network is developed to show the sequence, time taken, and the time of start of particular actives. The whole process involved in the preparation of PERT / CPM is as follows.

a) Identification of activities: Activities represent jobs that should be performed in order to complete Programme or project. Each activity takes some specific time under given conditions.

b) Sequential arrangement of activities. There is always a technological sequence in the various activities of a project. Preceding and succeeding events should be located to bring the sequence. Preceding events are those which should be completed before a particular event can start. Succeeding events are those that immediately follow another event.

c) Time estimates of activities. All events are associated with a definite point of time and as such, events provide a basis of measuring the progress of a Programme. Hence, there should be correct estimate of time taken by each activity. However the activities are performed in future and it may not be possible to forecast the future happening correctly, consequently the correct time estimate of activities. To over come this problem, three time estimates are taken optimistic time showing the least time of an activity, pessimistic time showing the maximum time of activity, and most probable time which like in between the two. The expected time of an activity is calculated by

$$\frac{0 + 4m + p}{6}$$

d) Network Construction. All activities of a Programme are connected sequentially to form a network known as PERT network.

Following are rules for construction of PERT / CPM network.

(i) One and only one arrow represents each completely defined activity

(ii) The length of the arrow does not depend upon the duration of the activity but is governed by the need for convenience and clarity.

(iii) The start or termination of an activity is represented by code or a circle.

(iv) Arrows originated at an event indicate activities that can begin only when all the activities terminating at that event have been completed.

(v) If an event takes precedence over another but there is no activity to connect them, a dummy arrow represented by dotted line is used.

(vi) For clarity, thick arrows or different colored arrows are used to show critical path activities after they have been identified through analysis.

(vii) Events are distinguished by numbers. No two events can have same number. Each event, which indicates termination of an activity, has higher number than the event which indicates start of the same activity.

e) Critical Path. On the basis of analysis, critical activities are determined. These are represented by a critical path which shows that if activities on this path are not completed in time, the entire project will be delayed by the amount the event is delayed. Thus based on estimates the earliest or latest start time of an activity can be calculated.

Activity C:

1. Define and arrange in logical sequence the activities required to perform in purchasing a personal computer by a large scale organization and construct a network diagram for the same.

6.5 Components of Planning

There are a number of different facets or components of planning. They are also called types of plans. They encompass the scope of planning. The major types of management plans along with their components can be classified as follows :

A. Strategic plans

These are designed to meet the broad objectives of the organization. These are concerned with broad matters that vitally affect development of an organization. They are prepared at the institutional level. They include mission or purpose, objectives and strategies.

B. Standing Plans

These plans are used over and over again. Once established, standing plans provide on going guidance for performing recurring activities. Similar situations can be handled in a predetermined way. Thus, they save the time used for making decisions. Examples of such plans are policies, procedures, methods, rules and regulations.

C. Single use plans

These plans are designed to achieve specific goals. They are developed to meet unique situations or problems. They are used but once and discarded. Programme, projects, budgets, quotas schedules, and standards are examples of single use plans.

1. Missions or Purpose

Mission or purpose is a primary and overall objective of an organization. It is the basic function or task of an enterprise which is assigned to it by society. It is organizations reason for existence determined by its founders, owners, or board of directors. In fact, purpose or mission is a definition of the organization. The mission indicates the firm's identify. It provides directions and guidelines for constructing goals and strategies at various organizational levels. The objectives are derived from purpose.

Mescon and Albert observe, "Without a mission as a guide, managers would have nothing but their individual values." In brief the purpose or mission of an organization must convey the following

a) The existence of the firm – it means what business is the firm in?
b) The external environment that determines the operating philosophies of the firm
c) The organization culture

2. Objectives or goals

Objectives or goals are the ends towards which all organizational activities are aimed. Koontz and O'Donnell state," The represent not only the end point of planning but the end towards which organizing, staffing, leading and controlling are aimed." Objectives decide where we want to go. They are the results to be achieved. They are the performance targets. In brief, objectives and goals are preferred results or ends towards which all organizational action is directed.

Goals and objectives are often used interchangeably but a few writers make a distinction between them. Objectives are broad outcome that managers hope to achieve ultimately. Goals are more specific and concrete in nature and often include active schedule for the completion of a task. For example profitability may be the objective, but the specific goal is to earn 20 per cent net return on capital employed.

- **Characteristics** – according to Hicks and Gullett, objectives possess the following characteristics.

a) Objectives are structured in a hierarchy
b) They reinforce individual objectives, and vice versa
c) They are complementary with individual objectives
d) Higher level objectives contain subordinate objectives.
e) They are influenced by the aspiration of mangers
f) They reflect a desired end result of organization actions

- **Importance** – the importance of clearly defined objectives is recognized in the following way.

1) Objectives are necessary for unified planning and coordinated effort
2) They serve as reference points for the efforts of the organization.
3) They help to compete effectively and to grow.
4) They provide motivation to people in the organization
5) They define the destination of the organization
6) Objectives are prerequisite to determining sound policies, procedures, and strategies
7) They are yardsticks for measuring and evaluating performance
8) Objectives can be good motivators
9) They provide direction and serve as standards
10) They produce consistency in decentralized decision making

- Sound objectives and goals must have the following features

a) Objectives should be specified and measurable
b) Objectives should be time oriented. They should have specific time horizon.
c) Objectives must be attainable
d) They should focus on results, not on activities
e) They should be challenging but realistic
f) They must be set by the people responsible for accomplishing them, wherever possible
g) Multiple objectives must be mutually supportive

3. Strategies

The term strategy was first used in the military to describe the grand plan for winning a war. In recent times, it is widely applied to business. According to Hicks and Gullett strategy is "the basic pattern of purposes and policies that define the firm and its business. Andrew Szilagyi defines strategy," as a comprehensive and integrated frame work that guides those choices that determine the nature and direction of the organization's activities towards goal achievement". H. Igor Ansoff, a leading expert, says, basically strategy is a set of decision making rules for guidance of organizational behavior.

Thus, strategy refers to two things – the overall goal or mission and the means by which the goals will be achieved. Strategy has the following features.

a) Strategy is a general Programme of action. It reflects broad overall concepts of an enterprises operation.
b) It is an "interpretative planning"
c) It is an action plan to achieve goals in the light of environmental forces
d) It involves a choice of particular actions or activities
e) Strategy sets direction. It must be formulated before plans are made.
f) It implies a deployment of emphasis and resources. It guides enterprise thinking and action.
g) Strategy has a competitive implication. Its purpose is to achieve success in a competitive environment.
h) Corporate strategy is not statistic, but evolves over time. It has to be dynamic. Hicks and Gullett state, "A strategic plan is the intended relationship between the firm and its environment.

Strategy guides managers in setting priorities and taking actions to achieve objectives. Strategic plan is the system though which resources are organized and directed to achieve the strategic goal.

4. Policies

General statements or understanding that guide decision making are called policies. Policies define the boundaries within which decisions can be made. They direct decisions towards the achievement of objectives. According to Terry, "Policies spell out the sanctioned, general direction and areas to be followed"

- Features – Policies have the following features

1) Policies direct the thinking, behaviors and actions of employees.
1) Policies may be implied even from the actions of managers or from the practice of enterprise
2) They may be interpreted as standing orders or standing guidelines for decision making.
3) Policies allow for some desertion and initiative, but within limits
4) Policies define the area in which decisions are to be made, but they do not give the decision.
5) They flow from strategies. They are narrower in scope that strategies.

6) Policies have at least as many levels as organization, ranging from broad company policies to minor policies of a small section.
7) They may also be related to functions – such as production, sales, finance or engineering.

- Function and importance of a sound policy : Sound policies have great value in smooth functioning of an enterprise. They tell managers what to do and create a better understanding of work. Policies have great importance in predicting action. They encourage sound judgment and "force positive, wanted action." They facilitate the performance of managerial functions. According to R.C.C Davis, policies provide the following benefits

1) Policies give meaning to the organizational goals
2) They prevent deviations from planned courses of action
3) They secure uniformity in performance
4) They facilitate coordination of action
5) They foster initiative and confidence
6) Policies are guides to thinking in decision making and planning.
7) They prevent bad action and promote the quality of execution action.

Policy making is the task of all the managers. A sound and clearly defined policy is essential for efficient performance. Policy formulation is a vital phase of hte planning process.

- Prerequisites for a Sound Policy

a) It must contribute to the organizational objectives
b) It should be uniform in its application, offering equity and justice to all
c) A policy should permit interpretation
d) It should be expressed in definite and precise wording
e) It must prescribe criteria for current and future action
f) A policy should be built from facts, and not from opportunities decisions
g) It should be broad enough to cover a range of actions
h) It should be in harmony with external environment. It must confirm to laws and public interest.

- Types of policies : Like plans and objectives, policies are also formulated at all levels in an organization. They are classified on various bases. One important classification of policies is done on the basis of organization objectives as:

a) Basic policies – These are broad guidelines applicable to the entire concern
b) Departmental policies – these are meant for departmental decisions and are more specific
c) Operational or minor policies= which are applicable to the operations of units within the various departments

Another common classification of policies is by major function of an enterprise, namely production policies, financial policies and personnel policies. Glover has mentioned three kinds of policies as (1) charter policies (2) general policies and (3) operational policies.

5. Procedures

Policies are carried out by means of procedures. A procedure is a detailed set of instructions for performing a sequence of actions. It is a customary method of handling activities. It provides the exact manner in which a certain activity must be accomplished. Terry defines a procedure as "a series of

related tasks that make up the chronological sequence and the established way of performing the work to be accomplished. "Well established formalized procedures are called standard operation procedures.

- Characteristics of procedures

1) A procedure has a chronological sequence of tasks or actions
2) A procedure is specific and tailor made to achieve certain task
3) Procedures exist in every part of an organization
4) They spell out actions in detail
5) They are truly guides to action, rather than to thinking
6) Procedure often cut across department lines. That is, they may encompass various departments
7) They should be based on facts
8) Procedures should be table. They should have logical sequence

Examples of procedures include how customer orders are to be handled, recruiting procedures, loan procedure, and so on. A procedure has the following advantages.

a) It ensures uniformity of action
b) It saves managerial effort because it decreases the need for further decision making
c) It prescribes one best way and thus, increases efficiency.
d) It facilitates delegation of authority and placement of responsibility
e) It serves as a tool of managerial control and aids in coordination.

- Differences between policies and procedures

1. **Guidance:** Procedures are guides to action while policies are guides to thinking as well as to actions.
2. **Decision levels:** Policy is generally determined at higher levels, whereas procedures are formulated at lower levels of management.
3. **Position:** Policies occupy a higher position in hierarchy than procedures. In fact, procedures are reflection of policy. McFarland writes, "Procedures are always subordinate to policy, and policy making is a superior order of activity in executive responsibility.
4. **Strategic or tactical:** policies form part of the organization's strategies. But procedures are tactical, they are operational tools for efficient performance of routine activity.
5. **Flexibility :** Policies are relatively flexible while procedures are more determinative
6. **Role:** Polices serve as bridges between organizational purpose and performance. Procedures, on the other hand, are links between activities and outcomes.
7. **Objectives and path:** "Policy always sets an objective or delimits an area of action, while procedure fixes a path towards the objective or through the area. Sequence is the essential element of procedure" (Goetz)

8 Method :Method is the best way the job is to be performed. It deals with a task comprising one step of a procedure. It specifies how this one is to be performed. According to L.E. Bryant, "Method is the manner of proceeding in the performance of work."

It should be noted that a method is more limited in scope than a procedure. Procedure involves a series of steps to be taken while a method is only concerned with a single operation with one particular step. But fundamental to every action, a method is even more detailed as compared to a procedure.

6. Rules

Rules are standing plans that guide actions. They specify what actions will be taken or not taken and what behavior is allowed or prohibited. Rules are a particular way of behaving in a particular situation.

Generally, rules are all restrictive and leave little room for discretion. They are not guides for thinking or decision making; rather they are substitutes for them. "No smoking" is an example of a rule.

- Rules differ from a policy, procedure, or method : A rule is different from a policy in many ways (a) policies are broader and are stated in more general language. Rules are the narrowest of plans dealing with specific actions or approved behaviors. (b) Policies may be flexible, whereas rules allow no discretion in their application. (c) Rules are usually applied by specific and stated penalties. But policies allow a wider scope for disciplinary action (d) policy establishes a guiding frame work. Rules are devised or must work within this framework.

There are also basic differences between procedures and rules. Rule is related to a procedure, because it guides action. But it is not a procedure because it specifies no time sequence to a particular action. Secondly, a procedure is a sequence of rules. But a rule may or may not be a part of a procedure.

Rules are also different from methods (i) Methods are meant for efficient performance of tasks. Rules, one the other hand, are in the nature of warnings, principles or norms. (ii) Methods improvement may call for standardization of the related working conditions. To frame rules, no such standardization of conditions is needed (iii) Rules are often enforced officially or formally. They are authoritative and are part of control procedures. Methods are generally free from such bindings. They are scientific and logical means of ensuring better performance. (iv) Violation of rules is viewed seriously and requires imposition of penalty. On the other hand, deviation from methods is not taken seriously because sometimes methods may depend upon the employees' experience and knowledge (v) methods are physical and tangible to a greater degree as they relate to tasks and tools. Rules relate to individual and group actions in a particular situation.

7. Programme

A Programme is a comprehensive plan that covers a relatively large set of activities. It consists of a complex set of goals, policies, procedures, rules, job assignments and resources required to implement them. Programme usually include the following steps

a) starting what is to be done into different parts or units of the organization
b) determining the relationships among the parts and developing a sequence of steps required to reach an objective
c) Deciding the responsibility for each step and for each unit.
d) Determining the financial, physical and human resources to be employed
e) Determining capital and operating budges
f) Developing the order and time schedules for each step

Commitment of resources, coordinating and timing of steps are essential elements of a Programme. A primary Programme may call for many derivative Programme.

8. Projects

A project may be either a component of a general Programme or it may be planned separately on a smaller scale. Each project has its own assignments, time and budget. Sometimes, individual segments of a general Programme can be planned and implemented as distinct projects. William Glueck defines, "A project is a Programme with less significant objectives, generally a shorter period of time, and usually less detail." There is a significant difference between Programme and projects. Programme can be repeated while projects have one time applications. A project to build rest rooms or to fence dangerous

machines may be part of a larger Programme to improve working conditions. Project is a flexible type of plan that may be adapted to a variety of situations. Each project becomes the responsibility of certain personnel who are given specific resources and deadlines.

9. Budget

A budget is a plan which expresses the anticipated results in numerical terms. It is merely a collection of figures or estimates that indicate the future in financial terms. According to Terry, "A budget is an estimate of future needs, arranged according to an orderly basis, covering some or all of the activities of an enterprise for a definite period of time." It is a statement of planned revenue and expenditure. A budget may be stated in time, materials, money, or other units.

Budgets are important device of planning, controlling and coordinating the activities. They are the most common form of communicating objectives. They show the future of the company in financial terms. Hence, sometimes budges are called numberized Programme. Budgets are prepared for various groups of activities.

10. Quota

Quota is a set goal for sales or other activities. It is the share one is bound to contribute to or entitled to receive from a total. A quota is a limit placed on the amount or units of sales, production, profit or other activities.

Quotas are set in the field of sales, markets or sales territories. For example, every sales territory carries an assigned quota indicating its contributions to profit and volume and its sales activity requirements. Quotas are important aspect of a company's operational plan.

11. Schedules

Schedules are important part of operational plans. Schedules are used to plan the timing and sequencing of the use of resources and for the work to be executed. Schedules are the basis of an action plan. A scheduling sets the exact time when each activity would start and when it would end. Schedules permit managers to see how the various segments of operations interrelate and to evaluate the overall progress of project.

12. Standard

A standard is an important element of plan. It is a norm against which performance is compared and evaluated. Terry defines it as "a unit of measurement established to serve as a criterion or level of reference. A standard forms the basis of controlling and serves as guide for performance. It brings uniformity in work. Standards assist in settling disputes because they may serve as base levels.

They are essential in planning schedules and determining the proper use of resources. Qualitative and quantitative standards are set in various areas of business such as cost standards, quality standards, product standards, material standards, performance standards etc.

6.6 Summary

Planning is a particular type of decision making that addresses the specific future that managers desire for their organization. Planning is the first of the four major activities of the management process; planning, organizing, leading and controlling. We might think of planning as locomotive that drives a train

of organizing, leading and controlling activities. Planning is not a single event, with a clear beginning and end. It is an ongoing process which reflects and adapts to changes in environment surrounding each organization. In organization planning is the process of setting goals and choosing means to achieve these goals for which different tools and techniques are available and used. In order to formulate accurate plans, managers have to predict the prospective changes in behavior of various related factors in future. This can be effectively done by making suitable forecasts using appropriate forecasting techniques.

6.7 Self Assessment Questions

1. Define planning. Discuss various steps involved in planning process.
2. Describe different types of plans and arrange them in hierarchy form.
3. What do you mean by forecasting? How is it related to planning?
4. Discuss various forecasting techniques.
5. "Forecasts are estimates of future condition". Comment on importance of furcating.
6. What is planning? Explain different planning techniques.
7. How planning differ from forecasting?
8. What is MBO? Describe the process of MBO.
9. Discuss Linear Programming as a planning technique for optimum allocation of resources.

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Unit -7 Management by Objectives

Structure of Unit

7.0 Objectives
7.1 Introduction
7.2 What is Management by Objectives (MBO)?
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7.4 The Process of Management by Objectives (MBO)
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7.7 Making MBO Effective
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7.0 Objectives

After completing this unit, you will be able to:

- Understand the concept of management by objectives;
- Explain various characteristics of MBO;
- Assess the process of MBO and steps involved;
- Know the advantage of MBO in current dynamic environment ;
- Point out various limitations of MBO;
- Learn how to implement an effective MBO programme.

7.1 Introduction

Management by objectives (MBO) has gained immense popularity during the past twenty to thirty years. Management by objectives is one of the modern approaches to management, which was introduced by Peter Drucker in his book the practice of management in 1954. Later the concept was elaborated by various writers like: George S. Odiorne, Edward Schleh, Carrol, Toshi and Douglas McGregor.

Peter Drucker mentioned that what the business enterprise needs is a principle of management that will give full scope to individual strength and responsibility and at the same time provide a common direction to vision and effort, establish teamwork and harmonize the goals of the individuals with the common organizational goals.

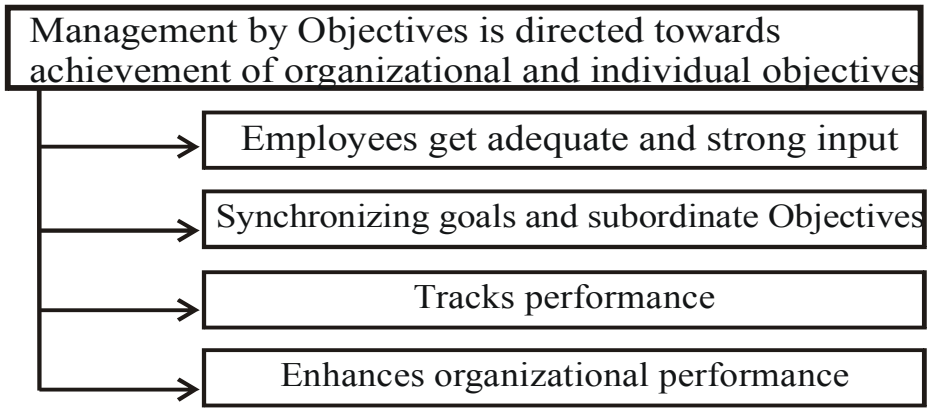


Fig. 7.1 Management by objectives (MBO)

MBO is a system in which specific performance objectives are determined through participative approach. Progress towards objectives is periodically reviewed and rewards determined accordingly. In other words it refers to a formal, or moderately formal, set of procedures that begins with goal setting and continues through performance review. The key to MBO is that it is a participative process, actively involving managers and staff members at every organizational level. By building on the link between the planning and controlling functions, MBO helps to overcome many of the barriers to planning.

This approach is also known by other names such as 'Management by Results' (MBR), 'Goal Management', 'Planning by Objectives' (PBO), 'Results Management', 'Joint Target Setting', 'Work Planning and Review'. Today, MBO is used not only as a technique of goal setting but also as a total system of planning, motivation, performance appraisal and self-control.

7.2 What is Management by Objectives (MBO)?

MBO is difficult to define. Organizations use it in different ways and for different reasons. In broad terms, it may be stated that MBO is both a philosophy and an approach of management. It is a process in which superiors and subordinates sit together to identify the common objectives and set the goals which are to be achieved by the subordinates, assess the contribution of each individual and integrate individual objectives with those of the organisation so as to make best use of the available resources of the organisation.

According to George S. Odiorne, "Management by objectives can be described as a process whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individuals major area of responsibility in terms of results and use these measures as guides for operating the unit and assessing the contribution of each of its member."

In the words of Koontz, O'Donnell and Weihrich, "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organisational and individual objectives."

Henry Levinson defines, "Management by objectives as a performance appraisal and review which intended to:

- Measure and judge performance;
- Relate individual performance to organisational goals;
- Foster the increasing competence and growth of the subordinates;
- Enhance communication between superior and subordinates;
- Serve as a basis for judgement about promotion and incentives;
- Stimulate the subordinates' motivation;
- Serve as a device for organisational control and integration.

The essence of an MBO system lies in the establishment of common goals by managers and their subordinates acting together. Each person's major areas of responsibility are clearly defined in terms of measurable expected results (objectives). These objectives are used by subordinates in planning their work and by both subordinates and their superiors for monitoring progress. Performance appraisals are conducted jointly on a continuing basis, with provisions for regular periodic reviews.

7.3 Features of Management by Objectives (MBO)

Based on the definitions of MBO, its features can be identified as below:

1. MBO as a Philosophy: MBO is a philosophy of management. It is more than a set of techniques. It emphasis on what is to achieve, not how to achieve. It suggests how the best use of available resources

may be done to achieve the expected objectives. Peter Drucker writes, "MBO may properly be called a 'philosophy' of management because it rests on a concept of human action, behaviour, and motivation. Finally, it applies to every manager, whatever his level or function, and to every organisation, whether large or small."

2. MBO as an Approach: MBO is an approach to management. Approach refers to various tools or techniques used in order to achieve the objectives. MBO introduces several new techniques of management. It also enhances the relevance and utility of existing ones. It is thus, a joint application of a number of principles and techniques. It works as an integrating device. Many principles and techniques of planning and control are used in an organisation in the normal situation, but in MBO the focus is more on these techniques.

3. Organizational and Individual Goals Determination: MBO is a participating and interactive process whereby superiors and subordinates jointly determine common objective for the organisation and also define each individual's areas of work and responsibility.

4. MBO Emphasizes Participatively Set Objectives that are Tangible, Verifiable, and Measurable: Kreitner writes, "The common denominator that has made MBO approach so popular in both management theory and practice is the emphasis on 'objectives' that are both measurable and participatively set.

5. MBO is a Top-down or the Bottom-up Approach in Results Management: which aims at optimum use of organisational resources. Thus MBO is a systematic and rational technique that allows management to attain maximum results from available resources. It allows the subordinate plenty of room to make creative decisions on his own.

6. MBO has Multiple Uses: MBO is a way of promoting managerial self-control and it applies to total management system. It has multiple uses. There are various managerial sub-systems that can be integrated with MBO process; they include performance appraisal, design of organisational structures, management development programmes, organisational change programmes, and budgeting.

7. BO has Some Relationship with Every Management Technique and It is a Universal Tool: In fact, MBO provided the stimulus for the introduction of new techniques of management and enhances the utility of the existing ones. MBO is the joint application of a number of principles and techniques. It works as an integrating device. It is a valuable management tool for profit as well as non-profit organizations. It is a simple, non-technical, operational management approach which can be applied to every type of organizations.

8. MBO as a Performance Appraisal and Review: As a performance appraisal and review, MBO is intended to measure and judge performance, to relate individual performance to organisational goals and to foster the increasing competence and growth of the subordinates.

9. A Comprehensive System Approach: MBO has become a comprehensive system. It considers both economic and human aspects of an organisation. It applies to managers and employees in any kind and size of organisation at all levels and in all functional areas. Koontz and Weihrich write, "MBO, to be effective, has to be viewed as comprehensive system. It must be considered as a way of managing, and not an addition to the managerial job."

10. Guidelines for Appropriate System: MBO has a thrust achieved on the objectives. Therefore it provides guidelines for appropriate systems and procedures. Resources allocation, delegation of authority etc.

are determined on the basis of objectives. Similarly, reward and punishment system is attached with the achievement of objectives.

Finally we can say that the salient features of MBO are - cascading of organizational goals and objectives; specific objectives for each team/group and member; participative decision making process; explicit time period deadlines; and performance evaluation and feedback.

Activity A:

1. Discuss the area of objective setting in specific concern to your study plan for final examination.
2. "Is the philosophy of MBO really works?" Explain with suitable examples.

7.4 The Process of Management by Objectives (MBO)

MBO programs can vary enormously. Some are designed for use in a subunit, while others are used for the organization as a whole. The particular methods and approaches that managers use in an MBO program will differ. There also may be wide differences in emphasis. Therefore the MBO process requires rigorous analysis, clarity and balance of objectives and participation of managers with accountability for results. This process has the following steps:

1. Setting of Objectives: The first step of MBO process is to establish verifiable objectives for the organization and for various positions at various levels. Without having a clear objective no group or individual can perform effectively or efficiently. One of the major criteria to set clear objectives is the scope of measuring it. Therefore, objectives should be set in such a way that they provide a clear direction to the people who have to contribute and perform for achievement of the same. It is always desirable to have a participatory approach to set objectives. However, management aspirations and expectations should be kept in view while adopting a participatory approach to set objectives.

Setting precise, measurable, and well-defined objectives is indeed a difficult task. It requires an intelligent input from superiors and practice and team effort on the part of subordinates. Objectives should:

- Be verifiable;
- Indicate the time frame within which they are to be achieved;
- Indicate associated cost involved;
- Indicate quantity and quality aspects of the expected achievements;
- Help in promoting personal and professional growth and development;
- Get duly communicated to all who are concerned with it;
- Align short-term objectives to medium and long-term objectives; and
- Give due importance to the views of individuals expected to contribute in the achievement of objectives at the time of setting objectives.

2. Key Result Areas: Organisational objectives and planning premises together provide the basis for the identification of key-result areas. Key-result areas are derived from the expectations of the various stake holders and indicate priorities for organisational performance. They indicate top management perspectives for the future and the present state of health of the organisation. These are the areas in reference to which organisational health may be measured or appraised for example: (i) profitability, (ii) market standing, (iii) innovation, (iv) productivity, etc. These areas are not the same for every organisation. They differ from organisation to organisation, depending upon various internal and external environmental factors.

3. Setting of Subordinates Objectives: Organisational objectives are achieved through individuals. Therefore, every individual must know in advance what he is expected to achieve. Objectives for each subordinate should be set in consultation between that subordinate and his or her supervisor. A degree of recycling is required in setting of objectives. This means that a degree of interaction, consultation, and discussion among top level managers, departmental heads, superiors and subordinates is necessary. In such joint consultations, subordinates help managers develop realistic objectives since they know best what they are capable of achieving. Managers help subordinates "raise their sights" toward higher objectives by showing willingness to help them overcome obstacles and confidence in subordinates' abilities.

4. Revision of Organizational Structure: When the goals for each individual are reset under MBO there is a considerable change in the job description of various positions. This may call for a revision of the existing organization structure. The organization charts and manuals should be suitably amended to depict the change brought about by the introduction of management by objectives. The job description of various jobs must be defined with their objectives, responsibilities, and authorities. They must clearly lay down the relationship with other job positions in the organization.

5. Matching Objectives and Resources: It should be noted that without a proper balance between the objectives and resources, the achievement of goals will be difficult. Hence, the superiors must ensure combination of goals with available resources. All managers at various levels require these resources to accomplish their goals. By relating these resources to the goals themselves, superiors can better see the most effective and most economical way of allocating them.

6. Conducting Periodic Progress Reviews: Management by objectives ensures periodic meetings between the superior and the subordinate to review the progress towards the goal attainment. For this the superior must establish check points or standards of performance for evaluating the progress of the subordinate.

The reviews should be held monthly or quarterly. These reviews serve as a built-in feedback mechanism for an MBO system. Since individual or group goals are specifically defined, usually in quantifiable terms, employees can compare their progress at review time against the specified goals. This periodic check-up allows managers and employees to see whether they are on targets or whether some change is necessary. During the review, managers and employees decide what problems exist and what they can do to resolve them.

7. Performance Appraisal: While informal performance appraisal of a subordinate is done by his immediate superior almost everyday, formal appraisal at periodic interval, usually once or twice a year, does ensure that a thorough evaluation of a manager's performance is done and his achievements are carefully analyzed against the background of prevailing circumstances and given objectives. The design and format of the performance review form will depend on the nature of the enterprise. Performance appraisal can serve three purposes:

- Feedback to employees concerning their actual performance;
- Provide the basis for identifying more effective job behaviour;
- Supply information to managers relevant to future job assignments and to compensation decisions.

8. Feedback: On the basis of overall evaluation, the feedback is provided to higher level of hierarchy. Feedback information helps in taking decisions to make necessary changes in MBO programme and to shape goals for the next year. The MBO cycle repeats itself on an annual basis.

Activity B:

1. Suppose you have a garment store in the main market of your city, draw a MBO programme with the above steps for diversification.
2. What is 'Performance Appraisal'? Explain.

7.5 Importance and Advantage of MBO

Management by objectives is a comprehensive management planning and control technique and is bound to affect the entire organization structure, culture. Management by objectives calls for regulating the entire process of managing in terms of meaningful, specific and variable objectives at different levels of managerial hierarchy. It stimulates meaningful action for better performance and higher accomplishment. It is closely associated with the concept of decentralization. In 1954, Drucker noted that, "The first requirement in managing managers is management by objectives and self-control." The main advantages of MBO are described below:

1. Better Management of Organizational Activities: By applying MBO, organisational resources and activities can be better managed which shows improved results. How the performance of an organisation can improve through MBO may be clarified on the following five assumptions laid down by L.M. Prasad, these are:

- Clarity of objectives;
- Role clarity;
- Periodic feedback of performance;
- Participation of managers in the management process;
- Realization that there is always scope for improvement of performance in every situation.

2. Clarity in Organizational Action: MBO tends to provide the key result areas where organisational efforts are needed. A key factor in objective setting is the external environment in which the organisation operates and any change in the external environment should be considered very carefully at the time of objective setting. Besides the external factors, internal factors also help in setting objectives and therefore they should also be considered suitably. They define what the organisation intends to do, what it can do, where it takes and how this gap can be bridged. All these factors lead to clarity in organisational action.

3. Provides Maximum Personnel Satisfaction: MBO provides maximum opportunity for personnel satisfaction. It is possible due to two closely related phenomena (i) participation of individuals in goal setting (ii) rational performance appraisal. People are involved in goal setting and it is a source of inspiration to them. They feel that they are important for the organisation and being consulted in goal setting. They are sure that their performance will be measured independently without any bias, prejudice and other personal factors. MBO provides guidelines for appraising performance. Therefore, there is no room for any partiality.

4. Basis for Organisational Change: MBO initiates and stimulates organisational change and it provide framework for planned change. Due to change in external and internal factors a change is required in any organisation. Sometimes change is resisted by the people in the organisation. But by MBO the changing process becomes easier because there is constant interaction between superiors and subordinates, less resistant on the part of subordinates, frequently review the situation.

5. Other Benefits: Other specific benefits of MBO are as follows:

- It increases the effectiveness of management process.
- It effectively and efficiently uses the human resources.
- It encourages commitment towards goal attainment.
- It is a self appraisal and self management technique which leads through self motivation and control.
- It inbuilt the result oriented attitude in employees.
- It is a path which encourages personal development and provides opportunities for career development.
- It reduces duplication of efforts.
- It advocates trust, cooperation and supportiveness that are central to human nature.
- It develops a greater sense of identification in employees.
- It improves communication and organization structure which helps in locating weak and problem areas.
- It serves as a device for organization control and integration.
- It provides a realistic means of analyzing training needs and opportunities for growth on the basis of measurement of performance against accepted standards.

7.6 Weaknesses and Criticism of MBO

MBO is not a panacea, for organizational problems. Quite often many organizations look MBO as an instant solution to their problems. They fail to recognize that MBO demands careful planning and proper implementation. Many organizations have been overwhelmed by problems of MBO. Some of the problems are present in MBO system itself and others emerge due to wrong implementation. Some of the common problems of MBO are as follows:

1. Incomplete Understanding of MBO Philosophy: Managers involved in practicing MBO, sometimes do not understand as to what purpose it serves, how the objectives are set and performance is appraised, how the results will be analyzed and how the organisation will be benefited. Moreover, managers continue to think in their old way and do not appreciate this new philosophy. Hence they fail to teach the philosophy of MBO to their subordinates, as they lack initiative and fail to enthuse others to participate, thus MBO appears to be simple to teach but it is not so easy to put in practice.

2. Poor Planning and Lack of Guidelines: One of the major weaknesses often associated with MBO is poor planning of the programme prior to implementation. Implementers must know how to involve personnel at all levels of management and obtain their support. Like any other kind of planning, MBO cannot work if those who are expected to set goals are not provided any guidelines. They must know what the organisational objectives are and how can they fit themselves in them.

3. Difficulty in Setting Objectives: Objective setting is the prime step in MBO process. It requires verifiable objectives against which performance may be appraised. Setting of objectives is more difficult in some areas especially where they cannot be presented in quantitative form. In such cases, it becomes difficult to qualify the performance and compare that with the objectives. Effective goals setting requires proper study of human nature, behaviour and expectations to set attainable and reasonable objectives.

4. Inflexibility: Management by objectives may tend to introduce inflexibility in the organization. Since goals are set in every six months or one year, the superior may not like to modify them in between

because of fear of resistance from the subordinates. Koontz and Weihrich state, "It is foolish and dangerous for a manager to strive for a goal that has been made obsolete by revised corporate objectives, changed premises, or modified policies."

5. Increases Pressure and Frustration on the Subordinates: According to some critics MBO actually increases pressure on the subordinates and sometimes, MBO creates frustration among managers. This is due to the reasons that (a) many organisations could not implement MBO properly and even the organisation is not able to work with its old system, and (b) introduction of MBO arouses high expectations in young managers. They are over-enthusiastic in making rapid change in terms of growth and profitability for organisation and career development for themselves. If rate of change is slower than the expected, then they feel frustrated.

6. Short Term Nature of Goals: In most MBO programmes, managers set goals for the short run usually for a year or even less. This is dangerous for the long term development of the organisation. It is also found that strategic goals are displaced by operational goals.

7. Quantitative Bias: In order to have verifiable and measurable goals, managers overuse quantitative goals and attempt to force the use of numbers in areas where they are not applicable. They may also downgrade important goals that are difficult to state in quantitative terms or end-results.

8. Time Consuming: A great deal of time to carefully set objectives at all levels of the organization is required in MBO. Initially to built confidence in subordinates in the 'new system' superiors may have to hold many meetings. The formal, periodic progress and final review sessions also consume time. So MBO is a time consuming process.

9. Increases Paperwork: MBO programmes introduce a tidal wave of newsletters, instruction booklets, training manuals, questionnaires, performance data, and reports into the organization. To know of what is going on in the organization, managers may demand regular reports and data in writing, thus MBO imposes burdensome paper work.

10. Lack of Follow up: Lack of follow-up by the superior at the appropriate time is another hurdle in the successful implementation of MBO. It is most easy to procrastinate. The superior must get to the subordinate at the appropriate time. The subordinate should be prepared to tell the boss exactly what has been accomplished and how.

11. Other Weaknesses:

- It can be used as a threat by overzealous managers. Managers turn MBO into a sham, and start playing games.
- The programme is used as a 'whip' to control employee performance.
- Top managers provide inadequate support.
- It leads to a tug-of-war in which the subordinate tries to set the lowest possible targets and superior the highest.

Activity C:

1. "MBO provides an opportunity for self control." Explain your views.
2. "MBO is a base to bring organizational changes effectively". Is the statement right? How?
3. "There are no limitations as such of a MBO programme, if it is carefully planned and imple--mented". Comment.

7.7 Making MBO Effective

MBO should not be considered a panacea for an organization's planning, motivation, evaluation, and control needs. And it is certainly not a simple process that can be quickly and easily implemented. The following elements can help to make MBO effective:

1. Formulate Clear Objectives: Managers and subordinates must be satisfied that objectives are realistic and clearly understood, and that they will be used to evaluate performance. It may be necessary to train managers in the skills of setting useful, measurable goals and communicating them effectively.

2. Encourage Active Participation in Goal Setting: Managers must be willing to relinquish some direct control over their subordinates and encourage subordinates to take more active roles in defining and achieving their own objectives. Some managers are very uncomfortable with this seeming loss of power, but an MBO program can be effective only if they give up some control. There should be a face to face communication between the superior and subordinate in setting the goals, discussing the subordinate's problems and resetting the goals, and reviewing his performance. Thus, there must be an effective two-way communication in the organization.

3. Support and Commitment of Top Management: Initial acceptance and enthusiasm among employees for an MBO program may quickly disappear unless top management makes regular efforts to keep the system alive and fully functioning. The active participation of top management is essential for MBO implementation. If the top managers use the objective as an instrument for managing, this practice will also be followed down in the organization.

4. Educate and Train Managers about MBO: Managers must be adequately educated about the philosophy of MBO. They must be educated concerning the procedures and advantages of the system, the skills required, and the benefits MBO provides to the organization and their own careers. If managers remain resistant, an MBO program will not succeed. The personnel at all level should be imparted adequate training for the effective implementation of management by objectives programme.

5. Make Feedback Effective: An MBO system depends on participants who know where they stand in relation to their objectives. Every personnel should know or communicated, what he is to achieve and how well he is achieving them and 'where he stands' and 'where he is going' so that he may overcome shortcoming of his performance and may make necessary adjustments to achieve the desired results on his own. We can conclude that, setting goals is not a sufficient incentive; regular performance review and feedback of results are necessary.

6. Take Care of Necessary Mechanism: MBO should not be implemented as an isolated programme. It must be integrated with all the organization programmes including human resource planning & development, product planning and development, production control, financial planning etc.

It is always better to clarify responsibility and authority relationships so that everyone in the organization understands what is expected in the MBO system. The subordinates who have accepted the challenging assignments through discussion with the superior must be given adequate authority to accomplish their goals. MBO will not work if the manager is not willing to delegate sufficient authority to the subordinates.

In conclusion, we should know that MBO requires really hard work and patience on the part of managers. If the concept is implemented carefully and seriously, it will yield good results. Andrew Brown has pointed out that MBO will generate returns to managers and to their company in the form of:

- Improved managerial performance;
- Concentration on wealth maximization;
- Improved morale and sense of purpose in personnels;
- Easier recognition of management potential;
- More effective managerial development;
- Better delegation and communication.

Activity D:

1. In an organization A, top management implemented a MBO programme. In B organization, the personnel department implemented it. After a year it was evident that the company that imple mented through the stronger power and authority structure, top management, had achieved greater job satisfaction for the participants.
2. Express your opinion with reasons.

7.8 Summary

The essence of an MBO system lies in the establishment of common goals by managers and their subordinates acting together. Each person's major areas of responsibility are clearly defined in terms of measurable expected results (objectives). These objectives are used by subordinates in planning their work and by both subordinates and their superiors for monitoring progress. Performance appraisals are conducted jointly on a continuing basis, with provisions for regular periodic reviews. To conclude we can say, MBO involves managers and subordinates in jointly establishing specific objectives and periodically reviewing progress toward meeting those targets.

The salient features of MBO are - cascading of organizational goals and objectives; specific objectives for each team/group and member; participative decision making process; explicit time period deadlines; and performance evaluation and feedback.

The basic elements of effective MBO programs include- formulate clear objectives, support and commitment of top management to the MBO system, encourage active participation of subordinates in goal setting, educate and train managers about MBO, autonomy in implementing plans, periodic review of performance, make feedback effective,.

MBO is not a panacea, for organizational problems. Quite often many organizations look MBO as an instant solution to their problems. They fail to recognize that MBO demands careful planning and proper implementation. Many organizations have been overwhelmed by problems of MBO. Some of the problems are present in MBO system itself and others emerge due to wrong implementation like incomplete understanding of MBO philosophy in personnel, poor planning and lack of guidelines for implementation, practical difficulty in setting objectives, increases pressure and frustration on the subordinates, quantitative bias, lack of follow up.

MBO programs have achieved considerable acceptance, even though they require a great deal of time and energy, because they appear to result in improved performance and higher morale. Today, MBO is used not only as a technique of goal setting but also as a total system of planning, motivation, performance appraisal and self-control.

7.9 Self Assessment Questions

1. "MBO encourages self-control and self-management." Explain. Also discuss the process of MBO.
2. "MBO shifts control from people to operations." Discuss. Also state the advantage of MBO concept.
3. What do you mean by 'Management by Objectives? Explain the weaknesses of this system.
4. Define MBO. What factors are necessary for a successful MBO programmes?
5. What is MBO? Discuss its characteristics in detail. Also describe its problems to be faced in practice.

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Unit - 08 Decision Making

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8.0 Objectives

After completing this unit, you will be able to:

- Define and describe the nature of decision making;
- Explain the importance of decision-making in dynamic environment;
- Point out various important elements of decision making and its model;
- Identify and distinguish between the different types of decisions made by managers;
- Understand the view regarding 'rationality in decision making' in organizations;
- Learn how to make decision under certainty, risk, and uncertainty;
- Assess the process of decision making and steps involved;
- Determine the different tools and techniques in decision making.

8.1 Introduction

Personal at all levels in organization must constantly make decisions and solve problems. Managers are often confronted with unmanageable situations. They have to continuously tackle both simple and complex problems. Some problems require immediate action, while others unfold slowly and need consistent action. For managers, the decision-making and problem-solving tasks are particularly important parts of their job.

Whatever a modern manager does, he does through decision-making. Each managerial decision, whether it is concerned with planning, organizing, staffing or directing is related with the process of decision-making. Manager's decisions provide the framework within which other organization members make their decisions and act. It is because of this pervasiveness of decision-making that Professor Herbert Simon has called the process of managing as a process of decision making.

In the words of Felix M. Lopez, "A decision represents a judgement, a final resolution of a conflict of needs, means or goals and a commitment to action made in the face of uncertainty, complexity and

even irrationality." The important elements of a decision are that (i) it involves rationality because through decisions an endeavor is made to better one's happiness; and (ii) decision making involves certain commitment. This commitment may for short-run or long run depending upon the type of decisions.

Thus, decision making permeates every task of managers, exists in every part of an organisation and associates with every action.

8.2 What is Decision Making?

A decision is the selection of a course of action. It is a choice from among a set of alternatives. The word 'decision' is derived from the Latin words *de ciso* which means 'a cutting away or a cutting off or in a practical sense', to come to a conclusion. Webster, dictionary states decision making as, "the art of determining in one's own mind upon an opinion or course of action. It is a process of selecting a course of action with rationality from available alternatives, to produce a desired result."

Some of the important definitions of decision-making are given below:

According to D.E. McFarland, "A decision is an act of choice wherein an executive forms a conclusion about what must not be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives." **In the words of Haynes and Massie,** "A decision is a course of action which is consciously chosen for achieving a desired result." **According to George R. Terry,** "Decision making is the selection based on some criteria from two or more possible alternatives." **Szilagyi defines decision making as** "A process involving information, choice of alternative actions, implementation, and evaluation that is directed to the achievement of certain stated goals."

In other words, decision-making is the process by which the decision maker tries to jump over the obstacles between his current position and the desired future position. It should be noted that a decision is a choice between two or more alternatives while decision making is a sequence of certain steps leading to that selection.

Managerial decision-making involves an entire process of establishing the goals, designing tasks, searching for alternatives and developing plans in order to find the best solution to the decision problem. The elements of a decision-making process are:

- The decision-maker;
- The decision problem;
- The environment in which the decision is to be taken;
- Objectives of the decision-maker;
- The available alternative course of action;
- The outcome expected from various alternatives;
- The final choice of the alternative taken.

Activity A:

1. List down the decisions you took throughout yesterday.

8.3 Characteristics of Decision Making

The basis characteristics of the decision making process is enumerated as follows:

1. Decision making is a selective process. In it only the best possible alternative is chosen out of many alternatives available. The best choice can be made only by evaluation of alternatives.

2. It involves all actions like defining the problem and analyzing the various alternatives which take place before a final choice is made.
3. Decision-making is goal-oriented process. Decisions are usually made to achieve some purpose or goal or objectives.
4. Decision making is a human and rational process involving intellectual abilities. However, it cannot be completely quantified as some decisions are based on intuitions and instincts.
5. A management decision is a revolution or commitment of mind to act in specific manner in the given circumstances. It may involve to do or not to do anything.
6. Decision is not mechanical job. It is risk-taking and a challenge to judgement. It involves uncertainty. (Drucker)
7. Decision making is a dynamic process and situational. It involves time dimension and time leg. A particular problem may have different decisions at different times depending upon the situation.
8. It is "the focal creative psychic event where knowledge, thought, feeling, and imagination are fused into action." (G.L.S. Shackle)
9. Decision making is the core of planning and includes forecasting.
10. Decisions may be positive i.e., for doing a thing. They may be negative i.e., for not doing a thing.
11. Decision making is the end process preceded by deliberation and reasoning.
12. To a large degree, decision making is directed at solving problems.
13. Decision making is an integral part of managerial process. It affects all aspects of managing.
14. Decision making is a continuous process. Managerial job is perpetually a decision making exercise. A manager has to take a number of decisions close from the start of the day.
15. Decision making is an iterative activity. It is recurring task and managers can learn from past decisions.

8.4 Importance of Decision Making

Decision-making is an indispensable component of the management process. It permeates all management and covers every part of an enterprise. Consciously or unconsciously, the manager is always engaged in decision making or determining what is to be done, who will do it, how it is to be done, why is it to be done and where is it to be done unless he decides, he cannot move further.

Decision-making is at the core of planning. Managers sometimes take it as their central task. In fact whatever a manager does, the does through decision-making only; the end products of manager's work are decisions and actions. For example, a manager has to decide:

- What are the long term objectives of the organization, how to achieve these objectives, what strategies, policies, procedures to be adopted (Planning);
- How the jobs should be structured, what type of structure, how to match jobs with individuals (Organizing);
- how to motivate people to peak performance, which leadership style should be used, how to integrate effort and resolve conflicts (Leading);
- What activities should be controlled, how to control them, (Controlling).

Thus, decision-making is a central, important part of the process of managing. The importance of decision-making in management is such that H.A. Simon called the process of managing as the process of decision-making.

Decision making involves thinking and deciding before doing. As Koontz and O'Donnell pointed out, "Decision making process is the determination of objectives, policies, programmes, procedures,

strategies etc. of the enterprise. A manager has to take a number of decisions in every filed of organisational life, from the beginning to the close of the day." According to Gluek the importance of decision making lies in two important facts:

- Managers spend a great deal of their time in decision making. In order to improve managerial decisions, it is necessary to know how to make effective decisions.
- Managers are evaluated on the basis of number and importance of good and effective decision. In order to be effective the manager should learn the art of making better decisions.

Stressing the importance of decision making and the glorious task which an executive performs, John McDonald says, "The business executive is by profession a decision maker. Uncertainty is his opponent, overcoming it is his mission. Whether the outcome is a consequence of luck or wisdom, the moment of decision is without doubt the creative event in the life of the executive."

Indeed, "management cannot be imagined without the art of making decisions." Its importance is reflected through the following points:

- Decision making is the blood of administration.
- Decision making exists in every part and at every level of organisation, thus we can say that it is synonymous with managing.
- Decision making is total tasks of manager at every stage to produce effective decisions and for effective control.
- Decision making is the basic thread of the entire managerial process and functions.
- Through good decision making a sound organisational structure could be build.
- Decisions provide creative solutions to problems and explore opportunities.

Thus, decision-making is undoubtedly the heart and core executive activity in the every business. As such we can conclude that modern decision-making is the primary task of the manager of every business concern and really the essence of management.

8.5 Important Elements of Decision Making

The following are some important elements of modern decision making:

1. Concept of Good Decision: The enterprise may attain its objective only through good decisions. Rational decision making involves conceptualization, information and prediction. The business decision should be sound and result-oriented. The rational decision should be based on facts and careful analysis of facts and figures.

2. Environment of Decision: Formal structure and the organisational environment of the organisation put great influence on decision making. The decision environment can be divided in two parts: internal and external. In internal environment the labour management relations, the delegation of authority, decentralisation policy are some important factors. In external environment social, political conditions in the country are detrimental to important decision making.

3. Psychological Elements: The decision-making is a human process so it is but natural that the taken decision will be affected by the psychology of decision maker. Personal traits like preferences, intellectual maturity, experiences, educational qualification, social and religious attitudes, optimism or pessimism, and status etc. of the person also exert great influence on decision making.

4. Timing of Decision: Timing of decision making is an important factor. A particular decision may be

the best in the prevailing circumstances. But, with the change in situation and other conditions, it may not be useful in guiding the organization's activities; therefore, decisions should be reviewed or replaced, according to the timing or conditions.

5. Communication of Decision: The business decision should be communicated as soon as they are taken to concerned parties. Communication of decision must be clear, simple, easy and comprehensive.

6. Participation of Employees: As far as possible, the employees should be given participation in the process of decision-making. They should be consulted, motivated and educated for decision making.

Activity B:

1. What is the importance of organizational decision for an enterprise running a BPO?

8.6 Types of Decisions

Decisions have been classified by management experts on different bases. The various types of decisions are:

1. Programmed and Non Programmed Decisions
2. Routine and Strategic Decisions
3. Policy and Operative Decisions
4. Organizational and Personal Decisions
5. Individual and Group Decisions

1. Programmed and Non Programmed Decisions: Decision making is the cognitive process of selecting a course of action from among multiple alternatives. A decision is a choice made between two or more available alternatives. Managers have to vary their approach to decision making, depending on the particular situation. It is useful to distinguish between situations that call for programmed decisions and those that call for non programmed decisions.

Programmed decisions are those made in accordance with some habit, rule, or procedure. Every organization has written or unwritten policies that simplify decision making in recurring situations by limiting or excluding alternatives. For example, we would not usually have to worry about what to pay a newly hired employee; organizations generally have an established salary scale for all positions. Routine procedures exist for dealing with routine problem. Programmed decisions are used for dealing with complex as well as with uncomplicated issues. If a problem recurs, and if its component elements can be defined, predicted, and analyzed, then it may be a situation for programmed decision making.

Table 8.1 Programmed and Non-programmed Decisions

	Programmed Decisions	Non-Programmed Decisions
Type of Problem	Frequent, repetitive, routine, much certainty regarding cause-and-effect relationships	Unstructured, Exceptional, much uncertainty regarding cause-and-effect relationships.
Procedure	Dependence on policies, rules, and definite procedures	Necessity for creativity, intuition, creative problem solving
Examples	Business firm: Salary to a new plant supervisor	Business firm: Diversification into new products and markets

Source: Gibson, et al. (1985)

To some extent, of course, programmed decisions limit our freedom, but policies, rules, or procedures by which we make programmed decisions save the time, thus allowing us to devote attention to other, more important activities.

Non programmed decisions, on the other hand, are those that deal with unusual or exceptional problems. If a problem has not come up often enough to be covered by a policy or procedure, it must be handled by non programmed decision. Such problems as how to allocate an organization's resources, what to do about a failing product line- in fact, most of the significant problems a manager will face, usually require non programmed decisions. As one moves up in the organizational hierarchy, the ability to make non programmed decisions becomes more important. For this reason, most management development programs try to improve managers' abilities to make non programmed decisions - usually by trying to teach them to analyze problems systematically and to make logical decisions.

2. Routine and Strategic Decisions: Routine decisions are made by following certain established rules or procedures and policies. These decisions do not require fresh information or knowledge. Routine decisions are taken at middle or lower level of management, who are responsible for the supervision of actual operations. Such decisions are repetitive and programmed decisions. Their impact is of short term duration and affects a limited part of the organisation. Due to its short term impact the authority for making tactical or routine decisions is delegated to the lower level managers. Drucker says, "They are always one-dimensional. The situation is given and the requirements are evident. The only problem is to find out the most economical adaptation of known resources."

Table 8.2 Difference between Strategic and Routine Decisions

Strategic / Non routine Decisions	Routine/basic tactical Decisions
Such decisions are made by top management.	Such decisions are made by the lower level managers.
Such decisions have long term implications.	These have short-term implications.
These decisions are made on the problems which are important and critical for survival, growth and development of organisation.	These decisions are concerned with simple, routine and repetitive problems.
These decisions need more managerial judgement and experience.	These decisions need predetermining procedure, rules and less management judgement

Strategic or basic decisions, on the other hand, are more important and so they are taken generally by the top management and middle management and these are related to policy matters. Plant location, selection of distribution channels, decision relating to a new product etc. are some examples of strategic business decisions. Such decisions influence organizational structure, working condition, objectives etc. These decisions require a good deal of deliberation and these are unique and one-time decisions which involve long-range commitments and huge investments. They are important because any mistake might become danger for the concern.

3. Policy and Operative Decisions: Policy decisions determine the basic policy of the organization and are taken up at top-level management. The policies decided at the top become the basis for operative decisions. No decision may go beyond the policy framework of the organisation. These are important in nature and have long term impact and the affect whole organisation.

Operative decisions are taken by the lower managements in order to put into action the policy decisions. For by instance, the bonus issue is a policy matter which is to be decided by the top management,

and calculation of bonus is an operating decision which is taken at the lower levels to execute the policy decision.

4. Organizational and Personal Decisions: When a person takes a decision in the organization as an executive, it will be an organizational decision. The power to take organizational decision can be delegated from the superior to the subordinate.

On the other hand, personal decisions are taken by managers in their individual capacity and not as members of the organization. Personal decisions are not delegated. It is important to note that the managers may to some extent be personally involved in any organizational decision they make.

5. Individual and Group Decisions: In small concerns only the owner takes all-important decisions. Even in big organizations a person of top management may be allowed to take a decision about a particular matter. It is known as individual decisions. Group decisions are taken by group of person's eq. board of directors or a committee. These decisions are taken after thorough deliberation among people who are assigned this job.

In India, individual decision-making is still very popular because a large number of business organisations are small and owned by a single individual. But in joint stock company organisation the group decisions are common. There are some merits and demerits both of each type of business decision.

Activity C:

1. From the above discussion regarding various types of decision, as per your perspective, which type of decision is more involved in a hotel business?

8.7 Decisions under Certainty, Risk and Uncertainty

In deciding how to solve a problem, managers frequently find it useful to locate the problem from predictable situations to situations extremely difficult to predict. Three words to describe different positions on this continuum are: "certainty," "risk," and "uncertainty."

Under conditions of certainty, we know what will happen in the future. Under risk we know what the probability of each possible outcome is. Under uncertainty we do not know the probabilities - and may be not even the possible outcomes.

If a decision maker has the accurate, measurable, reliable information and is in a position to predict the consequences of the action about to be taken, then he/she is said to operate under a **condition of certainty**. The decision maker knows the exact consequences of the action that would be taken. The future in this case is highly predictable. The linear programming is an example of a tool for locating an optical solution under certainty.

When decision makers can estimate the various outcomes vis-a-vis the decision taken, and yet are not sure of the ultimate outcome, predictability is lower, and then it is a **condition of risk.** In this condition complete information is unavailable, but we have a good idea of the probability of particular outcomes. Oil companies, for example, may not know regarding oil production estimate of a particular well, but in a drilling program involving a great many wells, good estimates can be made of the number of wells that will be successful.

In case decision makers have inadequate or insufficient information about the consequences of their actions then they operate under uncertainty. Uncertainty is the situation in which decision makers

have no idea about the outcome of their chosen alternative. In this situation the decision maker tries to identify the relevant structural environments or states of nature or conditions that may exist in the near future. For example, in marketing a new product, the decision may depend on whether management anticipates a period of prosperity, recession, or stagnant.

8.8 Rationality in Decision Making

A business manager can make decisions by intuition, i.e., without considering carefully all the alternatives. Practically, every one takes decisions in this way because of the feeling that the particular course is the best one. This kind of feeling has no logic behind it. Moreover, it is difficult to explain why one is feeling in a particular way. Psychologists emphasize that there are forces other than reason within a person which influence and shape a decision. Decisions based on intuition are subjective and are taken without any conscious effort to weight the advantages and disadvantages of various alternatives. On the other hand, if a decision is taken after through analysis and reasoning and weighing the consequences of various alternatives, such a decision will be called an objective or a rational decision. These are the two extremes in decision making.

According to D.E. McFarland, "Rationality in decision-making implies that the decision maker tries to maximize the results in a situation by choosing a best course of action for achieving the optimum solution of a problem." In the words of George A. Steiner, "A rational business decision is one which effectively and efficiently assure the achievement of aims for which the means are selected."

To actual practice, each person takes a decision which involves a combination of intuition and rational thinking. Rationality in decision-making helps executive to choose and evaluate decision alternatives in terms of a system of values, their own or those of the company, Bertram M. Gross suggests three dimensions to determine rationality, first-desirability or the extent to which a given action satisfies human interests; second, feasibility or the adoption of means to given ends; and third, consistency.

8.9 Decision Making Models

The approach managers use to make decisions usually falls into one of following types:

1. Normative or Rational Model
2. Administrative or Bounded Rationality Model

These approaches are discussed below:

1. Normative or Rational Model

Normative or Rational Model is idealistic, rational and prescriptive in nature, such as those characterized programmed decisions and states that how the managers should behave while making decision. The features of this model are:

- This model has a systematic and logical approach.
- Scientific and systematic methods, backed by empirical verification are used.
- The manager is expected to set various criteria without allowing his own emotions, likes and dislike, bias, to interfere with decision making.
- In the problem situations the managers access relevant and reliable information.
- The managers have a clear understanding of the existing internal and external environment.
- A rational manager has the ability to analyze and evaluate alternatives in the context of goals to be pursued, which require positive action

Rational decision-making is preferably applied to problems of routine and repetitive nature which can be programmed. As the problem arises, manager access relevant and reliable information analyses and applies pre-determined procedures and rules without personal bias and gets it solved. He uses statistical devices, application of quantitative techniques for solving problems. This approach is related to 'economic man model'. Economic man is always in search of an optimal solution or best way of doing things for maximizing his benefits governed by economic considerations.

2. Administrative or Bounded Rationality Model: This model of decision making describes how managers make decisions in difficult situations, such as non-programmed decisions situation, uncertainty, and ambiguity. This model proposes that managers are unable to make economically rational decisions even if they want to, because decisions are not programmable enough to lend themselves in any degree of quantification.

Taking into account several factors that affect real life decision-making, Herbert Simon has proposed a theory of 'bounded. He was first to recognize that decisions are not always made rationality and logically. This model describes that decision makers must cope with (a) inadequate and irrelevant information about the nature of the problem and its possible problem solutions, (b) a lack of time or money to compile more complete information, an inability to remember large amounts of information, and (c) limits of their own intelligence. He argues that man has bounded rationality or limitations in achieving rationality. Since managers cannot be completely rational in practice, they desire to reach the best solution under the circumstances. He differentiates among, types of rationality. He suggests that a decision is 'objectively' rational if it maximizes given value in a given situation in terms of the discipline used to measure results. A decision is subjectively rational if it maximizes attainment relative to the actual knowledge of the subject. It is 'consciously' rational to the extent that the process of decision making is a conscious one. It is 'organizationally' rational to the degree a decision is oriented to the organizational ends. It is 'personally' rational to the extent it achieves an individual's personal goals.

Thus, instead of searching for the perfect decision, managers frequently try to come up with a solution which adequately serves their purposes. In Simon's terms, they satisfy, or accept the first satisfactory decision they uncover, rather than maximize or search until they find the best possible decision. Thus, a decisions maker learns to satisfy with a clear sense of goals.

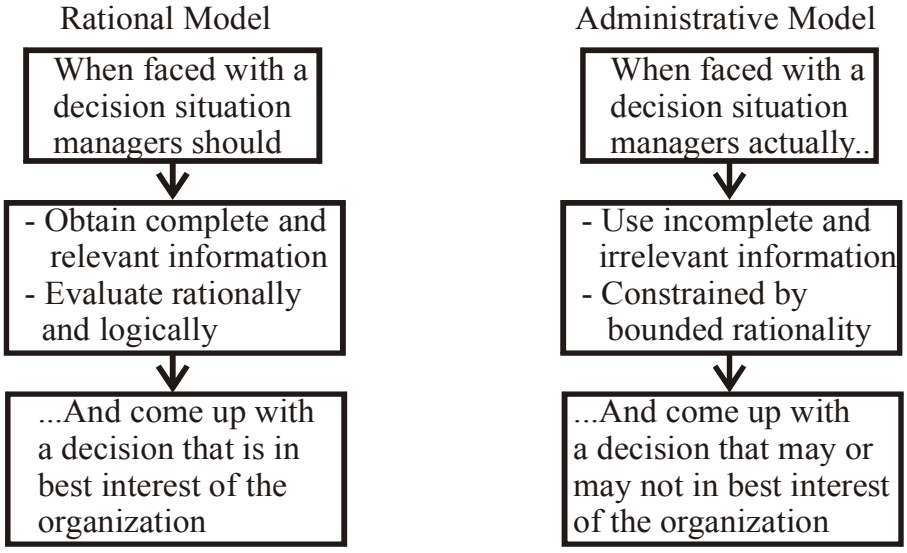


Figure 8.1 Comparison of Rational and Administrative Model of Decision Making

Activity D

1. Give a comparison between rational and administrative model of decision making.

8.10 Steps Involved in Decision Making

The decision making process (as shown in Figure) can readily be explained in the following steps:

1. **Identifying and Defining the Problem**
2. **Classification and Gathering Relevant Data**
3. **Diagnosis and Analysis of the Problem**
4. **Generation and Development of Alternatives**
5. **Evaluation of the Alternatives**
6. **Selection of the Best Solution**
7. **Implementation of the Decision**
8. **Monitoring, Feed Back and Review**

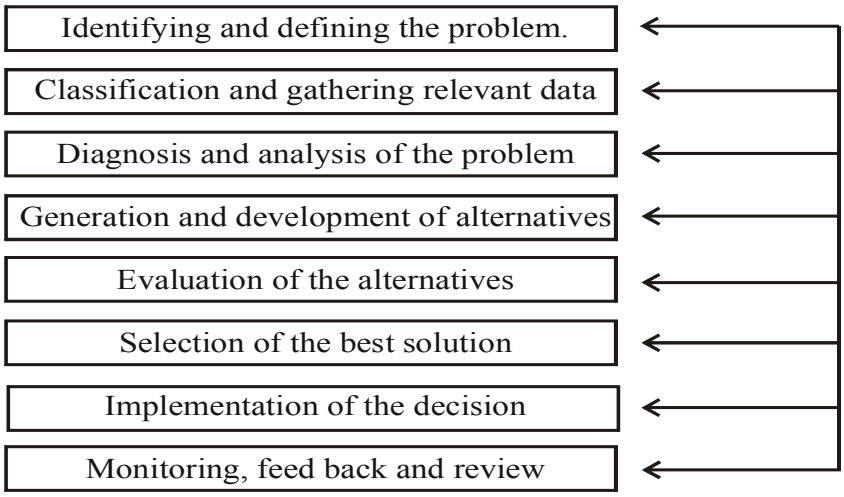


Figure 8.2 Steps Involved in Decision Making

1. Identifying and Defining the Problem: The first step in decision making is to recognize that there is a problem, that needs to be tackled and it is important enough for managerial action. Problems generally arise because of disparity between what is and what should be. To identify the gaps between the current and desired state of affairs, managers should look for problems that need to be solved. At this stage the emphasis should be on defining the questions in a right way rather than finding answers to the questions. A clear understanding of the real problem is the most important task in the process of decision-making as the right answer can be found only for a right question. C. I. Barnard says that, "knowing the right question is winning almost half the battle." The manager should try to find out what the decision is really about, not what the decision should be. Actually, accurately defining a problem is as essential for manager as knowing the correct disease is for a doctor.

2. Classification and Gathering Relevant Data: After recognizing the problem the next phase of decision making involves classifying the problem and gathering relevant information. Information can be gathered internally or externally, depending on the needs of the situation. Some problems are unique to the company itself so that all the data that is generated is internal and the basic source of this data is the management information system, while for some problems, the data are collected from both internal and external environment.

Classification is necessary in order to know who should take the decision and who should be consulted in making it. Without proper classification, the effectiveness of the decision may be jeopardizing. After the collection and classification of data, it is stored, sorted out and interpreted so that it is presented to the decision maker in the form of information. It is important that this information be relevant and adequate.

3. Diagnosis and Analysis of the Problem: Diagnosing the problem means knowing the real cause of the gap between what is and what should be. It is an understanding of the problem in relation to the objectives of the organisation. The problem should be understood in terms of its elements, its magnitude, its urgency, its courses, and its relations with other problems. The problem and its boundaries should be understood well by proper diagnosis. To do so we have to resolve the following issues:

- What is happening and what was expected to happen?
- Explain the deviations and their causes.
- The critical objectives that need to be met in the given context.
- Cause of the problem.
- Should I make this decision?
- What decisions have already been made?

4. Generation and Development of Alternatives: After diagnosing and analyzing a business problem, with the help of relevant management information, the decision-maker should formulate many alternative solutions for the business problem, because if we have the possibility of choosing, only then decisions are required; otherwise we can continue status quo.

There is hardly any problem in the world wherein alternatives cannot be developed. So we must develop a range of alternatives in order to decide. This can be done by mixing up resources in different proportions, thinking about the same problem in different perspectives, changing the premising itself, making more people to participate, creativity etc. It is desirable that we should think of as many alternatives as possible before the decision stage. The development of alternatives can be facilitated through the use of four principles such as:

- Pushing for a high volume of ideas increases the probability that some of them will be effective solutions.
- Criticism during the idea-generation stages inhibits thinking.
- Often the best ideas come from combinations of the ideas of others.
- Often in practice some ideas may never be used, but they may trigger some usable ideas from others.

5. Evaluation of the Alternatives: After developing all alternatives, the next step should be to judge and evaluate them through some good decision criteria. Both tangible and intangible factors should be considered while evaluating different alternatives. Tangible factors are those which can be expressed numerically, such as cost, profits, time taken, money invested, return on investment etc. Intangible factors are mostly qualitative and cannot be quantified, such as quality, efficiency, public relations, reputation of the company, employee morale, human relations etc. The main purpose of evaluation of alternatives is to find out the expected consequences of each alternative, if put into action and to what extent the various objectives would be met or not met under each alternative solution. Several techniques are available for analyzing the options in order to understand their implications.

Possible changes in the organizational environment that might pose either a threat or an opportunity in a given period of time should also be considered by the decision maker. In this respect, the effect of

the choice of the alternative on the current as well as long term organizational objectives and strategies must be considered.

6. Selection of the Best Solution: After evaluation of all alternatives that next step in the selection of the best solution. Based on the evaluation of various alternatives, the decision maker has to choose the best possible decision that optimizes achievement of objectives within given constraints, maximizes the benefits, and satisfies the involved individuals to the greatest extent, ensure its feasibility. The process of selection of the best alternative becomes easy and logical, when the criteria for selection are laid down in the initial stage itself. Criteria are basically clear conditions that must be satisfied to arrive at a useful, objective, effective, and good decision. Peter Drucker has laid down four criteria in order to weight the consequences of various alternatives. They are:

- Risk;
- Economy of Effort, money and Time;
- Situation or Timing at a particular point of time;
- Limitation of Resources.

Koontz and O'Donnell have suggested three bases which should be followed by a manager for selection among the alternatives. These are experience, experimentation and research and analysis.

- **Experience:** In making a choice, a manager is influenced to a great extent by his past experience. Sometimes, managers give undue importance to past experience. Such an attitude may be fatal in certain situations. So he should take sufficient care while depending upon his past experience. He should compare both the situations. However, he can give much reliance to past experience in case of routine decisions, but in case of strategic decisions, he should give the least possible weightage to his past experience to reach at a rational decision.

- **Experimentation:** Under this, the manager tests the solution under actual or simulated conditions. But it is not always possible to put this technique into practice because it is very expensive. It is utilized as the last resort after other planning techniques have been tried. It can be utilized on a small scale to test the effectiveness of the decision. For instance, a company may test a new product in a certain area before expanding its sale nation wide.

- **Research and Analysis:** It is considered to be the most effective technique for selecting alternatives where major decisions are involved. It involves a search for relationships between the more critical variables, constraints and premises that bear upon the goal sought. In a real sense, it is the pencil and paper approach to decision making. It weighs various alternatives by making models. It takes the help of computers and certain mathematical techniques. This makes the choice of the alternative more rational and objective.

7. Implementation of the Decision: After taking the final management decision the next problem of management is to put decision into effect. The language of the decision should be simple and easily understandable. All concerned should know it and their full co-operation for the implementation should be sought in mild and courteous language. For effective implementation what matters the most is that the people involved in implementing the decision understand the problem as well as an alternative choice made to solve the problem and are fully committed to its successful implementation. For effective implementation, managers should plan the implementation process very meticulously and carefully. Implementation analysis can provide a clear view of resource requirements, people and group affected, and any cautions to exercise when implementing the option.

8. Monitoring, Feed Back and Review: As after sales service is important, as it is also necessary to see that decisions have served the purpose for which these have been implemented. One requires some system as to its feedback and in case of need, follow up in terms of revision of some aspects of a decision. Irrespective of positive or negative feedback, evaluating a decision is always useful. A positive feedback reassures that the decision has worked well and should be continued and / or applied elsewhere in similar situations. However, a negative feedback implies that the decision is ineffective requiring additional time, effort, resources, etc. The continuous review of decisions helps in building a feedback mechanism, so that we may learn from them. The review mechanism sheds light on the weak links in the various steps in decision making. Accordingly, taking corrective actions to strengthen various steps involved leads to improvements in the quality of decisions and institutionalizes the decision-making process.

Activity E

1. If you want to start your study and people have asked you to take decisions on the following questions:
   A. Why do you want to study?
   B. How do you want to study?
   C. What do you want to study?

Think of different alternatives you may get in mind to solve these problems. Do you think your altematives have changed in each case?

8.11 Tools and Techniques for Decision Making

Various tools and techniques are being used in decision making so that the problem situation is diagnosed and analyzed. Some of the commonly used tools and techniques are highlighted in Figure 8.3

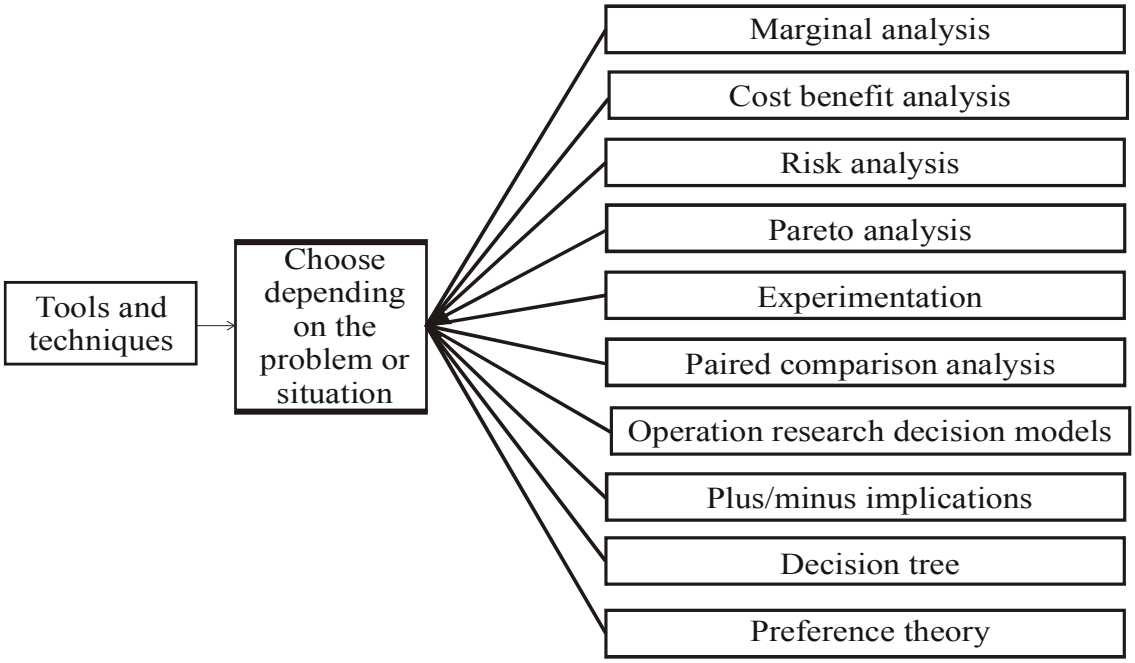


Figure 8.3 Tools and Techniques of Decision Making

1. Marginal analysis: While evaluating alternatives one might use technique of marginal analysis which denotes additional revenue arising from additional costs. It is the principle of economics that profits can be made till additional revenue is equal to additional cost. Anything earlier to this stage is profit.

2. Cost benefit Analysis: Cost benefit seeks the best ratio of benefits and costs. Here one analyzes the different scales of incurring costs and the advantages one may gain in terms of benefits. This is done where it is a social project and where commercial indicators such as profits or surplus do not play equal part in evaluation. One can also evaluate alternatives in this method and come to a conclusion as to which is better in terms of effectiveness. It is also called cost effective analysis.

3. Risk Analysis: It is important to know the size and nature of the risk in choosing a course of action. Many traditional tools are merely estimates and are based upon probabilities. In fact, every decision is based on the interaction of a number of critical variables. Risk analysis theory develops for every critical variable in a decision problem, thus, a manager is better able to assess the risk involved in decision.

4. Pareto Analysis: It is simple technique that helps in making the most effective changes to achieve the desired results. The underlying principle is the Pareto Principle - the idea that by doing 20 per cent of work one can generate 80 per cent of the advantage required for doing the entire job. It is an analytical technique for effecting changes, whereby relatively higher benefits could be derived. It is a useful principle to take decision when many possible courses of action are competing for the decision maker's attention.

5. Experimentation: If implementation of a decision is very expensive to take abundant caution people undertake experimentation. Experimentation needs resource, cost and time. Thus, it is not a very easy method. It is equally important that high cost projects should undergo experimentation before one can commit to total resources. One can also simulate similar conditions and then conduct an experiment. This is called simulation. The advent of computers has made large scale mathematical simulations within the reach of many managers.

6. Paired comparison analysis: It is helpful in working out the relative importance of a number of available choices. It is particularly useful where the decision maker does not have any objective data to base the decision on. This tool helps in picking up the most important problem that needs solution or selects the solution that would give the highest benefits. Paired comparison analysis enables the decision maker to prioritize the conflicting demands on available resources.

7. Operation Research or Specialized Decision Models: Operations research does not attempt to find only the optimum solution, but all of the alternatives, arrayed in the order of their advantages. Some specialized decision techniques included in operations research are as follows:

- **Queuing Theory:** This theory attempts to balance the costs of waiting lines versus the costs preventing waiting lines by increased service and facilities. It is based on the premise that sometimes it is more costly to eliminate all delay than to keep some of the delay.
- **Probability Theory:** It tells us that certain things are likely to happen in accordance with a predictable pattern.
- **Linear Programming:** It determines the optimum allocation or use or limited resources to achieve some desired objective.
- **Game Theory:** It is used to make decisions in competitive situations. It brings into the picture the actions of the competitor. It provides an optimum solution in which an individual in a certain situation can develop a strategy which will maximize gains with small losses, regardless of what the competitor does.
- **Other Tools:** There are many other tools of decision making such as simulation, PERT, information theory, value theory, Monte Carlo methods etc.

8. Plus/minus/implications: PMI stands for 'plus/minus/implications'. Draw a table with three columns,

with the headings plus, minus, and implication headings on the top. In the column below 'plus', write down all possible positive results and outcomes flowing from the action. Below 'minus', write down all possible negative outcomes and effects that would flow from the action. In the 'implications' column write down the implications and possible outcomes of a certain course of action, whether positive or negative. By this process, one can determine whether or not to implement a decision. If it is still not clear, consider each of the points and assign appropriate positive or negative score to it. It is likely that the assigned scores may be quite subjective. After assigning the scores, add up the total scores. A strongly positive score indicates that an action is worth taking; on the other hand a strongly negative score indicates that the proposed action should be avoided.

9. Decision Tree: If one sees the pattern of a tree, one sees that it has a common trunk, several branches, each branch again has many sub branches, and it grows that way. Similarly we take 'decision' as a tree trunk, we get a number of branches in the form of alternatives and then it grows. If one considers alternatives as branches, each such alternative leads afterwards to other alternatives and then one can imagine a decision tree.

10. Preference Theory: Individual attitudes towards risk will vary and, therefore, the choice of alternatives will also vary. People are more prone to take risks when these are small than with a big risk. This curve will again change with the type of person; whether he is a risk averter or a gambler. At higher levels, risk amplitude will vary and they are likely to consider risks as easier than by people at operational level. If we study preference curves, we will know which alternatives will mean a risk at relative position. What one will consider risk naturally will not be considered as an 'opportunity'? Thus, the growth of an organization to a great extent is related with the risk taking on part of the individual or organization.

Activity F

1. The use of computers and statistical software will increase the decision making speed. Comment.

8.12 Summary

Decision-making is undoubtedly the heart and core executive activity in the every business. Modern decision-making is the primary task of the manager of every business concern and really the essence of management. Managing problems depends upon the manager's ability to make decisions. Decision making is the cognitive process of selecting a course of action from among multiple alternatives. Taking decisions is more of an art than science though scientific tools are available to impose more rationality and objectivity in decision making.

There are various types of decisions - programmed and non programmed decisions, routine and strategic decisions, policy and operative decisions, organizational and personal decisions, individual and group decisions. Decisions are objective passed, value and time based, needs ease for handling, creativity, resource availability and demands risk taking capacity on part of decision maker.

In deciding how to solve a problem, managers frequently find it useful to locate the problem from predictable situations to situations extremely difficult to predict. Three words to describe different positions on this continuum are: "certainty," "risk," and "uncertainty." Under conditions of certainty, we know what will happen in the future. Under risk we know what the probability of each possible outcome is. Under uncertainty we do not know the probabilities - and may be not even the possible outcomes.

The approach managers use to make decisions usually falls into one of following types- normative or rational model, administrative or bounded rationality model. Rationality in decision-making helps

executive to choose and evaluate decision alternatives in terms of a system of values, their own or those of the company.

Systematic and structured decision making requires recognition and analysis of important components of decisions - context, objectives, options, and criteria. Effective and good decision-making involves eight vital steps- identifying and defining the problem, classification and gathering relevant data, diagnosis and analysis of the problem, generation and development of alternatives, evaluation of the alternatives, selection of the best solution, implementation of the decision, monitoring, feed back and review

Managers should get acquainted with managerial techniques which can be used to support decision making activities. For scientific diagnosis and analysis of the problem situation, various tools, and techniques such as marginal analysis, cost benefit analysis, risk analysis, pareto analysis, experimentation, paired comparison analysis, operation research techniques, plus/minus/implications, decision tree, preference theory are used in decision - making.

To conclude we can say, Successful decisions are based on reliable information and verifiable data. The various alternatives, implications, or the outcome of each alternative should be analyzed thoroughly before arriving at a final decision. Decision making requires time and effort that should be spent in proportion to the importance of the decision in a given context.

8.13 Self Assessment Questions

1. Define decision making. Discuss characteristics of decision making.
2. Distinguish between routine and strategic decisions. What are the various steps involved in the decision making process? Discuss in detail.
3. "Decision making is the essence of management." Discuss this statement in the light of the importance of decision making in industries.
4. Identify and explain various types of decisions.
5. Discuss the various tools and techniques of decision making.
6. Discuss the 'administrative model' of decision making. Also compare it with 'normative model.'
7. Write notes on the following:
   (a) Rationality in Decision making
   (b) Decisions under certainty, risk and uncertainty

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Unit - 9 Organizing

Structure of Unit

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9.3 Characteristics of Organization
9.4 Importance of Organizing
9.5 Benefits of Organizing
9.6 Principles of Organizing
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9.10 Formal and Informal Organization: Comparison
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9.0 Objectives

After completing this unit, you will be able to:

- State the meaning and importance and benefits of organizing;
- Enumerate the steps in the organizing process;
- Outline the principles involved in organizing;
- Distinguish between formal and informal organizations
- Describe the meaning of organization charts

9.1 Introduction

The term organization is derived from the Greek word organ on i.e., tool or instrument. It is often been understood as the embodiment of persistent efforts to coordinate, influence and control human behavior in order to reach some desired result.

Organizing is a process of dividing work into duties, grouping of these duties in the form of positions and grouping of these positions in the form of departments. It is an important activity which brings together the man power and resources for accomplishment of goals. It includes identification of activities, grouping them in logical positions, assigning the duties to individual positions and delegating authority and responsibility to them.

Organizing refers to the way in which the work of a group of people is arranged and distributed among group members. The function of organizing includes the determination of the activities to be performed; creation of departments, sections and positions to perform those activities; and establishing

relationships among the various parts of an organization. The purpose is to create a framework for the performance of the activities of an organization in a systematic manner. It is important to note that the term organization should not be used in the same sense as organizing. Organizing is a function of management, while organization refers to a group of persons who have come together to achieve some common objectives.

Organizing is a very important managerial function. If planning focuses on deciding what to do, organizing focuses on how to do it. Thus, after a manager has set goals and worked out a plan to accomplish those goals, the next managerial function is to organize people and allocate resources to carry out the plan. A manager has to create the right conditions to enable the employees to effectively utilize the resources of the organization to achieve organizational goals. He has to make the employees understand the necessity of cooperation for accomplishing tasks. Employees should understand their roles and responsibilities and should work together to achieve the organizational objectives. This applies to any organization – business, government, or a cricket team. For a subordinate to understand his role, a manager must provide verifiable objectives and a clear picture of the major duties to be performed. The manager must also specify subordinates' authority and responsibility. This gives the subordinate an idea of what he must do to achieve the goals and objectives of the organization. In addition, a manager should provide the subordinates with necessary information and tools for effectively performing their roles. Organizing is therefore designing and maintaining a formal structure of roles and positions.

Organizing refers

- To identifying and grouping various activities into jobs and then sub grouping these jobs into sections and departments.
- It is bringing together financial, physical & human resources and establishing productive relations among them for achieving specific goals.

Organizing refers to the way in which the work of a group of people is arranged and distributed among group members. The function of organizing includes the determination of the activities to be performed; creation of departments, sections and positions to perform those activities; and establishing relationships among the various parts of an organization. The purpose is to create a framework for the performance of the activities of an organization in a systematic manner. It is important to note that the term organization should not be used in the same sense as organizing. Organizing is a function of management, while organization refers to a group of persons who have come together to achieve some common objectives.

9.2 Definitions of Organizing

According to Stephen P. Robbins and Mary Coulter, 'organizing' is "determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made".

According to G. R. Terry, "Establishing the effective authority relationships among selected works, persons and work-places in order for the group to work together effectively".

According to A. Strong, "Organizing is the process of integrating into a coordinated structure of activities required to achieve the objectives of an enterprise; staffing this structure with qualified, competent personnel and supplying them with physical factors necessary to perform their functions."

According to Louis Allen, Organization is 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."

According to Chester I. Bernard, an organization is "a system of consciously co-coordinated activities or forces of two or more persons".

9.3 Characteristics of Organization

Max Weber in his ideal type defined the following features and dimensions as basic for all organizations, distinguishing them from other social collectivities.

The organization has transparent and definite boundaries: It signifies asocial unit which is either closed or limits the admission of outsiders. It has a collective identity of its own.

1. **The Organization has a Central Coordination System:** There is one locus of final authority that makes and imposes binding collective decisions. Leaders at the center manage the concentrated efforts of the organization, making it a unitary, hierarchical actor.
2. **The Organization is Differentiated Internally:** Internal organizational roles are sharply differentiated and codified in rationally established formal rules. Decisions are implemented by a disciplined, specialized, continuously and rationally operating staff.
3. **The Organization is Legitimate:** The organizational order, including the distribution of authority, power and responsibilities, is legitimate. That is, discipline is based on a belief that actors holding certain positions have the authority to impose orders and rules and others have a duty to obey.
4. **The Organization's Characteristics Establish What is Achieved:** There is a high degree of steadiness between organizational goals, structures, processes, behavior and outcomes. The quality of achievements depends directly on organizational structures and processes.
5. **The Organization is Flexible:** Organizations are rationally designed tools, and are deliberately structured and restructured in order to improve their problem solving capacity and their ability to realize predetermined goals.
6. **The Organization is a Part of Societal Transformation:** While organizations are seen as rationally designed instruments, their growth, increased importance and acceptance in society also reflect a changing societal context, i.e., the sweeping transformation from traditional to modern society, with its strong faith in, and maintain rationality in current social context.

Activity A:

1. Currently you are working in a manufacturing organization. Write the Characteristics of your organization in the light of those mentioned above.

9.4 Importance of Organizing

Organizing function is important because it leads to: (SCARS)

1. **Specialization:** Any activity should be grouped based on their similarity and convenience, this leads to efficiency, specialization and speedy performance of task. Division of work helps in bringing specialization in various.
2. **Clarifies authority and responsibility:** If each manager is aware of his respective powers and privileges, his area of activity, whom he can order and for which task, it helps to minimize conflicts and confusion.
3. **Avoids duplication of work:** Organizing helps to avoid duplication of work and overlapping of responsibilities. This is because specific jobs are assigned to individuals and work groups.

4. **Role clarity:** The organizing process clarifies what role a person doing a job is supposed to perform. It is quite often spelt out in a written document called job description. This helps to avoid duplication of work and Finding right person for the right job.
5. **Source of support and security:** Organizing is a source of support, security and satisfaction to managers and employees in performing the task assigned to them. Each member enjoys a definite status in the firm.

Activity B:

1. Take any organization you are acquainted with as. For example school,college or any other organization .List out the importance of organizing in that organization.

9.5 Benefits of Organizing

Effective organizing provides numerous organizational benefits:

- Organizing helps an organization make efficient use of its resources and avoid conflict and duplication of effort.
- The process of organizing supports planning and control activities by establishing accountability and an appropriate line of authority.
- Organizing creates channels of communication and thus supports decision-making and control.
- The process of organizing helps maintain the logical flow of work activities and also helps individuals and work groups to easily accomplish their tasks.
- The process of organizing helps managers to focus task efforts so that they are logically and efficiently related to a common goal.
- Organizing coordinates activities that are diverse in nature and helps build harmonious relationships among members involved in those activities.
- The process of organizing helps an individual to develop a clear picture of the tasks an employee is expected to accomplish.

9.6 Principles of Organizing

To develop a. sound and. efficient organization structure, it is required to follow certain principles. According to E.F.L. Brech'1, "if there is to be a systematic approach to the formulation of organization structure, there ought to be a body of accepted principles." These principles are as follows:

1. Objectives : The objectives of the enterprise should first be clearly defined as it influences the organization structure. Each and every employee in the organization should be geared to the achievement of these objectives.

2. Specialization : The activities of an organization should be divided according to the functions and these activities must be assigned to persons according to their specialization, which would result into an effective organization.

3. Span of Control : The number of persons that can be supervised effectively by one boss, should be minimum. It means, that an executive should be asked to supervise a reasonable number of subordinates for an accomplishment of a task.

4. Exception : The problem which cannot be handled by subordinate at lower level could be referred by executives at higher level with an exception and routine matters should be dealt by the subordinates at lower levels. It will enable the executives at higher levels to devote time to more important and crucial issues.

5. Scalar Principle : This principle is sometimes known as the 'chain of command'. The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.

6. Unity of Command : Each subordinate should have only one superior whose command he has to obey. Dual subordination must be avoided, for it causes uneasiness, disorder, indiscipline and undermining of authority.

7. Delegation : The delegation of authority should be proper at the lower levels of organization also. The authority delegated should be equal to responsibility, i.e. each manager should have enough authority to accomplish the task assigned to them.

8. Responsibility : Each superior should be held responsible for the acts of his subordinates. So that each superior keeps track of the work done by subordinate and are held responsible for it .No superior should be allowed to avoid responsibility by delegating authority to his subordinates.

9. Authority : The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. The authority and responsibility should go hand in hand.

10. Efficiency : Proper organization structure enables the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.

11. Simplicity : The organization structure should be as simple as possible and the organization levels should, as far as possible, be minimum. If levels of organization are large in number it would lead to difficulty in effective communication and coordination.

12. Flexibility : The organization should be flexible, should be adaptable to changing circumstances and permit expansion and replacement without dislocation and disruption of the basic design.

13. Balance : There should be a reasonable balance in the size of various departments, between centralization and decentralization, between the principle of span of control and. the chain of command, and among all types of factors such as human, technical and financial.

14. Unity of Direction : There should be one objective and one plan for a group of activities having the same objective. Unity of direction facilitates coordination of activities at various levels.

15. Personal Ability : There is a need for proper selection, placement and training of an employee's in order to ensure optimum use of human resources and encourage management development programmes.

9.7 The Process of Organizing

The term 'organization' is used in two different senses. In the first: sense it is used to denote the process of organizing. In the second sense it's used to denote the result of that process, namely, the organization structure.

In the first sense, organization is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them. By performing the Organizing function, the manager differentiates and integrates the activities of his organization. Differentiation is done on the basis of some homogeneity in the activities which are required to be performed. Integration is the process of uniting various departments. Differentiation and integration can be described in terms of following procedure

1. Consideration of Objectives : The objectives of the organization should be very clear ,as objectives determines the various activities which are necessary to be performed and the type of organization which needs to be established for this purpose. According to Alfred D. Chandler structure of the organization follows strategy in the organization. For example, the structure required for an army

would be different from the structure required for a business enterprise.

2. Grouping of Activities into Departments : The second step in organizing is to identify various activities necessary to achieve the objectives and group the closely related and similar activities into divisions and departments. For example, the activities of a manufacturing concern may be grouped into such departments as production, marketing, financing and personnel. In addition, the activities of each department may be further classified and placed under the charge of different sections of that department. For example, in the production department, separate sections may be created for research, industrial engineering, etc.

3. Deciding which Departments will be Key Departments : Key departments are those which are rendering key activities, i.e. activities essential for the fulfillment of goals. Such key departments demand key attention. Other departments exist merely to serve them. The key departments of the organization should be placed directly under higher management, if not done so then the attention of top management is focused on the minor issues raised by vocal managers. This is known as the 'decibel system of management.

Departments which need to be emphasized more will depend, on the company's objectives and the way it seeks to be distinctive. For example, a company which believes that advertising is a primary key to Success would set up a separate advertising department that reports directly to the president But another company which considers it much less important may only, create a separate section for it under its sales department The importance of an activity may also grow with the passage of time and need .Earlier personnel management which was considered to be less important is now considered as an important activity and has risen in organizational status.

4. Determining Levels at which Various Types of Decisions are to be Made : The next step is to decide about how important each department is for the organization, the levels at which various major and minor decisions are to be made. Every organization must be clear about, how much decentralization of authority and responsibility it wants to have. Extreme decentralization may lead to loss of control and effective coordination as a result of which the firm as a whole may fail to achieve its overall objectives. Extreme centralization on the other hand, may lead to wrong decisions at times which may lead to complete breakdown of the morale of employees.

5. Determining the Span of Management : After determining levels at which various types of decisions are Made, and extent of centralization and decentralization, the next step is to determine the correct span of management i.e determining the number of subordinates who should report directly to each executive.

The narrower the span, the taller would be the structure with several levels of management this will complicate communication and increase the payroll' For these reasons, a flat structure is generally desirable .The span of management for each executive position must be according to the requirement of the organization.

6. Setting up a Coordination Mechanism : According to Peter Drucker coordination is important in an organization, as organization is like a tune, it is not constituted of individual sounds but of the relations between them. As individuals and departments carry out their specialized activities, the overall goals of the organization may become submerged or 'conflicts among organization members may develop. For example, production. Managers in a manufacturing company may press for a standardized product

line to hold down costs; where as the larger interests of the company may be best served by a diversified product line.

Coordinating mechanisms enable the members of the organization to keep sight of the organization's goals and reduce inefficiency and conflicts. Peter Drucker compresses the above six-step procedure into a three-step procedure. The three steps suggested by him are: activities analysis, decision analysis and relations analysis. A thorough and careful activities analysis clarifies as to what work has to be performed, what kinds of work to be grouped together, and what emphasis each activity is to be given in the organization structure.

Next step is decision analysis. Although it is impossible for any one to anticipate the contents of future decisions, one can predict their kinds and decide their places so that when they arise in future problem is not faced by an organization .In last step, an analysis should be made of the various relationships between the tasks of a manager and those of his subordinates, peers and Superiors.

9.8 Types of Organization

The problem that most of the organizations face is in combining and co-coordinating the efforts of a large number of staff in a useful and efficient manner to produce the desired result. In order to combine and co-ordinate the efforts of staff working at different levels of organization, the proper relationship between their functions, authority and responsibility have to be set up through proper type of staff organization. The management of each enterprise will have to evolve the type of organization best suited to its requirements and the application of any of these types or a mixture of two or more types may also be adopted. The type of organization would depend largely on the size and nature of the enter-prise, yet the following broad patterns of organizing the personnel may be marked

There are four broad patterns of staff organization which are as follows:

1. The Line organization or Military system
2. The Functional Organization
3. The Line and Staff Organization
4. The Committee organization.

1. Line Organization. : This is the oldest as well as the most common type of organization. It is still used by many concerns especially the small ones. It is also known as the "Military System" as this type of organization is usually found in the army. The characteristic feature of this type is that line of authority flows vertically form the top most executive to the lowest subordinate throughout the entire organizational structure.

In the pure organization, the activities at any one level are the same with each man• perfor-ming the same type of work, and the divisions exist solely for control and direction. In the departmental line organization, the general manager may be put in-charge of the whole organization. The business unit may be divided into departments headed by departmental heads. A departmental head receives orders from the general manager and passes them on to his immediate subordinates. The subordinates may similarly communicate the order to the workers. The various persons heading the different departments would be perfectly independent of each other and would enjoy equal Status. The authority is greatest at the top and reduces through each successive level down the organizational scale.

A variation of the pure line organization is the departmental line organization, under which the

business enterprise is divided into several departments and the authority flows downward from the General Manger through the departmental managers to the lower subordinates. The departmental heads are independent of each other and enjoy equal status.

In case, the manager of one department wishes to issue guidance or directions to a subordinate in another department the manager needs to convey it to the top manager, who would pass the information down the line in the other departments. If Marketing Manager has to convey something to the Production department then in such a case he will have to send the word Upwards to the General Manager and the General Manager will then pass it down to the Production Manager and the Production Manager will further pass it down to the Superintendent concerned. The line organization has the following important advantages and disadvantages:

Advantages: (a) It is both easy to establish and simples to explain to the employees. (b) It ensures excellent discipline, as their is unified control. (c)In this type of organization every one knows to whom he is responsible, and who are responsible to him. (d)The unification of authority and responsibility ensures quick and prompt decisions. (e)As each executive has sole responsibility in his own Position and sphere of work, he can easily adjust the organization to changes in the business situation.

Disadvantages:(a) The chief disadvantage of the system is that under this type of organization too much is expected of the person in authority.(b)The different type of activities may be grouped together under one executive as they need to be coordinated.(c)An activity which is considered to be basic for the success of an enterprise may be given greater attention as compared to other activities.(d)The expenses involved in creating a separate division should be considered ,but it should not become the only important factor.

2. **Functional Organization**. : In this type of organization the personnel and their work are organized on the basis of the same type of work of activities. All works of the same type are grouped together and brought under one department managed by an executive who is an expert. Thus there are separate functional departments, for the major functions of the business viz., engineering or production, purchase, sales, finance personnel etc. Each department performs its specialized function for the entire organization. For example, the purchase department deals with purchases on behalf of the entire organization, and the personnel department, would recruit, train and deal with the people required for all the other departments. Most of the business concerns usually follow some sort of functional plan to carry out the primary functions of business.

While dividing management into such departments care should be exercised to see (a) that the entire work has been divided into various departments so that there is no activity which has not been allotted to one department or the other (b) there should be no duplication in the sense that an activity should not be allotted to more than one department and (c) the work allotted to one department should consist of inter-related jobs. For example, it would be absurd to allot canteens and dispensaries to the purchase manager.

F.W, Taylor, the founder of scientific management, recommended that there should be fictionalization even at the shop level where workers have to produce goods. Instead of the usual practice of putting one foreman in-charge of 20 to 30 workers, he recommended that there should be the following staff.

1. **Route Clerk:** The person who would determine how a particular piece of work is to be done and lay down the path of material through various stages of manufacture.

2. **Instruction Card Clerk:** The person who would lay down the exact method of doing a piece of work.
3. **Time and Cost Clerk:** The person who would lay down the standard time for the completion of the work and who would compile the cost of that piece of work.
4. **Shop Disciplinarian:** The person who would deal with cases of breach of discipline and absenteeism.
5. **Gang Boss:** The person whose task it would be to assemble and set up various machines and tools for a particular job.
6. **Speed Boss.** The person whose task it would be to~ determine at what speed the machines should be run for the efficient completion of the Job.
7. **Repair Boss:** The person in-charge of keeping the machines in efficient working order.
8. **Inspector.** The person who would check the quality of work done.

All related and similar work was placed in one department or division under one executive. Thus the marketing manager would be responsible for all marketing work of the company, of all the plants and for all product lines. Similarly Personnel Manager will have direct authority over the personnel in other departments in respect of personnel matters like pay, discipline. etc. A subordinate anywhere in the organization will be commanded directly by a number of managers each exercising direct functional authority in his own field.

Advantages (a) It ensures a greater division of labour and enables the concern to take advantage of specialization of functions. (b) It makes for a higher degree of efficiency as the workers and others in the organization have to perform a limited number of operations. (c) It ensures the separation of mental and manual functions. (d) It facilitates mass production through specialization and standardization.

Disadvantages (a) It is unstable because it weakens the disciplinary controls, by making the workers work under several different bosses. (b) It is too complicated in operation because it entails the division of functions into a number of sub-functions. This also leads to lack of co-ordination among the workers. (c) It becomes difficult for the management to fix responsibility for unsatisfactory results.(d)It may also lead to conflict among foremen of equal rank.

On the whole, this system has been quite successfully followed in big concerns for division of work at the top. But for division of work in various departments themselves the system has not been found to be very successful as there is no clear line of authority.

3. Line and Staff Organization. : In order to avoid the defects of the line and functional types of organization, too much concentration of control in the former and too much division of the same in the latter, the line and staff organization was evolved. It seeks to strike a balance between the first tow types. Under this type, the organizational structure is basically that of the line organization, but "Staff, officers of functional experts are engaged to advise the line officers in the performance of their duties. 'Staff" means something to lean on, and this is precisely the function of the staff officers. Line officers are the executives, and the staff officers are their advisers. Being an admixture of the Line and Functional organizations, it has the advantages of both and is admirably suited for large concerns. A large-size business concern, with its multifarious functions of complicated nature needs an organization where there will be an unbroken line of authority and responsibility so that responsibility can be fixed, discipline can be maintained and decision-making and execution can be prompt. At the same time, it requires that a high degree of specialization and co-ordination of functions are achieved without which efficiency is bound to suffer. Te

Line and Staff organization caters to both these needs. The Line officers make the decisions and issue instructions to subordinates, the staff officers have no authority to issue instructions. But in their decision-making function, the Line officers receive advice and guidance forms the Staff Officers.

Types of Staff

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

(1) Personal Staff. In this case the staff official is attached as a personal Assistant or adviser to a Line Officer. The function of Personal Staff is to render advice assistance and services to the line executives, with whom they are attached.

(2) Specialized Staff. Such staff acts as the fountainhead of expertise in specialized areas like Accounting. Personnel, Public Relations, Research and development, etc Generally, a staff department is created for each of these functions and the staff officials or personnel are distributed to various managers beginning with the topmost at the central office down to the operating level.

(3) General Staff This category of staff consists of a set of experts in different areas who are located at the Central Office and are meant to advice and assist the top management on matters calling for expertise.

Advantages: (a) It is based on planned specialization.(b)It provides the benefit of expert advice to the line management.(d)It provides greater chances of advancement to able employees by making more jobs available.

Disadvantages :(a) The allocation of authority and responsibility may not be clear as there can be confusion about the relationship between line and staff executives.(b)The staff expert may be ineffective because they do not get the authority to implement their recommendations.(c)The line managers and supervisors may develop the feeling that the staff undermines their authority. It may lead to friction between them.

Activity C:

1 List out the name of the organizations directly affecting your day to day life today.

9.9 Formal and Informal Organization

Formal Organization:

Formal organization is a fixed set of rules of intra-organization procedures and structures. In a formal organization the work is delegated to each individual of the organization. Employee works towards the attainment of definite goals, which are in compliance with the goals of the organization.

To facilitate the co-ordination of various activities in the organization, the authority, responsibility and accountability of individuals in the organization are very well defined therefore, facilitating the co-ordination of various activities of the organization very effectively. The manager describes organizational relationships, in written and graphic form. The manager instructs people in the organization to do certain things in a specified manner, to obey orders from designated individuals, and to work cooperatively with others.

To aid the establishment of logical authority relationship: The responsibilities of the individuals in the organization are well defined. They have a definite place in the organization due to a well defined

hierarchical structure which is inherent in any formal organization.

- Characteristics of a formal organization

1) Well defined rules and regulation
2) Arbitrary structure
3) Determined objectives and policies
4) Status symbol
5) Limitation on the activities of the individual
6) Strict observance of the principle of co-ordination
7) Messages are communicated through scalar chain

Informal Organization:

Formal organization lays down authority, responsibility and work relationships. These are not the only relationships in the organization. When people work together, they develop certain social and informal relationships.

It refers to unofficial and an unauthorized relationships that inevitably occur between individuals and groups within the formal organization. These social and informal relationships constitute the informal organization.

Informal organization comes into being out of the desire of people to associate with one another. People associate in groups to gossip, to exchange information and views, to share difficulties and happiness. Informal organization consists of groups of people who may work in the same department or in different departments of the organization.

These informal groups are formed on the basis of emotional attachment and the purpose is to satisfy those needs which cannot be satisfied by formal organization. The informal organization keeps its members informed of all matters affecting their job and positions in the organization.

The members of informal organization informally elect someone as their leader and provide him the needed support. The informal leader does not have any formal authority. The authority of the leader depends upon the combined support of group members. Organizing becomes easy if managers are able to identify the leaders of informal groups and gain their cooperation for the betterment of the formal organization.

- Characteristics of an informal organization:

1) The objective of the informal groups is to satisfy their members.
2) Informal groups evolve gradually among employees with common interests.
3) Structure is informal
4) People associate in groups to gossip, to exchange information and views, to share difficulties and happiness.
5) The members of informal organization informally elect someone as their leader and provide him the needed support.

Activity D:

1. Briefly describe the informal workgroup that are prevailing in your organization in terms of their leadership, their role and their contribution to the formal organization. Substantiate your statements with illustrations.

9.10 Formal and Informal Organization: Comparison

1. **Origin:** Formal organizations are goal-oriented. They ate rigidly built around the general Principles of organization and are the result of conscious well-thought out processes. Informal organization develops naturally. Informal structure reflects individual and group goals rather than organisational goals. Changes in informal organization structure occur through collective agreements between members. In contrast, changes in formal organizations occur through administrative policies.

2. **Basic structural components:** Formal organizations have a definite structure, reflected in the organization charts, providing a pictorial representation of authority relationships. These organization charts are built around positions and exhibit officially blessed relationships.

   The organization tends to be mechanical and impersonal. Informal organizations are built around people. They are structure less. Moreover, they are initiated by the workers themselves, to serve the needs of workers. The basic purpose is to improve human relationships.

3. **Goals:** Formal organizations are wedded to well-defined goals created by management. These goals may be to improve profits or increase the market share or achieve sales growth etc. Whereas, the basic purpose of an informal organization can be broadly defined as the social satisfaction of its members. It is the primary duty of every manager to provide meaningful goals to organizational participants so that there is no conflict between individual (informal) and organisational (formal) goals.

4. **Influence process:** In formal organizations, positions conferred on individuals are the centre of power and influence. Authority is equated with influence. People enjoying authority are supposed to be powerful. In contrast, influence in the informal organization is attached to the person.

   The individual with the most influence is the person who is most able to satisfy the needs of the group. The stamp of approval from the relevant group is necessary to enjoy power and influence in the informal groups.

5. **Control process:** Formal organizations are tied to a rigid system of rules and regulations. Control points are established to constrain behavior, restrain the members from going off the track. Informal organizations are not glued to any rigid system of rules but are governed by group norms.

6. **Communication:** Formal organizations depend on formal, official channels of communication to sell the ideas of management to the organization members. These officially blessed instruments are employed to convey the feelings of management to workers. Communication, thus, largely is a one-way traffic.

   The informal organization designs its own channel of communication, popularly known as 'grapevine', for both organisational and social communication purposes. Grapevine is an informal communication network among people in an organization.

7. **Size:** Formal organizations can grow to unmanageable proportions, depending on the degree of success enjoyed by them in the market. In contrast, informal organizations tend to be small and manageable.

9.11 Difference Between Formal And Informal Organization

Point	Formal organization	Informal organization
Origin and goals	Deliberately created; reflects organisational goals: basic purpose is to achieve organization. goals.	Arises spontaneously; reflects individual
Structure	It has a definite structure and is reflected in an organization chart built around group positions.	Structure less: organization chart built around people.
Integrating mechanisms	Formal organization is held together by rule, regulations and procedures	Held-together by feelings of friendship, mutual help and trust, and so on; it has unwritten rules and is bound by group norms rather than organisational goals.
Communication	Formal organization depends on formal, official channels of communication to the organisation; communication is a one- way traffic	The informal organization designs its own communication popularly known as grapevine, for both organisational and social communication process; Communication is a two-way traffic.
Size	Tends to be large in size, generally unwieldy and unmanageable.	Tends to be small and manageable.
Durability	Tends to be permanent and stable.	Characterized by instability
Orientation	It is more or less, an impersonal and arbitrary structure, to which individuals must adjust.	A highly flexible structure designed to satisfy social and psychological needs of individuals.

9.12 Effective Organizing and Organizational Culture

Organizing aims at developing a definite structure of roles to achieve efficient organizational performance. Planning helps managers avoid mistakes in organizing by identifying future personnel needs and by developing the required lines of communication. It also helps managers identify outdated ways of doing things and thus helps organizations stay innovative. An effective organization remains flexible and adapts to changes in the environment. By reorganizing, an organization can stay flexible and be responsive to the environment. A firm can use organization charts and position descriptions to avoid conflict. The efficiency of organizations increases when all members are taught the importance of informal organization and how it works. One form of informal communication is the grapevine. Managers must sometimes make use of the "grapevine" for effective communication and for improving the morale of employees.

Effective enterprises develop and nurture an organizational culture. The term organizational culture refers to a set of values, beliefs, and norms which influence the behavior of its members. The organizational socialization process is the process by which new employees assimilate to the culture of the organization. The organizational socialization process involves many steps from careful selection of entry-level personnel

to providing them with on-the-job training, measuring and rewarding their performance and promoting employees who have performed well and using them as role models for the new employees.

9.13 Organization Charts

The key aspects of the organization, after division into different departments, are shown through organization charts, which are a graphic representation of a firm's structure. An organization chart is a plan of working relationships. Representation of organisational structure.

It shows who is to do the work and who is to direct and supervise the efforts of those who are to do work. Charts reflect the organizational game plan for division of work; they give a complete and intelligent guide to company organization; they indicate the flow of work and the responsibility for its achievement.

The Charts

1. Depict, the organization's formal structure and show only formal relationships.
2. Do not insure good organization or good management; merely because a chart is in existence is no guarantee for good organization.
3. Essentially illustrate who reports to whom.
4. Merely show the designations of the individuals they portray, thus no names appear, only functions are highlighted: e.g. Sales Manager, Production Manager, Financial Advisor, etc.
5. Reflect a simplified and abstract model of the organization's structure; they do not show human relationships; it is said that 'an organization chart is like a snap shot; it is a static model of a dynamic, living process'.

Types of Organization Charts

In most organizations, three types of charts are usually employed, namely vertical charts, horizontal charts, and circular charts.

1. **Vertical charts:** Vertical charts place major functions at the top and subordinate functions at the bottom of the organizational hierarchy. The flow of authority is vertical passing from top to bottom. Persons at the top of hierarchy enjoy the greatest authority and those at the bottom have the least. Positions at the horizontal level, i.e., plant managers are of equal importance in the organizations. Vertical charts are easy to read and understand.

2. **Horizontal charts:** The horizontal chart moves from left to right. The Chief Executive's position is shown at the extreme left and operating personnel at the extreme right. The flow of authority from higher to lower levels is shown by lines moving from the left to the right. When the purpose is to minimize the importance of hierarchical levels and emphasize functional relationships instead, horizontal charts can be employed.

3. **Circular charts:** In circular charts , the chief executive's position is in the middle of the series of concentric circles. Different positions in organization are placed in such a way that the closer the position of the function to the centre ,the more important the function .

Advantages

The advantages of organizational charts are as follows:

1) It defines organizational relationships clearly. They-instruct employees regarding jobs assigned and show how their jobs are related to others in the organization.

2) Formal charting helps executives to think about organizational arrangements in an objective way. Structural deficiencies, communication gaps, fuzzy authority lines, inappropriate spans of control, overlapping positions etc. are all brought into the limelight. If charts are not available, many of these structural defects defy identification and may prove to be costly at a later stage.
3) Charts are useful training devices. The specific requirements of each position in the organization are spelt out in greater detail and the incumbents know in advance what is expected of them and prepare themselves accordingly.
4) Charts provide useful information to outsiders interested in contacting the 'right person' in the organization.

Disadvantages

The disadvantages of organizational charts are as follows:

1) Charts show organizational relationships at a point of time and, quickly become obsolete and outdated unless revised frequently.
2) Charts fail to show human relationships in the organization. The only show the 'surface to the structure, not the inner workings'.
3) Charts 'make people overly conscious of being superiors or inferiors; tend to destroy team feelings and give persons, occupying a box on the chart, too great a feeling of ownership."
4) Formal charting introduces rigidity in relationships.
5) The costs of preparing, disseminating, storing, updating and studying charts are prohibitive.

9.14 Prerequisites for Effective Organizing

1. The span of management and the levels of organization are clearly defined
2. The factors determining the basic framework of departmentation, along with their strengths and weaknesses, are taken into consideration
3. The different kinds of authority and responsibility relationships that exist in an organization are understood
4. The way authority is delegated throughout the organization structure, along with the degree of delegation, is taken into consideration
5. The way the manager implements organization theory is considered

9.15 Summary

Organizing refers to the way in which the work of a group of people is arranged and distributed among group members. The function of organizing includes the determination of the activities to be performed; creation of departments, sections and positions to perform those activities; and establishing relationships among the various parts of an organization. The purpose is to create a framework for the performance of the activities of an organization in a systematic manner. Max Weber gave various features and dimensions which are basic to all organizations, distinguishing them from other social collectivities such as Central Coordination System, Differentiated Internally, Flexible, Societal Transformation etc. Organizing function is said to be very important as it leads to Specialization, Clarifies authority and responsibility, Avoids duplication of work, Role clarity, Source of support and security.

An effective organizing provides various organizational benefits as it helps an organization make efficient use of its resources and avoid conflict and duplication of effort. Organizing is based on several principles such as Objectives, Specialization, Span of Control, Exception, Unity of Command etc. The

term 'organization' is used in two different senses. In the first: sense it is used to denote the process of organizing and in the other as the result of that process, namely, the organization structure.. The type of any organization would depend largely on the size and nature of the enterprise. In an organization both formal and informal organization exists. Formal organization is a fixed set of rules of intra-organization procedures and structures. Informal organization is an unofficial and unauthorized relationship that inevitably occurs between individuals and groups within the formal organization. Organization charts are increasingly used to describe the flow of work and the responsibility its achievements. Three types of charts, i.e., vertical, horizontal and circular, are used to describe working relationships between members.

9.16 Self Assessment Questions

1. What is organizing? Describe the steps in the organizing process
2. Write short notes on:
   a) Span of management.
   b) Line Organization.
3. Every work requires organizing .Identify any job around you and find out the importance of organizing for that job.
4. Explain the meaning of formal and informal organizations. What is the difference between the two?
5. What are the factors determining the span of management?
6. To develop a. sound and. efficient organization structure, it is required to follow certain principles. Explain such principles of organizing in brief?
7. Define organizing. Explain in detail various types of organization?
8. What do you mean by informal organization. How formal organization is different from informal organization.
9. Write short notes on:
   a) Grouping of activities into departments.
   b) Benefits of organizing.
10. What are the advantages and disadvantages of functional type of organization?

9.17 Reference Books

- Prasad L.M, (2005), Principles and Practices of Management Sultan Chand and Sons Publisher New Delhi.
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- P C Tripathi,P N Reddy Principles of Management TataMc Graw-Hill Publishing Company Limited New Delhi.

Unit - 10 Organization Structure and Departmentation

Structure of Unit

10.0 Objectives
10.1 Introduction
10.2 Features of Good Organization Structure
10.3 Factors Affecting Organizational Structure
10.4 Need for Formal Organization Structure
10.5 Components of Organisation Structure
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10.8 Need and Importance of Departmentation
10.9 Bases of Departmentation
10.10 Choice of Bases for Departmentation
10.11 Forms of Organization Structure
10.12 Summary
10.13 Self Assessment Questions
10.14 Reference Books

10.0 Objectives

After reading this unit, you should be able to:

- Know the requirement of formal organization structure.
- Understand the factors affecting organizational structure.
- Understand the characteristics of different organization structures,
- Explain the basis for evolving different forms of organization structures,
- Examine the advantages and disadvantages of different types of organization structures.
- Explain the meaning, need and importance of departmentation.
- Learn the bases of departmentation and choice of bases for departmentation.

10.1 Introduction

Structure is thus an integral component of the organization. Nystrom and Starbuck (1981) have defined structure as the arrangement and interrelationship of component parts and positions in an organization. It provides guidelines on:

- Division of work into activities;
- Linkage between different functions;
- Hierarchy;
- Authority structure;
- Authority relationships; and
- Coordination with the environment.

According to (Robbins, 1989): Structure in an organization has three components they are as follows:

1. **Complexity**- It is the degree to which activities within the organization are differentiated. This

differentiation has three dimensions:

(a) Horizontal differentiation is the degree of differentiation between units based on the orientation of members, the nature of tasks they perform and their education and training.

(b) Vertical differentiation is characterized by the number of hierarchical levels in the organization.

(c) Spatial differentiation is the degree to which the location of the organization's offices, facilities and personnel are geographically distributed.

2. **Formalization** – It is the extent to which jobs within the organization are specialized. The degree of formalization can vary widely between and within organizations.
3. **Centralization** –It is the degree to which decision making is concentrated at one point in the organization.

An organization structure specifies the various job tasks and shows how the same are formally divided, grouped, and coordinated. It provides an appropriate framework for authority relationship. It indicates the hierarchy of authority and the reporting relationships. It is a means to help the management to achieve the organizational objectives.

Organization structure may be defined as the established pattern of relationships among the components of the organization. Organization structure refers to the network of relationships among individuals and positions in an organization. Jennifer and Gareth have defined organization structure as the formal system of task and reporting relationships that controls, coordinates and motivates employees so that they cooperate and work together to achieve an organization's goals.

Organizational structure may differ within the same organization according to the particular requirements. Organizations are a variant of clustered entities, so an organization can be structured in many different ways and styles, depending on their objectives and ambience. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup and individual.

The challenge before an organization is, to organize the people who perform task in an organization so as to achieve the goal of an organization. A business may begin with one person doing all the necessary tasks. As the business becomes successful and grows, however, there is generally more work, and more people are needed to perform various tasks. Through this division of work, individuals can become specialists at a specific job. Because there are several people—often in different locations—working toward a common objective, "there must be a plan showing how the work will be organized. The plan for the systematic arrangement of work is the organization structure.

Organization structure is comprised of functions, relationships, responsibilities, authorities, and communications of individuals within each department" Organization structure is closely related to its strategy. Any change in organization strategy would lead to modification in structure to accommodate the change.

The choice of an organization's strategy (stability strategy/growth strategy) is determined by three basic factors (contingency factors): (a) the organization's size, (b) technology used by the organization (for converting the financial, human and physical resources into products and services), and (c) environmental uncertainty (external environment).

Information technology and globalization have had a tremendous impact on organization structures.

Any wrong organizational structure may lead to inefficiency, hamper cooperation and thus hinder the achievement of organizational goals. Organizational structures shall be adaptive to process requirements, aiming to optimize the ratio of effort and input to output.

According to Dalton et al "Organization structure refers to the differentiation and integration of activities and authority, role and relationships in the organization. Differentiation is the differences in cognitive and emotional orientations among managers in different functional departments, and differences in formal structure among these departments. Integration refers to the quality of the state of collaboration that is required to achieve unity of efforts by the organization."

10.2 Features of Good Organization Structure

The contingency approach of organizational design suggests that there is no one best way of designing an organization structure. The good structure is one which meets the demand of various variables such as environment, strategy, technology, people and size. There are certain features if, considered while designing an organization structure could meet the demand of all the factors in an organization.

1. Simplicity-An organization structure should be simple. The concept of simplicity implies that various organizational relations should be kept minimum if possible. If an organization is large then various networks are essential but it should not lead to confusion and relation in the organization should be clear that is who will report to whom, as too many levels, too many communication multiciplity of commands, or too many committees often cause more problem .Though organization structure should be simple but it should be based on the needs of the organization.

2. Flexibility-An organization structure should be flexible enough so that the changes can be made as per the requirement and whenever needs arise. The structure is designed not only as per the current requirement, but future aspects are also considered. As organization structure is based on the circumstances that an organization face and circumstances keeps on changing so there is a need for incorporating changes taking place in an organization .These changes could only be made if the structure of an organization is flexible.

3. Clear Line of Authority-The concept of clear line of authority implies that one should be very clear about what he is expected to achieve or contribute and what relationships should be maintained by him at the official level. There should be clear lines of authority running from top to bottom or in horizontal directions. If the line of authority is no clear it would result into inefficiency, politics in an organization and difference of opinion. The problem arises as authority and responsibility are essential to carry out work, if not it may lead to lack of knowledge on the part of manager to perceive his role clearly.

4. Application of Ultimate Responsibility-The concept of ultimate suggests that although a superior manager assigns some of the work to subordinates, he is ultimately responsible for performance of total work. Thus, superior is responsible for his own work as well as for the work performed by his subordinate.

5. Proper Delegation of Authority-The concept of ultimate responsibility work only when there is proper delegation of authority at various Levels of the organization. Delegation of authority refers to authorization of a manager to make certain decisions. Manager with insufficient authority faces several problems such as decision making becomes weak, delay in implementation of such decision. More pressure on higher-level managers for making decisions, and less motivation to subordinates this could lead to organizational inefficiency and could be overcome by proper delegation of authority.

6. Minimum Possible Managerial Levels- Greater the number of managerial levels, Longer is the line of communication in the chain of command and the communication has to be passed along the line creating problems of delay and distortion. More levels in an organization mean more cost for the organization. So, it is necessary to keep less level in an organization and a principle of minimum level could be followed but, the need of the organization should always be considered.

7. Principles of Unity of Direction and Command-The concept unity of direction refer to one plan one man. The work with the same objective in an organization should be assigned to a single person. Therefore activities of similar nature could be grouped together; it provides clarity in carrying out work. A combination of assignment not related with each other would create more confusion and role conflict leading to inefficiency. Unity of commands means that a person should receive orders and instructions from one superior only.

8. Proper Emphasis on Staff-Line and staff function should be separated, and more emphasis should be given to staff activities. Line and Staff activities both are required in an organization as both serve different purpose. Line activity is those which serve an organizational objective directly, for example activity of production in manufacturing organization. Staff activity is indirect, that is, they help in carrying out the line activity. Line and Staff authority should be made clear as no conflict and ambiguity arises.

9. Provision for Top Management-The organization should clearly specify how top management groups will partici-pate in the management of the company how they exercise control over the functioning of the company, and so on.

10.3 Factors Affecting Organizational Structure

There are various factors which determine the effectiveness of an organization structure. These are organizations:

1. Environment-An organization is a system which works within a frame of an environment. The organization interacts with its environment on a continuous basis; it is affected by environment and also affects the environment. Organization must adjust to the change in the environment or it would perish. The form and structure of the organization must be suitable to the environment and must be functional under the recent environment condition. An organization that does not adapt itself to the environment may not survive. An appropriate organization structure is one which is in accordance with the need of its environment. The two factors such as environment complexity and variability taken together affect the design of organization structure in terms of it being able to (a) monitor and process information about the environment.(b)increase organizations ability to preplan.(c)increase its flexibility to adapt.(c)increase the level of performance required for continuous change in the environment.

2. Strategy-it is the course of action through which the organization relates itself with its environment so as to achieve its objectives. The choice of a particular strategy by an organization depends on the environment in which business exist, organizations strength and weaknesses and personal experience of a person may affect the choice of a strategy. An organization's strategy and structure are closely related, the organization structure is designed according to the need of the strategy. As strategy reveals, why an organization exist. The coordination between strategy and structure is essential as it would to confusion, misdirection and inefficiency within the organization. If certain changes are made in the organizations strategy, then it would require a structure which supports the new strategy. The relation between strategy and structure should be two-way traffic. On one hand structure should be according to the need of the

organization so that it is implemented effectively. On the other hand, structure of the organization may play a critical role in influencing its choice of strategy.

Strategy –structure relationship can be analyzed by taking stages of organizational growth as at each stage of the growth, types of product/market, size of the organization and consequently managerial problems differ. According to chandler evolution of the organizations follow the following pattern (a) Initial expansion and accumulation of resources. (b) Rationalization of the use of resources. (c) Expansion into new products and business lines. (d) Development of a new organization structure to enable effective mobilization of resources to meet short-term market demand and long-term market trends. These four phases resulted into three types of organization structure, Type 1-was characterized by centralized decision making, a single product line etc. Type2- was vertically integrated structure with emphasis on efficiency and functional coordination with one or few related products. Type3-was highly decentralized and divisional zed.

3. Technology - It is another factor affecting organization structure. Technology directly affects the task structure. It is one of the most important physical variables affecting the work system. It has the following characteristics in relation to organization.

- Technology is a major source to increase the productivity.
- If there is change in technology, the jobs are changed as technology determines the level of skills required.
- It influences the size of groups, membership of group, patterns of interpersonal interaction etc.
- Organization becomes more secured by developing efficiency through the adoption of efficient technology.

Technology factor is a matter of concern in organizational design as the nature of technology will have important influence on how the organization is designed. The structure of an organization and the division of its activities, the network of roles and role relationships have to relate intrinsically to the task to be done.

4. Size of Organization -It is an important factor in determining organizational structure. The size of an organization influences coordination, direction, control and reporting system and the organization structure. The size of the organization is measured in terms of number of employees, scale of operation, size of investment etc.

5. People-Organization structure is the result of conscious actions on the part of people who are engaged in the organization .The requirement of different types of people are different and it could only be met if a better organization structure exists.

10.4 Need for Formal Organization Structure

Organization structure is capable of serving many functions at the same time but cannot serve all functions equally well over unlimited time. Structure created for one purpose may not serve other purposes well.

It is important for manager to determine the outcomes desired from organization structure, and to match the structure with changing needs. In general there can be following roles of organization structure: (i) facilitating management action, (ii) encouraging communication, (iv) optimum use of organizational

resources, (v) stimulating creativity, and. (vi) job satisfaction.

1. Facilitating Management Action- When a large number of people work together, some sort of formal structuring is required to place them as per the needs of the organization. All of them perform various functions which are dependent and interrelated. As such, there must be plan for systematic completion of the work of each specialized job so that total activities accomplish common objectives. Further these activities should be completed in a coordinated way. Organization structure is the mechanism through which management directs and controls the organizational activities. It is indeed the foundation of management. A properly designed organization structure facilitates both don management and operation of an organization. Management actions take place with certainty and continuity only if appropriate functional groups are. Provided to help managers

2. Encouraging Efficiency- Organization structure is the frame work within which an organization functions. In this functioning, efficiency is the major criterion. Thus the , organizational members try to maximize the output of goods or services resulting from a given input of resources, or at least move in a that direction, Since chaos or disorganization work against the ideal of efficiency there is a pressure to develop some measure of systematic, orderly, rational and coordinated effort, and to control waste and loss.

3. Communication-Organisation structure provides the ways for communication among organizational members as well as between the organization and its environment. Organization structure creates reporting relationships, that is, who will communicate with whom. Similarly, when the organization interacts with its environment a communication process is involved. Thus, structure serves the purpose of communication.

4. Optimum use of Organizational Resources- Organization structure tries to make optimum use of its resources by ensuring their allocation to the place where they are required. Organization structure gives higher place to activities which are very essential for the achievement of organizational objectives. Activities are placed according to their importance which provides guidelines for resource allocation.

5. Stimulating Creativity- A sound organization structure based on specialization stimulates creative thinking by providing well-defined area of work with provision of development of new and improved ways of working. For creativity, it is essential that people are well conversant with the problem on hand. Organization structure tries to put people where they are required. When they work on a job for long time they are in a position to suggest something new.

6. Job Satisfaction- Organization structure is a source of satisfaction to people. Organization provides relatedness among tasks and responsibilities and among people who work for an organization sooner or later come to evaluate the nature of those relationships and of their own relationships to the organization and to their job.

10.5 Components of Organisation Structure

Organization structure influences the division of the tasks, grouping of activities, coordinating the activities and the overall accomplishment of the tasks. Since organization structure relates to relatively stable relationship and process of the organization, all influencing factors must be analyzed for designing the organisation structure.

According to Robbins organization structure stipulates how tasks are to be allocated, who reports to whom, and the formal coordinating mechanisms and interaction patterns that will be followed. John

Ivancevich and Michael Matteson have also expressed the same view and advocated that manager are required to take following four decisions for designing organizational structure:

- Divisions of overall task into smaller jobs.
- Distribution of authority among the jobs.
- Bases by which the individual jobs are to be grouped together; and
- The appropriate size of group reporting to each superior.

Let us discuss each of them in detail.

1. Division of Labour : Henry Fayol gave the principle of division of labour. He assigned a specific repetitive task to each worker. The whole tasks were broken into number of smaller steps or activities. Each step was required to be completed by separate individual. Thus, the individual attained specialization in performing that particular activity. The manufacturing sector has been using the work specialization extensively all over the world. The division of labour which results in work specialization provide following benefits to the organization. (a) The performance of specialized job enhances the work efficiency. (b)The work cycles of the job are very short; the workers can attain perfection on that job quickly. (c) It enhances productivity in the organization. (d) The workers can be trained easily to perform the repetitive work and the training costs could be reduced.(e) It is easier to match workers with the specific job skills.

Despite these benefits, the division of labour has been criticized on the following ground.

(a) It can not be used for all types of jobs.
(b) It may lead to monotony and boredom.
(c) It focuses on physical performance of the job and underestimates the behavioral aspects of the workers.

The positive features of division of labour over show the negative features. Hence, the work specialization has been widely used as an important means for enhancing productivity in the organization.

2. Delegation of Authority : Delegation is the process that a manager follows in dividing the work assigned to him so that he performs that part, of task effectively. Delegation is legitimate authorization to a manager or employee to act in specified ways. It enables him to function independently without reference to the supervisor but within the limits set by the supervisor and the normal framework of organizational objectives, policies, rules and procedures. Thus, delegation involves : a) entrustment of work to another for performance, b) grant of power, right or authority to be exercised to perform the work, c) creation of an obligation on the part of the person accepting delegation.

Delegation of authority is one of the most important elements in the process of organization. Organizations are characterized by a network of activities and roles. Delegation is the process through which the interrelationships are created among individuals in their different roles in the organization. Delegation is necessary because it is physically impossible for a single man to look after the affairs of a large organization. The success of a manager lies in his ability to multiply himself through other people. The organizations of today are not only large but also complex in character. No manager can claim to have all the skills and expertise to perform all the diverse kinds of jobs. Again, large scale business activities are not confined to one place. It may have several branches and units at several places. It provides continuity of operations in the organization. The process of delegation helps managerial development in an organization.

The major benefits of delegation are :(a) Delegation leads to professionalism.(b)Managerial decisions

may involve creativeness and innovativeness.(c)The competitive environment may be created in the organization.(d) The mangers may take quick decisions.

The limitations of delegation of authority are :(a) The managers may resist delegating authority .(b) The managers may require training for taking decisions and the costs of training may be higher. (c) Every person may not be able to take high level of decision in the effective way.(d) The administrative costs may also increase. Despite these limitations, delegation of authority enhances efficiency in the organization.

3. Departmentation : The division of labour divides the jobs into smaller activities. In order to coordinate these activities, they are grouped together. The bases by which these activities are grouped together are known as departmentalization.

It may be defined as the process of forming departments or grouping activities of an organization into a number of separate units for the purpose of efficient functioning. This term vary a great deal between different organizations. For example, in business undertaking, terms are division, department and section; in Government these are called branch, department and section; in military, regiment, batallion groups and company.

The major benefits of departmentalization are: (a) Specialization: Departmentation leads to the benefits of specialization as various organizational activities are grouped according to their relation with the specific functions or objectives. Every departmental manager specializes in the tasks assigned to him.(b)Administrative control: Departmentation helps in effective managerial control because the standards of performance for each and every department can be laid down precisely. Every department has a specific objective. This also facilitates keeping expenditure within limits. (c)Fixation of responsibility: Since organization work is divided into manageable units, and authority and responsibility are precisely defined, it is easier to fix the accountability of different managers for the performance of various tasks.(d)Freedom or autonomy: The departments created through departmentation are semi-autonomous units. Their heads are given a sufficient degree of authority to run their departments. This increases the efficiency of the departments.(d)Development of managers: Departmentation helps in the development of managerial personnel by providing them opportunities to take independent decisions and initiative. The executives can develop themselves for promotion to higher jobs.

4 Span of Control : The departmentation reflects the types of jobs which are grouped together. Different persons are involved in performing these jobs. They are required to be supervised closely. Span of control refers to the number of individuals a manager can effectively supervise. Thus, it is expected that the span of control, that is, the number of subordinates directly reporting to a superior should be limited so as to make supervision and control effective. This is because executives have limited time and ability.

Thus, the extent of division of work, the nature of delegation of authority, the process of departmentation and the requirement of effective supervision i.e., span of control influence the designing of organization structure.

10.6 Meaning of Organizational Design

Organization design includes how the organization is structured, the types and numbers of Jobs. Formal system of communication, division of labor, coordination control, authority and responsibility are essential to attain an organizations goal. An organization is designed to realize a number of objectives.

Organizational design refers to the process of coordinating the structural elements of organizations in the most appropriate manner. There are three distinct schools; the classical, the neoclassical and the contemporary.

The classical school represented by Max Weber, F.W.Taylor and Henry Fayol; the proponents of formal hierarchy, clear set of rules and specialization of labour. The neo-classical represented by organizational scholar such as McGregor, Argyris and Likert. They emphasize on employee satisfaction along with economic effectiveness and call for the designing of flat hierarchical structure with a high degree of decentralization. The proponents of contemporary design emphasize on the environmental factors in which the organizations are operating.

10.7 Meaning of Departmentation

The process of grouping the activities is commonly known as departmentation. Departmentation is a means of dividing a large and complex. Organization into smaller, Administrative units.

Departmentation is necessary because it involves grouping of people or activities into a single department or unit to achieve organizational goals.

Departmentation is essential because of the following reasons: Departmentation permits an organization to take advantage of specialization.

Departmentation enables each person to know the particular part which he is expected to play in the total activities of the company.

- Departmentation facilitates communication, coordination and control contributing to the organizational success.
- Departmentation provides an adequate platform around which the loyalties of organizational members may be built.
- It enables a manager to locate the sources of information, skills and competence to take certain vital managerial decisions.

10.8 Need and Importance of Departmentation

The basic need for departmentation arises because of specialization of work and the limitation on the number of a subordinate that can be directly controlled by a superior.

1. Advantage of Specialization-The advantage of specialization lies in terms of efficiency with which the work is performed as a person focuses his attention on a narrow aspect of the work and a person gets mastery over that aspect. The managerial function is conceived as a set of activities facilitating the work of organization, these activities can be carried out more efficiently and effectively through the division of work leading to a specialization of managerial function.

2. Fixation of responsibility-Departmentation helps in fixing the responsibility and consequently accountability for the results. Responsibility can be carried out properly when a manager knows what he is expected to do and it is definite. Through departmentation the work is divided into small units where it can be defined precisely and responsibility could be fixed accurately. When authority and responsibility are clearly defined then a manager becomes more effective.

3. Development of managers-Departmentation helps in the development of managers. It is possible because of two reasons, as managers focus on a specific problem, thus it helps in providing on the job

training. Training provides them opportunity to work in the area of specialization. Therefore, need for training and its method can be easily identified.

4. Facility in Appraisal-Managerial performance can be measured when the area of activities can be specified and standards in respect of these can fixed. Departmentation provides helps in both these areas. When a broader function is divided into small segments and a particular segment is assigned to each manager, the area to be appraised is clearly known; the factors affecting the performance can be pointed out more easily. The standard for performance can be fixed easily as factors affecting the work performance can be easily known.

5. Feeling of Autonomy: Departmentation provides motivation by developing feeling of autonomy to the extent possible. When departments are created degree of autonomy and freedom should be decided. The manager in charge of a particular department can take independent decision within the overall frame work of the organization.

Activity A:

1. Identify the importance of departmentation in a college.

10.9 Bases of Departmentation

The managerial problems associated with departmentation are directly related to the degree to which individual jobs have been specialized. There is a need of departmentation along some common factors for achieving organizational objectives are grouped together to constitute departments. There are several bases for departmentalization, each of which is suitable for particular corporate sizes, strategies and purposes. Following is a brief description of these bases. The more commonly used bases are function, product, territory, process, customer, time etc. Some of these bases are internal-operation – oriented like function, process, and time while others like product, territory and customer are output-oriented.

1. Function- The grouping of common or homogeneous activities to form an organization unit is known as functional departmentation. Functional departmentation is the most widely used basis for organizing activities and is present almost in every large organization at some level. It is the basic form of departmentalization. It refers to the grouping of activities or jobs involving common functions.

Functional departmentation is most commonly used because it offers certain advantages which include advantages of specialization, ensuring performance of activities necessary for the achievement of organizational objectives, elimination of un-necessary activities, easier control over functions, and easier way for pinpointing training need of the managers and maintaining the relative importance of functions in the organization.

Every organization of a given type must perform certain jobs in order do its work. For example, key functions of a manufacturing company include production, purchasing, marketing, accounting, and personnel. The functions of a hospital include surgery, psychiatry, nursing, housekeeping, and billing. Using such functions as the basis for structuring the organization may, in some instances, have the advantage of efficiency. Grouping jobs that require the same knowledge, skills, and resources allows them to be done efficiently and promotes the development of greater expertise.

Each major function of the enterprise is grouped into a department For example; there may be

production, finance and marketing departments in a manufacturing company or underwriting and claims departments in an insurance company. A sales manager in this kind of departmentalization is responsible for the sale of all products manufactured by the company or a claims manager is responsible for dealing with all claims from different areas where the company operates.

- Advantages

1. It is a simple form of grouping activities for small organizations which manufacture only limited number of products or render only a limited number of services.
2. It promotes excellence in performance because of development of expertise through specialization.
3. It leads to improved planning and control of the key functions.
4. It ensures economy, for there is only one department related to one function for the entire company. Manpower and other resources of the company are effectively utilized by time-sharing them across products or projects.

- Drawbacks

1. Each manager thinks only in terms of his own departmental goals and does not think in terms of the company as a whole. This results in inter-departmental conflicts and disagreements. Managers of different departments are not ready to help other department; they bother about their own function.
2. Proper training is only provided for one function for which a manager is responsible and the overall development of a manager is hindered.
3 It is not suitable where geographical dispersal of units is required.

2. Product- Product departmentation involves the grouping together of all activities necessary to manufacture a product or product line. Product departmentation is preferred for product expansion and diversification when manufacturing and marketing characteristics of each product are of primary concern.

This form is suited for a large organization manufacturing a variety of products. Under this method, for each major product, a separate semiautonomous department is created and is put under the charge of a manager who may also be made responsible for producing a profit of a given magnitude.

Within each department, all the needed manufacturing, engineering, marketing, manpower and other facilities are assembled. Product departmentalization is the logical pattern to follow when each product requires raw material, manufacturing technology, and marketing methods that are markedly different from those used by other products in the organization Several companies in India, such as Hindustan Lever (manufacturing detergents, toiletries, chemicals and agro-based products), Johnson and Johnson (manufacturing a range of products for children and surgical sutures) have product-based departments.

- Advantages

1. This form pays concentrates more on such centralized activities like finance, R& D and control.
2 The comparison of different products on their performance could be made and investment of more resources in profitable products and withdrawal of resources from unprofitable products could be made.
3. Each manager is responsible for their own department, so a manager is better stimulated for improving his performance.
4 In this form, those who work within a department derive greater satisfaction from identification with a recognizable goal.

- Drawbacks

1 There is a duplication of staff and facilities in this form.
2 For each product line extra expenditure is incurred
3. A large number of managerial personnel need to be employed.
4. Resources like equipment in each product department may not be used fully.

3. Customer-Customer based departmentation is basically market – oriented in which departments are created around the markets served or around marketing channels. The basic idea of this departmentation is to provide services to clearly identified groups of customers.

Each group of customers has different purchase behavior, payment schedule, demand pattern, purchasing power etc., Therefore they can be attracted to the organization's business by satisfying them by providing services, payment schedule demand pattern etc.

An organization may find it advantageous to organize according to the types of customers it serves. For example, a distribution company that sells to consumers, government clients, large businesses, and small businesses may decide to base its primary divisions on these different markets. Its personnel can then become proficient in meeting the needs of these different customers. In the same way, an organization that provides services such as accounting or consulting may group its personnel according to these types of customers

An organization may be divided into a number of departments on the basis of the customers that it services For example, A big automobile servicing enterprise may have separate departments for servicing cars, heavy vehicles and scooters or an educational institution may have separate departments for day, evening and correspondence courses to impart education to full-time students, locally employed students and outstation students, respectively.

- Advantage

1. It ensures full attention to major customer groups and this helps the company to earn goodwill.
2. Customized product/service can be offered.
3. It is easy to build rapport with customers through such efforts.
4. Customer loyalty will improve in course of time, followed by increased sales.

- Drawbacks

The disadvantages of this form are that :

1. It may result in under-utilization of resources and facilities in some departments; and there may be duplication of facilities.
2. It is almost impossible to consider all the customers, their interest, habits and customs.
3. Departmentation by customer brings in coordination problems between sales personnel and production people.

4. Territory –Territorial or geographical departmentation is especially useful to large sized organizations having activities which are physically or geographically spread such as banking, insurance, transportation etc., Territorial department provides certain efficiency in operation. Local factors such as customers, culture, styles, preferences etc., always affect organizational functioning.

The territorial units are under the control of a manager who is responsible for operations of the organization at that location.organizations that are spread over a wide area may find advantages in

organizing along geographic lines so that all the activities performed in a region are managed together. In a large organization, simple physical separation makes centralized coordination more difficult. For example, marketing a product in Western Europe may have different requirements than marketing the same product in India. Companies that market products globally sometimes adopt a geographic structure. In addition, experience gained in a regional division is often excellent training for management at higher levels.

When several production or marketing units of an organization are geographically dispersed in various locations, it is logical to departmentalize those units on a geographical basis.

- Advantages

1. It motivates each regional head to achieve high performance.
2. It provides each regional head an opportunity to adapt to his local situation and customer need with speed and accuracy.
3. It affords valuable top-management training and experience to middle-level executives.
4. It enables the organization to take advantage of location factors, such as availability of raw materials, labour, market, etc.
5. It enables the organization to compare regional performances and invest more resources in profitable regions and withdraw resources from unprofitable ones.

- Drawbacks

1. It gives rise to duplication of various activities. Day to day activities could be easily performed by the head office very economically.
2. The department considers the short-run competition and the overall interest of the entire organization is not taken into consideration.

5. Time-In some organization that works round the clock, (such as public utilities like railways, post and telegraph offices, hospitals, call centres, etc) departmentation is based on time.In departmentalization by time, activities are grouped on the basis of timing of their performance. For example, as a small machine shop grows in size, its owner has the choice of either adding extra shifts (thus separating identical sub-groups by time) or renting two more shops (thus separating the two sub-groups, territorially). Generally, departmentalization by time is found in the production function of the enterprise.

- Advantages

1. It makes manpower utilization efficient.
2. It is highly convenient and applied in public utilities.

- Drawbacks

1. Accidental occurrences, such as, machinery breakdown when carried over from one shift to another affect the product of the following shift also.
2. Workers of one shift generally develop a tendency to pass on some portion of their incomplete work to' the workers of the following shift.

6. Process or Equipment-Under the departmentation by process or equipment, activities are grouped on the basis of various manufacturing process.

Departmentalization is done on the basis of several discrete processes or technologies involved in the manufacture of a product. For example, a concern engaged in the production of vegetable oil may have separate departments for crushing, refining and finishing. Similarly, a cotton textile mill may have separate departments for ginning, spinning, weaving, dyeing and printing and packing and sales. In this

way, whenever work that would otherwise be done in several different locations in an enterprise is done in one place because of the special equipment used, departmentalization by process is involved.

- Advantages

1. It facilitates the use of heavy and costly equipment in an efficient manner. There is very little chance for the equipment remaining idle or under-utilized as there is no duplication of the equipment.
2. It follows the principle of specialization— each department is engaged in doing a special type of work.
3. It is suitable for organizations which are engaged in the manufacture of those products which involve a number of processes.

- Drawbacks

1. Itdoes not provide good training ground and opportunity for the overall development of managerial talent.
2. When the process is sequential, the dependent departments generally become hostile to other departments and they express their resentment either by complaining directly about other departments or by passing on inferior work to their successive departments.
3. It is difficult to compare the performance of different process-based departments.

7. Combined base-To satisfy the requirement of various situations, managers are favoring a kind of 'mixed' departmentation. It is quite typical to find an organization following a different base of departmentalization at different organizational levels.

For example, an organization manufacturing agricultural machinery may follow 'product' as the base (tractor department, appliance department, generator department, etc.) at the primary level (i.e., the level immediately below the chief executive), 'territory' as the base at the intermediate level and 'function' as the base at the ultimate level. Another form of combined base organization which is becoming very popular nowadays is matrix organization in this form of organization, two types of departmentalization—functional and product—exists simultaneously.

- Advantages

1. The problem of coordination, which plagues most functional designs, is -minimized here as the project manager acts as an integrator to relate personnel from diverse disciplines.
2. There is a specialist which ensures availability of expertise to all projects on the basis of their needs.
3. Each project is assigned only the number of" people it needs, thus avoiding unnecessary surplus.
4. An effective information decision system which enables members to respond quickly to the change in project needs.

- Drawbacks

1. It violates the traditional principle of unity of command.
2. It fosters conflict because of the heterogeneity of team members.

10.10 Choice of Bases for Departmentation

The selection of bases for departemntation involves a consideration of the relative advantages of each base for the organization. A suitable basis of departmentation is one which facilitates the performance of organizational functions efficiently and effectively so that their objectives are achieved.

1. Specialization: The basis of departmentation should reflect the specialization in performing the work. The base should ensure maximum specialization of skill and effort. The questions which should be answered for this purpose are: Which approach permits the maximum use of special technical knowledge? How will the choice affect differentiation among specialists? Will it allow the necessary differences in viewpoint to develop so that specialized tasks can be performed effectively?

2. Coordination: Coordination involves that all the related activities are performed in a way that their performance is synchronized so that each activity contributes to others. The base should ensure proper coordination and control of the activities of different departments the questions which need to be answered for this purpose are, Which base provides the best hope of obtaining the required control and coordination. Will a particular base increase the problems of achieving integration or reduce them? How will the decision affect the ability of organization members to communicate with each other, resolve conflicts and reach the necessary joint decisions?

3. Economy: A balance should be maintained between the cost of creating a department and its contribution. The existence of a department is desirable only when it contributes more than its cost. The Expenditure involved, in introducing departmentalization is another important point which should be considered. Whatever the type of departmentalization used, its benefits should always be more than its costs. The questions to be asked here. are: Which base provides the most efficient utilization of machinery and equipment? What is the financial burden involved in following a particular base? Etc.

4. Whole Task: It stresses the point that the organization should be broken down, such that each department has a 'whole task'. Depending on the nature of the task, this 'wholeness' may be achieved either by technological departmentalization (weaving and spinning in a textile plant) or by territorial departmentalization (track crews on a railroad or by time departmentalization (as with shifts in electricity generation) or by a combination of these. Such as (a) Focus on Result-Those activities which contribute to the achievement to these results should be given proper attention. (b)Local Conditions: Local requirements of the organization should also the taken into account while creating departments. (c)Human Considerations: Departments should be created on the basis of availability of personnel, their aspirations and value systems, informal work groups and attitudes of people towards various forms of organization structure.

Activity B:

1. Find out any organization and identify which bases of departmentation they are using. Specify the recommendations you would make in order improve the choice of bases of departmentation for that organization.

10.11 Forms of Organization Structure

There are various forms of organization structure, but not all of them are suitable to all the situations as there is difference in contextual variables which affect the organization structure.

The classification of various organization structures is made on the way various activities are grouper together to create departments and units and prescribing their relationships in the organization. There are several types of organization structure each of these emphasizes different arrangement of organizational activities .Some of them are designed on mechanistic pattern ,such as line, line and staff structure, some are designed on organic or dynamic pattern, such as matrix and free form structure.

Others have an combination of both mechanist and organic pattern .Some structure are basic ,such as functional, divisional etc.Beside an organization may create committees taking personnel from different departments where processes are quite different as compared to other department.

1. Line Organization Structure-Line organization is the simplest form of organization structure. The line structure is based on the scalar principle, which states that authority and responsibility should flow in a direct line vertically from the highest level of the organization to the lowest level. The primary emphasis in the line organization is upon the superior-subordinate relationship. Every person in the organization is in the direct chain of command.

Line organization can be designed in two ways:

a. Pure line organization –In this form similar activities are performed at one level. Each group activities are self contained unit and they are liable to perform their own work without the assistance of others.

b. Departmental Line Organization –In this form entire activities are divided into different departments on the basis of similarity of activities. The basic objective of this form is to have uniform control, authority, responsibility.

- Advantages

1. This form is quite simple in understanding and implementation.
2. Decision taken by the superior is prompt.
3. It follows scalar chain method of communication.
4. It provides easy supervision and control.

- Drawbacks

1. The line organization does not offer specialization.
2. There is absence of conceptual thinking in this form.
3. It is based o9n autocratic approach.
4. Problem of coordination takes place as it stresses only on vertical relationship.

2. Line and Staff Organization Structure-Line and staff organization refers to a pattern in which staff specialist advice line managers to perform their duties. Most business organizations, except the very small, have this type of structure. As the organizations have grown complex, the problems of line executives have become sufficiently complicated. The line executives need the advice of personnel with specialized knowledge and functions to tackle certain problems. For this purpose, the staff positions are created in the organization. In line and staff organization, the line authority remains the same as it does in the line organization i.e. the authority flows from top to bottom; and the line executives perform the major functions; the staff functionaries support and advise the line executives. For example, for sound management of human resources, the line managers are provided specialized assistance through personnel/ Human Resource managers. As staff functionaries are employed to perform supportive role, they do not have any power of command in the organization.

- Advantages

1. The staff specialists relieve the line executives of the botheration of concentrating on specialized functions like selection, training, development, wage and salary administration, accounting, public relations etc.

- Drawbacks

1. As functionaries are not accountable for the results, they may not be performing their duties effectively.
2. The main problem is of conflict between line and staff personnel.

Activity C:

1. Is it appropriate to view your organization as a line and staff organization in today's changing environment? Give reason.

3. Functional Organization Structure-This form is widely used by medium and large organizations having limited number of products. Here the tasks are grouped together on the basis of common functions. So, all production activities or all financial activities are grouped into a single function which undertakes all the tasks required of that function. The goals of the organization emphasize functional specialization, efficiency and quality.

Functional structure is created by grouping the activities on the basis of function required for the achievement of organizational objectives, Therefore the functions may be classified as basic, secondary and supporting functions.

- Advantages

1. By grouping people together on the basis of their specialist expertise, the organization can facilitate both their utilization and their coordination in the service of the whole organization.
2. It brings order and clarity by prescribing what one is expected to do.
3. Organizational resources are utilized in a best way.

- Drawbacks

1. In this form of organization is the growth of sectional interest which may conflict with the needs of the organization as a whole. For example, the members of the production department will see their activities from the narrow perspective of their own department rather than viewing the same from the broader perspective of the entire organization.
2. It generates slow decision making process as the problem requiring a decision has to go through various departments.

4. Divisional Organization Structure-Divisional structure is also called as profit decentralization. In this form each unit is self contained it has all the resources to operate independently of other divisions. As each division has its own manufacturing, engineering and marketing etc.This form of organization structure is adopted by large companies producing a wide range of products.

There are different basis on which various divisions can be created they are product divisionalisation and territorial divisionalisation.In product divisionalisation each major product or product line are organized as a separate unit. Each unit has its own functional structure for various activities necessary for the product. In territorial divisionalisation, regional offices are established as separate units .Each regional office has its own functional department and operates under the strategic policies and guidelines established by the corporate management. For example LIC.

- Advantages

1. The product organization is that it enables diversification of the products to take place with minimal effort.

2 It can cope better with technological change by grouping people with expertise and their specialized equipment in one major unit.
3. It emphases on the end result, that is , on product, or customer through which revenue is generated in the organization.
4. Organizational size can be increased as new division can be opened without disturbing the other division.

- Drawbacks

1. Each product division may promote its own product group in a way that creates problems to other product divisions of the company.
2. It is quite costly as all the facilities have to be arranged for each division.

5. Project Organization Structure-The basic behind this structure is that as environment changes very rapidly, the organization must take up various activities on the project basis that is adding the required ones and deleting the unnecessary ones. The project can be managed in two forms of organization; pure project organization and matrix organization. The pure project organization is suitable for taking small number of larger projects with long duration so that a separate division can be created for each project. Matrix organization is suitable for taking large number of small projects and the activities of various projects can be accomplished through temporary department.

When an organization undertakes a big project or a number of small projects, it creates project organization for the completion of the same. This is done because the existing functional structure of the organization may not be suitable to complete the projects which are time bound and are subject to high standards of performance as in the case of aero space and aircraft companies. A project organization is separate form and independent of functional departments of the company. Headed by a Project Manager, every project organization consists of a team of specialists drawn from different Functional areas of the company or from outside. The size of the project team varies from one project to another. Again, within a project, the size of the group may change with the different phases of the work. A project organization has a temporary set up, and as soon as the project is completed the structure will be of no use.

But , when the duration of the project is very long, the project organization takes a permanent form and it may become a regular autonomous project division of the company.

The role of the Project Manager is quite challenging. He is responsible for the completion of the project as per the time schedule and quality standards that are prescribed. The successful completion of the project depends on how well he coordinates the activities of the project team and how he utilizes the advice and assistance of the internal experts (available within the company) and those belonging to external agencies / organizations.

The project organization is suitable when the company gets a one-time assignment or a huge contract or when the company faces a unique challenge.

- Advantages

1. The participating specialists of the project team get opportunity for prompt, expeditious and effective accomplishment of the goals of the project. This motivates them to make maximum contribution to the execution of the project;
2. It facilitates speedy communication between the project manager and the team members; and
3. It provides flexibility in handling various tasks.

4. It enables manager to adapt to environmental demand particularly when environmental factors are fast changing.

- Drawbacks

1. The entire project becomes meaningless, if the project manager fails to coordinate the activities of the project properly.
2. People are not able to identify themselves with any particular department in the organization as they do not have permanent tenure with any project.
3. The job of the project manager becomes very difficult because he has to deal with specialists from a number of diverse fields.

6. Matrix organization Structure-In matrix organization structure two complementary structure pure project structure and functional structure are merged together to create a matrix structure. It is built around a project which is headed by a Project Manager. The project teams comprise of employees (specialists) drawn from different functional departments such as the Human Resources, Finance, Production, Marketing, and Research & Development Departments of the Company. Thus, the employees of the matrix have two bosses: their Functional Departmental Managers (for example, the HR specialists of the project team have to report to the Manager, Human Resources Department) and their Project Manager. In other words, the matrix structure breaks the principle of unity-of-command which states that no person in the organization should report to more than one boss.

The Matrix Structure of an Engineering firm, which is composed of two projects, each having its specific objective and specific time for completion. The matrix organization is different for the functional organization. In the functional organization, the project manager is given complete responsibility for the project as well as the resources needed for its completion. But in the matrix organization, the Project Manager has to share the resources with the rest of the enterprise.

The matrix structure is used in advertising agencies, banking firms, construction companies, hospitals, government agencies, universities, management consulting firms, and entertainment companies.

- Advantages

1. It ensures the effective utilization of the services of the people with highly specialized skills.
2. It facilitates coordination when the organization has multiple complex and interdependent activities.
3. The direct and frequent contact between the different functional specialists in the matrix ensures better communication and more flexibility.
4. It relieves top management for taking long term course of action so that the organization can design its strategies suitable to the environmental needs.

- Drawbacks

1. This structure breaks the unity-of-command concept.
2. It fosters power struggle between project managers and functional managers who share the same set of resources.
3. A matrix organization incurs higher costs than an organization with a conventional hierarchy.
4. The system may not work very well when there is an economic crunch.

Activity D:

1. Briefly describe the structure of your organization. Find out which type of organization structure it comes closer to.

7. Free Form Organization Structure-The freeform model is based on the premise that organization is an open system and the basic task of the manager is to facilitate change in the organization. This requires greater organizational flexibility and adaptability. Freeform structure reduces the emphasis on positions, departments and other formal units, and on the organizational hierarchy. Freeform organizations are suitable to those industries which have to work in highly dynamic environment. To be successful in such environment ,the organization are required to put more pressure on information processing ,quick decisions and independent status to the various units which are exposed to the environment.

Freeform organization are designed in the form of task force, work teams or called team, committees and virtual organizations,

(a) Task Force : A task force is built up of a group of people with different backgrounds who are assigned a specific task or mission. A task force is a temporary structure comprising of specialists from different functional departments, formed primarily to accomplish a specific and complex task. It co-exists with the traditional structure. As such, it can be viewed as a scaled-down version of the temporary matrix. The members of a task force are transferred to another task force, once the goal of their task force is achieved. The essential features of the task force are that it is a temporary creation of a separate unit in the organization to take up the task which is: (a) quite new to the organization.(b)which cannot be solved with a single individual or department.(c)the tenure of which may not be very long.

- Advantages

1. An organization can enjoy the benefits of both the traditional structure and the task force simultaneously. The benefits are: stability, flexibility, and efficiency.
2. Task force provides unusual training ground for executives who are assigned task.

- Drawbacks

1. In any case if the management fails in its job of coordinating the activities of the task force and maintaining harmonious interpersonal relationship within the task force, the very purpose of creating the task force gets defeated.
2. Creation of task force tends to create feeling of loose attachment to the formal organization.

(b) Team : A team is a group of people in the organization constituted for completing certain assignments. A team is like a task force with a major difference .A task force is created to solve unusual problem that an organization may face occasionally. In contrast work teams are constituted quite frequently.

There are various types of teams on the basis of purpose, power entrusted, duration etc. such as lead teams which consist of managers and their direct subordinate. Cross functional team it is constituted by drawing personnel from different functional areas, particularly from those functions which have high interdependence. Problem solving team also known as corrective action team is formed to solve specific problem which an organization may face. Self managing team also known as self directed team they plan, control and improve their own work process.

(c) Committee : Committee is another form of formal group. They are found in every large organization. It can be defined as a body of person appointed to meet on an organization basis for the discussion and dealing of matters brought before it .A committee is a group of person.

- Advantages

1. The knowledge and experience can be pooled together to arrive at a judgment.

2. They are very useful in coordinating various activities among various organizational units.
3. It is constituted to avoid the concentration of too much authority in a single individual.

- Drawbacks

1. The constitution of committee is costly both in terms of time and money.
2. The decision making takes long time.
3. There are possibilities of committee being misused.

(d) Virtual Organization

A virtual organization is a small, core organization that out sources major business functions. It is highly centralized, with little or no departmentalization. The virtual organization creates network relationships with other organizations / agencies located anywhere in the world for the purpose of contracting out functions like manufacturing, distribution, marketing, R & D, etc.

The basic reason behind creating a virtual organization is to generate synergy through temporary alliances. The networking is done through the electronic technology. As such, the partnerships between the virtual organization and other organizations (far-flung companies) are based on electronic contracts. The partners are less permanent, less formal, and more opportunistic. Each partner contributes to the virtual organization its core capabilities. The managers of the virtual organizations spend most of their time in coordinating the various activities through the networking. Examples of virtual organizations include Ford, Harley Davidson, Nike, Reebok, Mobil Corp., IBM etc.

- Advantages

1. Through virtual organization it is possible to create "best-of-everything" organization because each partner brings its "core competence."
2. A virtual organization allows someone with an innovative idea and little money to successfully compete against large companies. This is possible because of flexible nature.

- Drawbacks

1. It reduces management's control over the key parts of its business.
2. The reliability of the partners may be doubtful.

10.12 Summary

Organization structure is essential to achieve goals. Structure, of course, is nothing but a chart of relationships. It refers to the network of relationships among individuals and positions in an organization. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup and individual. As per the contingency approach of organizational design there is no one best way of designing an organization structure. The good structure is one which meets the demand of various variables such as environment, strategy, technology, people and size. The features of good organization structure are as simplicity, flexibility, clear line of authority, application of ultimate responsibility, proper delegation of authority, minimum possible managerial levels, principles of unity of direction and command, proper emphasis on staff, provision for top management. The various factors which determine the effectiveness of an organization structure are as environment, strategy, technology, size of organization and people. The need for formal organization structure exists, as the structure created for one purpose may not serve other purposes well. It is important for manager to determine the outcomes desired from organization structure, and to match the structure with changing

needs of an organization. Organization structure influences the division of the tasks, grouping of activities, coordinating the activities and the overall accomplishment of the tasks. Since organization structure relates to relatively stable relationship and process of the organization, all influencing factors must be analyzed for designing the organization structure.

Departmentation is necessary because it involves grouping of people or activities into a single department or unit to achieve organizational goals. The basic need for departmentation arises because of specialization of work and the limitation on the number of a subordinate that can be directly controlled by a superior. There are several bases for departmentalization, each of which is suitable for particular corporate sizes, strategies and purposes. The more commonly used bases are function, product, territory, process, customer, time etc. Some of these bases are internal-operation – oriented like function, process, and time while others like product, territory and customer are output-oriented. The classification of various organization structures is made on the way various activities are grouper together to create departments and units and prescribing their relationships in the organization

10.13 Self Assessment Questions

1 What is Organizational Structure? Discuss the significance of Organizational Structure.

2 What are the components of organization structure? Discuss them and explain how they help in smooth functioning of the organization.

3 Explain various forms of organization structure. How do they facilitate the smooth functioning of the organization?

4 What do you mean by line organization structure? What are its advantages and draw backs.

5 What do you mean by matrix organization? How does it differ from project organization?

6 Write notes on

i) Departmentalization

ii) Choice of base for departmentation.

7 What is departmentation? Describe various bases for departmentation.

8 Explain features of good organization structure.

9 Why there is a need for formal organization structure.

10 What are the components of good organization structure?

10.14 Reference Books

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Unit - 11 Authority

Structure of the Unit

11.0 Objectives
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11.0 Objectives

After Completing this unit you will be able to:

- Understand the meaning of the term authority and authority relationships,
- Discuss the concept of delegation of authority and factors affecting willingness to delegate,
- Explain the situation variable which affect the amount of centralization or decentralization,
- Recognize the importance of span of management, its effect in managing the organization.

11.1 Introduction

After understanding the different patterns of Organization structures and patterns of departmentation, it becomes necessary to understand the authority relationship that exists in an organizational structure. It is only the authority relationship becomes a binding force which links the different parts or departments of an organization. In an organization managers exists at different levels and accordingly needs varying types and amounts of authority which is required for making decisions. Due to this various authority relationships exist in an organization, which is mainly related with line and staff functions, and is called line authority, staff authority. In addition to line and staff there is a third form of authority known as functional authority. With such authority relationships it becomes necessary to know the amount of authority that can be delegated by the superior to his/her subordinates, and amount of delegation of authority depends on the degree of centralization or decentralization present in an organization. There are various factors affecting the ability of a manager to delegate the authority and amount of centralization or decentralization of authority an organization.

Therefore, authority and authority relationships are responsible for facilitating departmental activities and ensuring the proper functioning of an organization.

11.2 Meaning and Features of the Term Authority

In general sense, authority is considered as legal or rightful power; a right to command or to act; power exercised buy a person in virtue of his office or trust; dominion; jurisdiction; authorization; authority of parents over children; the authority of a court; the persons or the body exercising power or command; the local authorities of the States; the military authorities.

Authority is the basis of organization in as much as organization is described as system of authority relationships. Authority is said to be the 'glue' that holds an organization together by providing well-defined roles to all organizational members and allows them to put forward their efforts in a cooperative and consistent manner. The term Authority has several meaning exist in everyday life, for instance, a person with superior knowledge and skills in a particular area is considered an authority or an expert in that area. The term 'the authorities' or 'concerned authority is often used to refer to officials in a specific department in a Government administration or Government agency. For example, when we hear that a suspected criminal has been apprehended by 'the authorities', we think of those holding the legitimate power of the Government to maintain civil order. If the criminal is convicted, the judge has the "authority" to punish convicts. The expression "authorized dealers" denotes an appointed representation with special rights or permissions. The company form of organization itself exists as a legal authority. However, in the context of a business organization and its management, according to Herbert A. Simon, "Authority is defined as the power to make decisions, which guide the actions of others. It is the relationship between two individuals, the superior and subordinates. The superior frames and transmits decisions with the expectation that these will be accepted by the subordinate. The subordinate executes such decisions and his/her conduct is determined by them". However, in the process of organizing, the emphasis is mainly on positional authority and thus authority may be defined as the legitimate right to give orders and get these orders obeyed. Henri Fayol defines "Authority as: the right to give orders and power to exact obedience". Koontz and O'Donnell defined, "Applied to the managerial job, authority is the power to command others to act or to act in a manner deemed by the possessor of the authority to further enterprise or departmental purpose". Thus, Authority is the right to take action, utilize organizational resources and exact obedience from subordinates.

Features of authority : Authority is the right of a superior to make decisions affecting the behaviour of subordinates in order to utilize organizational resources, and has following features.

- **Authority is a legitimate right:** Authority is an institutionalized power. The right is given to a manager in an organization by his/her superior. This right puts a manager in a position by which he regulates the behaviour of his subordinates to act or not to act in certain ways. If there does not exists an environment of legitimacy, that is socially and ethically acceptable to all concerned, authority cannot be meaningful and operational.

- **Authority is the right to decide:** Authority is exercised by making decisions and seeing that they are carried out. Authority allows the position holder to decide and enforce decisions based on information and use of resources. Such decisions put people on various tasks and get results by using authority within the limits laid down by the organization.

- **Authority is Used to Obtain Obedience:** Authority is right to give orders and obtain obedience.

Authority is exercised with an objective to influence the behaviour of subordinates in terms of doing right things at right time to achieve organizational goals. Authority implies the capacity to set compliance. The behaviour may be governed by persuasion, sanctions, request, coercion, constraints and force.

- **Authority is Objective but its Exercise is Subjective:** The use of authority is determined by the personality factors of its possessor and the persons or group of persons in whose context authority is used.

- **Authority is Relationship Between Two Persons:** Authority draws the curtain between superior and subordinates. The superior uses authority to get things done. The subordinate follows the commands to obtain desirable rewards.

- **Authority Flows from Top to Bottom:** The managers operating at various levels receive the right to issue orders from top management It means authority is formally given to a person by their superiors.

- **Authority is Positional:** Authority rests with the position or chair a person hold. With the change in position, the authority of the individuals also changes.

- **Authority is Goal (Result) Oriented:** Authority is exercised to achieve organizational goals. Authority is linked with objectives of an organization and thus used to achieve goals of business organization.

11.3 Sources of Authority

There are three broad schools of thought regarding origin or sources of formal authority in organization. These are (a) The formal authority school or classical view (b) the acceptance school of thought or Human Relation View (c) The competence school of thought.

(a) Formal Authority School or Classical View: Classical view stress hierarchical and legitimization from top. The classical theory holds that the authority inherent in a managerial position is achieved by delegation from the higher positions. In a corporate entity, shareholders may delegate authority to board of directors which may delegate to the chief executive. This process goes on till the last level of the organization. In other words, authority originates at the top in the formal structure of an organization and then flows downwards to subordinates. It means that managers at each levels of the organization derive their authority from the managers at the higher level. For example, an assistant foreman receives authority from the foreman, a foreman receives it from the assistant production manager, an assistant production manager from the production manager, the production manager from general manager and the general manager from the board of directors. So, flow of authority is always from top to bottom.

The classical theorist believe that real authority vests at the top level in the organization because of provision of private property, social system etc.

(b) The Acceptance School of Thoughts or Human Relations View: This school of thought asserts that authority is power over others that is accepted by those others. Chester I. Bernard is the representative of this school, Herbert Simon and Robert Tannenbaum also subscribe to this view. The acceptance view finds the basis of authority in the influence rather than in the influencer. This view starts with the observation that not all legitimate laws or commands are obeyed in all circumstances. Some are accepted by the receiver of the orders, and some are not.

According to this view, the authority of a superior depends on the willingness of his subordinates to accept it. The authority becomes somewhat meaningless unless those affected accept it and respond

to it. If the subordinates do not accept authorities order, it is not real and it does not exist. For example, if a superior storms along an assembly line shouting at everyone to work hard, the subordinates may not question the superior's right to do so but they may choose not to comply with the order.

The usefulness of this view is limited partially by the fact of life that those who have formal authority have various sanctions. If a subordinate does not accept the authority of his superior, he knows that he will have to face several unpleasant consequences, such as, dismissal, penalty, fine etc., and hence the subordinate in his own interest accept the authority of his superior. This acceptance view should not suggest that insubordination and chaos are the norm in organizations.

Most formal authority is, in fact, accepted by organization members. Chester I. Barnard, a strong proponent of the acceptance view, has defined the four conditions under which a person will comply with higher authority which are given below.

(i) He can and does understand the communication or order.
(ii) He believes that it is not inconsistence with the purpose of the organization.
(iii) He believes that it is not incompatible with his personal interest.
(iv) He is mentally and physically able to comply with it.

Most subordinates are unwilling to accept the authority of the superiors outside certain limits, which Herbert A. Simon refers to as "areas of acceptance" and Chester I. Barnard called it as "Zone of Indifference". The "Zone of Indifference" indicates the specific limits that are set by individuals themselves within which they will respond willingly to the exercise of authority over them. These areas of acceptance vary from worker to worker and from situation to situation. In fact, not all orders are obeyed with equal enthusiasm. The zeal or reluctance with which a subordinate carries out an order is the result of their weighing. When all the orders can be arranged reasonably in order of their acceptability, then an employee can conceive following.

(i) Actions which are clearly unacceptable and will not be carried out (e.g. washing clothes, cleaning utensil in a superior's house).
(ii) Actions that are borderline cases either acceptable or unacceptable (e.g. getting cinema ticket or railway ticket for superior).
(iii) Actions those are unquestionably acceptable (e.g. completing an assignment preparing for a seminar etc.). This third group constitutes a zone of indifference. Outside this zone, superiors must earn the acceptance of their subordinates. The subordinates begin to weigh whether to accept the order or not.

According to Herbet A. Simon there are four important motivations for accepting authority are given as follows.

Rewards: A superior can obtain compliance by offering rewards in the form of promotion, pay increase or by enforcing sanctions in the form of suspensions etc.

Legitimacy: if subordinates think that what they do is right, they will do it.

Social Approval: Authority is generally accepted by subordinates when they feel the rejection would be disapproved by their group.

Confidence: Authority is accepted if subordinates have confidence in that the manager is technically and professionally competent.

(c) The Competence School of Thought: According to this view authority is derived from the technical competence of the superior. For example, psychologists in an organization have authority in the matter of

selection procedures because of his technical competence. Urwick identifies formal authority as being conferred by organization, technical authority as implicit in special knowledge or skill, and personal authority as being conferred by seniority or popularity. A person may get his order or advice accepted by others not because of his personal qualities. Theses qualities may be technical competence and social prestige, such as competent engineers, economists etc. in the organization advice of such persons may be sought and followed considering as order.

Activity A:

1. Make a list of various organizations available near by your location and identify the kind of authority at different levels of these organizations and relate it with real source of authority for these managers at these levels.

11.4 Authority, Responsibility and Accountability

The formal right of the superior to command and compel his subordinates to perform a certain act is called authority.

Responsibility is the obligation of a subordinate to obey his superior's commands. Responsibility is the duty to which a person is bound by reason of his status or task. Such responsibility implies compliance with directives of the person making the initial delegation. Others define responsibility in a more comprehensive way and treat it as the obligation of an individual to perform activities or duties which are assigned to him. Responsibility is the obligation of an individual to carry out assigned activities to the best of his ability. Thus, responsibility is not merely duty that is assigned but an obligation that the duty is performed. The acceptance of the obligation by the individual to perform the work creates his responsibility. Responsibility considered by some people as having two parts or phases. One is the obligation to secure results and other is to be accountable to a superior (the delegator of authority) for the degree of success achieved in completing the assignment. However, the more common use of the term is responsibility as an obligation to carry out assigned activities. From the accountability view point responsibility is not an obligation but a liability for carrying out of duties by the subordinate. For example, Hurley defines accountability as liability for considering the responsibility received by delegation of authority.

Robbins states that, 'Authority is the right to act; responsibility the obligation to carry out delegated authority, and accountability establishes reliability for the proper discharge of the duties delegated to the subordinate. The accountability creates the obligation for the maintenance of responsibility by the superior and the work performed must meet his expectations. Subordinates are responsible for the completion of tasks assigned to them and are accountable to their superiors for the satisfactory performance of that work.

Thus, authority is the right to act, responsibility is the obligation to make the use of or carry out the authority and accountability is the responsibility for the out come of action or work performed.

11.5 Authority versus Power

Power is the potential ability to influence the behaviour of others. In many instances, two terms 'authority' and 'power' are used interchangeably because of their common objective of influencing the behaviour of people on whom they are exercised. However, there is a difference between authority and power. While authority is related with the right to command, power is related with the capacity to

command. The right to command someone else has its roots in organizational hierarchy and the subordinate has to obey the command. This is implied in the view of official legitimacy, legal in nature rather than social and informal. However, the right to command does not necessarily imply the capacity to command. Sometimes rights and capacity are clearly separable and can be identified easily, but at other times distinction is not easy. For example, commanding others on the basis of money or muscle power is clearly separable but in an organization, two managers of equal status and authority may have different type of command in actual practice, because one manager may acquire more power due to his personal factors. Here authority and power go together and distinction is not easy. Between these two extremes (right and capacity) it is possible to differentiate between authority and power as follows.

(a) Authority is the right of a superior to command, issue orders and instructions to subordinates to perform certain act. Power is the ability of an individual to affect and influence other persons.

(b) Authority is a legitimate power given by an organization to a member holding a position. It means authority server as a basis of formal organization. Power requires no formal positions. It means it serves as a basis of informal organization.

(c) Authority is derived only through position. Power is derived from many sources and formal position is one of them.

(d) Authority is a narrow term and is a major source of power. A manager may have considerable authority but still may be powerless. Power is a broader concept (which includes authority also) that creates action when authority fails to achieve results.

(e) Authority is associated and vested with managers. Power is generally associated with leadership.

(f) Authority rests with position. With change in position, the authority of the individual also changes. Power rests with individual and considered to be personal quality. Hence, even when individuals position change, his power remains with him.

(g) Authority can be delegated to a subordinate by his superior. Power cannot be delegated. A successful manager and decision maker can not hand over his ability to his assistant.

(h) Authority is mostly well-defined, commensurate with responsibility, and shown on the organization chart. Power is undefined and not commensurate with responsibility and its location cannot be known from the formal organization chart.

(i) Authority is what exists in the eye of law. One can find that many organizational figure-heads who are administrators in name only. Power is what exists in fact. Some people in organization exercise significant power for beyond the accepted borders of their authority.

(j) Authority is legitimized by certain rules, regulations, laws and practices. In the case of power, there is no such legitimization.

(k) Authority I institutional and originates because of structural relationships. Power emerges because of personal factors and varies with the individuals.

(l) Authority is the central element of formal organization and systematic communication. Power reflects the political realities within the organization and more informal patterns of action and interaction that occur.

(m) Authority exists in the context of organizational relationship, mostly in superior-subordinate relationship. Power relationship may exist between any two persons and organizational relationship may not be necessary.

Activity B:

1. Take few managerial positions of selected organizations and identify their authority, responsibility and accountability considering tasks handled by these managers.

11.6 Line, Staff and Functional Authority

The various departments of an organization are bound together by authority relationships. Authority relationship is the cohesive force which integrates various parts of organization for its effective functioning. Managers need different types of authority as they perform different types of functions. Some managers involved in performing those functions which contribute directly to the achievement of the organizational objectives, for example, manufacturing and marketing of products in an industrial organization. Some managers are involved in those functions which provide support to the performance of the above functions, for example, accounting, personnel, legal, etc. Therefore, the questions arises what should be the authority relationship between personnel at different levels within the same department and those in other departments?

There is much confusion, both in management literature and among managers, about the exact nature of the line and staff relationships.

Concept of Line and Staff Authority : Conceptually, line and staff are defines from two viewpoints, i.e. functional viewpoint (line function) and authority relationship viewpoint (line authority).

- Line Function and Staff Function : Allen defines "line functions are those functions which have direct responsibility for accomplishing the objectives of the enterprise, and staff refers to those elements of the organization that help the line to work more effectively in accomplishing the primary objectives of the enterprise."

Though the distinction is relatively easy to make on paper, in practice, it is difficult to distinguish between direct and supportive activities. For instance, in an academic institution, the position of teachers is considered as line in nature, but the position of the research staff is not. In a manufacturing firm, production and sales (and sometimes finance) are considered as line functions, while purchasing, accounting, personnel, plant maintenance and quality control are considered as staff functions.

Organizational objectives are the basic determinant of line and staff functions and any change in these objectives may result in charges in the line and staff functions. For example, personnel functions in an employment agency are line but it is staff in manufacturing organization. In a manufacturing organization whose basic objective is to produce and sell goods, production and marketing are line functions and others such as finance, personnel, legal etc. are staff functions. Further, within a department, there may be line and staff functions, for example, in marketing, selling may be line function but market research is staff function.

- Line Authority and Staff Authority : According to authority relationships viewpoints line and staff are two types of authority that are based on functions. Line authority is the direct authority exercised by a superior over his/her subordinates, so that his/her orders and instructions are carried out in a proper manner. Thus, line authority is the basis of the relationship between superior and subordinates, this gives the superior the right to command, act, decide, approve and disapprove organizational activities. This exercise of this authority is always downward. Staff authority involves giving advice to line managers to carry on the operation. The flow of this authority may be in any direction depending on the need of such an advice.

Koontz and others have defined "line authority becomes apparent from the scalar principle as being that relationship in which superior exercises direct supervision over a subordinate that is, an authority

relationship in direct line or steps. The nature of staff relationship is advisory, and the function of people in a pure staff capacity is to investigate, research, and give advice to line managers to whom they report".

Line authority is represented by the standard chain of command, starting with the board of directors and extending down through the various levels in the hierarchy to the point where the basic activities of the organization are carried out. The concept of staff includes all elements of the organization that are not classified as line. Staff provides managers with varied types of expert help and advice. Staff authority is based primarily on expert power. Staff can also assist in policy implementation, monitoring and control; in legal and financial matters; and in the design and operation of data-processing systems.

- Functional Authority : The role of staff members to provide advice and service to line members implies that staff lacks independent, formal authority. Staff function may lack independent formal authority in some organization, but, in other organizations, staff personnel may have formal authority over line members within the limits of their specialized areas. The right to control activities of other departments as they relate to specific staff responsibilities is known as functional authority. Functional authority allows a staff person to issue certain instructions to the line managers directly, rather than making recommendations to his/her superior or other line managers. Functional authority is limited as a staff person can exercise it in only those areas where manager has technical expertise, and where his recommendations would be accepted.

According to Heinz Weihrich and Harold Koontz, "Functional authority is the right that is delegated to an individual or a department, to control specified processes, practices, policies or other matters relating to activities undertaken by persons in other departments".

Functional authority violates the principle of unity of command. Managing functional authority relationships is similar to managing dual-boss relationships in organizations that have a matrix structure. Functional authority is similar to line authority, except that staff personnel with functional authority do not have the right to punish violations or deviations from the intended course of action, in order to ensure compliance. Functional authority is common in organizations. It is necessary in carrying out many organizational activities, both to provide for a degree of uniformity and to allow unhindered application of expertise. Thus, functional authority is based on both legitimate and expert power. The skills required for managing functional authority relationships and the problems arising from those relationships are similar to the skills required to manage dual-boss- boss relationships in matrix organizations.

11.7 Delegation of Authority: Meaning, Elements and Principles

In any organization no individual can perform all duties and accomplish all tasks by himself. It is physically impossible for a single individual to look after the affairs of a large business. His skill lies in his ability to get thins done through others. As an organization grows in size, and the manager's job increases beyond his personal capacity, his success lies in his ability to multiply himself by training his subordinates and sharing his authority and responsibility with them. The only way he can achieve more is through delegation - through dividing his work load and sharing responsibilities with others. The sharing of power or authority with another for the performance of certain tasks and duties is known as delegation of authority. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

To delegate means to grant or confer; hence the manager who delegates, grants or confers (authority) on others (subordinates) to accomplish certain duties in the form of work.

According to O. Jeff Harris it is an authorization to a subordinate manager to act in a certain manner independently. The delegation of authority is the delivery by one individual to another of the right to act, to make decisions, to acquire resources and to perform other tasks in order to fulfill job responsibilities.

L. A. Allen has defined delegation as a entrustment of a part of the work, or responsibility and authority to another, and the creation of accountability for performance. Responsibility is the work assigned to a person. Authority is the sum of powers and rights entrusted to make possible the performance of the work delegated. Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established. It is the obligation of an individual to render an account of the fulfillment of his responsibilities to the boss to whom he reports.

To delegate means to grant or confer. Here delegation means conferring authority from one manager or organizational unit to another in order to accomplish particular assignments. A manager simply does not delegate authority; he delegates authority to get certain work accomplished. By means of delegation, the manager extends his area of operations, for without delegation, his actions are confined to what he himself can perform.

- Delegation of Authority has Following Features:

(a) Delegation is authorization to a manager to act in a certain manner. The degree of delegation prescribes the limits within which a manager has to decide the things. Since formal authority originates at the top level, it is distributed throughout the organization through delegation and redelegation.

(b) Delegation has dual characteristics. As a result of delegation, the subordinate receives authority from his superior, but at the same time, his superior still retains all his original authority. Terry comments on this phenomenon like this: "It is something like imparting knowledge. You share with others who then possess the knowledge, but you still retain the knowledge too."

(c) Authority once delegated can be enhanced,, reduced, or withdrawn depending on the situation and requirement. For example, change in organization structure, policy, procedure, methods, etc., may require change in the degree of delegation' of authority.

(d) Delegation of authority is always to the position created through the process of organizing. The individual occupying a position may exercise the authority so long as he holds the position. Therefore, the authority is recovered fully from the individual when he moves from the particular position.

(e) A manager delegates authority out of the authority vesting in him. He cannot delegate which he himself does not possess. Moreover, he does not delegate his full authority because if he delegates all his authority, he cannot work.

(f) Delegation of authority may be specific or general. Delegation of authority is specific when courses of action for particular objectives are specified. It is general when these are not specified, though objectives may be specified.

Elements/ Process of Delegation : The question is how authority is delegated when decision-making power is vested in a subordinate by his superior. Clearly, superiors cannot delegate authority they do not have. The distribution of authority throughout an organization does not occur automatically. Rather it is deliberate design or plan by which a manager makes his authority effective and influential. This requires

delegation of authority through particular steps. The entire process of delegation involves four steps which include the determination of results expected from persons in a position; the assignment of tasks to persons; the delegation of authority for accomplishing tasks, and the holding of people responsible for the accomplishment of these tasks.

(i) **Determination of Results Expected** : Authority should be delegated to a person according to the results expected from that position. Since authority is intended to furnish managers with a tool for so managing as to gain contributions to the organizational objectives, it is essential that authority delegated to a manager is adequate to ensure the ability to accomplish results expected. It implies that results expected from each position have been identified properly. To the extent, there is clarity in these, delegation will be effective. Therefore, the first requirement is the determination of contributions of each position which is largely a step undertaken at the stage of creating various positions.

(ii) **Assignment of Task or Duties :** While assigning the duties and tasks by the delegator to the delegatee, he should be clear about the duties and tasks which he is assigning to his subordinates. The duties must be clearly identified and defined before it is assigned. When a manager asks his subordinates to open a branch office he should be clearly define the area covered, objective of this branch office, what are the duties of the office etc.

(iii) **Conferment of Power of Authority/ Authorization for Action :**Transfer of authority is the another step in the delegation. The rights and powers transferred to the delegatee must be clearly defined and communicated to the delegatee by the delegator for performing the assigned duty. It includes the right to acquire the resource required to perform the assigned duty. We cannot expect the delegatee to perform the assigned duty without transfer of authority. For example, as in the above case, manager should give necessary authority to acquire and use the resources to open the branch office.

(iv) **Creation of Obligation /Accountability :**Once the authorities are given and the duties are assigned, the delegator expects the delegatee to do the assigned duty. Delegatee has the responsibility or obligation to do the work. The delegatee is responsible for his actions and decisions and it is called accountability. The delegator has the right to ask the status of the task at any time and the delegatee is responsible to give answer. The subordinate is answerable and responsible to his superior for giving an account of the assigned task. Therefore, accountability is the obligation of an individual to render an account of the fulfillment of his responsibilities to the principle to whom he report. Delegatee cannot shift his responsibility to someone else. It is fixed to his position. Superior can control the delegatee through the accountability. These controls are exercised through meetings, reports and evaluation.

Therefore, delegation is the process that a manager follows in dividing the work assigned to him so that he performs that part, which because of his position he can perform effectively.

There is a difference between delegation and work assignment. Delegation constitutes a master agent relationship while work assignment constitutes master servant relationship. An employee's work assignment may be reflected in his job description while delegated duties may not form the part of the employee's normal duties. Delegation is legitimate authorization to a manager or employee to act in specified ways. It enables him to function independently without reference to the supervisor but within the limits set by the supervisor and the normal framework of organizational objectives, policies, rules and procedures.

Principles of Delegation : Delegation of authority is a conscious effort on the part of the manager. Therefore, in delegating authority, manager should observe and follow certain principles so as to make delegation effective. There are a few guidelines in form of principles which can be a help to the manager to process of delegation. The principles of delegation are as follows:

(i) **Principle of Result Excepted :** This principle suggests that every manager before delegating the powers to the subordinate should be able to clearly define the goals as well as results expected from them. The goals and targets should be completely and clearly defined and the standards of performance should also be notified clearly. For example, a marketing manager explains the salesmen regarding the units of sale to take place in a particular day, say ten units a day have to be the target sales. While a marketing manger provides these guidelines of sales, mentioning the target sales is very important so that the salesman can perform his duty efficiently with a clear set of mind.

(ii) **Functional Definition :** Closely related with the principle of delegation based on results expected is principle of functional definition. In an organization, the activities are classified and grouped to create departments or units. Each department contributes to organizational objectives but at the same time has its own objectives. Thus, there is a need for coordination of objectives and activities of the department in such a way that they contribute maximum to the organization. This gives rise to the principle of functional definition. The more a department has clear definitions of results expected, activities to be undertaken, authority delegated and authority and informational relationships with other departments, the more adequately the department can contribute towards accomplishing organizational objectives.

(iii) **Clarity of Lines of Authority :** Each position in the organization is linked with others through authority relationships; some directly through line authority, others indirectly. More clearly these lines of authority are defined; more effective is the delegation of authority. In this respect, classical authors have given two principles which guide the delegation of authority. These principles are scalar chain and unity of command. Scalar chain principle refers to the chain of direct authority relationship from superior to subordinate throughout the organization. Clearer the line of authority from the top manager to every subordinate position in the organization, the more effective will be responsible decision making and organizational communication.

The other principle, that is, unity of command suggests that a subordinate should be responsible to a single superior and he should receive instructions from the same superior only. The more complete an individual has a reporting relationship to a single superior, the less is the problem of conflict in instructions and greater the feeling of personal responsibility for results.

(iv) **Principle of Parity of Authority and Responsibility :** According to this principle, the manager should keep a balance between authority and responsibility. Both of them should go hand in hand. According to this principle, if a subordinate is given a responsibility to perform a task, then at the same time he should be given enough independence and power to carry out that task effectively. This principle also does not provide excessive authority to the subordinate which at times can be misused by him. The authority should be given in such a way which matches the task given to him. Therefore, there should be no degree of disparity between the two.

(v) **Principle of Absolute Responsibility :** This says that the authority can be delegated but responsibility cannot be delegated by managers to his subordinates which means responsibility is fixed. The manager at every level, no matter what is his authority, is always responsible to his superior for carrying out his task by delegating the powers. It does not means that he can escape

from his responsibility. He will always remain responsible till the completion of task. Every superior is responsible for the acts of their subordinates and are accountable to their superior therefore the superiors cannot pass the blame to the subordinates even if he has delegated certain powers to subordinates example if the production manager has been given a work and the machine breaks down. If a repairman is not able to get repair work done, production manager will be responsible to CEO if their production is not completed.

(vi) Principle of Authority Level : This principle suggests that a manager should exercise his authority within the jurisdiction / framework given. The manager should be forced to consult their superiors with those matters of which the authority is not given that means before a manager takes any important decision, he should make sure that he has the authority to do that on the other hand, subordinate should also not frequently go with regards to their complaints as well as suggestions to their superior if they are not asked to do. This principle emphasizes on the degree of authority and the level up to which it has to be maintained.

Activity C:

1. Do you think that delegation of authority really helps the managers in effectively managing their tasks? Discuss it with the help of a large retail store considering various principles of delegation.

11.8 Advantages and Factors Affecting Delegation of Authority

The Advantages of Delegation : When used properly, delegation has several important advantages. The first and most obvious is that the more tasks managers are able to delegate, the more opportunities they have to seek and accept increased responsibilities from higher level managers. Thus, managers will try to delegate not only routine matters but also tasks requiring thought and initiative, so that they will be free to function with maximum effectiveness for their organizations. In addition, delegation causes employees to accept accountability and exercise judgment.

This not only helps train them-an important advantage of delegation-but also improves their self confidence and willingness to take initiative.

Another advantage of delegation is that it frequently leads to better decisions because employees closest to "where the action is" are likely to have a clearer view of the facts. Effective delegation also speeds up decision making. Valuable time can be when employees must check with their managers, who then may have to check with their manager, before making a decision. This delay is eliminated when employees are authorized to make the necessary decision on the spot.

Barriers to Delegation/ Factors Affecting Delegation of Authority : Despite these advantages, managers can be reluctant to delegate authority. Managers often have a number of excuses for not delegating: "I can do it better itself"; "My employees just aren't capable enough"; "It takes too much time to explain what I want done." The real reason may be the manager is simply too disorganized or inflexible to delegate work effectively.

Ideally speaking, delegation of authority must be commensurate with responsibility. It implies that delegation should be according to need both in terms of quantity and quality of authority. If a manager thinks that he has as much authority as needed to perform his duties, he can treat his authority to be adequate. Delegation is inadequate to the extent it falls short of the need for authority. Thus, inadequate delegation is equal to the difference between felt need for authority and degree of delegation of authority.

Managers generally complain the inadequate delegation of authority because they do not have authority commensurate with their responsibility. This happens because of several reasons. Such reasons can be seen in the context of superior manager (delegator), subordinate manager (delegant), and the organization in which context delegation takes place. Let us see how these factors block effective delegation of authority.

The factors that affect the delegation of authority can be studied from three aspects. These are as follows.

- The delegator's (superior's) aspect
- The delegant's (subordinate's) aspect
- The organizational aspect.

- **The Delegator's Aspect :** A manager may not delegate authority effectively when he has a love for authority. fear of subordinates' advancement, fear of his shortcomings being exposed and a negative attitude towards employees. In addition, the personality traits of a manager and his experiences may also affect the delegation of authority.

  - **Love for Authority :** An autocratic manager is not very likely to delegate authority to his subordinates. Such a manager likes to make his importance felt by forcing subordinates to approach Win often to get their decisions approved. A manager may also not delegate authority to his subordinates if he likes to maintain a tight control over his own activities. Such managers like to convey the impression of being very busy and therefore allow work to be piled high on their desk. Since such managers do not wish to share their workload with their subordinates, they generally do not delegate their authority.
  - **Fear of Subordinates' Advancement :** The fear of a subordinate's advancement also affects the manager's ability to delegate authority effectively. A manager may not delegate authority effectively due to two reasons. Firstly, the superior may fear that the competence and the good performance of the subordinate might earn him a promotion as a result of which, he would lose a good subordinate. Secondly, the superior may also fear that the subordinate may excel in his job to such an extent that he may become a contender for the manager's position, status and title.
  - **Fear of Exposure :** A superior may not delegate adequate authority fearing that his managerial shortcomings would be exposed if he does. This generally is the procedures and practices followed by the superior are not very good. Thus, the exposure of their shortcomings may make managers ineffective in delegating authority.
  - **Attitude towards Subordinates :**As mentioned earlier, delegation of authority requires a certain amount of trust between the superior and his subordinates. Therefore, the superior's attitude toward his subordinates, and the subordinate's attitudes towards the superior are important for delegation. Lack of confidence in subordinates is a major factor that affects delegation of authority. The lack of confidence may be justified if the subordinates are also lacking in knowledge and skills. However, in the long run, managers should train and educate their subordinates so that they can take up additional responsibilities. When a manager does not have enough confidence in his subordinates, he not only avoids delegation of authority, but, also does the subordinates' work himself. A bank manager, who personally balances the ledger at the end of the day for all tellers, even though they may not be under his direct supervision, is doing the job for the subordinate. This not only affects his work performance, but also robs subordinates of growth opportunities and de-motivates them. It is also a waste of time, because the subordinate is idle while the superior is busy

doing routine work, instead of concentrating on tasks of strategic importance. Also, a superior who does not have good interpersonal relationships with his subordinates, is unlikely to delegate authority to subordinates.

- **Maintenance of Tight Control :** A manager does not delegate authority because he wants to maintain tight control over the operations assigned to him. He likes to show busyness and security created by work piled high on his desk. Doing tangible work is a pleasurable activity, whereas spending one's time thinking, planning and other less tangible is a difficult process. The manager may become habituated to the constant contact of subordinates bringing matters to him for approval.
- **Personality Traits and Experiences of the Superior :**The personality traits and experiences of a superior affect the way in which he delegates authority to his subordinates. For example, a superior who has been delegated adequate authority in his or her own career or who has worked his way up from the ranks, is likely to delegate authority,. On the other hand, autocratic managers are likely to delegate authority. Some managers may not be able to plan and decide which tasks to delegate and to whom they should be delegated, as they are not very organized. They may also fail to set up a control system for monitoring subordinates actions. Moreover, many managers usuall do not enjoy guiding, reviewing and cross- examining their subordinates, and this is unavoidable when authority is delegated. For this reason, such managers avoid delegating authority to their subordinates.

- The Delegant's Aspect : Delegation of authority is not only affected bi various factors pertaining to the delegator, but, also by factors pertaining to the delegants. These factors are discussed below:

- **Fear of Criticism :** The subordinate may not accept delegated tasks if lie suspects that the credit for success will be taken by the boss, and criticism for failure will be directed toward him. The fear of criticism also makes a subordinate reluctant to accept authority. When the subordinate feels that taking responsibility is asking for trouble, he or she is hesitant to accept the delegated work. Subordinates with such an attitude prefer to follow the directions of their superior, rather than taking independent charge of a task.
- **Lack of Information and Resources :** Subordinates are reluctant to accept delegation when they do not have adequate information and resources. When tasks are not clearly defined, when adequate authority is not delegated, when instructions are vague, and resources are scarce, subordinates are unlikely to do a good job and their enthusiasm for delegated work dwindles.
- **Lack of self -Confidence :** Sometimes, subordinates may refuse to take up delegated tasks as they may lack confidence in themselves. Fear of criticism and/or dismissal from service for committing mistakes prevents them from accepting, additional responsibilities.
- **Absence of Rewards and Incentives :** Many subordinates may be unwilling to take up additional responsibilities and pressure unless they receive some rewards and incentives for satisfactory performance. Therefore, all companies should develop it system of rewards and incentives

- The Organizational Aspect

Apart from the personal factors of the delegator and delegants, delegation of authority also depends on certain organizational aspects. For instance, much as he would like to retain all authority with himself, organizational factors may necessitate even an autocratic superior to delegate his authority. The various organizational factors that affect the delegation of authority include the organization's policy towards centralization or decentralization, availability of managerial personnel, the type of control mechanisms adopted by the organization, the management philosophy etc. Unfavorable organizational factors may adversely affect the delegation of authority.

11.9 Prerequisites and Tasks of Effective Delegation

Prerequisites

The most basic prerequisite to effective delegation remains the manager's willingness to give employees freedom to accomplish delegated tasks. This means letting them choose methods and solutions different from the ones the manager would have chosen. It also means giving them the freedom to make mistakes and to learn from their mistakes. Mistakes are not an excuse to stop delegating, but rather an opportunity to offer training and support. A second prerequisite for delegation is open communication between managers and employees. Managers who know the capabilities of their employees can more realistically decide which tasks can be delegated to whom. In turn, employees who are encouraged to use their abilities and who feel their managers will back theme up are more likely to accept responsibility. The third prerequisite for delegation is the manager's ability to analyze such factors as the organization's goals, the task's requirements, and the employee's capabilities.

Tasks of Effective Delegation

The following tasks are important for effective delegation.

(a) Decide which tasks can be delegated. Many items can and should be delegated. Some of these are minor decisions and recurring chores. However, unusually demanding and challenging assignments may often be delegated to employees and will do much to develop them. Nordstrom managers clearly organize this way.

(b) Decide who should get the assignment. Who has available time? Does the job require special competence? For whom would it be an appropriate and useful developmental experience? Managers ask these questions when deciding which of their people should get the assignment.

(c) Provide sufficient resources for carrying out the delegated task. All the delegated authority in the world will not help the recipient, if he or she cannot have the financial, staff or time resources necessary to do the job.

(d) Delegate the assignment. In delegating the assignment, effective managers provide all relevant information on the task. As far as possible they specify the results expected, not the methods to be used. Further, they cultivate a climate of free and open communication between themselves and the person to whom they have delegated the task.

(e) Be prepared to run interference, if necessary. Delegated tasks can get bogged down if resources are insufficient or if the person delegated to do the task runs up against resistance from others. Sometimes this happens because other kinds of power are at work. We can readily imagine a case where a transfer of reward power causes some third party to complain or try to "go around" the person who was delegated the task.

11.10 Guidelines for Effective Delegation

The practice of delegation challenges managers and employees alike to pay close attention to the terms of their working relationships. Delegation will have a better chance of succeeding, for all parties concerned, if they work to build trust in each other. Here is one more situation where ethics comes to bear in day-to-day organizational activities.

Effective delegation denotes distribution of authority at various points of the organization so that managers can take actions according to their responsibility. Responsibility for adequate delegation of

authority lies mostly with superiors, particularly with top management. In order to make delegation effective, actions should be taken in all these directions. Following are some measures which help in making delegation more effective.

- **Making the Potential Delegator Feel Secure :** Typically the non-delegator is a hard worker, fully competent, but he may feel insecure in his job. This is partially the reason why he surrounds himself with less competent people or in any event those who lack the courage to challenge him. He wants to continue as the unchallenged superior and to be looked upon as a necessary man in the organization team. Therefore, there is a need for creating a feeling for security for him. A number of things can be done for this. First, it should be made very clear that his job and position is secure so long he continues to contribute to the organization. Second, his contributions for the organization are not being questioned and attempts are to make him even more effective manager. Third, some apparent status symbols like office and other facilities can be granted to him. Granting such privilege reflects in part a manager's appraisal through outward manifestations of his subordinate management members.

- **Creating Awareness for Need of Delegation :** Many managers are not fully aware about the need for adequate delegation of authority. They do not realize that hey should do only what their subordinates cannot do. In this way, they can multiply themselves and their efforts. This happens especially in the case of those managers who come from operative level and continue to make decisions which their subordinates can do. Through proper education and training, such managers can be convinced about the need for better delegation.

- **Determining Decisions and Tasks to be Delegated :** Delegation is adversely affected because there is no clarity about what is to be delegated. A simple and direct means for solving this problem is to list for the delegator all types of decisions and tasks that must be performed and then rate each one in terms of (i) its relative importance to the total organization and (ii) the time required to perform. This information will serve to determine what types of decisions and tasks should be delegated. Usually those decisions and tasks that are relatively less important and more time-consuming should be delegated.

- **Establishing Conducive Organizational Climate :** An organizational climate free from n fear and frustration goes a long way in determining the success of organizational processes including delegation of authority. Organizational climate is essentially psychological and social in character. In conducive organizational climate, managers feel confident that delegation of authority will be rewarded and not penalized. Further delegation of authority should have the support of top-level management. It should be reflected in adequate delegation from top level and also in such things as a reasonable and satisfactory compensation, an impartial appraisal of a manager's work and continuous management development.

- **Choosing the Delegant Wisely :** Among unfortunate things that can happen with poor subordinates is that work does not get done. When the results do not appear, the delegator is accountable to his superior in turn. This requires that the delegator must make a careful selection of the person to whom the work is delegated. He must be sure that the man is able to carry the degree of responsibility and effort contemplated in the assignment. Apart from selection, the delegants have to be properly trained an d oriented to certain work because many times, superiors concerned may not have authority to select their own subordinates. Further, the superior should not delegate beyond the capacity of his subordinates.

- **Tying Delegation with Planning :** A pitfall in delegation is that sometimes it is undertaken without consideration of what is to be achieved by delegation. To delegate without knowing and keeping in mind objectives leads to chaos. Therefore, authority should never be delegated to the managers before the

objectives are clear. Authority is utilized to achieve objectives and the extensiveness of the authority should be in keeping with the type of activities performed in attaining the objectives. It is better to delegate authority for achieving specific results. Specific results and objectives for each activity can be defined when there is proper planning in the organization.

- **Delegating Authority for Whole Job :** It is better to give the delegant a chance to participate in a complete undertaking. Broad rather narrow projects serve best imagination and stimulation of ideas. Such assignments serve as an effective means of testing a man's ability to manage and of building his confidence. Frequent delegation on the same subject-matter may convey a feeling that the delegator does not want to do the job and wants to get rid o f unpleasant job through delegation. However, through the delegation for whole job, this problem can be overcome.

- **Developing Appropriate Control Techniques :** Since a delegator remains responsible even for the tasks he has delegated to his subordinates, he must ensure that his subordinates get the work done. Therefore, proper control and monitoring techniques should be developed to ascertain that delegated authority is being used properly. This does not, however, mean that control techniques interfere unnecessarily with the day-to-day functioning of the subordinates. These should be broad based and should focus attention on major deviations from the plans.

11.11 Centralization and Decentralization of Authority

Meaning

Another highly important issue in organizing is the extent to which authority is centralized, or its opposite, decentralized, in a formal organization structure. Managers make decisions about delegation continually. It is an ongoing part of the organizing process. At the same time, top managers make broad decisions about how much delegation they want to practice as a general rule throughout the organizational structure. The degree to which formal authority is delegated by managers throughout the organization runs along a continuum from decentralization to centralization. In a relatively decentralized organization, considerable authority and accountability are passed down the organizational hierarchy. In a relatively centralized organization, considerable authority and accountability remain at the top of the hierarchy. In management, centralization refers to concentration of authority and decentralization dispersion of authority. Centralization refers to the retention of control by the top management in the area of decision making. In highly centralized organization, only the top management has the right to make decisions. On the other hand, decentralization refers to the participation of employees in the decision making process. However, both these terms are used to give various connotations. These words are used in the context of administrative processes, physical and geographical location, various functions being performed, and degree of delegation of authority.

Allen has defined "Centralization is the systematic and consistent reservation of authority at central points within an organization. Decentralization applies to the systematic delegation of authority in an organization-wide context". According to Robert Kreinter, "Centralization is the relative retention of decision making authority by management to lower level employees".

11.12 Factors Influencing Degree of Centralization and Decentralization

An organization's position on the decentralization-centralization continuum dependent on the following situational variables:

- **History of an Organization :** Decentralization of authority depends on the manner in which the organization been built up over time. An organization that has been primarily built up overtime. An organization that has been primarily built by as individual's efforts tends to have a highly centralized structure. Therefore, in many industrial houses, the power to ,ake important decisions is vested with a few top level managers. In contrast, organizations that have grown through a number of mergers, amalgamations and consolidations tends to stay decentralized. This is especially true if the acquired units are making good profits. The management processes and the design of the previously independent organization may not be changed even after the merger because it may adversely affect its profit margins. Therefore, the acquired unit tends to retain a certain amount of autonomy for a considerable period of time before becoming completely centralized in its operations.

- **Availability of Competent Managers :** The degree of decentralization in an organization is influenced by the availability of competent managers. Decentralization of authority may not be possible if the managers of the organization are not talented enough, and if they cannot handle the problems of decentralized units. Moreover, competent managers have a higher need for autonomy and this can be fulfilled only in decentralized organizations. Decentralization provides a training base for managers and improves their ability to manage under various situations.

- **Size of the Organization :** The size of the organization is another factor that affects decentralization. As an organization grows in size, there is an increasing tendency to decentralize its operations. In a large organization, numerous decisions have to be taken at different places. Therefore, it becomes difficult to coordinate the functions of different departments. A particular decision may require the interaction of managers at various levels. This process may be time consuming and may prove very costly for an organization. Hence, to avoid slow decision-making and to bring down the cost associated with managing a large organization, authority should be decentralized. Decentralization enables the organization to operate as a group of small independent units thus reducing the workload of managers, reducing the amount of paperwork and improving the quality of decisions.

- **Management Philosophies :**The management philosophies of top level managers have considerable influence on the extent to which authority is decentralized. In fact, decentralization is a kind of management philosophies to regulate organizational process including decision making. In many cases, op managers may see natural desire of people to create, to be free, or to have status. They may find in it a means to harness the desired freedom to economic efficiency. On the other hand, many top managers may keep authority with them not merely to gratify a desire for their status or power but because they simply cannot give up activities and authorities they enjoyed before they reached the top or before the organization expanded from a small one.

- **Geographical Dispersion :** Decentralization is effective for organizations which have operations in different locations. Top-level executives often find it impossible to keep track of the details of operations in scattered locations. In such cases, the control exercised by the top management from the headquarters may be ineffective, because they are unlikely to be aware of local conditions and problems. Therefore, such geographically diverse units can be decentralized and mangers from these units made responsible for their operations and profits.

- **Technical Complexity of Tasks :** Technology has changed rapidly over the years and there is a growing need for specialists who can understand it. Since it is impossible for the top-level management to keep track of all technological advances and handle technology-related issues, it becomes necessary

to delegate authority for carrying out technical projects to experts in the concerned fields. In such cases, organizations need to follow a decentralized approach.

- **Time Frame of Decisions :** In order to survive in a highly competitive environment, every organization has to capitalize on the available opportunities. In a decentralized organization, the authority to make decisions lies with the head of that particular unit. Therefore, decisions can be made faster. The decisions are made closer to the scene of action, and are therefore timely and accurate.

- **The Importance of a Decision :** The importance of a decision to an organization is also a crucial factor that influences the decentralization of authority. Generally, decisions which involve high risks and costs are made by the top management, while the decisions involving routine and low risk activities are delegated to the subordinates.

- **Planning and Control Procedures :** If an organization has clear objectives and a specific plan to achieve them, a superior would be willing to allow subordinates to make decisions independently. The assigning of functions such as organizing, staffing, directing and controlling to managers at different levels depends on the manner in which they have been allocated at the time of designing the organizational plans and also on the extent to which these plans have been implemented. Allocation of planning activities may be subject-wise or plan-wise. Subject-wise allocation depends on the subjects assigned to a particular level of management, whereas plan-wise allocation depends upon the type of plans formulated for a particular level of management. In organizations that have precise, clearly written policy statements defining its objectives, managers can make their own decisions keeping these in mind, without having to consult their superiors. Moreover, if managers have participated in the planning process, they can handle the functions that are derived from these plans. Thus, when lower level managers are allowed to participate in the planning process, decentralization is facilitated.

To be effective, decentralization should be supported by a well-defined system of control procedures in order to ensure that the performance at different levels in the organization is in accordance with its plans. The greater the degree of development and use of control techniques, the better is the chances for effective decentralization. In the absence of a good system of control procedures, it is difficult for the top management to compare and evaluate the effectiveness of decisions made by subordinates. In spite of these difficulties, the current trends towards decentralization have obtained momentum with advances in statistical devices, accounting controls and other techniques.

- **Decentralized Activities :** In many cases, decentralization of authority becomes necessary because there is decentralization based on other factors like economies of division of labour, the opportunities for using physical facilities at various locations and the nature of work. For example, the activities of banking, insurance and transport organizations have to be decentralized. Although this kind of decentralization may be geographic or physical in nature, it influences the decentralization of authority.

In fact, some organizations with diverse locations may form local board of directors. For example, State Bank of India operates on the basis of local board of directors with each zone having its own board of directors.

- **Rate of Change in Organization :** The rate of change in the organization also affects the degree to which authority may be decentralized. If the business of the organization is fast developing and it is facing the problems of expansion, there is more chance that authority will be decentralized because in this case,

top managers will have to share disproportionate decision making and consequently overburdened. This problem can be overcome by delegating authority at the lower levels. As against this, in old, well-established, or slow-moving organizations, there is a natural tendency to centralize authority because few major decisions are made and, in most cases, decisions are programmed requiring insignificant amount of analysis and time.

- **Views of Subordinates :** The willingness of subordinates to take on additional responsibilities is another factor that affects the degree of decentralization. If the subordinates are dynamic and well trained, they will accept any authority delegated to them and take on the responsibility of achieving stated goals. Such subordinates strive to make best use of their abilities in order to achieve the goals. But, if the subordinates are not willing to take up additional responsibilities and prefer to evade responsibility, they may perceive delegation of authority and decentralization as a threat.

- **Environmental Influences :** Besides the factors mentioned above, all of which are internal to the organization, there are environmental factors also that affect the degree of decentralization. Government regulation of private business is the most important factor which affects the extent of decentralization. For instance, organizations whose pricing mechanisms are decided by the Government, e.g. fertilizers, cement, etc. do not require managers to spend much time in determining the price structure. In such a case, this function cannot be decentralized as even the top management does not have authority over it.

Decentralization is suitable for firms that operate in uncertain conditions, as decentralized firms tend to be flexible and adaptive. Thus, organizations characterized by fast growth in a dynamic environment need greater decentralization. For example, electronics and software firms need to decentralize their businesses because they operate in a rapidly changing industry which requires them to take speedy and timely decisions. The degree of decentralization is also affected by the rate of change in the organization. If the organization operates in a rapidly developing and expanding industry, it is better to follow a decentralized approach because managers are overburdened with decision-making responsibilities. By allowing lower-level managers to make some decisions, this problem can be solved.

- Advantages of Decentralization

- Decisions can be taken by lower level managers.
- Facilitates fast decision making.
- Decisions and strategies can be quickly adapted to the competitive environment.
- Provides autonomy to employees increases their self-confidence and thus enhances their motivation levels.
- Highly effective in large and complex organizations where it is difficult for top management situated in the headquarters to study the local conditions and take appropriate decisions.
- Frees the top management from decisions related to day-to-day operations and allows them to concentrate on strategic issues.

- Disadvantages of Decentralization

- Coordination of decentralized units poses a serious challenge to top management. Policies may not be applied uniformly across all the units and this may lead to employee de-motivation.
- Differences in opinions of top management and unit heads can often lead to conflicts. Competition between various units may be very severe, they may develop hostility toward each other making it difficult to reap benefits such as resource and knowledge sharing.

- Economies of scale may not be realized as each unit tries to be independent. The success of a unit will depend on the efficiency and capability of its head.

- Balance - the Key to Decentralization

What is in the interest of organization centralization or decentralization? There is no simple answer to the question whether centralization or decentralization is the preferable option for an organization. Decentralization is not a panacea for all problems, and centralization is not necessarily bad. Although decentralization is strongly favored these days, extensive decentralization should not be undertaken without understanding its implications fully. The major problem caused by decentralizing an organization is loss of control. It is not advisable for an organization to decentralize to such an extent that organizational goals are forgotten and the existence of the organization as a unified entity is threatened. Therefore, an organization should strike a balance between centralization and decentralization. It should opt for centralization in certain major policy areas at the top level such as financing, overall profit goals and budgeting, new product programs, basic personnel policies, development and, compensation of managerial personnel, major marketing strategies, etc. The organization can also decide to decentralize routine and monotonous tasks that subordinates at the lower level can carry out without much guidance from superiors. This would enable managers to focus their attention on strategic and important issues. Decentralization results in high costs for the organization and therefore, an organization should ensure that the benefits of decentralization outweigh the costs.

Activity D:

1. Choose any service organization and discuss how the principles of centralization and decentralization are followed by them in order to get real benefits of centralization and decentralization.

11.13 Span of Management

Meaning of Span of Management

The workload of executives increases with the organizations growing in terms of size and geographical coverage. In order to cope up with increasing workload, managers should delegate routine activities to their subordinates. Delegation of such activities would leave managers free to handle key strategic issues. The number of subordinates a manager has to supervise has a direct bearing on the degree to which managers can interact with and supervise subordinates. The span of control refers to the number o subordinates a superior can supervise efficiently and effectively. According to Kathryn M. Bartol and David C. Martin, "The span of management or span of control is the number of subordinates who report directly to a specific manager."

The principle of spin of management states that there is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend on the impact of underlying factors." One important thing is to be noted is that who have to work with each other and report to a manager. What counts are the number of relationships rather than the number of persons?

The span of control is a very important principle that emphasizes the need for coordination among the subordinates working under a particular manager. The question therefore arises: how many people can a manager supervise effectively?

According to the British consultant, Lyndall Urwick, the ideal number of subordinates for a higher

level executive should be four while the number of subordinates for an executive at the lower level may be eight or twelve. Others are of the view that a manager can manage twenty to thirty subordinates. A survey of 100 large companies carried out by the American Management Association showed that the number of executives reporting to the presidents varied from one to twenty four; only twenty-six presidents had six or fewer subordinates; the average number of executives under a manager was nine. Another study of forty-one smaller organizations revealed that twenty-five of the presidents had seven or more subordinates and the most common number of subordinates was eight. None of these studies indicated the actual span of control. One reason is that the studies were carried out to know the span of control at or near the highest level of an organization. The results, therefore, may not be applicable for different levels of the organization. Many organizations may have a narrower span at the middle and a comparatively wider span at the top level. Another reason is that successful organizations have a varying span of management. They arrived at the best span of control through trial and error. So, it is best to decide the span of management, according to the prevailing situation within the organization.

The span of management has a direct effect on the number of hierarchical levels in an organization. A tall structure comprises many hierarchical levels with narrow spans of control. Having many levels within an organization has some disadvantages. Firstly, as the number of levels increase, the effort and expenditure involved in managing them also increases. Extra costs are incurred on hiring additional managers and staff for their assistance, and for coordinating departmental activities. These costs are referred to as overheads and are a burden to the organization. Thus, having a large number of levels is an expensive affair.

The second disadvantage of a tall structure is that communication gets unduly complicated. It is much more difficult to communicate the objectives, policies, plans and procedures in organizations with a tall structure as compared to the organizations with a flat structure. This is because of omission and misinterpretation of messages while they are being transmitted from one level to the other levels of the organization. The presence of a number of levels dilutes the information as it passes from the source to the receiver. Thus different levels sometimes act as 'communication filters.' Finally, in an organization with a tall structure, numerous departments and levels make the planning and controlling tasks complicated. A plan made at the top level may appear to be definite and complete, but as the plan is subdivided at lower levels, it may lose its clarity. The controlling task also becomes difficult due to additional levels and managers.

A flat structure has a wide span of control and fewer hierarchical levels. In a flat structure, tasks are highly inter-related. As a result, control and coordination are negatively affected. Nowadays, the span of management is primarily decided by the environment in which the subordinates are being supervised. Some of the factors that determine an organization's span of control are the amount of time spent by the supervisor with his or her subordinates, the flow of communication in the organization, the capability of the supervisor, etc. A poor span poses problems such as

(i) over-supervision,
(ii) delay in decisions,
(iii) problems in communication,
(iv) decreased levels of initiative and morale,
(v) less opportunity for responsibility and development, and
(vi) higher costs.

V.A.Graicunas is one of the early management writers put an effort to analyze the increase in the number of interactions and relationships by increasing the number of subordinates under a particular manager. According to his view a manager should not only consider direct one-to-one relationships with his or her subordinates but should also recognize the importance of cross-relationships among the subordinates and interactions between groups of two or more subordinates. For instance, a manager who supervises three people under him interacts with them at three levels: firstly with each person as an individual. Secondly with all three subordinates as a group and with three different groups of two employees each. The number of possible interactions and relationships can be determined by the formula:

$$R = n (2^{n-1} + n-1)$$

where,

R = relationships

n = number of subordinates

If there are two subordinates working under a manager, the number of possible interactions and relationships will be six.

$$R = 2(2^{2-1} + 2-1)$$
$$= 2(2+1)$$
$$= 2x3$$
$$= 6$$

Likewise, if the number of subordinates is 10, the manager may have approximately 5,210 interactions. Although Graicunas' formula does not help in determining the optimum span of management, it demonstrates how complex a work group becomes as the number of members increases.

11.14 Factors Determining an Effective Span

The principle of the span of management states that there is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend on the impact of underlying factors. Personal capabilities like quick comprehension, ability to command loyalty and respect from subordinates and good interpersonal skills are important to determine the span of management. However, the most important factor for determining an effective span of management is the manager's ability to reduce the time he or she spends with subordinates. This depends on the competence of the manager and nature of the task to be completed. The frequency of superior-subordinate contacts, and therefore, the span of management is also affected by other factors which are described below.

- **Trained Subordinates :** Well-trained subordinates perform their tasks efficiently without requiring much guidance from their superior. Thus, well-trained subordinates reduce the number of contacts needed and save the manager's time. For such employees, the manager only needs to provide broad guidelines for a particular task and he can therefore manage a large number of subordinates. New and complex industries face problems while designing training programs because rapid technological changes necessitate frequent modification in the training programs in order to update the workers. For example, managers in the textile industry tend to be more completely trained than their counterparts in the aerospace industry. This is because technological changes are faster in the aerospace industry in comparison to the textile industry.

- **Clarity of Delegation of Authority :** The main reason why a manager is overburdened with time-consuming contacts with subordinates is because tasks have not been organized properly and delegation of authority is not clear. A well-trained subordinate can perform a task without taking much of the manager's time, provided the manager delegates authority clearly. On the other hand, if the task is not clearly defined or if the subordinate does not have sufficient authority to perform the task, the manager may have to spend a considerable time supervising the subordinate's efforts.

- **Clarity of Plans :** Much of what a subordinate is expected to do depend on the plans that are to be implemented. Therefore, plans should be well-defined, workable, and the authority required to implement them should be appropriately delegated. This will enable the subordinate to clearly understand what is expected of him or her. This will save the superior's time and allow him to implement the plan efficiently. This is generally the case with managers responsible for supervising repetitive operations. A production supervisor in a large cloth manufacturers unit may thus, be able to oversee the working of as many as thirty subordinates.

However, if the plans are not properly understood, and the subordinates have to draw up their own plans, they may need more supervision and guidance. The superior, therefore, has to frame clear-cut policies to guide decision-making by subordinates and should ensure that these are consistent with the department's goals and operations. The supervisor should also ensure that these policies are understood by the subordinates. This helps to reduce the time taken up by superior-subordinate contacts.

- **Use of Objective Standards :**

Managers should get adequate feedback from their subordinates to find out if the subordinates have understood the plans and are following them. This feedback may be obtained either by personal observation or through objective standards. Well-designed objective standards show if there has been any deviation from the plans. They help a manager avoid time-consuming contacts and pay attention to those aspects that are very important for the successful implementation of plans.

- **Rate of Change :** Changes occur more rapidly in certain organizations than in others. The rate at which change takes place in an organization determines the degree to which policies can be formulated as well as the stability that can be achieved in the policies of the concerned organization. This factor (rate of change) explains the organization structure present in companies having a wide span of management (e.g., railroad, banking and public utility companies) in contrast to those that have a narrow span of management.

- **Techniques of Communication :** The span of management is also influenced by the effectiveness of the communication techniques used. If managers had to convey every plan, instruction and order personally to subordinates, they would have no time to do their own work. Therefore, some managers use administrative staff or assistants to communicate with key subordinates. To speed up the decision-making process, a superior may also ask for written recommendations from subordinates. Some top managers manage a wide span of control by asking for a summarized presentation of all recommendations.

The number of subordinates under a manager can be increased if the manager is able to communicate plans and instructions in a clear and concise manner. A superior who can express himself well would make a subordinate's job easier by eliminating the need for the subordinate to seek further clarifications. But if lie is not able to do so, the subordinate may seek more meetings with the superior to clear his or her doubts. As a result, the manager may spend it disproportionate amount of tune with the

subordinate. Recent technological advances have made it possible to get tasks done with fewer subordinates. Most modern offices are equipped with fax, teleconferencing Internet and networking facilities. These modes of communication help save the manager's time and enhance his span of control.

- **Personal Contact Needed :** In many situations, face-to-face meetings are essential. This is because such situations cannot be handled only through written reports, planning documents, memoranda, policy statements and the like. Delicate situations can be properly handled only through face-to-face meetings. This type of contact helps clarify the doubts of subordinates, encourages them to share their ideas with their superiors, and boosts their morale. Personal interaction between the manager and subordinates is essential when a subordinate's performance has to be appraised, when a problem has to be communicated, or when the opinion of subordinates about a particular issue is sought. Personnel matters such as grievance procedures, performance appraisals and such require the superior to spend time on one-to-one interactions with subordinates. Thus, they reduce the traditional span of the manager by not leaving him with enough time to supervise more number of subordinates. Many organizations fail to consider the effect that such tasks will have on a manager's time. As a result, many-a-time, managers are overburdened and have to manage spans beyond their capacity. Hence, it is essential that organizations consider these factors when deciding on the span of management.

- **Organizational Levels :** Research has revealed that the size of an effective span varies with the organization level. In a major study, researchers developed and tested a model taking organization level as one of the variables. They concluded that the degree of specialization of individuals (i.e., a person's level of specialization) was the most prominent factor affecting the span of control. This study showed that routinness of operations seemed to have hardly any affect on the span of management at any level; the number of subordinates had little affect on the span of management at the lower levels, but it had a positive affect at the middle levels, and supervision of a greater number of specialties narrowed the spans at the middle and lower levels but increased them at the top level. The reason for the widened span of managers at the top level was the additional responsibilities these managers had to shoulder, like serving as the organization's interface with the external environment, dealing with important policy matters, and carrying out strategic planning for the organization.

- **Use of Staff Assistance :** Managers can manage a larger number of subordinates by delegating a certain amount of work to staff assistants, who gather information and communicate orders and instructions to the subordinates. This process enables managers to save time and allows them to widen their span of control.

- **Supervision by Others :** Subordinates are often supervised by people other than their immediate superior. This trend is increasingly gaining importance as it reduces the burden on the immediate superior and helps increase the superior's span of control.

- **Other Factors :** There are many other factors that influence the span of management. Some of them are given below:

  · The more competent a manager, the larger the number of subordinates that he can manage.
  · Complex tasks comprise a variety of activities and require close supervision while simple tasks need lesser supervision, and hence, allow a wider span of management.
  · The willingness of subordinates to shoulder responsibility and take reasonable risks facilitates a wide span of control.
  · If the manager has mature subordinates, he may delegate more authority and thus widen the span of management.

An analysis of the various factors that influence the span of management highlights the fact that there are several variables that determine the number of subordinates that can be managed by a superior. The span should be decided by taking into consideration the various factors in the organization. The span may vary at different levels and in different functions of the same organization.

Activity E:

1. Draw the chart of structure of organization of your choice and discuss the benefits enjoy by the organization by having different span of control at different levels of organization.

11.15 Summary

Although the term authority has various connotations, in the organizational context authority is defined as the power to make decisions which guide the actions of others. Power, on the other hand, is the ability of individuals to influence the beliefs and actions of others. Various authority relationships exist in an organization, many of which are related line and staff functions. Line functions are those which are directly responsible for accomplishing the objectives of the enterprise, while staff functions are advisory in nature. The main staff functions are investigation, research and giving advice to line managers on how to accomplish tasks. Functional authority involves conferring rights upon individuals or departments to control the processes and practices pertaining to personnel in other departments. Instead of making recommendations to the line managers or superiors, functional authority allows staff personnel to issue instructions to line managers directly.

Organizations differ from each other in the amount of authority given to the lower level employees regarding decision-making. Centralization is the retention of decision-making authority with the top management, whereas decentralization is granting of decision-making powers to the lower-level employees. It is not possible for an organization to be either completely centralized or completely decentralized. An organization can either follow a centralized or decentralized approach depending upon the manner in which it has grown over time, its size, the technical complexity of its tasks and the geographical dispersion of its business operations. Apart from these other factors like time frame of decisions, importance of a decision to the organization, the planning and control procedures used and influence of various, environmental factors determine the level of decentralization in an organization. Moreover, decentralization is facilitated if competent and experienced managers are, present in the organization and subordinates are willing to take on additional responsibilities.

Delegation of authority refers to a manager granting the right to a subordinate to make decisions or use his discretion in judging certain issues. The amount of authority delegated depends on the delegator and the delegant, as well as organizational factors. The delegation of authority may not be effective if a superior does not like to delegate, if he is afraid of his subordinates' advancement, if he fears that his shortcomings may be exposed or if he has a negative attitude towards his subordinates. Also, if delegant is afraid of criticism, lacks information and resources, lacks self-confidence and if rewards and incentives are not attractive enough, the delegant may not be willing to take on additional responsibility. It is always important to strike a balance between centralized and decentralized functions in an organization. Major policy areas like finance, new product programs, marketing strategies, etc. should be centralized, whereas routine and monotonous tasks which do not need much guidance from superiors, can be decentralized. Since the costs of decentralization are high, the potential benefits must be high enough to justify the costs involved.

The span of management refers to the number of subordinates who report directly to a specific manager. According to Graicunas, what counts is the number of relationships among those who report to a manager, not the number of people who report to him. Span of management have a direct affect on the number of hierarchical levels in an organization. A tall structure consists of many hierarchical levels with narrow spans of control, whereas a flat structure contains fewer hierarchical levels.

11.16 Self Assessment Questions

1. What is authority and power? Why do people accept authority? How does power differ from authority?
2. Discuss the meaning of authority, responsibility and accountability and explain the statement 'manager can delegate authority and not responsibility'.
3. Define the term delegation and discuss the factors affecting delegation of authority in business organization.
4. Differentiate between delegation and decentralization of authority and explain how decentralization be made more effective.
5. Distinguish between line and staff functions giving reasons for distinguishing their roles in business organization.
6. List out and discuss advantages of delegation, why managers hesitate to delegate, and the guidelines that can help them to delegate effectively.

   The degree of decentralization often varies from department to department in the same organization, why this happen?
7. Cite two situations where centralization would be more effective the decentralization.
8. Write Short Notes on following;

   (a) Authority, Responsibility and Accountability
   (b) Authority versus Power
   (c) Line, Staff and Functional Authority
   (d) Line, Staff and Functional Authority
   (e) Elements of Delegation of Authority
   (f) Principles of Delegation of Authority
   (g) Guidelines for Effective Delegation
   (h) Factors Influencing Degree of Centralization and Decentralization
   (i) Span of Management
   (j) Factors Determining an Effective Span

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Unit - 12 Directing

Structure of the Unit

12.0 Objectives
12.1 Introduction
12.2 Meaning and Features of Direction
12.3 Nature of Direction
12.4 Importance of Direction
12.5 Principles of Direction
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12.7 Requirements Of Effective Direction
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12.9 Components / Techniques Of Direction
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12.0 Objectives

After Completing this unit you will be able to:

- Understand the meaning of the term directing,
- Discuss the concept, nature, and importance of directing,
- Explain the principles of directing,
- Recognize the importance of techniques/components of directing.

12.1 Introduction

Before the development of management theory, entrepreneurs viewed employees as inputs that were to be used until worn out at and then replaced; lazy, self-centered, who would work only when required to do so. It is the people in firms who turn the plans and the organizing into reality. Unhappy, unmotivated workers can make best plans and organizing fail. The function of dealing with workers is called directing. Successful management of human resources begins with proper motivational environment in which workers and managers will be efficient. Directing refers to how to supervise and motivate people to do their best and considering factors that make workers happy and productive. Given right environments, workers would take initiative, responsibility, and set high quality and quantity standards for themselves leading to high profits.

As the direction deals with human relations it represents one of the essential functions of management. Direction function is initiated once the organizational plans have been laid down, appropriate structure is being designed, and competent people brought in to fill various positions in organization. Direction is the managerial function of guiding, motivating, leading and supervising the subordinates to accomplish desired objectives.

Only acquiring physical and human assets and suitably placing them will not suffice; what is more important is that people must be directed toward organizational goals. Employees become stationary, uninterested and ineffective and consequently the resources, physical assets like machinery and plant will

be put to ineffective use without proper direction and supervision.

Direction initiates organizer's action and therefore considered as an important managerial function that connect and activate link between various functions of management. Direction mobilizes and synthesizes human resources and efforts to accomplish the goals of the organization. To direct the efforts of employees is a manager's most important job as it is the heart of management-in-action and it provides necessary guidance and inspiration to people at work in order to carry out their assigned duties. Direction is the continuous function and essence of operations. A manager never ceases to direct, guide, teach, watch, and supervise his subordinate employees.

12.2 Meaning and Features of Direction

Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing have got no importance if direction function does not take place.

Direction means issuance of orders and leading and motivating subordinates as they go about executing orders. Without the issuance of orders, without leading and motivating subordinates, nothing, or at best very little, can be accomplished.

According to Haimann, Directing consists of the process and techniques utilised in issuing instructions and making certain that operations are carried on as originally planned.

According to Koontz and O'Donnell, Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives

According to Dale, Direction is telling people what to do and seeing that they do it to the best of their ability. It is through directing that managers get the work done through people. It consists of (1) Communication i.e. issuing orders and instructions by a superior to his subordinates (2) Leadership i.e. guiding, advising and helping subordinates in the proper methods of work (3) Motivation i.e. motivating them to achieve goals by providing incentives, good working environment, etc. (4) Supervision i.e. supervising subordinates to ensure compliance with plans.

Thus, the function of direction breaks down into two major activities of giving orders to employees, and leading and motivating them. Thus, the scope of direction is very wide. It includes all those activities which a manager undertakes to influence the actions of his subordinates and achieve goals.

Directing is the final action of a manager in getting others to effect all preparations toward completion. How excellent are the results that manager get from their subordinates? These results must meet three objectives i.e. (a) Output or production - Manager will require your subordinates to turn out a certain amount of work per day, per week, or per month. It will be expected that this will be done on time, and therefore will meet delivery schedules and project deadlines. (b) Quality and workmanship - This means minimal or zero product defects, service errors or customer complaints. (d) Costs and budget control - Output and quality of work are always restricted by the amount of money the management allows to be spent to carry them out. The order in which activities are directed depends upon the manager's own personal traits and the situations involved in direction. A manager will be involved in various situations calling for different approaches in directing subordinates. If, for example, subordinates are unskilled and require detailed instructions, the manager may train them. In research activity, an

indulgent and advisory approach may be expedient.

Features/Characteristics of Direction: Direction is the process of guiding, inspiring, supervising and commanding subordinates towards the accomplishment of goals and has the following features:

- **Direction is Intermediary between Managerial functions:** Direction as the function of management followed after planning, organizing and staffing functions. Direction lends meaning to managerial functions by ensuring accomplishment of goals. The individual goals and organizational goals would never intermesh without direction because directions act as an important link between different functions in an organization.
- **Pervasive at all Levels:** Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates Managers at all levels of an organization perform direction function to make their employee to work in accordance with goals of organisation. Though, the time spent by higher levels of authority on activities related with directing is less every manager is expected to supervise, motivate, lead and communicate with his subordinates to get the results.
- **Direction Concerned with the People:** Direction deals with people as it is the process of inspiring people to achieve goals; it seeks to create harmonious relationships between people. But in reality this is not an easy affair because people are not primarily interested in enterprise objectives; rather they have their own objectives. Directing is, therefore, a complex function as managers have to deal with people having diverse goals.
- **Translate Efforts in Desired Performance:** Things happen in reality in favour of organisastion through direction as it translates plans into action; makes people goal-oriented. In order to obtain desired results, managers issue the orders; supervise the performance of subordinates, and also try to integrate effort at various levels. This enables the manager in securing desired performance at minimum cost.
- **Direction is Continuous and Dynamic Activity:** For managers Direction is a dynamic and continuing activity as it continuous throughout the life of organization. This is because whenever plans change, the techniques of direction also change and manager has to suitably modify the techniques of direction in order to keep pace with changing times. Further, direction is an ongoing activity of managers as manager needs to express, steer, teach, motivate and pilot his sub-ordinates on a continuous basis..
- **Human Factor:** Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, therefore, direction function becomes important.
- **Creative Activity:** Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
- **Executive Function:** Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise; a subordinate receives instructions from his superior only.
- **Delegate Function:** Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

12.3 Nature of Direction

The function of directing enters the process of management at the stage of implementation. Direction involves getting others involved in the working of the organisation. The execution of plans is achieved through directing. It is through directing the managers can get the work done through the efforts of people. Nature of direction function is discussed below.

(a) **Pervasive in Nature:** Directing is pervasive in nature as the direction is given to subordinates by superiors at every level. Each and every manager at all the levels in the organisation needs to provide guidance and inspiration to their subordinates.

(b) **Directing is Continuous in Nature:** Directing is a continuous function throughout the life of the organisation. Managers needs to support, guide, motivate, and supervise their subordinates continuously.

(c) **Related to Human Factor:** Directing is related to human factor in an organisation as managers are involved in guiding the efforts of human beings. It is a very difficult function as dealing with getting things done from is conditioned by complex forces related with human being.

(d) **Directing is Creative in Nature:** Managers are concerned with translating plans in to action through directing function in order to achieve organizational goals. People in the organisation have to use their creative talent for implementation of plans and policies of the organisation. Without directing people remain inactive and physical resources remain unutilized.

(e) **Directing is a Executive Function:** A subordinate is to be directed by his superior for execution of plans and policies of the organisation. It facilitates the execution of organizational plans so that desired results will be achieved with best utilization of scare resources of the organisation.

(f) **Directing Function Initiated from Top Level:** Every subordinate is directed by his own superior. The directing function begins at the top level and follows to the bottom through the hierarchy. It is performed by all the levels of management.

(g) **Directing Function has Dual Objective:** on the one hand directing aims at getting things done by subordinates and on the other hand, it provides opportunity to superiors for learning some important wok assignment. The manager's job is not only to see that the work is accomplished and proper direction is provided but, he also needs to ensure that the problems being faced by subordinates are solved.

12.4 Importance of Direction

Planning, organizing and staffing are preparatory functions and directing is a vital managerial function as the managers get things done through direction. Hence, direction is also called management-in-action. The importance of directing function in the process of management is discussed as follows.

- **Direction Function Commences Action in Organization:** Directions is the function which is the starting point of the work performance of subordinates. It is from this function the action takes place, subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial. It is through direction, managers seek to achieve goals as direction lends meaning to other managerial functions such as planning, organizing and staffing. Along with these functions, managers must initiate action by issuing instructions, providing guidance, supervising work, and motivating subordinates to realize goals. In most cases, systematic planning, sound organization and staffing do not ensure accomplishment of goals. Without direction, other functions of management remain ineffective. Direction makes things happen.

- **Ensure Integration:** Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and integrated with others. This can be done through persuasive leadership and effective communication. Integration of efforts bring effectiveness and stability in a concern. Harmony and cooperation among the members of groups of

organisation ensured by directing functions of management. In an organization, as the total work is performed by different people at different levels there is a need to supervise their work by managers in a proper way to ensure that things do not deviate desired direction. Direction tries to integrate the efforts of individuals in a proper way by securing the whole-hearted cooperation of people at all levels through good communication, -people-oriented supervision and motivation.

- **Ensure Superior Performance through Motivating People:** A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non – monetary, which serves as a "Morale booster" to the subordinates Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth. Superior performance of employees is ensured by proper direction to them. To this end motivational effort through attractive incentives, healthy work climate, guidance and counseling, etc., are provided to employees. Employees are made to realise that their performance alone guarantees organisation's success. If employee does not contribute in a real way through their performance, there is no future of employee as well as organisation. This ultimately helps in getting superior performance from employees. Direction, thus, makes common men do uncommon things.

- **Direction Facilitates Incorporation of Changes:** It is a human behaviour that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is directing function which is of use to meet with changes in environment, both internal as external. Necessary changes in an organisation become possible through proper direction. Direction enables an organisation to introduce changes smoothly. For example, there would be resistance by employees for introduction of computers and robots in manufacturing operations, fearing loss of employment. Managers can remove such resistance and doubts by giving proper direction which emphasis on the fact that automation and computerization will ultimately help the organisation to achieve growth and, thereby, provide attractive incentives to employees. Manager can introduce changes in a smooth way through persuasive leadership and proper communication managers can secure the cooperation of employees.

- **Manages Equilibrium and Constancy:** Through direction function of management managers are able to strike a harmonious balance between individual needs and organisational requirements. With the help of giving proper direction people are compelled to use resources judiciously and achieve steady progress and are made to work hard in an attempt to realise organisational goals and thereby earn their rewards. In the words of Dimock, "The heart of administration is the direction function which involves determining the scope, giving orders and instructions and providing dynamic leadership". It is the center around which the practice of management is build which converts plans into action. Without proper direction, people do not work to their full capacity, and goals may remain as dreams. By putting everything on the right track continuously, direction ensures stability to an organisation.

- **Efficient Utilization of Resources:** Direction function helps in clarifying the role of every subordinate towards his work. The resources can be utilized properly only when less of wastages, duplication of efforts, overlapping of performances, etc. doesn't take place. Through direction, the role of subordinates become clear as manager makes use of his supervisory, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilization of resources of men, machine, materials and money which helps in reducing costs and increasing profits.

Activity A:

1. List of various organizations conveniently accessible at near by location and based on your discussions with managers of these organizations elaborate on how best they use the function directing in getting things done and what are the major benefits they enjoy.

12.5 Principles of Direction

Important principles of direction may be summarised as follow.

(a) Principle of Harmony of Individual and Organizational Objectives: Through direction function managers are able to resolve the conflict between individual goals and organisational objectives. Amanager must seek to bring harmony and fusion between individual employees, groups, and organisation; should foster the sense of belonging to the organisation among the individuals so that they can identify themselves with the company. Contribution of subordinates to the company will be higher when both the interests are integrated. It leads to efficiency and effectiveness.

(b) Principle of Unify of Command: The basic and sound principle of direction is that the subordinates should receive orders from one and only one superior. That means there should not be two bosses or dual subordination. Dual subordination brings disorder confusion, chaos, and undermines the authority of a superior. Any violation of this principle may be disastrous to the organisation.

(c) Principle of Direct Supervision: It is almost essential for the manager concerned to have a personal touch with the subordinates and involve in face-to-face communication regarding the work-related matters as direction involves motivating the employees towards work. Direct supervision makes the subordinates happy and boosts their morale due to efforts of managers to develop informal relationships with his employees. It also ensures quick feedback of necessary information.

(d) Manager Should Ensure Appropriate Technique of Directing Employees: The technique used by managers for giving direction to their subordinates should be appropriate to the people, the task and the situation. It requires different style i.e. democratic style may work in some cases but autocratic style may produce results in certain other cases especially where subordinates are incapable of doing things on their own.

(e) Focus on Two-way Communication: Two-way communication between managers and subordinates is an important part of direction. The policies, practices and the results expected of subordinates should be explained by manager to their subordinates. Upward communication will ensure proper feedback for which the manager should actively encourage subordinates to express their views freely and fearlessly.

(f) Make the Use of Informal Groups of the Organisation: Managers should make use of informal groups to supplement, support and strengthen the formal structure. The cooperation of informal leaders will go a long way in putting the organisation in order.

(g) Emphasis on Getting Maximum Individual Contribution: Proper direction to subordinates by managers enables the organisation to get best from their subordinates. Organisation performance improves greatly when every employee gives his best to the organisation. The manager, therefore, should inspire the subordinates in such away that they contribute their maximum while realising organisational objectives.

(h) Managers Should Use Suitable Motivation Techniques: In order to improve the productivity and the quality of the commodity produced it is necessary for manager to know how to motivate and

inspire the employees so that they can develop selective motivation techniques such as money, pay status, job enrichment, etc. The job satisfaction of employees depends upon motivation techniques employed and suitable motivation techniques leads to higher job satisfaction. In order to direct properly and motivate the employees, an executive must have insight into how his personality works, how employees perceive the work environment, the attitudes of employees, etc. Understanding others and self are important as understanding self is important for understanding others; understanding others is necessary for motivating them effectively.

(i) Continuous Follow-up: Successful direction is a never-ending activity as it involves constant and continuous supervision, coaching, advice, counseling and helping the employees in their respective activities. Direction is also concerned with ensuring that people do what they are told to do. This requires continuous feedback. Feedback is essential to turn or stop or adjust the wheel of management-in-action.

12.6 Elements of Direction

The major element of the directing function of management consists of (a) Issuing orders and instructions to subordinates; (b) Follow-up of instructions; (c) Standard practice and indoctrination; (d) Explanations, and (e) Consultative direction.

(a) Principle for Giving Instructions to Employees: Instructions given to employees must be logical, absolute, and understandable. Every instruction given by the manager in the process of directing the employees must be reasonable, complete, and clear. The instructions must be in writing because it is desirable when several individuals are subject to or are directly affected by instructions. It is also desirable when an execution of the instructions will extend over a considerable period of time and the matter is of such importance that special steps to avoid the possibility of misunderstanding are needed.

(b) Strict Follow-up of Implementation of Instruction: In order to ensure that instructions are executed properly or the instructions should be countermanded orders should be followed up. Administration carelessness and indifferent approach of executive to follow-up will lead to time schedules become insignificant and will result in inefficiency in the organisation operation. Manager needs to insiston execution of instructions in order to ensure efficiency in terms of outcomes of direction given to employees.

(c) Standard Practice and Programming: Another essential part of direction is the use of standard operating procedures and customary ways of doing things which can be called as standard practice which simplifies the instruction to be given by a manager to their subordinated. In many cases misunderstanding about standard practice, unfortunately leads to inadequate direction given to subordinates. Another aspect associated with standard practice is the indoctrination means instilling in subordinates a set of beliefs and attitudes so that they look at an operating situation in a desirable way.

(d) Explanations: Issuance of instructions and order by the manager should explain clearly why the order is given.

(e) Consultative Approach before Giving Direction: Prior to giving direction in the form of orders and instructions consultative approach is desirable. It means, before an order is issued, the people responsible for executing it will be consulted about its feasibility, workability and the better ways of accomplishing the results.

(f) Follow Characteristics of Superior Orders: While issuing orders and instructions manager should keep in mind characteristics of good order which includes, (1) The order should be clear and easily

understandable; (2) It should be reasonable and attainable; (3) It must be complete in all respects leaving no doubt in the minds of subordinates as to what is expected of them; (4) It should be compatible with the overall objectives of the organisation; (5) It must indicate the time period within which it should be carried out and completed; (6) The tone of the order should be appropriate and should stimulate ready acceptance; (7) It should preferably be in writing. This helps in ensuring uniform actions everywhere; (8) All orders should follow the chain of command; (9) When issuing the order, the manager should explain the purpose behind, i.e., why it is being given, and (10) The order should be regularly followed up and incorporate suggestions given by subordinates when it is reissued.

12.7 Requirements Of Effective Direction

How to give better direction is one of the most complex functions of management. But with increase in experience of giving the direction the manger can definitely improve his efficiency in giving better direction to his subordinates. Thus, one can say that directing function can be learned and perfected only through long experience. However, some important principles or requirements of effective direction may be outlined as under.

- **Harmony of Objectives:** In order to ensure that an organisation functions with best of its efficiency and effectiveness it is necessary that the goals of its members are in complete harmony with and complementary to the goals of the organisation. But, in reality such an ideal situation seldom exists in any organisation because a manager has never expected existence of such situation. To overcome this, while giving direction the manager must take advantage of individual motivation to accomplish group goals.

In other words, he must direct the subordinates in such a way that they perceive their personal goals to be in harmony with enterprise objectives. Thus, for example, if employees are told to work hard so that the company's profits may increase, they probably will not. But if they are told to do so in their own interest (e.g., to receive additional bonus or promotion) they are more likely to work hard.

- **Unity of Command:** The principle of unity of command implies that the subordinates should receive orders and instructions from one superior only. Employees' loyalties will be divided and personal responsibility for results decreased if the violation of this principle is followed in an organisation. Violating principle of unity of command may lead to conflicting orders. Another supporting argument can be made in favour of following this principle is that the immediate boss is the only person who knows best about their subordinates, their nature and about subordinate's responses to different motivation techniques. Manager is the alone and is in the best position to select whichever directing techniques which maximise productivity in an organisation. No interference from other outside supervisor should then be permitted.

- **Maintain Direct Contact with Subordinates:** Face-to-face direct contact with his subordinates must be maintained by managers which boost the morale of employees, their willingness to give better output also increases which further boost up their loyalty and provides them with immediate feedback on how well they are doing.

- **Efficient Communication:** The important instrument of direction is communication through which the superior gives orders, allocates jobs, explains duties and ensures performance. Efficient communication is a two-way process and it not only enables the superior to know how his subordinates feel but also helps the subordinates to know how the company feels on a number of issues concerning them. The understanding is more important than the content of what is communicated. In communication, how much information is understood in a correct manner by the subordinates is extremely important than

what is said and how it is said. Provision for a proper feedback on the part of manager as a communicator will ensure effective communication in an organisation which further avoids any kind of confusion in following orders and instructions.

- **Follow-through for Ensuring Subordinates Efforts towards Desired Goal:** Communicating subordinates about what they should do is not only important but another equally important aspect is to see that they do it in the desired way. Therefore, it is necessary for managers to follow through the whole performance of his subordinates not merely to keep a check on their activities but to help them in their act, to show them where their deficiency, if any, lies and to revise their direction if it needs revision, and so on.

Activity B :

1. Take few managerial positions of selected organizations and identify which principles of direction are given more importance by managers in order to direct the efforts of their group members.

12.8 Guidelines for Managers for Giving Orders

The important devise employed by a line manager in directing his immediate subordinates is the order and instructions which can be modified by line manager as and when required. The major limitation of a staff executive is that he can give advice but does not issue the orders. For some managers it seems very simple affair to give orders and instructions and than to see that orders were obeyed but the fact is that it is surrounded by many complexities. Mary Parker Follett lays down the following principles which should be followed in giving orders:

- **Inculcating Attitude to Obey Order:** Subordinates should be trained in advance to have a positive attitude towards carrying out order given by their superiors. It means manager should inculcate attitude in advance necessary for the carrying out of an order. People are willing to obey an order only if it appeals to their habit patterns. Therefore, before giving orders, it should be considered how to form the habits which will ensure their execution.

- **Direct Communication:** For long-distance orders face-to-face suggestions are preferable.

- **Order should be Situational and not personalized:** Manager should give an order that should be depersonalized and it should be made an integral part of a given situation so that the question of someone giving and someone receiving does not come up. Depersonalized orders are away from subjectivity of person giving and receiving orders. Manager should make the subordinates to perceive the need of the hour so that the situation communicates its own message to them.

- **Order Should be Acceptable:** According to Chester Barnard there are four conditions which make an order acceptable which includes order should be clear and complete; order should be compatible with the organisational purpose; order should be compatible with the employee's personal interest; and order should be operationally feasible.

- **Focus on Written or Verbal Communication:** Communication of orders should be written or verbal. The situation in which written orders are appropriate includes when the subject is important; when many details are involved; and when there is geographical distance between the order-giver and the recipient.

- **Manager Should Follow Correct Methods:** In order to ensure compliance to his orders a

manager may follow four types of methods, which includes following.

(1) Compulsion: In this method manager compel his subordinate to do only as instructed by him otherwise an employee will be punished if he does not follow orders. The results are frustration, restriction of output, sabotage, militant unionism, etc.

(2) Paternalism: In this method manager expect his subordinates to do as per order because manager is good to them by giving a parental treatment to their subordinates. The outcome this is that the employees develop a feeling of gratitude and indebtedness toward the manager which they do not like. In general manager stick to compliance of order followed by increased rewards whereas, the paternalistic manager provides rewards first and expects the compliance to follow.

(3) Bargain: In this method the compliance to order is based on bargaining between manager and Subordinates, where subordinates are willing to peruse an order provided subordinates also get as bargained by them. The result of this method is that the manager's control is gradually reduced.

(4) Harmony of objectives: Here the focus should be to perform together to achieve individual goals in harmony with achieving oraganisational goal. This in fact is the best formula for ensuring compliance to orders.

12.9 Components / Techniques of Direction

Directing is influencing people's behavior through motivation, communication, group dynamics, leadership and discipline. The purpose of directing is to channel the behavior of all personnel to accomplish the organization's mission and objectives while simultaneously helping them accomplish their own career objectives. The four major areas can included as the components / techniques of directing function which includes (I) Motivation of subordinates (II) Effective leadership (III) Communication (IV) Supervision.

12.9.1 Motivation Component

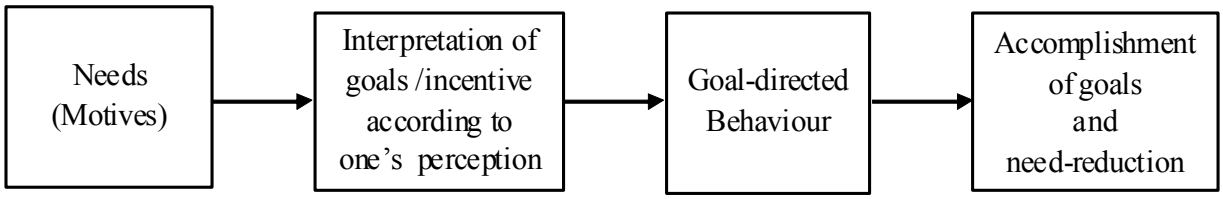
Selection, training, evaluation and discipline cannot guarantee a high level of employee performance. Motivation, the inner force that directs employee behavior, also plays an important role. Highly motivated people perform better than unmotivated people. Motivation covers up ability and skill deficiencies in employees. Such truisms about motivation leave employers wanting to be surrounded by highly motivated people but unequipped to motivate their employees. Employers and supervisors want easily applied motivation models but such models are unavailable.

Motivation probably tops the list of complex activities with which labor managers deal. Their intuition suggests an easy answer, "I want everyone around here to be motivated." They often blame employees for their lack of motivation and performance problems.

Employees on the other hand often blame any performance problems they may have on external factors - their supervisors, equipment, training, co-workers, weather, unrealistic demands made on them, pressures at home, lack of recognition etc., etc. Despite the conflicting perceptions held by employers and employees, employers must deal with employee motivation.

Motivation is a behavioural concept by which we try to understand why people behave as they do. A manager gets work done through others and if there is any one key available with managers to get work done through others, it is considered as the ability to put other people into motion, in the right direction day after day.

Motivation is- the process of channeling a person's inner drives so that he wants to accomplish the goals of the organisation. Motivation is concerned with those dynamic processes which are capable to produce a goal-directed behaviour. The individual feeling of certain needs referred to as drives or motives which initiate the goal-directed behaviour. It is only these needs give an energizing thrust to the individual toward certain goals or incentives which he perceives (rightly or wrongly) as possible satisfier of his needs. Thus, behind hunger, thirst and affiliation needs of individuals one may perceive food, water and friends as the possible satisfiers of this needs and he may be motivated to achieve these goals. So, what controls human behaviour and gives direction to it is not the goal or the incentive but the need. The goal which is external to the individual only provides him with the opportunity for satisfying his internal needs. Motivation process is shown below by means of a diagram.



Nature of Motivation: We observe an individual's actions and then interpret his observed behaviour in terms of underlying motivation. Motivation is not an easily observed phenomenon as it sometimes leaves a wide margin of error. Only our interpretation does not necessarily reveal the individual's true motivation. The following points reveal the complexities involved in understanding true motivation:

- **Motivations are not Static - it Changes:** From time to time, motivations of each individual change even though he may continue to behave in the same way. For example, a temporary worker may produce more in the beginning to become permanent. When made permanent he may continue to produce more-this time to gain promotion, and so on.

- **Individuals Differ in their Motivation**: Motivation is different for every individual in same situation and is different for same individual in different situation. Even in similar situation at different times the motivation for individual is different. It means the common viewpoint that there is only one "economic drive" which determines behaviour is untenable. The goals to which an individual aspires are many and so are his motivations. Some people are motivated by economic incentives; some are motivated by achievement oriented needs; some are motivated by status etc.

- **Motivations are Expressed Differently:** The ways in which individuals' needs are eventually translated into actions vary considerably between one individual and another. An individual with a strong security need may play it safe and avoid accepting responsibility for fear of failing and being fired. Another individual with the same security need may seek out responsibility for fear of being fired for low performance. The individuals are different even in terms of their reactions to successful or unsuccessful fulfillment of their needs. Some individuals who fail to attain their goal (say, promotion in their university by one lecturer) may become frustrated and give up trying. Others may be motivated to redouble their efforts (say, lecturer do it by writing and publishing additional scholarly articles or books).

- **Sometimes the Individual Himself is Unaware of His Motivation:** Freud is of the view that individuals are unaware of their motivation. According this view point in most of the situation every individuals are not aware about their underlying motivation. He found that in many ways man is like an

iceberg. Only a small part is conscious and visible, the rest is beneath the surface. This below-the-surface concept is unconscious motivation. The presence of this explains why man cannot always verbalize his motivation to attain certain goals or even tell what his goals are. To illustrate, one girl-worker complained about her immediate superior to her counsellor. But, later on, it was found that the reason why she disliked her immediate superior was that she had a step-father whom she feared and whose physical appearance was very much like her foreman, with the result that she had unconsciously transferred to her foreman the unfavourable characteristics of her step-father.

- **Motivation is Complex:** It is not easy task to explain and predict the behaviour of employees. The introduction of an apparently favourable motivational device may not, every time necessarily achieve the desired ends if it brings opposing motives into play.

In a factory, when blue-green lighting was introduced to reduce eye strain, the output of men workers increased but that of women workers decreased. On investigation it was found that the women workers disliked the change in lighting because they felt that the new type of lighting had made them look simply horrible.

- **Multiple Motivations Make the Choice of Goals Difficult for an Individual:** It focuses on the fact is that multiple motivations operate simultaneously to influence an individual's behaviour. There are many needs at a given time and therefore, there are examples of motivations as if they exist one at a time. Many kind of motivational incentives confuse the person to choose their goals. This is the case when person see that every motivation leads to achieve different goals.

- **Motivations are Incompatible with one Another:** Furthermore, some of these motivations are incompatible with one another. This results in the following three types of motivational conflicts which make the person's choice of goal difficult:

(i) Approach-approach conflict where the person desires to do two things which he likes equally well, but it is possible to do only one. For example, there is the person who has the choice of either remaining at his present place of posting with the present salary, or going to a new place with a hike in salary. In such situations, two different behaviours are aroused in him which block each other.

(ii) Avoidance-avoidance conflict where the person is forced to choose between two alternatives, both of which are considered equally undesirable by him. For example, there is the person who, being dissatisfied with his present job, wants to leave it but also wants to avoid unemployment.

(iii) Approach-avoidance conflict where the person is attracted to the positive characteristics of his choice, but wants to avoid its negative characteristics. For example, a person may be motivated to work overtime for extra pay but may not like to be scolded by his wife for reaching home late.

Determinants of Motivation: Today in industry there is great concern with the multi-motivational determinants of behaviour compared to concern in the past where money was regarded as the only cause of human behaviour.

The earlier approach to motivation, under which man was supposed to act only to increase his monetary rewards has now given place to a more complete pluralistic explanation which recognises that a man works to fulfill a variety of needs. It is now recognised that motivation is the result of inter-play among four groups of factors: (a) influences operating within the individual; (b) influences operating within the organisation; (c) job characteristics. and (d) influences operating in the external environment,

i.e., exogenous variables. The Individual in order to understand what motivates employees, he/she must know something of their aims, needs and values. Human needs are both numerous and complex. Some of these needs are difficult to describe and identify because people hide their real needs beneath an overlay of socially acceptable behaviour.

Organisational Climate Hawthorne experiments have shown that the climate of an organisation also plays an important part in determining worker's motivation. Like a football player who may play poorly for one team but much better for another because of the change in the context a worker also may work poorly in one organisation but much better in another because of the change in the organisational climate. Some important components of organisational climate are the extent of direct supervision and formalisation; the extent of incentives provided for higher effort and performance; the extent of expression of differences and blocking of each other; the degree of checks imposed on the members' behaviour, and so on.

The climate of an organisation is determined by a number of variables such as its leadership style, economic condition, structure, technology, characteristics of its people and so on. Job Characteristics are the attributes of the employee's tasks, and include skill variety, task identity, task significance, autonomy and feedback. According to Hackman and his associates, these characteristics determine an individual's motivation and on the job satisfaction.

So far as influence of internal and exogenous variables is concerned a worker's life is not divided into two watertight compartments, one inside the factory and the other outside of it. The two are closely bound together so that the trouble and joys of off-the-job life cannot be put aside when reporting for work in the morning, nor can factory matters be dropped when returning home after work. Culture, customs and norms, images and attributes conferred by society on particular jobs, professions and occupations, and the worker's home life-all play a strong motivational role. An individual, for example, may find that his work has a substantial degree of respect and social acceptance accorded by society quite apart from holding a position in a particular organisation.

Activity C :

1. Do you think that directing the efforts of subordinates by using appropriate motivation techniques really helps the managers in effectively managing their tasks? Discuss it with the help of a small firm accessible to you.

12.9.2 Effective Leadership Component

We recognize that Mother Teresa was one of the great religious and humanitarian leaders of the world. When we aspire to be leaders, we must learn to discern between fame and greatness. Fame is Madonna; greatness is Mother Teresa. There is a tremendous shortage of and need for truly great leaders who are trustworthy, ethical, good, and honest and who have high personal standards. The world is looking for honest and upright leaders. Effective leadership is one key element in the success of a group and virtually anyone can learn to be an effective leader. Leaders don't automatically get the respect and acceptance of their group members. In order to earn the leadership of their group and have a positive influence on the group members, leaders learn some specific skills and methods.

The success or failure of managers depends on their leadership qualities. They can be successful leaders by helping subordinates to find solutions to their problems. Managers are involved with bringing

together resources, developing strategies, organizing and controlling activities in order to achieve objectives. At the same time managers, as leaders, have to select the goals and objectives of an organisation, decide what is to be done and motivate people to do it. Leadership is that function of management which is largely involved with establishing goals and motivating people to help achieve them. A person may be an effective manager, a good planner, and an organized administrator, but lack the motivational skills of a leader.

Another may be an effective leader, skilled at inspiring enthusiasm and devotion, but lack the managerial skills to channel the energy he/she arouses in others.

Harold Koontz and Heinz Weihrich have defined leadership as the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals. Leadership is the ability to persuade others to work towards defined objectives enthusiastically. It is the human factor, which binds a group together and motivates it towards goals. Leaders help a group to attain objectives through the best use of its capabilities.

Features of Leadership: Leadership is the use of non-coercive influence to shape the group o organisation's goals, and motivate behaviour towards the achievement of those goals. Leadership is a process in which one individual exerts influence over others. Leadership involves other people, employees or followers, who by the degree of their willingness to accept direction, help to define the leader's status. Leadership involves authority and responsibility, in terms of deciding the way ahead and being held responsible for the success or failure in achieving the agreed objectives. Leadership involves an unequal distribution of power between leaders and group members. Group members are not powerless; they can and do shape group activities in a number of ways. Still, the leader will usually have more power.

Characteristics of Effective Leadership: An effective leader is crucial to any successful business, whether it is an offline or online business. There are many factors that contribute to effective leadership. These characteristics can be learnt by anyone, whether they are currently an effective leader or not, however, this is not something that you learn in school. Leadership and learning are indispensable to each other. The five crucial factors, that will have to be learned by anyone who wishes to become a great leader, includes empathy, determination, calm in adverse situation, effective communication skill, and resourceful.

Empathy is an understanding and identification with another person's feelings, situation and goals. Showing such empathy even in difficult situations will win with the staff. In the event of a conflict, a good leader will be able to empathize and balance with both sides, while being able to negotiate a good-natured solution. Leader's staff will work much better with him when leader show some empathy. An effective leader shows a stubborn determination and resolve, never hesitate in spite of obstacles. Together with a positive attitude, this can turn around an almost impossible situation, thus enabling his subordinates to see the brighter picture and carry on with the task at hand, keeping the end result in mind. Leader must be able to detach themselves from the situation and analyze it from a distance. The effective leader is calm and composed in the face of confusion and uncertainty. a leader must have excellent communication skills. He must be comfortable running meetings and making presentations. His presentation skills have to be excellent, and be able to convey accurately the essence of the subject at hand and be able to address any ambiguities before they come up. Such communication skills will have to be learned along the way to being a good leader. an effective leader has to be resourceful enough to find the resources that are needed. Not every leader will have an intimate knowledge of the subject, but he will be able to turn to the people in the know and gather any necessary resources as required.

Ways to Develop Effective Leaders: An organization's success depends on the managers' ability to inspire subordinates to perform exceedingly well. The following ways are used by most successful managers to bring out the best from their subordinates.

(a) **Use of Management by Objectives Philosophies:** For establishing specific and challenging goals an effective technique is proper use of Management by objectives. After defining challenging, specific, and clear goals, leaders provide direction to subordinates and can also help subordinates if they encounter any problems.

(b) **Allocating Meaningful and Interesting Work to Employees:** Desire for achievement is the basic requirement of leaders, and therefore, managers should provide work which is interesting and challenging, to subordinates, the subordinates should be rewarded when they perform a task well. Subordinates should be given higher responsibilities by their supervisor as subordinates gain experience and become proficient in their work.

(c) **Communication Skills Improvement should be Focused:** All the major barriers to effective communication should be removed and clear, specific and unambiguous communication should be ensured while giving orders and instructions to subordinates. The leader should not only focus on communicating effectively, but should also be a good listener so that he will be able to understand employee concerns and can address them in an appropriate manner. Another important aspect managers must take care of is feedback. They should provide necessary feedback to subordinates so that they can improve their performance.

(d) **Performance Appraisal of Subordinates through Effective Methods:** Answer to important question, how well the subordinate has performed, should be found through effective appraisal methods. The manager should determine which methods are capable to give answer about performance of subordinates, which further help in comparing the actual performance with the desired results. The appraisal should also highlight the areas of concern, and show subordinates how to improve their performance. Performance appraisal should reward and reinforce effective employee performance.

(e) **Ensure Delegation of Authority:** In order to ensure that subordinates perform their predetermined task the manager should give adequate authority and responsibility to subordinates which increases the motivation level of subordinates.

(f) **Focus on Team Building:** Superiors should make subordinates feel that they are part of a team and also ensure that each subordinate understands his/her role and responsibilities. The manager should also make the employees understand the mission of the organization, and how each subordinate contributes to the profitability of the organization.

(g) **Decision-Making Should be Based on Standard Procedures:** The manager should ensure that the decisions made have merit, and are made within a scheduled time frame and is accepted by employees. For this, the manager should establish procedures for decision-making.

Elements of Leadership: It has been observed and experienced that every group that attains its goals or performs efficiently has a skilled leader. A leader's skill comprises of four major elements: (1) the use power effectively and in a responsible manner, (2) understand the fact that people are motivated by different forces at different times and in different situations, (3) the ability to inspire and (4) the ability to behave in a manner that will develop a harmonious work culture.

Power is the control a person can exercise over others. In other words, it is the capacity to affect the behavior of others. Leaders in organizations typically rely on some or all of the five major bases of

power. The ability of a leader to understand people at a fundamental level. Understanding of motivation theories, kinds of motivational forces, and the nature of a system of motivation is not sufficient; the leader must also be able to apply this knowledge to people and situations. Leadership is the ability of a leader to inspire followers to perform a task to the best of their capacities. Although the superiors can inspire subordinates by means of various incentives, the behavior of superiors acts as a stronger motivating force. A leader's charismatic nature and personality may give rise to loyalty, devotion, and a strong desire on the part of the followers to carry out instructions. Leadership concerns with the style adopted by the leader, and the resulting influence on the work climate in the group or organization. The strength of motivation of followers is influenced by expectancies, perceived rewards, the task to be done, and other factors that are a part of the work climate in an organization.

Activity D:

1. Choose any service organization and discuss how the principles of direction will help in getting things done and what is the contribution of leadership component in directing efforts in the organisation you have chosen.

12.9.3 Communication Component

Although good communication is essential for carrying out all managerial functions, it is particularly important in the function of leading. Since approximately 70 to 80 percent of a manager's time is spent interacting with subordinates and others, the manager must possess effective communication skills. To achieve the goals of an organization, the manager must interact with his superiors, subordinates, and various external parties. The interaction between a manager and other organizational participants can be productive only if he is able to communicate effectively.

Communication plays a major role in the business organisation. It affects the relationships among family members on the management team and their relationships with employees. Although effective communication does not guarantee the success of a business, its absence usually assures problems.

Newman and Summer define communication as "an exchange of facts, ideas, opinions or emotions by two or more persons." According to Koontz and O'Donnel, communication may be understood "as the exchange of information at least between two persons with a view to create an understanding in the mind of the other, whether or not it gives rise to conflict." One can conclude that communication is the process of sending information to a receiver so that the receiver understands it and responds to it.

Significance of Communication in Organizations: No social system functions effectively without meaningful interaction between its participants and business organizations is not an exception to it as modern organizations are complex social systems. Organizational participants are linked through means of communication without which one can not expect effective management. According to some estimates, communication takes up nearly three-fourths of an active human being's life; in the case of a manager, this percentage may be even higher. Good communication is essential for the functioning of enterprises, as communication helps coordinate the various managerial functions of enterprises. Communication serves the several purposes in organizations which includes it helps to establish and disseminate the goals of an organization; it facilitates the development of plans for the achievement of goals; it helps managers to utilize manpower and other resources in the most effective and efficient way; it helps managers to select, develop, and appraise members of the organization; it helps managers to lead, direct, motivate and create a climate in which people are willing to contribute, and it facilitates control and evaluation of

performance.

Communication builds a bridge between managers and the external environment of the organization. The external environment consists mainly of customers, suppliers, stockholders, government, community and others that affect the success of the enterprise. By means of an effective communication network, a manager can understand the needs of customers, the demands of the stockholders and the expectations of the community, and be aware of the presence of quality suppliers and relevant government regulations.

Guidelines for Effective Communication: The communication can be evaluated in the light of criteria which includes clarity, adequacy, timing, integrity etc, in case any inadequacy the management should take appropriate actions to make communication effective. Beyond removal of specific barriers to communication, the following general guidelines may also help communication.

(a) **Have a positive attitude about communication -** Defensiveness interferes with effective communication and hence positive attitude while communication is necessary.

(b) **Work at improving communication skills –** the efforts to improve communication skill will add to knowledge and awareness of a person. This increased awareness of the potential for improving communication is the first step to better communication.

(c) **Evaluate communication skill –** Include communication as a skill to be evaluated along with all the other skills in each person's job description. Help other people improve their communication skills by helping them understand their communication problems.

(d) **Make communication goal oriented -** Relational goals come first and pave the way for other goals. When the sender and receiver have a good relationship, they are much more likely to accomplish their communication goals.

(e) **Approach communication as a creative process rather than simply part of the chore of working with people.** Manager should conduct experiment with communication alternatives as what works with one person may not work well with another person with same communication alternative because effectiveness of communication vary with communication channels, listening techniques and feedback techniques.

(f) **Accept the reality of miscommunication.** The best communicators fail to have perfect communication. They accept miscommunication and work to minimize its negative impacts.

(g) **Clarity about what communicator wants communicate –** There should be clarity about what communicator would like to communicate. The process of communication starts with generation of ideas meant for communication which includes opinions, attitudes, feelings, views, suggestions, orders etc. Based on this clarity about communication can be ensured by manager.

(h) **Communication is initiated by fundamental purpose –** Behind every communication there must be some basic purpose of getting behavioural response from the receiver of the communication. However, the ultimate objective may be extended further, for example, getting an order accepted by the subordinate. The efforts of communicator should be directed towards basic purpose of communication.

(i) **Concern for receiver of communication –**Only the effective way for communication is that communication needs to be sensitive towards receiver's needs, feelings, and perceptions which is called by psychologists as empathy in communication. When the sender of the message looks at the problems from receiver's point of view, much of the misunderstanding is avoided.

(j) **Use of appropriate language** – The subject-matter of communication is transmitted by encoding it into some symbols which may be in the form of words, either spoken or written, and gestures.

The language used for communication should be such which is understandable by the receiver. Technical terms and jargons should be avoided. One best way of making the communication simple is to use repetitive language with which the receiver is quite familiar.

(k) Credibility in communication – Credibility or believability is an important criterion for effective communication. The subordinates obey the order of the superior because he has demonstrated through his competence that he is trustworthy.

(l) Good listening – A communicator must be a good listener and through this he not only give chance to speak but he gathers useful information for further communication.

12.9.4 Supervision Component

Need For Supervision: Generally, supervisors deal with workers directly and are sometimes called 'frst-line managers'. There is no universally agreement about the definition of supervision. In terms of content, scope and implementation the supervisory jobs differ widely. Some supervisors have authority in limited areas only whereas some supervisors manage their departments completely, while some others, follow the orders from somebody else.

According to G.R. Terry, "Supervision is the achieving of desired results by means of the intelligent utilisation of human talents and facilitating resources in a manager that provides the greatest challenge and interest to human talents." This definition implies that supervision includes intelligent utilisation of human talents; overseeing employees at work; motivating employees to peak performance, and maintenance of good human relations.

Many employees complain about the monotony, dullness and uninteresting aspects about their jobs. In the cases where organisational jobs, do not provide any challenge to employees, the expected by products are frustration, resentment and antagonism. So there is no wonder, then that employees are somewhat hostile toward the organisation in which they are working and its leaders. It leads to lowering the morale of managers, which in turn makes it difficult to understand why employees do not take interest in their work. It further leads to one of the major contemporary puzzles for the business world i.e. how to maintain good personnel relations happens to be and in many cases a good supervisor fills the vacuum; he assists employees in doing a good job; translates the hazy management directives to workers in an understandable language; he finds better ways to achieve results; inspires good team effort and achieves the targets within a reasonable time and at a reasonable cost. Supervisor is extremely influential in motivating employees, in developing them, and in building teams which carry out specific duties. Supervisor not only helps in developing wholesome attitudes toward managerial actions, but also exercises tremendous influence in securing full support and cooperation from employees

The Skills of a Supervisor : For the purpose of performing job effectively, the supervisor must possess certain skills, and according to Prof. Robert Kahn these skills may be classified into three categories: human skills, technical skills and conceptual skills. Equal emphasis and attention to all three skills result in to effective supervision and supervisors must switch their roles continually and use required skills as per the demands of their jobs and job change. Sometimes, they may have to use their human skills, and at other times they need their technical expertise.

- Human Skill: The ability to work with and through other people and to work effectively as a group member referred to as human skill. A human skill is very important as it is concerned with working with people, perhaps, poses the greatest challenge to the supervisor. Human skill is concerned with the ability to create an atmosphere of goodwill, confidence and trust and must become a natural part of

supervisory life which is not an easy task. The supervisor in the organisation must put efforts to understand the problems of the operatives and come out with workable solutions to improve working environment, which not only solve the problem on hand but also satisfy the operatives to some extent.

The supervisor must always be objective, find out and review both sides of problems or disputes, abstain from jumping to conclusions, and solve issues fairly without playing favourites. In order to remain impartial in his dealings with management and workers supervisor must consider the human relations guidelines which may help supervisors to acquire or improve their human skill which includes: (a) before judging each group member supervisor should use his good qualities and look at the positive side of their team first; (b) before analysing the behaviour of his subordinates supervisor must analyse the behaviour of those who are above his position and are at similar position; (c) in order to bring out the best from his subordinates the supervisor must develop, remain helpful and establish constructive contacts with group members; (4) invite and promote the participation of group members in various decision processes schemes; (5) supervisor must focus to work on common motives and try to improve team work; (6) before determining what action to take supervisor must think for a problem objectively, patiently and carefully; (7) spot and figure out the key elements of each informal group and seek cooperation from subordinates; (8) supervisor should focus on giving clear-cut instructions and provide sufficient details to subordinates; (9) supervisor should realise the difficulty of introducing any change to individuals rather than to groups in an organisation; (10) while dealing with subordinates the superior should not demand rather request and explain to subordinates what level of performance is expected from them; superior should be persuasive and not coercive.

- **Technical Skill:** Technical skill can be referred to as ability to accomplish mechanics of the particular work. Technical skill is the understanding of, and proficiency in, the performance of specific tasks. The supervisor should have a thorough knowledge of the work, for which he is responsible is the basic necessity. Supervisor must be able to ensure that he has adequate staff he should distribute the work load properly among subordinates. Adequate knowledge available with supervisor about organizational systems, policies procedures, materials, various office forms, tools and equipments, and the way the results have to be achieved-enables a supervisor to be a good leader and obtain satisfactory results.

- **Conceptual Skills:** Conceptual skills can be defined as the cognitive ability to see the organisation as a whole and, the relationship among various activities and parts of the organisation. The supervisor should be able to see the total picture and able relate all of its activities. Supervisor should be able to visualise how the various functions of the organisation depend on one another and how changes in one department affect the organisation as a whole. Supervisor should be able to avoid the dangers associated with extreme specialisation and should be able to look beyond his area of specialization. The basic hallmarks of effective supervisors include ability to look at the organisation as whole; broad vision, and friendly attitude. Having good conceptual skills supervisors should be able to unify and coordinate the various components and activities of the organisation.

Roles of Supervisors : Role is concerned with the total pattern of expected behaviour of an individual. The important question is that, what is the role of a supervisor in an organisation? Does supervisor is a person who acts as an intermediary? Does supervisor is a buffer between management and workers? Is supervisor is a friend or a enemy of subordinates? The role of the supervisor in organizations has undergone a tremendous change over a period of time. In early days up to sixties and seventies, supervisors were

get pleasure from their subordinates in the form of respect, faithfulness and assistance of workers and were treated as members of the management. Now a day with the initiation of giant corporations, the complexity in the job of supervisor has increased and his job leads to lot of confusion; the supervisor now a day found busy in shuffling papers and filling out forms just like a clerk in the organisation; supervisor should expected to be the master technician of his group, and is to be an expert on tools and equipment to be used; to be a leader of people; he is expected to perform every one to perform their jobs to perfection.

The status, importance esteem of the supervisor has reduced due to such complexity and confusing jobs and has become a shock absorber between management, union and workers, supervisor continually acquire some criticism, has become highly vulnerable, he is being branded increasingly as an enemy, he is separated from their subordinates by hostility, suspicion and resentment. Supervisor is also separated from management by his lack of managerial knowledge and is expected to balance between conflicting interest of management and workers. Fairness; impartial treatment; open minded and friendly approach is expected by workers from their supervisor. On the other hand management expects the supervisor to have a complete knowledge of his work; curiosity to update constantly his job knowledge; genuine interest in his work. Supervisors are rejected by his subordinates because they consider supervisor no longer an expert rather they consider supervisor as a management person. Supervisors are rejected by management because they consider supervisor as a narrow-minded, one sided and favouring his department.

Brief discussion is made about the roles performed by supervisors over the years.

(1) Follower of Scientific Management Principles: The importance of scientific management principles should be given due consideration and appreciation by every supervisor. Every supervisor needs to appreciate the fact that there is one best way to do a job and therefore, it is the primary duty of a supervisor to study and analyse the jobs carefully and suggest appropriate work procedures and methods. Considering the scientific management approach, the supervisor is expected to assume the some roles: which includes ole of technicians, analyst, and controller. As a technician supervisor should possess a sound knowledge of the jobs entrusted to them and must be able to solve the technical problems faced by the employees. As an analyst supervisor need to understand the fact that most of the jobs in an organisation can be performed efficiently and effectively if they are performed in the right way and therefore, supervisor's job is to find out better and improved ways of performing jobs. As a controller supervisor needs ensure that work is performed as per predetermined plans and supervisor needs to provide rewards to productive workers and punishments to unproductive workers.

(2) Develop and Maintain Good Human Relations: Under the banner of scientific management approach, workers are assigned mechanical roles; supervisors are expected to perform watch dog functions and put efforts on finding out appropriate work procedures and expecting from employees to adhere to work schedules who has unfortunately produced negative results. In order to improve performance of employees' supervisor should give recognition to employees needs and ensure that these needs are met. Further, the supervisors are expected to be sensitive to employee needs and to help to integrate them with the goals of the organisation. Under the human relations approach, supervisors are expected to assume the roles of counselor; resource integrator; management of personnel; educator; managerial function; production supervisor; maintain human relation; intermediary; motivator, and trainer.

Role of Psychotherapist: Instead of creating problems the supervisors must be problem-solvers, and must try to solve problems by focusing on listening to their employee grievances and should give

sympathetic consideration to it. Whenever their employees face difficulty, supervisor should not try to focus on carving on just complaints but make an attempt to investigate thoroughly and provide a chance to workers so that workers are able to explain and defend their standing. Each and every employee Each and every employee should be a given a fair hearing for defending their views.

Managing Resources: Supervisor should ensure that his primary duty of getting things done should be accomplished at the right time and in the right way which in turn ensure best utilization of organizational resources efficiently and effectively. Supervisor as a leader of the group must be just and fair and dependable with their subordinates and connect abilities of subordinates with their available resources. As a member of management the supervisor must meet the deadlines set by management by showing best performance; by utilizing resources efficiently and effectively; by maintaining excellent personal relations, and allow employees to use their potential fully. The full ranges of supervisory responsibilities in modern organizations are related with procurement of right kind of personnel; educating and motivating employees; simplifying operations; performing managerial functions in right spirit; planning and controlling production activities; developing and utilizing human relations skills; intermediary between employees and management; motivator to satisfy needs of employees, and good trainer for improving skills of employees.

Procurement of personnel includes selecting, placement, development, evaluation, promotion of personnel and also includes handling complaints and grievances of employees. Educating and motivating includes teaching, inspiring and motivating employees. Simplifying operations includes improving methods of operations; improving follow-up activities, and eliminating wastages. Performing managerial functions in right spirit includes planning, organizing and controlling activities of the organisation. It also includes communication with employees; ability to interpret policies, procedures, rules, of the organisation. Planning and controlling production activities includes knowing the jobs; getting best production quality and quantity; controlling the flow of work, and maintain suitable conditions for work. Developing and utilizing human relations skills includes developing good interpersonal skills so that supervisor must be able to communicate the needs, problems and concerns of the employees to management. Supervisor should take personal interest in employees, willing to help employees, and willing to take responsibility. In order to exercise human relations skills, supervisors must possess a genuine interest in people and a deep desire to get along with them. Considering the occupation of the supervisory position the supervisor is a intermediary where he find it difficult to get support from management as well as subordinates. Supervisor is treated by top management as an operative function specialist and workers consider supervisor as a representative of the management. He is on the fringe of, management and employee groups, implying less than full acceptance by both. Supervisors, thus, are forced to perform a 'tight rope walk' in their daily life. The basic necessity for the supervisor is that he should possess good conceptual and interpersonal skills so that he can get acceptance from management and employees, a supervisor. As a motivator the supervisor need to satisfy needs of his employees by paying adequate attention to employee needs and appreciate the importance of fulfilling these needs while realizing organisational goals. The jobs of employees should be made more stimulating and opportunities must be provided to employees so that their mental faculties can be fully utilised. It is necessary for the supervisor to listen to employees grievances and provide a satisfactory work climate in order to extract efficient and effective performance from employees. Those employees perform well should be given recognition and should be adequately rewarded, and should also be motivated to assume additional responsibilities. As a trainer supervisor should improve the skill of their subordinates. Supervisor should make his employees aware about where thy stand and he

should be aware about the differences among employees. Supervisor should be capable of responding to each employee as an individual and assigns work fairly so that the right man is placed on the right job.

Supervisor provides necessary training and coaching to employees and makes them more productive.

(3) Functional Roles: In order to get the things done the supervisor should have a broad perspective and should use management principles so that he should be able to organise and coordinate the human and physical assets of various departments to achieve the overall goals of the organisation. According to the functional approach, a supervisor is expected to assume the following roles:

Good Planner: Supervisor should develop their subordinates so that subordinates are able to see the comprehensive picture of total organisation. Every work group in an organization must know and plan in advance what they are doing; how they are going to contribute to the success of the organisation; how they are going to perform assigned tasks effectively and efficiently. A supervisor should communicate and educate subordinates regarding the importance of achieving overall objectives of the organisation and the importance of realizing these objectives against a time schedule. A good supervisor must guide subordinates in accomplishing the goals by pointing out step by step planning and determining how to reach goal successfully.

Role of Decision-Maker: The information required to take decisions are easily available to supervisors as they have direct access to the information, by virtue of their crucial position in the organisation, on which most operational decisions are taken by them. Supervisors are most likely to be the first to identify the potential problem areas and are able to provide the necessary warning signals to their subordinates. The day-to-day problems are in front of supervisor and such exposure not only enables them to come out with appropriate solutions to such problems quickly but also help in implementing the decision and monitor performance along desired channels. Supervisors serve as a critical links between management and subordinates and make many decisions needed for the successful day-to-day functioning of organizations.

Good Organiser: A supervisor should organize the activities and resources of organisation like the conductor of a orchestra put an efforts to bring into play each of the instruments at just the right moment to produce beautiful music. Organizing requires proper relationships between people, task and resources and has to convert disorganized resources of men, machines and materials into a useful, productive structural relationship. Organizing helps supervisors in maintaining an effective manpower system for achieving established plans. This can be done by supervisors by dividing work in groups of similar activities, by properly allocating and placing it under the charge of responsible and competent individuals. In order to make subordinates more productive and efficient, the supervisor should create suitable work climate for their subordinates.

Role of Leader: Only giving orders and instructions does not make supervisor a successful leader. Employees react negatively to orders and commands issued by leaders if supervisor is not able to demonstrate good leadership qualities. Good leadership qualities can be demonstrated in terms of task oriented styles, by emphasizing on work and its components, make employees happy to reduce their frustration and resentment. The supervisor should give due weightage to feelings and concerns of workers by adopting a people-oriented style where the results are achieved by satisfying needs of subordinates.

It is a fact that supervisors perform such various roles, but such roles are taken up and performed depending upon the situation confronting the supervisor. What is important, interesting and challenging

for supervisor is, in a given situation, deciding which role will be most effective which in turn diverting attention to look at the contingency route for effective supervision. Depending on the demands of their jobs and situations, supervisors, however, must continually switch their roles. At the higher level of organisation the human and conceptual roles become relatively more important. Sometimes supervisor may have to use their human relations skills and at other times they may have to use their technical capacities.

How to Supervise Effectively?

The following recommendations for achieving effective supervision includes following.

(1) Participation of Employees should be Practiced: Employees should be permitted to express their feelings openly about organizational policies and procedures. Supervisors should allow their employees so that they should be given an opportunity to express their grievances freely and participate in decision making in an organisation. Under any circumstances supervisor should listen to their subordinates which really serve as a means to relieve tension and establish mutual support between management and employees, and also ensure commitment and loyalty of employees.

(2) Supervisor should be Aware of the Resources Available to Accomplish the Prescribed Work: The proper flow of resources should be able to manage by supervisor by striking a fine balance between human and non-human resources. Though it is not an easy to strike a balance between human and non-human resources but with the help of information that is usually found in schedules, budgets, etc of the organisation it become easy. For effective deployment of resources supervisors are accountable and therefore, it is advisable to promote participation of employees with supervisors and participation of supervisors in the top management decisions.

(3) Enforcement of Policies and Rules should be Focused: Every action of supervisor must be within well defined boundaries of supervisory action determined by policies of the organisation which guide the current and future operations of an organisation. Supervisor should take immediate corrective steps in case where rules are violated and policies are not enforced rigorously. Supervisory weakness can be identified when supervisor keep aside the issues, he by-pass the grievance cases, he overlook violations of regulations. In order to enforce policies, rules and regulations supervisor should take prompt corrective action; supervisor must be equipped with facts; he must have the ability to interpret the facts intelligently and act quickly. Such prompt action on the part of supervisor will often prevent minor problems from becoming major problems.

(4) Supervisor should understand Network of Relationship in Organization: Supervisor should find out the existing relationships inside and outside the immediate department being supervised by him. The understanding of the importance of the network of organizational relationships that exist between various departments will help in showing good performance of their team members. It helps in knowing how each department contributes to the realization of overall goals.

(5) Monitoring of Wastages of Material and Time Loss should be Focused: Supervisors should make the utilization of time wisely as it is a vital and precious possession and he should put best of his efforts so that he get the most out of their working hours. For doing things more quickly the real problem is not just scheduling, rescheduling and cutting activities, but also spending additional time in other selected areas. This requires that supervisor must clearly define the long-and short-term objectives; outline the priorities properly; devote each day to planning.

(6) Establish Standards and Measure the Performance of Employees: Establishing performance standards and continuous measurement of employees' performance will help in developing fair wage plan. Supervisors should not only establish performance standards for employees but ensure that each employee is communicated about what performance standards are expected of him and how such standards are determined which in turn help the employees to assess his own performance and keep him updated about improvement in his performance. The employee will be able to know in what respects he is considered weak and where his performance is up to the mark or better. However, while fixing performances standards care should be taken to keep standards at reasonably attainable level i.e. the standards fixed should neither be too high nor too low and the standards fixed must be same for all employees performing similar jobs. The failure to achieve high standards High standards leads to frustration and resentment and low standards make employees passive and unproductive.

(7) Supervisor Should Get Employees Feedback/Opinions: In order to understand the bothering areas of employees the supervisors' frequent talk and discussion with employees in a simple and understandable language will assist in improving working relations with employees. The employees confusion about the organizational policies, rules and regulations and its wrong interpretation by the work group can be minimized with employees' feedback/ opinion. Means which can be used to get opinion includes attitude surveys, spot interviews, casual conversations which help in testing the rhythm of the employees from time to time. Only the care needs to be taken while two-way communication with the employees is use of words carefully, avoid subjective feelings.

(8) Encourage Potential Assistants to Develop their Capability: In order to exploit employees capacities fully supervisors should develop ability of potential assistants to make them capable to handle assigned task. Supervisor must encourage potential supervisors to learn and acquire new skills and information that will make them more valuable members of the company. Without developing competent subordinates the supervisor cannot think of his own movement for promotion.

(9) Identify Employees who's Help can be Requested whenever Needed: Supervisors should know which qualified staff personnel may requested for help from time to time in a unique situation. It requires support from top management and cooperation of staff personnel, which brings good outcome and results.

(10) Focus on Communication about Action Planned and Taken by and Its Results: Supervisor as a intermediary between management and employees should inform Top Management Members about what supervisory action are planed or taken and the basic rationale behind such action. Supervisors should keep management in touch with organisational activities and trends; information regarding absenteeism; employee turnover; volume of work produced; condition of office equipment; budget requirements; trends; bottlenecks and the like, should be provided to management periodically.

Activity E:

1. Discuss the contribution of supervisory component in directing the efforts of subordinates in the light of various roles played by supervisor in an retail store located nearby location of you home

12.10 Summary

There are a number of terms used in identifying the different areas of managerial process. These include leading, executing, supervising, ordering and guiding. But at the heart of the managerial process

is the managerial function of directing since it is involved with initiating action. Direction is the process of guiding, motivating, leading and supervising the subordinates to accomplish desired objective. It is an important managerial function because it is through direction, managers get things done. Proper direction helps employees show superior performance. To be effective, direction should be based on certain well-established principles, e.g., in line with overall goals, command flowing from one individual, two way communication, and appropriate technique to suit situational needs, etc. Clear instructions followed by appropriate counseling help employees to remain on track and achieve results without wasting resources.

A supervisor acts as a buffer between management and workers. He helps employees in doing a good job, using human, technical and conceptual skills in an appropriate manner. He plays many roles and changes many hats while at work.

Important roles played by a supervisor are well documented in management literature, i.e., as a technician, analyst, controller, counselor, linking pin, human relations expert, motivator, trainer, leader, organizer, planner, decision-maker, etc. Depending on the situation, the supervisor is expected to enact a particular role to the best of his abilities. To achieve results, supervisors have to keep certain things in mind. They must encourage workers to participate in organisational matters. Resources should be put to good use. Rules and regulations must be adhered to. Wastages of various kinds must be avoided. They must set an acceptable inertia for evaluating workers' performance, develop capable assistants and offer help whenever it is requested.

The four major areas can included as the components / techniques of directing function which includes (I) Motivation of subordinates (II) Effective leadership (III) Communication (IV) Supervision.

As a basic function of management direction is related with the use of leadership and motivation to guide the performance of subordinates towards the achievement of the organisation's goals. Important requirements for effective direction includes harmony of objectives, unity of command, direct supervision, efficient communication and follow up. Giving orders is the commonest technique of direction. Some characteristics of good orders include feasibility, acceptability, clearness and completeness and following the chain of command. There can be three types of orders i.e. command, request and implied order. Each order can be either verbal or in writing. Motivating employees is very important for managers since managers get work done through others. Important characteristics of motivation are: individuals differ in their motivation; sometimes the individual himself is unaware of his motivation, motivations change; motivations are varied; motivation is complex and multiple motivations make the choice of goals difficult for an individual.

12.11 Self Assessment Questions

1. What is direction and explain nature of direction? What does the directing function of management involve?
2. What are the elements of direction? Why direction is said to be the heart of the management process.
3. 'The incongruency between individual goals and organizational goals will be higher in the absence of direction', Do you agree?
4. Differentiate between direction and supervision. How can supervision be made more effective?

5. Discuss the guidelines of giving order to subordinates in the light of common understanding that orders will be accepted if they make sense.

6. Explain the role of a supervisor in work organisation with the help of suitable example.

7. 'Understanding and guiding of human behaviour is the basic activity of manager while directing the efforts of their subordinates', Elaborate this statement as an effort for making directing function more effective.

8. Write Short Notes on following;
   (a) Importance of Direction
   (b) Features of Direction
   (c) Elements of Direction
   (d) Requirement for Effective Direction
   (e) Guidelines for Managers for Giving Orders to Subordinates
   (f) Principles of Direction
   (g) How a Manager can Supervise Effectively?
   (h) Skill of Supervisor
   (i) Role of Supervisor
   (j) Guidelines for Effective Communication

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Unit - 13 Leadership

Structure of Unit

13.0 Objectives
13.1 Introduction
13.2 Leadership Differ from Management
13.3 Formal and Informal Leadership
13.4 Characteristic of Leadership
13.5 Theories of Leadership
13.6 Role of Leadership
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13.0 Objectives

After Completing this unit you will be able to:

- Appreciate that all managers are business leaders and they must exhibit leadership qualities in addition to managerial expertise.
- Differentiate between formal and informal leadership.
- Enunciate characteristic of leaders.
- Examine various theories of leadership such as trait theory, behavioral theory, path-goal theory, contingency theories and so on.
- Understand various leadership styles such as autocratic, participative and laissez-faire.
- Analyze personal traits of leaders.

13.1 Introduction

Managerial wisdom probably begins with the recognition that there is no one 'right' style of leading or managing. Leadership, especially, is very much about doing what is right for the situation and the people involved in it. Underlying such flexibility and differentiation of response, however, must be a consistency of values and ground rules, if the leader's professional credibility is to remain the crucial source of influence.

Credibility, in turn, in the role of a leader, goes beyond professional consistency and competence. Increasingly, in today's world, personal integrity, too, is coming to be regarded as a critical factor, as the triple bottom line of profitability, concern for the environment and, thirdly, social responsibility, becomes an established business imperative. Two recent significant, but unconnected, surveys – one in the USA and one in Europe – both indicated that being able to trust their leaders was the number one expectation of respondents. In each case, over 80% of replies identified trustworthiness as the necessary top leader attributes. As Professor John Adair states – "Our position as a manager is confirmed by the organization, but our role as a leader is ratified in the hearts and minds of those whom we lead".

Such ratification is not simply a question of – do you believe the leader? Rather, it is one of – do you believe IN them? In turn, that belief is based upon what the leader is seen to deliver and achieve and how they are seen to behave.

Frequently described as – "the most discussed, yet least understood" aspect of management, leadership will, no doubt, continue to generate debate, exploration and analysis, so long as people inhabit the earth. "Are leaders born, or are they made?" is, similarly likely to remain a fundamental issue in that continuing discussion. Such a binary 'either – or' question, however, is deceptively simple and unnecessarily impedes understanding, by restricting our exploration of other critical factors, in our study of leadership and leaders.

Reviewed experiences, over many years, in various leadership roles and in a variety of very different arenas, undeniably confirms that the interplay of 'nature' and 'nurture' is the obvious core element in the development of personality and, therefore, leadership style. But it is also very much a matter of what we do with the hand of cards that we have been dealt and what we, as individuals, make of ourselves, by continually learning from our experience and the consequent self-development and professional renewal, for which we are each personally and ultimately accountable. The question that lies at the root of leader acceptance is – can he/she lead and will they support and follow? What, then, are the key issues that confirm and underpin the leader-supporter nexus? What is it about leaders – and their leadership style – that influences people to give willingly – or withhold – necessary support and commitment? Above and beyond charm, charisma, inspiration, democracy, autocracy, or reputation, what behaviours – or more specifically – what competency clusters seem to confirm leaders in their roles?

Working with over 2,500 directors and managers, within ten different companies, in the US and in both Western and Eastern Europe, during the period 1998 – 2004, suggests that the critical indicators of leader credibility and, therefore, supporter commitment, are:

1. **Strong goal orientation :** Consistently, throughout our surveys, a maintained focus on critical goals and the effective mobilization and direction of team members in pursuing those goals, emerged as one of the critical competency clusters expected of leaders. Frequently associated with this group of leader competencies is an active concern to set the right direction and establish a clear, aligned achievement ethic, within the functions and teams managed and led.
2. **Transparent integrity :** Primarily, this amounts to having clear values and principles about work and people – and sticking to them in day-to-day activity – especially when under pressure to deliver results. In current terminology, this includes 'walking the talk'. What appears to reinforce and project integrity are high personal authenticity and strong awareness of self and others, which are consciously and consistently acted upon.
3. **Close engagement with others :** This group of social competencies centres upon a marked ability to form – and maintain – sound relationships, while retaining professional individuality. This competency cluster includes specific skills such as active listening, influencing, giving feedback, coaching and mentoring.

   Essential to the engaging process, we found, were sustained positive attitudes on the part of the leaders, particularly in conditions of adversity or pressure. Much of the successful engagement often appeared to be in the form of informal, but structured oral networking, the aim of which was to build up necessary commitment and support for projects and assignments.

   The really effective leaders always seemed to add something to people – not take anything away – in their dealings with others.
4. **'Helicopter' (contextual) perception :** Essentially, the ability to see higher and wider than the immediate problem, or situation and to be able to put issues quickly into perspective and context. Often accompanying that wider view of issues, comes a developed capacity to generate a far greater range of potential solutions.

5. **Resilient resourcefulness :** The ability to find ways around, or through, problems and to come up with new solutions. As part of the competency cluster, we frequently saw a marked ability to catalyze energy and even inspiration, amongst others, to generate new ideas and answers. A recurring, allied strength was the readiness to throw the rule book out and think things through afresh.
6. **Personal 'horsepower' :** A consistently key factor in leader credibility, emerging from our surveys, was perceived organizational 'clout' and the ability to influence and manage 'upwards' and 'outwards'. Leaders who were listened to by their bosses and who influenced those above them, were generally held in high esteem, within the US and European cultures in which we largely work.
7. **Resonant communications :** Most likely associated with the strong awareness that has its roots in high emotional intelligence, structured communication, that was consciously designed to strike chords with people, emerged as another fundamental leader competency in our surveys. Clearly, leaders practicing such 'resonant' communication put a great deal more disciplined thought into what, why, how and when information – and 'passion' – should optimally be transmitted and discussed (and with whom) compared with those who did not.

We frequently came across apparently 'ordinary' managers doing quite extraordinary things as leaders and producing exceptional results with their teams, but we also repeatedly saw so many instances of where 'satisfactory' performance could quite easily have been raised to 'outstanding' levels, but for the want of intelligent, courageous and fully-engaged 'closequarter' leadership.

What also emerged from observation and discussions was just how much potential and talent is lying fallow, or untapped, in so many organizations.

As ever, it seems, the problem is not so much one of a shortage of talent – but of a serious lack of those who know how to develop, use and manage talent, in mobilizing people for results.

The aim of this book is to focus on the seven competency clusters that our work suggests are crucial in the effective functioning of leaders, in the world of business and to offer ways in which such understanding and 'do-how' might be further developed. The competencies, critical though they are, need to be exercised for optimum impact within an organization, as the outcomes of a shared leadership mindset, driven by at least five fundamental factors:

1. Personal consistency, discipline and integrity
2. Intolerance of mediocrity
3. A concern to build mutual trust
4. Focused passion for the business
5. Recognition of the critical importance of emotional intelligence, in leadership

To borrow a phrase from that great seat of learning, INSEAD Business School, the objective of the pages that follow is to help: "to develop the leaders, who develop the people, who develop the business…"

Leadership is a term that conjures up different images in different images in different people. While to some it means charisma, to others, it means power and authority. One expert puts that there are almost so many definitions of leadership as there are persons who have attempted to define the term. Leadership is an integral part of management and plays a vital role in managerial operations. If there is

any single factor that differentiates between successful and unsuccessful organizations, it is dynamic and effective leadership. Let us present a few definitions of leadership. According to George K. Terry, "Leadership is the activity of influencing people to strive willingly for group objectives."

Koontz et. Al. has defined leadership, "as the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals." In the opinion of Chester Barnard, "leadership is the quality of behavior of individuals whereby they guide people or their activities in organizing efforts."

Leadership may be defined as the art of influencing and inspiring subordinates to perform their duties willingly, competently and enthusiastically for achievement of group objectives. Most management writers agree that, "Leadership is the process of influencing the activities of an individual or a group in efforts towards goal achievement in a given situation."

It is important to have the element of willingness in the above definition. This element differentiates successful and effective leaders from the "common run of the managers". Motivating and influencing people to move towards a common goal are all essential elements of management but the "willingness" of the followers to be led, highlights a special quality that puts a leader high above others.

13.2 Leadership Differ from Management

Some people treat leadership and management as 'synonymous'. However, leadership differs from management. While leadership, as you have already learnt, involves influencing people to strive towards the achievement of group goals, management involves planning, organizing, staffing, directing and controlling group activities to accomplish organizational goals. In sum and substance, managers manage things, while leaders lead people. Leadership is a part of management but not all of it. This implies that a strong leader can be a weak manager because he/she is weak in other managerial activities like planning and organizing. The reverse is also possible. A manager can be a weak leader and stillbe an acceptable manager, especially if he happens to manage people who have strong inner achievement drives.

Warren Bennis and Burt Nanus have differentiated leadership from management by stating that, "managers are people who do thing right, and leaders are people who do the right thing. Management's efficiency lies in climbing the ladders of success, leadership determines whether the ladder is leaning against the right wall."

Table: Difference between Leadership and Management

Leadership	Management
1. Leader leads people. 2. Leader can use his/her informal influence. 3. Leaders create a vision and inspire others to achieve this vision. 4. Leader possesses non-sanctioned influencing ability. 5. Leader inspires enthusiasm.	1. Manager manages things. 2. Managers hold formal positions. 3. Managers achieve results by directing the activities of other. 4. Managers enjoy formal designated authority. 5. Manager engenders fear.

Activity A :

1. In your Class room or work place or area identify the similarity and difference between your Management and Head (leader) work styles.

13.3 Formal and Informal Leadership

Leadership can be formal or informal. The formal leadership occurs when a person is appointed or elected as an authority figure. For example, anyone who is appointed to the job of a manager is also given the authority to exercise formal leadership in relationship to his subordinates. Similarly, a formal elected leader of a country or a state acquires the authority of leadership in giving direction to the country or state.

The informal leadership emerges when a person uses interpersonal influence in a group without designated authority or power. These leaders emerge in certain situation because of their charm, intelligence, skills or other traits and to whom other people turn to for advice, direction and guidance. Religious and civic leaders fit into this category. Successful managers who exercise their given authority in a formal way are also capable of exercising informal leadership relationships with people both within as well as outside the organization.

13.4 Characteristic of Leadership

1. Energy, drive
2. Appearance, preventability
3. A since of co-operation
4. Enthusiasm
5. Personality – height and weight
6. Initiative
7. Intelligence
8. Judgment
9. Self – confidence
10. Sociability
11. Tact and diplomacy
12. Moral courage and integrity
13. Will power and flexibility
14. Emotional stability
15. Knowledge of human relations

13.5 Theories of Leadership

Over the last 80 years, a number of different theories and approaches to studying leadership have been developed. Prior to 1945, the most common approach to the study of leadership concentrated on leadership traits. It was thought that leaders possessed and exhibited some unique set of qualities that distinguished them from their peers, Because this line of investigation did not produce consistent outcomes, research centered on other theories such as behavioral and situational approaches to leadership identification. These theories are examined in more detail as follows:

Trait Theory : This is the earliest theory as described by Kelly attempting to classify what personal characteristics like physical, personality and mental, are associated with leadership success. Illustrated traits which researchers attributed to leaders were such aspects as height, weight, physique, good health, high level of energy, good appearance, intelligence, scholarship, good judgment, and so on. Since all individuals did not have these qualities, only those who possess them would be considered potential leaders.

The trait theory of leadership has suffered from lack of conclusiveness and over-simplifications. As Eugene E. Jennings concluded, "fifty years of study have failed to produce one personality trait or a set of qualities that can be used to discriminate leaders and nonleaders." The old assumption that "leaders are born" has never been substantiated in several decades of research. The critics have charged that the theory focuses attention only on the leader and disregards the dynamics of the leadership process. Also the theory ignores the situational characteristics that may result in the emergence of a leader.

This theory suffers from the following limitations:

1. The trait theory is not accepted as a valid theory.
2. There is no consistent set of traits emerged from research studies that successfully differentiated leaders from non-leaders.
3. It is difficult to measure many of these traits. Hence, it is not always possible to distinguish between leaders and followers.

Behaviour Theory : According to behavioural theory of leadership, leadership can be described in terms of what leaders do rather than what they are. In other words, leadership can be identified by reference to their behavior in relation to the followers. Behavioural theories have been presented mostly on the basis of research studies.

Behavioural theories differ from the trait theory in at least two ways. First, actual leader behaviours, not the personal traits were the main focus. Second, while most trait theories endeavored to distinguish between leaders and non-leaders, behavioural theories attempted to determine how different kinds of behaviours affect the performance and satisfaction of the followers.

The two important behavioural theories are Ohio State University studies and the studies of Michigan University.

Fiedler's Contingency Theory : Fred Fiedler was one of the earliest proponents of a leadership model that explicitly accounted for situational factors. He proposed in 1967, a theoretical explanation for interaction of three situational variables that affect the group performance. These three variables are (1) leader-member relations, (2) task structure and (3) leader's positional power. These variables determine the extent of the situational control that the leader has.

1. **Leader-followers relations,** that is the degree of followers' trust, confidence and respect for the leader.

2. **Task structure,** that is the nature of task performed by the subordinates.

3. **The status power,** that is the degree of power associated with position or status held by the leader in the organization.

The most favorable situation for leaders to influence their group is one in which they are well liked by the members, the task performed is highly structured and the leader has enough power attached to his/her position in the organization. On the other hand, the most unfavorable situation for leaders is one in which they are disliked, the task is highly unstructured and little power is attached to the leader's position.

Path-goal Leadership Theory : Robert House has developed a path-goal theory of leadership initially presented by Martin Evans. This theory is based on the expectancy theory of motivation. The theory states that leaders can exercise four different kinds of styles: **directive leadership** (giving directions to

the subordinates rather than seeking their cooperation), **supportive leadership** (being friendly and approachable to subordinates), **participative leadership** (asking for suggestions from subordinates before making decisions, and **achievement-oriented leadership** (setting challenging goals and assignments for subordinates). The path-goal theory postulates that leaders become effective due to their influence on followers' motivation, ability to perform, and their satisfaction. Leader motives the employees by influencing their expectancies relating to the performance and attractiveness of goal. The subordinates feel satisfied when they believe that their job performance will lead to desirable outcomes. They will be able to achieve their goals with hard work.

Environmental leadership theory : The Environmental leadership model (Carmazzi) describes leadership from a Group dynamics perspective incorporating group psychology and self awareness to nurture "Environments" that promote self sustaining group leadership based on personal emotional gratification from the activities of the group. The Environmental Leader creates the psychological structure by which employees can find and attain this gratification through work or activity.

It stems from the idea that each individual has various environments that bring out different facets from their own Identity, and each facet is driven by emotionally charged perceptions within each environment… The Environmental Leader creates a platform through education and awareness where individuals fill each others emotional needs and become more conscious of when and how they affect personal and team emotional gratifications. This is accomplished by knowing why people "react" to their environment instead of act intelligently.

"Environmental Leadership is not about changing the mindset of the group or individual, but in the cultivation of an environment that brings out the best and inspires the individuals in that group. It is not the ability to influence others to do something they are not committed to, but rather to nurture a culture that motivates and even excites individuals to do what is required for the benefit of all. It is not carrying others to the end result, but setting the surrounding for developing qualities in them to so they may carry each other." Carmazzi

The role of an Environmental Leader is to instill passion and direction to a group and the dynamics of that group. This leader implements a psychological support system within a group that fills the emotional and developmental needs of the group.

Life-Cycle Theory : The life-cycle theory of leadership has been developed by Paul Hersey and Kenneth Blanchard. The model focuses on the "maturity" of the followers as a contingency variable affecting the style of leadership. The "maturity" of the subordinates can be defined as their ability and willingness to take responsibility for directing their own behavior in relation to a given task. The level of such maturity would determine the leader's emphasis on task behaviours (giving guidance and direction) and relationship behavior (providing socio-emotional support). "Task behaviour" can be defined as the extent to which the leader engages in spelling out the duties and responsibilities of an individual or group. These behaviours include telling people what to do, how to do, when to do, where to do and who is to do. Task behaviour is characterized by one way communication from the leader to the followers and this communication is meant to direct the subordinate to achieve his goal.

Combinations of leadership styles and levels of maturity are:

1. Telling,
2. Selling,
3. Participating, and
4. Delegating.

The life cycle theory of leadership requires that leader attend to the demands of the situation as well as the feelings of the followers, and adjust their styles with changing levels of maturity of the followers so as to remain consistent with the actual levels of maturity.

Activity B:

1. Take any organization and identify last two years planned goal and archived goal. Identify the relation between different leaders and there different styles for archiving targeted goal

13.6 Role of Leadership

Paterson believed that at least **four** leadership roles needed to be performed, as and when conditions demanded. In addition, he saw a critical fifth follower/supporter role that was crucial to effective output – and successful outcomes. The four leadership roles are:

1. Inward leader role : The principal orientation and pre-occupation of this role is the 'internal' life of the team – its task performance, cohesiveness, morale, intrapersonal relationships, continual learning and development. The leader, in this role, is most closely engaged with the team members themselves and what needs to be done to energize and mobilize the group – or individuals – from within the team. Close-quarter dialogue concentrates upon 'you', 'me' and 'us' and the 'here-and-now'. The Inward Leader helps to define and crystallize the team's vision, mission, values and goals and to secure buy-in from the members to these and to other critical initiatives. The functioning maturity of the team – and of individual members – is a major concern of the Inward Leader, hence much of his/her focus involves ensuring fitness for task and role, of the work group, including the group's internal communications and information sharing.

2. Outward leader role : In this role the leader's concern is to develop and maintain effective, functioning relationships with key players in the team's external world; for example suppliers, customers (and customers' customers) superiors and other significant stakeholders whose activities impinge upon those of the team. Of particular importance is the clarity, quality and timeliness of the team's communication – and level of engagement – with its key external contacts.

The Outward Leader's role is to represent the team's best interests in various arenas and 'corridors of power', within the rest of the organization and also in the world at large. Their task is to align the team's aims and objectives with those of the organization and the wider context of its business. In the role of 'outward leader', lobbying on behalf of the team, appropriately promoting its successes, sponsoring and opening doors for members and building bridges for collaboration and synergy with other functions or units, are all typical close-quarter leadership activities, designed to integrate the team's direction and performance, with its operational environment.

3. Exemplar leader role : Acting as an Exemplar leader involves a disciplined, analytical approach to both task and process issues facing the team. Logic and rational factual thinking – aimed at clarification, simplicity and clearer understanding. It is a monitoring, regulating and stock-taking role, aimed at maintaining focus, sense of purpose and direction – so keeping the team and its performance on track. In close-quarter mode, the Exemplar may, for example, stop a meeting in mid-flight with the comment: "Let's stop right there, please. I think we're in danger of losing our way, if we continue with this line of thinking. Let's get back to base one and start again from there."

The Exemplar's is a leadership role acting primarily in 'left-brain' thinking. It therefore injects

structure, order, sequence, objectivity and clarity into the team's problem analysis, decision-making and selection of courses of action. It is a form of thinking which seeks to strip issues of both unnecessary mental clutter and diversionary emotional 'baggage'.

4. Eccentric leader role : Intellectually and emotionally the opposite of the Exemplar, the Eccentric Leader role functions primarily in right-brain mode. It is the role of the creative, deviant (as opposed to convergent) thinker who stimulates or injects new, different thinking into the group. Creating fresh insights and perspectives and approaching issues from novel, or unorthodox angles are the main contributions of the Eccentric Leader. What Edward DeBono would describe as 'lateral thinkers', Eccentrics are the natural option generators of the team. They have little reverence for ideas and practices hallowed by no more than the mere passage of time and the cry – "we've always done it this way" is anathema to them.

While they respect relevant logic, they are, nevertheless, the 'boundary busters' of conventional wisdom and the mantra 'if it ain't broke, don't fix it' acts as a legitimate challenge and timely invitation to start breaking things and re-fixing them, in order to enhance capabilities and, ultimately, achievement levels. Acting in close-quarter style, Eccentric Leaders will involve people directly in 'brainstorming' and the use of creative techniques such as 'mind-maps' and 'spider-diagrams', to free up thinking and to challenge conventional stereotypes, in removing mental blocks to progress. The key questions they so frequently ask are – 'why?' and 'why not?'. They tend to see most constraints as largely self-inflicted wounds, hence their concern to challenge and change mindsets, in order to move forward and raise the game.

5. Facilitator/follower : This low-key role seems, at times, to be more that of a follower, than a leader. In effect, it is 'leadership from behind', with the role-player acting variously as prompt, catalyst, devil's advocate, supporter or facilitator, to influence outputs and outcomes. Leaders acting in Facilitator/Follower mode reinforce others' relevant contributions that might otherwise be lost, or go unheeded, in the mêlée of a noisy meeting – or if some red-herring is preoccupying the group taking it away from the real business on hand. Typical close-quarter Facilitator/Follower interventions would be: "Ian, I think it would be worthwhile repeating, more loudly, the point you just made. It struck me as being very important and I don't think everyone heard you."

"I'd like us to come back to what Sheila said a moment ago and explore it in some detail, before we move on and the matter is lost."

"Allan, please develop that idea for us in more depth. It seems to me it has possibilities that we should look at more closely, bearing in mind what Product Development are planning to do."

Paterson's model is based on the premise that, at appropriate times, all of these roles will be needed for a team to operate with optimum effect and that different people – not necessarily the formal leader of the group – will take them. Generally, experience suggests that the formal group leader will be the predominant taker of the Inward and Outward leader roles, because of their emphasis upon team effectiveness, performance, mobilization and alignment with corporate goals and the operational environment. The Exemplar and Eccentric roles usually appeal to personality 'types' of very differing intellectual and skill preferences – who tend to use somewhat polarized frames of reference – and so are usually performed, in the main, by distinctly different individuals. The Facilitator/ Follower role is often best undertaken, for optimum impact, by perceptive people of high emotional intelligence and process sensitivity. Both in his early work with the RAF and subsequently with the Civil Service, after the war, Paterson concluded that the absence of any one the above leadership roles – when needed – was a

major contributory factor to poor morale, team dysfunction and inferior performance.Use of the adapted, Anglicised version of his original model – in both teambuilding consultancy assignments and within British Ceramic Tile – continues to endorse Paterson's conclusions about the critical importance of the five leadership roles in achieving high performance. The key skill, however, remains one of sufficient awareness and perception, in recognizing which particular role is likely to be most effective, in any given set of circumstances – and fulfilling it. In that respect, everyone in a leader role, it seems, needs to develop the level of acuity and skill necessary to play the role required, at the time, or enable a more appropriately equipped team member to take it over.

It requires a mature – and confident – leader to acknowledge that, as situations change, the leadership role inevitably moves around within the team and passes to the most competent, in the circumstances, to take charge and move the group on.

Too often, the formal leader may fail to recognize the reality that individual leaders are transient, while leadership remains a constant need. In today's business world, managers have long had to come to terms with the fact that, at many times, their most useful contribution to the team, as a leader, is in the role of servant – not superior, or as enabler – not autocrat.

Testosterone alone, generally, has a most unenviable reputation for success and delivery, in leadership, unless it is effectively combined with sufficiently high emotional and cognitive intelligence. Paterson's model – and those of the previous chapter – all have relevance, as determined by the people and circumstances involved, in all major arenas of leadership. Figure 10 below, offers four dimensions to management and leadership where these constructs have significant contributions to make in mobilizing people for higher productive achievement.

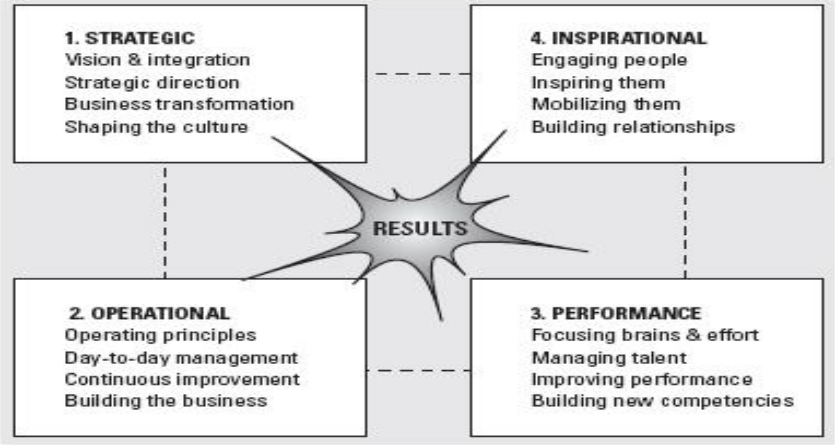


FIGURE 10: DIMENSIONS TO MANAGEMENT & LEADERSHIP

Dimensions to Management & Leadership

All four dimensions to leadership, are involved in creating, developing and sustaining an Achievement Culture within an organization, and each provides arenas and scope for close-quarter At strategic levels of leadership, crystallizing and communicating vision and ensuring buy-in, not by-pass, is an essential part of the longer-term engagement of people. Building the necessary achievement culture is usually a slow, painstaking process often seemingly involving progress of two steps forward and then one step back, in changing mindsets and practices to get to the future, faster than the competition. Jim Collins' findings emphasize the importance of persisting – and not giving up – in order to create a 'flywheel' effect

which slowly, but certainly, progressively gains momentum company-wide. Leaders who possess so-called 'helicopter' perception and can see higher and wider than the situation they are currently in, have a head start on their colleagues of more restricted insight and vision in seeing the need to maintain the 'flywheel', once it begins to turn.

In the context of continuous improvement, operational leadership, based upon focused, disciplined thinking – and action – is aimed at moving the business forward, day-to-day. This is the sustained tactical influence similarly directed towards turning the flywheel and creating the necessary momentum for sustained growth and increasingly raised performance.

It is the leadership – and management – that is essential to keeping mobilized activity aligned and on-track, within agreed parameters and to established or emerging, operating principles, or disciplines.

The third dimension – performance leadership – concentrates upon the deployment, management and development of knowledge and talent, in order to maximize individual and team performance. In Jim Collins' terms, this is about getting the right people on the bus, ensuring that they are in the right seats and getting the wrong people off the bus.

Performance leadership, at close quarters, involves constructive feedback, coaching, empowering, sponsoring and enabling, to get the best out of people and to create productive synergy, where none may have existed previously.

The final dimension of inspirational leadership centres largely on a leader's personal 'chemistry' and professional style. It is understanding what inspirational leaders actually do that is most helpful in developing more effective close-quarter leadership, techniques, 'alchemy' and style. Typically, they:

- Make others feel good about themselves, their contributions and their achievements. They build on others' ideas, rather than attacking or discrediting them.
- Recognize that most people (and especially high performers) know what they want to achieve and so they work with individuals to help them clarify and explore ways of meeting their objectives.
- Empower people and give them the space they need, in order to deliver. Ensure that others receive the recognition, praise and rewards that they have earned and don't steal others' kudos for themselves.
- Focus on the 'crime', rather than the 'criminal', when things go wrong, by separating the problem from the person, using coaching – not blame – as their primary response. Their approach is one of – 'It's ok to make mistakes, but learn quickly from them and move on'.
- Ensure that significant achievements are recorded and properly celebrated.
- Demonstrate that they trust their people.
- Be available, whenever they can and actively listen to people.
- Inject fun into work, recognizing that, in most walks of life, laughter is one of the best tonics.

Accepting the Nike Company philosophy that, in corporate transformation, there is no finishing line, a critical and permanently ongoing aspect of management is transformational leadership.

Activity C:

1. Draw your family Chart and Highlight the leaders and their followers. Identify their Leadership style and gaps.

13.7 Developing a New Leadership Mindset

Adults are more likely to act their way into new ways of thinking, than to think their way into new ways of acting – which is one of the problems in developing new a new mindset. Learning and understanding – and especially the transmission and sharing of both – are far more critical to the development the leader's mindset than skill or knowledge, alone. Highly effective people are neither entirely born, as such, nor are they 'made'.Reality suggests that they are active continuous learners, who largely develop themselves. A fundamental aspect of that learning is the effective management of information and knowledge and that includes the ability to:

- Access and acquire relevant information and then transform it into critical knowledge.
- Add value to that information and knowledge, to increase their relevance and potential for the business.
- Consciously stimulate openness and receptivity to information, knowledge and learning.
- Transfer knowledge and learning, as core, intrinsic day-to-day leadership activities.
- Recognize that, ultimately, it is information converted to applied knowledge and understanding that gives a business its cutting edge and advantage over the competition.

13.8 Summery

Leadership plays a central part in understanding group behavior, for it's the leader who usually provides the direction towards goal attainment. Therefore, a more accurate predictive capability should be valuable in improving group performance.The early search for a set of universal leadership traits failed. However, recent efforts using the Big Five personality framework has generated much more encouraging results. Specifically, the traits of extraversion, conscientiousness, and openness to experience show strong and consistent relationships to leadership.The behavioral approach's major contribution was narrowing leadership into task-oriented and people-oriented styles.

A major breakthrough in our understanding of leadership came when we recognized the need to develop contingency theories that included situational factors. At present, the evidence indicates that relevant situational variables would include the task structure of the job; level of situational stress; level of group support; the leader's intelligence and experience; and follower characteristics such as personality, experience, ability, and motivation.

13.9 Self Assessment Questions

1. What are the various characteristics associated with effective leadership? Which of these characteristics are more important than other and why?
2. Compare three leadership styles. Under what situation would each style be effective? Give examples.
3. How does Behaviour Theory of leadership differ from the Trait Theory of Leadership**?**
4. What is the impact of Leadership on organizational performance?
5. Difference between Leadership and Management.

13.10 Reference Books

- Delivering Value for Leaders - Richard Botkin
- Leadership Issues: Managing Change - Rick Michelson

Unit - 14 Motivation

Structure of Unit

14.0 Objectives
14.1 Introduction
14.2 Concept
14.3 Characteristics of Human Needs
14.4 Approaches to Motivation
14.5 Maslow's Need Hierarchy Theory
14.6 Douglas Mcgregor's Theory X and Theory Y
14.7 Herzberg's Two Factor Theory
14.8 Implications for Organizations
14.9 Summary
14.10 Self Assessment Questions
14.11 Reference Books

14.0 Objectives

After completing this unit you will be able to

- Recognize the contribution of human needs in their behaviour.
- Discuss the importance of motivation of human resource in an organization.
- Understand the approaches and major theories of motivation.
- Appreciate the importance of a motivated human force in the organizational context.

14.1 Introduction

Notwithstanding the amazing developments that have taken place in the recent years in enterprise, organizations still need a motivated workforce to achieve organizational goals. Consequently, it is important to understand, why people behave as they do. Motivation is the willingness to exert high levels of efforts to achieve organisational goals. Motivational efforts result in commitment of the employees to the goals. Motivation is a behavioural concept that is related to those dynamic processes that produce goal-oriented behavior. Practicing managers and academicians have been trying to explain this phenomenon through various theories that exist today. An understanding of these theories provides a manager with a foundation for deciding how best to manage the workforce resulting in a balance between individual and organizational goals.

14.2 Concept

Motivation is a reflection of the reasons why people do things. The term "motivation" was originally derived from the Latin word 'movere' meaning "to move." Motivation is thus the driving force that guides human behavior. Before we begin to define motivation, we need to understand the term motive. **Berelson and Steiner** define motive as "an inner state that energises, activates or moves and that directs behavior towards goals."

Behind every human action is a need that can be defined as a state of deprivation (a lack of something). Human behavior is directed towards removing this lack or deprivation.

Let us now look at various definitions of the term motivation.

Huczynski and Buchanan defined motivation from three perspectives : in terms of the goals towards which human behavior is directed; as the process through which these goals are pursued and achieved; and the social factors involved.

Mullins defines motivation as the driving force within individuals by which they attempt to achieve some goal in order to fulfill some need or expectation.

Luthans sees motivation as a combination of needs, drives and incentives and defines it as a process that starts with a physiological or psychological deficiency or need that activates behavoiur or a drive that is aimed at a goal or incentive.

According to **McFarland** motivation refers to the way in which urges, drives, desires, aspirations, strivings, needs direct, control por explain the behavior of human beings.

Motivation is therefore both limited and directed by the situations and environment in which people find themselves. People set their targets in this context and pursue them in anticipation of rewards that may be financial, social and behavioural. Anticipated rewards when received, result in satisfaction. When the rewards are not forthcoming or when they fall short of expectation, the result is a dissatisfied individual.

Adage- 'You can bring the horse to the water but you can not force him to drink.' Motivation is that element of the employee that stimulates him to increase the efficiency of his work and achieve higher goals. His performance however is the product of his ability and his level of motivation.

From the organizational point of view, Motivation is the process of channeling a person's drives so that he wants to accomplish the goals of the organization.

Nature of Motivation

Motivation can be both positive or negative .

· Positive motivation : It's take time to build up and has a positive effect on the individual.

· Negative motivation : It is believed to manifest much faster in personal behavior and communicates a sense of bargaining for the individual.

Nature of Motives

1. Motives are energizing forces within a person,
2. One motive may result in different behaviours,
3. The same behaviour may be the result of different motivations,
4. Behaviour can be a measure of a person's motives,
5. Motives may operate in harmony or conflict with each other,
6. Motives may come and go,
7. Motives are born out of interaction with the environment.

14.3 Characteristics of Human Needs

In common terms, the word need is used to refer to an essential requirement for survival. A need is a basic human requirement. People need food, air, water, clothing and shelter to survive. People also have strong needs for entertainment, recreation, social status and education. But in the management context, it has a much broader scope. The word need includes all that a man must have and also all that he merely wants. The word want signifies a desire for a more specific object that may be physiological or psychological.

· Needs may be stated or secret

· Sometimes an individual may be unaware of his needs

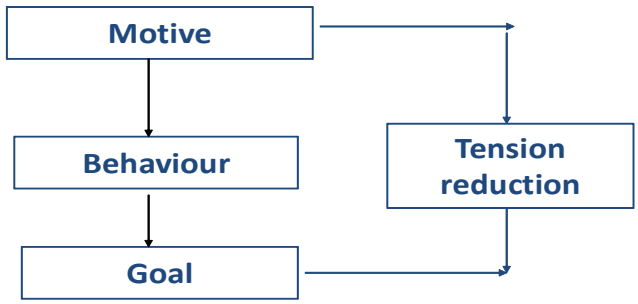
- Unsatisfied needs influence human behaviour
- There are different ways of satisfying needs
- Once a need is fulfilled it ceases to motivate
- Basic aspirations are related to the physical aspects of the individual and are similar for most people but vary in intensity. These are satisfied through economic behavior (earning more money)
- Higher needs are related to the mind of the individual. These vary widely among individuals and are infinite in nature.
- People will strive to achieve goals that they perceive are worthwhile for fulfillment of needs

Managements have a great task at hand that includes identification of real needs that can be used as a motivator for attainment of organizational objectives. This is done through aligning human needs with formal organization structure.

There are several classifications of human needs. However we shall be limiting our discussion to those that best fit in an organizational context. These are relevant because they can be used as a guiding tool by managers in the course of employee satisfaction and attainment of organizational goals.

The basic needs including food or physical protection can be fully satisfied and then they cease to exist. Other needs that may include social recognition have no upper limit and may go on expanding, seldom leading to full satisfaction.

Process of motivation



11

14.4 Approaches to Motivation

The study of motivation theories has become increasingly significant for both researchers and managers to understand and influence individual and organizational behavior. There are two streams in which the approaches to motivation may be classified namely monistic approach and the pluralistic approach.

The **monistic approach** assumes that factors exist within the individual that energize, direct and sustain behavior such that he acts to increase his monetary rewards. The **pluralistic approach** assumes that a variety of needs drive an individual. His motivation is the result of interaction among four groups of factors namely: influences operating within the individual; influences operating within the organization; job characteristics and influences operating within the organization. This approach places heavy emphasis on individual decision making as it relates to behavior.

The individual sports a complex bundle of needs that may be real, stated or hidden. This is a result of his beliefs, values and attitude which must be known in order to understand what motivates him.

The organization climate may support an individual because of its peculiar organizational design, leadership style, culture, technology etc. resulting is highly motivated individuals.

The job characteristics assigned to an individual, its role and significance in the organization and the opportunity to give feedback are influencers in the level of employee motivation .

The external environment including social groups, culture, customs and the individual's personal life also influence his level of motivation.

Activity A:

1 In your institution identify the factors that act as motivators for the teaching fraternity. Conduct the same exercise for the administrative staff. Do you find the ratings for the factors to be similar or different for the two groups?

Theories of motivation : The various theories of motivation have been classified as Various approaches to motivation have resulted in a number of theories that are meant to assist and guide managers at various levels in keeping a motivated workforce. These include the following :

- Content Theories
- Process Theories
- Reinforcement Theories

The content theories propounded by various writers include Maslow's Need hierarchy theory, Hertzberg's two factor theory, Alderfer's ERG theory, McGregor Theory X and Y and Z theory of William Ouchy.

Process theories include Equity theories and Expectancy theories. Equity theories explain the relationship of employees motivation with perception and feeling of the employee. They analyze what an employee gets from an organization and what they contribute. Employees get motivated not only by what they get from an organization but also by seeing and believing what other getting from the organization. Vroom was a major contributor to the expectancy theories.

Reinforcement theories include Hull's drive theory and Skinner's reinforcement theory. The theories that are of interest to us have been discussed in greater detail.

14.5 Maslow's Need Hierarchy Theory

Hierarchy of Needs Theory (A.H.Maslow,1954)

For all individuals there exists a hierarchy of needs such that the basic or lower needs must be satisfied before the higher level of needs become significant. This hierarchy of needs consists of physiological, safety, social, esteem, and self-actualization needs . As each need is satisfied, the next layer becomes relevant for the individual.

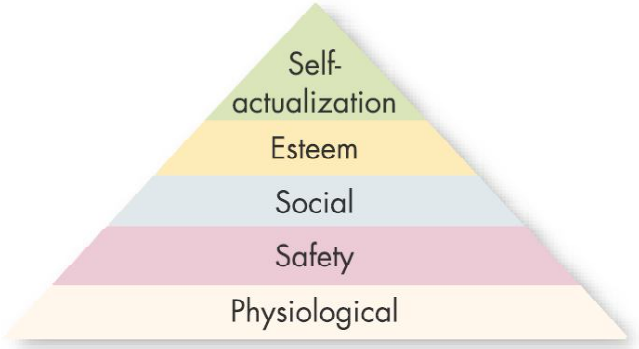


Figure : Maslow's Need Hierarchy

Physiological needs are born out of the basic physiology of life, such as the need for food, water and air and are prerequisites for survival.

Security needs are of physical and economic security. In the organizational context this need may be the reason why a person chooses a particular job. The individual would choose a job where the chances of layoff or dismissal are low.

Social needs become important for an individual after satisfaction of the above basic needs. This need drives from the fact that a man finds satisfaction in the company of other fellow humans and gets a feeling of deprivation when he is left alone. As social needs become dominant for an individual, he seeks to have meaningful associations with colleagues in the organization.

Esteem needs relate to self-respect and worthiness. Once an individual's social needs are satisfied, he/she needs that others respect and recognize the individual's worth. This results in an expression of dominance and power. Self-fulfillment/ Self actualization is the need of an individual to perform as per once potential and to realize ones capabilities to the fullest. For a writer to be happy, he needs to write and he will continue to write better until he is satisfied with the output. This highest level of need comes into play after the other lower needs are satisfied.

Critical analysis

- It is a positive theory assuming that human beings work to satisfy needs.
- The dynamic nature of human needs is well reflected in the theory.

On the other hand

- Human beings are not motivated by needs alone.
- The theory cannot be validated by empirical evidence.

14.6 Douglas Mcgregor's Theory X and Theory Y

McGregor (1960) has attempted to predict human behaviour based on the following assumptions that are categorized as theory X and theory Y.

Theory X

Theory X is based on the following assumptions.

- that employees dislike work,
- lack ambition,
- avoid responsibility,
- and must be directed,
- resist change,
- are self centered and
- coerced to perform.
- It presents a negative view of human nature.

Theory Y

Theory Y assumes that

- employees like work,
- seek responsibility,
- are capable of making decisions,
- exercises imagination and creativity,
- exercises self-direction and self-control when committed to a goal.

This view is an optimistic view.

According to theory X, all assumptions about human nature are negative in their approach.

Supervisors and managers that practice this theory believe in close supervision and monitoring of their employees. On the other hand managers practicing theory Y attempt to get maximum output from their employees with minimum amount of supervision and control. Here, individual goals are in sync with organizational goals.

Critical analysis

- The theory suggests that there is a strong tendency for humans to conform to other people's perception of them. But every individual has his own identity.
- McGregor was a supporter of Theory Y and proposed the idea of participative decision making.
- All individuals and their behavior cannot be characterized as good or bad.
- The theory relies heavily on others/managers opinion of the employee leading to him behaving in a certain manner and its effect on his level of motivation. This may not apply on all cases.
- The theory emphasizes on the role of non monetary incentives in motivation.

Activity B :

1 Form small groups in your class/work place and enact role plays showing two managers, one following the practice of theory X and the other following theory Y.

14.7 Herzberg's Two Factor Theory

Two-Factor (Motivation-Hygiene) Theory

Using the Maslow's need hierarchy theory, the Herzberg's two factor theory attempts to look more specifically at work motivation. The absence of certain job factors tends to make workers dissatisfied. But the presence of these same factors does not serve as a source of motivation. They merely curb problems such as absenteeism and employee turnover. Herzberg addressed these factors as maintenance or hygiene factors as they help maintain job satisfaction.

These include factors such as company policy and administration, supervision, relationship with supervisors, relationship with peers, relationship with subordinates, salary, job security, personal life, good working conditions and status. When factors are adequate, people will not be dissatisfied. These factors are also called extrinsic factors and their non compliance is associated with dissatisfaction.

There is another set of factors called the intrinsic factors that are related to job satisfaction. Herzberg called these as motivators or satisfiers. They include opportunity to accomplish something different, recognition for significant accomplishments, chance for advancement, opportunity to grow and develop on the job, chance for increased responsibility, the job itself. The non fulfillment of these factors does not lead to dissatisfaction.

According to Herzberg, these job factors act as motivators or dissatisfiers, not solely on account of themselves but are dependent on the personality of the individual who may be a "motivation seeker" or a "maintenance seeker." A motivation seeker is one who is affected by the nature of the job and he remains inert to environmental factors. Maintenance seekers are those that are motivated by the nature of the environment and is little influenced by the quality of his own assignment.

Critical analysis

- According to the theory, a person can be motivated to perform better by giving him more responsibility which is a positive approach.
- It emphasizes the importance of feedback in improving the system output.
- This theory was proposed based on data from a small sample of 200 accountants and engineers hence its generalizability is subject to questioning.

14.8 Implications for Organizations

The employee's attitude reflecting his loyalty to his organization is greatly affected by his level of motivation. Managers get work done through others. The ability to get other people to move in the right direction, that is towards organizational goals, is the key to a successful organization. The higher the level of motivation in an employee, the lesser is the push required to be given to the subordinate by the supervisor leading to higher organizational efficiency.

Motivation studies and theories can be used by practicing managers to achieve the following in the organizational context:

- Higher performance level of employees
- Low employee turnover
- Lesser need for supervision
- Lesser resistance to organizational changes
- Greater productivity
- Higher job satisfaction
- Enhanced effectiveness of managerial functions
- Higher loyalty towards organization
- Committed workforce
- Creativity and innovation in handling environmental constraints
- Reduced chances of conflict leading to better industrial relations

However the choice of the motivational strategy for an employee should be chosen based on factors such as his level in the organizational hierarchy, the organizational climate, existence of a sound company policy and administration, avenues for growth within the organization, and the availability of competent managers / supervisors.

Guidelines for Managers

Almost everything that a manager does influences the motivation of employees.

- Performance is the product of ability and motivation. A manager must distinguish between " can't do" and "won't do". Employees must have the ability to perform well as well as the motivation to do the job.
- Individual needs must be incorporated in motivational programmes . One motivational programme may not work for all employees at all times. Managers may try to provide a suitable motivation mix to suit different segments of employees.
- Attention must be paid to employees that have pleateaued in their performance. Such employees lack energy and enthusiasm and need specific programmes for motivation such as developing a new terrirory, market research on competitors, training new employees etc.
- A proactive approach if adopted by managers will prevent the occurances of motivation related problems. This can be ensured by keeping communication channels open between the supervisor and subordinates.

Activity C :

1 Discuss in class/workplace instances when you were highly motivated to perform well but performed poorly inspite of your high motivation. How can you say that your motivation was really high? What factors interfered with good performance? What were your learnings from this experience.

14.9 Summary

Motivation is an extremely significant subject for all practicing managers as it is easier to work

with a motivated workforce and effort spent on directing the workforce towards achievement of organizational objectives is optimised.

Human needs form the basis of most of the motivation theories. Among the important contributors of motivation theories Maslow, Douglas McGregor, and Herzberg have made significant contributions. Maslow based his theory on a hierarchy of human needs stating that there exists a hierarchy of needs and the lower level basic needs must be satisfied before the higher order needs come into play for an individual. Herzberg developed a theory in which he classified factors that lead to satisfaction or dissatisfaction in work related motivation. The factors that lead to satisfaction arise from job content and factors that may lead to dissatisfaction arise from contextual issues. McGregor's theory says that individuals perform as their managers expect from them. He further says that individuals may belong to a category of self motivated, spirited individuals or the other category of people that avoid responsibility and resist change. An organization greatly benefits from people of the first category because they are achievers that need little or no supervision. Motivation studies have great significance for an organization because through the practice of motivation theories , practicing managers can greatly reduce the need for supervision and enhance organizational efficiency and productivity.

14.10 Self Assessment Questions

1. Motivation is the core of management. Discuss. What can management do to motivate the staff of an (a) industrial organization (b) information technology firm?
2. Using the concept of motivation, explain the terms behaviour and performance.
3. Use Maslow's hierarchy to explain why we need different forms of motivation for assembly line workers and CEOs of organizations.
4. Critically discuss the statement; 'People are basically the same' in the light of McGregor's theory of motivation.
5. Motivation techniques are theoretical concepts. All we need is good goal setting. Debate the statement.
6. Discuss the applicability of Herzberg's motivation – hygiene theory in the Indian context.
7. Write short notes on the following
   a. monistic approach and pluralistic approach
   b. motivation techniques
   c. comparative evaluation of Theory X and Theory Y
   d. motivation and hygiene factors
   e. characteristics of human needs
8. Case Study

She asked him to come in after ten minutes. When he went in, she looked at him blankly and asked, "Yes?"Not sure whether she had recognized him, Rohit introduced himself. She said, "Ok, but why did you want to meet me?"Rohit started to tell her about the problems they were having with the software. But before he could even finish, she told him that she was busy with other things, and that she would send an email with the solution to all the members of the team by the end of the day, and that they could then implement it immediately.

Rohit was somewhat taken aback. However, ever the optimist, he thought that she had perhaps already discussed the matter with the team. Rohit came out of Aparna's cabin and went straight to where his team members sat. He thought it would still be nice to bounce ideas off them and also to see what

solutions others might come up with. He told them of all the solutions he had in mind. He waited for the others to come up with their suggestions but not one of them spoke up. He was surprised, and asked them point-blank why they were so disinterested.

Sanjay, one of the team members, said, "What is the point in our discussing these things? Aparna is not going to have time to listen to us or discuss anything. She will just give us the solution she thinks is best, and we will just do what she tells us to do; why waste everyone's time?" Rohit felt his heart sink. Was this the way things worked over here? However, he refused to lose heart and thought that maybe, he could change things a little.

But as the days went by, Rohit realized that Aparna was the complete opposite of his old boss. While she was efficient at what she did and extremely intelligent, she had neither the time nor the inclination to groom her subordinates. Her solutions to problems were always correct, but she was not willing to discuss or debate the merits of any other ideas that her team might have. She did not hold the team down to their deadlines nor did she ever interfere. In fact, she rarely said anything at all! If work did not get finished on time, she would just blame her team, and totally disassociate herself from them.

Time and again, Rohit found himself thinking of Suresh, his old boss, and of how he had been such a positive influence. Aparna, on the other hand, even without actively doing anything, had managed to significantly lower his motivation levels. Rohit gradually began to lose interest in his work - it had become too mechanical for his taste. He didn't really need to think; his boss had all the answers. He was learning nothing new, and he felt his career was going nowhere. As he became more and more discouraged, his performance suffered. From being someone with immense promise and potential, Rohit was now in danger of becoming just another mediocre techie.

Questions for Discussion

1. What, according to you, were the reasons for Rohit's disillusionment? Answer the question using Maslow's Hierarchy of Needs.
2. What should Rohit do to resolve his situation? What can a team leader do to ensure high levels of motivation among his/her team members?

14.11 Reference Books

- Principles and Practice of Management : L.M.Prasad
- Management : Koontz "O" Donnell
- The process of Management: Concept, behaviour and practice: Newsman and Warren.
- Management Theory and Practice, S Chandan,
- Business Organisation and Management, Y. K. Bhushan,

Unit - 15 Staffing

Structure of Unit

15.0 Objectives
15.1 Introduction
15.2 Manpower Need
15.3 Staffing Process
15.4 Job Analysis
15.5 Job Description
15.6 Job Specification
15.7 Recruitment
15.8 Selection
15.9 Training
15.10 Development
15.11 Summary
15.12 Self Assessment Questions
15.13 Reference Books

15.0 Objectives

After completing this unit you will be able to

- Understand the concept of staffing
- Know the planning for the staffing process
- Explain different recruitment techniques
- Understand how to select employees
- Explain the training as a management function
- Elaborate the developing and grooming of employees for higher responsibility

15.1 Introduction

Staffing is a perpetual function requiring managers to find the 'right person for the right job.' This is a dynamic situation since people are continually leaving, getting fired, promoted and transferred. Staffing involves tasks like identifying work force requirement ; inventorying available people; selecting and recruiting new people; planning careers of workforce; training and developing the current incumbent; and his/her successor to enable them to perform their tasks efficiently and effectively; appraising and promoting; and setting compensation.

Several benefits accrue to the organization when the staffing function is performed effectively. It leads to discovering talented, competent and creative workforce; developing workforce towards career advancement; ensuring optimum output by placing 'right man for the right job' ensuring availabilityof just adequate manpower; and formulating succession plans at all levels.

15.2 Manpower Need

After the organizational aspects have been finalized, begins the process of assessing the organization's human resource needs in the light of organizational goals and making plans that a competent,

stable workforce is employed. Organizational goals have meaning only when people with ability and desire are employed to be able to execute tasks that will lead to realization of organizational goals. Need for manpower is recognized due to the following reasons.

- Organization success depends on the success of capable manpower.
- All other resources including money, material and machines will lie idle without adequate manpower.
- Replacement charts and succession plans are also required so that a nursery of potential employees for the future may be put in place.
- Adequate investment in human capital is a must for all businesses.
- Due to greater employment opportunities, there are higher chances of employee turnover. This can be minimized with training and development programmes.
- Good manpower reduces the cost of production.

Failure in recognizing manpower need will be a limiting factor in achieving the objectives of the organization.

15.3 Staffing Process

The staffing process consists of the following major stages.

1. Planning the recruitment and selection process
2. Recruiting a sufficient number of applicants
3. Selecting the most suitable applicants
4. Hiring the selected candidates
5. Socialization and assimilation of new recruits into the organization
6. Training those who need further instruction to perform their work efficiently
7. Developing employees for greater responsibility

The following advantages accrue to the organization as a consequence of proper and efficient staffing.

- It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- It ensures greater production by putting the right man in the right job.
- Due to proper manpower planning, the function helps to prevent disruption of an enterprises' production function due to shortages of personnel.
- Underutilization of personnel due to overstaffing is prevented that further saves labour costs and prevents depletion of margins .
- It provides information to management for succession planning of managerial personnel in the event of an unanticipated occurrence.

Activity A :

1 Imagine yourself to be a young entrepreneur with a restaurant as your business. Formulate a plan showcasing your staffing needs.

15.4 Job Analysis

Before an organization can proceed with the selection process, it should conduct a job analysis. Job analysis is the process of identifying job duties and responsibilities as well as critical activities to be performed for successful execution of the job. It involves collecting job related information. Such

information helps in the preparation of job description and job specifications.

Job analysis consists of the following steps

1. **Environmental analysis :** This includes a study of knowledge and skills required for the job. Type of information collected includes :
   - Work activities
   - Human behavior
   - Machines, tools, equipment, and work aids
   - Performance standards
   - Job context
   - Human requirements

2. **Determination of duties and responsibilities expected from the employee:** This information can be obtained from the supervisors for every position under consideration.

3. **The person conducting the job analysis may be :**
   - Trained job analyst
   - Supervisors
   - Job incumbents

The output from the job analysis leads to the job description.

15.5 Job Description

Organizations use job analysis to develop job description. Job description implies objective listing of the job title , tasks, duties and responsibilities involved in a job. It is the formal written statement describing detailed account of the job. Most job descriptions generally cover the following points.

Title of the job : This needs to be specified clearly and completely without any ambiguity. This may also serve the twin objective of being the nomenclature for the designation of the employee. Some examples of the title of the job are systems engineer, regional sales manager and finance officer.

Reporting relationship : The person with a particular title of the job will be reporting to whom. Manager office services may be reporting to Regional manager.

Duties and responsibilities : The tasks associated with the job are specified , for instance plant production, keeping books of account, selling and payment collection.

Job demands : Physical and mental demands of the job such as touring, achievements of targets etc.

Technical requirements : Product or service knowledge essential for a job. For example a chief accountant must be adequately equipped with technical knowledge on balance sheets and their finer aspects.

Location and geographical area to be covered: The place of posting in a job and the total geographical area to be covered . For example Regional Manager (Sales) Dehradun is required to cover the entire state of Uttranchal.

A job description is an important tool in controlling the employees. It is imperative that the job description is written down in great detail.

Activity B :

1. Craft a job description for a managerial position in an imaginary organization. Please specify the organization characteristics and justify the description in this context.

15.6 Job Specification

The duties and responsibilities mentioned in the job description need to be converted into job qualifications or job specifications. Employees to be hired should have these qualifications as these are essential qualifications to perform well on the job. This task is not easy because there are no generally accepted traits and abilities that can be ascertained for success at various positions in an organization. This is because there is a significant variance in job qualifications for different jobs at various hierarchical positions in an organization.

Some of the methods used for developing job specifications include

- Study of job description Some organizations, particularly new ones develop their job specification based on exhaustive and meticulously prepared job description.
- Analyzing personal histories of employees Organizations that have been in business for several years use this method. It involves analyzing the traits of good and poor performing employees to find out if there are certain characteristics that are present in good employees and absent in poorly performing employees. The traits of good employees are then used to develop specifications or job profile

The exact list of the abilities and qualities thus developed vary according to the company and the uses to which the job specification is to be put. The advantage that accrues to an organization from a well laid out job specification is that there are increased chances for finding the right person for various positions.

15.7 Recruitment

Once the manpower requirements are determined, the process of recruitment can be started. Recruitment includes activities to get individuals who will apply for the job. Dalton E. McFarland has defined recruitment as the process of attracting potential employees to the company.

Sources of recruitment : Recruitment sources can be broadly classified into two categories : external and internal. External sources are those that take into consideration existing employees of the organization . This source may be used to fill all levels except the lowest level in the organization. External sources include reemploying former employees, friends and relatives of present employees, applicants at the gate, colleges and technical institutions, employment exchanges, advertisement response and labour unions.

Internal sources include the employees currently on the organization payroll. The debate between which of the two sources should be used is never ending. However each has its own advantages and limitations.

- Employee motivation is high when recruitment is done from internal sources.
- Existing managers participate effectively in the company's programmes.
- With an aging workforce , organization is forced to look at external sources.
- There may be a need for originality and initiative which can be brought about by fresh talent from

outside sources.

- Most of the recruits from external sources require extensive training on company products and policies and take some time settling in the organization.

Comparison of Internal and External Recruitment Source

Internal sources		External sources	
1.	Greater security among employees	1.	Less security among employees
2.	Increased loyalty towards organization	2.	Reduced loyalty towards organization
3.	Lesser need for induction training	3.	Greater need for induction training
4.	Opportunity for career planning within the organization	4.	Lesser chances of growth within the organization
5.	Reduced labour turnover	5.	Higher chances of labour turnover.
6.	Better employer employee relationship	6.	Loss of sense of security hence not a healthy employer employee relationship
7.	May lead to inbreeding	7.	Brings new ideas with new people
8.	May encourage favouritism	8.	Wider choice for selecting people with rich and varied experience.

15.8 Selection

Selection process is a two stage activity consisting of several steps.

a) Developing the selection process consisting of tools and procedure to measure the applicants against the job's qualifications or expectations.

b) Selecting the employees

The selection process : The process consists of various activities which are like filters. At any of these steps the applicant may be dropped from further consideration. The major tools used for selecting the salespeople are screening resumes, application blank , initial interview, employment tests, reference check, physical examination, final interview.

All of these steps are time consuming and expensive and are used by organizations depending on their needs and means.

a) Screening Resumes : When recruiting from external sources particularly, the organization receives a large number of resumes. To reduce the number of applications, initial screening of the resumes is done based on comparison with job specifications.

b) Application Blank : This is a widely used selection tool that is a convenient and methodical method of collecting relevant information from the applicant. It may include education, work experience and other details relevant for the organization. Since all applicants submit the application blank in the same format, comparison becomes simpler and facilitates questioning by the interviewer.

c) Interviews : These are conducted to get more information about the applicant about facts stated in the application blank. The success of the interview as a selection tool depends on the behavior of the interviewer. A properly conducted interview is a good predictor of the candidates' attitude and performance and should be used in the selection process.

d) Employment tests : There are several type of tests that are used in selection procedure. The

more commonly used are : Aptitude test, Interest test, Intelligence test, Performance achievement test, personality test. With the help of these tests, a selector can identify applicant's capacity to learn, the interest areas of a candidate, his intelligence, his level of knowledge and skill in a particular job and his personality traits such as self confidence, temperament, initiative, integrity etc.

e) **Reference check :** This check is carried out by the selectors for candidates in order to check the reliability of the details furnished by the candidate and his character and past history.

f) **Medical examination :** This step is carried out with a three fold purpose: to check the physical fitness of the applicant; to protect the company against unwarranted claims for compensation; and to prevent communicable diseases from entering the organization.

g) **The above steps may be followed by a final interview where in the prospective employee is appraised of the career growth options within the organization.**

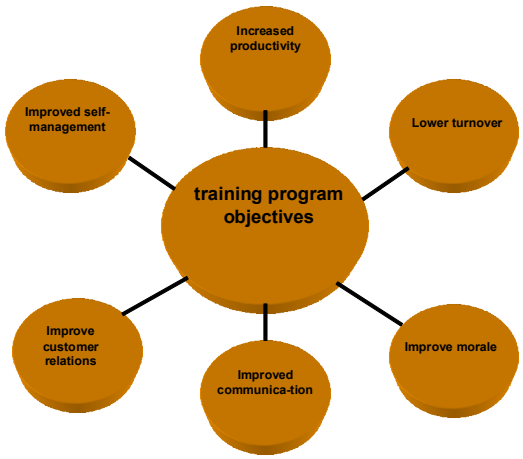
15.9 Training

Training is the natural successor of selection. This is because a person however carefully selected is not moulded according to the requirements of the job or the organization. Earlier most organizations believed that training is not required and the newly selected candidate will acquire the particulars of the job on the job itself. However with the introduction of Human resource Development as a concept, it is now believed that training is a responsibility of the employer, and must be carried on a regular basis in a planned manner. Flippo has defined training as " the act of increasing the skills of an employee for doing a particular job." Training is the based on the process of learning a sequence of programmed behavior and the appreciation of this knowledge to the work environment for the smooth conduct of the desired activity in the context of the sales organization. Training is a process of making people aware about the desired way of functioning in organization.

Designing a training programme : This process involves taking decisions related to the following

- Objectives of Sales Training
- Role of Trainer
- The Training Process
- Training methods
- Designing the training programme

Objectives of Training



I. Objectives of training : Training is imparted in areas of job related knowledge, skills, attitudes and culture that should result in improved performance.Training may be imparted not only in areas physical activity but also in soft skills as improved communication and improved self management.

II. Role of the trainer : The training programme depends largely on the ability, skill and the motivation of the sales trainer. Top executives train the employees on various job areas . For example in a sales scenario, training is imparted on the introduction of new products, adoption of modified sales policy, sharpening the selling technique and countering the short-term selling tactics of the competitors. In small organization training is handled by executives and outside experts.

III. The training process : The purpose of this phase is to determine whether or not there is a need of training and the kind of information needed to design a training programme. This phase have three levels of analysis:

The Training Process



a) Training need assessment : The purpose of this phase is to determine whether or not there is a need of training and the kind of information needed to design a training programme. In this phase the analysis is carried out at three levels namely Organizational level analysis, Task level analysis, Individual level analysis

Organizational level analysis-A sales manager evaluates the macro issue like the organization structure, culture, mission, business climate and long term and short term goals.

Task level analysis-This analysis focuses on all the function and jobs in the sales department and determines which one of them needs the attention of the training programme.

Individual level analysis-It helps to determine all those salespeople who need to undergo the training programme.

b) Design and conduction of a training programme : In this step, training is so designed that is related to the organization needs or problem. The training approaches vary by :

- Location
- Presentation options

Types of training based on location

- On-the- job training(OJT)

- Job instruction training (JIT)
- Vestibule training(VT)
- Demonstration method
- Off -the-job training

Types of training based on presentation options

- Slides and Videotapes
- Computer based training programme(Use of SAP modules)
- Simulations(Use of MarkStart 3)
- Classroom instruction

Specific techniques employed for training of employees

- Cross-functional training(Job rotation)
- Team training(team centric rather than self centric)
- Creativity training(Brainstorming approache)
- Literacy training(mastery over basic and general skill)
- Retraining(in terms of new technology)

c) Evaluation of a training programme : This is the last stage in the training process where the effectiveness of the training programmed is assessed. The effectiveness of a training programme can be measured by measuring parameters like reaction of the trainee, learning, behavior and result or important outcomes.

IV. Training Methods : Training methods are classified as :

- Didactic methods
- Participative methods

Didactic methods include lecture method and One-on-instruction techniqu. Participative methods include conferences, seminars, discussions, role play, case study, fish bowl, workshops, sensitivitytraining, transaction analysis, in-tray exercise.

V. Designing the training programme : There are five key decision that a sales manager has to take while deciding on a training programme:

- Aim(Deciding on the training object)
- Content(Deciding on the content of the training programme)
- Method(Deciding on the method of training)
- Execution(Deciding on the arrangement made for the execution of the training programme)
- Evaluation(Deciding on the procedure to evaluate the training programme)

Activity C :

1. You are the branch manager of a bank branch located in a rural area. The employees of the branch have been selected from nearby locations. The branch is undergoing modernization which includes computerization. Identify the training needs of your branch.

15.10 Development

Development term is used in conjunction with management . Management development is defined as all those activities and programmes when recognized and controlled, have substantial influence in

changing the capacity of the individual to perform his present assignment better and in so doing is likely to increase his potential for future management assignments.

Development can be defined as "gradual personal growth or evolution of knowledge, skill, attitudes, behavior that is gained through learning from a variety of experiences." Development is usually applied to people with some existing skills, knowledge or attitudes wanting to improve , change employment or career paths or move to higher employment levels.

This long term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge. Development is a process that not only improves job performance but also brings about growth of the personality, helps individuals to realize their potential and make them progress towards maturity. Through development an organization strives to transform performers into peak performers, those that are self motivated and driven towards high efficiency. In the context of an organization it is intended to equip employees to grow within the organization and hold higher positions of responsibility.

To develop is to train employees for higher level jobs and roles in the organizational hierarchy.

Importance of Development :

- Hiring employees from external sources is a costly process. Inducting these new employees in the organization at senior positions takes time and effort. Grooming existing employees for senior positions to meet future needs is a better course of action.
- Continuous managerial development is an organizational requirement to prevent obsolescence of managerial skill. Managers need to constantly update themselves toable to respond to the dynamic external environment.
- It is the senior managers in an organization that play various roles of mentoring and motivating the junior employees. Hence their development results in overall benefit for the organization.

Objectives of development :

- To ensure a steady supply of competent people at all levels of the organization
- To groom managers for greater responsibility.
- To feed for succession planning.
- To reduce managerial turnover.
- To prevent managerial obsolescence.

How to make training and development effective :

- Determine training and development needs through job description, performance appraisal and potential appraisal discussions.
- Prepare a training and development activity calendar in consultation with managers.
- Define the training and development objectives clearly.
- Nominate employees for training and development based on their needs and avoid any kind of bias.
- Use well qualified and experienced trainers, and preferably internal.

Although training and development is an HR function, a lot of specialist training and development organizations are now functional and offer professionally managed training and development programmes. Incidentally training and development has now become an important corporate practice in line with ISO certification requirement.

Activity D :

1. A leading pesticides company provides excellent training to its sales executives, but the feedback of employees indicates that they are unable to use the training with great advantage in the competitive scenario of the market. The senior managers make no efforts to follow up new ideas and suggestions . Consequently , sales executives are unable to adapt techniques learned during the training . As the General Manager(HR) what steps will you take?

15.11 Summary

Recruitment, Selection, Training and Development are four important functions of management that ensure that the organization is able to hire the right candidates for different jobs in the organization, retain them and develop them for higher responsibilities. This is done because people with ability and desire, once employed , will be able to execute tasks that will lead to realization of organizational goals.

Recruitment includes activities to get individuals who will apply for the job. It is defined as the process of attracting potential employees to the company.

The selection process : The process consists of various activities which are like filters. At any of these steps the applicant may be dropped from further consideration. The major tools used for selecting the salespeople are screening resumes, application blank , initial interview, employment tests, reference check, physical examination, final interview.

Training is the natural successor of selection. This is because a person however carefully selected is not moulded according to the requirements of the job or the organization. Earlier most organizations believed that training is not required and the newly selected candidate will acquire the particulars of the job on the job itself. However with the introduction of Human resource Development as a concept, it is now believed that training is a responsibility of the employer, and must be carried on a regular basis in a planned manner.

Development is a process that not only improves job performance but also brings about growth of the personality, helps individuals to realize their potential and make them progress towards maturity. Through development an organization strives to transform performers into peak performers, those that are self motivated and driven towards high efficiency.

15.12 Self Assessment Questions

1. Define training and differentiate between training and development.
2. Discuss the importance of training need assessment in an organization.
3. Comment on the statement, "No organization can choose between training and no training."
4. What are the objectives of a management development programme.
5. Discuss the essential features of a good training programme.
6. Faulty recruitment and selection can be offset by a good training programme. Comment
7. Employees are the most important asset of an organization. What can we do to prevent these assets from becoming liabilities.

8. Case Study

Rajat Sharma has been employed for six months in the accounts section of a large manufacturing company in Faridabad. You have been his supervisor for the past three months. Recently you have been asked by the management to find out the contributions of each employee in the Accounts Section and monitor carefully whether they are meeting the standards set by you.

A few days back you have completed your formal investigation and with the exception of Rajat, all seem to be meeting the targets set by you. Along with numerous errors, Rajat's work is characterized by low performance – often he does 20 percent less than the other clerks in the department.

As you look into Rajat's performance review sheets again, you begin to wonder whether some sort of remedial training is needed for people like him.

Questions

1. As Rajat's supervisor can you find out whether the poor performance is due to poor training or to some other cause?
2. If you find Rajat has been inadequately trained, how do you go about introducing a remedial training programme?
3. If he has been with the company six months, what kind of remedial programme would be best?
4. Should you supervise him more closely? Can you do this without making it obvious to him and his co-workers?
5. Should you discuss the situation with Rajat?

15.13 Reference Books

- Human resources and Personnel Management , Aswathappa, K.,
- Human Resource Management, Dressler

Unit - 16 Coordination

Structure of the Unit

16.0 Objective
16.1 Introduction
16.2 Concept of Coordination
16.3 Coordination - The Essence of Management
16.4 Types of Coordination
16.5 Importance of Coordination
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16.0 Objective

After completing this unit you will be able to

- Understand the concept of coordination
- Explain the types of coordination
- State the importance, principles of co-ordination
- Describe the methods of coordination
- Critically examine coordination

16.1 Introduction

Coordination is considered as essence of management. Perhaps nothing is more important in management than coordination. It checks the wastages of efforts and resources, eliminates duplication of efforts and increases total accomplishment. In fact it is the process and magic of making sum of two and two as five.

Modern organisations are complex in nature and have expended in size and magnitude. with the increase in size their activities have diversified. For proper management of such organasations their activities are to be divided into several departments, divisions and sub-divisions. However, all these departments etc direct their efforts to achieve the common objectives of the business, for which their activities are to be synchronised. This is known as coordination. Luther Gulick, a noted authority, has wrote that "if division of work is inescapable, coordination becomes essential."

To achieve the objectives of business management has to coordination among internal and external environment of business. Interval environment of business consists of interval resources of business and external environment of business pertains to external factors like economic, socio-cultural political, legal technological etc. which influence business directly or indirectly. success of business depends upon coordination a cheering skills and capacity of its managers. It well, therefore, not be exaggeration to say that coordination is the key to the success of business.

16.2 Concept of Coordination

Coordination is the synchronising and integrating the activities of an organisation. wherever division of labour and specialisation is practiced to achieve maximum success with minimum resources need of the coordination is felt.

A number of management authorities have defined the coordination, some of them are being quoted here to make the concept of coordination crystal clear to the students.

Characteristics of Co-ordination

By study and analysis of definitions of term coordination as given by different authorities, following salient characteristics of coordination become visible-

1. **Co-ordination is a process -** Co-ordination is a process which goes on continuously. The need of co-ordination is a continuing process.
2. **An universal process -** Co-ordination is a universal process. The need of co-ordination arises in all types of organisations like business, economic, social, political and religious. Wherever two or more persons jointly strive for the attainment of a common goal, their efforts are required to be coordinated so that organisational goals can be achieved with the greatest efficiency.
3. **A synchronising process-**Co-ordination is the process of achieving uniformity in or integrating the activities of different departments and subdivisions, activities and efforts of persons working in a concern.
4. **Essence of management-**Some scholars in the fields of management recognise co-ordination as a function of management like planning, organising, directing and controlling. However it is not merely a function of management but an essence of management. Renowned management authorities Koontz and O' Donnell have called coordination as an essence of management.
5. **Managerial responsibility-**Co-ordination is the responsibility of manager, especially, of chief executive and he can not escape from this responsibility.
6. **An orderly arrangement of group efforts-**Co-ordination is the process of an orderly arrangement of group efforts. Its need is felt wherever efforts of more than one person are required.
7. **Unity of actions-**According to Henry Fayol "Co-ordination is the process of achieving unity of actions". It is a device of establishing unity in diversity whereby goodwill and group felling are developed among employees working in a concern.
8. **An activity exercised to achieve common objectives-**According to Gulick "Co-ordination is that group of human and structural systems, the objective of which is to contribute to the achievement of common objectives of a concern". As the freedom of units increases, the importance of co-ordination increases for achievement of organisational goals.
9. **Required at all levels-**Although co-ordination is the responsibility of Chief Executive, but it is required at all levels of management. There may be difference of degree but not of kind.
10. **Distinct from co-operation-**Co-ordination and co-operation are distinct from each other despite of being complementary to each others. Co-ordination is wider than co-operation. Co-ordination is the orderly arrangement of group efforts to establish unity in diverse activities to attain the common objectives, whereas co-operation is the result of voluntary aptitude of employees working in an organisation.

Activity A :

1. Visit an organisation you are familiar with and find out how activities are coordinated their?
2. Visit two organisation of your choice, one where activities and functions are coordinated properly and another where there is not coordination in activities and functions being conducted there and note down the difference between their working below:-

16.3 Coordination - The Essence of Management

Some scholars in the field of management recognise co-ordination as a distinct function, like-planning, organising, directing and controlling -of management. Henry Fayol, Urwick, Gulick etc. are prominent among them. Contrary to this modern scholars of management do not consider co-ordination merely a separate function of management but as an essence of management. Koontz and O'Donnell, George R Terry, Mary Parker Follett Newman, Mooney and Reiley etc. are prominent among them. Koontz and O'Donnel have called co-ordination as essence of manager ship. According to them unless the manager achieves co-ordination organisational goals could not be achieved with the help of other functions of management. In the opinion of Terry it is not correct to consider co-ordination as a function of management. In fact co-ordination is achieved through planning, organising, motivation and controlling. Newman is of the opinion that "Co-ordination is not a separate function but it is a part of all levels of management". According to Follet "Co-ordination is initiated from the stage of planning itself and goes on in all organising, motivating, directing etc." Thus it is clear that co-ordination is essential for proper performance of different function of management.

Now consensus is emerging among management authorities that co-ordination is not merely a function of management but it is essence of management. Co-ordination plays vital role in synchronising all managerial functions. In fact, co-ordination is the essence or soul of management. As death of a human being causes separation of soul from the human body, so management without co-ordination becomes ineffective, inefficient and lifeless. An efficient manager must always be cautious and aware of achieving co-ordination.

He must ensure that his every activity (Planning, organising, directing, staffing, controlling etc.) every decision, every step must contribute and lead to achieving co-ordination. In conclusion it can be said that it is quite correct to call co-ordination as the essence or soul (spirit) of management.

16.4 Types of Coordination

Coordination is variously classified on different bases, such as its coverage and flow, the main types are as follows:

1. Vertical and horizontal coordination
2. Internal external coordination
3. procedural and substantive coordination
4. Informal or voluntary coordination
5. Programmed nonhuman coordination

1. Vertical and Horizontal Coordination - Vertical coordination links people and units at various hierarchical levels. It refers to coordination among the activities of a manager and his subordinates. It is needed to ensure that all levels act in harmony. It helps to maintain unity of command between different

levels of managers and employees. For example, the activities of a manager, assistant manager, superintendent, and other below can be knit together through vertical coordination. It is established by delegation of authority, policies, rules etc.

Horizontal coordination occurs at the single hierarchical level. It is a coordination among peers-employees working at the same level. It is related with the functions, attitudes and roles of the employees of the same status in the managerial hierarchy. The activities of different departments like production, marketing, finance, personnel, etc. are integrated through horizontal coordination.

2. Internal and External Coordination - Coordination is internal when it is established between different departments and units of an organisation. It is related with the internal activities and human efforts of an enterprise. It involves different subsystems and parts of a business. It includes both vertical and horizontal coordination.

External coordination refers to the coordination between an organisation and its external environment. The external factors include the market, consumers, investors, suppliers, competitors, government, technology, social values, etc. An organisation requires to coordinate its internal activities and structure with socio-cultural, political and economic environment. External coordination should also exist between the enterprise and the world economy at large.

3. This classification is suggested by Herbert Simon, According to him, **procedural coordination** is "the specification of the organisation itself-that is, the generalized description of the behaviour and relationships of the member of the organisation." It lays down the procedures, establishes the lines of authority and defines the sphere of activity and authority of each employee.

Substantive coordination is concerned with the content of the organisations's activities. It is based on certain principles and specialized knowledge. Simon citers that in an automobile plant an organisation chart is an aspect of procedural coordination, while blue-prints for the engine block of the car manufactured are an aspect of substantive coordination.

4. Informal or Voluntary Coordination - All the organisations rely on voluntary coordination to some degree because it is not possible to anticipate or to make plan for all activities. This coordination occurs informally without programming by the managers. Glueck say that "it is based on reciprocal understanding, shared attitudes, and powerful psychological mechanisms that motivate cooperation." For voluntary coordination to work, Glueck describes some conditions-(i) The employee must know his objectives and those of the unit: (ii) He must have a clear idea of what his job entails; and (iii) He must identify with the enterprise and its goals.

5. Programmed Nonhuman Coordination - This coordination is achieved through programmed methods such as rules, policies, plans, standard operating procedures, scheduling deadlines, etc. This kind of coordination is need for pooled interdependent activities.

Activity B:

1. Visit a firm situated in vicinity of you and find out what type(s) of coordination is/are being done their:-

16.5 Importance of Coordination

More heavy and weighty words than "Coordination is the essence or spirit of management" can not be used to express the significance of co-ordination in management. Co-ordination makes possible

the achievement of organisational goals and objectives with the greatest efficiency by checking duplication or efforts and eliminating or minimising wastage. The success or failure of an organisation, to a large extent, depends on achieving effective coordination. In fact, co-ordination is useful not only for the survival, but also for the balanced growth and development of the organisation. In this modern age of division of labour and specialisationn no organisation can achieve success with achieving meaningful coordination among its activities. As the size and level of output of organisation increase and diversities and complexities in its activities arise, the importance of co-ordination also increases. It will not be exaggerating to call the coordination as life giving element of an organisation. Col. Urwick has even gone to he extent by writing that "The objective of an organisation is to achieve co-ordination." The importance of Co-ordination in an organisation can be explained with the help of following points-

1. To achieve the benefits of specialisation-Modern age it the age of division of labour and specialisation. To adopt specialisation manager assigns every activity to a specialist by dividing organisational activities in a number of specialised activities and department. These specialists perform their assigned tasks without taking into consideration the impact of them on the tasks of others. In such a case in becomes essential to achieve co-ordination in activities of different departments and specialists, so that benefits of specialisation ca be achieved. Luther Gulick has rightly observed in this regard, "If subdivision of work is inescapable, co-ordination becomes mandatory."

2. To ensure the effectiveness of managerial process-Co-ordination makes management process like planning, organising, directing and controlling, more effective. Establishing co-ordination among different elements of planning, different components of organising, different techniques of directing and different levels of controlling makes the management process more effective. Mritunjay Banerjee has written in his book, "Co-ordination makes planning more purposeful, organisation well-knit, and control more regulative."

3. Increases total accomplishment-Coordination increases total accomplishment by checking duplication of work and eliminating or minimising wastages. The sum total of work done separately by two or more individuals is much less than the sum total of the work done by them with coordination. In simple words, by co-ordination, efforts are made to make the mathematical sum of 2 and 2 as five.

4. Reconciliation of differences- On many occasions in organisations asn individual acts in his own way to achieve the organisational objectives and does not take into his consideration the possible impacts of his acts on his colleagues and other co-workers. Moreover, different people have different perceptions about the achievement of objectives. This gives rise to differences of opinion among persons working in the organisation. Reconciliation of these differences is considered necessary or organisational success and efficiency. Coordination contributes significantly to this end. Koontz writes, "Thus it becomes a primary duty of a manager that he should overcome the difference of interests efforts and procedure and synschronise the individual goals and works so that group goals can be achieved."

5. Achieves unity in diversity-Today organisation have acquired national and international dimensions. Now people of different ideas, feeling, beliefs, food habits, attires, languages and dialects work together in organisations. Despite of diversities in persons working, all of them direct their efforts towards achievement of common goals of the organisation. Therefore achieving unity in these people of diversities becomes essential. This is achieved properly by coordination.

6. Retention of good employees-People derive job satisfaction by working in a well co-ordinated

organisation. An employee feels that he occupies a definite place in the organisation, consequentlyhe is motivated to stay in the organisation for a longer period. Terry is of the opinion, "Good employees do increase in organisation by good coordination and they tend to stay in organisation." Similarly McFarland writes, "If job satisfactions are present, executives tend to remain longer with the company. They will feel that they have a place in the organisation."

7. Establishing good human relations- It is easy to establish good human relations in a well-coordinated organisation, because in such organisations employees working feel satisfied and have a high morale.

8. Increases morale-The work environment remains very cordial and cooperative in a well coordinated organisation, consequently morale of employees remains high and they perform their work with interest inn the organisation.

9. Increases productivity - Employees working in a well coordinated organisation derive job satisfaction, their morale remains high and they work with interest and devotion, consequently productivity of the organisation increases.

10. Facilitates changes- Changes can be implemented easily in a good coordinated orgnisation and they ca also be made acceptable. Such an organisation has capacity to adapt itself to the changes and welcome with open heart.

11. Others-The following additional points of importance may also be enumerated-

(i) Eliminates wastage.

(ii) Checks duplication of work and effort.

(iii) Ensures unity of direction and command.

(iv) Minimises cost.

(v) Increases goodwill of the concern.

(vi) Ensures the success of business in dynamic situations, etc.

16.6 Principles of Coordination

Keeping in view the importance of coordination the need of coordination is felt in all organisations. However effective coordination can be achieved only when coordination is achieved by observing the principles of coordination. A number of authorities have propounded the principles of coordination. Of these, principles propounded by **Mary Parker Follett** are the most important. The principles of coordination can be studied by dividing them in two parts-

I Mary parker Follett's Principles

Renowned management thinker Mary Parker Follett has developed the Following four principles of coordination-

1. Principle of direct contact - According to this principle of coordination management must have direct contact with the concerned persons for achieving effective coordination. Direct personal contact and communication facilitates understanding of ideas, feelings, objectives and messages of each others. It helps in overcoming doubts and removing misunderstandings. It ultimately helps resolution of problems and promotion of mutual understanding and cooperation, by which effective

coordination can be achieved in organisations.

2. Principle of co-ordination in early stage- This principle of co-ordination emphasises that for securing better results the process of coordination must be initiated in the early stage of planning and policy formulation. It is easy to secure cooperation and participation of all concerned parties during this stage. If concerned executives are associated with each other before finalising plans and determination of policies, they will have the opportunity to know the ideas, opinions and attitudes of each other and problems of integration and adjustments arising in future at the time of execution of work will not arise at all.

3. Principle of reciprocal relations - This principle states that as in a given situation all factors are interrelated or reciprocally related, therefore, for achieving coordination relations between all factors must be taken into consideration simultaneously. This fact can be understood easily with the help of a simple example. Suppose in an organisation Ram and Shyam work together. Here Ram is affected by the work of Shyam and in turn Shyam is affected by the work of Ram i.e. both of them mutually affect each other. Moreover, both of them are affected by the work of all the other persons working with them and in turn thus affect all others as well as the whole of the organisation. Therefore, to achieve better co-ordination, relations of all these must be taken into consideration simultaneously.

4. Principle of continuous process - This principle states that coordination is a continuous or an unending process. In other words, coordination is not a process which if established once will go on forever. Coordination cannot be left to chance. Modern age is the age of change. In this age constant and rapid changes occur in business and internal external environment of business. Need of constant, better and effective coordination always arises in organisation in accordance with and incorporating these changes. Therefore, need of coordination is continuously felt in business.

II Principles developed by other authorities

In addition to the main principles of co-ordination, as developed by Mary Parker Follett some other management thinkers have propounded some principles of coordination. Some of them are as follows-

1. Principle of dynamism- This principle states that process of coordination must be dynamic and it must be applied in accordance with changing situation of environment.

2. Principle of timing - This principle, as developed by McFarland, states that coordination must be achieved at proper time. Coordination achieved at proper timing results in higher efficiency of efforts

3. Principle of participation - McFarland is of the opinion that coordination must be enforced by participation of the concerned people rather than through the autocratic orders and directions.

4. Principle of effective communication - This principle of coordination states that effective coordination can not be achieved without developing an effective system of communication in organisations. For achieving effective coordination in oganisations communication of all types and in all directions must be developed so that free exchange of ideas an information can take place and easy coordination can be achieved in organisation.

Real community of interests- James Mooney is of the opinion that "Coordination must be based on real community interests." Thus better coordination is achieved when organisational activities serve the interests of all concerned parties.

16.7 Techniques/Methods of Coordination

Usually the following methods are used to achieve co-ordination in the activities of an organisation.

1. Hierarchy of authority - In every organisation hierarchy of authority is created which shows the levels of authority and mutual relations of persons working inn the organisation. Officers at every level of organisation can get work done through employees in accordance with organisational goals by giving orders and directions to them as per this hierarchy of authority and can achieve coordination in their works.

2. Effective communication system - Coordination can easily be achieved by developing an effective system of communication in an organisation. For developing an effective system of communication all types of communication like written, oral, nonverbal, formal, informal, downward, upward, horizontal etc. are to be established. By using an effective system of communication, quick and effective exchange of information can be made which proves helpful in achieving coordination.

3. Sound Planning - Future course of action is chalked out through planning. If planning is done in harmony with different processes of activities of the organisation, coordination can be achieved easily. For example, if marketing department of an organisation enters into discussions with the head of production, finance and personnel departments before finalising the plans of his department, Coordination can easily be achieved inn the activities of these departments.

4. Effective organisation Structure- Effective organisation structure can contribute significantly to achieving coordination. Functional relationship of different executives and subordinates of an organisation is determined by organisation structure, by which achieving coordination becomes easy.

5. Standing Plans - Standing plans in an organisation are developed to help the subordinates in decision-making to resolve the routine and recurring problems arising in future. These standing plans can bring uniformity in decision-making. Which helps in achieving coordination.

6. Efficient Leadership - An efficient leader can motivate his followers to work in harmony with each other, whereby achieving coordination in oganisation becomes easy. According to Brech, "Coordination is an human process and a manager achieves it by his personal conduct."

7. Appointment of Liaison Officer - Effective Co-ordination can be achieved by appointing a liaison officer in the organisation. This liaison officer gets acquainted with the plans and programmes of different departments by establishing contacts with the executives of these departments and makes available such information to the executives of the other departments. This information is used by these departments in finalising their plans and programmes by which achieving co-ordination is facilitated.

8. Formation of co-ordination committees - To achieve co-ordination in an organisation a co-ordination committee comprising heads of different departments can be formed. This committee holds its meeting from time to time, in which the heads of different departments apprise each other with their plans and programmes, by which co-ordination can easily be achieved in the working of the different departments.

9. Group decision-It is also acknowledged as one of important techniques of coordination. Under this technique different executives working as a group. Make decisions about their plans and programmes, by which the executives get an opportunity to apprise the group of their problems and opinions before making decision. Therefore, decisions are taken keeping in view the opinions of the group and coordination becomes easy.

10. Meeting and conferences - All types of problems are discussed at length at these meetings and conferences. Meetings, conferences, and seminars provide opportunity for normal talks and discussions. By which all get the opportunity to get acquainted with the ideas, problems and opinions of others. It makes it easy to achieve co-ordination in future.

11. Supervisor - For achieving co-ordination the oldest but one of the most important devices, 'Supervisor' can be used. A supervisor by his personal efforts will be able to see whether the work assigned to the subordinates is being done by them in co-ordinated manner or not? and if not, he issues necessary directions to the subordinates, which prove helpful in achieving coordination.

12. Self co-ordination - According to this technique ads propounded by a Brown, every executive and subordinate of the organisation instead of working in arbitrary manner, works keeping in view the impacts of his decisions and works on others. It facilitates co-ordination in organisation. According to Simon, "self co-ordination is possible only where every individual has capacity to understand the members of organisation and to adapt himself in accordance with them."

13. Sound decision-making - A sound decision-making process helps managers in an organisation to achieve effective coordination. Managers can syncronise the actions of their subordinates through sound decision-making which facilitates co-ordination in the organisation.

Activity C:

1. You have been assigned a job of manager in a medium sized business organisation. What techniques of coordination you will use to achieve effective coordination in the activities in functions of your organisation:-

16.8 Limitations of Coordination

Co-rodination is extremely important in management. It ensures success of an oganisation by contributing to the enhancement of efficiency and effectiveness of managers. However, there are certain limitations, problems and difficulties of coordination which reduce the importance of it. The major limitations. hindrances and problems of coordination are as follows:

1. Increasing size of organistions - As the size of organisations increases, diversities and complexities in the organisations also increase, which create difficulty in achieving coordination. The size of modern organisations is constantly increasing. Therefore, achieving coordination in their activities seems difficult.

2. Complex organisation structure- modern organisations have increased not only in size but their organisation structures are also getting complicated. The number of levels of organisations, the number f positions at every level, line and staff organisation, functional organisation, matrix organisation, different modes and procedure of work performance etc. have made the organisation structures complicated. by which difficulties arise in achieving co-ordination.

3. Human Behaviour - Co-ordination is achieved in the efforts of different persons working inn an organisation. However human behaviour does not always remain static but keeps on changing. Many times his behaviour is positive. He cooperates with his superiors, subordinates and colleagues. In such cases coordination becomes easy to achieve. Contrary to this, sometimes his behaviour is erratic and suspicious and in such cases coordination becomes difficult to achieve.

4. Difference in approach towards goals - Members of different departments in an organisation

develop their own separate approach for achieving organisational goals. In such a case every department can form an opinion that organisational goals can best be achieved by its own approach. In such a case that department concentrates on its own approach for achieving goals and ignores the approaches of other departments, by which achieving coordination in the activities of different departments becomes difficult.

5. Lack of proper communication system- Development of proper system of communication is the prerequisite of achieving effective coordination. Managers of a number of organisations fail to develop the proper system of communication. It gives rise to the difficulty of exchange of ideas and information among different departments and persons working and achieving coordination becomes difficult.

6. Differences in communication system-Differences of opinion are found among persons working in an organisation with regard to adoption of communication system. Some members assign higher weightage to informal system of communication, while other members of the organisation prefer formal system of communication. This Creates differences of opinion among them and creates hurdles in achieving co-ordination.

7. Conflicts of interests-When conflicts arise in individual, departmental and organisational interests, hurdles arise in achieving coordination. When some members in the organisation assign higher weightage to individual interests and departmental interests than the organisational interests and begin to ignore or neglect the organisational interests, achieving coordination becomes difficult.

8. Lack of managerial skills- Achieving effective coordination depends on managerial skills. When managers in an organisation lack requisite skills like conceptual, technical, analytical, behavioural etc., they fail to perform their work properly. Consequently hurdles arise in achieving coordination.

9. Lack of standing plans and policies - When standing plans and policies are not formulated in the organisation, every subordinates adopts his own way to resolve the recurring and routine problems. This gives rise to different decisions by different subordinates on the same subject matter and problems arise in achieving coordination.

10. Dynamic environment - Modern business environment has become too complicated, uncertain and dynamic. Quick and rapid changes are occurring in the internal and external environment of business. Direction, degree and nature of changes occurring in business environment is also uncertain and cannot be measured correctly. In such uncertain environment managers face difficulty in achieving coordination in business activities.

11. Lack of interest and experience - In many organisations managers do not take interest in achieving coordination. Their philosophy is that if every person working in the organisation performs his assigned work efficiently within the prescribed time organisational goals are achieved automatically. This gives rise to the individualism in organisation and mars the group spirit. by which achieving coordination becomes difficult. Similarly, managers in some organisation are inexperienced and they do not have any significant knowledge of work situations by which difficulties arise in achieving coordination.

12. Groupism - In a number of organisations people form their own groups and segregate themselves in different groups. In many organisations Managers to consolidate their own position promote groupism instead of eliminating or overcoming the same. They believe in the policy or divide and rule. This mars the group spirit in the organisation and gives rise to difficulties in achieving coordination.

Activity D:

1. Make visit of business firms you are familiar with and find out the limitation of coordination in these firms:

16.9 Achieving Effective Coordination

As business every where is developing and expanding: diversities and complexities are arising in its activities, specialisation and division of labour are being implemented achieving coordination is getting complicated day by day. Although it is a fact that by following the principles of co-ordination can be achieved, yet a more effective co-ordination can only be achieved by observing the following fundamental elements-

1. Clearly defined objectives - The first and foremost prerequisite of an effective coordination is that every person working in the organisation, in each department an subdivision must be fully acquainted with the objectives of the organisation. For this purpose, top management of the organisation must clearly and completely define the objectives of the organisation. Where two or more persons or departments work with different objectives, it is extremely difficult to achieve co-ordination in their activities. With clear definition of objectives the possibility of people of departments working for different objectives can be overcome. **Terry** is of the opinion, "Unity in objectives is essential for co-ordination in efforts."

2. Precise and well defined plans- Precise and well defined plans facilitate coordination. The precise knowledge of policies, procedures, rules and programmes becomes on the part of al the employees helps them in achieving co-ordination.

3. Clear lines of authority and responsibility- Flow of authority and responsibility is shown through lines of organisational Chart of an organisation. The flow of authority takes place from top to bottom and the flow of responsibility from bottom to top. The organisation chart shows who can order whom and who is responsible to whom. The more well defined this division of authority and responsibility is, the more effective will be the co-ordination achieved.

4. Proper organisation structure - A proper organisation structure contributes significantly to achieving effective coordination. Scholars are of the opinion that organisation structure should be designed keeping in view the problems of coordination. Departments must be established so that flow of work continuously takes place from one department to another department. Excessive and unnecessary specialisation create hurdles in achieving effective coordination, therefore, they should be avoided as far as possible. Fro achieving effective co-ordination, organisation structure must be, as far as possible, simple and understandable.

5. Development of Effective system of communication - Establishment of effective system of communication is quite essential for achievement of effective co-ordination. Unless effective communication of all types and in all directions is established, achieving effective co-ordination will be an illusion. Only by effective system of communication exchange of ideas between members of organisation, departments and subdivisions be come possible which facilitates achieving effective coordination.

6. Effective leadership- An efficient leader can develop team spirit, overcome the differences among members and motivate them for group efforts, which help in achieving co-ordination.

7. Co-operation - In the absence of co-operation, co-ordination is very difficult to achieve. Co-operation is the foundation of co-ordination. Therefore by establishing co-operation in the efforts of the members of an organisation co-ordination can be achieved.

8. Proper timing - by exercising timely coordination, effective coordination can be achieved. Coordination at proper time proves more effective and result oriented.

9. Common nomenclature - Achieving coordination becomes easy if people doing the same kind of jobs in the organisation are known by the same titles or the same nomenclature. Unnecessary and unwanted misunderstandings and doubts are created when different persons having the similar kind of work and positions are known by different titles. This creates difficulty in achieving co-ordination.

10. Community of interests- The people working in the organisation should be made to realise that their interests are associated with the promotion of organisational interests and there is no clash of interests. In this situation it can be said that, they have developed community of interests. Then Co-ordination can be achieved effectively. James Mooney is of the opinion in this regard, "Real co-ordination should be based on real community of interests."

16.10 Summary

Coordination is the essence of management. Scholars are not having unanimity regarding treating the coordination as a function of management. Some scholars are of the opinion that coordination is the one of the functions of management, but other are of opinion that coordination is not only the function of management, rather it is an essence of management. In fact, coordination increases total achievement by eliminating or reducing wastage of resources, checking duplication of efforts and eliminating unnecessary activities. Therefore, why coordination is considered necessary for every organisation, be it business organisation or social organisation or philanthropic organisation.

16.11 Self Assessment Questions

Multiple Choice Questions-

1. Co-ordination is
   (a) A Universal process (b) A Continuous process
   (c) A process achieving uniformity (d) All of the above
2. Co-ordination is
   (a) Essence of management (b) Function of management
   (c) Part of management process (d) All of the above
3. Achieving co-ordination is the responsibility of
   (a) Top management (b) Employees
   (c) both management and employee (d) none of the above
4. Effective co-ordination can be achieved
   (a) By achieving co-ordination in early stage (b) After formulation of plans
   (c) After implementation of plans (d) During performance of work
5. Principle of co-ordination as evolved by Mary Parker Follett is
   (a) Principle of direct contact (b) Principle of participation

(c) Principle of timeliness
(d) Principle of effective communication

6. Major obstacle of co-ordination is
   (a) Increasing size of organisations
   (b) Complex organisation structure
   (c) Lack of proper communication system
   (d) All of the above

7. The principle technique of achieving co-ordination is
   (a) Hierarchy of authority
   (b) Checking of wastage
   (c) Checking duplication of efforts
   (d) Achieving benefits of specialisation

8. Essential elements for achieving effective co-ordination are:
   (a) Clearly defined objective
   (b) Clear lines of authority and responsibility
   (c) Co-ordination at proper time
   (d) All of the above

Very Short Answer Questions-

1. What is co-ordination?
2. Co-ordination is a continuous process. Explain.
3. What is self coordination?
4. Co-ordination is distinct from Co-operation. Give two points.
5. How efficient leadership can achieve coordination? Explain.
6. How effective communication system is helpful in achieving co-ordination? Name them.
7. How co-ordination is early stage is beneficial? Mention two benefits.
8. Explain the principle of participation of co-ordination.
9. Explain the principle of dynamism of co-ordination.
10. How conflict of interests creates hurdle in achieving co-ordination?
11. Explain the role of liaison officer as a technique of co-ordination.
12. How co-ordination can be achieved by constituting co-ordination committees?

Short Answer Questions-

1. "Co-ordination is the essence of management." Explain.
2. "Division of labour and specialisation have made the co-odination essential." Explain.
3. Describe any four characteristics of co-ordination.
4. Describe any major five techniques of co-ordination.
5. Describe any five major obstacles in achieving co-ordination.
6. Describe any five major elements of achieving co-ordination.
7. Explain the principle of direct contact of co-ordination.

8. Explain the principle of coordination in early stage.
9. Explain the principle of reciprocal relations of co-ordination.
10. Explain the principle of continuous process of co-ordination.
11. Describe the effective communication system as a technique of coordination.
12. Explain Mary Parker Follett's Principles of coordination.
13. Explain the significance of self coordination.

Essay Type Questions-

1. What do you mean by coordination? Discuss the characteristics of coordination.
2. Explain the significance of coordination in management.
3. "Coordination is the essence of management." Elaborating this statement explain the importance of coordination.
4. What is coordination? Explain the major principles of coordination.
5. Explain the major hurdles arising in achieving coordination.
6. Describe the principal methods/techniques of achieving coordination.

16.12 Reference Books

- Koontz O'Donnel : Principles of Management
- Dr. R.L. Nolakha : Principles of Management
- G.S. Sudha : Business Management
- S.A. Sherlekar : Business Management
- C.B. Gupta : Business Management

Unit - 17 Controlling

Structure of Unit

17.0 Objective
17.1 Introduction
17.2 Meaning and Definitions of Control
17.3 Characteristics or Nature of Control
17.4 Importance of Controlling
17.5 The Process of Controlling
17.6 Techniques or Means of Control
17.7 Summary
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17.9 References Books

17.0 Objective

After completing this unit you will be able to

- Understand the nature and characteristics of control
- Explain the importance of controlling process in business
- Discuss the process and techniques of control

17.1 Introduction

Control is the last but an important element of the management process. It contributes significantly to the achievement of organizational goals and objectives by making performance of activities in accordance with predetermined plan possible. A manager cannot perform his functions effectively without effective control and without it the success of the organisation also remains doubtful. By exercising effective control on all the activities of the undertaking the manager ensures that all activities are performed in accordance with predetermined norms. He evaluates the performed activities periodically and compares their progress against pre-determined standards. If he detects significant deviations between the predetermined standards and the performance, he takes immediately corrective measures, so that performance of work in accordance with predetermined standards is ensured and efficient achievement of predetermined goals and objectives of the undertaking is made possible.

17.2 Meaning and Definitions of Control

Control is a process whereby managers determine the practical standards of the activities to be performed in an organisation. They evaluate the actual performance and find out the deviations by comparing actual performance with the predetermined standards. By analyzing and finding out the reasons for deviations they take corrective measures to overcome them, so that their recurrence in future can be checked.

Thus it can be said that control is a process whereby efforts are made to overcome the gap between the actual results and the desired results.

To understand the term control in its proper perspective it will be proper to study the definitions as given by different scholars.

According to Henry Fayol, "Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established."

According to George R. Terry, "Controlling is determining What is being accomplished, That is, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

According to **Mary Cushing Niles,** "Control is the maintaining of a balance in activities directed towards a goal or a set of goals."

According to **E.F.L.** Brech, "Control I.E. checking current performance against predetermined standards and targets contained in the plans, with a view to ensuring adequate progress and satisfactory performance, whether physical or financial, also contributing to decision in continuing or changing the plans, as well as recording the experience gained from the working of these plans as a guide to possible operations."

According to **Joseph Massie,** "Control is the process that measures current performance and guides it towards some predetermined goals."

According to **Philip Kotler,** "Control is the process of taking steps to bring actual results and desired results closer together."

According to Robert Albanese, "Managerial controlling is the process of assuring that actions are in line with desired results."

Thus it is clear that control is a process in which performed work is evaluated, it is compared with predetermined objectives or standards and deviations (If any) are found out. These deviations are analysed and reasons for them are detected and corrective measures are taken so that recurrence of deviations in future can be checked and actual and desired result can be brought as closer as possible.

17.3 Characteristics or Nature of Control

On the basis of the study and analysis of the different definitions of the term control we arrive at the following characteristics of control:

1. Managerial responsibility - It is the responsibility of every manager to exercise an effective control over the activities of the subordinates, so that all the activities are performed continuously in accordance with plans adopted, instructions issued an principles established and the gap between the actual results and the desired results can be narrowed as much as possible.

2. A deliberate action - Control is not automatic but has to be exercised deliberately. Control can not be left to chance and the management has to actively exercise it. For exercising control the manager has to determine the practical and achievable work norms, has to evaluate performed work periodically, has to analyse the reasons for deviations and find them out through comparing performed work with predetermined norms. In case of significant deviations he has to immediately take corrective actions so that repetition of deviations in performance in future can be checked.

3. Control is a continuous process - Control is not a function that if once exercised, its need ends forever. It is rather, a continuous activity. Need of control in an organisation is felt as long as he organisation goes on and survives.

4. Control is a circular flow - Control flows in a circle. It ends on the point from where it starts. Control begins with the determination of the objectives or standards. Thereafter by evaluating the actual performance, and comparing it with the standards, deviations are detected. Then by analyzing the reasons for the deviations, necessary steps are taken to remedy the deviations and the standards are revised accordingly. Thus control begins with setting up of standards and ends with the revision of the same.

5. A universal process - Control is required not only in business organisations, but also in every type of organisation, be it political, or religious, or cultural or any other type of organisation. Wherever better results are to be achieved, goals and objectives are to be achieved most efficiently and the gap between the actual performance and the desired performance is to be bridged, control is required.

6. A pervasive function - There exists a misunderstanding that control is required only at the top level of management. However, in fact, control is required at each level of management. According to **George R Terry** "Controlling exists at every management level." Every manager has to control work and behaviour of his subordinates. It is a different matter that with the level of management scope of control varies.

7. Exists in all events - An event may be past, present or future, it may be measurable or non-measurable. But controlling is required to control all events. Normally measurable events are related to past, which pave path for future controlling. However, in reality controlling is related to future events which can not be measured.

8. A dynamic process - Controlling is a dynamic process. For controlling prescribed standards or norms are to be reviewed constantly in accordance with the changing situations. Standards laid down once do not remain operational and valid forever. This fact makes controlling a dynamic process.

9. Forward looking - Controlling is future oriented. Whatever had occurred in the past could not be controlled, but future efforts are controlled on the basis of the deviations that occurred in the past so that repetition of past mistakes in the future can be prevented.

10. Goal oriented function - Controlling is exercised keeping the achievement of goals or objectives at the centre. Controlling is not an end in itself but only a means of achieving the ends. According to **Robert Albanese,** "Objective of controlling is to assure that actions contribute to the goal accomplishment."

11. Action oriented - Controlling is related to taking corrective measures for achieving desired results. Mere performance appraisal is not controlling. Haynes and Massie have observed, Essence of controlling is in determining whether the activity is achieving the desired results".

12. Based on planning - Planning is the basis of controlling. Objectives and goals determined in planning provide the basis or standards for controlling, against which actual performance is compared, deviations are detected and corrective measures are taken.

13. Controlling not of human beings but their actions and behaviour - Control is not exercised on the human beings working in an organisation. It is rather their actions and behaviour that are controlled, so that all the activities can be performed in accordance with pre-accepted plans.

14. Distinct from interference - Controlling is not interference in the activities of the persons working in an organisation. In interference the superior creates unnecessary and undesirable hurdles and obstacles in the working of his subordinates. He may take away from them or reduces the freedom of work, but controlling is exercised to remove the mistakes and deficiencies in performance. Controlling is positive whereas interference is negative.

Activity A:

1. Visit an organisation you are familiar with find out whether in your opinion activities and functions are properly controlled there.

17.4 Importance of Controlling

In this age of globalization only that management and business can achieve success which carry on their activities most efficiently and effectively. For this it is necessary that a business produces maximum of things at minimum of cost by exercising effective control on each and every activity of business. The need of controlling is felt for this purpose. Today the internal and external environment of business is completely dynamic. In this environment frequent and unique changes take place rapidly. No business can achieve success without adopting these changes. The need of control is perceived to adopt these changes in business so as to run business in accordance with these changes.

Controlling is the final but an important step of the management process and without effective controlling management process can not be completed. Management can not achieve desired goals and results without controlling. **Robbins** and **Coulter** have observed, "Control is important because it is the final link in he functional chain of management activities. It is the only way managers know whether or not organizational goals are being met and why or why not." The importance of controlling can be explained with the help of following points-

1. Basis of future planning - Controlling makes it possible to perform business activities as per plan. In controlling, deviations are found out by evaluating the performed work and comparing it with predetermined objectives and standards. In the process a large amount of facts and information are collected, which can be used in future for sound planning.

2. Achieving objectives - Controlling contributes significantly to the achievement of organizational objectives. By controlling, efforts are made to bridge the gap between actual results and desired results and performance is brought closest possible to the predetermined objective. According to **William Gulick,** "As barometer operates air conditioning system efficiently, similarly control plays positive role in achieving desired results of the organisation".

3. Order and discipline - A Good controlling system contributes to maintaining order, discipline and honesty in the business. An effective controlling system motivates every member of the organisation for voluntary compliance of standards, rules and norms of behaviour. By this, order and discipline are maintained and the members of the organisation are not temted to resort to wrong ways and dishonesty. **McFarland** writes In this regard, "It should be noted that control can not cure habitual dishonesty in all cases. But management shall be regarded irresponsible if it does not make a reasonable effort to maintain discipline and honesty among its employees through effective control system."

4. Conditioning to dynamic environment - The environment of modern business is totally dynamic and changing. Today business has to work in constantly changing environment. Techniques, products, competition, consumer behaviour, state policies, corporate and industrial laws, employees behaviour, social, cultural and religious practices etc. all things are prone to changes. In such a dynamic environment only that business can survive which exercises effective control on its activities. Therefore, to develop adaptability to dynamic environment, controlling is inevitable.

5. Ever increasing size of business enterprises - In the past few years the size of business organisations

is constantly increasing. Now the scope of business has extended to national and even international borders by crossing local limits. Multinational companies and corporations have been incorporated, branches of which are spreading oer large number of countries. Complexities in working and activities have also increased along with the increasing size of business organisations. The process of computerization and automation has increased in them. They have integrated the whole world through modern information technology, information system and internet working. In such a case, to bring uniformity in the working and practices of an organisation an effective controlling system is required.

6. To be and being competitive - Controlling helps not only making an organisation competitive but also in maintaining it to be competitive. Through controlling a management can keep an organisation ever competitive by checking wastage and optimally utilizing available resources.

7. Successful execution of plans - Controlling contributes significantly to the success of planning. Control ensures that every activity of the organisation is performed in accordance with the plans. It ensures successful execution of plans. **Terry** and **Franklin** have written, "Failure of controlling means sooner or later failure of planning and success of planning means success of controlling."

8. Facilitates decision-making - Controlling is a process related to finding out deviations in performance by comparing actual performance with desired performance and taking corrective actions to overcome them. During this process management takes decisions regarding measures to be taken for corrective action, by which it becomes acquainted with decision-making process. Therefore, it is said that "Executive decisions are primary control decisions".

9. Helpful in coordination - Controlling is to make efforts in the direction of systematizing all activities keeping in view the predetermined objectives and their accomplishment. This effort at controlling renders valuable help in bringing coordination in different activities. In addition to this, controlling brings unity in diversity and unity in actions for preventing wastage of money, machine, time, efforts etc. by which achieving coordination becomes easy.

10. Motivation through control - Controlling helps motivating the employees of an organisation. For exercising control actual performance is evaluated. The employees are motivated for better performance by rewarding them in accordance with their performance. Moreover, the employees of the organisation never like things to get out of control, because in such cases it becomes impossible to predict what will be the impact of it on them? In many cases, in such situations, they become victims of whims and caprice of the management rather than the beneficiaries.

11. Detection of mistakes - In controlling, employees' actual performance is evaluated and compared with predetermined objectives and standards by which it can be detected where the employees remained deficient in performance. To overcome such deficiency effective remedial steps are taken immediately. By it the organisation avoids losses.

12. Improvement in performance - By acquainting the employee concerned with mistakes and deficiencies detected in his performance during the controlling process and guiding him how he can overcome his mistakes and deficiencies, desired improvement can be brought in the performance of employees.

13. Economy - A sound controlling system brings down the total cost and per unit cost by exercising effective control on misspending and misutilisation and wastage of resources. Control puts check on losses accumulating by taking timely corrective action to overcome the deviations, by which the

organisation can be run economically.

14. Facilitates performance appraisal - An essential step in controlling process is the evaluation of actual performance. By it we can easily find out what has been the performance of the employees and an objective evaluation of the employees becomes possible.

Activity B:

1. Visit two organisations of your choice, one where controlled on activities is properly exercised and another where activities are conducted in uncontrolled manner and note down the difference between the working of these two organisations.

17.5 The Process of Controlling

As mentioned earlier controlling is a continuous, dynamic and step bound process. It is performed in definite steps. Controlling is a universal process, which is required in all types of organisations, be it business or non-business like-religious, political, cultural and benevolent organisations etc. In an effective controlling process the following four steps are essentially included -

1. Determination of standards.
2. Measurement of actual performance.
3. Comparing actual performance with pre-determined standards and finding out deviations.
4. Analysing reasons for deviations and taking corrective actions.

These four steps of the controlling process can be understood with the help of the following figure17.1 Analysing reasons for deviations and taking corrective actions.

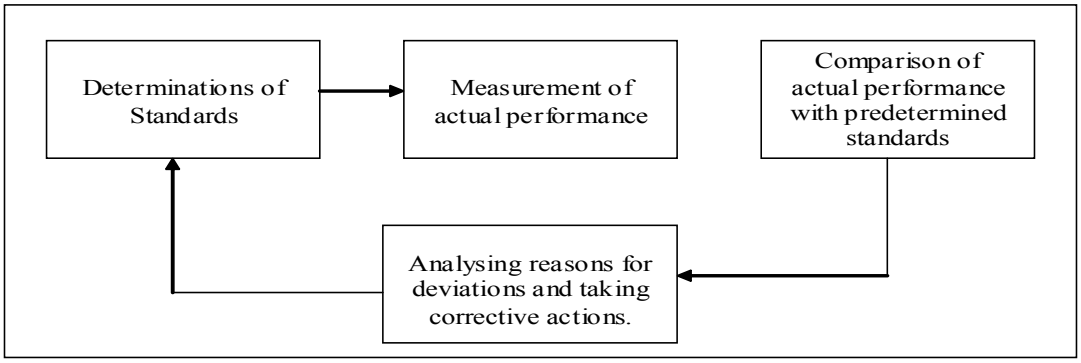


Figure 17.1 : Process of control

The above mentioned steps of the controlling process have been discussed here -

1. Determination of standards - The process of control is initiated with laying down of standards. For effective controlling, it is essential to set standards of performance for workers against which their actual performance has to evaluated or compared. Hence, standards are determined at the very beginning. Standards are those expectations against which actual work is evaluated.

Whatever standards are laid down for controlling, they should be practical and achievable. These standards should be neither too high not too low. If very high standards are laid down the employee will not be able to achieve them inspite of his best efforts and a feeling of frustration will arise in him. He will relax his efforts in the middle, thinking that in spite of his best efforts he will not be able to achieve the

standard performance. This will adversely affect his morale and performance. On the other hand if standards laid down are low the employee will achieve them easily and will not be able to present his best performance to the organisation. In such a situation human resources of the organisation will not be effectively used. Moreover, It will also cause frustration among more talented and capable employees of the organisation, as most talented and less talented employees

The standards should be practical not idealistic. In other words the standards should be so that an average person can achieve them with average efforts in normal conditions. The standards should be quantitative as far as possible rather than qualitative because on the basis of quantitative standards only, it will be easy to evaluate actual performance and finding out deviations by comparing them with actual performance. If the employees participation is sought in laying standards, the standards determined will be more practicable and achievable. Moreover, voluntary cooperation of employees can be secured in directing their efforts towards achievement of standards. Whatever standards are laid down they should be simple, comprehensible, stable, uniform and economical. In laying down standards it should always be borne in mind that the standards are foundation of controlling and if this foundation is weak or not based on realistic ground, controlling can not be effective.

2. Measurement of actual performance - After laying the standards the second important step of the controlling process to measure the actual performance of employees so that actual performance can be compared against standards laid and deviations can be detected. Evaluation of actual performance is difficult task, however, to measure the actual performance a number of methods are prevalent, Like - (1) direct personal observation, (2) sampling, (3) Surveys, (4) calling reports, (5) budget and (6) break even point and by the use of other mathematical techniques.

The task of performance evaluation should be performed with utmost care. Whatever criteria or basis is to be adopted for performance evaluation should be made known in advance to the employees and a prior approval about it should be secured from them. It kwill help in overcoming complaints and dissatisfaction arising among the employees with regard to performance appraisal. Often dissatisfaction with regard to performance appraisal is common among employees. If the evaluation of performance of any employees is lower than the expected one or lower in comparison to the performance of other employees, he definitely alleges favouratism by the evaluator. Therefore, the evaluator should use much caution and care and should be impartial, objective transparent in his evaluation of performance as far as possible.

3. Comparison of actual performance with predetermined standards and finding out deviations- After determination of standards and evaluation of actual performance the next

important step of the controlling process is to find out deviation by comparing actual performance against predetermined objectives. This fact is the most important and notable from controlling point of view because every deviation is not significant. If the controller pays attention on each minute, insignificant and trivial deviation, there is a possibility that his entire time and energy is spent in overcoming these types of deviations and he will not be able to concentrate on significant deviations. This will increase the cost of control excessively and decisions will be delayed. Therefore, to keep the control practical, managers should also determine a tolerance limit. Where the deviations are with in the tolerable limit managers need not pay any special attention for overcoming them. On the other hand, where the deviations are in excess of or beyond tolerance limit, it is a very serious matter for the organisation and requires urgent attention. In this regards is can be said that managers are required to pay attention to exceptional

cases i.e. occurrence of significant deviations. Resolution of normal deviations should be left to subordinates themselves.

Here it is worth mentioning that deviations may be of two types- positive and negative. Where positive deviations occur i.e. the actual performance is higher in comparison to the predetermined standards, managers need not pay any special attention to them. However, Where negative deviations occur, managers should concentrate on them.

4. Analysing reasons for deviations and taking corrective action - After finding out the deviations, managers should go deep into the problem for finding out the reasons for the deviations. As mentioned above the deviations may be positive or negative. Although positives deviations are not a cause for concern, yet it is the duty of the managers to analyse and find out the reasons for such deviations. Such an effort .by the managers will lead them to the root of the problem and help them in correct diagnosis of the problem. After finding the correct reasons for the deviations, the managers should take necessary corrective actions to remove these deviations. Corrective measures may be large in number depending upon the reasons for deviations, like- where the standards have been very high or very low, necessary corrections should be made in the standards. Where deficiency in working capacity of the employees is noticed, their capacity should be improved by giving them training or by using some other measures. Where improvements is required in technology adopted, desired improvement should be made; where quality of equipment, machines or raw materials are inferior the same should be improved: where improvement is required in work environment and conditions, improvement should be made in them; where quality of supervision or behaviour of managers require improvement, desired improvement should be made in them, so on and so forth. The objective of these corrective measures should be to correct the deviations and also to prevent their recurrence in future.

If an organisation adopts the above mentioned systematic and step by step process, it will succeed in exercising effective control over its activities.

Activity C:

1. Visit an organisation you are familiar with and find out how standards are laid down for exercising effective control
2. Visit an organisation of your choice and find out how deviations are detected and corrective actions are taken in that organisation for exercising effective control.

17.6 Techniques or Means of Control

In the modern age a number of techniques and methods are available for exercising effective control over business activities. Some of these techniques are traditional and some other are modern, some are statistical, numerical or quantitative, and some are non-quantitative. For the convenience of students a brief description of these techniques is given here -

1. Budgetary Control - Budget is the estimation of future needs which are expressed numerically. Numerical form is provided to future activities by carefully considering future circumstances, events, and objectives of the enterprise. The budget is an important means of controlling. **Theo Haimann** writes, "Budget is the most effective tool of managerial control. "Control exercised through the budget is called budgetary control. In general terms, a budgetary control is a technique of exercising control by comparing budgetary estimates and actual results. For exercising control by using this technique efforts are made to

bring the actual results closest to the budgetary estimates.

2. Observation - Observation is a technique of controlling in which the superior by his personal presence at the work place maintains personal contact with the employees and observes them working. If he finds any deficiency, he issues necessary instructions to overcome it and brings improvement in the performance of the employees. One advantage of exercising control through this method is that if an employee experiences any difficulty in performance of work, he can remove it immediately by taking necessary advice from the observer.

However, this technique is time consuming. Moreover, when an employees sees that his work is being observed or watched, he becomes conscious because of which his performance may go down. According Prof. Haimann, "Personal observation is time consuming and prima facei it appears an inefficient technique. However there is no substitute of direct personal observation and contact."

3. Examples - There is an old saying that "Example is better than precept." Or "Action is better than words." or "Action speaks louder than words." This techniques of control is based on this saying. In this technique of control superiors expecting higher performance and controlled behaviour themselves exhibit higher performance and controlled behaviour before their subordinates. The superiors using this technique for controlling believe in action rather than in lecturing.

4. Policies - Policies are general statements and guiding principles which organisations develop as guidelines to discharge routine duties and resolution of repetitive problems. By using these policies subordinates themselves perform their duties in accordance with guidelines laid down by the policies. This ensures uniformity in their actions and duties are performed at a controlled pace.

5. Records and reports - By going through the work records of an organisation it can be found out whether the performance of work is as per standards laid down. If it is established by records that there is a gap between the actual and the desired results, control can be exercised by taking corrective action. Similarly, reports are called from employees periodically on the work performed by them and if these reports indicate gap between the actual and the desired or targeted results, effective control and be exercised by taking corrective actions.

6. Charts and manuals - Organisational charts explain the relationship between superiors and subordinates working in an organisation. This makes easy for superior to exercise control on the activities of their subordinates. Similarly to depict the process and performance of an organisation a number charts, graphs and diagrams are used, which help in controlling. In employee manuals the rights, duties and responsibilities of employees are mentioned, by which they become aware of their duties and help in exercising control.

7. Written instructions - Superiors can control the work, behaviour and performance of their subordinates by issuing instruction to them. It may contain information regarding updated notices, changed rules and circumstances etc. or may contain information to overcome the misconceptions, misunderstandings and illusions of the subordinates. Instructions must be clear to in their objectives to achieve success.

8. Managerial data - Management classifies, tabulates and analyses various types of data for the purpose of controlling. For this purpose they use a number of statistical methods and tools like mean, median, mode, range, deviations, correlation, regression etc. and draw the conclusions from them. With the help of these data management exercises production control, inventory control, cost control etc.

9. Operational audit - Audit in common sense is auditing of accounts. However operational audit is related to audit of internal management and operations of organisation. It is examined under operational audit that to what extent established policies, procedures, rules, work standards and methods have been used and complied with into day to day operations in the organisation? These information are used for exercising control on the activities of the concern.

10. Management audit - For exercising control on managerial performance and activities management audit is conducted. Management audit is the method of examining effectiveness and efficiency and working of managers of a concern. In management audit it is found whether managers of the concern are conducting the management of the concern in accordance with established principles, accepted plans and procedures or not. If deviations are detected, corrective actions are taken.

11. Break even analysis - This analysis explains the position of balance between revenue and costs. This analysis expresses that level of activity or point of sale where the revenue and cost of an organisation are equal i.e. it explains the position of no profit no loss. It is also called break even point (BEP). This analysis tells that the activity level of the firm or volume of sale is equal to break-even-point it will have neither profit nor loss, but if the firm fails to achieve this point, it will have to bear the loss and if firm's activity level exceeds break-even-point, firm will earn profits. Break even point is useful in determination of volume of profits, volume of sales, and margin of safety, selection of alternative of maximum profit, explaining the optimum state etc. In modern age it is the most important technique of controlling. It can be understood mathematically as well as diagrammatically.

To understand mathematically following formula is used-

$$BEP = \frac{Totalfixed Cost}{Contribution/unit}$$

To ascertain the contribution per unit variable cost per unit is to be subtracted from per unit selling price i.e. contribution/unit-(S-V).

Variable cost

Figure 17.2 explains the working of break-even-point and achievement of break-even-point by a firm.

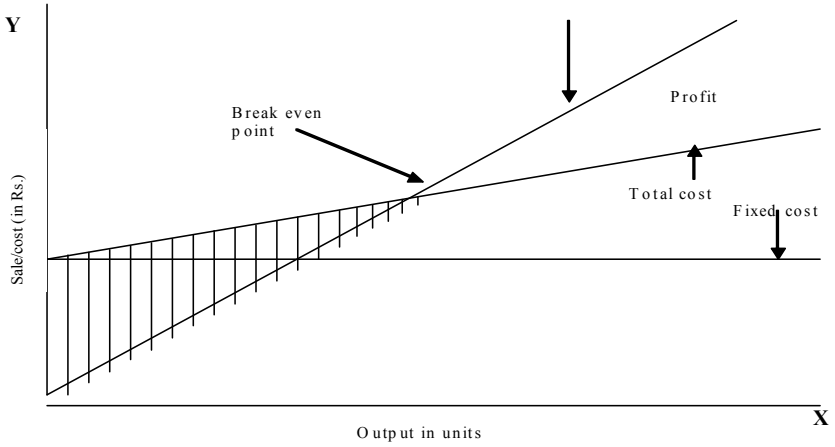


Fig. 17.2 : Break-even - Point

12. Standard costing - This is an important technique for controlling of cost. Under this technique standard cost of different items like labour, raw materials direct expenses, overheads is determined in advance and same is compared with actual cost. If deviation is found in both, cost is controlled y taking corrective measures.

13. Ratio analysis - It is an important control technique of financial management which makes comparative study of two variables affecting the progress of the concern. It is a measure adopted to evaluate the financial position and effectiveness of a concern. In this technique different types of ratios are calculated to know the position of profits, liquidity, use of capital, state of progress of the concern etc. Manageemnt compares the results derived from calculated ratios with predetermined standard ratios and incase significant deviations are found corrective measures are taken by finding out the reasons of deviations by which financial position of the concern remains under control and efficiency and profitability of concern also increase. The major ratios are-Current ratio, quick ratio, liquidity ratio, debt-equity ratio, solvency ratio, return on investment ratio, earning per share ratio, equity ratio, capital turnover ratio, profitability ratio etc.

14. Human resource accounting - Under this technique account of expenditures incurred on procurement, development, compensation, maintenance etc. of human resources of a concern is maintained. Their standards are laid down on the basis of records of concern and accepted practices and actual expenditures made by concern are compared with the predetermined standards. Where actual expenditures exceed the standard costs, effective steps are taken to overcome this difference by analyzing the reasons of difference so that human resource costs of concern can be kept under control.

15. Management information system - In modern age management information system is proving and important tool of managerial control. Management information system is related to collecting, processing, analyzing and exchanging of desired information for managerial decision making. Management information system makes available all desired information to the management with precision, promptness, reliability and completeness which prove helpful to them in decision making, planning and controlling.

16. Financial statements - Final accounts like profit - loss account and balance sheet prepared by a concern every year are called financial statements. By making comparative study of financial statements of past few years it can be found out that how changes have occurred in different items of profits and losses and assets and liabilities, and expenditures over there years of a concern. Whether they have increased or decreased? Moreover comparative study and analysis of concern's financial statement can be made with the financial statements of other similar concerns and if need of control is felt, the necessary control measures can be taken.

It is worth notable here that no one technique of controlling is effective in all circumstances, therefore in accordance with situation a judicious mix of different control techniques may be prepared so that the controlling can be effective and authentic.

Activity D:

1. Visit an organisation of your choice and study the techniques being use their for exercising effective control.
2. Talk to the manager of an organisation you are familiar with and find out how he exercises control in his organisation.
3. Discuss with the manager of an organisation you are familiar with and find out the constrains and limitations being faced by that manager in exercising effective control.

17.7 Summary

Controlling in an important function of management which ensure execution of work as per planning, finds the gap between standard performance an actual performance, analyses the reasons for deviations in standard and actual performance and takes the corrective action so that performance could be achieve as per plan. Some scholars are of the opinion that controlling is backward looking function which finds out the flaw between standard and actual performance, but in fact controlling is a forward looking function which ensure future performance as per planning and removes all pitfalls from the performance.

17.8 Self Assessment Questions

Multiple Choice Questions-

1. Controlling is a function of management process -
   (a) First Function (b) Subsidiary function
   (C) Last function (d) None of the above
2. Control is exercised to -
   (a) Equalise desired results with actual results
   (b) Equalise actual results with desired results.
   (C) Exceed the desired results from actual results.
   (d) Exceed the actual results from desired results.
3. Controlling is a -
   (a) Continuous process (b) Dynamic process
   (C) Systematic process (d) All of the above
4. Controlling is a -
   (a) Managerial function (b) Universal function
   (C) Pervasive function (d) All of the above
5. The basis of controlling is -
   (a) Planning (b) Organising
   (C) Motivating (d) Directing
6. Controlling and planning are to each other -
   (a) Substitute (b) Competitive
   (C) Related (d) None of the above.
7. Determination of standards is the …….. of controlling process-
   (a) Last point (b) Intermediary point
   (C) Initial point (d) None of the above
8. Controlling can be exercised by -
   (a) Personal observation (b) Setting example
   (C) Laying down policies (d) All of the above.

Very Short Answer Questions-

1. What is controlling?

2. State any two characteristics of control.
3. Control is a continuous process. Explain.
4. Control is a universal function. Explain.
5. Control is a pervasive function. Explain.
6. Control is a dynamic process. Explain.
7. Control is different form interference. Explain.
8. "Control is exercised on work and behaviour and not on human being doing work." Explain.
9. Planning is the basis of control. Explain
10. How control is helpful in improving performance? Give two reasons.
11. How control facilitates performance appraisal? State.
12. How control helps achieving coordination? Explain.
13. How policies of a concern are helpful in exercising control?
14. Control is helpful in achieving organizational objectives. Explain.

Short Answer Questions-

1. Explain the nature of control.
2. Control is a deliberate action. Comment.
3. "Ever increasing size of business organisations has made the control inevitable." Explain.
4. State the role of determination of standards in controlling.
5. State the role of evaluation of actual performance in controlling.
6. State the role of detection of deviations in controlling.
7. State the role of taking corrective measures in controlling.
8. Explain the break even analysis as a technique of control.
9. Explain the management information system as a technique of control.
10. Explain the role of ratio analysis as a technique of control.
11. How management audit is helpful in controlling? Explain.
12. "Budgetary control is an important technique of control." Explain.
13. Explain role of charts and manuals as a technique of controlling.
14. "Control is a circular process." Explain.

Essay Type Questions-

1. What do you mean by control? Explain the main characteristics of control.
2. "Control is a process of taking steps to bring closer the actual performance to desired results." In

the context of this statement explain the process of control.

3. "In present dynamic business environment control has become inevitable for the success of business." Explain this statement and discuss the importance of control.

4. Describe the different techniques of control.

17.9 References Books

- Koontz O'Donnel : Principles of Management
- Dr. R.L. Nolakha : Principles of Management
- G.S. Sudha : Business Management
- S.A. Sherlekar : Business Management
- C.B. Gupta : Business Management

Unit - 18 Emerging Issues in Management

Structure of Unit

18.0 Objectives
18.1 Introduction
18.2 Concept of Environment
18.3 Environmental Factors
18.4 Nature of Environment
18.5 Impact of Environment
18.6 Environmental Management
18.7 Business Ethics
18.8 Approaches to Ethical Conduct
18.9 The Code of Ethics or Codes of Conduct
18.10 Corporate Social Responsibility
18.11 The Social Issues
18.12 Area of Social Responsibility
18.13 Approaches to Meeting Social Responsibility
18.14 Summary
18.15 Self Assessment Questions
18.16 Reference Book

18.0 Objectives

After Completing this unit, you will be able to :

- Explain why there has been a growth in public sector awareness of environmental issues.
- Analyses the pressure which environmental issues place on industry.
- Identify various environmental factors and the way they affect organizational functioning.
- Identify business ethics and the way organizations can adopt ethical practices.
- Understand justification for both pros and cons of corporate social responsibility.
- Explain the areas of corporate social responsibility for the organizations and some of the approaches towards meeting such social responsibility.

18.1 Introduction

In the present context managing has become one of the most important areas of human activity because of increasing role of large and complex organizations in the society. Because of their increasing role, turbulent and highly eltics and competitive business environment ethics and co-operate social responsibility it is imperative for firms to take a holistic and integrated view of various activities that affect their bottomlines. The effects of emerging issues in management are vary enormously.

According to welford (1933), sustainable development of management is made up to three closely connected issues are environment, equity and Futurity. Now, Environmental issues, ethics and corporate social Responsibility are being a part of issues in management. This has led to the development of a new field of study known as Emerging issues in management. It has grown over the period of time and in today's content, it has emerged as one of the most important disciplines of study and research.

18.2 Concept of Environment

Over the last 20 years there has been growing interest in the environment, or more specifically in the damage being done to the environment worldwide. The hole in the ozone layer and global warning are the result of not one country's action but that of many. Acid rain, which is polluting rivers and lakes and damaging forests, often emanates from one country and is deposited in another. The effects of different industrial sectors on the environment vary enormously. At the root of some of the environmental problems we face is the growth in consumerism and materialism. But, now world wide industry has take a responsibility to ensure that its products are less harmful to the environment and there is a need to push along a very steep environmental learning curve and pollution Inspectors all adopt an approach of constructive engagement with companies rather than fining them in the first instance for pollution violations.

The rapid growth of public environmental awareness in recent years has placed new pressures on industry. These pressures can take many forms as individuals collectively exercise, their environmental conscience as customer, employees, investors and fellow citizens. However, whether it is due to intellectual fatigue with environmental issues, a lack of conviction that an individual's own actions will have an impact or a reluctance to reduce private consumption for public welfare, many individuals seemingly prefer to pass their responsibilities on to those parties that they feel can make a significant impact. The two major parties that the public perceive can make a difference are government and industry. Given an inherent public reluctance to reduce their own levels of consumption, it is apparent that government and industry must respond in order to protect the environment effectively. But ultimately, the success of environmental improvement will be determined largely by the responsiveness of business and legislation can act as the impetus to an organization thinking about instituting proper environmental management.

Organisations are faced with a challenge of integrating environmental considerations and its also affected by the external and internal environment into their production and marketing plans.

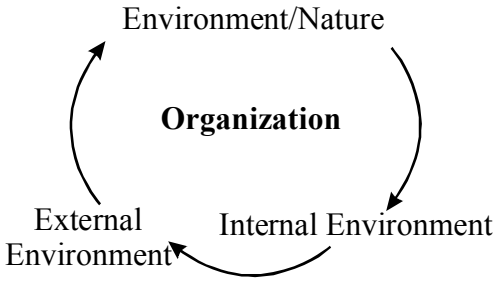


Fig - 18.1 Types of Environment

Environment include all the conditions, circumstances, and influences susrrounding and affecting the total organizations or any of its part. All such elements which lie outside the organization are called external environment and all such elements lies inside the organization are called internal environment.

Natural Environment :- In more recent years, organisations have become concerned about the preservation of the natural environment. There has been increased public interest in such environmental issues as pollution, energy shortages, wasting of natural resources and these concerns have affected managerial decisions and organizational policies. Emission control in automobile exhaust systems is regulated by law. Dumping of toxic wastes in unspecified places is prohibited. Paper manufacturing companies are required to plant trees and then cut them to produce paper. The environmental damage created by the

Exxon "Valdez" oil spill in Alaska is recorded in history books. Chemical industries have specially become sensitive to environmental concerns. The Bhopal tragedy is a painful reminder to Union Carbide of the problems caused when controlled substances leak out into the atmosphere. Environmental concerns are achieving high priority in all aspects of operations and decision making. According to James Post, professor of management and public policy at Boston University, "Environmental issues will be..... a force of such power as to literally transform the way managers manage their businesses and think about the relationship of the firm to its internal and external stakeholders."

Accordingly, managers are increasingly looking at the new relationship between business activity and our natural environment, specially where depletion of natural resources is concerned so that any further environmental damage is halted.

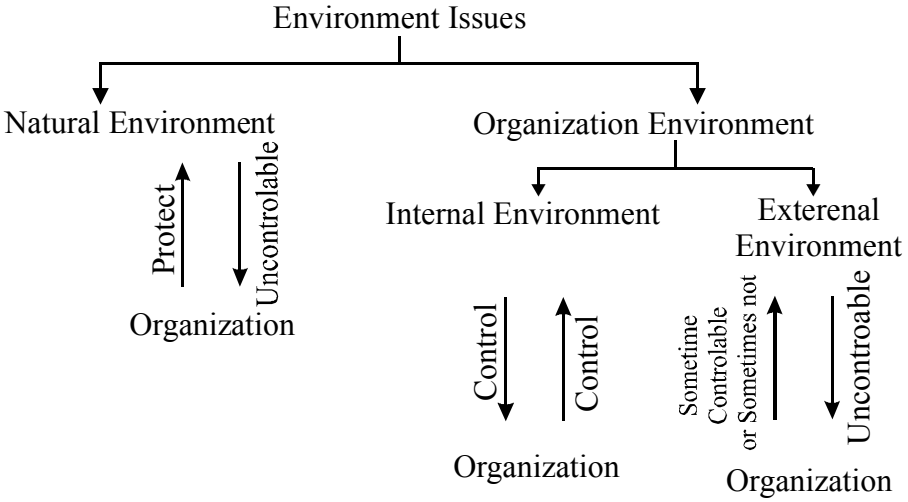


Fig 18.2 Environmental Issues

External Environment :- In order to understand the environment precisely, it can be thought of in term of general or societal environment which affects all the organizations in a given society and specific or task environment which affects the individual organization more directly.

General Environment : It is also known as societal environment. There are many forces like economic, legal, political, technological, sociological, cultural etc. in the environment which influence the working of the organizations and these general environmental forces have an important effect in determining the resources available for imputes, the most appropriate organizational processes, and the acceptability of organizational outputs.

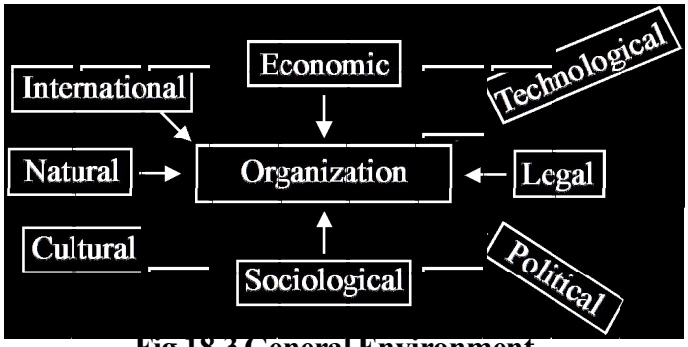


Fig 18.3 General Environment

Specific Environment : Specific environment also known as task environment may be defined as the forces outside the organizations directly relevant to the decision making and transformation process of the individual organization. Thus, the environment is a continuum in which relevance is a matter of degree.

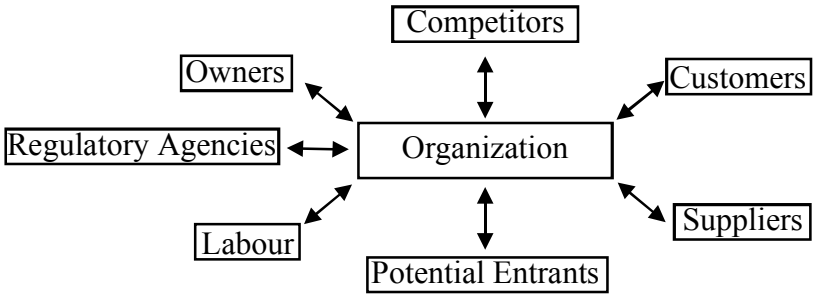


Fig 18.4 Specific Environment

18.3 Environmental Factors

(i) **Economic Factors :** Economic environment is by for the most important environmental factor which the business organization take into account. Infect, a business organization is an economic unit ofoperation since the measurement of organizational performance is mostly in the form of financial terms and some economic factors like inflation, interest rates, economic system, national income and its distribution Monetary policy, fiscal policy natural resources infrastructure facilities raw material and supplies, plant and Equipment, manpower and productivity, unemployment, disposable income, balance of payments, stages of the economic cycle etc. are influences business organizations. There influences are very strong in affecting a company's strategies.

(ii) **Technological factors :** The technological environment refers to the sum total of knowledge providing ways to do things. It may include inventions and techniques which affect the way of doing things, that is designing, producing and distributing products. Technological advances create new products, new production techniques and processes and new ways of managing and communicating strategies developed on the basis of technological developments.

Act to "D.D. Davis" "The future is never what it is expected to be. Technological innovation abruptly destroys the present while creating the future. New technologies forces organizations to reconsider their purpose and methods of operation. Organizations that do not modify themselves to absorb newly adopted technologies never achieve their technological promise". Conclusion is that it can change relative competitive cost positions within a business, it can create new markets and business segments and it can also reducing business segment cost barriers.

(iii) **Political factor :** Political and legal environment is an important element in a mixed economy and affects directly or indirectly the working of business organizations. Governments, both central and state, through laws enacted and legislations passed and the governmental regulatory agencies have direct as well as indirect impact on business. This factor performs 2 roles : promoting and restraining.

This factor influences business in three ways. First, the legal system defines to some degree, as to what an organization can and cannot do. Second, Probusiness or Antibusiness sentiment. Pro-business means in favour of organizations like expansion, mergers, fewer restrictions etc. and anti business senti-

ment has opposite effect. Last and final political stability and organization.

(iv) **Socio - Cultural factors :** Social and cultural environment is quite comprehensive because it may include the total social factors within which an organization operates. It is practices and changes including the prevailing attitudes values and ethics influence the organization. Socio cultural processes are important because they determine the products, services and standards of conduct that are acceptable to society.

(v) **Competitive Factors :** Competitive factor is the most relevant for business organizations. It is the basic element of a free enterprise system. The interests of both the organization and the customers are better served when Choices in the market are available Competition encourages progress and product developments. It forces organizations to be more innovative and productive.

(vi) **International Factors :** Organizations which operate in more than one country face even more complex environment because of the uniqueness of environmental factors that characterize any country. Even if an organization is not international in its operations, events in another country can affect the operations of a domestic company. Some of the factors to be taken into account in main of multinational companies are the economic conditions in the host country, culture, availability of material and manpower, laws, political stability, regulatory agencies and so on. As one group of writers states "the firm must determine how the new environment differs from the more familiar domestic environment and decide how managerial philosophy and practice must be changed." For example the oil policies of Middle East countries practically dictate the operations of many organizations in other countries which depend on oil as their main source of energy.

Some other Task environment factors are :

(i) **Customer :** The basic reason for the very existence of any business organization is making profit and the profits are created by customers. Hence, knowledge about the customer's needs and fulfilling these needs is an organization's primary concern.

(ii) **Suppliers :** An organizations is interested that its suppliers maintain the quality of the materials that it buys from them. The buyers and sellers are interacting continuously to maintain such standards. Since quality and costs of law materials determine whether the output product can meet the quality standards of a competitive market.

(iii) **Labor :** Human resources are the most important resources for any organization because without the skilled people, the sophisticated technology, capital and materials are of little value.

(iv) **Owner :** Owner are the major clement in business organization. Management must continuausly monitor the proposal of holders of large blocks of stock and must provide timely and correct information regarding the economic health of the organization to all stock holders.

Internal Environment : The internal environment of an organization includes all such factors and systems that exist within the organization and over which the organization has more direct control. Key internal factors include the functional areas of human resources, research and development, production, marketing, finance and organizational culture.

Some of the functional factors within the internal environment of the organization are explained briefly as follows :

- **Human resources :** Human resources are responsible for setting objectives, analyzing both internal and external environments and for selecting, implementing and controlling the firms' strategies

and operations. Accordingly, it is imperative that the process of selecting and retaining personnel be a sound one. There is unmistakable and abundant evidence that companies which pursued rapid growth strategies without properly ensuring the availability of adequate human resources failed and closed down.

- **Research and Development (R&D)** : The R & D efforts may involve new product development, improvement in product quality, cost control and production process technology.

- **Production :** Production is the reason for the existence of any manufacturing organization. It is one of the major functional areas of a business and has a strong influence on other functional areas, especially marketing and finance. If the production department produces relatively high quality products at relatively low costs, it will help the marketing function in increasing sales and hence the market share.

- **Marketing :** Marketing function is closely related to production function because marketing staff analyzes the consumer demand and sometimes creates such a demand for a given product. The analysis involves the need, wants, perceptions and preferences of target markets resulting in formulation of pricing, communication, and distribution strategies regarding the product.

- **Finance :** The financial function involves the analysis, planning and control of the financial performance of the organization. Organizations must be capable of raising capital, when necessary, and must ensure that their cash flow situation is healthy.

Organizational culture : Organization culture is a system of shared beliefs and attitudes that develops within an organization and guides the behaviour of its members in understanding what the organization stands for, how it does things and what it considers important. Culture is the foundation of the organization's internal environment and a strong culture makes the employees feel better about their organization and about what they do, thus leading them to work harder to achieve organizational goals.

18.4 Nature of Environment

Environment provides both, opportunities and threats. In order to know whether there in an opportunity or threat, we have to look at the nature of environment in terms of its complexity and variability.

Environmental complexity is referred to the heterogencity and range of activities which are relevant to an organization's operations.

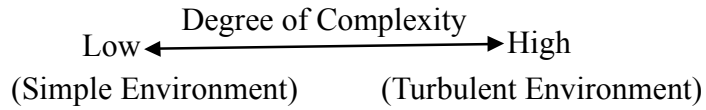


Fig 18.5 Continue of environmental complenity

Environmental variability as an important determinant of organizational functioning. The rate of change of Environmental variability can be low or high, thought it is matter of perception.

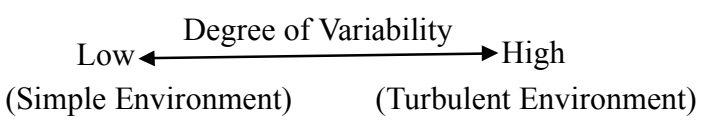


Fig 18.6 Continuum of Environmental Complexity

As a conclusion turbulent and simple environment has following characteristics :

Turbulent : Growth does not extrapolate, historical strategies are suspect, Profitability does not follow growth, the future is highly uncertain and the environment is full of surprises.

Simple Environment : The rate of change is quite slow, historical strategies work through some minor modification, the rate of growth for the industry may be extrapolated and Profitability is linked with growth.

18.5 Impact of Environment

In any organization, we found impact of environment on their Business and management functions. Business functions are involved Production marketing, finance and Personal function, Similarly Management function involved planning, organising staffing, Directing, Controlling Co-ordination, communication,

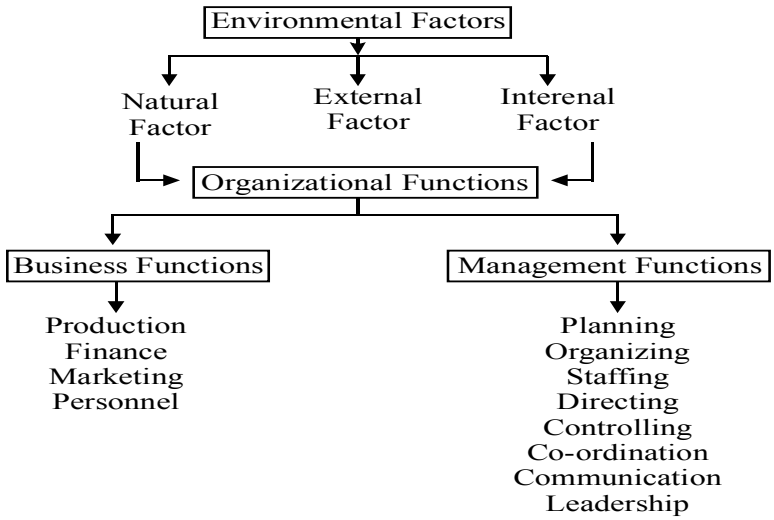


Fig 18.7 Impact of environment on organisation function

As a conclusion we can say that the environmental forces may affect different parts of the organization in different ways because different parts interact with their relevant external environment differently. For example, any change in the fiscal policy of government may affect the finance department directly but it may affect production and marketing indirectly because their programmes may be recasted in the light of new situation, though not necessarily.

The environmental influence process is quite complex because most things influence all other things. For example, the organizations structure will be determined on the basis of management philosophy and employee attitudes. But the organization structure becomes the source for determining the employee attitudes. Thus, there cannot be direct and simple cause-effect relationship rather much complexity is expected.

The organization response to the environmental forces may not be quite obvious and identical for different organizations but these are subject to different internal forces. Thus, there is not only the different perception of the environmental forces but also their impact on the organizations. Key factors determining response to environmental impact may be managerial philosophy, life cycle of the organization,

profitability etc. The impact of environmental forces on the organisation is not unilateral but the organisation may also affect the environment. However, since the individual originations may not be able to put pressure on the environment, they often put the pressure collectively.

18.6 Environmental Management

Every organizations are know that they cannot control over the external environment. While elements in the internal environment are generally controllable so that the management of the organizations can devise strategies to handle away issues or problems that might arise.

Environmental Management refers to proactive strategies aimed at making the environment favorable to the organization. These proactive strategies may include acquiring a company in a new market, lobbying politically to enact laws favourable to a given organization, actively managing the company's image and public relations and taking steps to discourage competition. The situation will dictate the choice of any one option or a combination thereof.

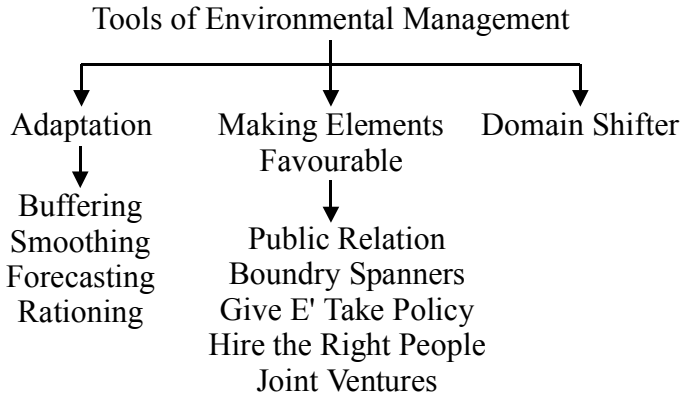


Fig 18.8 Tools of Environmental Management

- **Adaptation :** Adaptation policy is based upon the assumption that the organization has to adjust to the external environments and must make internal changes to do so. This can be done in four ways.

- **Buffering :** Buffering involves having sufficient inventory of raw materials on hand to adjust to fluctuations in supplies and sufficient inventories of finished products to adjust to market fluctuations for demand.

- **Smoothing :** While buffering seeks to accommodate environmental fluctuations, smoothing option seeks to reduce the negative impact of these fluctuations. Department stores may offer discounts on their merchandise during slow demand periods.

- **Forecasting :**If it is possible to forecast the relevant changes with reasonable certainty, then organizations can prepare themselves to meet these changes. For example seasonal fluctuations are comparatively easier to predict because of past patterns. One more example, department stores can hire extra temporary personnel during the Christmas shopping season. Trends in the economy are more difficult to predict, even though more sophisticated forecasting models do exist to assist in such forecasting.

- **Rationing :** Rationing simply means limiting access to a product or service that is in high demand.

This practice is advantageous when such high demand is temporary. For example, the demand for business majors in the school is high at the present time. If the school can keep on expanding facilities to accommodate this high demand, then they would be in trouble when the demand slows down.

- **Public Relations :** Public relations involve using communication media to gain favourable impressions about the image of the company and the quality of its goods and services.

- **Boundary spanners :** Boundary spanners are those people within the organization who play a liaison role between the organization and the environment. These people may be sales persons, purchasing specialists, receptionists, lawyers, scientists and so on who maintain close ties with the developments in their respective fields.

- **Give and take policy :** Specific agreements with buyers and suppliers are one of the ways to create a favourable environment.

- **Hire the right people :** Some organizations hire candidates who are more familiar or have some control over some elements of the environment. Companies often take away key executives from rival companies by offering them attractive packages and then use their knowledge of the environment to their own benefit.

- **Joint ventures :** Joint ventures, mergers, acquisitions and takeovers sometimes help organizations in eliminating some elements of the hostile environment. Such alliances are becoming more common due to economies of scale and there is mutual advantage for the organizations involved that would be difficult to duplicate if each acted alone. These alliances produce synergetic effects.

- **Domain shifts :** These involve shifts in internal structures and strategies which may include entering new industries or markets where the competition may be limited. It may involve changes in the mix of products and services in order to create a more favourable interface with environmental elements. It may also involve moving entirely out of the current product, service or geographic area into a more favourable domain. For example, IBM which primarily depended upon the main frame computer market is now aggressively pursing the desk top and laptop computer market. Many companies now have manufacturing plants in other counties where labour and raw materials are cost effective.

Activity A:

1. In your classroom or work place or area identity which type of environment exist and how they effect your work place.

The study of business ethics is not new. In the nineteenth century, utilitarian reformers highlighted the need for ethical principles to be part of the free enter press system. Currently the literature on business ethics E' on ethics generally is vitas E' growing there is a huge literature on the subject but using no universally accepted.

18.7 Business Ethics

The study of Business ethics is not new. In the 19th century, utilitarian highlighted the need for ethical principles to be part of the free enterprise system. Currently, the literature on business ethics & on ethics generally in vital and growing there is a huge literature on the subject, but there is no universally accepted. Business Ethics is probably most difficult concept to define of teh because the world of business ethics is quite broad and its outer edges spread into number of area in the larger sphere of

business society relationships. It will depend on both the values of individuals working in the organization and particularly on the culture created by the individual ethics of senior management, and on any code of conduct which formally exist within the organizations or standards adopted from external agencies.

Business ethics states to the behaviour of a businessman in a Business situation. They are concerned primarily with the impacts of decisions on people, within and without the organization, individually and collectively in communities or other groups. In the enterprises context, the concept of right and wrong fair and unfair, just and unjust is reflected by either the organizational policies or by the social reactions.

However we must conclude that Business cthics are concerned with actions measured by ethical roles, as contrasted with strictly economic or financial rules. Business ethical behaviour in conduct that is fair and just over and above the various rules and regulations. It is always ethical for an entrepreneur to obey the laws even though he may personally believe them to be unjust or immoral. If he feels that laws are unjust, he can seek remedy through proper procedure and not through disobedience of those.

18.8 Approaches to Ethical Conduct

Mostly, ethical conduct are determined by personal values and personal evaluations. There are two identifiable approaches and one utilitarian approach. One another approach proposed by A.J. Ayer suggests that morals and ethics are just the personal viewpoints and moral judgements are meaningless expressions of emotions. The concept of morality is personal in nature and only reflects a person's emotions. He called this view as "Emotive theory are based upon the merit of the acting and the consequences of the acting it.

This identifiable approaches can be segmented into two areas. These are

(i) **The Teleological Approach.** This approach which one based on the consequences of the act is known as teleological approach, whether are action in right or wrong would depend upon the judgement about the consequences of an action. For example, lying to save one's life would be ethically acceptable.

(ii) **The Deontological approach :** The approach that determines the merit of the act is known as deontological approach and it is built upon the premise that the 'duty' is the basic moral category and that the duty is independent of the consequences. For example, the ten commandments would be considered as one of the guidelines to determine what is intrinsically good and what is intrinsically evil and one more another example is that if a person lies to save his life, it is the lying that how to be ethically evaluated and not the end - result of this activity which was a life saved.

The utilitarian approach : This utilitarian approach can be segmented into three areas. These are :

(i) **Eudemonistic approach.** This approach measures the degree of happiness to society. The more happiness it brings to society, irrespective of the nature of the act, the more moralistic that act is considered.

(ii) **Hedonistic approach.** In this approach, the judgement about the morality of an act is made on the basis of the degree of pleasure or pain that it gives to the society as a whole. For example, overthrowing a dictatorial government may bring pain to some but it could bring pleasure to many more. Hence, it would be considered a moral act.

(iii) **Ideal approach.** This approach, according to DeGeorge, takes a wider view of the worth of the outcome of an act and considers all intrinsically valuable human goods, which also include friendship, knowledge and a host of other goods valuable in themselves.

18.9 The Code of Ethics or Codes of Conduct

Codes of conduct defined within an organisation or imported from elsewhere in the form of standards are usually associated with practical sets of rules and guidelines. They tend to be expressions of mixtures of technical, prudential and moral imperatives. They influence behaviour and therefore ethical outcomes.

Codes of conduct which become accepted across firms in an industry or even across industries are very powerful, and we often see them written into contracts between organisations. We might be inclined to think that a code promoting some sort of social commitment or environmental improvement is a huge step forward and that organisations which follow others in adopting such standard should be congratulated. But rather more analysis of the content and purpose of such a code is necessary before we can reach an answer to that question. Without suggesting that codes may be bad, we must nevertheless consider whether, in fact, some codes push employees and customers into a set of values which verge on indoctrination. Stakeholders in those sorts of situations come to possess what Marxists see as false consciousness. In addition, the fact that a code of conduct is widely accepted does not guarantee that the values within it are not restricted or inconsistent.

Codes of conduct are therefore nothing if they are not adhered to, and voluntary approaches often slip down a list of priorities when other pressing issues arise. It is perhaps not surprising that the lack of response from the chemical industry over Responsible Care occurred during a particularly bad economic recession. While some chemical companies are clearly committed to improving their health, safety and environmental performance, it seems that too few are adhering to the spirit of Responsible Care. Indeed, while some make efforts to follow the guidelines of the programme, many more treat Responsible Care as a smoke screen.

Many of those managers in the chemical industry who appear confident of their procedures to improve environmental performance are certainly either suffering from the false consciousness which was suggested earlier, or are making much more cynical attempts to hide their environmental impact in an attempt to hang on to market share and profitability. This makes defining and specifying the code of ethics very difficult. If the ethical guidelines are not specific, they could lead to different interpretations, thus defeating the very purpose for which these are designed. If they are highly specific, they will not equally apply to all, because of different norms among different cultures and sub-cultures.

Activity B :

1. List different organizations in your neighborhood and note why you think it is work on ethical or unethical values

18.10 Corporate Social Responsibility

Over the centuries there have been arguments and counter arguments in favour of and against social responsibility. Social responsibility involves a set of obligations on the part of management to protect and enhance the society in which it functions. This means first that the social responsibility is an "Obligation" for which the business should be held accountable. Second, it is the responsibility of business to protect the society welfare in terms of not polluting the environment producing safe and quality products, not discriminating, not deceptively advertising and so on.

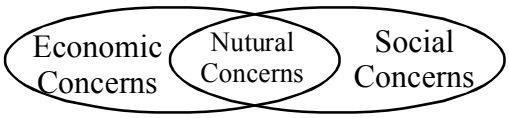


Fig 18.9 Realistic view of business corporate social responsibility.

In an effort to present a balanced view of corporate social responsibility of business and its role as an objective of business; it is worth while to present briefly the arguments against and for it that have surfaced over time. It should be pointed out, however that each argument for and against social responsibility assumes a certain understanding of the concept that may vary Arguments for corporate social responsibility.

1. Business is a part of the society or we can say business organisations are creatures of society.
2. It is possible that at the initial stage, the cost of discharging social responsibility may be high but in the long run, the business can do better by creating better public image among the various interest groups. In short, Discharge of social responsibility ensure long- run self-interest of business.
3. When business is unable to fulfill its social roles, it invites more government intervention in the business system.
4. In any country, economic growth is not possible without the active co-operation of people. Therefore traditional values are also play a major role in corporate social Responsibility and this point of view, business can do better if it is concerned with social aspects of life of people in the country.

Arguments against social Responsibility

1. The management is under moral and contractual commitment to the stock holders only.
2. In a free and democratic economy, all groups are expected to take care of their own problems and responsibilities.
3. The management is not properly equipped and trained in handling social issues and activities.
4. Big business already hold enough economic power.

As a conclusion, the social responsibility of business has been defined in many ways and from many angles. One expert has defined corporate social responsibility as, "the notion that the corporations have an obligation to the constituent groups in society, other than stockholders and beyond that prescribed by law or union contract" Keith Davis and Robert Blomstrom have given a more pointed definition, as "Social responsibility is the obligation of the decision makers to take actions which protect and improve the welfare of the society as a whole along-with their own interests." There are several key ideas in this definition. One is that the social responsibility is an obligation, for which the business should be held accountable. Another key issue is the responsibility of the business to protect the society's welfare in terms of not polluting the environment, not discriminating, not producing harmful products, not deceptively advertising etc. Finally, it must improve the society's welfare by creating positive benefits for society.

18.11 The Social Issues

Besides the ethical issues, Social issues in management process are equality important particularly in the contemporary society. There are a number of social issues where the businesses and the management are expected to get involved. Some of these issues may give rise to legal considerations. These some of these responsibilities have been relating to employees, consumers, community, government etc. and some of these issues are listed and discussed by Massie. Many of these issues have already been

addressed. These are :

1. Discrimination in the employment practices of woman and minorities, people of the scheduled classes in India black people in America and some other discriminating factors have been provincialism, racism, religion and so on.
2. The labour union and management have been considered to be at the opposite ends of the spectrum. The main social issue is whether the management should work with the unions in improving the lot of workers, sometimes at a financial cost to the stockholders and should the unions pursue the policy of "get as much as you can". thus ignoring the interests of the organisation and the management ?
3. Businesses provide funds for a political group in order to win favour of them.
4. Businesses support and contribute towards charitable causes, from where there is apparentlyy no economic gain, simply to be known as community conscious management.
5. Businesses and the management support to invest in educational institutions where the returns, at best are only indirect.
6. Marketing of products like tobacco, cigarettes alcohol, drugs, weakens etc. They affect the moral health as well as health of the community.
7. Exercise control over the export of products to countries which are unfriendly, when such control may have adverse affect on the profit of the corporations.
8. Advanced technology and modernizations are minimize the cost of the product but at a social cost of increased air pollution, urban congestion and increased unemployment.

Beside, these social issues, there are some additional issues like conservation of natural resources, pollutions, unfair Business practices, reglegancy toward employee safety and health, unhealthy management and employee relation fake marketing Advertising the product and so on. As a result, we can say these social issues are causing the management to do some soul searching and reform their roles from simply profit creating activities to being sensitive to community needs.

18.12 Area of Social Responsibility

Social responsibility in organization presents a mixed picture. There are certain organisations which are quite conscious about their social roles. There for area of organizational social responsibility and discussed below :

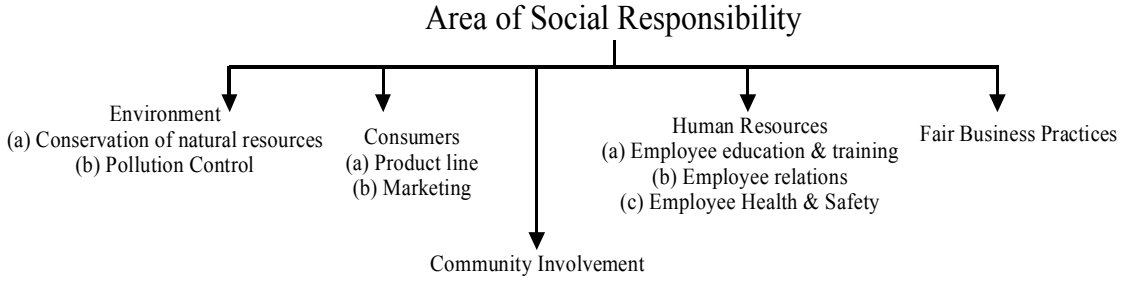


Fig 18.10 Area of Social Responsibility

- **Environment : The issues relating to environment are :**

  (a) Conservation of natural resources : Our nation is already facing short ages and depletion of resources that have been overused, so, it is very important to use the resources wisely and it is

the managerial responsibility to be involved in research to find new sources of energy and save energy. Similarly, forests cut for production of furniture, houses, paper etc. must be replenished.

(b) Pollution Control : The management owes it to society to ensure that their production processes or usage of their products does not cause air pollution or water pollution. Other waste products that are unacceptable to society are : Toxic wastes, excessive noise, chemical pesticides etc. that spoil the natural outlook, Management must accept responsibility for reducing such pollution by recycling policies of waste products and by minimizing the pollution in the first place.

- **Consumers :**

1. By products of proven quality at a fair price;
2. By fulfilling its commitments impartially and courteously in accordance with sound and straightforward business principles; and
3. By bearing their counting confidence in its productive ability and its technical competence to keep improving the quality of its products.

The managerial responsibilities in relation to consumers extend to :

Product line This includes product quality, safety, design, average life for the product, efficacy, guarantees and warranties, service policies, service availability, packaging, degree of disposability and recyclability etc.

Marketing Accuracy of advertising claims, adequate information about product use and misuse, fair pricing. consumer complaint answering policies, clear explanation of credit policies where applicable, existence of pressure tactics in selling etc.

- **Community Involvement**

1.By respecting the dignity of the individual and acting according to the ideas of social justice;
2. By encouraging talent and promoting civic sense among members of the community;
3. By availing of opportunities to develop the democratic qualities involved in collective work under taken in the interest of the community ; and
4. By assuming its proper share of social responsibilities in the community in which the company operates.

- **Fair Business practices :** Fair business practices These include : Employment practice concerning minorities and women, promotion performance of minority groups and women, programs to ease integration of minority groups and women into company operations, specialized minority and women career counselling, support for minority owned businesses, employment and advancement of disadvantaged individuals such as handicapped, former criminals, drug addicts, mentally retired etc.

- **Human resources :**

1. By a realistic and general understanding and acceptance of their needs and rights and enlightened awareness of the social responsibilities of industry;
2. By providing adequate wages, good working conditions, job security, effective machinery for speedy redressal of grievances, and suitable opportunities for promotion and self-development;
3. By promoting feelings of trust and loyalty through a human and purposeful awarenees of their needs and aspiration ; and
4. By creating a sense of belongingness and team-spirit through their closer association with management at various levels.

18.13 Approaches to Meeting Social Responsibility

Various managerial approaches to meeting social obligations determine an organization's level of social responsiveness. Some organizations are higlhy responsive and eagerly seek ways to accommodate societal needs, whereas others resist external obligations.

Social responsiveness is defined as "the degree of effectiveness and efficiency an organization displays in pursuing its social responsibilities. The more socially responsive attitude the organizations show, the greater the degree of effectiveness and efficiency they have in pursuing their social responsibilities. Deciding on the types of social activities that the management wants to pursue, organizing the resources that are necessary to meet those responsibilities and then controlling the management processes so that these social goals are optimally accomplished without wasting any organizational resources in the process, are the key functions of management in this area in order to maintain a high level of social responsiveness. In general there are 4 basic approaches that.

1. Social Obligation : This approach reflects an attitude whereby an organization meets its social obligations as mandated by law and by some societal expectations but does no more. These social obligations are consistent with economic objectives and profitable operations. For example, tobacco companies are required by law in India to put warning labels on their cigarette packs. In that respect, they are meeting some social obligations. However, they are heavily promoting their products in other countries without putting such label on them, because they are not required by law, even though it would be socially desirable.

2. Social Obstruction : Some companies adopt this approach and actively fight to eliminate, delay or fend off the social demands being made on them. They usually do as little as possible to solve social or environmental problems. As an example, xyz company which makes found a few years ago that their dog food contained chemical additives, while they were advertising it as "pure" Rather than recalling the product and losing money, the management decided to let it go until the inventory was completely exhausted. This action put organizational benefit above the community benefit.

3. Social Reaction : This approach meets its social obligations and is willing to react positively to react positively to appropriate societal demands. It sees business as having both economic as well as social goals. It goes beyond the legal requirements that have been enacted to protect societal interests and accepts broader extra-legal and extra-market criteria for measuring corporate performance and social contributions.

4**. Social Involvement :** This approach goes beyond the call of corporate duty for social involvements. It reflects an attitude which is highly socially responsive and considers it an obligation to prevent any social problems from occurring and assist in solving these once they occur. This approach is also known as proactive approach.

Activity C:

1. The fundamental mission of TISCO (Tata Iron and Steel Company Limited) is to strengthen India's industrial base through increased productivity, effective utilisation of manpower and material resources, and continued application of modern scientific managerial methods as well as through systematic growth in keeping with national aspirations. The company recognises that while honesty and integrity are the essential ingredients of a strong and stable enterprise, profitability provides the main spark for economic activity. It affirms its faith in democratic values and in the importance of success of individuals, collective, and corporate enterprise for the economic emancipation and prosperity of the country. Are you satisfy with management views if yes then give statement or if 'no' then also give statement

18.14 Summary

A competitive advantage can be achieved not merely be keeping abreast of environmental developments, but also by initiating change within an organisation and responding with new environmentally friendly products and production processes.

Indeed, growing consumer awareness and environmental pressure groups are likely to ensure that organisations which do not take action on the environmental front will lose market share. With increased competition as a result of European integration, environmental management will provide organisations with a competitive edge.

That is not to suggest that legislation is a bad thing, indeed it can act as the impetus to an organisation thinking about instituting proper environmental management. In addition, increasing legislation and government expenditure to increase environmentally related expenditure might be seen as a win-win situation. It stimulates the economy without leading to the pollution problems often associated with growth. Moreover, a shift in expenditure from the military to promoting security on the environmental front is possible.

Companies are faced with a challenge of integrating ethical considerations into their production and marketing plans. There is always an incentive, however, for profit-maximising firms seeking short-term rewards to opt out of their ethical obligations towards corporate responsibility care. What is required, therefore, is a thorough re-examination of business ethics within any organisation and a change in ideology towards an acceptance by industry of its ethical and social responsibilities.

Perhaps one of the most important lessons which firms are beginning to learn relates to the desirability of seeking an honest and trusting relationship with customers (as well as with their other stakeholders). Such an ethical relationship requires concern for customer satisfaction, widely defined, and fair dealings. Objectives should be written in ethical terms and stress loyalty and repeat business. Such a philosophy and attitude must permeate an organisation. It can easily be short - circuited of a general climate of opportunium and severe financial performance pressure prevail.

An honest and trusting relationship should not be sought with consumers or final users alone. It should characterise the relationship between sales representatives and their clients, which suggests no exaggeration or misrepresentation, greater effors at understanding customers' needs, and better servicing. It may even mean forgoing a sales opportunity when a customer's best interest may be better served by another product or at another time. The trusting relationship suggests repudiating any adversarial stance with employees, with suppliers, and, beyond this, with all the communities in which a firm does business. Firms need to throw away ideologies based on financial performance alone and consider their corporate relationship with society. Such a relationship requires sound ethical conduct. It should foster a good reputation and public image.

It has been argued that the competitive nature of markets is often a barrier to responsible corporate performance, and creates isolationism strategies. Unethical and unilateral actions may result in an initial competitive advantage, but may hurt a firm's overall image and reputation in the longer term. To have a coherent social strategy, firms need a consistent set of business ethics and need to measure their performance using a range of longer-term indicators. The notion of stakeholder accountability also reminds us that it is really not possible to separate ethical considerations from other issues such as the treatment of women and minority groups, the treatment of animals and the protection of indigenous

populations. A set of ethics alone will not necessarily lead to better business practices, however. What we also require is a fundamental re-examination of dominant ideologies in the business world and culture change which is capable of challenging accepted wisdoms.

The rise of organised pressure groups and interest groups makes it doubly important that managers consider the arguments of all stakeholders in a decision's outcome. Since these groups publicly promote their causes in a single-minded way and do not therefore have the competing objectives so often faced by management, they have an advantage over the traditional company in the strong message which they can convey. Decisions taken in isolation by an elite group are therefore far more likely to result in suboptimal outcomes.

The main thrust of the argument in this chapter, however, is that the major issues and arguments surrounding business ethics and social and corporate responsibility are not so much substantive but more associated with procedures and received 'wisdom' associated with structures and hierarchies. It has been argued that these barriers to improved ethics can be removed through the removal of such traditional structures. We need to think carefully about putting a new emphasis on stakeholder accountability and a move towards new democratic forms of organisation within the workplace. There is nothing in the nature of people or businesses which makes adjustment towards ethical behaviour impossible. Vested interests held by those in power do have to be addressed, however, and this is one of the major challenges which we must overcome.

18.15 Self Assessment Questions

1 What do you mean by environmental issues ? what are various components of environmental issues ?

2 "In Indian organisation the corporate social responsibilities are more in theory than in practice." Do you agree with this statement ? Explain.

3 Describe some ethical issues relating to businesses that requise attention and consideration.

4 Define social resp onsibility. Why should it be the responsibility of businesses to look after the interest of the community?

5 Write short notes on
   1. Environmental issues
   2. Business ethics
   3. Corporate social responsibility

6 What is the link between social corporate responsibility and business ethics ?

7 Case Study

The growth in the tourism sector in Rajasthan (India) in particular, and the world in general provides many opportunities for small businesses to start up and flourish. The needs of the tourist and tourism sector are diverse and very people oriented. The growth in tourist destinations, eco tourism and heritage tourism enables new entrepreneurs to focus on niche markets. In Rajasthan, village and farm tourism is a novel idea that's catching up and one that has opened up entry to tourism market. Many tourists visiting Rajasthan seek to experience authentic, ethnic Rajasthani village experience and they often plan to stay in one such village to have first hand experience adn to see the way people live.

Neha's bed and breakfast started within this context. Neha had a baby, no business experience and no formal training in running a business, but she had a great idea. She recognized the need for the community to benefit from many tourists of Rajasthan and India and also her opportunity to provide link between tourists and township.

Neha began by conducting market research. She visited many homes in her community and shared her idea with them. She also pointed out that tourists will visit the town only if they feel and be safe within the keyed community outside Ajmer town near Pushkar, a very famous international tourist destination. She also had community meetings with the local village head, as well as the crafters in the community. She explained them that if she had visitors, they would also benefit from her business.

With the support of the community in the area, she started bringing visitors to her home. She marketed her had and breakfast venture through printed type flyers at Ajmer and Jaipur information center. Currently her visitor's book boasts of tourists from Netherlands, Germany and other places around the world. She takes bookings through email. She travels to Ajmer once a week to respond to her emails and confirm bookings. Her cell phone is very important too as most bookings come on phone. Her neighbours assist with accommodation when her guests are more than her two roomed home can accommodate.

As specific speciality is her 'soul food' breakfast. Items on the menu include jalebi, kachori, aloo ka paratha, sabji-puri as well as a number of other unique village specialities served alongwith hot tea or milk. She spends time with the guests around the breakfast table and walks with them through the community.

(i) What made Neha take this opportunity to start Neha's Bed and Breakfast?

(ii) Do you feel Neha's business planning and environmental scanning was adequate?

(iii) How would you manae the operations of such a venture in your community?

18.16 Reference Books

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- Ethics in Business - Baumhart, Holt, Rhinehart, Winston
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