PRINCIPLES OF MANAGEMENT

BBA HONOURS IST SEMSTER

UNIT I

MEANING OF MANAGEMENT:

Many experts call management as a process. Some others call it as activity directed towards coordination of resources. Let us take following descriptions of the term 'management'. Stoner, Freeman, and Gilbert describe the term management as the process of planning, organising, leading, and controlling the work of organisation members and of using all available organisational resources to reach stated organisational goals. Kimball states that management may be broadly defined as the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration. Koontz defines management as the art of getting things done through and with people in formally organized group. According to Henry L. Sisk, management is the coordination of all resources through the process of planning, organising, directing, and controlling in order to attain stated objectives. Yet another view on management calls management as a body of personnel. The management plans the work, organises and obtains the production. Emphasizing the importance of management for an organisation, Urwick states, No ideology, no ism, no political theory, can win greater output with less efforts from a given complex of human and material resources: only sound management. And it is on such greater output that a higher standard of life, more leisure, more amenities for all must necessarily be founded. In the recent era management has emerged as a prominent profession, as management fulfils the following characteristics of a profession:

- Management is a body of knowledge;
- There is formal teaching of that knowledge;
- There are representative associations and body of members in the field of management;
- There are ethical standards of conduct enforced by the profession;
- There is provision of suitable remuneration to the members in the service of management..

In fact, the term management can be interpreted in four different senses:

(a) As aTeam or System of Authority (b) As a Discipline (c) As an Economic Resource and (d) As a Process.

According to Drucker:"*It is a multipurpose organ that manages a business and manages managers and manages workers and work." In this sense, management is considered as a system of authority. Management is a separate field of study and as such it is a growing discipline within the field of Social Sciences.Management is one of the factors of production, so it is an economic resource. As a pro-cess, management is a series of several interrelated and interdepen-dent functions that lead to the accomplishment of objectives.*

The famous French writer Henri Fayol stated:*To manage is to forecast and to plan, to organize, to command, to co-ordinate and to control. It is a functional definition of management which clearly indicates the functions of managers*. According to the father of Sci-entific Management

Dr. F. W. Taylor*. Management is the art of "knowing what you want to do" and then seeing that it is done "in the best and cheapest way".*

If we go on increasing the number of definitions of other author-ities, we shall observe that there is no complete unanimity in the definitions. But the basic elements of management, as the authorities propound, are more or less the' same.

If management has to develop as a science, it is imperative that it should be defined in one sense only. To secure a unanimous meaning of the term management, the term will have to avoid using it as both status and function.

CONCEPT OF MANAGEMENT:

Management is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose. According to *Harold Koontz*, *"Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals".* According to *F.W. Taylor*, *"Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way".*

Management is a purposive activity. It is something that directs group efforts towards the attainment of certain pre - determined goals. It is the process of working with and through others to effectively achieve the goals of the organization, by efficiently using limited resources in the changing world. Of course, these goals may vary from one enterprise to another. E.g.: For one enterprise it may be launching of new products by conducting market surveys and for other it may be profit maximization by minimizing cost.

Management involves creating an internal environment: - It is the management which puts into use the various factors of production. Therefore, it is the responsibility of management to create such conditions which are conducive to maximum efforts so that people are able to perform their task efficiently and effectively. It includes ensuring availability of raw materials, determination of wages and salaries, formulation of rules & regulations etc.

Therefore, we can say that good management includes both being effective and efficient. Being effective means doing the appropriate task i.e, fitting the square pegs in square holes and round pegs in round holes. Being efficient means doing the task correctly, at least possible cost with minimum wastage of resources.The concepts of management have evolved with the evolu-tion in the business world. Management is considered as a factor of production and this factor is sure to be changed with the change in the nature of business.The changing concepts of management have a common feature that professionalism in management is becoming more and more popular and essential. Modern management theories are not obviously throwing away the concepts of the earlier manage-ment authorities but new dimensions are being added to it with the onward march of management.

Management is functional as well as intellectual exercise. It is a process to coordinate different functions, to achieve the predetermined goals of the organisation. Management has to be learnt as a discipline and management denotes the person-nel in authority who think and control. It gives birth to an organisation through planning and continues to exist with the organisation to keep it alive through control mechanism.Management is thus a central directing and controlling agency where collective efforts are needed to achieve the objectives through mutual cooperation of different groups of people engaged in an organisation. The concepts of management lead us to conceive that management is a process managers are an integral part of the organisation and management is a body of knowledge about the ac-tivity of managing.

Management can be defined in detail in following categories :

<u>Management as a Process</u>

As a process, management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts, according to George R. Terry, “Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources”. As a process, management consists of three aspects:

1. **Management is a social process -** Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.
2. **Management is an integrating process -** Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, is an important function to bring harmony between various factors.
3. **Management is a continuous process -** It is a never ending process. It is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process.

<u>Management as an Activity</u>

Like various other activities performed by human beings such as writing, playing, eating, cooking etc, management is also an activity because a manager is one who accomplishes the objectives by directing the efforts of others. According to Koontz, “Management is what a manager does”. Management as an activity includes -

1. **Informational activities -** In the functioning of business enterprise, the manager constantly has to receive and give information orally or in written. A communication link

has to be maintained with subordinates as well as superiors for effective functioning of an enterprise.

2. **Decisional activities -** Practically all types of managerial activities are based on one or the other types of decisions. Therefore, managers are continuously involved in decisions of different kinds since the decision made by one manager becomes the basis of action to be taken by other managers. (E.g. Sales Manager is deciding the media & content of advertising).
3. **Inter-personal activities -** Management involves achieving goals through people. Therefore, managers have to interact with superiors as well as the sub-ordinates. They must maintain good relations with them. The inter-personal activities include with the sub-ordinates and taking care of the problem. (E.g. Bonuses to be given to the sub-ordinates).

Management as a Discipline

Management as a discipline refers to that branch of knowledge which is connected to study of principles & practices of basic administration. It specifies certain code of conduct to be followed by the manager & also various methods for managing resources efficiently.

Management as a discipline specifies certain code of conduct for managers & indicates various methods of managing an enterprise. Management is a course of study which is now formally being taught in the institutes and universities after completing a prescribed course or by obtaining degree or diploma in management, a person can get employment as a manager.

Any branch of knowledge that fulfils following two requirements is known as discipline:

1. There must be scholars & thinkers who communicate relevant knowledge through research and publications.
2. The knowledge should be formally imparted by education and training programmes.

Since management satisfies both these problems, therefore it qualifies to be a discipline. Though it is comparatively a new discipline but it is growing at a faster pace.

Management as a Group

Management as a group refers to all those persons who perform the task of managing an enterprise. When we say that management of ABC & Co. is good, we are referring to a group of people those who are managing. Thus as a group technically speaking, management will include all managers from chief executive to the first - line managers (lower-level managers). But in common practice management includes only top management i.e. Chief Executive, Chairman, General Manager, Board of Directors etc. In other words, those who are concerned with making important decisions, these persons enjoy the authorities to use resources to accomplish organizational objectives & also responsibility to for their efficient utilization.

Management as a group may be looked upon in 2 different ways:

All managers taken together.   Only the top management

The interpretation depends upon the context in which these terms are used. Broadly speaking, there are 3 types of managers –

- *Patrimonial / Family Manager:* Those who have become managers by virtue of their being owners or relatives of the owners of company.
- *Professional Managers*: Those who have been appointed on account of their specialized knowledge and degree.
- *Political Managers / Civil Servants*: Those who manage public sector undertakings.

Managers have become a part of elite group of society as they enjoy higher standard of living in the society

<u>Management as a Science</u>

Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

Science is characterized by following main features:

- *Universally acceptance principles* - Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places. E.g. - law of gravitation which can be applied in all countries irrespective of the time.

Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization - business or non business.

- *Experimentation & Observation* - Scientific principles are derived through scientific investigation & researching i.e. they are based on logic. E.g. the principle that earth goes round the sun has been scientifically proved.

Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been developed through experiments & practical experiences of large no. of managers. E.g. it is observed that fair remuneration to personal helps in creating a satisfied work force.

- *Cause & Effect Relationship* - Principles of science lay down cause and effect relationship between various variables. E.g. when metals are heated, they are expanded. The cause is heating & result is expansion.

The same is true for management, therefore it also establishes cause and effect relationship. E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness. If you know the cause i.e. lack of balance, the effect can be ascertained easily i.e. in effectiveness. Similarly if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.

- *Test of Validity & Predictability* - Validity of scientific principles can be tested at any time or any number of times i.e. they stand the test of time. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles. E.g. H2 & O2 will always give H2O.

Principles of management can also be tested for validity. E.g. principle of unity of command can be tested by comparing two persons - one having single boss and one having 2 bosses. The performance of 1st person will be better than 2nd.

It cannot be denied that management has a systematic body of knowledge but it is not as exact as that of other physical sciences like biology, physics, and chemistry etc. The main reason for the inexactness of science of management is that it deals with human beings and it is very difficult to predict their behavior accurately. Since it is a social process, therefore it falls in the area of social sciences. It is a flexible science & that is why its theories and principles may produce different results at different times and therefore it is a behavior science. Ernest Dale has called it as a Soft Science.

<u>Management as an Art</u>

Art implies application of knowledge & skill to trying about desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters -

- *Practical Knowledge*: Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles. E.g. to become a good painter, the person may not only be knowing different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by obtaining degree or diploma in management; he must have also know how to apply various principles in real situations by functioning in capacity of manager.

- *Personal Skill*: Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another. E.g. there are several qualified painters but M.F. Hussain is recognized for his style. Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers (like Aditya Birla, Rahul Bajaj) whereas others as bad.
- *Creativity:* Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination. Management is also creative in nature like any other art. It combines human and non-human resources in useful way so as to achieve desired results. It tries to produce sweet music by combining chords in an efficient manner.
- *Perfection through practice:* Practice makes a man perfect. Every artist becomes more and more proficient through constant practice. Similarly managers learn through an art of trial and error initially but application of management principles over the years makes them perfect in the job of managing.
- *Goal-Oriented:* Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. Managers use various resources like men, money, material, machinery & methods to promote growth of an organization.

Thus, we can say that management is an art therefore it requires application of certain principles rather it is an art of highest order because it deals with moulding the attitude and behavior of people at work towards desired goals.

Management as both Science and Art

Management is both an art and a science. The above mentioned points clearly reveals that management combines features of both science as well as art. It is considered as a science because it has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

A manager to be successful in his profession must acquire the knowledge of science & the art of applying it. Therefore management is a judicious blend of science as well as an art because it proves the principles and the way these principles are applied is a matter of art. Science teaches to 'know' and art teaches to 'do'. E.g. a person cannot become a good singer unless he has knowledge about various ragas & he also applies his personal skill in the art of singing. Same way it is not sufficient for manager to first know the principles but he must also apply them in solving various managerial problems that is why, science and art are not mutually exclusive but they are complementary to each other (like tea and biscuit, bread and butter etc.).The old saying that "Manager are Born" has been rejected in favor of "Managers are Made". It has been aptly remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

<u>Management as a Profession</u>

Over a large few decades, factors such as growing size of business unit, separation of ownership from management, growing competition etc have led to an increased demand for professionally qualified managers. The task of manager has been quite specialized. As a result of these developments the management has reached a stage where everything is to be managed professionally.A profession may be defined as an occupation that requires specialized knowledge and intensive academic preparations to which entry is regulated by a representative body. The essentials of a profession are:

- *Specialized Knowledge* - A profession must have a systematic body of knowledge that can be used for development of professionals. Every professional must make deliberate efforts to acquire expertise in the principles and techniques. Similarly a manager must have devotion and involvement to acquire expertise in the science of management.
- *Formal Education & Training* - There are no. of institutes and universities to impart education & training for a profession. No one can practice a profession without going through a prescribed course. Many institutes of management have been set up for imparting education and training. For example, a CA cannot audit the A/C's unless he has acquired a degree or diploma for the same but no minimum qualifications and a course of study has been prescribed for managers by law. For example, MBA may be preferred but not necessary.
- *Social Obligations* - Profession is a source of livelihood but professionals are primarily motivated by the desire to serve the society. Their actions are influenced by social norms and values. Similarly a manager is responsible not only to its owners but also to the society and therefore he is expected to provide quality goods at reasonable prices to the society.
- *Code of Conduct* - Members of a profession have to abide by a code of conduct which contains certain rules and regulations, norms of honesty, integrity and special ethics. A code of conduct is enforced by a representative association to ensure self discipline among its members. Any member violating the code of conduct can be punished and his

membership can be withdrawn. The AIMA has prescribed a code of conduct for managers but it has no right to take legal action against any manager who violates it.

- *Representative Association* - For the regulation of profession, existance of a representative body is a must. For example, an institute of Charted Accountants of India establishes and administers standards of competence for the auditors but the AIMA however does not have any statuary powers to regulate the activities of managers.

From above discussion, it is quite clear that management fulfills several essentials of a profession, even then it is not a full fledged profession because: -

It does not restrict the entry in managerial jobs for account of one standard or other.
No minimum qualifications have been prescribed for managers.
No management association has the authority to grant a certificate of practice to various managers.
All managers are supposed to abide by the code formulated by AIMA,
Competent education and training facilities do not exist.
Managers are responsible to many groups such as shareholders, employees and society. A regulatory code may curtail their freedom.
Managers are known by their performance and not mere degrees.
The ultimate goal of business is to maximize profit and not social welfare. That is why Haymes has rightly remarked, “The slogan for management is becoming - ’He who serves best, also profits most’.”

NATURE OF MANAGEMENT: It can be understood from following points

- **Universal Process**: Wherever there exists human pursuit, there exists management. Without effective management, the intentions of the organisation cannot be accomplished.
- **The factor of Production**: Equipped and experienced managers are necessary for the utilization of funds and labour.
- **Goal-Oriented**: The most significant aim of all management pursuit is to achieve the purposes of a firm. The aims must be practical and reachable.
- **Supreme in Thought and Action**: Managers set achievable goals and then direct execution on all aspects to achieve them. For this, they need complete assistance from middle and lower degrees of management.
- **The system of Authority**: Well-defined principles of regulation, the regulation of proper power and efficiency at all degrees of decision-making. This is important so that each self must perform what is required from him or her and to whom he must report.
- **Profession**: Managers require to control managerial expertise and education, and have to adhere to a verified law of demeanour and stay informed of their human and social responsibilities.

- **Process**: The management method incorporates a range of activities or services directed towards an object.

SIGNIFICANCE OF MANAGEMENT:

- **Achieving Group Goals:** Management encourages collaboration and coordination amongst workers. A general control must be provided to the organizational and personal objectives in order to favourably accomplish the aims.
- **Increases Efficiency:** Management improves productivity by managing resources in a reliable conceivable way in order to decrease cost upscale potency.
- **Creates Dynamic organization:** Management undertakes the conditions by assuring that these variations are well accepted privately and that objection to change is controlled.
- **Achieving personal objectives:** Management promotes leadership and furnishes motivation to the employees to operate effectively in order to accomplish their personal aims while working towards the organizational goals.
- **Development of Society:** Management helps in the enhancement of community by manufacturing reliable quality commodities, establishing employment chances and fostering innovative technologies.

FEATURES OF MANAGEMENT

Management is an activity concerned with guiding human and physical resources such that organizational goals can be achieved. Nature of management can be highlighted as: -

- *Management is Goal-Oriented:* The success of any management activity is assessed by its achievement of the predetermined goals or objective. Management is a purposeful activity. It is a tool which helps use of human & physical resources to fulfill the pre-determined goals. For example, the goal of an enterprise is maximum consumer satisfaction by producing quality goods and at reasonable prices. This can be achieved by employing efficient persons and making better use of scarce resources.
- *Management integrates Human, Physical and Financial Resources:* In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.
- *Management is Continuous:* Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it. E.g. the target of a company is maximum production. For achieving this target various policies have to be framed but this is not the end. Marketing and Advertising is also to be done. For this policies have to be again framed. Hence this is an ongoing process.
- *Management is all Pervasive*: Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various

efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. When ever more than one person is engaged in working for a common goal, management is necessary. Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel, management is required everywhere irrespective of size or type of activity.

- *Management is a Group Activity*: Management is very much less concerned with individual's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management of ABC & Co. is good refers to a group of persons managing the enterprise.

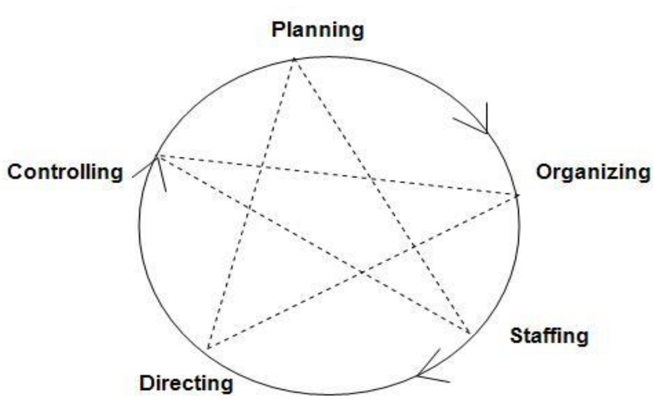
FUNCTIONS OF MANAGEMENT

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manger irrespective of his level or status.

Different experts have classified functions of management. According to George & Jerry, "There are four fundamental functions of management i.e. planning, organizing, actuating and controlling".

According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control". Whereas Luther Gullick has given a keyword 'POSDCORB' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. Planning, Organizing, Staffing, Directing and Controlling.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



Planning It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

Organizing It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

Staffing It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose o staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O’Donell, “Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed un the structure”. Staffing involves:

Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).

Recruitment, Selection & Placement.
Training & Development.
Remuneration.
Performance Appraisal.
Promotions & Transfer.

Directing It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

Supervision Motivation Leadership Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

Controlling It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". Therefore controlling has following steps:

Establishment of standard performance.
Measurement of actual performance.
Comparison of actual performance with the standards and finding out deviation if any.
Corrective action.

ROLES OF A MANAGER

Henry Mintzberg has identified ten roles (clubbed under three broad categories) of managers. The roles of managers are as follow:

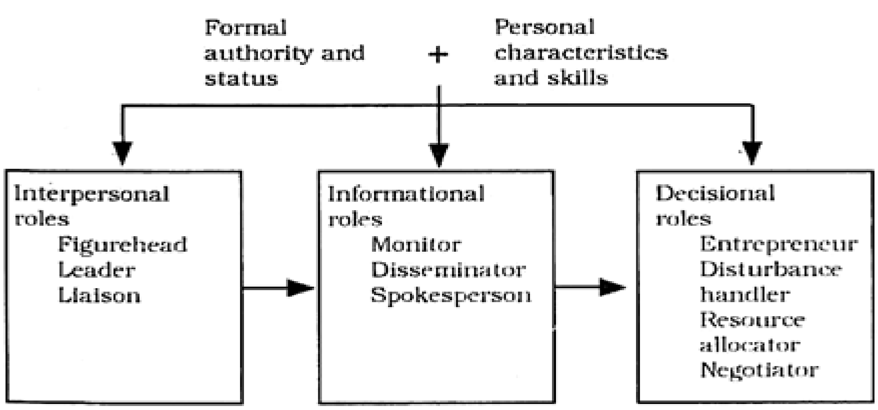


Figure 1.2 *Roles played by Managers*

Interpersonal Roles:

In their interpersonal roles, managers act as figurehead, lead, and interact with members of the organisation, within the department or outside the department. Now let us understand the three roles: leading, liaison, and symbol/figurehead.

Leading is one of the important roles of a manager. A manager supervises a number of persons reporting to him/her. The manager is responsible for motivating and directing the subordinates. Through the role of leading, a manager helps subordinates to visualize the plan of action, and helps them to achieve the result through committed performance.

Liaison is another role of a manager. Liaison means maintaining a network of interaction with outsiders who matter. For example a manager heading a production unit need to maintain relationship with external members of the board, regulating authorities, government officials, police force, civil authorities etc. Through this role a manager establishes contact with those who matter in managing the activities at hand.

A manager is the ***symbolic head*** of a firm, or of an unit, or of a department. You are aware of the role of the head of a family. In the same way, a manager symbolizes the role of figurehead because he/she has to perform a number of duties of legal or social nature.

Informational Roles:

In their informational roles, managers seek information from others,provide information to others, and provide information to people outside the organisation, in the capacity of representative of the organisation. Now let us understand the three roles:

Monitoring Sharing information, and Spokesperson.

Monitoring A manager acts as nerve center for receiving all the external and internal information. Through the role of monitoring, a manager receives information. The manager utilizes such information appropriately.

Sharing information Once a manager has gathered information, he/she needs to share information among internal employees for proper execution of work. Through meeting, e-mail, circular, notice, office order etc. a manager acts as disseminator of information particularly to subordinates.

Spokesperson. As a spokesperson, a manager is authorized to share information about the organisation to outsiders. The manager may share information with outsiders about plans, strategies, and future direction of the organisation. The sharing of information may be through conference, meeting the press, board meeting, interview etc.

Decisional Roles

In their decisional roles, managers take proactive actions, sort out differences in opinion amicably, allocate resources to various departments in optimum way, and negotiate implementation of new projects. Now let us understand the four roles:

Taking initiative, Handling disagreement, Allocating resources, and Negotiating.

Taking initiative A manager is required to take initiative and should lead from the front. A manager analyzes the future opportunities in the business, evaluates alternative opportunities, analyzes internal strength and weaknesses of the organisation, and also calculates risks before implementing a new idea. In a way a manager need to explore business opportunities through entrepreneurial skills.

Handling disagreement Always going is not smooth in an organisation. At times due to various dissatisfactions among the subordinates, conflicts may arise. A manager is responsible for handling conflict and disturbances in a way that would reestablish the confidence of subordinates as well as good productive culture. Disagreements are handled through periodical meetings, review sessions, collective bargaining, grievance handling machinery etc.

Allocating resources Manager is custodian of organisational resource. He/she has to allocate resources to various departments in optimum way. For allocating resources the manager has to do budgeting, scheduling of tasks, authorization and sanctioning of resource, and approving of significant organisational decisions.

Negotiating Negotiating is also an important role of a manager. Sometime manager has to negotiate with internal employees on the matter related to rights, benefits, and sharing of revenue. This is done through internal bargaining. Sometime negotiation is tripartite including, the management, the employees, and the appropriate government (Central or the State Government). Negotiation is also done on matter related to contract assignment, purchase of material etc. A manager plays important role in these activities.

MANAGERIAL SKILLS:

1. Organisational Skill: For the success and prosperity of the enterprise, the manager must have organisational skill. In spite of procurement of required materials, proper land, efficient workers and adequate amount of capital, the business of the enterprise will not be fruitful if the manager lacks organising capacity. In order to utilise fully and advantageously the different factors of production the manager has to determine proper organising method.

2. Technical Skill: Technical skills include the ability and knowledge in using the techniques, procedures and equipment involved in performing specific tasks. These skills requite specalised knowledge and proficiency in a particular mechanical job. For instance, ability in programming and operating computer is a technical skill. A manager should understand two things about technical skills. Firstly, he must know which skills should be employed in his enterprise and Secondly, he must understand both the role of each skill and the inter-relationships among the skills.

3. Conceptual Skill: Conceptual skills refer to the ability to see the entire picture of the whole organisation and the inter-relationships among its parts. Such skills help the manager to conceptualize the environment to analyse the forces working in a situation and to take a broad view of the organisation. Conceptual skills also include the competence to understand a problem in all its aspects and to apply original thinking in solving it. Such competence is necessary for rational decision-making.

4. Human Skill: Human skill means the ability to work effectively with other people —both as an individual and as a member of a group. These are required to win co-operation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to see things from others point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates, and peers. While technical skills involve mastery of “things’, human skills are concerned with understanding of ‘people’.

5. Decision-making Skill: Decision-making is, in fact, the main function of a manager. The managers have to make decisions in various matters such as collection of fund, purchasing, production, sales, etc. They are to take quick decisions in changed situations. They have to decide the best method for the solution of different problems. So, it is essential that every manager should posses the skill for taking right decision in proper time.

6. Administrative Skill: A successful manager must have administrative skill. Administrative skill means the ability of directing, supervising, coordinating and controlling various activities of the subordinates effectively with a view to implementing the planning and decisions of the enterprise. Administrative efficiency is a very important quality of a manager.

7. Leadership Skill: Providing proper leadership over the different work-groups is a special quality of an efficient manager. A manager motivates the employees, guides them, and creates their confidence on him. The success of an enterprise depends to a great extent on right leading attitude of the manager.

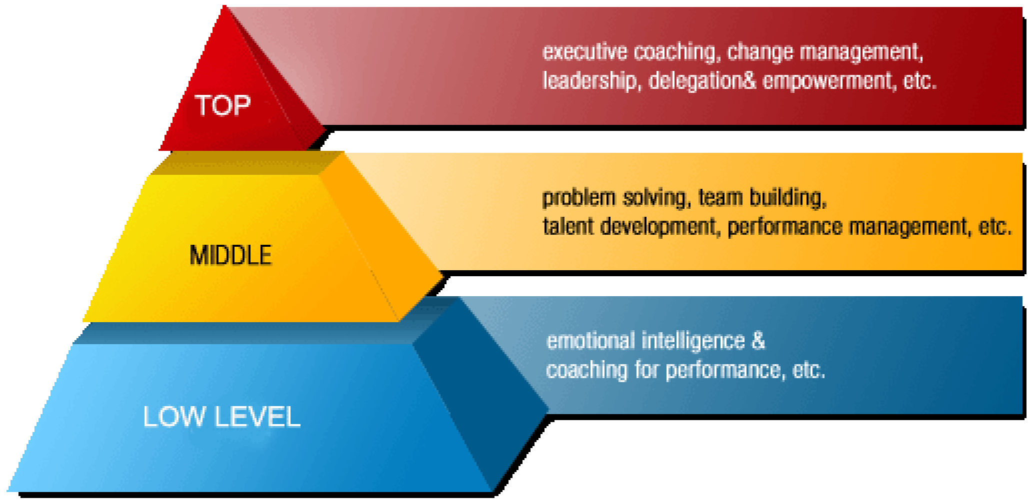
8. Behavioural Skill: The ability to form the attitude for realising the needs, problems, grievances and feelings of the subordinate employees, making contact and good relationship with them is known as behavioural skill. Each manager should have such quality. Proper training programme may be arranged for obtaining behavioural skill.

9. Diagnostic or Analytical Skill: Diagnostic skills consist of the ability to determine the nature and circumstances of a particular situation by analysis and examination. It is the capacity to cut through unimportant aspects and quickly identify the heart of the problem. Diagnostic skills are probably the most difficult skills because these require logical thinking, analytical ability, intelligence, and creativity to be effective.

Technical skills are the most important at the supervisory or operating level of management where a thorough understanding of job techniques is required to guide the workers. As one moves to the higher levels of management, technical skills become less important. The higher level managers deal with the subordinate managers and specialised technical knowledge is comparatively less important for them.

Conceptual skills are important for top managers in preparing long-term plans, formulating broad policy decisions, and relating the enterprise to its industry and economy. Human skills and all others are, however, equally important at all levels of management.

LEVELS OF MANAGEMENT



Top Level of Management It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.The role of the top management can be summarized as follows -Top management lays down the objectives and broad policies of the enterprise.

- It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- It prepares strategic plans & policies for the enterprise.
- It appoints the executive for middle level i.e. departmental managers.
- It controls & coordinates the activities of all the departments.
- It is also responsible for maintaining a contact with the outside world.
- It provides guidance and direction.

The top management is also responsible towards the shareholders for the performance of the enterprise.

Middle Level of Management The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

- They execute the plans of the organization in accordance with the policies and directives of the top management.
- They make plans for the sub-units of the organization.
- They participate in employment & training of lower level management.
- They interpret and explain policies from top level management to lower level.

- They are responsible for coordinating the activities within the division or department.
- It also sends important reports and other important data to top level management.
- They evaluate performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

Lower Level of Management Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis, "Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees". In other words, they are concerned with direction and controlling function of management. Their activities include -

- Assigning of jobs and tasks to various workers.
- They guide and instruct workers for day to day activities.
- They are responsible for the quality as well as quantity of production.
- They are also entrusted with the responsibility of maintaining good relation in the organization.
- They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- They help to solve the grievances of the workers.
- They supervise & guide the sub-ordinates.
- They are responsible for providing training to the workers.
- They arrange necessary materials, machines, tools etc for getting the things done.
- They prepare periodical reports about the performance of the workers.
- They ensure discipline in the enterprise.
- They motivate workers.
- They are the image builders of the enterprise because they are in direct contact with the workers

DEVELOPMENT OF MANAGEMENT THOUGHT

The emergence of management thought is not a matter of mere chance. The development of it was gradual and it has passed through various distinct time periods. Herbert G. Hicks has divided the period into four distinct stages.Since this movement has achieved new horizon only during the through various distinct present century, we shall classify the stages of the time periods i.e. the evolution of management into three periods viz.,

(1) The classical Period the neo-classical period (1900-1930)
(2) The Neo-classical classical Period (1930-1950) and
(3) The Modern Period (1950 to present).

I. The Classical Theory of Management: We can identify three streams of thought in this period:

1. *Bureaucratic Model introduced by Max Webber around 1900.*
2. *Scientific Management Concept introduced by F.W, Taylor around 1910.*
3. *Functional or Administrative or Process Management Theory advanced by Henry Fayol around 1910.*

II. The Neo-Classical Theory: It includes two streams of thought:

1. *Human Relations Movement was propagated by Elton Mayo and Reothlisberger around 1930.*
2. *Behavioural Sciences Movement was introduced by A. Maslow, McGregor around 1940.*

III. The Modern Management Theories: It consists of three steams of thought:

1. *Quantitative Approach or Operations Research Analysis was developed by Taylor around 1950.*
2. *Systems Approach was propounded by Boulding, Johnson and others after 1950.*
3. *Contingency Approach was developed by Lorsch, Lawrence and others.*

CLASSICAL THEORY OF ORGANISATION

The old theories of organisations are classified as classical theories of organisation. The origin of classical theories can be traced back to the writings of F.W. Taylor, Max Weber, James Moorey, E.F.L. Beach and Lois Allen. The impact of classical theory has been profound. Classical theory was developed in three streams: Bureaucracy, Administrative Theory, and Scientific Management. These components of classical theory were developed on similar assumptions at about thesame time (1900-1950 AD). These components develop the idea of structure within the connotation of organisation. Accordingly, organisation was defined as a structure of relationships, power, objectives, roles, activities, communications and other factors that exist when persons work together. Thus, these streams of classical theory view organisation as a mechanistic structure. Let us learn these three streams of classical theory in detail.

Bureaucracy

Bureaucracy is a social invention perfected during the industrial revolution to organise and direct the activities of a firm. It describes a system where the Government is run by officials, directly or indirectly. Bureaucracy is defined as a system of organisation in which roles, tasks and relationships among people andpositions are clearly defined, carefully prescribed and controlled in accordance with formal authority and any deviations from rules and regulations is viewed very seriously. The bureaucratic theory was systematically developed by Max Weber (1864-1920). Weber termed his formulation of organisation as ideal type. According to Max Weber, every organisation can be defined as a structure of activities (means) directed towards the achievement of certain objectives (ends). Every organisation develops a system of specialization (division of tasks) and a set of systematic rules and procedures to maximise efficiency and productivity. Weber stressed that the bureaucratic form is capable of attaining the highest degree of efficiency, and is in this sense, formally the most rational known means of carrying out control over human beings in any organisation. It is superior to every other form in precision, stability, discipline and reliability. Weber tried to identify various factors and conditions that have contributed to the growth of bureaucracy in modern times. Development of modern Organisation and Corporation led to the development and considerable spread of bureaucracy in Organisations. Bureaucracy is simply indispensable irrespective of its inherent evils for the running of complex organisations. Secondly, an important factor responsible for the superiority of bureaucracy is the role of expanding technical knowledge and the development of modern technology. Whether the economic system is capitalistic or socialistic a considerable degree of bureaucratic specialisation is required to attain a high level of organisational efficiency. Thirdly, Weber repeatedly stressed the fact that the capitalist system has undesirably played a major role in the development of modern bureaucracy. The proper functioning of a capitalist system necessitated a stable state and a well organized administration. Besides, capitalism is considered the most rational economic basis for bureaucratic administration itself.

Characteristics of Bureaucracy

The bureaucratic form of organisation is distinguished by the following structural and behavioural characteristics:

Division of Labour and Specialisation : Specialisation based on division of labour is the cornerstone of bureaucracy. It applies more to the job than to the individual. The roles of various officials based on the division of job work are clearly defined. This leads to the clear definition of the job-content of an individual and his position in the organisation set up which in turn leads to the clarity of the goals/objectives of the organisation and helps in designing the hierarchical structure of the organisation. It is based on a specified sphere of competence which involves: (a) a sphere of applications to perform functions which has been marked off as part of a systematic division of labour, (b) the provision of the incumbent with necessary authority, and (c) the necessary means of compulsion are clearly defined and their use is subject to definite conditions.

Hierarchy : Hierarchy is the second fundamental characteristic which is the feature of any bureaucratic form of organisation. There is a clear separation between superior and subordinate officers, i.e., each lower officer is under the control and supervision of a higher one. Remuneration is fixed in accordance with the nature of the job and the grade of responsibility. Promotion and career advancement is on the basis of seniority and merit.

Rules : Bureaucracy operates in accordance with a consistent system of abstract rules. The role of rules has been stressed by Weber so that personal favouritism, arbitrariness or nepotism may not hinder the working of an organisation. Every act of personal discretion of official must be justified by impersonal ends.

Rationality : Weber's ideas on efficiency and rationality are closely related to his ideal typical model of bureaucracy. He observed that bureaucracy is the most rational known means of achieving imperative control over human beings. It is capable of obtaining a high degree of efficiency since the means used to achieve goals are rationally and objectively chosen towards the desired ends. An added factor of efficiency is that personal whims of the leaders and traditional pressures are no longer effective in such a system; it is run according to rules and there is a clearer demarcation between personal and official affairs. Rationality is also reflected by the relatively easier means of calculability of results in the organisation.

Impersonality : It should be observed by all officials in decision-making and in overall organisational life. The bureaucratic form has no place for personal whims, fancies or irrational sentiments. Official activity is conducted in a business like manner with a high degree of operational impersonality.

Rule Orientation : Rationality and impersonality are mainly achieved through formulation of rules and procedures which clearly define official spheres of authority and conduct. Employees are expected to follow the rules in discharging their duties.

Neutrality : Neutrality in decision making and their implementation are the cardinal principles of bureaucraticway of functioning. Bureaucracy is supposed to be a political and neutral in its orientation. It is committed only to the work it is meant to perform.

The Neo Classical Management Theory of an Organisation!

The neo-classical theory (also referred as the human relations school of thought) was built on the basis of classical theory. It is modified, added to and in some ways extended classical theory. Its basic assumption is that the psychological and social aspects of the worker as an individual and his work group ought to be emphasized. In classical view, organisation focussed on structure, order, the formal organisation, economic factors and objective rationality. Whereas neo classical view emphasized social factors and emotions at work. Human relation is frequently used as a general term to describe the ways in which managers interact with their employees. The essence of the human relations contributions is contained in two aspects:

Organisational situation should be viewed in social terms as well as in economic and technical terms, and in terms of clinical method it is analogous to the doctor's diagnosis of the human organism.

Behavioural School of Management:

The classical management theory viewed organisations and jobs from a mechanistic point of view. That is, organisations were thought of as machines and workers as cogs within those machines. No doubt most classical management theorists recog-nised the role of individuals. But they focused on controlling and standardising the behaviour of these individuals. By contrast, Behavioural Management Theory (henceforth BMT) placed much more emphasis on individual attitudes and behav-iours and on group processes.

The Essence of BMT:

Behavioural Management Theory (BMT) also applied psychological concepts to industrial settings. Hugo Munsterberg (1863-1916), a member of the behavioural school, suggested that psychologists could make (empirically) valuable contribu-tions to management in the areas of selection and motivation. (Industrial psychology is still a major part of any management course).

It was Mary Parker Follet who first appreciated the need to understand the role of behaviour in organisations. In particular, she was interested in adult education and vocational guidance, and she felt that organisations should become more democratic in accommodating employees and managers.

The Hawthorne Studies:

Elton Mayo (1880-1949) was another member of the behavioural school. The first experiment that he carried out is known as the Hawthorne Studies. These studies were carried out over the period 1929-1936. It involved manipulating illumination for one group of workers and comparing subsequent productivity to that group whose illumination was not changed.

Surprisingly, when illumination was in-creased for the experimental group, productivity went up in both groups. In fact, productivity continued to increase in both groups, even when the lighting for the experimental group was decreased. It was not until the lighting was reduced considerably (to that of moonlight) that productivity began to decline.

Incentive Plan:

Another experiment established a piece work incentive plan for a work group. According to classical management theory, each man should try to maximise his pay by producing as many units as possible. Mayo and his associates found other-wise. They discovered that the social group informally established an acceptable level of output for its members. Workers who overproduced were branded as 'rate busters' and under-producers were labeled 'chiselers'. To be accepted by the group, workers had to produce at the accepted level. As they approached this level, workers slowed down to avoid overproducing.

Human Element:

Other studies led Mayo and his associates to conclude that the human element was much more important in the work place than previous theorists had realised. In the lighting experiment, for example, the peculiar results were attributed to both groups of participants receiving special attention and sympathetic supervision. The incen-tive pay plans did not work because wage incentives were less important than social acceptance in determining output. In short, individual and social processes played a major role in shaping worker attitudes and behaviour.

The Human Relations Movement (HRM):

The HRM grew from the Hawthorne studies and was popular approach to manage-ment for many years. Classical management theory in general and scientific man-agement in particular assumed a simple stimulus-response relationship in the workplace. If jobs were properly designed and appropriate incentives established, predictable results would follow. Workers would perform their jobs as they were told and would maximise output to increase their pay.

Human relations theory, however, suggested a more complex process. (See Fig.1.8). It proposed that workers respond primarily to the social context including social conditioning, sentiments, and interpersonal situations and relations at work. An underlying assumption of HRM was that management concern for the worker would lead to increased satisfaction which would, in its turn, result in better performance. Two writers who helped advance the HRM were Abraham Maslow and Douglas McGregor.

Motivation and Work Behaviour:

Perhaps the most famous and pioneering work carried out by the human relations school of management was the Hawthorne Studies at the Western Electric Company in Chicago during the period 1924-1933.

This was an early series of experiments on motivation and work behaviour. Its main findings, which broke new ground at the time, led to an entirely new outlook on motivation psychology and resulted in a changed approach both in research and in practice. The experiment was originally designed to discuss the relation between the working environment and work output. But it ultimately finished as major studies of work groups, social factors and employee attitudes and values, and the effect of these at the place of work.

The Hawthorne Works employed about 30,000 people during that period. It used to make telephone equipment. Elton Mayo was appointed adviser to the company because there was both poor productivity and a high level of employee dissatisfaction.

Four Stages:

The first of the experiments was based on the hypothesis that it would be possible to raise labour productivity just by improving working conditions.

Four stages were involved in the whole experiment:

(i) The first stage was the improvement of the lighting for the group of female workers; to give a measure of validity to the results, a control group was established whose lighting was to remain consistent. However, the output of both groups improved and continued to improve whether the lighting was increased or decreased.

(ii) The second stage extended the experiments to include rest pauses, variations in starting and finishing times, and variation in the timing and length of the lunch break. At each stage the output of both groups rose until the point at which the women in the experimental group complained that they had too many breaks and that their work rhythm was being disrupted.

(iii) The third stage was a major attitude survey over 20,000 of the company's employees. This was conducted over the period 1928-1930.

(iv) The fourth and final stage consisted of observation in depth of both the informal and formal working groups in 1932. The final stage (1936) drew all threads together and resulted in the commencement of personnel counsel-ling schemes and other staff-related activities based on the overall conclu-sions drawn by Mayo and his co-workers as also the company's own researchers. The main findings were:

(a) Social factors are of great importance at work. Both the behaviour and motivation of individual workers are affected by group relationships.

(b) It was discovered that an informal organisation of work-groups exists alongside the formal organisation and that these informal group patterns contribute as much to work satisfaction and worker motivation as does the physical environment; more so in some cases.

(c) Job satisfaction and social satisfaction are important to the worker.

(d) Work-groups are inclined to set their own standards of behaviour and their own levels of output, often in disregard of organisational requirements. Any member of a work-group who fails to conform is subject to social pressure applied by the group.

(e) The need for adequate communication between workers and management was established as was the need for satisfactory social relations.

Perhaps the greatest contribution that the Hawthorne experiment made to indus-trial psychology and the study of motivation was the realisation of the need for full understanding of the human factor in industrial relations and work, and the signifi-cant part work-group behaviour has on individual worker performance.

The conclusion here is that the problem of motivation is a strictly human problem. It is very complex and the results of positive attempts to motivate are rarely predictable. What motivates one worker may have no effect at all on another, or may even cause antagonism. Workers in a group will react differently from the individual worker to any particular stimulus. Furthermore, the group is less likely to be reasonable and may be more intransigent that the individual. It is also true that what motivates positively on one occasion may fail entirely on another, even with the same worker or group of workers.

MODERN THEORY OF ORGANISATION

The modern organisation theory considers the dynamic conditions at micro and macro levels. It recognizes the dramatic changes taking place in the society. The modern organisation theory is a collection of views of different thinkers of organisation. The theory is centred around the concept of a system hence it is termed synonymous with system theory. For the first time Chester I. Barnard (1938) viewed organisation as a social system of cooperative interactions among the members; organisation, individuals and customer are parts of environment. Subsequently Mary Parker Follet (1940) emphasized on the integration of individual and organisational units through systems approach. Norbert Weiner (1948), a pioneer in cybernetics gave a crystal clear views of the organisation as a system. Further operational researchers like Churcham (1957), etc. were also among those who considered the system as an interconnected complex of functionally related components . Some more social scientists like Katz and Kahn presented a comprehensive theory of organisation using open systems approach.

Systems Theory

Organisational realities have been investigated from different points of view. Divergent theories have thus emerged; a need has arisen of looking at the organisation as a whole. Advance in scientific knowledge in general have made possible the formulation of a general systems theory for the integration of scientific knowledge. The systems approach is particularly relevant to the study of complex public organisation that have elaborate structures and that are embedded in larger social, political and economic environments. According to the open systems perspective, an organisation survives and grows by drawing inputs from the environment which are processed internally to produce its output. It is through this input conversion-output processes that an organisation lives and develops. The systems thinking helps us to have a total view of the organization including its different parts and their interrelationships. The systemic view of organisation was prominent in the writings of M.P. Follet and Chester Bernard. Herbert Simon's decision making scheme follows the systems approach which was further elaborated by him and his associates later. Philips Selznick has used the systems framework in his studies of governmental and other complex organisations. The most representative writings in this field are: "Organisation theory" by Haire Norbet Weiner pioneered in the field of Cybernetics. He gave the first clear view of an organisation as a system consisting of inputs, process, outputs, feed back and environment. In simple words, a system may be defined as a set of interdependent parts forming an organised unit or entity. These parts, known as sub-systems, interact with each other and are subject to change. They are interrelated as well as interdependent. Thus, changes in any sub-system lead to changes in others. Any working organisation may be said to consist of three broad sub-systems :

- technical sub-system which represents the formal relationships among the members of an organisation;
- Social sub-systems which provides social satisfaction to members through informal group relations, and
- Power sub-system which reflects the exercise of power or influence by individual and groups.

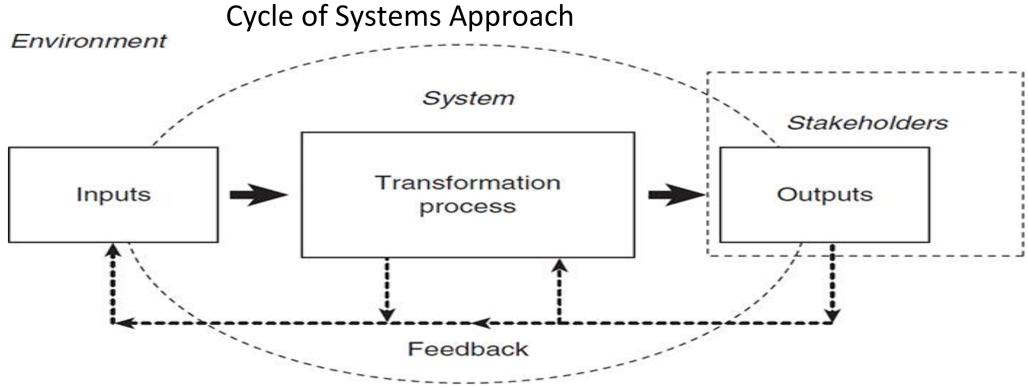
The total system emerges as a result of the interaction of the various sub-systems. The total system and subsystems also interact with the environment, which may influence or be influenced by the system or the subsystems.

The system approach has the following features :

- System is a group of interrelated but separate elements.
- The arrangement of all the elements must be orderly.
- There must be proper communication facilitating interaction among the elements.
- Finally the interaction should lead to achieve a common goal.

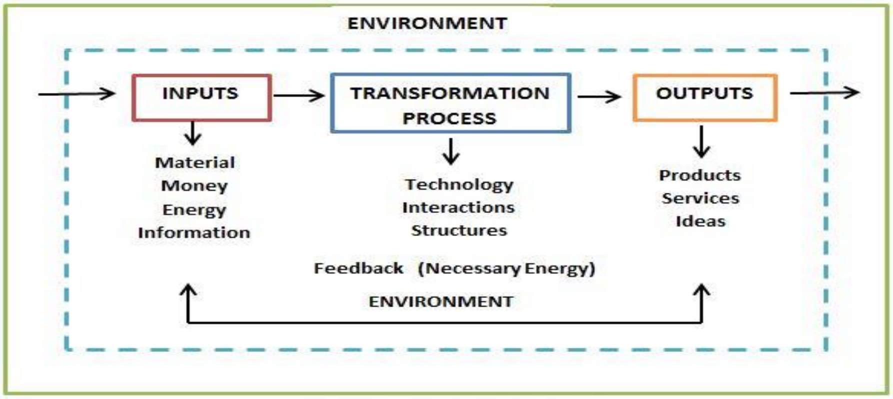
The enterprise operations are viewed in terms of basic elements engaged in procuring and transforming inputs into outputs. Money, employees and the managers themselves are parts of the system. Inputs are the materials, information and energy, flowing into the organisation. The outputs are products, services, and satisfaction provided by the organisation. The organisation transforms input into a variety of outputs (in the form of products, goods and services) and offers the same to the external environment. Sale of the outputs provides the necessary energy which is called feedback to repeat this systems cycle. Loot at Figure which shows this cycle.

Cycle of Systems Approach



Organisation systems like social systems are considered to be Cybernetic in their behaviour with regard to the external environment. This means that they are self steering, using feedback to guide and control their behaviour. They develop mechanism to collect interpret and apply feed back in their decision making process so as to acquire the capacity to adapt, evaluate perform and to correct errors. Look at Figure which shows the basic elements of systems theory.

Basic Elements of Systems Theory



Open Management System

The systems approach to management view organisations as extremely complex entities subject to changes from within and outside. To meet various needs of such an organisation, a balanced and integrated approach to management is required. At the heart of the systems, approach lies a Management Information Systems and communication network for collection, analysis and flow of information and quantitative data so as to facilitate planning and control. It emphasizes the importance of decision-making and the primary means of balancing the different parts of the organisation. Modern thinkers consider management as a system of integrating activities aimed at making the best use of scarce resources. Management is viewed also as a subsystem of the social system. As a sub-system management is required to adapt and cope with environmental changes.

This systems approach has the following advantages :

- It provides a unified focus to organisational efforts.
- It provides managers an opportunity of looking at the organisation as a whole which is greater than the sum of its parts.
- This theory treats the organisation as an open system. Moreover, the process of interaction between subsystems is dynamic.
- Modern theory is based on multilevel and multidimensional approach i.e., it includes both micro and macro aspect.
- The system is based on multiple variables because an event may be the product of many factors which in turn may be interrelated and interdependent.
- The feedback mechanism provides an opportunity to organisation to rearrange its parts according to the change in the environment.

The systems approach is now being widely used in organisational analysis. It has proved to be a very useful tool for the conceptualisation of the organisation and its external and internal relationships. It has also facilitated the contingency or situational view of organisation which marks a radical departure from the traditional approach that emphasized generally the one best way of structuring organisations. Under the influence of systems theory the current view in organisations analysis is that the structure can vary from situation to situation depending on such factors as their environmental conditions and technology.

Contingency Theory

The modern approach to organisation theory underlines the importance of dynamic interaction with environment and other situational factors influencing organisational design.Two important lines of thought are significant in this context as they seek to determine the key situational factors. One of these underlies the significance of technology in determining organisational design. The other line of thought suggests the importance of environment. Technology refers to the techniques used by organisations in work flow activities to transform inputs into outputs. Technology is a term that is applicable to all types and kinds of organisations. Irrespective of whether an organisation is production oriented or service-oriented the role of technology can be seen in the activities that result in the transformation of things. Looking into the role of environment in managerial functions, management ecology has been developed. Individual and his organisational environment are in a complex state of interaction with each other and the organisation itself is in a state of interaction with its environment. Thus, managing an organization effectively requires a thorough understanding of its environment. Contingency approach is based on the view that there is no best way to manage. In fact there are many effective ways to perform various management functions. This theory emphasizes that the best way to lead, plans, organise and conduct managerial activities varies with the situation. A particular method may yield fruitful results in one situation but may drastically fail in other situations. There is no universal principles to be applied in all situations. Managers must analyse different situations and use the best approach which is best suitable in that particular situation. For example to improve productivity, supporters of scientific management may prescribe work simplication and additional incentives, the behavioural scientist may recommend job enrichment and democratic participation of employees in the decision-making process. But the supporters of contingency approach may offer a solution which is responsive to the characteristics of the total situation being faced. Work simplication would be ideal where there is limited resources, unskilled labour, limited training opportunities and limited products offered to the local markets. Job enrichment would be ideal for that organisation where there are abundant skilled labour force. This shows that managerial action depends upon circumstances within a given situation. In this approach managers are supposed to diagnose a given situation and adopt to meet the conditions present. In short contingency approach emphasizes on two aspects,

1) It focuses attention on specific situational factors that influence the appropriateness of one managerial strategy over another,

2) It highlights the importance of developing skills for managers in situational analysis. Such skills will help managers find out important contingency factors which influence their managing approach.

Contingency approach has the following features:

- Management action is contingent on certain action outside the system or subsystem as the case may be.
- Organisational action should be based on the behaviour of action outside the system so that organization should be integrated with the environment.
- Because of the specific organisation environment relationship, no action can be universal. It varies from situation to situation.

SCIENTIFIC MANAGEMENT

Fredrick Winslow Taylor (March 20, 1856 - March 21, 1915) commonly known as 'Father of Scientific Management' started his career as an operator and rose to the position of chief engineer. He conducted various experiments during this process which forms the basis of scientific management. It implies application of scientific principles for studying & identifying management problems. According to Taylor, "Scientific Management is an art of knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way". In Taylors view, if a work is analysed scientifically it will be possible to find one best way to do it. Hence scientific management is a thoughtful, organized, dual approach towards the job of management against hit or miss or Rule of Thumb. According to Drucker, "The cost of scientific management is the organized study of work, the analysis of work into simplest element & systematic management of worker's performance of each element".

Principles of Scientific Management

1 Development of Science for each part of men's job (replacement of rule of thumb) This principle suggests that work assigned to any employee should be observed, analyzed with respect to each and every element and part and time involved in it. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules. Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.

2.Scientific Selection, Training & Development of Workers There should be scientifically designed procedure for the selection of workers. Physical, mental & other requirement should be specified for each and every job. Workers should be selected & trained to make them fit for the job. The management has to provide opportunities for development of workers having better capabilities. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity.

3 Co-operation between Management & workers or Harmony not discord Taylor believed in co-operation and not individualism. It is only through co-operation that the goals of the enterprise can be achieved efficiently. There should be no conflict between managers & workers. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.

4 Division of Responsibility This principle determines the concrete nature of roles to be played by different level of managers & workers.The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task. Thus planning is to be separated from execution.

5 Mental Revolution The workers and managers should have a complete change of outlook towards their mutual relation and work effort. It requires that management should create suitable working condition and solve all problems scientifically.Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise. Handsome remuneration should be provided to workers to boost up their moral. It will create a sense of belongingness among worker. They will be disciplined, loyal and sincere in fulfilling the task assigned to them. There will be more production and economical growth at a faster rate.

6 Maximum Prosperity for Employer & Employees The aim of scientific management is to see maximum prosperity for employer and employees. It is important only when there is opportunity for each worker to attain his highest efficiency. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers. There should be maximum output in place of restricted output. Both managers & workers should be paid handsomely.

Techniques of Scientific Management:

(1) Determination of a fair day's task for each worker through scientific methods (including the best way of doing a job).

(2) Scientific selection and training of workers.

(3) Standardisation of raw materials, tools and working conditions.

(4) Functional foremanship.

(5) Differential piece-rate system of wage-payment.

Following is a brief account of the above aspects of scientific management:

(1) Determination of fair day's task for each worker through scientific methods (including the best way of doing a job). For determining a fair day's task for each worker, Taylor recommended the use of scientific methods involving the conduct of the following three types of work studies, viz.,

(a) Time study (b) Motion study (c) Fatigue study

The following points are not worthy in this context:

(i) An average worker (or representative worker) is first selected for conducting the above work-studies. In case otherwise, the standards of work fixed would be either too high or too low.

(ii) The above three work-studies (i.e. time, motion and fatigue studies) are to be considered together to arrive at a fair day's task.

(2) Scientific selection and training of workers: This aspect of scientific management is, in fact, the staffing angle of it. The workers, under scientific management, must be properly selected by adhering to a carefully- designed selection procedure. Further, selected workers must be imparted training in best methods of performing a job.

(3) Standardisation of raw materials, tools and working conditions: By standardisation, Taylor implies two varieties of standardisation:

(i) Raw materials, tools, machines and other facilities of work must be of a reasonably good quality; so that the quality of production is reasonable.

(ii) Another variety of standardization which Taylor refers to is uniformity in providing work-facilities and work conditions to all workers, doing a similar type of job.

(4) Functional Foremanship: The scheme of functional foremanship recommended by Taylor is, in fact, an introduction of managerial specialisation-at the shop-level. In Taylor's view, instead of a single foreman performing all the aspects of the foremanship task, there must be a number of foremen-each concerned with only a particular aspect of foremanship.
Each foreman, being a specialist in performance of his role, is a functional foreman. Hence, the nomenclature of the scheme as 'functional foremanship'. In the context of the scheme of functional foremanship, Taylor compares workers with students in a school class-room; where a student is imparted teaching in a particular subject by a specialized teacher of that subject – instead of a single teacher teaching all the subject to students. In the scheme of functional foremanship recommended by Taylor, there is a provision for eight foremen of the following types:

(i) Route Clerk: The route clerk is a foreman who would lay down the route (or journey) of raw materials from the raw-material stage to the finished product stage as passing through different processes and machines.

(ii) Instructions Card Clerk: The instructions card clerk is a foreman who would determine the detailed instructions for handling a job; and prepare a card containing such instructions.

(iii) Time and Cost-Clerk: The time and cost clerk is a foreman who would record the time taken by a worker in completing a job; and would also compile the cost of doing that job.

(iv) Shop Disciplinarian: The shop disciplinarian would look after the maintenance of discipline in the workshop and deal with cases of absenteeism, misbehavior and other aspects of indiscipline.

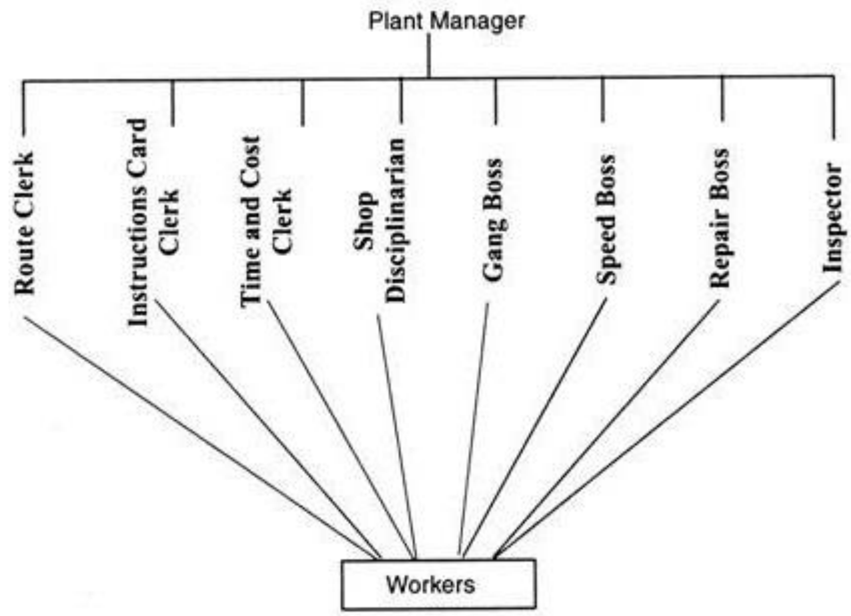
(v) Gang Boss: The gang boss is the supervisor proper. He would see to it that all work-facilities are made available to workers and they start their work as per the instructions imparted to them.

(vi) Speed Boss: The speed boss is a foreman who would determine the optimum speed at which machines are to be operated; so that both-over speeding and under-speeding of machines are avoided. In this way, less depreciation is caused to machines; industrial accidents are averted and quality of production is also maintained.

(vii) Repair Boss: The repair boss is a foreman, who would look after and take care of the repairs and maintenance of machines.

(viii) Inspector: The inspector is a foreman who would look after the quality of production.

The following chart illustrates the functioning of the scheme of the functional foremanship:



The scheme of functional foremanship results in a complete violation of the principle of unity of command as advised by Fayol; because in this scheme, a worker is subject to the control and superintendence of eight foremen. The scheme, therefore, involves multiple commands as against a single command.

(5) Differential piece-rate system of wage-payment: In order to motivate workers positively as also negatively to produce the standard output, Taylor devised a scheme of wage payment, known as the 'Differential piece-rate system of wage-payment.'
The inherent features of this scheme are:
(i)A standard output for each worker is determined in advance through scientific work studies.
(ii) Two rates of wage-payment (based on piece rate system) are established-
(a) A higher rate per unit of output; and (b) A lower rate per unit of output.

(iii) Workers who produce the standard output or exceed the standard are paid according to the higher rate for all the units produced by them. Those workers who are unable to come up to the standard are paid according to the lower rate for all the units produced by them.

Let us take an example to illustrate the working of this system of wage payment. Suppose the standard output is 25 units; and the two rate of wage payment are – Rs.2 per unit (the higher rate) and Rs. 1.80 p. per unit (the lower rate). Now, if a worker produces 25 units or more; he would be paid on total production done by him according to Rs.2 per unit. If, on the other hand, a worker produces only 24 units (taking the extreme case); he would be paid on all the 24 units produced by him, according to the lower rate i.e. Rs. 1.80 p per unit. In the latter case, the worker is not only suffering a shortfall of payment on one unit produced less by him as against the standard of 25 units; but also suffering a shortfall of payment of 20 p. per unit on all the 24 units produced by him. Thus there is a severe penalty for the inefficient worker in being paid according to the lower rate on total production done by him.

ADMINISTRATIVE THEORY

Administrative management theory attempts to find a rational way to design an organization as a whole. The theory generally calls for a formalized administrative structure, a clear division of labor, and delegation of power and authority to administrators relevant to their areas of responsibilities. **Henri Fayol,** director of a coal mining company in France, made a systematic analysis of the process of management. His approach to the study of management is also known as the process or Functional Approach According to Fayol, business activities in any organisation consist of six inter-dependent operations viz*., technical, commercial, financial, security, accounting and administrative or managerial operations*. He analysed the nature of managerial activities and skill requirements which were so far given little attention by thinkers. He considered the process of management to be of universal application and distinguished among five elements of the process viz., to forecast and plan, to organise, to command, to coordinate, and to control. The concept of management was, thus, defined as the process of performing certain functions like planning, organising, etc. These functions were expected to be performed by managers at all levels in the organization as well as in all types of industries and in all countries. Besides a systematic analysis of the management process and management functions, Fayol formulated a set of ***fourteen*** principles as guidelines for implementing the process of management. These principles were stated in flexible terms and expected to be of use of managers under all circumstances. The skill and abilities required for effective management were stated to be dependent on the managers' position at different levels of organisation. According to Fayol, administrative skills were more essential for higher level managers', while technical abilities were required more at the lower level positions. He also believed that managerial training was essential for people in all walks of life. He stressed, for the first time, the necessity of formal education and training in management. In short, Fayol's analysis provides a set of mean (viz., planning, organising, commanding, coordinating and controlling) for viewing the management process and guidance (i.e., the principles for implementing the process). Fayol's principles are listed below:

1. Division of Work: This principle implies that every employee should be assigned only one type of work so as to bring about specialisation in every activity. Fayol applied the principle of division of work or specialization to both the managerial as well as technical activities. He observed that specialisation belongs to the natural order. Division of work tends to increase efficiency. It helps to avoid waste of time and effort caused by changes from one work to another. But when carried too far, it leads to loss of skill and craftsmanship of the employee, and makes the jobless monotonous is and less interesting. Since division of work makes the job less satisfying, management practice of today gives serious thought to the possibility of job enlargement as a tool of job satisfaction.

2. Authority and Responsibility: Authority is the right to give order to the subordinates. Responsibility means the duty which the subordinate is expected to perform by virtue of his position in the organization. Responsibility must be expressed either in terms of functions or in terms of objectives. When a subordinate is asked to control a working of the machine, the responsibility is stated in terms of function and when a subordinate is asked to produce a certain number of pieces of a product, the responsibility is created in terms of objectives. "There should be parity of authority and responsibility. In other words, authority and responsibility should bear a logical relation to each other. Sufficient authority should be delegated to a subordinate to enable him to discharge his duties. If authority is less, the subordinate will not be able to perform his duties well. If he is given excessive authority, he may misuse his authority.

3. Discipline: Discipline means getting obedience to rules and regulations of the organisation. According to Fayol, discipline is obedience, application, energy and outward mark of respect. Discipline is necessary for the smooth running of the organisation. Maintenance of discipline in the organisation depends upon the quality of leadership, clear and fair arrangements and a judicious application of sanctions. According to Fayol, discipline can best be maintained by: ***(i)*** *Having good superiors at all levels; (**ii)** Entering into agreements (either with the individual employees or with the union, as the case may be) that are as clear and fair as possible;* **(iii*)*** *Ensuring that penalties are judiciously imposed.*

4. Unity of Command: A subordinate should receive orders from one superior only. If he receives orders from more than one superior, he will not be able to carry out orders in a proper manner. Fayol observed that if this principle is violated, authority will be undermined, discipline will be in jeopardy, order will be disturbed and stability will be threatened. Dual command is the permanent source of conflict. Therefore, in every organization, each subordinate should have one superior whose command he has to obey. His will help him in achieving the following benefits:

(i) *Each subordinate shall receive clear-cut orders from one boss only. This will improve his performance.* ***(ii)*** *Authority-responsibility relations will be clear to everybody.* ***(iii)*** *Orders and instructions of every executive will be honoured. It would be easy to fix responsibility in case of default.* ***(iv)*** *There will be harmonious relations between the superiors and the subordinates.*

Violation of the principle of unity of command will lead to the following consequences:
(i) *There will be overlapping of orders and instructions.* ***(ii)*** *A subordinate may not be able to satisfy two or more bosses. This may lead to conflicts in the organisations.* ***(iii)*** *It will be easy for the subordinates to escape responsibility.* ***(iv)*** *It will be very difficult to maintain discipline in the organization.*
5. Unity of Direction: By unity of direction Fayol meant, "One unit and one plan" for the group of activities having the same objective. In other words, all the activities of a work unit or group should be directed towards its common objective. This will lead to better coordination and help in the effective management of the enterprise. If this principle is not followed, there will be

unnecessary duplication of efforts and wastage of resources. Efficiency of organisation will also be affected adversely because of lack of harmony of efforts of various individuals and groups. The distinction between the principles of unity of command and unity of direction should be clearly understood. Fayol perceived unity of direction as related to the functioning of the business undertaking as a whole, while unity of command is related to the functioning of personnel. Unity of direction means one unit, one plan; and unity of command means one employee should receive orders from one superior only. Unity of direction is necessary for sound organization whereas unity of command is necessary to fix responsibility of the subordinates and to avoid conflicts in the enterprise.

6. Subordination of Individual Interest to General Interest: The business enterprise is superior to its individual employees. The interests of the business organisation must prevail upon the personal interests of the individuals. This principles call for reconciliation of goals of individuals with those of the organization. When the individual and the organizational interests conflict, the latter must prevail. The employees should subordinate their interests to the general interests of the concern. The goals of the concerns must not be sacrificed for the promotion of personal interests of individuals.

7. Remuneration of Personnel: The employees must be remunerated fully for their services rendered to the concern. The method of employee remuneration should be just and fair to everybody. As far as possible, it should accord satisfaction to both the employees and the concern. This will create harmonious relations in the enterprise and build-up a workforce of contended employees.

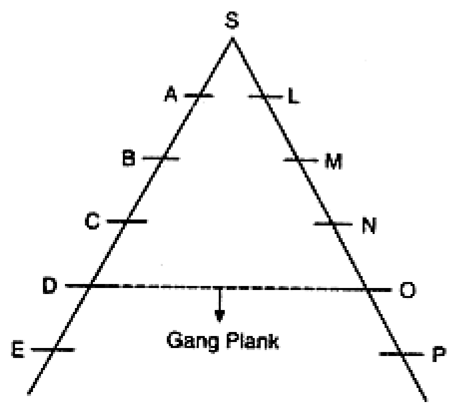
8. Centralization: Fayol referred to the centralization in the context of authority. It means concentration of authority at one place or at one level in the organization. On the other hand, decentralization means dispersal of authority to the lower levels in the organization. According to Fayol, the question of centralization and decentralization is a simple question of proportion, a matter of finding optimum degree for a particular concern. In his view, everything that an increase the importance of subordinate's role is decentralization and that reduces it is centralization.The degree of centralization varies in each case. Small firms have absolute centralization because the management orders go directly to subordinates. But in large concerns, there is less degree of centralisation because a manager's orders pass through a number of intermediaries to reach the operative employees.

9. Scalar Chain: Scalar chain is the chain of superiors ranging from the chief executive or ultimate authority to the lowest level in the organisation. The line of authority is the route followed via every link in the chain by all communications which starts from or goes to the ultimate authority. Fayol felt that departure from the chain is necessary to make communication fast and effective. Communication should be should be short-circuited as far as possible. The principle of scalar chain recognizes the necessity of formal authority in the organization. It has the following advantages

(i) There will be unity of command in the organization and there will be no confusion of dual order. Every member will know under whom he is working and whose orders he is to obey**.(ii)** Delegation of authority, which is essential to organizing, is facilitated**.(iii)** The scalar chain establishes the channels through which communication will pass.

The main disadvantages of scalar chain is that communication takes too much time as the order comes from top level to bottom in the chain. The scalar chain should not be rigid. There should be provision for short circuiting the chain.

This would allow quick communication and swift action as shown in figure. Fayol called it 'gang plank' shown by the dotted line joining D and O. The gang plank allows direct link between two employees of different departments and thus facilitates quick communication. It would lead to better coordination by removing hurdles in the exchange of information between employees of two different departments.



Scale chain

As mentioned in the above figure there are two ladders of authority—one from M to E and other from S to P. If D wants to communicate with O under the scalar chain, information will first flow upward from D to S through C, B and A, and then downward from S to 0 through L, M and N. Thus, communication will normally be a time consuming process. In order to allow swift action, D and O should be allowed to exchange information directly by using gang plank. However, Fayol, was of the opinion that the gang plank should not be a normal practice as it undermines the established line of authority. But whenever it is necessary to avoid delays and distortions, the subordinates should use the gang plank.

10. Order: Fayol said that there should be a place for everything and everyone. At the same time, everything and everyone should be in their own place. This means "right man in the right place". He believed that this kind of order "demands precise knowledge of human requirements and resources of the concern and a constant balance between these requirements". This balance is more difficult in bigger organisations. For proper order in each department, the departmental head should allot specific workstation and tools to each worker so that there is no confusion in the organisation. Similarly there should be specific shelves or rooms for storing raw materials, finished goods, etc.

11. Equity: The employees should be treated with kindness and equity if devotion and loyalty are expected of them. Equity does not exclude forcefulness and sternness. The managers in the organisation should be experienced good natured so as to deal with the subordinates in a proper manner. They should be impartial and should not discriminate with regard to sex, caste, religion, etc. Each subordinate should get a fair treatment in matter of reward or punishment. The managers should not undue favours to some and neglect others. The workers performing similar jobs should be paid the same wage rate. If the principle of equity is followed, the workers will feel happy as they get fair treatment from the management. They will also be motivated to work harder.

12. Stability of Tenure: Management should remove the feeling of insecurity of jobs from the minds of personnel. If the job of a person is not secure, he will be on lookout for job elsewhere and his work will not be satisfactory. Moreover, the employee should not be rotated on different jobs very frequently because considerable time is required to learn each job. According to Fayol, "Time is required for an employee to get used to new work and succeed in doing it well, always assuming that he possesses the requisite abilities. If, when he has got used to it or before that he is removed, he will not have had time to render worthwhile service." If this principle is followed, the workers will feel secured and show higher productivity. But its adverse effect is that the workers will not develop their multiple skills required of different jobs.

13. Initiative: Fayol wanted that subordinates should be given an opportunity to take some initiative in making and executing the plans. Employees get satisfaction when they are allowed to take initiative. Initiative on their part can be a great source of organisational strength.

14. Esprit de Corps (Union is Strength): Literally speaking, the phrase esprit de corps means the spirit of loyalty and devotion which unites the members of the group. It also means regard for the honer of the group to which one belongs. Fayol called for the personnel of the concern. Harmoy among the personnel is a source of strength, unity among the personnel can be accomplished through proper communication and coordination

Fayol warned against two enemies of esprit de corps, viz., **(i)** divide and rule, and**(ii)** abuse of written communication. It will be dangerous for the firm to divide its workers. They should rather be welded in cohesive and highly interacting workgroups.

BEHAVIOURAL APPROACH TO MANAGEMENT

Behavioural sciences approach to management which started after 1940 is an extension, modification and refinement of human relations approach. In fact, good human relations lead to better human behaviour at work. Some authorities differentiate between human relations approach and behavioural sciences approach. There are no doubts, subtle differences between the two approaches; yet there is no contradiction between the basic philosophies of two approaches in that both emphasize on human aspects of managing.

Meaning of Behavioural Sciences Approach **:**Behavioural sciences approach recommends a study of behavioural sciences (like, psychology, industrial psychology, sociology, anthropology etc.) for understanding human behaviour at work; and applying the basic concepts, theories and models of these sciences for moulding human behaviour in the desired manner.Some important sociologists and psychologists who have contributed to this approach are: A.H.Maslow, Douglas McGregor, Frederick Herzberg, Kurt Lewin, Keith Davis, Chris Argyris, George Homans etc.

Elements (or Outstanding Features) of Behavioural Sciences Approach: Some outstanding features or elements of behavioural sciences approach are: **(i)**An organisation is predominantly a social system; in addition to being a physical-technical system. **(ii)**An individual joining the organisation brings to work place his needs, values, beliefs, attitudes and perceptual qualities. **(iii)**Informal groups have their own unwritten constitutions; moulding individual behaviour favorably/unfavourably towards formal job assignments**.(iv)** Conflicts between the organisation and individual and their groups though natural and inevitable, can be utilised towards extracting positive advantage out of such conflicts.**(v)** Motivation and particularly non-monetary motivation has a profound effect on human behaviour at work,**(vi)** Democratic leadership involving friendly supervision is extremely helpful in moulding workers' attitudes towards work, in a favourable manner. **(vii)** Two-way communication in the organisation makes for better understanding and good human relations-conducive to increased human efficiency at work **(viii)** Involvement of workers in decision-making process makes them more committed to the organisation and acts as a self-motivating device.

QUANTITATIVE OR MATHEMATICAL APPROACH OR MANAGEMENT SCIENCE APPROACH: Mathematics has made inroads into all disciplines. It has been universally recognised as an important tool of analysis and a language for precise expression of concept and relationship. Evolving from the Decision Theory School, the Mathematical School gives a quantitative basis for decision-making and considers management as a system of mathematical models and processes. This school is also sometimes called, ' Operations Research" or "Management Science School'. The main feature of this school is the use of mixed teams of scientists from several disciplines. It uses scientific techniques for providing quantitative base for managerial decisions. The exponents of this school view management as a system of logical process. It can be expressed in terms of mathematical symbols and relationships or models. Different mathematical and quantitative techniques or tools, such as linear programming, simulation and queuing, are being increasingly used in almost all the areas of management for studying a wide range of problems. The exponents of this school believe that all the phases of management can be expressed in quantitative terms for analysis. However, it is to be noted that mathematical models do help in the systematic analysis of problems, but models are no substitute for sound judgement. Moreover, mathematics quantitative techniques provide tools for analysis but they cannot be treated an independent system of management thought. A lot of mathematics is used in the field of physical sciences and engineering but mathematics has never been considered as separate school even in these fields. The contributions of mathematicians in the field of management are significant. This has contributed impressively in developing orderly thinking amongst managers. It has given exactness to the management discipline. Its contributions and usefulness could hardly be over-emphasized. However, it can only be treated as a tool in managerial practice.

UNIT II

PLANNING AND DECISION-MAKING:

All organizations whether it is the government, a private business or small businessman require planning. To turn their dreams of increase in sale, earning high profit and getting success in business all businessmen have to think about future; make predictions and achieve target. To decide what to do, how to do and when to do they do planning.

Meaning: Planning can be defined as "thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done". In simple words we can say, planning bridges the gap between where we are standing today and where we want to reach. Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them. Another important ingredient of planning is time. Plans are always developed for a fixed time period as no business can go on planning endlessly. Keeping in mind the time dimension we can define planning as "Setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from the different courses of actions".

Features/Nature/Characteristic of Planning:

1. Planning contributes to Objectives: Planning starts with the determination of objectives. We cannot think of planning in absence of objective. After setting up of the objectives, planning decides the methods, procedures and steps to be taken for achievement of set objectives. Planners also help and bring changes in the plan if things are not moving in the direction of objectives. For example, if an organisation has the objective of manufacturing 1500 washing machines and in one month only 80 washing machines are manufactured, then changes are made in the plan to achieve the final objective.

2. Planning is Primary function of management: Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function because objectives are set up in planning and other functions depend on the objectives only. For example, in organizing function, managers assign authority and responsibility to the employees and level of authority and responsibility depends upon objectives of the company. Similarly, in staffing the employees are appointed. The number and type of employees again depends on the objectives of the company. So planning always proceeds and remains at no. 1 as compared to other functions.

3. Pervasive:Planning is required at all levels of the management. It is not a function restricted to top level managers only but planning is done by managers at every level. Formation of major plan and framing of overall policies is the task of top level managers whereas departmental managers form plan for their respective departments. And lower level managers make plans to support the overall objectives and to carry on day to day activities.

4. Planning is futuristic/Forward looking: Planning always means looking ahead or planning is a futuristic function. Planning is never done for the past. All the managers try to make predictions and assumptions for future and these predictions are made on the basis of past experiences of the manager and with the regular and intelligent scanning of the general environment.

5. Planning is continuous: Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way. So, after making plans also planners keep making changes in the plans according to the requirement of the company. For example, if the plan is made during the boom period and during its execution there is depression period then planners have to make changes according to the conditions prevailing.

6. Planning involves decision making: The planning function is needed only when different alternatives are available and we have to select most suitable alternative. We cannot imagine planning in absence of choice because in planning function managers evaluate various alternatives and select the most appropriate. But if there is one alternative available then there is no requirement of planning. For example, to import the technology if the licence is only with STC (State Trading Co-operation) then companies have no choice but to import the technology through STC only. But if there is 4-5 import agencies included in this task then the planners have to evaluate terms and conditions of all the agencies and select the most suitable from the company's point of view.

7. Planning is a mental exercise: It is mental exercise. Planning is a mental process which requires higher thinking that is why it is kept separate from operational activities by Taylor. In planning assumptions and predictions regarding future are made by scanning the environment properly. This activity requires higher level of intelligence. Secondly, in planning various alternatives are evaluated and the most suitable is selected which again requires higher level of intelligence. So, it is right to call planning an intellectual process.

Importance/Significance of Planning:

1. Planning provides Direction: Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

2. Planning Reduces the risk of uncertainties: Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

3. Planning reduces over lapping and wasteful activities:The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

4. Planning Promotes innovative ideas: Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

5. Planning Facilitates Decision Making: Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

6. Planning establishes standard for controlling: Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not. For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

7. Focuses attention on objectives of the company: Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

TYPES OF PLANNING:

Planning can be classified on the basis of following dimensions: *Corporate, Strategic and Operational Planning*

I. Corporate Planning: Planning can be undertaken at various levels of the organisation. It may be for the whole organisation or a part of it. When it is done for the whole enterprise it is known as corporate planning. It lays down the basic goals, strategies and policies for enterprise as a whole. Corporate planning integrates various functional plans and also provides for future contingencies. The resources of the organisation (micro aspect) are matched to the opportunities and threats in the external environment (macro aspect). Corporate planning is normally at the top level management. Hussey defined corporate planning as, "Corporate planning includes the setting of objectives, organising 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." Hussey has given a broad definition of corporate planning. It covers various functions of management besides defining planning. Corporate planning is related to total planning activity and not to various managerial functions. Corporate planning is original and is the starting point of planning process. Corporate planning is not synonymous to long term planning even though it is related to future activities of the organisation. Long term planning is not possible without the backing of short term plans. So corporate planning should not be tied to a specific period. Normally, corporate planning is divided into strategic planning or long range planning and operational, tactical or short range planning.

II. Strategic Planning: Strategic planning is the process of planning as to how to achieve organisational objectives with the available resources and is undertaken by the central management of the business. It is an exercise by the top management to fix the objectives of the organisation and then plan to achieve them. An assessment of available resources is made at the top and then things are planned for a time period of upto 10 years. It basically deals with the total assessment of the organisation, strengths, capabilities and weaknesses and an objective evaluation of environment is made for future pursuits.Features of Strategic Planning:

The basic features of strategic planning are described as follows:

(i) The basic mission and goals of the organisation, nature of business and the nature of customers are clearly stated**.(ii)** Strategic planning is a long term planning. **(iii)** It provides cohesiveness in company's policies and activities over a long period. **(iv)** The more the functions of an organisation affected by plans the more the strategic these are. **(v)** It is concerned both with the formulation of goals and the selection of the means by which they are to be attained. **(vi)** Since it determines basic policies and programmes, it is a top management activity**. (vii)** It is designed to improve organisation's relations with environment**. (viii)** It is comprehensive and unified plan for the deployment of scarce organisational resources. **(ix)** It sets the direction of organisation's activities for the attainment of goals.

Need for Strategic Planning: Strategic planning is required for the following reasons:

1. Impact of External Factors: There are a number of factors which affect the operations of the business. These factors include international environment, political and government policies, economic trends, technological and social changes. Strategic planning must have provisions for the impact of these situations.

2. Proper use of Resources: The natural resources are becoming scarce and human resources are changing every day. Strategic planning is needed for procuring these resources and allocating them properly. The traditional work force is giving way to more educated workers. The computers have taken over the routine jobs. The proper use of various resources requires a proper planning on the part of top management.

3. Ensuring Success: An explosion in information technology has increased the knowledge and better methods of planning. Since strategic planning helps in achieving success, there is a need to undertake it in most of the companies.

III. Operational Planning: Operational planning is also known as tactical or short- term planning normally covering one year or so. Operational planning involves the conversion of strategic plans into detailed and specific action plans. These plans are designed to sustain the organisation in its current products and existing markets. Operational planning is done at the middle or lower level of management. These plans are to support strategic plans whenever some difficulty is faced in its implementation. Any changes in internal organisation or external environment have to be met through tactical plans. For example, there is a sudden change in prices of products, difficulty in procuring raw materials, unexpected moves by competitors, tactical plans will help in meeting such unforeseen situations. The success of tactical plans depends upon the speed and flexibility with which management acts to meet sudden situations. Operational planning is mainly concerned with the efficient use of resources already allocated and with the development of a control mechanism to ensure efficient implementation of the action so that business objectives are achieved.

STEPS OF PLANNING PROCESS

Following steps are taken in planning process:

1. Recognizing Need for Action: The first step in planning process is the awareness of business opportunity and the need for taking action. Present and future opportunities must be found so that planning may be undertaken for them. The trend of economic situation should also be visualized. For example, if thinking of the government is to develop rural areas as industrial centres, a farsighted businessman will think of setting up units suitable to that environment and will avail the facilities offered for this purpose. Before venturing into new areas the pros and cons of such projects should be evaluated. A beginning should be made only after going through a detailed analysis of the new opportunity.

2. Gathering Necessary Information: Before actual planning is initiated relevant facts and figures are collected. All information relating to operations of the business should be collected in detail. The type of customers to be dealt with, the circumstances under which goods are to be provided, value of products to the customers, etc. should be studied in detail. The facts and figures collected will help in framing realistic plans.

3. Laying Down Objectives: Objectives are the goals which the management tries to achieve. The objectives are the end products and all energies are diverted to achieve these goals. Goals are a thread which bind the whole company. Planning starts with the determination of objectives. The tie between planning and objectives helps employees to understand their duties. Objectives are the guides of employees. It is essential that objectives should be properly formulated and communicated to all members of the organization.

4. Determining Planning Premises: Planning is always for uncertain future. Though nothing may be certain in the coming period but still certain assumptions will have to be made for formulating plans. Forecasts are essential for planning even if all may not prove correct. A forecast means the assumption of future events. The behaviour of certain variables is forecasted for constituting planning premises.

Forecasts will generally be made for the following

(a) The expectation of demand for the products**.(b)** The likely volume of production**.(c)** The anticipation of costs and the likely prices at which products will be marketed**.(d)** The supply of labour raw materials etc. (**e)** The economic policies of the government. **(f)** The changing pattern of consumer preferences. **(g)** The impact of technological changes on production processes. **(h)** The sources for supply of funds.

It is on the basis of these forecasts that planning is undertaken. The success or failure of planning will depend upon the forecasts for various factors mentioned above. If the forecasts are accurate then planning will also be reliable. The effect of various factors should be carefully weighed.

5. Examining Alternative Course of Action: The next step in planning will be choosing the best course of action. There are a number of ways of doing a thing. The planner should study all the alternatives and then a final selection should be made. Best results will be achieved only when best way of doing a work is selected. According to Koontz and O'Donnell, "There is seldom a plan made for which reasonable alternatives do not exist." All the pros and cons of methods should be weighed before a final selection.

6. Evaluation of Action Patterns: After choosing a course of action, the next step will be to make an evaluation of those courses of actions. Evaluation will involve the study of performance of various actions. Various factors will be weighed against each other. A course of action may be suitable but it may involve huge investments and the other may involve less amount but it may not be very profitable. The evaluation of various action patterns is essential for proper planning.

7. Determining Secondary Plans: Once a main plan is formulated then a number of supportive plans are required. In fact secondary plans are meant for the implementation of principal plan. For example, once production plan is decided then a number of plans for procurement of raw materials, purchase of plant and equipment, recruitment of personnel will be required. All secondary plans will be a part of the main plan.

8. Implementation of Plans: The last step in planning process is the implementation part. The planning should be put into action so that business objectives may be achieved. The implementation will require establishment of policies, procedures, standards and budgets. These tools will enable a better implementation of plans.

Limitations of planning: Following are the limitations of planning:

(1) Planning Creates Rigidity: Although the quality of flexibility is inherent in planning, meaning thereby that in case of need changes can be brought in, but it must be admitted that only small changes are possible. Big changes are neither possible nor in the interest of the organisation. Since it is not possible to introduce desired changes according to the changed situations, the organisation loses many chances of earning profits. For this limited flexibility in planning, both the internal as well as external factors are responsible. These facts are called internal and external inflexibility.They are the following:

(i) Internal Inflexibility: At the time of planning the objectives of the organisation, its policies, procedures, rules, programmes, etc. are determined. It is very difficult to bring in changes time and again. It is known as internal inflexibility,

(ii) External Inflexibility: External inflexibility means various external factors that cause limited flexibility in planning. These factors are beyond the control of the planners. The chief among them are: political climate, economic changes, technical changes, natural calamities, policies of the competitors, etc. For example, in political context, as a result of change, a new government brings up a new trade policy, policy of taxation, import policy, etc. All these changes make every sort of planning a meaningless waste. Similarly, a change in the policies of the competitors suddenly makes all types of planning ineffective.

(2) Planning Does Not Work in a Dynamic Environment: Planning is based on the anticipation of future happenings. Since future is uncertain and dynamic, therefore, the future anticipations are not always true. Therefore, to consider planning as the basis of success is like a leap in the dark. Generally, a longer period of planning makes it less effective. Therefore, it can be said that planning does not work in dynamic environment. For example, a company anticipated that the government was thinking about allowing the export of some particular product. With this hope the same company started manufacturing that product. But the government did not allow the export of this product. In this way, the wrong anticipation proved all planning wrong or incorrect. It brought loss instead of profit.

(3) Planning Reduces Creativity: Under planning all the activities connected with the attainment of objectives of the organisation are pre-determined. Consequently, everybody works as they have been directed to do and as it has been made clear in the plans. Therefore, it checks their incisiveness. It means that they do not think about appropriate ways of discovering new alternatives. According to Terry, "Planning strangulates the initiative of the employees and compels them to work in an inflexible manner."

(4) Planning Involves Huge Costs: Planning is a small work but its process is really big. Planning becomes meaningful only after traversing a long path. It takes a lot of time to cover this path. During this entire period the managers remain busy in collecting a lot of information and analysing it. In this way, when so many people remain busy in the same activity, the organisation is bound to face huge costs.

(5) Planning is a Time-consuming Process: Planning is a blessing in facing a definite situation but because of its long process it cannot face sudden emergencies. Sudden emergencies can be in the form of some unforeseen problem or some opportunity of profits and there has been no planning for all these situations beforehand and which now requires immediate decision. In such a situation, if the manager thinks of completing the planning process before taking some decision, it may be possible that the situations may worsen or the chance of earning profit may slip away. Thus, planning is time consuming and it delays action.

(6) Planning Does Not Guarantee Success: Sometimes the managers think that planning solves all their problems. Such thinking makes them neglect their real work and the adverse effect of such an attitude has to be faced by the organisation. In this way, planning offers the managers a false sense of security and makes them careless. Hence, we can say that mere planning does not ensure success; rather efforts have to be made for it.

DECISION-MAKING:

A decision is an act of selection or choice of one action from several alternatives.

Decision-making is the process of selecting a best alternative course of action; from among a number of alternatives given to management or developed by it after carefully and critically examining each alternative.

Following are given a few popular definitions of decision-making:

"Decision-making is the selection based on some criteria from two or more possible alternatives." -G.R. Terry

"*Decision-making is a course of action chosen by a manager as the most effective means at his disposal for achieving goals and solving problems*." – Theo Haimann

In the words of D. E. Mcfarland: *"A decision is an act of choice wherein an executive forms a conclusion about what must be done in a given situation. A decision represents behaviour chosen from a number of alternatives."*

The definition of decision-making has three different but inter-related implications.These are as follows:

1. When the managers make decisions, they exercise choice. They decide what to do on the basis of some conscious and deliberate logic or judgement.

2. When making a decision the managers are faced with alternatives. An organisation does not take a wise manager to reach a decision when there are no other possible choices. It does require wisdom and experience to evaluate several alternatives and select the best one.

3. When taking a decision, the managers have a purpose. They propose and analyse the alternative courses of action and finally make a choice that is likely to move the organisation in the direction of its goals.

Relationship between decision and decision-making:

From the definitions of decision and decision-making, it follows that decision making is a process; a decision is the outcome of this process. Accordingly, the better the decision-making process; the better would be the decisions emerging out of it leading to an efficient commitment of precious organisational resources.

Subject Matter of Decision Making:

Decision-making is common to all of us, in our daily lives. In fact, every action of an individual is based on the decisions taken by him/her-concerning various matters. Sometimes we take major decisions and are highly conscious about them. Minor or routine decisions, however, are taken by us; without ourselves realising the fact that a decision is being taken by us. For example, the decision of a person to buy a bottle of soft-drink on a scorching summer day is a decision; without the person, being aware of the fact, that a decision is being taken by him/her. For major decisions, however, one is very conscious, careful and alert; and takes them in a planned manner.In the context of business management also, decision-making is a common phenomenon, characterizing the 'organisational lives' of all managers. All managers take decisions-major or minor – within the limits of their authority, concerning their work field. In fact, whatever a manager does; he does so through decision-making. It is the thread that runs through the whole fabric of management. Sound decisions by managers lead to sound actions on their part; and, accordingly, better and efficient attainment of organizational objectives is facilitated.

Characteristics of Decision-Making: From definitions and elements we can draw the following important features of managerial decisions:

1. Rational Thinking: It is invariably based on rational thinking. Since the human brain with its ability to learn, remember and relate many complex factors, makes the rationality possible.

2. Process: It is the process followed by deliberations and reasoning.

3. Selective: It is selective, i.e. it is the choice of the best course among alternatives. In other words, decision involves selection of the best course from among the available alternative courses that are identified by the decision-maker.

4. Purposive: It is usually purposive i.e. it relates to the end. The solution to a problem provides an effective means to the desired goal or end.

5. Positive: Although every decision is usually positive sometimes certain decisions may be negative and may just be a decision not to decide. For instance, the manufacturers of VOX Wagan car once decided not to change the model (body style) and size of the car although the other rival enterprise (i.e. the Ford Corporation) was planning to introduce a new model every year, in the USA. That a negative decision and is equally important was stressed by Chester I. Bernard-one of the pioneers in Management Thought-who observed, "The fine art of executive decision consists in not deciding questions that are not now pertinent, in not deciding prematurely, in not making decisions that cannot be made effective, and in not making decisions that other should make. "

6. Commitment: Every decision is based on the concept of commitment. In other words, the Management is committed to every decision it takes for two reasons- viz., (/) it promotes the stability of the concern and (ii) every decision taken becomes a part of the expectations of the people involved in the organisation. Decisions are usually so much inter-related to the organisational life of an enterprise that any change in one area of activity may change the other areas too. As such, the Manager is committed to decisions not only from the time that they are taken but upto their successfully implementation.

7. Evaluation: Decision-making involves evaluation in two ways, viz., (i) the executive must evaluate the alternatives, and (ii) he should evaluate the results of the decisions taken by him

Features of Decision-Making: Following are the major features or characteristics of managerial decision-making:

(i) Decision-Making is Goal-Oriented: Each and every decision of management major or minor must make, at least, some contribution towards the attainment of organisational objectives. In case otherwise, decision-making is a wasteful activity; involving only a sheer wastage of the time, energy and efforts of managers, and precious organisational resources.

(ii) Decision-Making is Pervasive:There are three dimensions of the pervasiveness of decision-making; viz: **(a)** All managers in the management hierarchy take decisions, within the limits of their authority, pertaining to their areas of functioning. **(b)** Decision-making is done in all functional areas of management e.g. production, marketing, finance, personnel, research and development etc.**(c)** Decision-making is inherent in all functions of management i.e. planning, organising, staffing, directing and controlling.

(iii) Decision-Making is an Intellectual Exercise: Decision-making calls for creativity and imagination on the part of managers; in that decision--making forces managers to think in terms of developing best objectives and best alternatives for attaining those objectives. In fact, the more intelligent a manager is; the better would be the decision--making done by him.

(iv) Decision-Making Involves a Problem of Choice: Decision-making is fundamentally a choosing problem i.e. a problem of choosing the best alternative, from out of a number of alternatives, in a rational and scientific manner. If in a managerial decision-making situation, alternatives do not exist; then there is no decision-making problem involved in that situation. Further, more are the alternatives that are available in a situation; the more complicated the decision-making process is likely to be.

(v) Decision-Making is a Continuous Process: Decision-making process commences since the inception of business and continues throughout the organisational life. All managers take decisions for organisational purposes; so long as the enterprise is in existence. In fact, decision-making is also involved in the process of liquidating or winding up a business enterprise.

(vi) Decision-Making is the Basis of Action: All actions of people operating the enterprise are based on the decisions taken by management vis-a-vis organisational issues. In fact, the quality of actions by people well depends on the quality of decisions taken by management.

(vii) Decision-Making Implies a Commitment of Organisational Resources: Commitment of organisational resources time, efforts, energies, physical resources etc. is implied both during the process of taking decisions and more particularly, at time of implementation of decisions. Right decisions, accordingly, imply a right commitment of resources; and wrong decisions imply a wrong commitment of precious organisational resources.

(viii) Decision-Making is Situational: Decision-making much depends on the situation facing the management; at the time when a decision-making problem crops up. Whenever the situation changes; decision-making also changes; e.g. decision-making by management on similar issues is radically different during boom conditions and during conditions of recession or depression.

Features of decision-making - at a glance

1.	Goal-oriented
2.	Pervasive.
3.	Intellectual exercise
4.	A problem of choice
5.	Continuous process
6.	Basis of action
7.	Implies commitment of organisational resources
8.	Situational

Types of Decisions: In fact, is a sort of Herculean task to list out all the decisions which managers take during the course of organisation life; as decisions taken by managers are numberless stretching from tiny to gigantic decisions? Yet, one could attempt the following classifications of managerial decisions – to have an idea of the basic nature and varieties of managerial decisions.

(i) Personal and Organisational Decisions: Personal decisions are those which are taken by managers concerning their personal life matters. On the other hand, organisational decisions are those which are taken by managers, in the context of organisation and for furthering the objectives of the organisation.The highlight of the above distinction between personal and organisational decisions is that sometimes, personal decisions of managers have got organisational implications; and then such personal decisions must be taken by managers, in the best interests of the organisation. For example, the decision of a manager to proceed on a long leave is a personal decision of the manager. But then, in the interest of the organisation, he must appoint some deputy to act on his behalf, till he returns.

(ii) Casual and Routine Decisions: Casual decisions (whether more significant or less significant) are those which are taken only on some special issues concerning organisational life e.g. a decision to install a new piece of machinery. Casual decisions of a significant nature are taken at upper levels of management. Insignificant casual decisions may, however, be permitted even at lower levels of management. On the other hand, routine decisions are those which are taken in large numbers during the normal course of organisational life, with repeated frequency. A major number of routine decisions are taken at operational levels of management. One should not suppose that routine decisions are not taken at upper levels of management. Top ranking managers also indulge in routine decision-making. However, the number of routine decisions and their frequency at top levels of management is rather restricted.

(iii) Strategic and Tactical Decisions: Decisions relating to designing of strategies are strategic decisions i.e. decisions of utmost significance for the organisation. Such decisions are taken at uppermost levels of management. For implementation purposes, strategies are translated into operational plans or tactical decisions. Such tactical decisions are taken at middle and lower levels of management.

(iv) Policy and Operative Decisions: A policy decision is a decision in the nature of guidance and instruction; which defines and confines the area of discretion of subordinates, in matters of decision-making. Naturally policies are decided by superiors for the guidance of subordinates. Decisions of subordinates taken within the prescribed limits and guidance of policies are, in management terminology, called operative decisions.

(v) Programmed and Non-Programmed Decisions: Programmed decisions are those which are taken within the framework of the existing plans of the organisation; and for taking which prescribed policies, rules, procedures and methods are available with the organisation. Such decisions do not pose much problem for managers. On the other hand, non-programmed decisions are those for taking which there is no provision in the existing planning framework of the organisation. Such decisions are warranted by extra-ordinary exceptional or emergency situations. For example, if workers are on strike on a particular day; such a situation will call for an un-programmed decision as to how to deal with the work- situation on that day. Non-programmed decisions are taken by managers confronting emergency situations, in consultation with higher levels of management.

(vi) Individual and Collective Decisions: This classification of decisions rests on the manner of decision-making. An individual (not personal) decision is one which is taken by a manager in his individual capacity, without being in consultation with any other person, whatsoever. Such decisions are dictatorial or authoritarian in nature, and are taken by 'big bosses' of the organisation. On the other hand, collective decisions are those which are jointly taken by a group of managers and other persons – through a process of mutual consultations – in meetings or committees or other joint forum. Such decisions are democratic in nature.

(vii) Financial and Non-financial Decisions: Financial decisions are those which involve financial implications or commitment of organisational finances. In fact, most of the management decisions are financial in nature. On the other hand, non-financial decisions are those which do not involve financial implications; e.g. a decision-asking people to be punctual for the organisation or a decision-asking people not to accept gifts from suppliers or others. In a way, non-financial decisions may also be very significant for the organisation.

Rationality in Decision-Making: For examining the issue of rationality in decision-making, we consider the following two models of human behavior:

1. *Economic-man model* and 2. *Administrative man model*

1. Economic-Man Model: *Economic man model of human behaviour is a gift of Economic Theory, and is propagated by Adam Smith and other classical economists. According to them, man is a completely rational being (a rational being is one who proceeds according to logic, in all his/her actions).* For example, a consumer will always try to maximize his satisfaction from the use of limited means, at his disposal by being fully rational in his approach to consumption.A producer, likewise, will always try to maximise his profits by attempting an optimum combination of factors of production or by deriving maximum output from minimum inputs by following a fully rational approach vis-a-vis his productive operations. This economic-man model cannot be applied to managers while taking decisions. A rational manager is one who analyses all the alternatives in the decision-making situation; and then takes a decision in a fully rational manner. Managers must be rational in decision-making; but cannot be absolutely rationale in their approach-as suggested by 'economic-man model', because of practical limitations.

2. Administrative Man Model: *Administrative man model of human behaviour is suggested by Prof. Herbert Simon, a well- known Economist and Nobel laureate. This model of human behaviour is the practical man model and is based on the principle of 'bounded rationality' (i.e. limited rationality); according to which managers can be rational only in a limited way, during* *the process of decision-making.* They cannot develop and evaluate all the possible alternatives in the decision-making situation. They just analyses a limited number of alternatives and take a decision which is just ‘good-enough’.

Environments of Decisions Making:

Certainty, Uncertainty and Risk

The decisions are taken in different types of environment. The type of environment also influences the way the decision is made. There are three types of environment in which decisions are made.

1. Certainty: In this type of decision making environment, there is only one type of event that can take place. It is very difficult to find complete certainty in most of the business decisions. However, in many routine type of decisions, almost complete certainty can be noticed. These decisions, generally, are of very little significance to the success of business.

2. Uncertainty: In the environment of uncertainty, more than one type of event can take place and the decision maker is completely in dark regarding the event that is likely to take place. The decision maker is not in a position, even to assign the probabilities of hap-pening of the events. Such situations generally arise in cases where happening of the event is determined by external factors. *For example, demand for the product, moves of competitors, etc. are the factors that involve uncertainty.*

3. Risk: Under the condition of risk, there are more than one possi-ble events that can take place. However, the decision maker has adequate information to assign probability to the happening or non- happening of each possible event. Such information is generally based on the past experience. Virtually, every decision in a modern business enterprise is based on interplay of a number of factors. New tools of analysis of such decision making situations are being developed. These tools include risk analysis, decision trees and preference theory. Modern infor-mation systems help in using these techniques for decision making under conditions of uncertainty and risk.

UNIT III

ORGANISING AND ORGANISATION:

The term 'Organising' and 'Organisation' are given a variety of interpretations.

In the first sense, '*organising' refers to a dynamic process and a managerial activity by which diffe-rent elements or parts of an enterprise are brought together to obtain a desired result.*

This process places the enterprise into working order by defining and allocating the duties and responsibilities of different employees and provides it with everything useful to its function-ing—raw material, tools, capital and personnel.

It thus combines and co-ordinates their ac-tivities for commonness of purpose. So the term 'organising' implies co-ordination and arrangement of men and materials of an undertaking in order to achieve a certain purpose. When used in the other sense, the term ***'Organising'*** is understood as the creation of a structure of relationships among various positions and jobs for the realisation of the objec-tives and goals of the enterprise. In this sense, ***'Organisation'*** is the vehicle through which goals are sought to be attained.

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. According to Chester Barnard, "*Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.*

Organizing process: A manager performs organizing function with the help of following steps:-

1. Identification and Division of work: The organising function begins with the division of total work into smaller units. Each unit of total work is called a job.And an individual in the organisation is assigned one job only. The division of work into smaller jobs leads to specialization because jobs are assigned to individuals according to their qualifications and capabilities. The division of work leads to systematic working. For example, in a bank every individual is assigned a job. One cashier accepts cash, one cashier makes payments, one person issues cheque books, one person receives cheques, etc. With division of work into jobs the banks work very smoothly and systematically.

2. Grouping the Jobs and Departmentalisation: After dividing the work in smaller jobs, related and similar jobs are grouped together and put under one department. The departmentation or grouping of jobs can be done by the organisation in different ways. But the most common two ways are:

(a) *Functional departmentation:* Under this method jobs related to common function are grouped under one department. For example, all the jobs related to production are grouped under production department; jobs related to sales are grouped under sales department and so on.

(b) *Divisional departmentation:* When an organisation is producing more than one type of products then they prefer divisional departmentation. Under this jobs related to one product are grouped under one department. For example, if an organisation is producing cosmetics, textile and medicines then jobs related to production, sale and marketing of cosmetics are grouped under one department, jobs related to textile under one and so on.

3. Assignment of Duties: After dividing the organisation into specialised departments each individual working in different departments is assigned a duty matching to his skill and qualifications. The work is assigned according to the ability of individuals. Employees are assigned duties by giving them a document called job description. This document clearly defines the contents and responsibilities related to the job.

4. Establishing Reporting Relationship: After grouping the activities in different departments the employees have to perform the job and to perform the job every individual needs some authority. So, in the fourth step of organising process all the individuals are assigned some authority matching to the job they have to perform.

The assignment of the authority results in creation of superior-subordinate relationship and the question of who reports to whom is clarified. The individual of higher authority becomes the superior and with less authority becomes the subordinate. With the establishment of authority, managerial hierarchy gets created (chain of command) and principle of scalar chain follows this hierarchy. The establishment of authority also helps in creation of managerial level. The managers with maximum authority are considered as top level managers, managers with little less authority become part of middle level management and managers with minimum authority are grouped in lower level management. So with establishment of the authority the individuals can perform their jobs and everyone knows who will report to whom.

Importance of Organizing Function

Specialization - Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.

Well defined jobs - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.

Clarifies authority - Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers do not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

Co-ordination - Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager. Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co-ordination between authority- responsibility is very important. There should be co-ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, “Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective.” Therefore, co-ordination of authority- responsibility is very important.

Effective administration - The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

Growth and diversification - A company’s growth is totally dependant on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grow. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.

Sense of security - Organizational structure clarifies the job positions. The roles assigned to every manager is clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

Scope for new changes - Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

Principles of Organizing

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

1.Principle of Specialization: According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.
2.Principle of Functional Definition According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships helps in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments shouldbe clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

3.Principles of Span of Control/Supervision According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either froma wide or narrow span. There are two types of span of control:-

Wide span of control- It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-

- *Less overhead cost of supervision*
- *Prompt response from the employees*
- *Better communication*
- *Better supervision*
- *Better co-ordination*
- *Suitable for repetitive jobs*

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

Narrow span of control- According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervises and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:-

- Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
- Co-ordination is difficult to be achieved.
- Communication gaps can come.
- Messages can be distorted.
- Specialization work can be achieved.

Factors influencing Span of Control

Managerial abilities- In the concerns where managers are capable, qualified and experienced, wide span of control is always helpful.

Competence of subordinates- Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.

Nature of work- If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.

Delegation of authority- When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of sub-ordinates at one time.

Degree of decentralization- Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and sub- ordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

4.Principle of Scalar Chain Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized, communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

5.Principle of Unity of Command It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co-ordination and, therefore, effective organization.

Authority Flows from Top to Bottom

Managing Director

↓

Marketing Manager

↓

Sales/ Media Manager

↓

Salesmen

According to the above diagram, the Managing Director has got the highest level of authority. This authority is shared by the Marketing Manager who shares his authority with the Sales Manager. From this chain of hierarchy, the official chain of communication becomes clear which is helpful in achievement of results and which provides stability to a concern. This scalar chain of command always flow from top to bottom and it defines the authority positions of different managers at different levels.

Classification of Organizations Organizations are basically clasified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization

***Formal Organization* -** This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre- determined goals.

Informal Organization - It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

Relationship between Formal and Informal Organizations

For a concerns working both formal and informal organization are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. For an efficient organization, both formal and informal organizations are required. They are the two phase of a same concern.Formal *organization can work independently. But informal organization depends totally upon the formal organization.*

Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important. When several people work together for achievement of organizational goals, social tie ups tends to built and therefore informal organization helps to secure co-operation by which goals can be achieved smooth. Therefore, we can say that informal organization emerges from formal organization.

Types of Organisational Structures

All managers must bear that there are two organisations they must deal with-one formal and the other informal. The formal organisation in usually delineated by an organisational chart and job descriptions. The official reporting relationships are clearly known to every manager. Alongside the formal organisation exists are informal organisation which is a set of evolving relationships and patterns of human interaction within an organisation that are not officially prescribed.

Formal organisational structures are categorised as:

(i) Line organisational structure.

(ii) Staff or functional authority organisational structure.

(iii) Line and staff organisational structure.

(iv) Committee organisational structure.

(v) Divisional organisational structure.

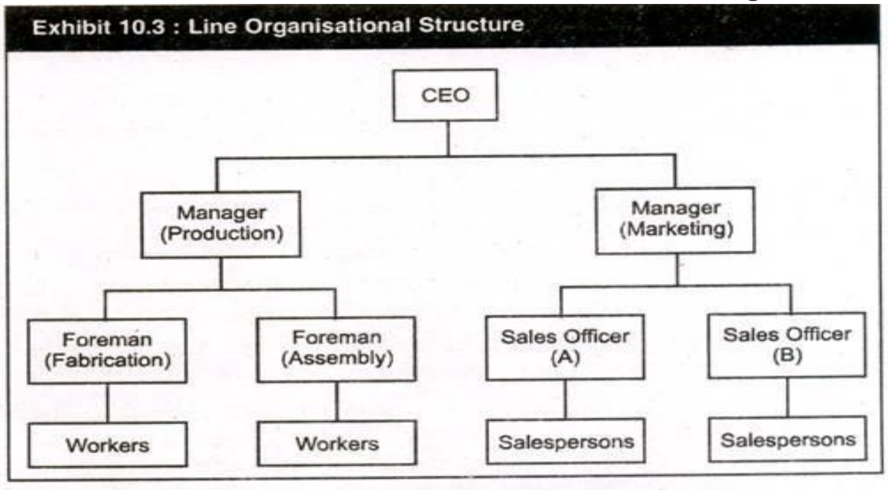
(vi) Project organisational structure.

(vii) Matrix organisational structure and

(viii) Hybrid organisational structure.

These organisational structures are briefly described in the following paragraphs:

1. Line Organisational Structure: A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command. Exhibit 10.3 illustrates a single line organisational structure.



Features: Has only direct vertical relationships between different levels in the firm.

Advantages: 1. Tends to simplify and clarify authority, responsibility and accountability relationships **2**. Promotes fast decision making **3.** Simple to understand.

Disadvantages: 1. Neglects specialists in planning **2.** Overloads key persons.

Some of the advantages of a pure line organisation are:

(i) A line structure tends to simplify and clarify responsibility, authority and accountability relationships. The levels of responsibility and authority are likely to be precise and understandable**. (ii)** A line structure promotes fast decision making and flexibility**.(iii)** Because line organisations are usually small, managements and employees have greater closeness.

However, there are some disadvantages also. They are: **(i)** As the firm grows larger, line organisation becomes more ineffective. **(ii)** Improved speed and flexibility may not offset the lack of specialized knowledge. **(iii)** Managers may have to become experts in too many fields. **(iv)** There is a tendency to become overly dependent on the few key people who an perform numerous jobs.

2. Staff or Functional Authority Organisational Structure The jobs or positions in an organisation can be categorized as:

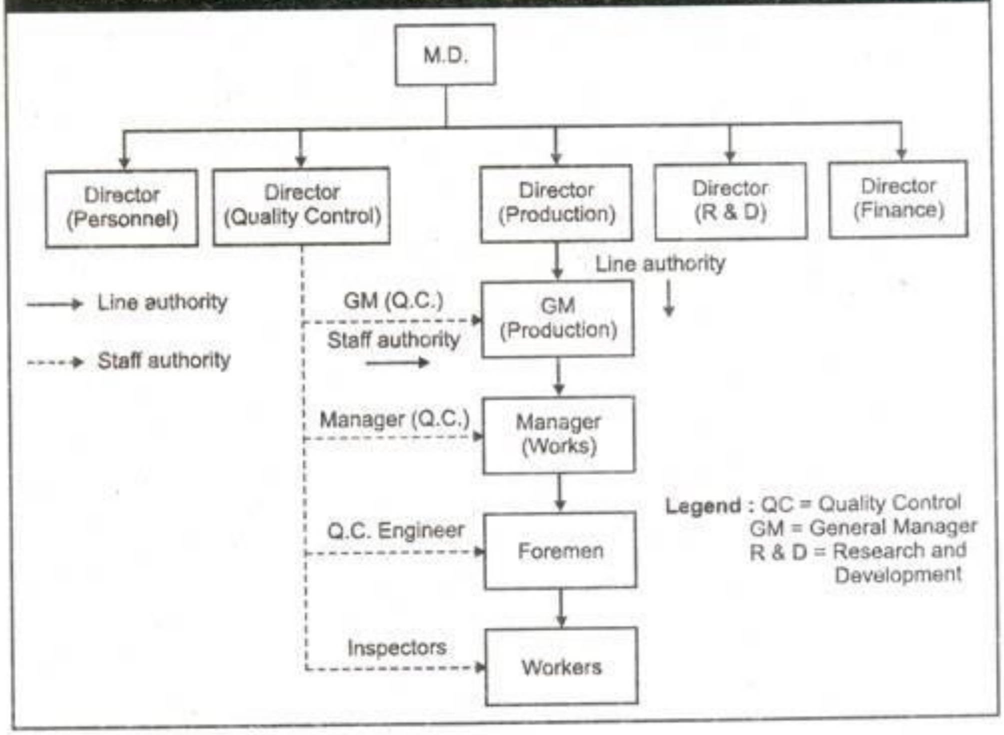
(i) *Line position:* a position in the direct chain of command that is responsible for the achievement of an organisation's goals and

(ii) *Staff position:* A position intended to provide expertise, advice and support for the line positions.

The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as *functional authority.*

An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation. Exhibit 10.4 illustrates a staff or functional authority organisational structure.

Exhibit 10.4 : Staff or Functional Authority Organisational Structure



In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organisation, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas).

The principle of unity of command is violated when functional authority exists i.e., a worker or a group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Some staff specialists may exert direct authority over the line personnel, rather than exert advice authority (for example, quality control inspector may direct the worker as well as advise in matters related to quality).

3. Line and Staff Organisational Structure: Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

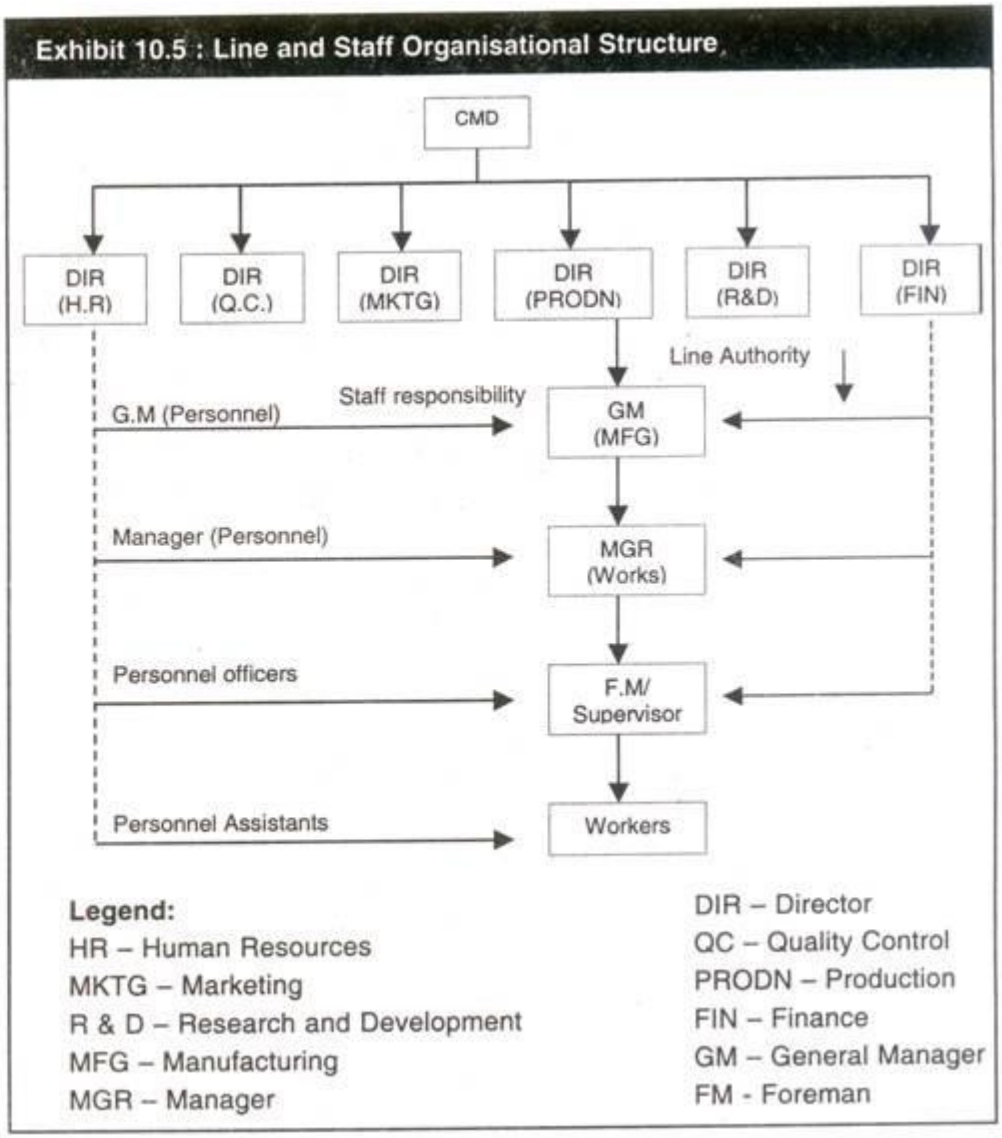


Exhibit 10.5 illustrates the line and staff organisational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Three types of specialized staffs can be identified:

(i) Advising, (ii) Service and (iii) Control.

Some staffs perform only one of these functions but some may perform two or all the three functions. The primary advantage is the use of expertise of staff specialists by the line personnel. The span of control of line managers can be increased because they are relieved of many functions which the staff people perform to assist the line.

Some *advantages* are: **(i)** Even through a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel. **(ii)** Line managers may not like staff personnel telling them what to do and how to do it even though they recognize the specialists' knowledge and expertise. **(iii)** Some staff people have difficulty adjusting to the role, especially when line managers are reluctant to accept advice**. (iv)** Staff people may resent their lack of authority and this may cause line and staff conflict.

Features: 1. Line and staff have direct vertical relationship between different levels. **2.** Staff specialists are responsible for advising and assisting line managers/officers in specialized areas. **3**. These types of specialized staff are (a) Advisory, (b) Service, (c) Control e.g.,

(a)<u>Advisory:</u> Management information system, Operation Research and Quantitative Techniques, Industrial Engineering, Planning etc

(b) <u>Service:</u> Maintenance, Purchase, Stores, Finance, Marketing.

(c) <u>Control:</u> Quality control, Cost control, Auditing etc. Advantages'

(i) Use of expertise of staff specialists**.(ii)** Span of control can be increased **(iii)** Relieves line authorities of routine and specialized decisions. **(iv)** No need for all round executives.

Disadvantages:**(i)** Conflict between line and staff may still arise. **(ii)** Staff officers may resent their lack of authority**.(iii)** Co-ordination between line and staff may become difficult.

4.Committee Organisational Structure

Features: **(a)** Formed for managing certain problems/situations **(b)** Are temporary decisions. *Advantages:* **1.** Committee decisions are better than individual decisions **2.** Better interaction between committee members leads to better co-ordination of activities **3.** Committee members can be motivated to participate in group decision making. **4.** Group discussion may lead to creative thinking.

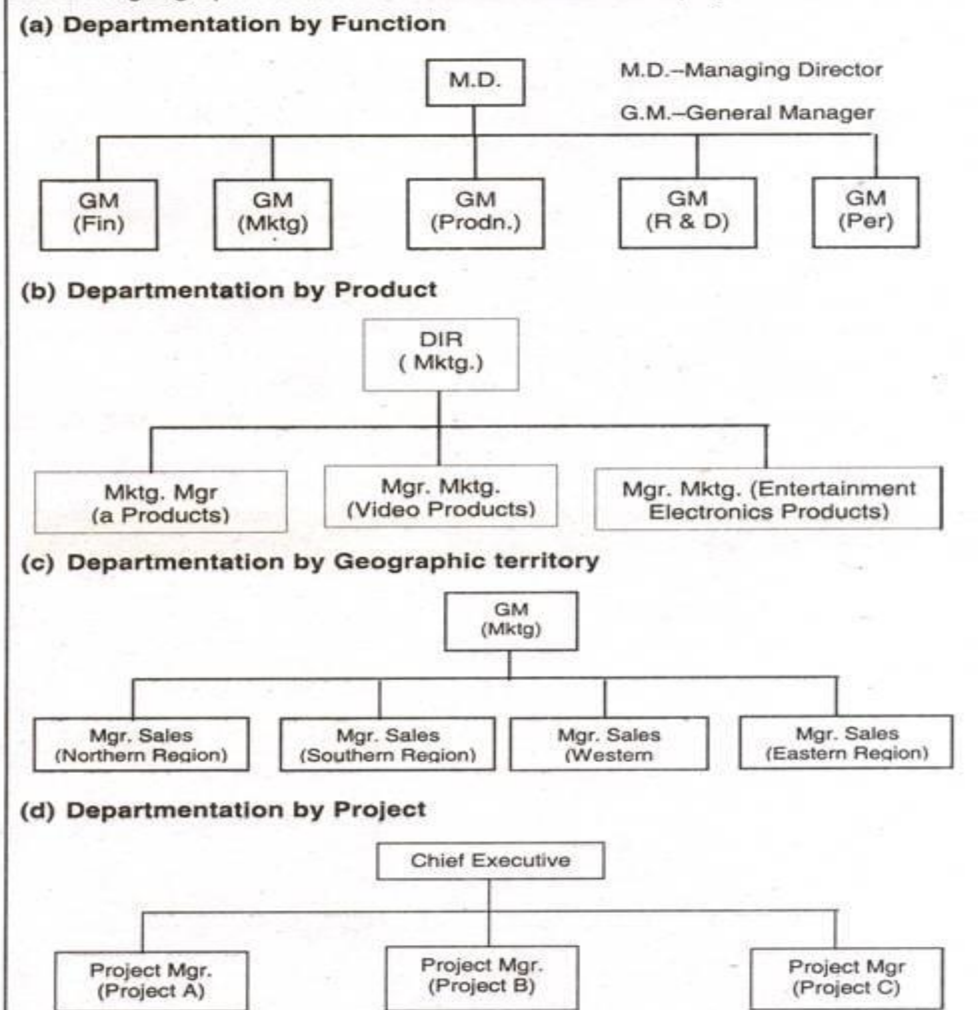
Disadvantages: **1.** Committees may delay decisions, consume more time and hence more expensive.**2.** Group action may lead to compromise and indecision.**3.** ‘Buck passing’ may result.

5. Divisional Organisational Structure: In this type of structure, the organisation can have different basis on which departments are formed. They are: **(i)** Function,**(ii)** Product,**(iii)** Geographic territory, **(iv)** Project and **(v)** Combination approach.

Exhibit 10.6 illustrates organisational structures formed based on the above basis of departmentation.

Exhibit 10.6 : Divisional Organisational Structure (Departmentation)

Features : Structure based on division of work based on a functional activity such as finance, marketing etc., or based on type of products manufactured or based on geographic location of the units or based on projects undertaken.

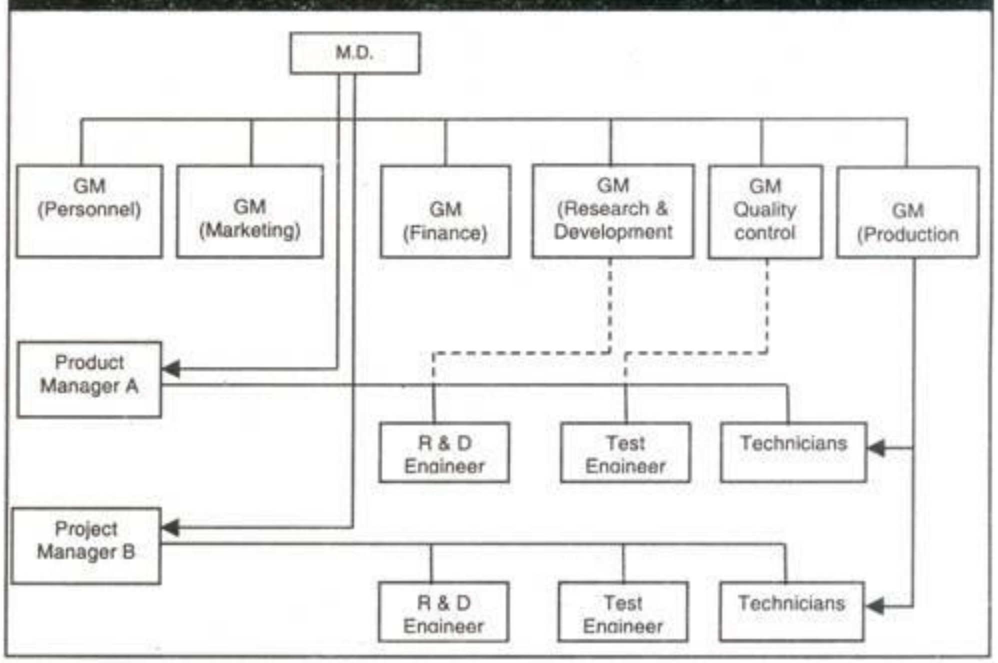


(e) Departmentation by combination approach (Combination of any two or more bases discussed above).

5. Project Organisational Structure: The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards. The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. The cope up with such situations, project organisations and matrix organisations have emerged.A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project. Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

Exhibit 10.7 illustrates a project organisational structure.

Exhibit 10.7 : Project Organisational Structure



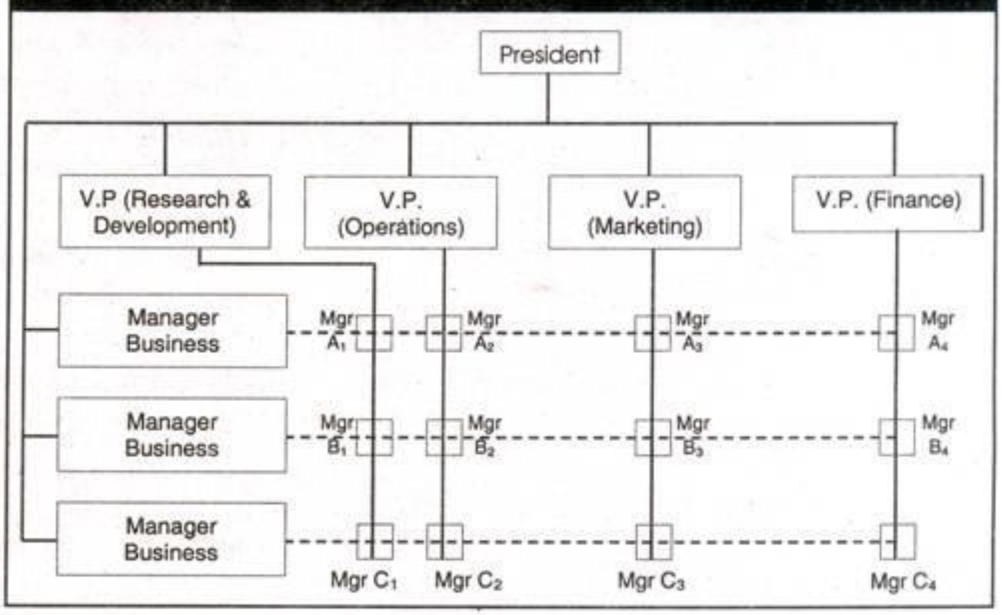
*Feature:*Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

Importance of Project Organisational Structure: Project organisational structure is most valuable when: (i) Work is defined by a specific goal and target date for completion.(ii) Work is unique and unfamiliar to the organisation. (iii) Work is complex having independent activities and specialized skills are necessary for accomplishment. (iv) Work is critical in terms of possible gains or losses.(v) Work is not repetitive in nature.

Characteristics of Project organisation: **1**. Personnel are assigned to a project from the existing permanent organisation and are under the direction and control of the project manager. **2.** The project manager specifies what effort is needed and when work will be performed whereas the concerned department manager executes the work using his resources. **3.** The project manager gets the needed support from production, quality control, engineering etc. for completion of the project. **4.** The authority over the project team members is shared by project manager and the respective functional managers in the permanent organisation. **5.** The services of the specialists (project team members) are temporarily loaned to the project manager till the completion of the project. **6.** There may be conflict between the project manager and the departmental manager on the issue of exercising authority over team members. **7.** Since authority relationships are overlapping with possibilities of conflicts, informal relationships between project manager and departmental managers (functional managers) become more important than formal prescription of authority. **8.** Full and free communication is essential among those working on the project.

6. Matrix Organisational Structure: It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The matrix organisation is illustrated in Exhibit 10.8.

Exhibit 10.8 : Matrix Organisational Structure



Feature: Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure

Advantages: **1.** Decentralised decision making. **2.** Strong product/project co-ordination. **3.** Improved environmental monitoring. **4.** Fast response to change. **5.** Flexible use of resources. **6.** Efficient use of support systems.

Disadvantages: **1.**High administration cost. **2.**Potential confusion over authority and responsibility**. 3.**High prospects of conflict**. 4.**Overemphasis on group decision making**. 5.** Excessive focus on internal relations.

This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment. In matrix structures, there are functional managers and product (or project or business group) managers. Functional manager are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are incharge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources. The problem with this structure is the negative effects of dual authority similar to that of project organisation. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

7. Hybrid Organisational Structure:

Exhibit 10.9 (a) illustrates the hybrid organisational structure.

Exhibit 10.9 *(a)* : Hybrid Organisational Structure (IBM Structure)

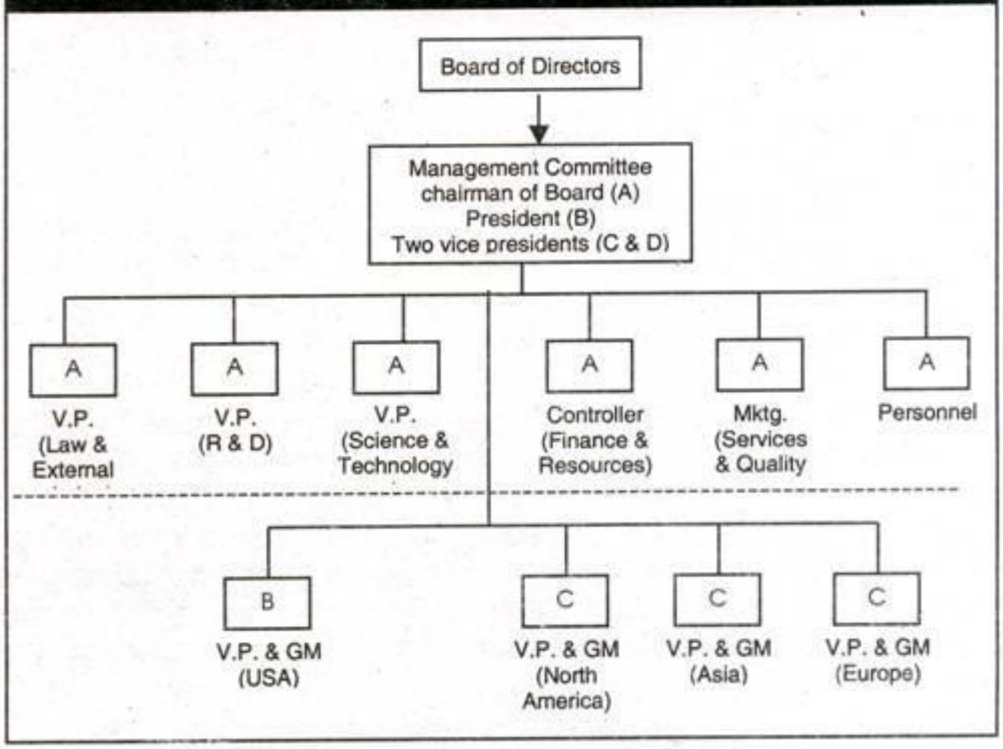
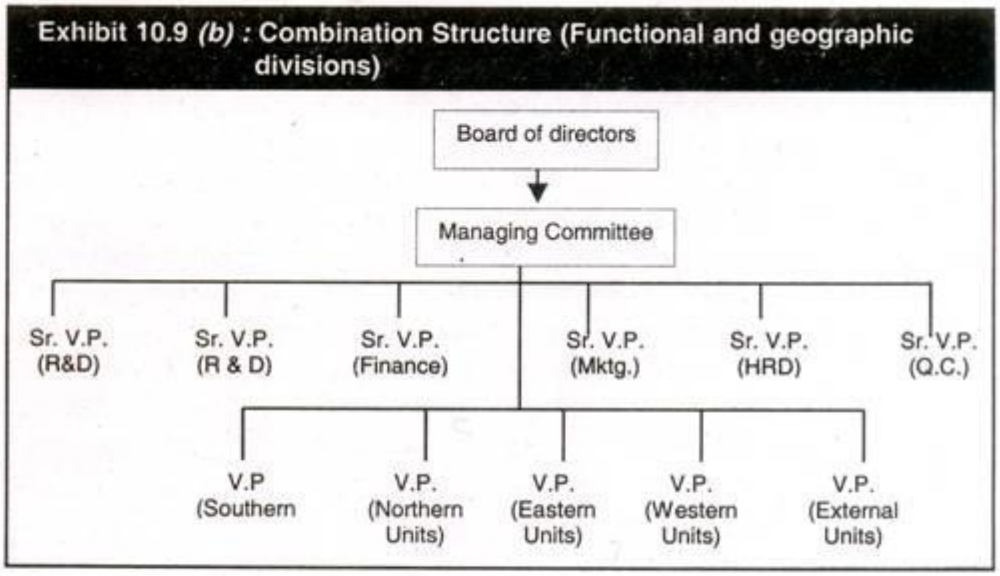


Exhibit 10.9 (b) illustrates a combination structure



Advantages: **1.** Alignment of corporate and divisional goals. **2.** Functional expertise and efficiency. **3.** Adaptability and flexibility in divisions.

Disadvantages **1.** Conflicts between corporate departments and units. **2.** Excessive administration overhead. **3.** Slow response to exceptional situations.

Uses: Used in organisations that face considerable environmental uncertainty that can be met through a divisional structure and that also required functional expertise or efficiency This type of structure is used by multinational companies operating in the global environment, for example, International Business Machines USA. This kind of structure depends on factors such as degree of international orientation and commitment. Multinational corporations may have their corporate offices in the country of origin and their international divisions established in various countries reporting to the CEO or president at the headquarters. The international divisions or foreign subsidiaries may be grouped into regions such as North America, Asia, Europe etc. and again each region may be subdivided into countries within each region.

While the focus is on international geographic structures, companies may also choose functional or process or product departmentation in addition to geographic pattern while at the head quarter's the departmentation may be based on function.

DEFINITION AND MEANING OF DELEGATION OF AUTHORITY:

Delegation of Authority is an important step in organising.It means granting of authority by the superior manager to his subordinates in order to accomplish particular assignments. When the work of an executive increases so much in volume that he cannot cope with it, he has to divide it among his subordinates.

This process of dividing the work with others and giving them authority to do it is referred to as 'Delegation'. So, *Delegation may be defined as the process of entrusting some part of the work of operations or management to oth-ers; thus sharing one's responsibilities with others. It involves granting the right to decision-making in certain defined areas and charging the subordinates with responsibility for carrying out the assigned tasks.*

In the words of N. R. Spriegel: "*Delegation is the act of conferring authority by higher source of authority.*"

The process of dividing up the work of an enterprise among people creates a number of jobs or positions for both the managers and the operators. Organisation being a mechanism to provide for integrated and co-operative action, all managerial and operating jobs are to be tied together in a consistent manner. Delegation is the element that holds the jobs or positions together.The chief executive of an enterprise cannot personally manage all the activities. Obviously, for the individual departments, there must be departmental managers and, for the divided sections of a particular department, there should exist sectional managers. These de-partmental and sectional managers derive their authority from the chief executive.

The chief executive delegates a part of his authority to different subordinates for enabling them to dis-charge the work responsibilities or duties in all areas of the business. In delegating authority, the chief executive retains some reserved authority for his own performance as well as the power of demanding accountability from the subordinates for ensuring satisfactory performance on their part. This accountability can never be delegated by a manager to his subordinates.

Thus, delegation is the means by which a manager can share his duties with his immediate subordinates who, in turn, delegate to their subordinates, and the process is continued until managerial work reaches the supervisors at the lowest level of management and operating work is assumed by the workers. By means of delegation, the manager extends his area of operation. Delegation enables the managers to distribute their load of work to others—thus leaving them free to concentrate on the other important func-tions of management. Besides, it influences the relationship between the subordinate and his superior and the performance of the subordinate.

Features of Delegation of Authority: Delegation of authority has the following features or characteristics:

1. *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 the formal authority originates at the top level, it is distributed throughout the organisation through delegation and re-delegation.

2. Delegation has dual characteristics. As a result of delegation, a subordinate employee receives authority from his superior, but, at the same time, his superior still retains all his original authority. George Terry comments on this concept: “It is something like imparting knowledge. You share with others who then possess the knowledge, but you still retain the knowledge too.” Delegation does not imply reduction in the authority of a manager.

3. Delegation does not mean a manager loses control and power. Authority once del-egated can be enhanced, reduced or withdrawn depending on the situation or requirement. For example, change in the organisation structure, policy, procedure, methods etc. may require change in the degree of delegation of authority.

4. A manager delegates authority out of the authority vested in him. He cannot delegate which he himself does not possess. Moreover, he does not delegate his full authority to his subordinates, because if he delegates all his authority, he passes his position to the subordi-nates.

5. Delegation of authority is always made to the position created through the process of organising. 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.

6. The extent of authority to be delegated depends upon several factors, like the ability and willingness of the executive to delegate, the ability of the subordinates to accept delega-tion, the confidence of the superior in his subordinates, the philosophy of management, etc.

7. Delegation of authority may be specific or general. It is specified when the courses of action for particular objectives are specified. It is general when these are not specified, though objectives may be specified.

Necessity of Delegation of Authority:

Delegation of authority is the most essential requirement for successful management. It is the key to organisation and a cementing force for binding the formal organisation together. In a big concern, due to its complexities, delegation is a must.

It is not possible and practicable for a chief executive to manage and control everything. In spite of the fact that the ultimate responsibilities rest on him, he delegates some of his activities and authority to many of his subordinates. The delegation of authority arises from the natural limitations of the human being. As the organisation grows up or becomes more complex, a point may be reached at which the single manager is no longer able to cope with the full load of responsibilities.He finds that neither time nor his own capacity and knowledge permits him to give adequate attention to the proper utilisation of human and material factors upon which effective man-agement is based. This is the reason that gives rise to the need for delegation.

Apart from physical limitation the need for delegation arises in a big complex organisa-tion for securing expert's services. It is also not practicable for a chief executive to give specialist's advice on every matter. He may have time and energy but he may not have the skill. A business has different kinds of jobs, some of which may require specialist persons for their accomplishment. The top executive delegates these responsibilities to the experts, viz., secretary, accountant, and legal adviser. Moreover, for a business with branches situated at different places, there is no alternative to delegation.

Delegation also ensures continuity in business because the managers at lower levels are enabled to acquire valuable experience in decision-making. They get an opportunity to de-velop their abilities and gain enough competence to fill higher positions in case of need.

Process or Elements of Delegation: The process of delegation involves the following three essential elements:

1. Assignment of Duties: As one manager cannot perform all the tasks, he must allo-cate a part of his work to the subordinates. The sharing of duties between a manager and his subordinates can only be done when the work is divided into parts. In delegating duties, the manager has to decide what part of the work he will keep for himself and what parts should be transferred to his subordinates. Defining the work of the subordinates by their superior man-ager is known as assignment of duties. It also covers defining of the results expected from the subordinates. The manager may assign various duties in terms of goals, functions or results.

Duties may also be assigned in terms of job description. Expressing the duties in terms of goals will probably result in more effective delegation, because it provides mental satisfac-tion to the subordinates of being involved in fulfilling a mission through the performance of certain allotted activities. Duties should be allocated according to the qualification, experi-ence and aptitude of the subordinates.

2. Granting of Authority: If the delegated duties are to be discharged by the subordi-nates, they must be granted requisite authority for enabling them to perform such duties. Assignment of duties is meaningless unless adequate authority is given to the subordinates. The same rights and powers as would have been necessary on the part of a manager for his self-performance are to be conferred upon his subordinates.

In the process of delegating au-thority, the executive gives power or permission to the subordinate to use certain rights— such as the right to spend money, to direct the work of other people, to use raw materials and other property, or to represent the organisation to outsiders. Effective delegation, however, requires that the limits of authority should be made clear to each subordinate. The superior and the subordinate should clearly understand the subordinate's right to act, to request others to act, and to maintain discipline. The superior can delegate only that for which he has the authority and power to perform. He, however, does not give away the total authority; he only delegates a part of it, retaining the ultimate authority and responsibility to himself.

3. Creation of Obligation or Accountability for Performance: The last step in the process of delegation of authority is the creation of moral compulsion or obligation on the part of the subordinates for the satisfactory performance of their duties. The subordinates to whom authority is delegated must be made answerable for the proper performance of the assigned duties and for the exercise of delegated authority.

The creation of obligation is—in real sense—assumption of responsibility by the subordinates. By accepting an assignment (i.e. a delegated task), a subordinate, in effect, gives his promises to do his best in carrying out his duties. His obligation to do the task assigned makes him accountable to the delegator for discharge of his duties. As the manager himself remains ever accountable to his superior for the satisfactory performance of the work, he has to exercise control over the performance of his subordinates. This control is exercised through demanding accountability from the subor-dinates. Duty and authority can be delegated by a manager to his subordinates, but account-ability flows from subordinates to the superior in an upward direction.The process of delegation is shown in the following diagram:

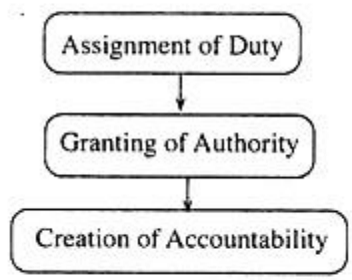


Fig. 4.15: The Process of Delegation.

Benefits of Delegation of Authority: Delegation provides the following advantages:

1. Basis of Effective Functioning: Delegation lays down the basis of effective func-tioning of an organisation. By establishing structural relationships throughout the organisa-tion, delegation helps in securing co-ordination of various activities for accomplishing the enterprise objectives.

2. Reduction in Work-Burden of the Chief Executive: Delegation reduces the execu-tive burden by way of relieving the superior of the need to attend to minor or routine duties. It, thus, enables him to devote greater attention and effort towards broader and more important responsibilities.

3. Benefits of Specialised Service: Delegation enables the manager to utilise the spe-cialised knowledge and experience of the persons at lower levels.

4. Efficient Running of Branches: In the modern world, where a business rarely con-fines its activities to a single place, only delegation can provide the key to smooth and effi-cient running of the various branches of the business at places far and near.

5. Aid to Expansion and Diversification of Business: As delegation provides the means of extending and multiplying the limited capacity of the superior, it is instrumental for en-couraging expansion and diversification of the business.

6. Aid to Employee Development: Delegation permits the subordinates to enlarge their jobs, to develop their capacity and to broaden their understanding. By forcing the subordi-nates to assume greater responsibilities and to make important decisions, the superior insists on the development of subordinates executive talents. Delegation improves the morale of the subordinates by way of raising their status and importance in the organisation.

Difficulties and Problems in Delegation of Authority:

Delegation is apparently a simple process, but, in practice, certain difficulties and prob-lems generally crop up to hamper this process. This is often partly on account of the superior manager's attitude towards delegating authority and partly due to the subordinate's hesitation in accepting delegation. These difficulties or obstacles in the way of proper delegation may be summarised as follows:

(A) Reluctance on the Part of the Executives: A superior manager is likely to delegate less authority in the following situations:

1. *Superiority complex:* Some executives tend to feel that they can do the job better themselves, and, for this reason, they do not delegate their authority. They consider them-selves indispensable—neither they respect the ideas of others nor do they give the subordi-nates a chance to prove their merit.

2. *Maintenance of tight control:* A manager does not delegate authority because he wants to maintain tight control over the operation assigned to him.

3. *Lack of confidence in the subordinates:* A manager may not delegate authority because he feels that his subordinates are not capable and reliable. He lacks confidence in his subordinates. If delegation is not made, the future manager has no opportunity to gain expe-rience. Confidence is built up gradually and on the basis of success.

4. *Lack of ability to direct:* Many managers have difficulty in giving suitable direc-tions to guide the efforts of the subordinates. Sometimes the boss may like to delegate author-ity but may not be able to do it effectively due to his inability to identify, interpret and com-municate the essential features of his plans. So, an executive who lacks ability to direct cannot delegate.

5. *Absence of control techniques that warn of coming troubles:* In the cases where the executive in charge of operations has practically no means of knowing serious difficulties in the working of the organisation in advance, he may hesitate in delegating authority.

6. *Conservative and cautious temperament:* A conservative and over-cautious man-ager will never like to take any risk. Since delegation of the task to a subordinate involves some elements of chance or risk, the executive may hesitate to delegate anything to anyone.

7. *Fear of exposure:* A superior manager, specially an incompetent one, may not like to delegate simply because adequate delegation may reveal his weakness and shortcomings. This may happen specially when the superior has poor operating procedures, methods and practices. He feels that delegation may undermine his influence and prestige in the organisa-tion. He keeps all the authority to himself for fear of being exposed.

8. *Fear of the subordinates:* A manager may not delegate adequate authority because of his fears of the subordinates. The fear of a subordinate’s growth may be real. It can take two forms. First, the subordinate might show that he can perform the superior’s work so well that he becomes entitled to the manager’s position, status or prestige. Second, the subordinate’s increasing ability might earn him a promotion to some other part of the organisation and the superior may lose his best subordinate. In this case, the superior may adopt a defensive behav-iour. He simply fails to delegate the kind of authority that would have such a result.

9. *Love for authority:* A superior may not delegate his authority specially if he is an autocrat. Such a manager has intense desire to dominate others, to make his importance felt in the organisation, and to see that his subordinates come frequently for approval. He thinks that delegation will lead to reduction of his influence in the organisation.

(B) Reluctance on the Part of the Subordinates: The subordinates may not always like to accept delegation and shoulder responsibility.

A subordinate may shrink from accept-ing authority for the following reasons:

1. *Dependence on the boss for decisions:* If a subordinate finds it easier to depend upon his boss for taking decisions while tackling problems, he may avoid accepting authority even when his boss is ready to delegate it,

2. *Fear of criticism:* The subordinates sometimes fear criticism on the part of their superiors. This fear is often justified. In fact, some superiors tend to criticize any action taken by a subordinate and even a small genuine mistake. This discourages initiative, causes resent-ment, and destroys a subordinate’s self-confidence.

3. *Lack of information or resources:* A subordinate will generally be unwilling to accept authority when adequate information, working facilities, and resources required for the proper performance of a task are not available.

4. *Lack of self-confidence and fear of failure:* A subordinate who does not possess self-confidence will generally try to shirk responsibility even though the executive is pre-pared to delegate. Such subordinates often feel that they will fail, and so, do not want addi-tional responsibilities through delegation.

5. *Inadequacy of positive incentive: A* subordinate hesitates in accepting more work delegated to him by the boss if he does not get sufficient positive incentives in the form of recognition, credit, and other rewards.

6. *Over-work:* When the subordinates are already over-burdened with duties, they may avoid delegation because they feel that they will not be able to do an additional task along with those which they presently have been assigned. This may be a perfectly legitimate reason.

Fig. 4.16: Difficulties in Delegation.

Principles of Delegation of Authority: Delegation, to be effective, must be governed by certain working rules or principles. The following rules or principles are fundamental in relation to delegation of authority:

1. Functional Definition: Before delegating authority, a manager should define clearly the functions to be performed by the subordinates. The objectives of each job, the activities involved in it, and its relationship with other jobs should be clearly defined.

2. Delegation by Result Expected: Authority should be delegated to a position ac-cording to the results expected from that position. Duties of the subordinates become clear to them only when they understand what activities they must undertake and what results they must show. By spelling out the duties in terms of goals or expected results, advance notice is to be given to the subordinates as to the criteria on which their performance will be judged.

3. Clarity of Lines of Authority: Each position in the organisation 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. A clear understanding of the lines of authority is needed for smooth functioning of the organi-sation. Everyone must know from whom he gets authority and to whom his authority must be referred.

4. Level of Authority: It implies delegation of decision-making authority to the com-petent managers at some level. The superior is not expected to interfere with the decision--making process which is, by delegation, within the competence of the subordinate manager at the lower organisation levels concerned.

5. Absoluteness of Responsibility: Responsibility cannot be delegated. An executive cannot free himself from his own obligations to his superior by delegating duties. In fact, by delegating authority he increases his responsibility as he will be now accountable to his supe-rior for the acts of his subordinates also. The ultimate responsibility for the accomplishment of the task is his, even though it has been assigned to his subordinates.

6. Parity of Authority and Responsibility: A subordinate should be given necessary authority to perform his assigned duties. Authority must correspond to perform his responsi-bility. There must be a proper balance between authority and responsibility of a subordinate. It is unfair to hold a person responsible for something over which he has no authority.

Respon-sibility without authority will make a subordinate ineffective as he cannot discharge his du-ties. Similarly, authority without responsibility will make the subordinate irresponsible. There-fore, authority and responsibility should be co-extensive.

7. Motivation: It should be the policy of the managers to provide material and psycho-logical incentives to the subordinates so that they spontaneously accept the delegated respon-sibility and duty and exercise the authority delegated to them. Higher wages, bonus, promo-tion to better positions, greater recognition and prestige etc. may have a stimulating effect for productive performance of duties.

CENTRALIZATION

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

- Reservation of decision making power at top level.
- Reservation of operating authority with the middle level managers.
- Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

Advantages of Centralization: Following are the advantages of centralization:

1. *Standardization of Procedures and Systems:* Centralization enables standardization of procedures and systems. It facilitates smooth working in the organization. There is also a consistency in day-to-day working. The consumer service will also improve if standard policies are used.

2. *Facilitates Evaluation:* When same policies are used for all segments of the enterprise their performance can easily be evaluated. It also helps in comparing the results of different departments. This will bring a sense of competition among various segments. Ultimately the overall performance will improve.

3. *Economies:* Centralization of management will bring in economies of large scale. There will be a centralized buying and selling. This will enable bulk buying resulting in discounts and savings in transportation expenses. When sales are done in large quantities then customers are offered better terms and low prices. There will be an economy in managerial expenses also.

4. *Co-ordination of Activities*: Co-ordination of activities of various segments is also facilitated by centralized management. In the absence of centralization, different segments may pursue their independent policies. This may result in disunity and disintegration. Different segments may emphasize their own goals only without bothering about organizational objectives. Centralized management will help in coordinating the work of different segments in such a way that organizational goals are achieved.

DECENTRALISATION:

Decentralisation can be viewed as an extension of delegation. When a part of the work is entrusted to others, it is known as delegation. Decentralisation extends to the lowest level of the organisation. A few definitions are given below:

"Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points." —Louis A. Allen

"*Decentralisation means the division of a group of functions and activities into relatively autonomous units with overall authority and responsibility for their operation delegate to timd of cacti unit.*'—Earl. P. Strong

"Decentralisation is simply a matter of dividing up the managerial work and assigning specific duties to the various executive skills." —Newman, summer and Wairen

Thus*, decentralisation is concerned with the decentralisation of decision-making authority to the lower levels in managerial hierarchy*.

Degree of Decentralisation: The degree of decentralisation is determined by:

(a) Nature of the authority delegated **(b)**How far down in the organisation it is delegated, **(c)** How consistently it is delegated.

So, the degree of decentralisation is determined by the authority given. *For example, manager A in a company is given the authority to buy certain material worth Rs. 1500 whereas manager B is allowed to do similar type of work to the extent of Rs. 4500. It is clear that the degree of decentralisation is less in case of A. Similarly decisions about the matters referred, measure the degree of decentralisation depending upon the power to take decisions vested in an officer without the need of getting consent of somebody else.*

Advantages of Decentralisation:

1. *Reduces the burden on top executives:* Decentralisation relieves the top executives of the burden of performing various functions. Centralisation of authority puts the whole responsibility on the shoulders of an executive and his immediate group. This reduces the time at the disposal of top executives who should concentrate on other important managerial functions. So, the only way to lessen their burden is to decentralise the decision-making power to the subordinates.

2. *Facilitates diversification:* Under decentralization, the diversification of products, activites and markets etc., is facilitated. A centralised enterprise with the concentration of authority at the top will find it difficult and complex to diversify its activities and start the additional lines of manufacture or distribution.

3. *To provide product and market emphasis:* A product loses its market when new products appear in the market on account of innovations or changes in the customers demand. In such cases authority is decentralised to the regional units to render instant service taking into account the price, quality, delivery, novelty, etc.

4. *Executive Development:* When the authority is decentralised, executives in the organisation will get the opportunity to develop their talents by taking initiative which will also make them ready for managerial positions. The growth of the company greatly depends on the talented executives.

5. *It promotes motivation:* To quote Louis A. Allen, "Decentralisation stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups.” This improves the morale of employees as they get involved in decision-making process.

6. *Better control and supervision:* Decentralisation ensures better control and supervision as the subordinates at the lowest levels will have the authority to make independent decisions. As a result they have thorough knowledge of every assignment under their control and are in a position to make amendments and take corrective action.

7. *Quick Decision-Making:* Decentralisation brings decision making process closer to the scene of action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

Disadvantages of Decentralisation: Decentralisation can be extremely beneficial. But it can be dangerous unless it is carefully constructed and constantly monitored for the good of the company as a whole. Some disadvantages of decentralisation are:

1. *Uniform policies not Followed:* Under decentralisation, it is not possible* to follow uniform policies and standardised procedures. Each manager will work and frame policies according to his talent.

2. *Problem of Co-Ordination:* Decentralisation of authority creates problems of co-ordination as authority lies dispersed widely throughout the organisation.

3. *More Financial Burden:* Decentralisation requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.

4. *Require Qualified Personnel:* Decentralisation becomes useless when there are no qualified and competent personnel.

5. *Conflict:* Decentralisation puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers.

STAFFING:

The term ‘Staffing’ *relates to the recruitment, selection, development, training and compensation of the managerial personnel*. Staffing, like all other managerial functions, is the duty which the apex management performs at all times. In a newly created enterprise, the staffing would come as a. third step—next to planning and organizing—but in a going enterprise the staffing process is continuous.

In order to define and clarify the group of employees included in the staffing concept, it must be stated that the staffing function is concerned with the placement, growth and development of all of those members of the organization whose function it is to get things done through one effort of other individuals.

This definition includes all levels of management because those who will occupy positions in the top two or three levels of management fifteen or twenty years from now are likely to be found in the lower levels today.

"*The managerial function of staffing involves manning the organisational structure through effective and proper selection, appraisal, and development of personnel to fill the roles designed into the structure.*" — Koontz and O'Donnell

Nature of Staffing: Staffing is an integral part of human resource management. It facilitates procurement and placement of right people on the right jobs.

The nature of staffing function is discussed below:

1. ***People Centred:*** Staffing is people centred and is relevant in all types of organisations. It is concerned with all categories of personnel from top to bottom of the organisation. The broad classification of personnel may be as follows:

(i) Blue collar workers (i.e., those working on the machines and engaged in loading, unloading etc.) and white collar workers (i.e., clerical employees). **(ii)** Managerial and non-managerial personnel **(iii)** Professionals (such as Chartered Accountant, Company Secretary, Lawyer, etc.).

2. Responsibility of Every Manager: Staffing is a basic function of management. Every manager is continuously engaged in performing the staffing function. He is actively associated with recruitment, selection, training and appraisal of his subordinates. These activities are performed by the chief executive, departmental managers and foremen in relation to their subordinates. Thus, staffing is a pervasive function of management and is performed by the managers at all levels. It is the duty of every manager to perform the staffing activities such as selection, training, performance appraisal and counseling of employees. In many enterprises. Personnel Department is created to perform these activities. But it does not mean that the managers at different levels are relieved of the responsibility concerned with staffing. The Personnel Department is established to provide assistance to the managers in performing their staffing function. Thus, every manager has to share the responsibility of staffing.

3. Human Skills: Staffing function is concerned with training and development of human resources. Every manager should use human relations skill in providing guidance and training to the subordinates. Human relations skills are also required in performance appraisal, transfer and promotion of subordinates. If the staffing function is performed properly, the human relations in the organisation will be cordial.

4. Continuous Function: Staffing function is to be performed continuously. It is equally important in the established organisations and the new organisations. In a new organisation, there has to be recruitment, selection and training of personnel. In a running organisation, every manager is engaged in various staffing activities. He is to guide and train the workers and also evaluate their performance on a continuous basis.

Importance of Staffing: It is of utmost importance for the organisation that right kinds of people are employed. They should be given adequate training so that wastage is minimum. They must also be induced to show higher productivity and quality by offering them incentives. In fact, effective performance of the staff function is necessary to realize the following benefits:

1. Efficient Performance of Other Functions: Staffing is the key to the efficient performance of other functions of management. If an organisation does not have competent personnel, it can't perform planning, organisation and control functions properly.

2. Effective Use of Technology and Other Resources: It is the human factor that is instrumental in the effective utilisation of latest technology, capital, material, etc. the management can ensure right kinds of personnel by performing the staffing function.

3. Optimum Utilisation of Human Resources: The wage bill of big concerns is quite high. They also spend money on recruitment, selection, training and development of employees. In order to get the optimum output from the personnel, the staffing function should be performed in an efficient manner.

4. Development of Human Capital: The management is required to determine the manpower requirements well in advance. It has also to train and develop the existing personnel for career advancement. This will meet the requirements of the company in future.

5. Motivation of Human Resources: The behaviour of individuals is shaped by many factors such as education level, needs, socio-cultural factors, etc. that is why, the human aspect of organisation has become very important. The workers can be motivated through financial and non-financial incentives.

6. Building Higher Morale: Right type of climate should be created for the workers to contribute to the achievement of the organisational objectives. By performing the staffing function effectively, management can show the significance it attaches to the personnel working in the enterprise. This will increase the morale of the employees.

STAFFING PROCESS - Steps involved in Staffing process are:

Manpower requirements- The very first step in staffing is to plan the manpower inventory required by a concern in order to match them with the job requirements and demands. Therefore, it involves forecasting and determining the future manpower needs of the concern.

Recruitment- Once the requirements are notified, the concern invites and solicits applications according to the invitations made to the desirable candidates.

Selection- This is the screening step of staffing in which the solicited applications are screened out and suitable candidates are appointed as per the requirements.

Orientation and Placement- Once screening takes place, the appointed candidates are made familiar to the work units and work environment through the orientation programmes. placement takes place by putting right man on the right job.

Training and Development- Training is a part of incentives given to the workers in order to develop and grow them within the concern. Training is generally given according to the nature of activities and scope of expansion in it. Along with it, the workers are developed by providing them extra benefits of indepth knowledge of their functional areas. Development also includes giving them key and important jobsas a test or examination in order to analyse their performances.

Remuneration- It is a kind of compensation provided monetarily to the employees for their work performances. This is given according to the nature of job- skilled or unskilled, physical or mental, etc. Remuneration forms an important monetary incentive for the employees.

Performance Evaluation- In order to keep a track or record of the behaviour, attitudes as well as opinions of the workers towards their jobs. For this regular assessment is done to evaluate and supervise different work units in a concern. It is basically concerning to know the development cycle and growth patterns of the employeesin a concern.

Promotion and transfer- Promotion is said to be a non- monetary incentive in which the worker is shifted from a higher job demanding bigger responsibilities as well as shifting the workers and transferring them to different work units and branches of the same organization.

UNIT IV

DIRECTION

Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. Direction is another important element of management. It is the sum total of managerial efforts which takes the organisation towards the predetermined goals. It is in fact part of every managerial action. The organisation does not start working till the manager gives direction which means guiding and supervising the subordinates. To carry out the function of direction is a tough task for the manager. It involves the tackling of human beings with varied nature. It is the inter-personal phenomenon which is concerned with men in one form or the other at every level of management.

On the other hand Directing is an important managerial function. Directing is an important managerial function which initiates organizer's action. It is concerned with managing the members of the organisation. Directing is the managerial function that consists of those activities which are concerned directly with influencing, guiding or supervising the subordinates in their jobs.Thus directing is performance oriented and the initiating function of management that actuates plans and the organisation. If subordinates are not properly directed, nothing can be accomplished.

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.

Directing initiates action and it is from here actual work starts. According to Human, *"Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned" Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.*

Direction has got following characteristics:

Pervasive Function **-** Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.

Continuous Activity **-** Direction is a continuous activity as it continuous throughout the life of organization.

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, 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.

Nature or Characteristics of Direction:

The following features of direction bring out the nature of directing function of management:

1*. It is a Dynamic Function:* Directing is a dynamic and continuing function. A manager has to continuously direct, guide, motivate and lead his subordinates. With change in plans and organizational relationships, he will have to change the methods and techniques to direction.

2. It Initiates Action: Directing initiates organized and planned action and ensures effective performance by subordinates towards the accomplishment of group activities. It is regarded as the essence of management-in-action.

3. *It Provides Necessary Link between Various Managerial Functions:* Directing links the various managerial functions of planning, organizing, staffing and controlling. Without directing the function of controlling will never arise and the other preparatory functions of management will become meaningless. In the words of Haimann, "nothing happens unless and until the business automobile is put into gear and the accelerator pressed."

4. It is a Universal Function: Directing is a universal function that is performed in all organizations and at all the levels of management. All managers have to guide, motivate, lead, supervise and communicate with their subordinates, although more time is spent on directing at higher levels of management.

5. It is Concerned with Human Relationships: The direction function of management deals with relationship between people working in an organization. It creates co-operation and harmony among the members of the group. It seeks to achieve orderly arrangement of group effort to provide unity of action in the pursuit of common objectives.

Principles of Effective Direction:

Effective direction leads to greater contribution of subordinates to organization goals. The directing function of management can be effective only when certain well accepted principles are followed. The following are the basic principles of effective direction:

1. Harmony of Objectives: It is an essential function of management to make the people realize the objectives of the group and direct their efforts towards the achievement of their objectives. The interest of the group must always prevail over individual interest. The principle implies harmony of personal interest and common interest. Effective direction fosters the sense of belongingness among all subordinates in such a way that they always identify themselves with the enterprise and tune their goals with those of the enterprise.

2. Unity of Command: This principle states that one person should receive orders from only one superior, in other words, one person should be accountable to only one boss. If one person is under more than one boss then there can be contradictory orders and the subordinate fails to understand whose order to be followed. In the absence of unity of command, the authority is undermined, discipline weakened, loyalty divided and confusion and delays are caused.

3. Unity of Direction: To have effective direction, there should be one head and one plan for a group of activities having the same objectives. In other words, each group of activities having the same objectives must have one plan of action and must be under the control of one supervisor.

4. Direct Supervision: The directing function of management becomes more effective if the superior maintains direct personal contact with his subordinates. Direct supervision infuses a sense of participation among subordinates that encourages them to put in their best to achieve the organizational goals and develop an effective system of feed-back of information.

5. Participative or Democratic Management: The function of directing becomes more effective if participative or democratic style of management is followed. According to this principle, the superior must act according to the mutual consent and the decisions reached after consulting the subordinates. It provides necessary motivation to the workers by ensuring their participation and acceptance of work methods.

6. Effective Communication: To have effective direction, it is very essential to have an effective communication system which provides for free flow of ideas, information, suggestions, complaints and grievances.

7. Follow-up: In order to make direction effective, a manager has to continuously direct, guide, motivate and lead his subordinates. A manager has not only to issue orders and instructions but also to follow-up the performance so as to ensure that work is being performed as desired. He should intelligently oversee his subordinates at work and correct them whenever they go wrong.

Aspects or Elements of Direction:

Directing is a very important function of management. It is rightly called the heart of management process as it is concerned with initiating action. It consists of all those activities which are concerned with influencing, guiding or supervising the subordinates in their job. The main aspects or elements of direction are as follows:

1. Issuing Orders and Instructions; 2. Leadership; 3. Communication; 4. Motivation;
5. Supervision; and 6. Co-ordination.

1. Issuing Orders and Instructions: A manager is required to issue a number of orders to his subordinates to initiate, modify or halt any action. He is also required to guide and instruct workers in performance of their task towards the achievement of desired goals. Instructions are important in directing subordinates. Orders and instructions reflect the decisions of managers.

A good order or instruction should have the following characteristics:

(a) It should be simple, unambiguous and clear**.(b)** It should be brief but complete. **(c)** It should be reasonable and enforceable. **(d)** It should be convincing and acceptable. **(e)** It should invoke co-operation. **(f)** It should be compatible with the objectives of the organization. **(g)** It should "be in written form as far as possible. **(h)** It should be backed up by follow-up action.

2. Leadership: Leadership is "the process by which an executive or manager imaginatively directs/guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organization in such a manner that both will get maximum satisfaction." It is the ability to build up confidence and zeal among people and to create an urge in them to be led. To be a successful leader a manager must process the qualities of foresight, drive, initiative, self-confidence and personal integrity. Different situations may demand different types of leadership viz., autocratic leadership, democratic leadership and free-rein leadership.

3. Communication: Communication constitutes a very important element of directing. It is said to be the number one problem of management today. Communication is the means by which the behaviour of the subordinates is modified and change is effected in their action. The word communication has been derived from the Latin word 'Communis' which means 'common'. Thus, communi-cation means sharing of ideas in common. The essence of communication is getting the receiver and the sender tuned together for a particular message. Communication refers to the exchange of ideas, feelings, emotions, knowledge and information between two or more persons.

In management ideas, objectives, orders, appeals, observations, instructions, suggestions etc. have to be exchanged among the managerial personnel and their subordinates operating at different levels of the organization for the purpose of planning and executing the business policies. Directing will mainly depend upon the effectiveness of communication. In case the orders and instructions are not properly conveyed then these may not be properly implemented.

4. Motivation: It is an important element of directing function. Motivation encourages persons to give their best performance and help in reaching enterprise goals. It is the degree of readiness for undertaking assigned task and doing it in the best possible way. Directing function tries to make best use of various factors of production available in the organization. This can be achieved only when employees co-operate in this task. Efforts should be made to make employees contribute their maximum.

5. Supervision: It consists of the process and technique involved in issuing instructions and confirming that operations are carried as originally planned. Supervision is a continuing activity and performed at every level of activity. It is inevitable at every level of management for putting the managerial plans and policies into action. In a way supervision is a sort of control as the supervisor is supposed to take corrective measures if the work is not in line with the plan.

6. Co-ordination: Co-ordination is an orderly arrangement of group effort to provide unity of action in pursuit of common purpose. The purpose of directing is to get various activities coordinated for achieving common goals. Co-ordination involves the integration of various parts of the organization. In order to achieve goals of an enterprise, both physical as well as mental co-ordination should be secured. Co-ordination is a part of directing exercise and helps in synchronization of various efforts.

Importance of Direction: Directing various employees in an organization is an important managerial task. It is indispensable for achieving enterprise objectives. Effective direction provides the following advantages:

1. Initiates Action: Direction is required to initiate action. The functions of planning, organizing, staffing etc., will be taken up only when direction is given to initiate them. Direction starts the actual work for achieving enterprise objectives.

2. Improves Efficiency: A manager tries to get maximum work from his subordinates. This will be possible only through motivation and leadership and these techniques are a part of direction.

3. Ensures Co-ordination: Direction helps in ensuring mutual understanding and team work. The individual efforts are directed in such a way that personal performances help in achieving enterprise objectives. The integration of various activities is possible through direction.

4. Helpful in Implementing Changes: A business operates in a changing environment. New situations develop every now and then. A proper system of motivation will help employees in taking up new challenges.

5. Provides Stability:Effective leadership, supervision and motivation will help in the smooth growth of an enterprise. A growing concern will provide stability to its activities.

6. Motivation:Motivation is an important element of direction. Motivation is a factor which encourages persons to give their best performance and help in achieving enterprise goals. A strong positive motivation will enable the increased output of employees. A key element in direction is motivation. It helps in getting willing co-operation of employees. Every organisation makes efforts that its employees contribute maximum for achieving enterprise goals.

7. Supervision: Direction involves giving instructions to employees for undertaking some work. In order to see whether employees are doing the things as per targets or not there is a need for supervision. In supervision all the activities of the employees are controlled and efforts are made to ensure proper achievement of targets. In case the performance is less than the targets then remedial steps are taken for improving the performance. So supervision is an integral part of direction.

8. Co-ordination: Direction will be effective only when there is a proper co-ordination. In direction, different persons are asked to perform specific tasks. In order to see that efforts of every employee are in the direction of achieving organizational goals there is a need to co-ordinate various activities. In the absence of co-ordination every person will go in his own direction without bothering for the enterprise target. When various activities are co-originated then overall enterprise objectives will be easily achieved.

Techniques of Directing:

Directing is an important function carried out by top management. It is the order or instruction to subordinate staff to perform a work or not to perform in a specific way. The techniques of directing are: delegation, supervision, orders and instructions.
(i) Delegation: Delegation is an important mean of directing. The subordinates are assigned tasks and given powers to recruit them. In delegation, a superior assigns some of his work to the subordinates and gives them rights or powers. The subordinates are authorized to undertake the assigned work. Delegation is a means of sharing authority with the subordinates and providing them with an opportunity to learn. Delegation as a means of directing may bring out some problems.

(a) It may be difficult to spell out exact tasks and assignments of the subordinates. There may be some overlapping and uncertainties in job descript ions. The subordinates should learn to adjust them in such situations**.(b)** There may be some contradiction in assignment of task and delegation of authority. **(c)** The subordinates may sometimes act beyond the assigned authority taking it as implied from the superiors. The superiors will have to bear with such situations. **(d)** An indiscriminate delegation may create an imbalance in the organization since every subordinate may not have the same capacity and maturity. **(e)** If the delegation of authority is too rigid then it kills initiative and creativity.

(ii) Supervision: Supervision is a means to oversee the work performed by subordinates. It should be ensured that work is performed as per the plans and guidelines. Every superior has to supervise the work of his subordinates. At operative level supervision is the job of a manager. A supervisor at the lower level remains in touch with the workers. He guides them for doing the work, maintains discipline and work standards and solves the grievances of workers. Supervision at different levels acts as a directing activity.

(iii) Issuing Orders and Instructions: The issuing of orders and instructions is essential to undertake the work for achieving the organizational goals. No manager can get a work done without issuing orders and instructions to subordinates. An order, instruction, directing or command is a means of initiating, modifying or stopping an activity. In the words of Koontz and O'Donnel has a directional technique, an instruction is understood to be a charge (command) by a superior requiring a subordinate to act or refrain from acting in a given circumstance.

According to this definition an instruction is always given by a superior to a subordinate directing to undertake a work in a specified manner or prohibit him from some activity. The orders and instructions are the primary tools of directing by means of which the activities are started, altered, guided and terminated. While issuing an order a manager should be clear in his mind what he wants the subordinates to do or not to do. The clarity of orders will determine the level of performance of subordinates. A good order has the following characteristics:

(a) The order should be clear and easily understood. **(b)** The order should be complete in all respects. It should not create doubts in the minds of subordinates. **(c)** It should be compatible with the objectives of the organisation. **(d)** There should be specific instructions as to the time by which the order should be executed or completed. **(e)** The order should be so conveyed that it stimulates ready acceptance. **(f)** The order should preferably be in writing. **(g)** The order should be conveyed through proper chain of command and it should also contain the reasons for issuing it.

MOTIVATION

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be - *desire for money , success, recognition, job-satisfaction,team work, etc*

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:- *A felt need or drive, A stimulus in which needs have to be aroused, When needs are satisfied, the satisfaction or accomplishment of goals.*

Therefore, we can say that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.

Nature of Motivation:

Motivation is a psychological phenomena which generates within an individual. A person feels the lack of certain needs, to satisfy which he feels working more. The need satisfying ego motivates a person to do better than he normally does. From definitions given earlier the following inferences can be derived:

1. Motivation is an inner feeling which energizes a person to work more. **2.** The emotions or desires of a person prompt him for doing a particular work. **3.** There are unsatisfied needs of a person which disturb his equilibrium. **4.** A person moves to fulfill his unsatisfied needs by conditioning his energies. There are dormant energies in a person which are activated by channelizing them into actions.

Importance of Motivation

Motivation is a very important for an organization because of the following benefits it provides:

Puts human resources into action Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

Improves level of efficiency of employees The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-

a)Increase in productivity, ***b)***Reducing cost of operations, and ***c)***Improving overall efficiency.

Leads to achievement of organizational goals The goals of an enterprise can be achieved only when the following factors take place :-

a)There is best possible utilization of resources, **b)**There is a co-operative work environment,**c)**The employees are goal-directed and they act in a purposive manner, **d)**Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

Builds friendly relationship Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

- Monetary and non-monetary incentives,
- Promotion opportunities for employees,
- Disincentives for inefficient employees.

In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:

- Effective co-operation which brings stability,
- Industrial dispute and unrest in employees will reduce,
- The employees will be adaptable to the changes and there will be no resistance to the change,
- This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,
- This will result in profit maximization through increased productivity.

<u>Leads to stability of work force</u> Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, “Old is gold” which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

From the above discussion, we can say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. We can say that motivation therefore is a continuous process since motivation process is based on needs which are unlimited. The process has to be continued throughout.

We can summarize by saying that motivation is important both to an individual and a business. Motivation is important to an individual as:

- Motivation will help him achieve his personal goals.
- If an individual is motivated, he will have job satisfaction.
- Motivation will help in self-development of individual.
- An individual would always gain by working with a dynamic team.

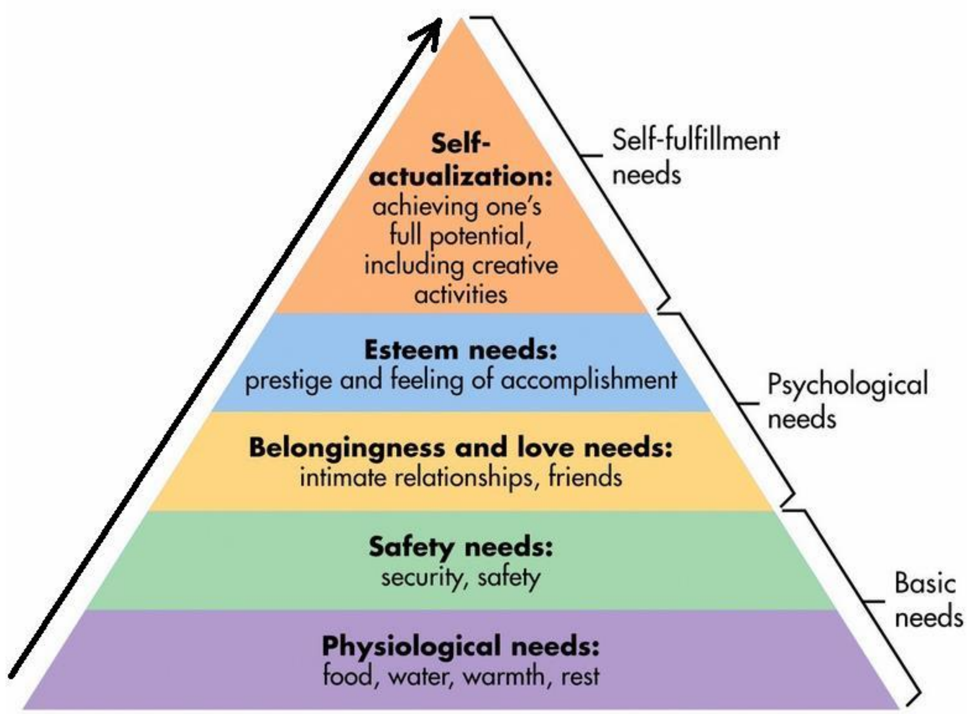
Similarly, motivation is important to a business as:

- The more motivated the employees are, the more empowered the team is.
- The more is the team work and individual employee contribution, more profitable and successful is the business.
- During period of amendments, there will be more adaptability and creativity.
- Motivation will lead to an optimistic and challenging attitude at work place.

Theories of Motivation

a)Maslow's Need Hierarchy Model

Human behavior is goal-directed. Motivation cause goal-directed behaviour. It is through motivation that needs can be handled and tackled purposely. This can be understood by understanding the hierarchy of needs by manager. The needs of individual serves as a driving force in human behaviour. Therefore, a manager must understand the "hierarchy of needs". Maslow has proposed "The Need Hierarchy Model".



The needs have been classified into the following in order:

Maslow saw human needs in the form of a hier-archy ascending from the lowest to the highest and he concluded that when one set of needs is satis-fied, this kind of need ceases to be a motivator.

1. Physiological needs

a. These needs are the basic human needs of an individual for survival, such as food, cloth, shelter and sleep.

b. These needs have the highest strength and intensity. Intensity of these needs keeps changing with time.

c. However, they have to be repeatedly satisfied within relatively short time.

2. Safety and security needs: With their physical needs relatively satisfied, the individual's safety needs take precedence and dominate behaviour. These needs are second in hierarchy. Safety needs manifest themselves in things such as preference for job security, grievance procedures and job safety. Safety and security needs include the following:

a. Personal security **b.** Financial security **c.** Health and well-being **d.** Safety net against accidents/illness

3. Social needs: After physiological and safety needs are fulfilled, the third layer of human needs is social and it involves feelings of belongingness. Social needs add meaning to work life. Social needs are primarily satisfied through family picnics, get together, cultural and sports activities. They form the basis for team spirit in an organization. This aspect of Maslow's hierarchy involves emotionally based relationships, in general, such as the following:

a. Friendship **b.** Intimacy **c.** Family **4.** Ego and esteem needs:

All humans have a need to be respected, to have self-esteem and self- respect. Esteem presents the normal human desire to be accepted and valued by others. Most people have a need for a stable self-respect and self-esteem. Fulfillment of these needs provides a feeling of self-confidence, achievement, self-respect, and usefulness, and their non-fulfillment produces feelings such as inferiority and unhelpfulness. Ego and esteem needs are catered by the organization through promotion policies, providing better status and appreciation.

5. Self-actualization needs: This level of need pertains to what a person's full potential is and real-izing that potential. Maslow describes this desire as the desire to become more and more what one is, to become everything that one is capable of becoming. This is a broad definition of the need for self-actualization, but when applied to individuals the need is specific. Very few people have such needs. An individual may have the strong desire for a challenging job and for higher promotion. For example, Sunil Gavaskar entered into modelling (Dinish Suiting). Organizations can provide employees the challenge and the opportunity to reach their full career potential.

The following are features of need hierarchy theory:

1. Human needs are wide in range and interrelated.

2. Needs are arranged in a hierarchy and the lower-level needs have to be at least partially satisfied before one moves on to the higher-level needs.

3. A need that is satisfied is not a motivator. Only unsatisfied need can motivate persons into action.

4. Every human being wants to move up the need hierarchy. Nobody wants to stop with the satisfac-tion of lower-level needs.

5. Needs are interdependent and are interrelated with each other. A higher-level need arises even before the lower-level need is completely satisfied.

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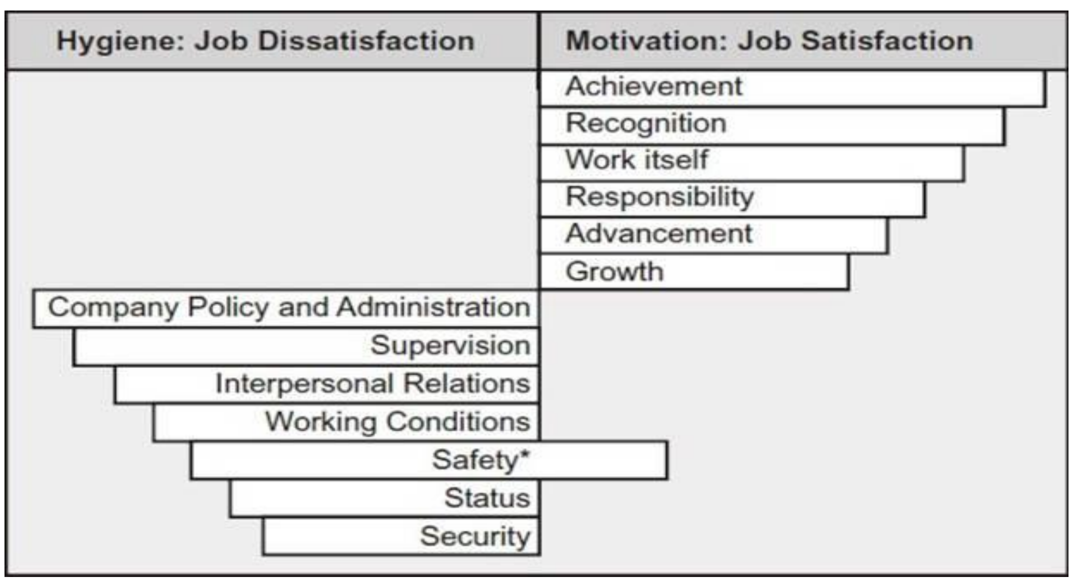
b)Herzberg's Two-Factor Theory of Motivation

In 1959, Frederick Herzberg, a behavioural scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction".

Herzbergs view of satisfaction and dissatisfaction



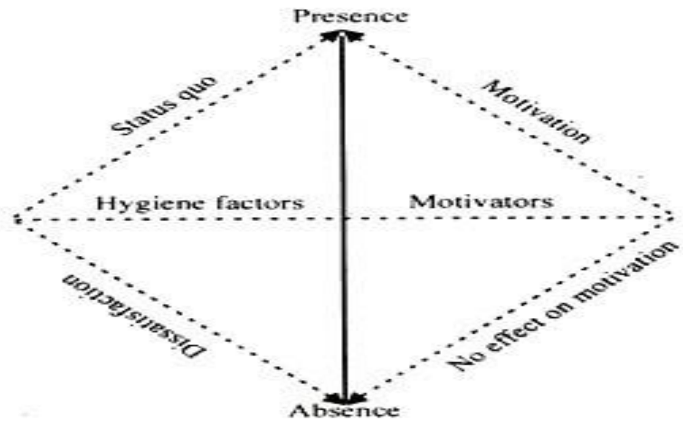
Herzberg classified these job factors into two categories-

<u>Hygiene factors-</u> Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent / if these factors are non-existant at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include:

Pay *- The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.*
Company Policies and administrative *policies - The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.*
Fringe benefits *- The employees should be offered health care plans (mediclaim), benefits for the family members, employee help programmes, etc.*
Physical Working conditions *- The working conditions should be safe, clean and hygienic. The work equipments should be updated and well-maintained.*
Status *- The employees' status within the organization should be familiar and retained.*
Interpersonal relations *- The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present.*
Job Security *- The organization must provide job security to the employees.*

Motivational factors- According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include:

Recognition *- The employees should be praised and recognized for their accomplishments by the managers.*
Sense of achievement - *The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.*
Growth and promotional opportunities *- There must be growth and advancement opportunities in an organization to motivate the employees to perform well.*
Responsibility - *The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.*
Meaningfulness of the work - *The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.*



A bird's eye view of Herzberg's two factor theory

MANAGERIAL CONTROL

An effective organization is one where managers understand how to manage and control. The objective of control as a concept and process is to help motivate and direct employees in their roles. Understanding managerial control process and systems is essential for the long- term effectiveness of an organization. Without enough control systems in place, confusion and chaos can overwhelm an organization. However, if control systems are "choking" an organization, the organization will suffer from erosion of innovation and entrepreneurship.

Concept of Control: The term control has different connotations depending upon the context of the use of the term. In manufacturing it refers to a Device or mechanism installed or instituted to guide or regulates the activities or operation of an apparatus, machine, person, or system; in law it refers to controlling interest and in management as an authority to order and manage the workings and management of an entity.

Control is a management process to aim at achieving defined goals within an established timetable, and comprises of three components: (1) setting standards, (2) measuring actual performance, and (3) taking corrective action.

Characteristics of Control: Following characteristics of control can be identified:

1. Control is a Managerial Process: Management process comprises of five functions, viz., planning, organizing, staffing, directing and controlling. Thus, control is part of the process of management.

2. Control is forward looking: Whatever has happened has happened, and the manager can take corrective action only of the future operations. Past is relevant to suggest what has gone wrong and how to correct the future.

3. Control exists at each level of Organization: Anyone who is a manager, has to involve into control – may be Chairman, Managing Director, CEO, Departmental head, or first line manager.

However, at every level the control will differ – top management would be involved in strategic control, middle management into tactical control and lower level into operational control.

4. Control is a Continuous Process: Controlling is not the last function of management but it is a continuous process. Control is not a one-time activity, but a continuous process. The process of setting the standards needs constant analysis and revision depending upon external forces, plans, and internal performance.

5. Control is closely linked with Planning: Planning and controlling are closely linked. The two are rightly called as 'Siamese twins' of management. "Every objective, every goal, every policy, every procedure and every budget become standard against which actual performance is compared. Planning sets the ship's course and controlling keeps it on course. When the ship begins to veer off the course, the navigator notices it and recommends a new heading designed to return the ship to its proper course. Once control process is over its findings are integrated into planning to prescribe new standards for control.

6. Purpose of Controlling is Goal Oriented and hence Positive: Control is there because without it the business may go off the track. The controlling has positive purpose both for the organization (to make things happen) and individuals (to give up a part of their independence for the attainment of organizational goals).

Process of Control: Following are the steps involved into the process of control:

1. Establish the Standards: Within an organization's overall strategic plan, managers define goals for organizational departments in specific, precise, operational terms that include standards of performance to compare with organizational activities. However, for some of the activities the standards cannot be specific and precise. Standards, against which actual performance will be compared, may be derived from past experience, statistical methods and benchmarking (based upon best industry practices). As far as possible, the standards are developed bilaterally rather than top management deciding unilaterally, keeping in view the organization's goals.

Standards may be tangible (clear, concrete, specific, and generally measurable) – numerical standards, monetary, physical, and time standards; and intangible (relating to human characteristics) – desirable attitudes, high morale, ethics, and cooperation.

2. Measure Actual Performance: Most organizations prepare formal reports of performance measurements both quantitative and qualitative (where quantification is not possible) that the managers review regularly. These measurements should be related to the standards set in the first step of the control process. *For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data. Data can be collected through personal observation (through management by walking around the place where things are happening), statistical reports (made possible by computers), oral reporting (through conferencing, one-to-one meeting, or telephone calls), written reporting (comprehensive and concise, accounting* *information – normally a combination of all. To be of use, the information flow should be regular and timely.*

3. Compare Performance with the Standards: This step compares actual activities to performance standards. When managers read computer reports or walk through their plants, they identify whether actual performance meets, exceeds, or falls short of standards. Typically, performance reports simplify such comparison by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance—that is, the difference between each actual amount and the associated standard.

The manager must know of the standard permitted variation (both positive and negative). Management by exception is most appropriate and practical to keep insignificant deviations away. Timetable for the comparison depends upon many factors including importance and complexity attached with importance and complexity.

4. Take Corrective Action and Reinforcement of Successes: When performance deviates from standards, managers must determine what changes, if any, are necessary and how to apply them. In the productivity and quality-centered environment, workers and managers are often empowered to evaluate their own work. After the evaluator determines the cause or causes of deviation, he or she can take the fourth step— corrective action. The corrective action may be to maintain status quo (reinforcing successes), correcting the deviation, or changing standards. The most effective course may be prescribed by policies or may be best left up to employees' judgment and initiative. The corrective action may be immediate or basic (modifying the standards themselves).

Importance of Control:

1. Guides the Management in Achieving Pre-determined Goals: The continuous flow of information about projects keeps the long range of planning on the right track. It helps in taking corrective actions in future if the performance is not up to the mark.

2. Ensures Effective Use of Scarce and Valuable Resources: The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest. Controls put psychological pressure on persons in the organization. On the other hand control also enables management to decide whether employees are doing right things.

3. Facilitates Coordination: Control helps in coordination of activities through unity of action. Every manager will try to coordinate the activities of his subordinates in order to achieve departmental goals. Similarly the chief executive also coordinates the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are coordinated.

4. Leads to Delegation and Decentralization of Authority: A decision about follow-up action is also facilitated. Control makes delegation easier/better. Decentralization of authority is necessary in big enterprises. The management cannot delegate authority without ensuring proper control. The targets or goals of various departments are used as a control technique. Various control techniques like budgeting, cost control; pre action approvals etc. allow decentralization without losing control over activities.

5. Spares Top Management to Concentrate on Policy Making: For control processes management's attention is not required every now and then. The management by exception enables top management to concentrate on policy formulation.

Why do people Oppose Control?

Many people are averse to the concept of control for the following reasons:

(i) New, more "organic" forms of organizations (self-organizing organizations, self- managed teams, network organizations, etc.) allow organizations to be more responsive and adaptable in today's rapidly changing world. These forms also cultivate empowerment among employees, much more than the hierarchical, rigidly structured organizations of the past.

(ii) Many people assert that as the nature of organizations has changed so must the nature of management control. Some people go so far as to claim that management shouldn't exercise any form of control whatsoever. They claim that management should exist to support employee's efforts to be fully productive members of organizations and communities – therefore, any form of control is completely counterproductive to management and employees.

(iii) Some people even react strongly against the phrase "management control". The word itself has a negative connotation, e.g., it can sound dominating, coercive and heavy-handed. It seems that writers of management literature now prefer use of the term "coordinating" rather than "controlling".

(iv) People also oppose controls as they are thought of decreasing autonomy, stifling creativity, threatening security, and perpetuating oppression. This may lead to change in expertise and power structure, and social structure in the organisation.

Types of Control: Controls can be numerous in kind. These may be classified on the basis of (a) timing, (b) designing systems, (c) management levels, and (d) Responsibility

<u>On the basis of timing:</u>

Control can focus on events before, during, or after a process. For example, a local automobile dealer can focus on activities before, during, or after sales of new cars. Such controls may be respectively called as Preventive, Detective, and Corrective.

On this basis the control may be:

(i) Feed forward Control (ii) Concurrent Control (iii) Feedback Control

1. Feed forward Control: The objective of feed forward control or preliminary control is to anticipate the likely problems and to exercise control even before the activity has started or problem has occurred or been reported. It is future directed. This kind of control is very popular in airlines. They go in for preventive maintenance activities to detect and prevent structural damage, which may result in disaster. These controls are evident in the selection and hiring of new employees. It helps in taking action beforehand. In case of feedback control, one relies on historical data, which will come after the activity has been performed. This means information is late and the rectification is not possible. One can make correction only for future activities.That means whatever wrong has been done is done, and it cannot be undone. Though, future-directed control is largely disregarded in practice, because managers have been excessively dependent on accounting and statistical data for the purpose of control. In the absence of any means of looking forward, reference to history is considered better than no reference at all.

However, the concept of feed forwarding has been applied now and then. One common way managers have practised it is through careful and repeated forecasts using the latest available information, comparing what is desired with the forecasts, and introducing program changes so that forecasts can be made more promising.

2. Concurrent Control: Concurrent control monitors ongoing employee activity to ensure consistency with quality standards takes place while an activity is on or in progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organizational standards.The technique of direct supervision is the best-known form of concurrent control. Concurrent control is designed to ensure that employees' activities produce the correct results and to correct the problems, if any, before they become costly. In case of computer typing, if the spelling is wrong or construction is incorrect, the programme immediately alerts the user. Many manufacturing operations include devices that measure whether the items being produced meet quality standards. Since concurrent control involves regulating ongoing tasks, it requires a complete understanding of the specific tasks involved and their relationship to the desired and product.

Concurrent control sometimes is called steering, screening or yes-no control, because it often involves checkpoints at which decisions are made about whether to continue progress, take corrective action, or stop work altogether on products or services.

3. Feedback Control:The control takes place after the job is over. Corrective action is taken after analysing variances with the planned standards at the end of the activity. It is also known as 'post action control', because feedback control is exercised after the event has taken place.

Such control is used when feed forward or concurrent is not possible or very costly; or when exact processes involved in performing a work is difficult to specify in advance.The twin advantages of feedback control are that meaningful information is received with regard to planning efforts, and feedback control enhances employee motivation.

On the basis of designing Control Systems:

Three approaches may be followed while designing control systems, viz., Market Control, Bureaucratic Control, and Clan Control. However, most organisations do not depend only on just one of them.

1. Market Control: Control is based upon market mechanisms of competitive activities in terms of price and market share. Different divisions are converted into profit centres and their performance is evaluated by segmental top line (turnover), bottom line (profit) and the market share. Using market control will mean that the managers in future will allocate resources or create departments or other activities in line with the market forces.

2. Bureaucratic Control: Bureaucratic control focuses on authority, rule and regulations, procedures and policies. Most of the public sector units in India go in for bureaucratic control. If they do not go by the rulebook, the legislative committees and the ministries under whom they work will reprimand them. In a hospital no medicine can be used unless the prescription is there and it is recorded in the issue register, even if the patient may die in between

3. Clan Control: The control systems are designed in a way that give way to shared vision, shared values, norms, traditions and beliefs, etc., part of the organisational culture. It is not based upon hierarchical mechanisms, but work-related and performance measures. This kind of control is most suitable for the organisations which use team style of work groups and where technology changes very fast.

On the basis of Levels:

People at different level have different planning responsibilities, so do they undertake controlling. On the basis of levels controls, can be categorised as Operational, Structural, Tactical, and Strategic.

1. Operational Control: Its focus remains upon the processes used by the organisation for transforming the inputs (resources) into outputs (products/services). Operational controls are used at the lower management. It is exercised almost every day. Quality control, financial controls are part of operational controls.

2. Structural Control: Are the different elements of organisation structure serving their intended aims? Is there overstaffing? Is the ratio of staff to line increasing? Necessary action is to be undertaken. Two important forms of structural control can be bureaucratic control and clan control, about which we have already talked. Structural control is exercised by top and middle management.

3. Tactical Control: Since tactical control deals with the departmental objectives, the controls are largely exercised by middle management levels.

4. Strategic Control: Strategic controls are early warning systems. Strategic control is the process to determine whether the effectiveness of a corporate, business and functional strategies are successful in helping organisations to meet its goals. Strategic controls are exercised by top level management.

On the basis of Responsibility:

Who has the responsibility of controlling? The responsibility may rest with the person executing the things or with the supervisor or manager. This way control may be internal and external. Internal control permits highly motivated people to exercise self-discipline. External control means that the thread of control is in the hands of supervisor or manager and control is exercised through formal systems.

Requirements of Effective Control System:

A control system is not an automatic phenomenon but deliberately created. Though different organisations may design their control systems according to their unique and special characteristics or conditions, yet in designing a good and effective control system the following basic requirements must be kept in view:

1. Focus on Objectives and Needs: The effective control system should emphasise on attainment of organizational objectives. It should function in harmony with the needs of the enterprise. For example, the personnel department may use feed forward control for recruiting a new employee, and concurrent control for training.At the shop level, control has to be easy, but more sophisticated and broad ranging controls may be developed for higher level managers. Thus, controls should be tailored to plans and positions.

2. Immediate Warning and Timely Action: Rapid reporting of variations is at the core of control. An ideal control system could detect, not create bottlenecks and report significant deviation as promptly as possible so that necessary corrective action may be taken well in time. This needs an efficient system of appraisal and timely flow of information.

3. Indicative, Suggestive as well as corrective: Controls should not only be able to point to the deviations, but they should also suggest corrective action that is supposed to check the recurrence of variations or problems in future. Control is justified only if indicated or experienced deviations from plans are corrected through appropriate planning, organizing, staffing and directing. Control should also lead to making valuable forecasts to the managers so that they become aware of the problems likely to confront them in the future.

4. Understandable, Objective, and Economical: Controls should be simple and easy to understand, standards of performance are quantified to appear unbiased, and specific tools and techniques should be comprehensive, understandable, and economical for the managers. They must know all the details and critical points in the control device as well as its usefulness. If developed and complex statistical and mathematical techniques are adopted, then proper training has to be imparted to managers.

Standards should be determined based on facts and participation. Effective control systems must answer questions such as, “How much does it cost?” “What will it save?” or “What are the returns on the investment?” The benefits of controls should outweigh the costs. Expensive and elaborate control systems will not suit, for example to small enterprise.

5. Focus on Functions and Factors: Control should emphasise the functions, such as production, marketing, finance, human resources, etc and focus on four factors – quality, quantity, timely use and costs. Not one, but multiple controls should be adopted.

6. Strategic Points Control: Control should be selective and concentrate on key result areas of the company. Every detail or thing cannot and is not to be controlled in order to save time, cost and effort. Certain strategic, critical or vital points must be identified along with the expectations at those points where failures cannot be tolerated and appropriate control devices should be designed and imposed at those stages.

Controls are applied where failure cannot be tolerated or where costs cannot exceed a certain amount. The critical points include all the areas of an organization’s operations that directly affect the success of its key operations.

7. Flexibility: Control must not become ends in themselves. It must be environment friendly and be able to make modifications or revisions necessitated by the rapidly changing and complex business environment. Flexibility in control system is generally achieved by the use of alternative plans or flexible budgets.

8. Attention to Human Factor: Excess control causes corruption. It should not arouse negative reactions but positive feelings among people through focus on work, not on people. The aim of control should be to create self-control and creativity among members through enmeshing it in the organisational culture. Employee involvement in the design of controls can increase acceptance.

9. Suitability: Controls have to be consistent with the organization structure, where the responsibility for action lies, position, competence, and needs of the individuals who have to interpret the control measures and exercise control. The higher the quality of managers and their subordinates, the less will be the need for indirect controls.

Control Techniques: Many techniques have been developed to control the activities in management. The list is very long, and it is difficult to describe them all. Some of the important techniques are:

Financial Control:

Finance is related with mobilization of funds and their utilization and the return on them. Financial control is exercised through the following:

1. Financial Statements: Income statement (telling about expenses, segmental incomes, overall income and expenses, and the net profit/loss), and Balance Sheet (shows the net worth at a single point of time and the extent to which the debt or equity finance the assets)

2. Financial Audits:Financial audits, either internal or external are conducted to ensure that the financial management is done in line with the generally accepted policies, procedures, laws, and ethical guidelines. Audits may be internal (by Organisation's own staff), external (statutory audit by chartered accountants), and management audit (by experts).

3. Ratio Analysis: Ratio analysis monitors liquidity, profitability, debt, and activity related aspects.

4. Budgetary Controls: Budgetary control is the process of constructing budgets, comparing actual performance with the budget one and revising budgets or activities in the light of changed conditions. Budgetary control is as such not related only to finance area, but all functional areas do take help of budgetary control. Budgets help not only in planning but also help to keep a tab on overall spending.

Budgeting may be top-down (managers prepare the budget and ask subordinates to use); bottom-up (figures come from lower levels and adjusted at upper levels); zero-based (justifying allocation of funds on the basis of activities or goals); and flexible budgeting (varying standards and varying allocations).

5. Break-even Analysis: It is a tool of profit planning and deals with cost-volume-profit relationships.

6. Accounting: Accounting includes responsibility accounting, cost accounting, standard cost approach, direct costing, and marginal costing.

Marketing Control:

In the field of marketing, to see that customer gets right product at the right price at the right place and through right communication, the control is exercised through the following:

Market Research: It is to assess customers' needs, expectations and the delivery; and the competitive scenario.

Test Marketing:To assess consumer acceptance of a new product, a small-scale marketing is done. HUL uses Chennai for most of its test marketing.

Marketing Statistics: Marketing managers control through marketing ratios and other statistics.

Human resource control:

Human resource control is required to have a check on the quality of new personnel and also to monitor performances of existing employees so as to determine firm's overall effectiveness. Goal setting, instituting policies and procedures to guide them are to help them. Common controls include performance appraisals, disciplinary programmes, observations, and development assessments.

Information Control:

All organizations have confidential and sensitive information to be kept secret. How to control access to computer databases is very important. This has become a key contemporary issue in control. Organizations keep a watch on employee's computer usage in general and internet in particular.

Production Control:

To ensure quality production in right quantity at right time economically production controls are required. Two of the important techniques include: Inventory control (ABC Analysis, Economic Order Quantity, Just-in time inventory control), and quality control (through inspection, statistical quality control).

Project Control:

Network analysis is most suitable for the projects which are not routine in minimizing cost and completing project well in time. Network analysis makes use of two techniques – Programme Evaluation and Review Technique (PERT), and Critical Path Method (CPM).

Essentials of an Effective and Efficient Control System

Some of the essentials are: 1. Simplicity 2. Objectivity 3. Promptness 4. Economy 5. Flexibility 6. Accuracy 7. Suitability 8. Forward-looking Nature 9. Focus on Strategic Points 10. Motivating and Others.

1. Simplicity: A good control system must be simple and easily understandable so that all the managers can apply it effectively. Complicated control techniques fail to communicate the meaning of control data to the managers.

2. Objectivity: The standards of performance should be objective and specific, quantified and verifiable. They should be based on the facts so that control is acceptable and workable.

3. Promptness: The control system should provide information soon enough so that the managers can detect and report the deviations promptly and necessary corrective actions may be taken in proper time. Corrective measures are of no value if those are taken too late.

4. Economy: The control system must justify the expenses involved. In other words, anticipated earnings from it should be greater than the expected costs in its working. A small organisation cannot use the expensive control technique applied in large enterprises.

5. Flexibility: Internal goals and strategies must be responsive to the changes in the environment and the control system should be flexible enough to adapt the changing conditions or unforeseen situations. It should be adaptable to the new developments. Flexibility in control system can be introduced by making alternative plans.

6. Accuracy: The control system should encourage accurate information in order to detect deviations. The technique of control used should be appropriate to the work being controlled.

7. Suitability: Control must reflect the needs and nature of the activities of the organisation, The control system should focus on achieving the organisational goals.

8. Forward-looking Nature: The control system must be directed towards the future. It must pay attention on how the future actions can be conformed with the plans adopted.

9. Focus on Strategic Points: The control system should focus attention on strategic or critical deviations. Only exceptional deviations require the attention of the managers.

10. Motivating: A good control system should pay due attention to the human factor, It should be designed to secure positive action from the workers. Self-control tends to be motivated. Direct contact between the controller and the controlled also helps in making the control system motivational.

11. Reflection of Organisation Pattern: Control must reflect organisation pattern. Since the events are controlled through people, it is essential that controls must conform to the organisation pattern. The control process should be acceptable on the psychological front.

12. Corrective Action: Control system must ensure corrective actions. An adequate control technique should not only detect the deviations and failures, but should also disclose where they are occurring; who is responsible for them; and what should be done to correct them.

Need of Controlling for all Organisations

Controlling, in simple words, checks for mistakes and informs an organisation about current and new challenges. Controlling is important for all organisations and explained in following points:

1. Accomplishing Organisational Goals: One of the most significant steps in controlling involves determining possible deviations caused when the actual operations under perform vis-a-vis desired performance levels. In this way, controlling identifies shortcomings or drawbacks of plans, which determine the difference between actual and desired performance levels and suggests means and approaches to improve them in the future. The changes in plans attempt to turn back to activities in an organisation leading to achieving their goals and objectives.

2. Judging Accuracy of Standards: Corrective actions mean the process of identi-fying and eliminating the causes of problems or possible variations thus preventing its recurrence. As mentioned earlier, controlling can lead to changes in plans for an organisation. Accordingly, controlling ensures that deviations leading to errors and mistakes are not repeated in the future.*For example, in December 2014, Maruti Suzuki recalled 3,796 Ciaz Sedans (premium cars) for suspected fault with the clutch operation system (NDTV, 2014). The inspection and replacement was done by the company free of cost for their customers. This way the company made corrective actions by identifying the errors and rectifying them by recalling their cars from their customers*.

3. Facilitating Coordination in Action: Controlling ensures that everything works in accordance to the plans set in an organisation. It focuses on building equilibrium between efforts and desired results or output. Controlling involves creating efficient inter-relationships between activities and superior/subordinates through coordination. All departments or business units are controlled according to predetermined standards such that all subordinates/employees work together to reach common organisational goals.

4. Decision-Making: Controlling process is complete when decisions on corrective actions are undertaken. These decisions are directed towards making improvements or adjustments, which are consistent with organisation's mission and goals.

5. Improving Employee Motivation: Controlling makes superiors/supervisors to continuously monitor, supervise and motivate their employees during work. They set the standards for their employees and cross-check through performance appraisals whether the employees have been able to meet them and advise them to perform effectively.

6. Ensuring Order and Discipline: Controlling encourages distribution of powers from the superiors at the top management level to the subordinates at the middle-level who act as a link between top management and employees at the bottom level management. Such decentralisation of powers or authority also ensures a close-check on the activities in an organisation leading to order, discipline and prevention of fraudulent means among the employees.

7. Efficient Use of Resources: Controlling enables efficient use of human and physical resources by avoiding possible delays, wastage or spoilage. Controlling involves cross-checks and discipline across every level and activities of an organisation leading to efficient utilisation of resources causing effective performance, minimum wastage or spoilage.